

CHAPTER 6

Thailand's Land Titling Program: Securing Land for the Poor?

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The World Bank's land titling program in Thailand was one of the largest land titling programs in the world. The Bank has praised itself in several of its own reports¹ for what it sees as the success of the program, which has subsequently served as model for Bank programs in other countries in the region (for example, in Indonesia, Lao PDR, and the Philippines) and around the world. We will examine the scope of this program's success, with emphasis on its impact on poverty in northern Thailand.

Access to Land for the Poorest Rural Communities

Access to land is fundamental to the livelihoods of poor communities in rural areas. Land continues to be a means of providing subsistence needs as well as income generation. Holding land enables family labor to be put to productive use and provides a safety net for family members who work in temporary or insecure employment elsewhere. This scenario was particularly evident in Thailand during an economic collapse in 1997, when the sudden threefold rise in urban unemployment was mitigated by the absorption of labor by rural areas. Agriculture is still an important sector of the Thai economy employing approximately 54 percent of the workforce (out of a total workforce of 33.4 million people).² The poorest sectors of Thai society are households in rural areas without land or with very meager land assets (that is, with limited areas and poor-quality soils). Thailand's Office of Agricultural Economics estimated in 1995 that the income of the population working in agriculture was approximately fifteen times lower than the income of the population outside the

TABLE 6.1 Distribution of landholding in Thailand

<i>Region</i>	<i>Farming households</i>				<i>Total</i>
	Without land	Less than 0.8 hectares	0.8–1.6 hectares	Over 1.6 hectares	
North	181,125	290,695	275,248	866,602	1,613,670
Northeast	107,556	116,910	202,089	1,821,566	2,255,124
Central	168,992	74,694	79,295	780,537	1,073,518
South	27,146	83,497	91,428	439,436	641,507
TOTAL	454,819	565,799	658,060	3,908,141	5,586,819

agricultural sector. It was also found that the national average household income in 1999 was 12,729 Baht (US\$318) per month, whereas the average income for farming households was no higher than 1,000 Baht (US\$24) per month (Office of Agricultural Economics 1999 in Bamford 2000). Land also continues to provide important social functions such as identification with family roots and cultural and community identity.

The Land Institute Foundation, an independent Thai research organization, has estimated that over 30 percent of the 5.5 million households in the agricultural sector have insufficient land from which to derive a livelihood. In the northern region, this is considered to be less than 10 rai (6.25 rai = 1 hectare) or about 1.6 hectares (see table 6.1). The number of people without land has increased in recent decades, not only due to population increase but to a range of other factors. These include the somewhat artificial classification, in the 1960s, of 50 percent of the country as national state forest, an estimate that included areas that had been used for agriculture prior to classification. Large areas of agricultural land have also been bought up or kept out of production. This was particularly evident during the high economic growth years of the late 1980s and early 1990s, when investors began to acquire land on a massive scale, speculating on rising land prices. The Land Institute Foundation has estimated that the annual economic cost of underutilized land (including that in urban areas) to the country is approximately 127.4 million Baht (approximately US\$3 billion) (Land Institute Foundation 2000).

Much of this land was used by landlords as collateral to borrow huge sums that were never repaid. Figures from the Bank of Thailand reveal that the total value of nonperforming loans (NPLs) could be as high as 2.92 trillion Baht (approximately US\$68 billion) over the period 1997–2000. The majority of

these loans were in the real estate sector (Land Institute Foundation 2000, 6–31). As a reaction to the unfolding economic crisis in 1997, the Thai government was compelled to bail out creditors holding bad debt (especially that owed in foreign currency) under the conditions of emergency IMF loans. Thus the costs of imprudent private lending were transferred onto taxpayers throughout the country.

The World Bank's Land Titling Program in Thailand

The land titling program originated in the early 1980s, in discussions between the Thai government and the agricultural sector of the World Bank about a structural adjustment loan. The program was divided into four aims or phases: (1) “to accelerate the issuance of title deeds to eligible landholders”; (2) “to improve the effectiveness of land administration, both in Bangkok and in the provinces”; (3) “to produce base maps and cadastral maps in both urban and rural areas on one homogeneous mapping system, and showing all land parcels”; and (4) “to improve the efficiency of the Central Valuation Authority.” Authorized by the government on September 22, 1994, the objectives of phase three were adjusted to “provide secure land tenure to eligible landowners,” “develop long term sustainability of the Department of Lands’ (DoL) institutional capacity,” “improve land administration service delivery,” and “develop an effective national property valuation function.” Phase four of the program is yet to begin implementation.³

Overall, US\$183.1 million was loaned by the World Bank to cover the three initial phases of the project. To date, 8.7 million land titles have been issued. This is a substantial number, despite being less than the number of titles targeted by the program. However, as will be demonstrated, this figure can be misleading and should not be taken as evidence that 8.7 million farmers have benefited. Notably, the program did not set targets for the number of beneficiaries.

