



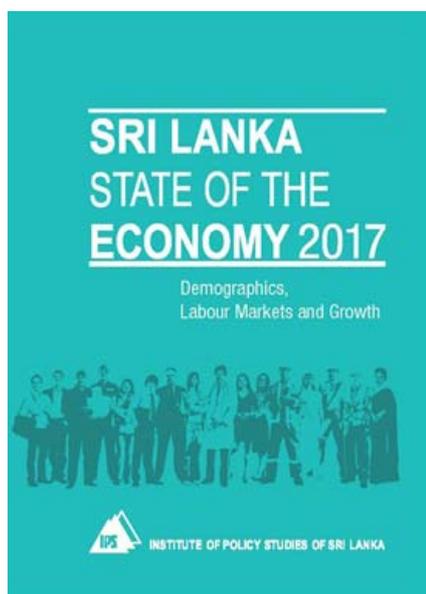
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# POLICYINSIGHTS

INSTITUTE OF POLICY STUDIES OF SRI LANKA

## REVISITING LAND POLICY: REFORMS TO MATCH EVOLVING ECONOMIC NEEDS

*From the IPS flagship publication 'Sri Lanka: State of the Economy 2017 Report'*



Land policy has captured the fresh attention of policy makers in Sri Lanka. It remained a major focus of successive governments until the final decade of the 20th century. The current situation of land resources can be considered as a direct outcome of past policies in the last two centuries since the early period of British rule. During the last two decades, the war ridden economy had other priorities. In the post-war era, the initial focus on an infrastructure-led growth model and the subsequent shift towards an export-led growth process has both necessitated heightened focus on land policy. Hence, the importance of reviewing Sri Lanka's land policy cannot be understated.

Of the three major sectors of the economy, agriculture is the most land intensive sector compared with the industry and services sectors. If policy

makers take decisions that can balance the interests of competing demands, land policies will stimulate sustainable growth as a driver of economic development. Alternatively, these policies will act as barriers that retard the prospects for growth. Recent concepts on sustainable development suggest that land policy cannot be formulated and assessed on the basis of economic performance alone. Hence, the challenge for policy makers is to strike a balance between competing demands so that emerging opportunities for growth can be fully captured while managing underlying social, political and environmental issues as well.

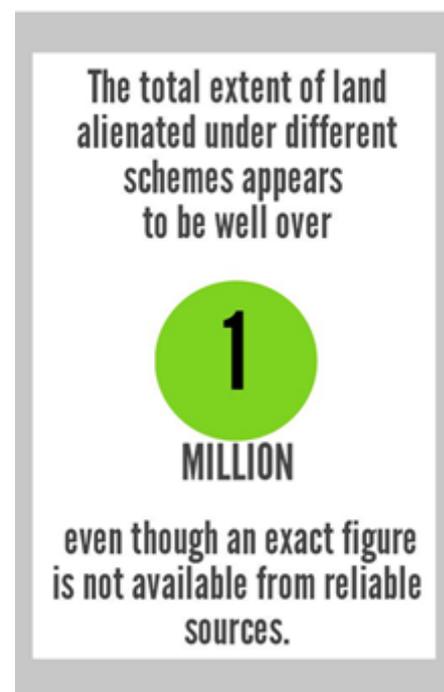
### Major Policy Challenges for Sri Lanka

As a result of population growth, the per capita availability of land resources has decreased from 1.8 ha in 1900 to 0.30 ha in 2010. Leaving out forests, water and barren lands, the average area of land available per household is around 0.82 ha. It is suggested that scarcity of land is growing rapidly and the country cannot allocate land for other economic uses without decreasing the forest cover which has already dropped below 30 per cent, unless a rational policy is devised to improve the efficiency of existing land uses.

