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PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED CREDIT  
IN THE AMOUNT OF SDR 3.9 MILLION (\$5 MILLION EQUIVALENT)  
TO THE  
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA  
FOR THE  
LAND TITLING AND RELATED SERVICES  
PROJECT

MARCH 22, 2001

**Rural Development Sector Unit  
South Asia Region**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2001)

Currency Unit = Sri Lankan Rupees (Rs.)

Rs. 1 = US\$0.0115

US\$1.00 = Rs. 87

FISCAL YEAR  
January 1 December 31

## ABBREVIATIONS AND ACRONYMS

AusAID	- Australian Agency for International Development	MOLDMEA	- Ministry of Land Development and Minor Export Agriculture
CRC	- Community Relations and Communication	NGO	- Non-governmental Organization
CTS	- Commissioner of Title Settlement	NS	- National Shopping
EA	- Environmental Assessment	PCD	- Project Concept Document
FAO	- Food and Agriculture Organization	PHRD	- Policy and Human Resource Development Grant
FMS	- Financial Management Specialist	PIP	- Project Implementation Plan
GOSL	- Government of Sri Lanka	PMR	- Project Management Report
GPS	- Global Positioning System	PMU	- Project Management Unit
Ha	- Hectare	QCBS	- Quality and Cost Based Selection
ICB	- International Competitive Bidding	RTA	- Registration of Title Act
IDA	- International Development Association	SA	- Special Account
IS	- International Shopping	SBCQ	- Selection Based on Consultant Qualifications
IT	- Information Technology	SD	- Survey Department
LDO	- Land Development Ordinance	SFC	- Selection under a Fixed Cost
LG/SP	- Land Grants (Special Provision)	SLO	- State Land Ordinance
LIL	- Learning and Innovation Loan	TOR	- Terms of Reference
LSD	- Land Settlement Department		

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**SRI LANKA  
LAND TITLING AND RELATED SERVICES**

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MAP(S)  
IBRD 31217

SRI LANKA  
 Land Titling and Related Services  
**Project Appraisal Document**

South Asia Regional Office  
 Rural Development Sector Unit  
 South Asia Region

<b>Date:</b> March 22, 2001	<b>Team Leader:</b> Jessica Mott
<b>Country Manager/Director:</b> Mariana Todorova	<b>Sector Manager/Director:</b> Ridwan Ali
<b>Project ID:</b> P050738	<b>Sector(s):</b> VM - Natural Resources Management
<b>Lending Instrument:</b> Learning and Innovation Loan (LIL)	<b>Theme(s):</b> Rural Development <b>Poverty Targeted Intervention:</b> Y

**Project Financing Data**  
 **Loan**       **Credit**       **Grant**       **Guarantee**       **Other:**

**For Loans/Credits/Others:**

**Amount (US\$m):** 5 million

**Proposed Terms:** Standard Credit

**Grace period (years):** 10

**Years to maturity:** 30

**Commitment fee:** Standard (a variable rate between 0 and 0.5 percent of the undisbursed credit balance annual, set by the Executive Directors of IDA)

**Service charge:** 0.75%

<b>Financing Plan:</b>	<b>Source</b>	<b>Local</b>	<b>Foreign</b>	<b>Total</b>
BORROWER		1.78	0.00	1.78
IDA		1.93	3.07	5.00
<b>Total:</b>		3.71	3.07	6.78

**Borrower:** GOVERNMENT OF SRI LANKA

**Responsible agency:** MINISTRY OF LAND DEVELOPMENT AND MINOR EXPORT AGRICULTURE

Land Settlement Department

Address: No. 5, Mihindu Mawatha, Colombo 12, Sri Lanka

Contact Person: Mr. Henry Udagandage

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**Estimated disbursements ( Bank FY/US\$M):**

<b>FY</b>	2002	2003	2004	2005				
<b>Annual</b>	0.70	1.50	1.50	1.30				
<b>Cumulative</b>	0.70	2.20	3.70	5.00				

**Project implementation period:** 3 years

**Expected effectiveness date:** 06/30/2001    **Expected closing date:** 12/31/2004

## **A. Project Development Objective**

### **1. Project development objective:** (see Annex 1)

*The development objective of the LIL is to assess and build the methods, framework, and capacity for making sustainable and comprehensive improvements in the land administration system (parcel based cadastre, land titling, and title registry). Its two outputs would comprise: (a) operational testing and application of models to improve systematic titling and title registries , and (b) development of institutional framework (including legal policy, communications, organizational, management and planning aspects) and capacity.*

The project aims to build the foundation for a long-term program which would improve the socioeconomic and environmental conditions of the people of Sri Lanka by increasing land resource productivity. This increased productivity is to be accomplished through a fully developed and functioning system of land administration that is fair, efficient, and sustainable. The project would create the foundation for a large-scale, long-term program that would encompass the entire country in the next 15 to 25 years and aim at: (a) increase in tenure security for farmers and other landholders; (b) efficient land transactions and administration; (c) provision to farmers and other landholders of greater control over land management through a full range of market choices; (d) full cost recovery over the long-term, while also keeping fees low enough to ensure sustained participation in the official title registration system; and (e) services in land administration to be viewed as fair to all political factions, social classes, ethnic groups, and gender categories.

### **2. Key performance indicators:** (see Annex 1)

The key performance indicator of the development objective would be: (a) well functioning small-scale titling and title registry operations that provide increased tenure security, efficiency in titling and land transactions, land market choices, and fairness; (b) confidence and knowledge to expand shared by the voting public, local leaders, implementing partners, and concerned professionals; and (c) a plan for a larger scale project (i.e., the next phase of the long-term development program) that would be judged ready for appraisal according the Bank's quality at entry standards or equivalent, and which provide an acceptable basis for commitments) to finance this follow-on project. The small-scale operations would develop, and the long-term plan would use results of models that would test various technologies and combinations of public and private staffing arrangements, under a range of geophysical land use conditions, and tenure conditions. The criteria to evaluate these tests would consist of specific output indicators measuring cost-effectiveness, efficiency, commitment, public confidence, accountability, wide applicability, and sustainability of methods to improve systematic titling and registration. The plan would also be based on analysis of the institutional framework and capacity, as reflected in specific legal policy, communications, organizational, and management actions. Annex 1 describes the specific quantity, quality, and timing thresholds of the output indicators.

## **B. Strategic Context**

### **1. Sector-related Country Assistance Strategy (CAS) goal supported by the project:** (see Annex 1)

**Document number:** 15633 plus CAS Progress Report dated 12/23/98

**Date of latest CAS discussion:** 01/19/99

The project objective is consistent with the CAS, which supports the government's efforts to: (a) promote sustainable private sector led growth, and (b) improve fiscal discipline. The CAS indicators specifically highlight that improvements in the enabling environment for private sector development would

include reducing government interference in the agricultural sector, and introducing land markets. The 1998 CAS Progress Report specifically mentions a pilot land titling project proposed for Bank financing. Increased land tenure security and associated improvements in access to credit, which are anticipated benefits of the long-term program, would also improve the enabling environment for private sector financing and investment. The project would aid fiscal adjustment by emphasizing efficiency--especially in land administration transactions--by building a foundation for cost recovery over the life of the long-term development program, and by strengthening the land ownership and valuation conditions needed for fiscal management associated with decentralization. By clarifying rights and increasing tenure security, the project also would provide a key enabling condition for cost recovery in the irrigation subsector. The project's careful consideration of appropriate roles for public and private sector entities (e.g., contracting private sector surveyors) would also address private sector growth and fiscal discipline. The project will also increase transparency (e.g., public ratification of land records) and hence address corruption. The CAS also highlights the need for improved Bank project implementation through steps to improve local ownership, stakeholder involvement, and procurement, which are reflected in the project preparation plan, and performance indicators for the project's activities.

## **2. Main sector issues and Government strategy:**

This three-year learning and innovation project would improve an ongoing land titling program that the Government of Sri Lanka (GOSL) has already initiated. It would reinforce the commitment that the government has already made to the titling concept, and take advantage of the momentum that the government has established. The project would also address the limitations of the ongoing efforts to ensure that these efforts lead to land titling strategies that are efficient, cost-effective, sustainable, and build on the lessons learned, both inside and outside of Sri Lanka.

**Land allocation.** The majority of lands in Sri Lanka are state-owned and controlled. Sri Lanka covers 6.56 million hectares (ha); of this total area, about 1.38 million ha is agricultural land owned by the state but farmed by private farmers under varying tenure arrangements (most of which restrict lease and sale); another 0.88 million ha are privately-held agricultural land; urban land comprises 0.05 million ha private land; and 0.01 million ha state-owned land. The remaining 4.24 million ha is state land comprised of forests, sparsely used land, and land reserved for future use.

**Policy dialogue on land.** As a result in the agriculture policy dialogue with the Bank on the lack of efficiently functioning land markets, GOSL has taken action to implement land-related strategies. Among other initiatives to facilitate a long-term land administration program, it recently enacted a Registration of Title Act (RTA) and began drafting the supportive regulatory and procedural frameworks and the Surveying and Mapping Act. In the field it also carried out pilot surveys and adjudication exercises. Government officials participated in the Policy and Human Resource Development- (PHRD) funded study of land markets that analyzed the legal, institutional, and programmatic issues related to rural land market functioning.

**Rural and urban land issues.** Land administration and land policy affects urban as well as rural sectors. The Bank has not had extensive dialogue on urban land issues, however, rural and urban areas share common issues. In both rural and urban areas, challenges include: (a) the factor productivity of land and labor which are constrained by government restrictions on land markets; (b) high costs and distortions associated with boundary disputes and insecure tenure; (c) access to, transaction costs of, and transparency of land administration services; (d) access to credit (with use of land as collateral); (e) the incentive framework for natural resource management; and (f) encroachment of state land by landless people.