Essentially, the program was aimed at the acceleration of the land titling process. Thailand's land code of 1954 required individuals to present at the very least an occupancy certificate (*Bai Yeub Yam*) to acquire a land title deed. The land titling program amended the land code to remove this requirement and quicken the official process to approve land title deeds. “The DoL was hard pressed to meet the demand for land records in the form of land use certificates, title deeds and property maps. . . . [At] the rate in which title deeds had been produced since DoL was established in 1901, and with current

resources, the DoL would take 200 years to complete the registration of rights in land throughout Thailand. Even with a proposal to expedite the surveying and mapping in support of land registration, the time estimate was still 85 years.” (Rattanabirabongse et al. 1998).

As the titling process was not simply a matter of clarification of land rights, but a platform for the establishment of a land market, it was regarded as important that a uniform register providing complete coverage be established. “The purpose of a land registry is to provide an authoritative record of the status of landownership. It is therefore essential that this institution be complete and define unambiguously the status of individual parcels. The ensuing desire to establish a unified framework that covers both rural and urban areas has been a main reason for most of the Bank’s land administration projects to adopt programmatic approaches that would accomplish the overall objective in phases.” (World Bank, n.d., 11). Given the perceived urgency to achieve complete coverage, changes were made to the national code in order to make the titling process easier. Thus, the land code was modified to allow the NS₃K (*Nor Sor Saam Kor*) certificates of use to be upgraded to full title deed NS₄ (*Nor Sor Sii*) on request, without a field survey. The land code also allows full land title to be issued when there are no documents of occupancy or land claim reservation certificates.

While applicants should have had possession of the land prior to the time the code came into force, minimal proof to support such a claim is required by local Department of Lands officials. Most official project documents highlight the safeguards designed into the survey and titling process, such as thirty-day prior and subsequent notice posted at the house of the village head, as well as at various relevant land offices. Another change to the law involved the replacement of the provincial governor as the authorizing officer on title deeds with the provincial land officer or branch office head. According to an internal review of the program, this change in the law was a “bold step perhaps, but necessary to complete the project in twenty years” (Rattanabirabongse et al. 1998). However, by allowing for faster processing of land titling applications, the authorities provided an ideal opportunity for investors and state officials to abuse the system, particularly during the high economic growth period.

Important Omissions in the Land Titling Program

While aimed at increasing land tenure security for existing landholders, the land titling program did not attempt to address two critical issues of impor-

tance to low-income farming groups in Thailand. The first was the issue of forest tenure. The Thai land titling program dealt exclusively with “nonforest lands.” This is because all lands designated as forest are considered to be state property, whether or not communities have been living and farming in those areas for several generations. The state was ostensibly reluctant to offer secure rights for fear of legalizing forest destruction. Consequently, some of the poorest farming groups in the country, including Thai farmers and ethnic minority groups who occupy forests, especially in the highland areas, have been left in a precarious legal position.⁴ They continue to be threatened with eviction or forced restriction of their agricultural practices, and are harassed by officials. This prolongs the opportunity for politicians to cast ethnic minorities as scapegoats for all manner of national problems. The land titling program did not seize the chance to regularize the land rights of this large group of people, many of whom have occupied their village lands for hundreds of years.

A second important omission was that no provision was made in the planning or preparation of the project for the recognition or registration of rights to village commons, or common property resources. The land titling program was aimed at the registration of existing land rights in order to give them validity under the national legal framework. However, the only registration option available was that of individual rights. While, in theory, local tenure systems that recognize common rights to community resources could continue to exist extralegally as before, the legalization of individual rights alone allows for the possibility that common rights lose their legitimacy, leading to the breakup of community-based resource management systems. It was foreseeable that some, if not all, common lands would be appropriated under individual claims. Without protection from misappropriation, this possibility was acted on by both powerful insiders and outsiders to the community. As the case studies from Lamphun province in the following section illustrate, many false claims of individual ownership of commonly held land were made with minimal notice to local communities and with little bureaucratic difficulty.