The tenure of a large share of lands in the country has changed from traditional common property rights system to crown property and then back into private use under different land tenure

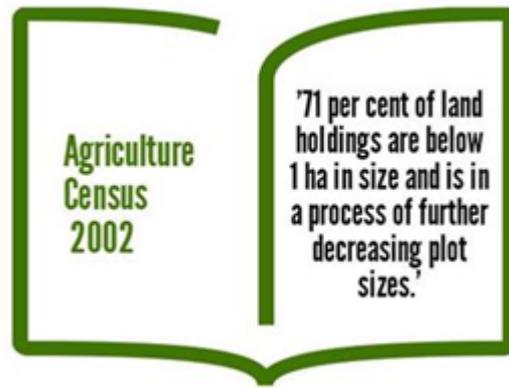
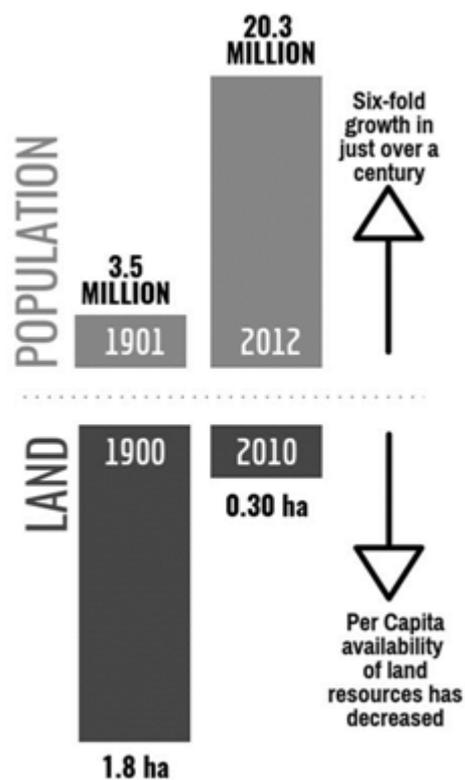
and ownership arrangements within a period of less than two centuries. In addition, encroachment of state land left large extents of land under 'de-facto' private tenure status without valid ownership claims for them. This has led to the creation of a complicated situation in land tenure and ownership arrangements due to lack of clear titles for many parcels of land in the country. The situation is not favourable since it reduces the economic mobility of land in response to changing demands from the economy and prevents the efficient allocation of land for highest valued uses.

Increased fragmentation of land and the lack of clear titles encourage encroachment of state lands. This has



been stimulated further by the state policy of regularization of encroachments. This is not an affordable practice since the encroached lands are usually located in critical places such as reservations for catchments of reservoirs and waterways that lead to ecosystem damages.

Growing land scarcity, increased fragmentation of land and encroachment of state lands catalyses the process of land degradation that has already commenced. The degradation process started on a major scale with the clearing of mountain forest ecosystems for the establishment of plantation crops. Meanwhile, deforestation took place in large scale in land alienation schemes such as irrigated colonization schemes due to the inundation of extensive areas of forest for irrigation structures, conversion of natural forests into agricultural lands, opening up forest cover for settlements and



infrastructure facilities, and encroachments of surrounding forest areas by subsequent generations due to rising scarcity of land.

### Quest for Reforms

*Matching land policy with present development priorities:* Land policy should be re-oriented to cater to the broader objectives of sustainable development, namely: economic efficiency, inclusivity and environmental sustainability.

*Rebalance the focus of land policy from agriculture to a diversified economy:* The best way to address the demands from a diversified economic base is to promote land markets through policy interventions which eliminate various imperfections associated with current land policy. This requires substantial reforms in the current policy such as changing land tenure restrictions associated with alienated lands, offer clear market-transferable titles, remove barriers to competitive real-estate markets and develop a scientific land-management system within which the market will function.

*Adoption of modern land management practices could help to alleviate inefficiencies:* Land markets should be developed on the basis of a scientific land management systems and significant resources and skills are

necessary to develop a market-based land management system. In addition, it requires reviewing and amending the existing legislative tools so that these can complement proper functioning of such a system.

*Review the legal framework for removing road blocks:* Imperfections and complexities associated with the existing legal framework connected to land have often been identified as a barrier for well-functioning land markets. Hence, revisiting the existing legal framework associated with land policy also is an essential pre-condition for developing an efficient system of land markets.

This Policy Insight is based on the comprehensive chapter on "Revisiting Land Policy: Reforms to Match Evolving Economic Needs" in the 'Sri Lanka: State of the Economy 2017 Report' - the flagship publication of the Institute of Policy Studies of Sri Lanka (IPS). The complete report can be purchased from the publications section of the IPS, located at 100/20, Independence Avenue, Colombo 7. For more information, contact the Publications Unit on 0112143107/0112143100.



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