**Relevance to private sector development and fiscal management.** Land titling and related services are also essential for private sector development and sound fiscal management of the public sector. An improved land administration system would provide the tenure security, credit access, efficient land transactions, land market choices, and transparency that are so important for private sector development in all sectors (not just agriculture and housing). Fiscal management benefits include: (a) tenure security and valuation for better property taxation; (b) increased revenue as a result of the growth in land transactions; (c) policies that would optimize the transaction and tax-fee structure to ensure participation as well as long-term cost recovery; (d) appropriate allocation of roles between the public and private sectors; and (e) plans for public investment based on the most cost-effective methodologies.

**Ethnic sensitivities.** All Bank operations must take into account the fact that Sri Lanka has faced a civil war since 1983, that has constrained potential economic growth. More specifically, the war has limited the level of benefits resulting from most development investments, and in some cases has prevented or delayed project implementation. The underlying ethnic conflict of this war includes great sensitivity about land issues. GOSL therefore wants to ensure that its land policy contributes to a future resolution does not inadvertently exacerbate the ethnic conflict.

**Land titling concept.** GOSL now wants to transform the country's land administration system<sup>1</sup> from one based on deeds<sup>2</sup> and documents permitting private use of state land<sup>3</sup>, to one based on registration of titles<sup>4</sup>. The establishment of legal framework and development of capacity for implementing land titling and related services, would lay the foundation for increased tenure security, efficient land transactions and administration, and effectively functioning land markets. It would build the foundation for a long-term program intended to catalyze the transformation of the domestic agriculture sector, improve land productivity in rural and urban areas, develop a focused and well planned public investment program in land administration, and increase land user's stakes in long-term natural resource management.

1. A land administration system provides the legal and organizational structure and processes by which private and public rights to land ownership and use and associated encumbrances are identified, proven, exercised, exchanged, and otherwise changed. In this project document, the term "land administration system" is not intended to include other broader aspects of land use management.

2. A deeds registration system records transactions and serves as evidence only in support of proving title to land. A wise purchaser of land must undertake a cumbersome search of all past deeds concerning the particular parcel in the system (back 30 years at least), often vital documents may be missing. In Sri Lanka, the parcel and boundary information for private lands is held in the offices of the private surveyors and may not be available. The deeds may not agree with the facts on the ground. In case of a dispute, settlement times for land cases in courts are regularly ten years.

3. There are many forms of documents permitting private use of state land, many are parcel based with cadastral surveys (which facilitates conversion to a title document), and most are inheritable. All impose varying degrees of control on the rights of the allottees. Overall these restrictions reduce the potential sale value of the land by 50 percent or more, in comparison with privately held parcels.

4. A registration of title system is one where the parcel has been registered, with transactions thereafter registered against the parcel. A transaction is not legal until registered and priority is given to those who register first. Interest holders damaged by the operation of the system may be compensated for any loss incurred; a guarantee fund will be operated by the government for this purpose. A registration of title system facilitates boundary dispute resolution, transparency of records and efficient land administration.

**Long-term vision.** Over the long-term GOSL would like this transformation to cover Sri Lanka's entire 6.56 million ha. Fully functioning land markets and resulting productivity gains will require both an efficient land administration system and a lifting of the restrictions on privately held state land leases and sales.

### **3. Learning and Development issues to be addressed by the project:**

The proposed project would be a learning and innovation exercise limited in scope, scale, and duration (three years), with most operational tests confined to three small geographic areas. In the design of titling and registration operations there are a wide range of organizational, staffing, technological, and other choices that need to be tested to enable sound judgment on which would be most appropriate for specific Sri Lankan circumstances. Section B4 [Learning Initiative Loan (LIL) Expectations] describes these issues. Developing and implementing a national land titling registration program also involves sociopolitical sensitivities and challenges related to the legal framework, land market restriction policies, organizational arrangements, and safeguard policy framework that need to be addressed. The LIL will be used, *inter alia*, to develop the legal policy, organizational, and procedural framework, the stakeholder dialogue, and the economic analysis that will be needed to meet full quality at entry standards for a longer term follow-on project.

**Legal, policy, and organizational reforms.** The learning and innovation approach provides the time required to address sociopolitical sensitivities of land titling and land market restriction reforms. Taking these sensitivities into consideration, three areas of reform will require careful attention during the project, these are the: legislative framework, lifting of restrictions on freehold tenure, and organizational framework. The project will also need to develop a framework that would help ensure that the long-term program design would identify and address any negative effects on some groups or individuals, especially the most disadvantaged.

- **Legal framework for titling.** The legislative framework for land titling and related services, including the recently passed RTA, will require amendments to enable full-scale efficient functioning over the long-term. Key issues that require amendment include provisions on co-ownership, adjudication notice and appeal, second class title and existing rights, transition indefeasibility, guarantee of title and indemnity, registrar general of title, title register, certificate of title, clarification of responsibilities, and several other items. Attachment 4 of the Aide Memoire (May 19, 1998), Mission Notes 5 of the Aide Memoire (November 20, 1998), and the Food and Agriculture Organization (FAO) Mission Reports (May 3 to 24, 1999, August 24 to September 9, 1999, and April 22 to May 10, 2000) provide more details. FAO's advice to government officials has enabled them to understand and define key amendments. However, the fragile majority in parliament (pending elections), and opposition from the Bar Association have made it politically difficult to secure passage of amendments in the short-term. It is clear to the Bank team that it would not be possible to proceed with a large-scale project without amendment of the law, and the team recognizes that domestically financed operations under the existing law are already underway. Bank involvement through a LIL is intended to help build the support for establishing a sound legal framework by better documenting the experience of field operations, improving communication among stakeholders (including dialogue with the Bar Association on proposed amendments), and by providing legal expertise for additional modification of the laws, operational procedures, and dispute resolution institutions.
- **Lifting land market restrictions.** From the perspective of the farmer or other small landholders, lifting land market restrictions would empower them to manage their land resources more effectively by providing a full range of market choices. The market restrictions in question are associated with the Land Development Ordinance of 1935 (LDO), the State Land Ordinance of 1949 (SLO), the Land Reform Law of 1972 and amendments (LRL), and the Land Grants (Special Provisions) Act of 1979 (LG/SP). The PHRD-funded land markets study found that parcels with these restrictions were worth only about 50 percent of otherwise comparable privately held land without such restrictions. The dialogue associated with the preliminary findings of the study has definitely increased the support

among some officials and politicians for lifting limitations on land marketing in current state land allocated to households under restricted tenure. However, some nongovernmental organizations (NGOs) and some government officials are concerned that a lifting of land marketing restrictions could impoverish subsistence and share-crop farmers, especially where these farmers are already indebted. The project would build understanding and commitment to lifting market restrictions by testing this reform in a limited area and assessing the impact. The project will include an awareness program to enable beneficiaries to fully consider consequences of their new options. The project would also include design of a monitoring program to ensure that the increased options to move out of subsistence or sharecrop agriculture, as a result of the lifting of restrictions, would not inadvertently contribute to a decrease in living standards, taking into account situations involving indebtedness, and also the benefits of increased transparency and decreased transaction costs that would be associated with such reform. The project will thus provide a framework for continuing the policy dialogue, addressing concerns on socioeconomic impacts, recommending appropriate phasing, and building understanding and support for such reform. The Bank team has made it clear that GOSL would need to develop a program and take initial actions to reform marketing restrictions in areas subject to titling in order to justify further Bank financing after the LIL. Over the long-term the lifting of land market restrictions will greatly increase the aggregate benefits resulting from land titling, and help ensure its cost-effectiveness. Without such reform potential gains in economic productivity would be greatly decreased, and it is questionable whether a long-term land titling program would deliver sufficient benefits to cover investment costs.

- **Organizational framework.** Sri Lanka has a very complex organizational arrangement for land administration, with key actors in five agencies, from three ministries. Elsewhere in the world, simpler organizational frameworks (often involving only one agency) have greatly facilitated efforts to streamline land administration activities. In recent years collaboration between various agencies involved in the existing government initiatives in land titling has been problematic, even within the same ministry. In the three pilot areas, the Survey Department (SD) has completed 50,000 draft cadastral surveys during the past four years, while the commissioner of Title Settlement's Department has issued only 3,000 certificates of title. Within the departments of the Ministry of Land Development and Minor Export Agriculture (MOLDMEA), better organizational coordination in titling operations is one of the key intended outcomes of the LIL. Interministerial organizational issues are even more challenging. The current legal and organizational framework has created a Registry of Title within the MOLDMEA, and does not integrate registry functions with the Registry of Land (which houses deed records) within the Ministry of Public Administration, Home Affairs, and Plantation Industries. Without further changes in this arrangement, recipients of title would have to deal with both the Registry of Title and Registry of Deeds for all future transactions. Any long-term program would need to have only one organization responsible for registering the ongoing transactions to ensure the necessary coordination and cooperation between the staff operating the old and new systems of registration, and a seamless hand-over between systems so that the public is not confused, or does not lose confidence in the new system. An additional aspect of this issue concerns the prohibitive cost of establishing a series of new offices rather than adapting the existing offices. The Registrar General's Department has the offices, staff, and facilities to undertake the ongoing transactions under the RTA, after undergoing some retraining. If the Land Settlement Department (LSD) does this work on a large-scale, additional costs will be required for new buildings, furniture, archives, staff, and training. GOSL recognizes these risks and regards such costs to be unacceptable. However, immediate reorganization is not politically feasible, and LIL implementation through two ministries would be administratively difficult. GOSL therefore proposes to develop the plan for future organizational arrangements based on an analysis of the operations and effectiveness of three pilot registries of title, which could be established at minimal expense due to the small number of titles.