Impacts of the Land Titling Program

The evaluations of the World Bank program summarize the positive impact of the program as follows. There has been a substantial increase in the price of land (127 percent), vastly increased access to institutional credit (132 percent), increased use of purchased farm inputs (117 percent), increased yields

in newly titled areas, and an increase in the areas used for farming, when compared with such activity in areas that had not yet been titled under the program. High fiscal benefits for the Department of Lands were also considered significant. The experiences of farmers in Baan Hong district, Lamphun province, in Northern Thailand provide a different perspective, however.

Background of the Land Issue in the Baan Hong District

In the Baan Hong district, seven villages and adjoining farmland were established at the boundaries of an area of 15,000 rai (2,400 hectares) of common land. Access to these community lands had been governed under local tenure arrangements until the introduction in the 1960s of a land allocation program, which attempted to distribute certificates to parcels of land on the basis of a grid map, irrespective of any existing use of this area, of the suitability of each parcel for agriculture, or of the proximity of the parcels to a beneficiary's other lands. The plots were identified only by numbers on a map, so few families were absolutely sure where they were allowed to farm. Sometimes, villagers were allocated land that was not suitable for farming, so they moved elsewhere. In practice, available land was put to use by the farmers, but often not in accordance with the papers that were issued to them.

As a result of the confusion, the creation of competing official claims to land, and the impracticality of access, few farmers could actually use the land officially allocated to them though they retained the *bai jong* (certificate). In the 1970s, the Department of Lands, in an attempt to resolve the disputes, created another map, which confused the matter even further. Recognizing the procedural mistakes made earlier, the government, in one administrative stroke in the mid-1980s, revoked all certificates issued during the allocation program, with the intention of reregistering the land rights at a later stage. As a result, in the 1980s, few formal claims to this land were recognized, and there was a need for clarification of land rights in the area. Unfortunately, however, the land titling program did not present the local farmers with the opportunity to secure title to these lands, as the disenfranchised local farmers were not involved when the project officers came to issue title.

Misappropriation of Land in Baan Hong District

As the economy grew in the late 1980s and early 1990s, financiers began looking for secure long-term investments for their accumulating capital and found that buying up rural land areas was an ideal investment. Such land could be acquired cheaply and issued with title, with the likelihood, in the pre-

vailing economic climate, that it would swiftly rise in value. In Lamphun province, titles for extensive areas of land were issued during the height of the economic growth period of 1990–1993 without the knowledge of local communities, which became aware of the alienation of their community lands only when fences started appearing in the fields. The entire 15,000 rai in Baan Hong district, described above, land that had previously been held in common by local communities and that was supposed to be allocated to local people, had been sold; it is now titled under the names of nonresident companies and wealthy individuals from outside the community.

Local farmers have vigorously challenged the legality of the title deeds. Villagers state that no notice was given, either posted in the village or announced over the village loudspeaker, of the intention to survey the area and issue title. Research into the title deeds shows that many were issued on the basis of incomplete survey information, sometimes under false names, and from nonexistent or long-dead sellers (in at least one case, the space for the name and address of the seller was blank). In this manner, villagers in Baan Hong have been prohibited from using their community land, around which fences were constructed in approximately 1990.

Seeing such fences and boundary markers appearing in the lands they had traditionally claimed for village use, people from Sritia village rose up in protest at the illegal transfer of this land to outsiders. A youth leader involved in the protests was shot and killed by unknown gunmen. Continued protests by farmers eventually led to the establishment of a joint government and community representative investigation committee in 1997, to look into the acquisition of land in state land areas around the country.⁵ Despite findings that such transfers were illegal, official action has yet to be taken to revoke the deeds. The majority of plots in the Baan Hong area were left abandoned, possibly kept fallow to allow for quick sales when the time and price was right, or perhaps simply because it was not a priority for the titleholders. By 1997, the entire area had been mortgaged and, during the financial crisis at that time, duly became non-performing loans. Local communities, themselves facing hardship during the economic depression, continued to be excluded from the land.

Land Reform by Communities

Understandably perhaps, villagers have not been very impressed by the various processes which were intended to secure their land rights over the past decades. It has taken a substantial amount of research on the part of non-

TABLE 6.2 Participation in land occupation, Lamphun province

<i>Year</i>	<i>Village, District</i>	<i>Area (râi)</i>	<i>No of Families</i>
1975	Wlang-Laopongseu, Wlangnonglong	800	136
1997	Paetal, Wlangnonglong	600	99
1997	Taluk, Wlangnonglong	700	160
1997	Tachang-nonglong, Wlangnonglong	100	50
1997	Nongklad, Baan Hong	1,700	81
1996	Sritia, Baan Hong	3,000	560
2000	Takoamuang, Baan Hong	1,000	111
2000	Nongsoon, Baan Hong	1,300	215
2000	Lalkeaw, Baan Hong	120	58
2000	Raldong, Baan Hong	426	282
2002	Dongkiek, Pasang	1,000	160
2002	Sanpahak, Pasang	55	64
2002	Pongroo, Pasang	303	150
2002	Nakornchedl, Pasang	204	143
2002	Sanhangseu, Pasang	330	275
2002	Ralkoaka, Pasang	170	98
2002	Prabat, Pasang	300	247
TOTAL		12,108	2,889

governmental groups and lawyers to identify the current official owners of specific plots of land. Many deeds had passed through several hands in the early 1990s, increasing in value upon every transfer. In some cases, it has seemed that the transfers have been deliberately obscured, with properties returning to their original owners after seven or eight transactions (though now registered in the name of a company rather than an individual). In frustration at the lack of action by local officials to recover the land, local people began to organize themselves and take the matter into their own hands. In 1997, villagers in WlangNongLong and Baan Hong districts took the decision to occupy lands that had been left abandoned for several years. Neighboring communities, similarly desperate for land for subsistence, followed suit, and

cases of land occupation increased throughout the province and elsewhere. As of 2002, a total of 3,798 families had joined the land occupation movement, putting over 14,305 rai (about 2,150 hectares) of abandoned land to agricultural use in twenty-three areas of Lamphun, Chiang Mai, and Chiang Rai provinces (see table 6.2 for indicative data for Lamphun province).

Until that year, local authorities had, by and large, tolerated the land occupations in areas throughout Lamphun province, taking no action against the farmers who had by now established fruit orchards, prepared and cultivated the fields, and set up huts and shelters and access tracks among the fields. However, in January 2002, police authorities began issuing arrest warrants for farmers on charges of encroachment onto titled land. On April 23, 2002, a resolution by the Council of Ministers effectively gave the police the green light to begin arresting occupation leaders—often deploying hundreds of officers to arrest one or two people in a village. Many of the arrested farmers were initially denied bail and underwent prolonged imprisonment prior to being brought to court. Due to the way in which the police had filed the charges, sums for bail at first exceeded several million Baht for each farmer. After appeal to the courts, bail was set at more reasonable sums, which were secured by the personal guarantees of sympathetic senators and others. An agreement was finally reached between the farmers' groups and the state to desist from imprisoning any more farmers. Seventy-four farmers and one NGO worker were subject for trial.

Land Concentration under the Land Titling Program

The cases highlighted above point to the resistance in northern Thailand by community groups to the transfer of lands outside their community, and the keenly felt imperative to put abandoned land to use where there is widespread indebtedness and poverty in the neighboring areas. In both cases, the land was transferred illegally. The revocation of the titles that were illegally issued in Lamphun province and elsewhere around the country would allow the restoration of lands to their rightful owners, relieve the tensions between farmers and the government, and go a long way toward remedying significant problems brought about during the implementation of the World Bank's land titling program. However, corruption is not the only way in which villagers may lose their land. The land titling program was established to set in place a framework for a "free market in land" to begin functioning optimally. Within this framework, land is deliberately decoupled from local histories, social norms, responsibilities,

and other noneconomic factors so that individuals throughout the country might acquire land at an open market price. Accordingly, if incomers are unconcerned with the local community, so be it. From the point of view of policy, this cost is balanced by the benefit that price competition should ensure an incentive to make the most profitable use of the land.