**Measures to address adverse social impacts.** The LIL project areas specifically exclude encroached public lands which cannot be regularized (and hence where the project might otherwise precipitate eviction from public land), and land characterized by ethnic tension. It thereby avoids social issues subject to Bank safeguard policies in the short-term. The LIL would include the development of a framework to address the full range of potential social impact issues over the long-term, which would, *inter alia*, enable the long-term program to address and comply with Bank safeguard policies in a carefully considered fashion. The design of LIL activities would also specifically address other social concerns such as disruption of existing tenurial systems, displacement from private land, disparities in asserting and defending rights, emergence of latent disputes, and the experience would in turn influence the social assessment and framework for the long-term program. For further details see sections B4(d), D6, and D7 below.

**Stakeholder perspectives, understanding, and commitment.** GOSL is committed to the concept of systematic titling. This commitment is reflected in the passage of the Registration of Titles Act and the domestically financed titling initiatives. Over 50,000 parcels in three districts have been surveyed, and 3,000 titles have been issued. However the LIL will help to further strengthen ownership and commitment.

- **Understanding the improved methods and institutional frameworks.** Earlier in project preparation a few officials believed that the domestically financed activities would provide sufficient piloting; their priority was to proceed as rapidly as possible using current methods and frameworks. However they faced more problems than they originally expected. Government officials from key implementing agencies now strongly support the concept of using a Bank-financed project to further improve and strengthen this titling effort, with a focus on efficiency, long-term impact, and cost-effectiveness. The operational "learning by doing" will provide the understanding needed for realistic expectations and pragmatic planning of a sustainable long-term program based on Sri Lanka's physical, economic, and sociocultural conditions, as well as international best practices.
- **The Sri Lanka Bar Association's view.** The Sri Lanka Bar Association views the Land Title Registration Act with great skepticism. The Bar Association agrees with the apprehension mentioned above, that the current version of the Act would actually increase legal challenges rather than reduce them. Furthermore, representatives of the Bar Association believe that the concepts of indefeasibility and conclusiveness of the register would not be accepted in Sri Lanka. They believe that if a bona fide registered purchaser is able to keep the property, leaving an aggrieved owner with only a claim for damages, there would be serious discontent. The Bar Association's official (if reluctant) position is that the Bar will not oppose it but will insist that it be done correctly. The representatives argue strongly in favor of enacting a completely new law, rather than extensive amendments, but the former minister regarded this option as unacceptable. The president's counsel has been involved in the FAO team's advice on the legal amendments, but further efforts to gain understanding and support from the legal profession are required and would be financed by the LIL. Experience with actual titling operations, including unfamiliar aspects such as conclusiveness of the registrar, may help to gradually increase the Bar Association's understanding and support, provided such titling is undertaken over the long-term within a sound legal framework.
- **Some NGOs, academics, and government officials** mistrust market-oriented policy reform (especially that supported by the World Bank), and its potential impact on the poorest. The LIL provides field testing to ensure that concerns about poverty impacts of lifting land market restrictions are carefully assessed and addressed prior to policy implementation on a large-scale, and a forum for

dissemination and policy dialogue to facilitate understanding and consensus building.

**4. Learning and innovation expectations:**

- |   |   |   |   |
|---|---|---|---|
| <input checked="" type="checkbox"/> Economic  | <input type="checkbox"/> Technical                | <input checked="" type="checkbox"/> Social        | <input checked="" type="checkbox"/> Participation |
| <input checked="" type="checkbox"/> Financial | <input checked="" type="checkbox"/> Institutional | <input checked="" type="checkbox"/> Environmental | <input type="checkbox"/> Other                    |

Note: Learning and innovation expectations normally provide the sole basis for project rationale. However, we believe that it is still appropriate to describe the project alternatives considered and lessons reflected in the project design and hence have summarized these in Annex 11.

**(a) Economic**

The project would:

- develop a system to measure impacts of the long-term development program related to tenure security, efficiency of land transactions and other land administration, provision of land market choices. In addition, the project would carry out the baseline measurements of these impact indicators. When combined with projected investment costs, this work would provide the basis for cost-benefit analysis of the next project phase of the long-term program;
- cover the impact monitoring and evaluation of its own expected achievements, which include indicators of cost-effectiveness, efficiency, allocation of public and private sector roles and sustainability. As an integral part of this monitoring system, the project would include measures to facilitate understanding and use of monitoring and evaluation findings by policy makers and operational managers.
- also provide a vehicle for continued policy dialogue and development on a range of issues, including lifting of land market restrictions on state land grants, and addressing concerns about socioeconomic impacts associated with such tenure reform.

**(b) Financial**

The project would:

- identify efficient and cost-effective ways of land titling and registration for a variety of local Sri Lankan field conditions, through testing various operational methods. The preproject average cost and times are based on an analysis of the pilot activities (1996 to 1999) initiated by GOSL without external assistance, and the expectations are based on experiences in other countries. The test results would provide the basis for financially sound design of large-scale replication;
- also include the development of a fee policy that would ensure sustained public participation in the registration system and enable eventual cost recovery for the investment program over the long-term (25 to 40 years). If fees are too high, the landholders would rely on informal transactions, and not use the registry; if fees are too low, titling and registration could create an unsustainable fiscal burden. The analysis would include the development of assumptions on the projected increase in transactions over the long-term, and a structure of fees and other charges. Profits in the later years of the long-term program would offset subsidies in the initial years.

Experience in other countries shows that such cost recovery is relatively easy, since the increased rate of transactions increases the revenue from transaction fees; and

- develop an effective financial management system to build the capacity for implementation of a long-term, large-scale investment program and for the management and operation of the land title registries in the area of financial management.

**(b) Technical**

The project would:

- develop cost-effective and realistic procedures and standards for productivity and timing of unified multidisciplinary teams undertaking the systematic titling and related services (including stakeholder communications, records search, survey, mapping, adjudication, title issuance, and registration) aimed at efficiency and social considerations outlined below;
- test and compare various combinations of government staff and private contractors in systematic titling tasks, and a variety of arrangements for productivity incentives, delegation of authority, etc.;
- test various survey technologies including use of a global positioning system (GPS), total stations, and photomapping;
- test a variety of arrangements to build expertise and capacity in adjudication;
- develop hands-on experience in the operation of land title registries;
- test a various approaches to land records preservation and maintenance including the use of compactors for storage, manual restoration of critical documents, archiving, culling, and testing computerized indexing, etc.; and develop a strategy for the most cost-effective investment program over the long-term; and
- conceptualize the operational arrangements for titling, registration, records maintenance, and related activities required for situations not tested during the initial three-year project.

**(c) Institutional.**

The project would:

- build understanding and develop the legal amendments, regulations, and procedures for the legal framework that would be required to implement a sustainable and comprehensive land administration development program.
- develop understanding and support for policy reforms related to land markets and cost recovery, and would collaborate with other stakeholders in analysis related to interactions between land administration and land management policy (e.g., encroachment on state land including parks and watersheds, informal settlements in urban areas, etc.);
- develop a strategy to communicate with stakeholders on land titling and related services in order to develop understanding, receive and respond to feedback, build consensus, and manage

expectations. A major element of this communication is the transparency that is inherent in the field-based systematic design where local people witness the operations, the reliance on parcel based titles rather than deeds, and the extensive measures to ensure public notice and access;

- (a) develop consensus, design, and test organizational and procedural rationalization needed for cohesive and cost-effective land titling in a multiagency arrangement, (b) develop staffing and human resource development plans (covering both public and private sector roles) and initiate actions required to ensure capacity for larger-scale program, (c) and develop an information management strategy to optimize long-term use and sustainability of land administration information systems;
- empower government officials to develop hands-on experience in project management; and
- develop knowledge and skills needed for realistic long-term planning, and design a monitoring and evaluation system for the long-term development program.

**(d) Social.**

The project would:

- identify measures to ensure that operational procedures and standards address social considerations, including beneficiary costs of titling process (e.g., minimizing the number of visits to the field, and time required from land users), manage expectations, maximize transparency and public confidence, ensure full involvement of and benefits to women and other marginalized or disadvantaged beneficiaries, and maximize dispute resolution;
- develop and test impact assessment methods and develop a system for long-term socioeconomic monitoring and evaluation;
- address social as well as conflict related issues associated with potential policy reforms;
- include the design and testing of stakeholder communications strategies; and
- include the development of a social assessment and development framework for the long-term program, which would include measures to address potential adverse impacts such as: displacing people occupying or using state land, disrupting existing tenurial systems, loss of rights due to the relatively weak capacity of some persons to effectively assert their rights during adjudication, displacement from private lands, surfacing of latent disputes due to adjudication, and exacerbation of ethnic tensions. One of the main lessons from the project would be to find if it is possible to develop a social framework for adjudication that both provides adequate safeguards, and has broad and sustainable support, given the challenging sociopolitical dynamics of Sri Lanka in its ongoing conflict.

**(e) Environmental**

- the design of the monitoring and evaluation system would incorporate provisions for the measurement and analysis of changes in land use associated with land titling and land market policy reform over the long-term; and

- policy development and long-term planning supported by the project would include steps to collaborate with other stakeholders in analysis of interactions between land administration improvements and land management policies [e.g., encroachment on state lands (parks and watersheds) and informal settlements in urban areas, etc.].

#### **(f) Participation**

- land users (the main beneficiaries) would play a central role in the operational testing of systematic titling and registration methods. The project would include steps to ensure ongoing feedback from them.
- The project would involve community based organizations, NGOs, professional societies, and academic institutions in a variety of project activities including communications initiatives (e.g., awareness campaigns), dispute resolution (e.g., conciliation committees), monitoring and evaluation, and policy development.