As was seen in the cases in Lamphun province, however, the most profitable use is not necessarily the most productive. In the right conditions, high profits can be made by simply biding time and speculating on rising prices, without a single crop being produced, building being built, or business being managed on the premises. In practice, the greater access to information and extra bargaining power of wealthier and politically more influential people favors the accumulation and concentration of land by large landholders. While the land code appears to favor small landholding by placing a basic limit of landholding at 50 rai (8 hectares) per title deed (exceptions to this limit are allowed at the provincial governor's discretion), there is no legal restriction on the number of title deeds a landowner can hold. Initial studies into the accumulation of land in Lamphun province show that in NongPlaSawai subdistrict just seven companies or individuals have acquired a total of 4,786 rai (765 hectares).

Investigating the existing data on land concentration is a very time-consuming task in Thailand, and it is made even more difficult when officials prohibit access to information by the public, as discovered by the community land reform movement in Lamphun province. A detailed study by the Land Institute Foundation in one district in a northeastern province of the country managed to examine data on the sixty-nine largest landholders in the district, whose holdings, taken altogether, totaled 31,290 rai (about 5,000 hectares). As shown in table 6.3, most landowners in the top twenty did in fact hold less than the nominal limit of 50 rai (about 7 hectares) per deed, but they were also in possession of dozens or hundreds of deeds, allowing their overall landholding to substantially exceed the accepted limit. The authors of the study point out that the full extent of large landholdings has not yet been revealed due to incomplete access to the record. The Department of Lands does not keep data on land concentration, despite the importance of such information as an indicator of how many households ultimately benefit from its titling program.

The World Bank recognizes that land markets often exist autonomously, without a national land register and without the need for formal title. This is evidenced in Sritia, Raidong, and other villages taking part in Thailand's community land reform movement, where land has been traded even without formal land deeds, relying on community authorization, trust, and social network

TABLE 6.3 Concentration of land in Dankunbot district, Nakhon Ratchasima province, Northeastern Thailand

<i>Ranking of landowner</i>	<i>Râi</i>	<i>Number of deeds held by single owner</i>	<i>Average size of landholding per deed</i>
1	2,786.78	83	33.57
2	2055.16	159	12.93
3	1,931.08	45	42.91
4	1,884.73	86	21.92
5	1,116.80	63	17.73
6	1,107.26	60	18.45
7	877.55	42	20.89
8	823.03	105	7.84
9	767.51	257	2.99
10	697.71	45	15.50
11	644.95	35	18.43
12	530.90	52	10.21
13	520.86	1	520.86
14	499.64	22	22.71
15	481.23	67	7.18
16	401.82	4	100.46
17	400.00	8	50.00
18	394.95	35	11.28
19	381.67	17	22.45
20	374.74	20	18.73

Source: Land Institute Foundation 2000.

responsibilities. Transactions involving tenure certification other than title may be considered economically less efficient than transfers based on formal title and open market values. Such nontitle transfers, however, traditionally have been more successful in maintaining land in the hands of a large group of smallholders within the local community than has a free market mechanism.

Escalation of Land Prices

One important benefit claimed by the government from the land titling program is the rise in land prices conferred by issuing formal land titles.

Providing title confers “a considerable implicit wealth transfer” that should benefit existing landholders, including poor farmers, once a land market is set up and properly functioning (World Bank n.d., 3). In the evaluation of the third phase of the land titling program, it was found that “legal title is the main factor in explaining differences in land prices . . . titled land was between 75 percent and 197 percent more valuable than land without any documents” (Rattanabirabongse et al. 1998, 11). However, it is difficult to see in practice how increased land prices have benefited the poor and the landless. For one thing, high prices increase the barriers to land access for the landless, including new generations of farmers. The acquisition of land itself becomes a major long-term debt for new landowners, which diverts a substantial proportion of future income into mortgage repayments. Where prices rise sharply out of line with local incomes, the exclusion of poor purchasers is inevitable. A more fundamental problem relates to the commodification of land, the process of transforming it into a freely tradable asset. This process encourages the purchase of land by wealthier groups. As stated above, the very existence of title can vastly increase the value of land. This in itself creates a significant incentive for rich entrepreneurs to buy up untitled land, pay their registration dues, and make a very quick profit. In Thailand, only 12 percent of agricultural land was held under title deeds prior to 1982 (Brits, Grant, and Burns 2002). To go from minimal coverage to total coverage in a relatively short period opens up a lucrative opportunity for those with the resources and information to exploit the titling system.

The process of titling generates interest in the purchase and sale of land. It is rarely the poor who benefit from such property speculation and rising land prices. The experience in northern Thailand shows that land is taken away from local people and becomes concentrated in the hands of a limited number of wealthy landowners. Stiglitz states that Thailand provides a case in point that speculative real estate lending is a major source of economic instability. “Before liberalization, Thailand had severe limitations on the extent to which banks could lend for speculative real estate. It had imposed these limits because it was a poor country that wanted to grow, and it believed that investing the country’s scarce capital in manufacturing would both create jobs and enhance growth. . . . The pattern is familiar: . . . as real estate prices rise, banks feel they can lend more on the basis of the collateral; as investors see prices going up, they want to get in on the game before it’s too late—and the bankers give them the money to do it. Real estate developers see quick profits by putting up new buildings, until excess capacity results. The developers can’t

rent their space, they default on their loans, and the bubble bursts.” (Stiglitz 2002, 101).

Certainly, assuming they actually acquire title, poor land users may benefit from the “implicit transfer of wealth” of titling by being legally entitled to sell their land and dispose of the proceeds. Assigning a market value to land gives people an objective means of assessing the value of their assets overall. The World Bank’s theory predicts that free market valuations should allow people to make rational decisions about the best way to trade their assets and maximize their earning potential. But poor people are unlikely to sell their primary means of livelihood unless under pressure to do so. Of all income groups, they are perhaps most likely to be limited in alternative choices of lifestyle or workplace. Farmers may have no interest, for example, in selling land that is important to social identity or that is a major part of the family heritage as well as their main source of food and regular income. Wealthy landowners, on the other hand, are in a position to take advantage of the vulnerability of poorer farmers to environmental hazards, product price fluctuations, or family hardship by buying up their land while local demand and market values are depressed.

In a situation in which land prices are rising fast or consistently, wealthy land users have an incentive to buy up land, even if to leave it empty or undeveloped, as was the case of the land buying frenzy in Lamphun province in the early 1990s. At height of the boom, people were buying and selling within a day, making 100 percent profits. In the context of rising prices, once poor people sell their land, it is difficult for them to buy it back (Deininger and Feder 1999). Thus in times of hardship, which can affect many members of the community at one time, the poor are divested of their rights to land in order to pay off their debts, and they have little choice but to rent land or find whatever wage labor they can elsewhere.

Institutional Credit, Institutionalized Debt

One of the main rationales for the introduction of title is to stimulate credit. The importance of securing farmers’ rights to land through title for the stimulation of credit was particularly supported by the extensive studies carried out by Feder et al. (1988) in the mid-1980s. A midterm evaluation of the land titling program found that access to institutional credit increased by 27 percent and that interest rates were cheaper with the more formal lending sources (Rattanabirabongse et al. 1998, 11). Agricultural credit is promoted as an instrument to

stimulate the adoption of new technology to increase yields and therefore raise farmers' income from the sale of greater quantities of higher-quality produce. Higher land valuation will enable greater access to credit. However, the equation between the provision of credit and high incomes is complex. While it is true that access to credit can provide the leverage for productive investment that might be impossible to achieve on an operating budget of family resources alone, without the appropriate support or caution, credit can often result in serious indebtedness of poorer farmers (see box 6.1).

Long-term indebtedness is a major problem for smallholder farmers throughout the country, and, rather than promoting productivity, accumulated debt can pose a serious constraint. Macroeconomic statistics show a decline in the average net income from agriculture in Thailand, even before the economic crisis of 1997. The average net income from agriculture per household decreased by 6 percent between 1992 and 1997. However, over the period 1991 to 1999, the average debt increased at a rate of 40 to 60 percent a year. The Office of Agricultural Economics expressed a warning that if this trend continues, the agricultural sector will face insolvency as have businesses in other sectors (Bamford 2000).

According to research carried out by the Northern Peasants' Federation (NPF), a farmer's organization in northern Thailand, in fifty villages in five provinces of the upper north of Thailand, including Lamphun, each farming household, on average, owed as much as 70,000 Baht (US\$1,600) to various banks and village money lenders. Approximately 90 percent of the households in the surveyed villages were in debt (Northern Peasants' Federation 2001). Sums are often borrowed for investments that do not generate the expected return for a variety of reasons. Where income is diverted into loan repayments, less disposable income is available in the following season, and, particularly among low-income groups, an increase in borrowing is then required to make ends meet in the subsequent farming season. Commonly in this situation, subsequent loans are not entirely used for productive investments but to pay for household goods, fulfill family obligations, or other important long-term expenses such as their children's education.