### **C. Project Description Summary**

#### **1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The two main project components would comprise: (a) testing operational methods to improve titling and related services in a subset of the ongoing program covering 22,000 parcels, and beginning to apply the improved methods to the program as a whole, and (b) developing the institutional framework and capacity for land titling and related services. The first component, operational methods, would include testing various technologies, procedures, and processes in systematic titling (e.g., stakeholder communications, records search, survey, mapping, adjudication, title issuance) and related tasks (e.g., registration, and records maintenance). It would also test a variety of implementation arrangements involving government staff and private contractors, and developing operational capacity. This component would develop implementation methods and approaches to reduce the unit cost and time of systematically titling; reduce the percentage of parcels with unresolved issues that prevent titling; minimize legal challenge on titles issued; and increase the public confidence in the accuracy, completeness, functionality and fairness of the titling activities. It would also develop hands-on experience in title registry operation, in ways that will help to avoid public confusion and maximize efficient use of existing knowledge, staff, and facilities.

The second component, institutional framework and capacity, would strengthen the legal and regulatory framework, formulate policy (e.g., eliminate land market restrictions, establish affordable fee structures, etc.) and undertake project-wide learning (e.g., national-level stakeholder communications, monitoring and evaluation), and develop a viable organization (e.g., cohesive structure and capable staffing, human resource development, information management strategy), project management (e.g., financial management, procurement) and program planning.

<b>Component</b>	<b>Sector</b>	<b>Indicative Costs (US\$M)</b>	<b>% of Total</b>	<b>Bank-financing (US\$M)</b>	<b>% of Bank-financing</b>
1. Improvement of field operation methods	Institutional Development		0.0		0.0
1a. Titling methods		3.78	55.8	2.47	49.4
1b. Title registries		0.12	1.8	0.05	1.0
1.c. Land records maintenance		0.19	2.8	0.15	3.0

2. Development of institutional framework and capacity			0.0		0.0
2a. Legal framework	Institutional Development	0.03	0.4	0.01	0.2
2b. Policy formulation and project-wide learning	Institutional Development	0.25	3.7	0.19	3.8
2c. Organizational development, project management, and program planning	Institutional Development	2.41	35.5	2.13	42.6
<b>Total Project Costs</b>		6.78	100.0	5.00	100.0
<b>Total Financing Required</b>		6.78	100.0	5.00	100.0

\*Note: The Bank does not have a specific code for land administration projects. The overall sector code for the the project is "natural resource management" because the project is task managed within a rural development unit, it will be implemented primarily in rural areas (and rural land administration is classified as "natural resource management"). However, the project primarily concerns institutional development, i.e., organizational, legal, and policy learning and reform.

## 2. Institutional and implementation arrangements:

The project design makes use of the existing staff and resources of the LSD and the SD, both of which are within the MOLDMEA. Additional staff will be employed only if they provide short-term specific requirements or are only required for the duration of the project and there is no capacity within the departments in those fields. The Commissioner of Title Settlement who is responsible for the implementation of the RTA, will be the Project Director. The Surveyor General will continue to be responsible for the survey and mapping activities. A steering committee will provide overall guidance, and will be chaired by the Secretary in the MOLDMEA, and will be comprised of: the Secretary, Additional Secretary, the Commissioner of Title Settlement, the Surveyor General, the Land Commissioner, and a representative from the stakeholders. A users group will advise the Steering Committee. The Project Director will be assisted by a full-time Project Coordinator, and a full-time Survey Coordinator, as well as staff responsible for financial management, procurement, policy and planning, human resource development, and information technology (IT). The first two years will focus on testing and analysis, while the third year will focus on applying the learning in the design of a realistic, cost-effective, and high quality plan for the larger-scale next phase of the program.

The project includes arrangements for ongoing training as specified in a detailed training plan, as well as the development of a long-term human resources development and training strategy. The project also includes the development of an information management strategy and the establishment of an IT management group.

GOSL has prepared a comprehensive project implementation plan (PIP) which provides further details on implementation arrangements.

### **3. Monitoring and evaluation arrangements:**

Monitoring and evaluation is structured on the logical framework in the project design summary and the learning and innovation expectations. The PIP specifies arrangements for verifying key performance indicators, terms of reference for various research studies related to monitoring and evaluation, and project reporting contents. Reports will be prepared on a quarterly basis and will be provided to the steering committee and the World Bank. Each project subcomponent will be managed by a designated officer, who will lead his/her respective teams, oversee ongoing evaluation, and organize meetings and/or workshops for learning from experiences.

## **D. Project Rationale**

[This section is not to be completed in a LIL PAD. Rationale should be implicit in paragraph B: 3.]

## **E. Summary Project Analysis** (Detailed assessments are in the project file, see Annex 8)

### **1. Economic (see Annex 4):**

[For LIL, to the extent applicable]

- Cost benefit      NPV=US\$ million; ERR = % (see Annex 4)
- Cost effectiveness
- Other (specify)

**Economic evaluation.** Although there will be no cost/benefit analysis of the initial project, the project itself will include analyses that will provide the basis for cost benefit analysis for the next phase, and for the long-term investment program. Cost effectiveness has played a major role in determining the specific design of the project activities.

**Consideration of alternatives.** The decision to tackle land administration through a learning and innovation project took into consideration a range of alternative project approaches, as outlined in Annex 11.

**Experience of comparable projects.** The experience of successful land titling projects in other parts of the world lend some support to the value of the long-term program which is envisaged to arise from the project. Improvements in land titling in these projects have ranged from 34 percent (World Bank, Thailand Land Titling Project 1991 to 1994) to 12.3 percent (World Bank, Guatemala).

### **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ million; FRR = % (see Annex 4)

[For LIL, to the extent applicable]

**Operational efficiency gains.** The project explicitly aims to reduce the operational cost of titling from an estimated \$110 per parcel at present, to around \$40 per parcel. The project will also reduce the time required to complete a long-term titling program to around 20 years.

**Learning and capital costs.** A significant portion of the LIL costs relate to start-up learning and capital costs which should be amortized over the anticipated period of the long-term program.

### Fiscal Impact:

The small size of the initial project makes its fiscal impact negligible, but the project will include

analysis of potential fiscal impacts of the longer-term program. This analysis will in turn influence policies for the long-term investment program that will be developed under the project on organizational framework, fee levels that ensure sustained participation and long-term cost recovery, and the allocation of public and private sector roles.

### **3. Technical:**

[For LIL, enter data if applicable or 'Not Applicable']

Technical targets in the project have been set low mainly as the lessons in the project are paramount, not the physical target numbers. The target of 22,000 parcels registered is low, but is realistic considering that LSD is still building capacity.

The cadastral survey methods proposed for the project are viable and have been in use by the SD for the last three years. The base mapping methods proposed for use are also well known to the department. Base mapping is planned to be undertaken by the SD; this is considered to be practical considering the small contract size, and that the Sri Lankan private sector has no capacity to do the task--it is too small to be of interest to the international contractors.

Private sector surveyors are to be used for most of cadastral survey, however they do not have experience in undertaking the task. They are already part of the sporadic process, and for sustainability reasons must not be left out of the systematic process. This is one of the aims of the LIL, including the training to carry out this work. It is clear that the private sector should be brought into the adjudication process.

The simultaneous adjudication and delimitation of the real property in the project is proposed under the LIL. This means LSD and SD will work together, which is clearly needed, considering the mismatch between the numbers of parcels completed over the last three years by the two departments. The Secretary of MOLDMEA has agreed provide the necessary oversight to ensure that (a) Commissioner of Title Settlement (CTS) and SD collaborate closely and make ongoing improvements in this collaboration in light of experience; and (b) ensure the private sector's involvement in aspects of these processes. This agreement is recorded in the minutes of negotiation.

The development of a common IT strategy including data management for all of the departments in the project is important. The Secretary of MOLDMEA has agreed to make the necessary arrangements for LSD, SD, and the Valuation Department (and if possible, the Registrar Generals Department) to agree on the main principles, and to implement joint and compatible arrangements.

### Legal Framework Considerations

There is foundation law in place--the RTA, 1996--that will enable trials to proceed under the LIL. As a result of the trials proposed in the project improvements will be available, and these amendments will be submitted to parliament by the MOLDMEA during PY3. During preparation, considerable work was done to identify the necessary improvements.

Other existing laws require amendments to allow improved recognition of rights and to allow transactions to be made or conducted more smoothly. During reparation over 25 laws were examined, and amendments prepared; enactment of these amendments is likely to take place in PY1. The processing is outlined in the schedule of legal reform implementationn. More work on these laws is required under the project, and support given to the technical assistance of both domestic and international experts.

Some regulations under the RTA were gazetted in 1998, however more are needed especially for the new land titles registry offices to become operational. During preparation recommendations on most of these draft regulations were prepared, and a schedule for further processing is outlined in the schedule of legal reform implementation.

A draft survey act has been prepared and is planned for passage through parliament before the project begins. Because of its technical nature, it is not considered critical that it be in place before the start of the project, however it is needed in PY2. Regulations are being developed and will be ready during PY1. The schedule for further processing of the survey act is included in the schedule of legal reform implementation.

In Sri Lanka, there are about one million titles issued that carry restrictions on actions of what is able to be done with the land; as a result of a study and survey conducted during preparation, there was general agreement that these restrictions should be lifted. The acts involved include the State Lands and LDO, and recommendations on amendments of the required articles have been prepared. The schedule of further processing of these amendments is in the schedule of legal reform implementation

#### **4. Institutional:**

The central focus of the LIL is institutional; it is intended to support an overall institutional development process covering the legal policy, and organizational framework, and to test improved operational arrangements at a field level. Decisions and initial action to implement decisions on key legal policy, and organizational issues represent important project outcomes. There is a significant risk that one or more of these outcomes will not be achieved (see Section F below on Risks). The LIL financing mechanism has been selected in part because there can be a higher tolerance of such risks under a LIL than under most other financing mechanisms.

##### **4.1 Executing agencies:**

The LSD is responsible for activities on adjudication, registry, and project coordination. Its existing implementation capacity is extremely limited, and one of the major objectives of the LIL is to address this constraint in a cost-effective manner. The LIL also includes capacity building support for the other lead implementing agency, the SD, support for interagency coordination between key agencies within the MOLDMEA, and strategic analytic and planning support for the full range of agencies that would potentially be involved in a long-term titling program. Prior to the project, under the domestically financed pilot land administration activities, both interagency collaboration and learning and evaluation were particularly weak, and therefore these aspects will require close attention during project implementation and supervision. Special attention will also be required to ensure satisfactory arrangements to expand capacity for communications and adjudication, so that these do not become bottlenecks.

##### **4.2 Project management:**

The PIP will include a staffing plan, job descriptions for key staff positions, a list of contracted specialists and studies complete with terms of reference, and training plans. The project design includes organizational arrangements to address gaps in expertise. For example, as a condition of appraisal, the project administration section includes a contracted project accountant and a procurement specialist.

##### **4.3 Procurement issues:**

Procurement arrangements are satisfactory. MOLDMEA has recruited a procurement specialist, as per the terms of reference approved by the International Development Association (IDA), to oversee the

procurement aspects of the project. As a condition of negotiations, a procurement plan for all expenditure items for the entire project period is being prepared, and all the procurement packages are being prepared for works, goods, service contracts, and consultants needed during the first year of project. Annex 6 describes procurement and prior review arrangements.

#### 4.4 Financial management issues:

The MOLDMEA would have a satisfactory financial management system (OP/BP 10.02) requirements for managing project finances and for commencing disbursements on the basis of project management reports (PMRs). Per the terms of reference approved by IDA, a financial management specialist (FMS) has been recruited by the MOLDMEA to oversee the financial management aspects of the project. GOSL's financial regulations (which have already been reviewed and are considered satisfactory by the IDA) will provide the internal control framework for the project. Project accounts will be maintained on a cash accounting basis and are expected to be computerized by July 31, 2001. The Auditor General of Sri Lanka will carry out the annual external audit of the project accounts, and on a semiannual basis will also report on the reliability and adequacy of the internal control system for PMR-based disbursements.

#### 5. Environmental:

Environmental Category: C (Not Required)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

**Environmental issues.** The project's environmental impact is expected to be positive, although negligible due to its small scale. Secure land tenure lengthens the planning horizon for more sustainable land resource management. The PHRD-funded land markets study shows that there is a lower rate of land degradation on private land that is freely marketable. Productivity gains expected to result from the long-term land administration development program should help to reduce pressures for forest encroachment, compared with what would happen in the absence of such a program. Over the long-term improved land administration information will also facilitate environmental management. Even for a long-term program that would hopefully result from the LIL, the only conceivable environmental risks would be improvements in land markets contributing to an increase in environmentally harmful commercial enterprises--this possibility is considered highly unlikely. Nevertheless, the LIL would include indicators for such factors in the design and baseline measurements of the monitoring and evaluation system for the long-term program. While the environmental impact of the project due to secure land tenure is expected to be positive, certain policy distortions (such as protective trade tariffs, subsidies, etc.) beyond the scope of the project may contribute to a reduction in the expected long term environmental benefits. The Bank is conducting a policy dialogue on these issues under channels separate from this project. The planning for a long-term program includes the development of a policy framework for addressing the problem of encroachments and potential resettlement issues associated with country-wide issues, which will need to take into consideration the special requirements of environmentally sensitive areas.

**Justification/rationale for category rating:** The land regularization process will recognize property rights for established possessors as confirmed and controlled by neighborhoods and communities. This type of control avoids creating incentives for deforestation and settlement pressures. Land titling will not encourage forest clearing as this is not a criteria for recognition of rights. It is not considered feasible to include land use management within the scope of the project, because this would involve many other agencies, but the project would not weaken existing environmental land use management mechanisms, and would facilitate their consistent application. The project would not involve involuntary resettlement; there is no taking of land for project implementation; and the project would not cause eviction or increase restrictions of access of private parties who are occupying the privately held publicly owned land. Indeed,

the project would aim at increasing the tenure security of the private parties occupying the public land through titling, and resolving disputes between the private parties who hold usufruct on this public land. The LIL would not title public parks or other public lands as government holdings in situations where this would lead to displacement or restriction in access. The LIL will develop a policy framework for addressing such situations in a long-term program.

5.2 What are the main features of the EMP and are they adequate?

Not applicable.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft:

Not applicable.

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

Not applicable.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The LIL would include indicators for impacts on land use in the design and baseline measurements of the monitoring and evaluation system for the long-term program. A socio economic survey which will include impacts on land use, will be undertaken during project implementation. This survey will serve to establish a baseline of existing land management practices and the current position with regard to land degradation. Another survey will be undertaken towards the end of the project (to compare with the baseline survey), but long-term impacts will probably not yet be evident at that early stage. It is anticipated that the baseline survey would also be used as the basis of comparison for impact measurement during a long-term follow-on program. Such subsequent surveys would include, to the extent they are evident, evaluation of the environmental impacts of the project, taking into consideration potential positive impacts of secure land tenure resulting from the project and possible negative impacts of policy distortions which are outside the scope of the project itself.

**6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The systematic approach to titling includes all landholders, including poor landholders, who without the project would have less access to land administration services. The preparation will gather information on the socioeconomic profile of the project areas, but the project beneficiaries are expected to be typical of many rural areas, and therefore include a high proportion small landholders who would be classified as poor. The socioeconomic monitoring will include an assessment of project impacts on opportunity, empowerment, and security, and establish baseline measurements for the long-term program.

6.2 Participatory Approach: How are key stakeholders participating in the project?

**Participation.** The major field activities planned under the project are inherently participatory in nature, and the project also includes support for national-level dialog on policy reform. Initial stakeholder

analysis has listed groups that are *impacting* the project, and groups that are *being impacted* by the project. Project implementation would include social assessment and continue to involve a range of stakeholders in project learning. The landholders, the main beneficiaries, would play a central role in the operational testing of systematic titling and registration methods, and the project would include steps to ensure receiving their ongoing feedback. The project would involve community based organizations, NGOs, professional societies, and academic institutions in a variety of project activities including stakeholder communications initiatives (e.g., awareness campaigns), dispute resolution (e.g., conciliation committees), monitoring and evaluation, and policy development.

#### 6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

Under the titling methods subcomponent, community relations and communications (CRC) activities would develop support and cooperation. At an early stage CRC would focus on key professionals involved in land market activity, including notaries, real estate agents, banks, other lending agencies, surveyors, land economists, etc. This would take place about two months prior to the systematic field parties arrival. Stakeholder communications and information sharing with several community groups including trade unions, NGOs, community based organizations, and the landholders, would take place at various times throughout the titling process including the 30-day review and appeals period. These stakeholder communications will be through the media, publicity campaigns, forums, extension, village meetings, doorstep meetings, letters and communications, and be supported through staff training and development of a CRC manual.

The policy formation and project-wide learning subcomponent will include support for communicating with the general public through a media campaign and series of local meetings, pamphlets, bimonthly bulletins, explanatory papers and use of secretariat offices. Workshops and seminars have already been used to get feedback from stakeholders and to keep them informed of project progress and plans. This "user group" will be extended to include more of the private sector, NGOS, and local stakeholders from the field test sites. They will continue to be consulted in a series of workshops. The subcomponent will include the contracting of social scientists to undertake the impact studies.

#### 6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The project implementation processes include a strong focus on social development outcomes in the learning agenda (see sections B3 and B4(d) above), in monitoring and evaluation (see section C3), and in many of the project-financed activities (e.g., awareness campaign, boundary dispute resolution, stakeholder communications). Full-time specialists include a community relations and communications officer and a monitoring and evaluation officer. Additional social scientists will carry out the impact and policy studies. The project includes extensive arrangements to ensure good communication with local- and national-level stakeholders.

#### 6.5 How will the project monitor performance in terms of social development outcomes?

Social development outcomes represent a significant portion of the overall outcomes outlined in the logical framework for both the long-term program and for the initial project. The project will support baseline measurements of long-term program outcomes and periodic measurement of project outcomes. These outcomes include factors such as "increased tenure security" and "services viewed as fair to all political factions, social classes, ethnic groups, and gender categories". The baseline program measurements and periodic project measurements will be gathered through household surveys and public awareness evaluations. The periodic project outcomes will also be measured through assessment by

implementers, beneficiaries, and other stakeholders, and government and project statistics. Examples of specific indicators for the project include: (a) public confidence of accuracy, completeness, functionality, and fairness in improved methods, (b) minority and vulnerable groups receive titles in proportion to their representation among landholders in project area, and (c) less than one percent of parcels titled subject to legal challenge.

## **7. Safeguard Policies:**

### **7.1 Do any of the following safeguard policies apply to the project?**

<b>Policy</b>	<b>Applicability</b>
<b>Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Natural habitats (OP 4.04, BP 4.04, GP 4.04)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Forestry (OP 4.36, GP 4.36)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Pest Management (OP 4.09)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Cultural Property (OPN 11.03)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Indigenous Peoples (OD 4.20)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Involuntary Resettlement (OD 4.30)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Safety of Dams (OP 4.37, BP 4.37)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No
<b>Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)</b>	<input type="radio"/> Yes <input checked="" type="radio"/> No

### **7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.**

The overall approach of the project to resettlement has both short-term and long-term elements. For the short-term, project activities have been designed in such a way as to avoid displacement of persons occupying or using government land [see section E5.1 on justification of the environmental assessment (EA) classification]. This arrangement is further reinforced through a project covenant (see section G2). For the longer-term, the project would develop a policy framework for addressing the problem of encroachments and potential resettlement issues associated with country-wide titling.