The operational policies of the government's Bank for Agriculture and Cooperatives (BAAC) do not appear to support the villagers in maximizing their chances of repaying loans. The case of one villager in Raidong who was seriously in debt to the BAAC appears typical. He became unable to repay his loan in the first couple of years, due to the collapse in longan prices. He was told that he should borrow money from informal moneylenders to make the

BOX 6.1 "Being in debt is a natural thing; you can get out of it when you die."*

A farmer in Sritia village in Lamphun province described how he took out a loan of 5,000 Baht (approximately US\$200) ten years ago to start raising pigs. Due to high family expenses, however, he was unable to pay back the original loan from his own resources. A combination of taking out short-term loans from various local dealers at high interest rates and the fluctuating income from longan (similar to lychee) fruit farming led to the rapid escalation of his debt over ten years.

Four to five years ago, this farmer thought of selling his land (then valued at 170,000 Baht, or US\$4,250) in order to pay back the debt. However, officers from Thailand's Bank for Agriculture and Cooperatives (BAAC) advised him not to sell and encouraged him to take out further loans to develop the land instead. The BAAC officers promoted hormones to stimulate the growth of the longan fruits, potassium chlorate for fertilizer, vaccines for his livestock, and the purchasing of an electric water pump. The BAAC also offered further unsolicited loans, a couple of years later. However, these farm inputs were very expensive, while the market price for his primary crop kept declining. The farmer's debt has now reached 150,000 Baht (approximately US\$3,750), and there is little likelihood of his ever earning enough profit from his investments to repay this amount. He says he is now hoping to win in the lottery.

* Response from a local official with Thailand's Bank for Agriculture and Cooperatives (BAAC), when asked whether he thought there was a chance that farmers could get out of debt (see Bamford 2000).

repayments to the bank. At first, he borrowed from a friend to pay off his bank loan, but he subsequently had to borrow more to pay off his friend. Then the crops failed, so no one in the village had any spare money to lend any more. Borrowing from high-interest moneylenders became the only option. As all BAAC debtors must pay into a district welfare association (or "funeral fund"), the bank is guaranteed to recover its loans in the case of death, and this reduces the incentives of bank officers to make sure the loans are issued for productive investments. While these problems are not directly attributable to the land titling program, the program is based on the premise that titling is an important priority to facilitate increased access to financial resources, which will ultimately benefit the poor. This premise appears flawed on the existing evidence, as it is based on the assumption that credit is not facilitated

without title documentation, and that there is a direct relationship between increased access to credit and increased agricultural profit margins of the poor.

There is no shortage of credit supply in poor communities. In Thailand, borrowing from agricultural cooperatives and the Bank for Agriculture and Cooperatives is possible on the strength of a certificate of use (NS3K), pre-emptive claims certificates (NS1), other land-use licenses, or with personal or group guarantees. Informal lending is also widely available. Credit is now being offered in rural areas through a variety of government schemes, including a program to loan one million Baht to every village in the country. Part of the problem of increasing the supply of official credit is that while initial loans may be obtained from official lending institutions, if they cannot be paid back on time, loans are then obtained from informal moneylenders with higher interest rates. Following the economic crisis, the proportion of informal sector debt rose to 17 percent of the total debt. In a context of increasing input costs, declining product prices, and adverse climate conditions, the cycle of borrowing has become virtually impossible for many farmers to escape.

Macroeconomic data from Thailand point to increasing indebtedness, rather than a net increase in disposable income among lower income groups. A 2000 research report by the Thailand's Bank for Agriculture and Cooperatives states that the total debt of the agricultural sector (comprising 5.6 million families or 28 million people) was about 411 billion Baht (US\$9 billion). Rather than finding new mechanisms to make available further supplies of credit, farmers often need support in reducing their existing debt. In other words, it is simply not possible for promoters of the land titling program to claim that the program makes a contribution to the alleviation of poverty, on the mere basis of increasing access to credit. In fact, very little evidence has been put forward by the Department of Lands or in World Bank documents to support the existence of this beneficial relationship for the poorest groups.

Conclusions

Land is not simply an economic commodity with physical dimensions that can be plotted on a grid, registered on a computer, and traded in exchange for other economic assets whenever that would make most economic sense. Little attempt was made in the planning stages of the land titling program to understand, adapt to, or incorporate rural land tenure systems, particularly in areas with strong local contexts and customs. To consider land in its social context requires an understanding of local community livelihoods that adapts to

a wide range of land uses, including individual farmlands, village commons, and community forests.