The PIP includes an annex outlining the social assessment framework. This assessment not only addresses the potential displacement of people occupying or using state land, but also addresses a range of other social issues which are not subject to applicable safeguard policies but which are nevertheless part of social development good practice. These issues include: (a) potential disruption of existing tenurial arrangements through titling; (b) potential loss of rights due to the relatively weak capacity of some persons to assert rights effectively during adjudication and registration (e.g., gender bias, absentee right-holders, religious or ethnic minorities, lack of education, poverty, poor documentation); (c) potential of systematic adjudication to surface latent disputes; (d) problems associated with temple lands; (e) potential social impacts of eliminating land market restrictions; and (f) persons affected by ethnic conflict.

The project's environmental assessment is rated "category C" and the environmental aspects are explained in section E5. The project areas do not include fragile natural habitats, forests, indigenous people, international waters, or disputed areas. The project will have no impact on cultural property, pest management, or dam safety.

## **F. Sustainability and Risks**

### **1. Sustainability:**

This section is not to be completed in LIL PAD.

**2. Critical Risks** (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
<b>From Outputs to Objective</b> Conflicting interests among stakeholders delay or prevent sustainable decisions on the organizational, legal, and policy reforms and the social assessment framework required for a long-term program.	S	PIP clearly defines the issues and the project includes specific social analysis and communication activities involving a range of stakeholders including vulnerable groups. Reputational risks avoided by avoiding problematic sites in the LIL, and making any follow-on, long-term program dependent upon satisfactory performance in reforms and in development of social assessment framework.
Changes in political leadership, insufficient consensus among stakeholders, and ongoing conflict, delay and/or prevent action on organizational, legal, and policy reforms and the social assessment framework.	S	Focus on long-term vision builds support across political spectrum. Project includes communication activities involving a variety of influential leaders, and will build understanding and confidence among all stakeholders through learning by doing. Project documents define expectations and provide implementation guidance.
Delays or inaction on approval of critical legal amendments and regulations undermine quality of titles issued and registry operations.	S	Scheduling benchmarks defined and monitored. Provision of technical support in both preparation and implementation to improve quality.
Establishment of title registries separate from land registries causes confusion and undermines confidence.	M	Government has agreed to review experience of LIL and apply lessons to organizational reform. Donor support for large-scale program under this arrangement would be unlikely.
Political and bureaucratic commitment to structured learning and adaptation not adequate.	M	PIP includes a structured work program for learning and adaptation reflected in the job descriptions, technical assistance terms of reference, training plan, implementation schedule, monitoring system etc., and referenced in project covenant.
Change in political parties affects commitment to project areas.	M	Vision of nationwide coverage in long-term program and small-scale of LIL limits political significance of LIL project areas. Site scheduling for long-term program will require process and criteria regarded as fair and politically sustainable.

Civil strife affects project activities.	N	Selection of pilot areas avoids regions most affected by existing conflict, and stakeholder communications activities will build channels with all ethnic groups.
Project fund flows are not timely, reliable, or adequate.	N	PIP includes a monitorable funds flow schedule and detailed cost estimates. Financial expertise in place as condition of appraisal.
<b>From Components to Outputs</b>		
All implementing agencies do not collaborate in team mode.	S	PIP describe arrangements for collaboration in detail. Project covenant on these arrangements.
Government does not make satisfactory arrangements to expand capacity for communications, adjudication, and other new tasks, including arrangements to involve the private sector.	S	PIP includes realistic detailed staffing plan and procurement plan including consultant and service contracts
Difficult sites avoided by demarcation and survey staff.	N	Careful monitoring and paying incentives on completion of all parcels in a specific area.
Title registry staff do not gain skills or function in coordination with Lands Section of Registrar General's Department.	S	Small volume of titles and transactions limits consequences. Lessons learned (even from failure) likely to build support for organizational reform.
Records destroyed before they are converted or preserved.	N	Records maintenance activities under project will address this concern and include long-term strategy.
Government does not give sufficient priority to two-way communications flow.	N	Stakeholder communications activities structured to address this concern.
<b>Overall Risk Rating</b>	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)  
Annex 13 provides a detailed explanation of risks.

### **3. Possible Controversial Aspects:**

Risk	Type of Risk	Risk Rating	Risk Minimization Measure
Perception that project would not address concerns about fairness and socioeconomic impacts on socially excluded and other disadvantaged groups.	S	N	Public confidence in fairness and techniques for impact assessment, and development of stakeholder communications strategy are key performance indicators. Project will include stakeholder communications initiatives including awareness campaigns, and careful monitoring and management through interventions that support a transparent and inclusive titling process.
Pre-existing perceptions and/or actual practices of petty corruption in land administration activities do not undermine reputation of project operations.	G	N	Transparency and client communications initiatives supported under the project will make such corruption difficult.
Problems in preproject and ongoing nonproject initiatives (e.g., issuance of titles that have a high rate of challenge in court) may undermine the reputation of titling concept.	G	N	Preproject titling has been minimal and little nonproject titling expected. Project includes close and continued interchange that facilitates improvement of non-Bank financed activities based on learning from Bank financed project.
Strong lobbying by Bar Association against titling.	S	M	Develop strategy of appropriate communication with lawyers including cultivating understanding and support of long-term program objectives.
Insufficient management capacity due to multiple agency involvement and inexperience with Bank project implementation.	G, M	N	Pilot scale and attention to generic project management issues limit risks.

Risk Types: S (Social), G (Governance), M (Management);

Risk Ratings: Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

Annex 13 provides a detailed explanation of risks.

### **G. Main Loan Conditions**

#### **1. Effectiveness Condition**

None

**2. Other [classify according to covenant types used in the Legal Agreements.]**

As conditions of negotiation the GOSL has completed the following:

- Assigned project implementation unit staff, nominated field staff, and selected full-time local contract specialists for the project implementation consistent with recommendations in the PIP.
- Completed a socioeconomic baseline profile for the three pilot sites.
- Completed a detailed procurement plan, bidding documents agreed with the Bank, and requests for proposals for all works, goods, contracted services, and consultancy services required for the first year of the project.
- Completed arrangements for project financial accounting, monitoring and auditing.
- Developed a schedule of all legal, policy, and organizational reforms.
- Revised the PIP to include (a) clarification of all organizational and interagency arrangements and processes for LIL implementation, including interagency coordination; (b) completion of descriptions of staffing arrangements; (c) further revisions related to the social assessment framework, (d) updated detailed cost estimates; and (e) other changes to reflect clarifications, correct minor inconsistencies, and accurately portray the full project design; and enable public issuance of the draft PIP.

The project will be implemented in accordance with organizational and interagency collaborative arrangements and processes agreed with the Bank. (The minutes of negotiation specify that the PIP outlines the agreed arrangements and processes, which may be subsequently adjusted in light of experience as agreed and reflected through exchanges of letters between the Bank and the GOSL. The minutes also specify that the Secretary of MOLDMEA has agreed provide the necessary oversight to ensure that

- to provide the necessary oversight to ensure that the Land Settlement Department (LSD) and Survey Department (SD) collaborate closely and make ongoing improvements in this collaboration in light of experience;
- to provide the necessary oversight to ensure the private sector's involvement in appropriate aspects of project processes;
- to make the necessary arrangements for LSD, SD, the Valuation Department, and if possible, the Registrar-General's Department to agree on the main principles and strategy, and to implement joint and compatible arrangements for information technology including data management;
- to ensure appropriate working arrangements with the Registrar General's Department during the implementation of the project; and
- to ensure that all the project implementing parties collaborate with project consultants.)

The project will be implemented in accordance with staffing and training arrangements agreed with the Bank. (The minutes of negotiation specify that the PIP outlines the agreed arrangements, which may be subsequently adjusted in light of experience, as agreed and reflected through exchanges of letters between the Bank and the GOSL.) The project includes a covenant that indicates that by July 31, 2001, the GOSL will appoint a Registrar General of Title meeting qualifications agreed with the Bank, and acceptable to both MOLDMEA and the Ministry of Public Administration, Home Affairs, and Administrative Reforms.

The project reforms including the legal reforms, land market restriction policy reforms, and organizational reforms shall be implemented in accordance with a schedule agreed with the Bank. (The minutes of negotiation specify the scope and implementation schedule of the reforms, which may be subsequently adjusted in light of experience as agreed and reflected through exchanges of letters between the Bank and the GOSL.)

No land in or directly adjoining the project areas will be titled as a result of the project in the name

of the government in situations where this would result in the displacement of people occupying such land, or in restrictions on their access to this land. State land not previously allocated to private persons under the LDO, or other relevant laws, which is or appears to be subject to unauthorized occupation shall be excluded from the titling process during the project. However, where such land is identified, project personnel shall bring it to the attention of divisional land officers and assist them in assessing whether it would be feasible and appropriate to regularize the occupation in question (i.e., the project will not result in any titling of encroached public lands which cannot be regularized and hence where the project might otherwise precipitate eviction from public land).

The project will address social development issues in accordance with arrangements agreed with the Bank. (The minutes of negotiation specify that the PIP (including Annex 5) outlines the agreed arrangements, which may be subsequently adjusted in light of experience as agreed and reflected through exchanges of letters between the Bank and the GOSL. The minutes also specify that the Borrower will submit to the Bank for review and comments the draft designs and draft final reports of project-financed studies. The minutes further specify an agreement that the draft terms of reference for a social and environmental assessment and policy framework (including consideration of resettlement and encroachment issues) that would address the needs of a long-term titling program would be submitted to IDA by December 2002 for review and comment, and that a report on this assessment and framework would be submitted to IDA by September 2003 for review and comment.)

The project shall be monitored with quarterly progress reports submitted to the Bank in accordance with arrangements agreed with the Bank. (The minutes of negotiation attach a set of financial, physical output, and procurement formats for project management reports to be submitted quarterly, and also specify that the PIP describes the content, format, processes and schedule of additional quarterly monitoring and progress reports. The PIP guidelines may be subsequently adjusted in light of experience as agreed and reflected through exchanges of letters between the Bank and the GOSL. The quarterly reports would be submitted within 45 days after the close of each quarter.)

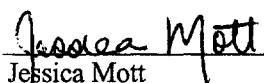
Regarding financial management, the project includes standard covenants on project accounts and audits. (The minutes of negotiation note that the Auditor General of Sri Lanka is acceptable to IDA as the independent auditor, attach the terms of reference for the audit, note the standards for auditing would be International Organization of Supreme Audit Institutions (INTOSAI) standards, and specify that computerization of the project accounting and reporting system will be completed by July 31, 2001.)

## **H. Readiness for Implementation**

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
  
- 2. The procurement documents for the first six months' activities are complete and ready for the start of project implementation; and a framework has been established for agreement on standard bidding documents that will be used for ongoing procurement throughout the life of LIL
- 3. The LIL's Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

## I. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.



Jessica Mott  
Team Leader



Ridwan Ali  
Sector Manager



Mariana Todorova  
Country Manager

**Annex 1: Project Design Summary**  
**SRI LANKA: Land Titling and Related Services**

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<b>Sector-related CAS Goal:</b> Economic productivity of land users improved.	<b>Sector Indicators:</b> Agricultural and other income per unit land increased.	<b>Sector/ country reports:</b> government statistics	(from Goal to Bank Mission) Increased productivity benefits poor people.
<b>Follow-on Development Objective:</b> Fair, efficient and sustainable land administration system serving land users developed and fully functioning.	<p>Increased tenure security for farmers and other landholders throughout country.</p> <p>Efficient land transaction and administration throughout country.</p> <p>Provision to farmers and other landholders of greater control over land management through full range of market choices and jurisdiction to decide on most desirable course of action regarding their land.</p> <p>Full cost recovery over long-term of all investment and maintenance costs.</p> <p>Services viewed as fair to all political factions, social classes, ethnic groups, and gender categories.</p>	Impact monitoring based on design and baseline measurements developed during LIL.	<p>Ethnic conflict and war do not eliminate prospects for economic growth.</p> <p>No major natural calamities affecting agricultural and other economic growth.</p> <p>Sound policy frameworks and capacity for agricultural input prices, water ownership and maintenance, and fertilizer distribution, and non-plantation crop marketing.</p> <p>Sound policy framework and capacity for non-land administration aspects of land resource management (e.g., development planning, watershed management).</p>

<b>Hierarchy of Objectives</b>	<b>Key Performance Indicators</b>	<b>Monitoring &amp; Evaluation</b>	<b>Critical Assumptions</b>
<p><b>Project Development Objective:</b> Broad consensus, confidence, methods, framework and capacity for making sustainable and comprehensive improvements in land administration system serving land users assessed and built.</p>	<p><b>Outcome / Impact Indicators:</b> Well functioning small-scale titling and title registry operations that provide increased tenure security, efficiency in titling and in land transactions, land market choices, and fairness.</p> <p>Confidence and knowledge to expand shared across the public, local leaders, implementing partners, and concerned professionals, based on newly acquired operational and institutional knowledge and experience.</p> <p>Plan for larger scale project (i.e., next phase of long-term program) judged ready for appraisal according to Bank's quality at entry standards or equivalent, which provide basis for commitment(s) to finance.</p>	<p><b>Project reports:</b> Assessment by implementers, beneficiaries, and other stakeholders.</p> <p>Assessment by public, leaders, implementers, and concerned professionals.</p> <p>Assessment by specialists and funder(s).</p>	<p><b>(from Objective to Goal)</b></p> <p>Political leaders address project objectives and issues in spite of distractions and disruptions associated with elections, political feuding, civil unrest, civil war, etc.</p> <p>It is possible to develop a pragmatic social assessment framework for the long-term program which adequately addresses contentious social issues.</p>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions (from Outputs to Objective)
<p><b>Output from each Component:</b> Methods to improve titling and registration operationally tested and lessons applied.</p>	<p><b>Output Indicators:</b></p> <p>1a. Systematic titling cost per parcel reduced with improved methods from pre-project \$110 per parcel to under \$40 average per parcel average overall and under \$30 average per parcel for parcels in flat and open areas.</p> <p>1b. Average time period for completing titling in specific area (from initial awareness campaigns to issuance of title after public review) reduced to seven months with improved methods.</p> <p>1c. Percentage of parcels with unresolved issues after adjudication that prevent titling reduced from about 50 percent to 5 percent.</p> <p>1d. Feedback from field staff and other results of models reflected in evolving design of methodology, and adoption of improved adjudication and titling methods in ongoing operations planned and initiated.</p> <p>1e. Three title registries functioning, with procedures to handle transactions within specified time limits and quality standards.</p> <p>1f. Public confident of accuracy, completeness, functionality, and fairness in improved methods, minority and vulnerable groups receive titles in proportion to their representation among landholders in project area, and less than one percent of parcels titled subject to legal challenge.</p> <p>1g. Records maintenance in project sites.</p> <p>1h. Methods adjusted to reflect learning.</p>	<p><b>Project reports:</b></p> <p>1a. Analysis of staff time and other costs in Bank-financed models.</p> <p>1b. Analysis of project model experiences.</p> <p>1c. Analysis of project model experiences.</p> <p>1d. Survey of staff and other stakeholders, and review of follow-on project proposal and project records.</p> <p>1e. project records</p> <p>1f. Survey of users, key officials, and other key stakeholders, analysis of sociocultural data on landholders and title recipients in project area, and review of legal records.</p> <p>1g. project records</p> <p>1h. project records</p>	<p>Political commitment to selected project areas continues.</p> <p>Project fund flows are timely, reliable and adequate.</p> <p>Political and bureaucratic commitment to structured learning and adaptation continues.</p> <p>Establishment of title registries separate from land registries does not cause confusion nor undermine public confidence.</p> <p>Timely approval of critical legal amendments and regulations.</p>

<p>Institutional (including legal, policy, project-wide stakeholder communications, organizational, management, monitoring and evaluation, and program planning aspects) framework and capacity for land administration and related services developed.</p>	<p>1i. Methods of titling and related services for urban areas, for large irrigated tracts, and other situations designed.</p> <p>2a. Legislative, regulatory and procedural framework for efficient, effective, and sustainable land titling and title registration established (including parliament approvals) by project month 30. Decision on final amendments to Registration of Title Act by project month 30.</p> <p>2b. Decision on long-term organizational responsibilities for registration of title by project month 24.</p> <p>2c. Decision made on lifting of market restrictions on leases and freeholds for parcels currently under the LDO, LG, and SLO; analysis underway of other market restrictions; analysis underway of encroachment on state lands and informal settlements in urban areas, and policy developed for fees--all by project month 30.</p> <p>2d. Stakeholder communications strategy at national level developed and tested by project month 12.</p>	<p>1i. project records</p> <p>2a. review of project records</p> <p>2b. review of project records</p> <p>2c. review of project records</p> <p>2d. review of project records</p>	<p>Commitment of GOSL continues regardless of changes in political leadership. Problems in recent and ongoing nonproject initiatives do not undermine reputation of titling concept.</p> <p>Sufficient understanding and consensus among stakeholders to permit sustainable decisions on the organizational, legal, and policy reforms and the social assessment framework required for the long-term program.</p>
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	<p>2e. Viable organizational framework including cohesive organizational structure and plan for staffing and human resource development covering both public and private sector roles designed by project month 24 and initiated by project month 30, and information management system designed by project month 24.</p> <p>2f. Effective management throughout project period.</p> <p>2g. Techniques for impact assessment of titling tested and preliminary findings identified.</p> <p>2h. Realistic plans for long-term development program management by project month 24, and monitoring and evaluation system for long-term program designed with baseline completed by project month 30</p>	<p>2e. review of project records</p> <p>2f. Summary implementation progress rating for LIL equal to satisfactory or highly satisfactory.</p> <p>2g. project records</p> <p>2h. review of PIP for second phase.</p>	
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Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions (from Components to Outputs)
<p><b>Project Components / Sub-components:</b></p> <p>1. Field Operations Methods Testing and Learning</p> <p>1a. Methods of stakeholder communications, surveying, mapping, records searching, adjudication, and other processes required for systematic titling.</p> <p>1b. Methods of title registration and title registry operation.</p> <p>1c. Methods to improve land records maintenance.</p> <p>2. Development of institutional framework and capacity.</p> <p>2a. Legislative, regulatory and procedural framework for land administration.</p>	<p>Inputs: (budget for each component) See detailed cost tables</p>	<p>Project reports: Financial and progress reports</p>	<p>All implementing agencies collaborate in team mode.</p> <p>Government makes satisfactory arrangements to expand capacity for communications, adjudication and other new tasks, including arrangements to involve the private sector.</p> <p>Demarcation and survey staff cover difficult sites subject to disputes and/or multiple ownership.</p> <p>Pre-existing perceptions and/or actual practices of petty corruption in land administration activities do not undermine reputation of project operations.</p> <p>Title registry staff gain skills and function in coordination with lands section of Registrar General's Department.</p> <p>Records are not destroyed by rats, fire or other hazards before they are converted or preserved.</p> <p>Opponents of titling (including some lawyers) do not block legal reform.</p>

<p><b>2b. Policy formulation and project-wide learning, including tenure, land management, and cost recovery policies; stakeholder communications; and monitoring and evaluation.</b></p>		<p>Project activities in communication and monitoring effectively address concerns about possible adverse socioeconomic impacts of land market reform on disadvantaged groups.</p> <p>Government gives sufficient priority to two-way communications flow.</p> <p>Government gives sufficient priority to monitoring and evaluation, and to using these findings to address social concerns.</p> <p>Bureaucratic and political interests do not prevent organizational rationalization.</p> <p>Management capacity sufficient in spite of multiple agency involvement and inexperience with Bank project implementation.</p> <p>Decision makers apply project lessons.</p>
<p><b>2c. Organizational development and project management, including structural rationalization, staffing plan, human resource development plan, and information management strategy; project administration, and program planning.</b></p>		

**Annex 2: Detailed Project Description**  
**SRI LANKA: Land Titling and Related Services**

**By Component:**

**Project Component 1 - US\$4.09 million**

Note: Although monitoring and evaluation, studies, technical assistance, and human resource development activities would be coordinated and administered centrally and therefore are described under subcomponent 2c, they would be regarded as integral elements of every subcomponent.