There is nothing inherently wrong with clarifying land rights or issuing legal documents to existing land users.⁶ However, the implementation of the land titling program in Thailand has gone beyond clarification and formalization. As a result of the program, land has been transferred from small landholders in local communities to large landholders from the cities, and rights have been transformed from commonly held informal rights to individually held formal rights, and in some cases from complex layers of rights over one piece of agricultural land to a simple layer of ownership rights. Researchers into local land tenure systems around the world have documented the effectiveness of numerous other tenure regimes within local contexts (for example, Toulmin and Quan 2000). While individually held title deeds may be appropriate for landholders who place greatest importance on the transferability of their assets, it is not necessarily the best option for farming and rural community groups that place relatively high importance on maintaining their landholdings for future generations.

Ensuring the security of access to land, particularly for the poor, was the starting point of the World Bank's intervention in land policy in Thailand. However, an internal evaluation of the program from the Bank's own Operations Evaluation Department (1999b) confirms that land tenure in Thailand was "secure."⁷ Those who held the most precarious land rights, including the very poorest groups in the state forest areas, were left out of consideration of the project. No assessment was made of existing rural tenure regimes outside state forests. In order to promote an efficient market, only a title deed could suffice. Most of the emphasis of the program has been placed on improving the administrative mechanisms for bestowing formal rights and enabling their efficient transfer. The experience in Lamphun suggests that success of this aspect of the program has benefited urban-based affluent groups.

While investors can gain benefits from the rapid sales of land, farmers rarely seek to trade land for capital gain. Further, although technological developments such as sophisticated mapping techniques and computerization may enhance efficiency in future transfers, they are not a first priority for farming communities that aim to hold land for a medium to long term. Little attention was paid to farmers' interests in formalizing land rights, such as assisting local farmers to retain their rights, and thus the program was insensitive to the risks farmers faced regarding the alienation of these rights against their will.

In fact, the impact of the program on poverty alleviation has not been a

direct avenue of inquiry of the various evaluation teams. The Bank itself seems to be in some doubt about how the effectiveness of such a program could be measured. A Bank concept paper acknowledges that “despite the significant resources being invested by the donor community for modernizing land administration infrastructure, there is little systematic discussion of the key elements of such a system, and of what constitutes effectiveness within particular socioeconomic, cultural and temporal contexts” (Brits, Grant, and Burns 2002, 1).⁸ No data has been kept at the Department of Lands that would enable an evaluation team to monitor the number of beneficiaries of the titling process.

A plan for alleviating poverty needs to begin with an analysis of the problems facing the poor. In rural areas of Thailand, these problems include the lack of agricultural extension services and research into low-input sustainable farming practices, the continuous decline in product prices to levels below the cost of production, and the increasing trend toward the alienation of land from the poor. Even if the clarification of land rights were a priority in areas where uncertainty exists, the mechanisms adopted by the program were insufficiently safeguarded, leading to loss of security for local landholders, as in the case of the farmers in Lamphun province.

The land titling program has had a significant impact on Thailand’s economy as a whole. The transfer of wealth through the provision of title was a significant factor in fueling land speculation as well as increasing land concentration in the economic growth years until 1997. The program made it possible for generally urban-based and already wealthy financiers to acquire land as a tradable commodity. The rapid increases in the value of land, held up by the Bank as evidence of the benefits conferred by the land titling program, have benefited a new band of entrepreneurs who sought to make quick profits rather than maintain productive use of the land. This had a serious impact on the national economy, as the inflated land values were used to borrow money for unproductive investments, eventually causing massive defaults on private debts contributing to the economic crisis in 1997.

Monitoring and evaluating the impacts on the poor are an essential part in the process of poverty alleviation. In the case study presented above, the very people who were supposed to benefit from World Bank program have become worse off. Yet the program is often presented as an example of best practice, as well as evidence of the virtues of establishing land markets rapidly. If the World Bank still dreams of a world free of poverty, it might do well to consider

participatory approaches that assist the poorest sections of society to gain and maintain access to land. In this approach, land would be understood not simply as a tradable commodity with an economic value but as an important part of the livelihood assets of the rural poor, containing social, cultural, and environmental value.