***Subcomponent 1a: The Titling Methods*** subcomponent would comprise the range of activities needed to cover about 22,000 parcels in portions of three different districts: Balangoda, Gampaha, and Gampola. The sites were selected for the variations in terrain, population, density, cultivation patterns, urban/rural mix, and public/private ownerships. In the third year some 6,000 new parcels will be surveyed and adjudicated using the methods deemed most cost and time effective during the first two years.

The titling operations would be based on an integrated team approach, with joint field teams consisting of adjudicators and surveyors, to work with village representatives, conciliation committees, and landholders, all under one management. By the second year of the project there would be twelve teams for each district. The team will mobilize into an area after start-up community relations and communications work in that area, during which time searches would be made in the office of the Land Registry, SD (district), and Valuation Department. Field activities would then be conducted, including survey and adjudication work to issue and register all titles in a village area. Improved methods of investigation, demarcation and survey would reduce the time to cover a village or group of villages from more than one year to a seven-month period (including a two-month stakeholder communications period and a one-month review period at the end). The teams with the landholders, would undertake the necessary demarcation, adjudication, surveying plan and map drawing, plus the title document and supporting documentation preparation, to allow it to be delivered to the new registration of titles offices for registration and issuance to land holders. The integrated approach will be much less costly than the practices used during 1996-99 because it will minimize the number of survey and adjudication visits to the field, minimize the number of separate steps and times the land holders must be interviewed, and delegate decision making powers to field teams. The provision of vehicles, modern survey technology, and production incentives will also increase output rates. The project will improve the quality by increasing the transparency, ensuring that women are involved, and facilitating out-of-court dispute resolution.

The higher-level staff would support and undertake some of the community relations and communications tasks; supervise the teams in the adjudication and surveying with the appropriate staff, review parcels in dispute (with advise of the conciliation committee; support the teams in making up title documentation and plans, and make their own quality management by a nominated person in the party (though the SD would continue their standard supervision, reviews and checks). They would undertake the land rights decision-making and the 30-day review process, and deliver the titles to the Registration of Title Office.

Most of the titling would be systematic, but the project would include sporadic titling in any of the three project areas where the field teams have initiated work for any state land that is being privatized, and for any subdivision of existing private lands.

Activities of the titling methods subcomponent would include:

- *Stakeholder* communications with landholders, local registry staff, local notaries, local surveyors, real estate agents, bankers, and other professionals involved in land market activity. This would include awareness and information sharing through newspaper publicity campaigns, forums, extension, village meetings, doorstep meetings, letters, and communications with several community groups, agencies, trade unions, NGOs, community based organizations, and the landholders themselves. It is also needed with the local notaries, surveyors, bankers, and real estate brokers. The actual function would be carried by at least two project groups: by a special project team and the systematic field teams themselves. The types of media would include: radio, newspapers, news-sheets, brochures, local community methods, and limited regional television. The project director would start the process with visits at the district, divisional administration levels as well as necessary with mayors. Then the divisional secretary's staff and the project staff would take over at the village-level working when they start with the systematic field parties at the land holder level. They would also hold group meetings with the bankers, the notaries, surveyors, and brokers. in the selected areas would commence about two months before the systematic field parties are due to start in an area. Stakeholder communications would be needed at various times throughout the process including during the 30-day review and appeals period at the end of the systematic adjudication process.
- *Records searching.* Prior to and during survey and most other field activities, special project staff would systematically search offices of the Land Registry, SD, Valuation Department, LSD, Agrarian Services Department, and other offices for relevant records and compile these for use in survey, mapping, and adjudication. These searches may be undertaken under private contract if the workload becomes too great for adjudication staff.
- *Surveying and mapping* would rely mainly on ground based survey methods. In the pilot areas in the three-year project most areas are bush, jungle, and coconut palm, where the use of air mapping and remote sensing based methods are not effective. The GPS would be used for survey control. Paddy areas are in the valley floors and while they are wide, they still best done using ground based methods with new technologies. To speed up the survey work, more modern equipment is necessary including more total stations, more GPS systems, and more small field office equipment including digital mapping computer workstations and plotters. Also necessary are more vehicles for the field teams and supervisors. Aerial mapping methods for dryland areas would be trialed on a small scale in PY3, including GPS coupled with total station use and possibly high resolution satellite imagery. There is an extensive private sector survey industry in Sri Lanka and contracted teams would be used starting in PY2. Private sector contracting, however, would require contract management and supervision, and quality control by the government. The cadastral maps would build upon the experience of the 1996 to 1999 pilot project. Maps are now mainly digitally produced at a scale of 1:2000 showing parcel numbers corners marked, main physical features, main survey marks, supported by other supporting sheets in table format presenting landholder information, supporting documentation, and other legal rights information and limited parcel information. Mapping methods to be tested would include combining the use of GPS and/or total stations with pen computers to allow automated map production and database entry in the field.
- *Adjudication and dispute* resolution would test methods to optimize the use of CTS's capacity, which is currently limited. At present CTS has about 92 staff at the field level for demarcation and investigation and 25 at the assistant commissioner level for adjudication. Under the project one method to be tested would build upon the 1996-99 experience in the pilot area of Balongoda, where CTS has used divisional secretary's staff and others to conduct adjudication. Another possible

model might test the use of privately contracted adjudicators. Local people serving in conciliation boards would assist in the adjudication process, and build on the considerable experience of mediation boards established under the Mediation Boards Act, No. 72 of 1998.

- *Title issuance.* The joint field teams would conclude their work with the actual issuance and delivery of the titles to the registry offices, after a 30-day review period. The title issuance process includes several measures to ensure full transparency, e.g., public announcements in newspapers, issuance at prearranged public village meetings.

**Subcomponent 1b: Title registry** offices will be established using new graduate staff trained for this purpose. At the start a small physical space in the existing offices of the district secretariat or the district survey office would be made available for the registration of title functions. This subcomponent also includes an analysis of the success, viability, and replicability of these arrangements, leading to recommendations for further institutional and organizational framework for national implementation.

**Subcomponent 1c: Land records maintenance.** In Sri Lanka, complete conversion would probably take at least 30 years. Therefore the existing document registration system must be maintained not only to support the existing land market transactions for many decades, but to allow documents to be preserved to allow them to be used when the conversion does takes place. The project would include support for urgently needed equipment and other support especially in storage systems (e.g., compressor shelving systems, and records preservation using modern technologies, to support storage and accessibility of the valuable state land cadastral plans of the SD). The project also includes the development of a plan to address records preservation in a more comprehensive manner in the long-term program. As part of this effort, the Registrar General's Department would undertake a survey of the usage of its deeds archives. The objective here would be to aim under the long-term program at prioritizing deeds according to usage, and to applying the rules given in appropriate laws.

#### **Project Component 2 - US\$2.69 million**

**Subcomponent 2a: Legal Framework.** The project would undertake ongoing activities to identify existing legal constraints to the operation of efficient, fair and transparent land administration in Sri Lanka, and develop comprehensive proposals for their correction. This would involve several types of activities:

- *Amendments, regulations and assistance in operational procedures.* Project legal experts will need to assist in completing activities commenced during project preparation with FAO support and under the auspices of the Australian Agency for International Development's (AusAID) project. In addition to processing the RTA amendments that have already been drafted, it will also involve recommendations for the amendment of over 25 related laws that directly affect or are affected by the introduction of a title registration system. A revised survey act is likely to be enacted before the project commences. Proposed amendments to the Registration of Documented Ordinance, LDO, Notaries Ordinance have already been prepared and should be enacted within the first year of the project. The remaining laws have been reviewed and necessary amendments identified. A series of regulations and office procedures related to both the RTA and the revised survey act needs to be developed, building on the initial set of gazetted regulations and recommendations subsequently developed under the FAO support. A final procedural manual will be produced in the first half of the second project year.
- *Legal work needed for private sector involvement, policy reform, and other project*

*innovations.* Related to the previous item, there will be a need to focus on legal measures to facilitate innovations that may be proposed or tested during the course of the project. For example, the project should evaluate the legal implications of different approaches to greater private sector involvement in registry operations. Similarly, there will be a need for the project to assess the legal dimensions of any proposed policy reforms designed to reduce restrictions on the marketability of land. The Land Commissioner's Department has already initiated work to revise the State Lands Ordinance and the LDO in this regard.

- *Designing alternatives to the use of courts.* The project would develop viable institutional alternatives to the use of courts for resolving disputes that arise under the Title Registration Act. With respect to disputes arising during adjudication, the effective implementation of the conciliation board concept in the Act could be facilitated by analyzing and learning from the considerable experience of mediation boards established under the Mediation Boards Act, No. 72 of 1988. With respect to appeals of adjudication or registration decisions under the Act, the project would assess the feasibility of creating specialized tribunals to deal with land matters, and in doing so, evaluate the experience of other countries in establishing such bodies.
- *Iterative learning on legal aspects.* The project will need to respond to lessons from the field. Sound law reform should be an iterative process, with periodic attempts to assess the operation of new laws and regulations, and to use that information to feed back into refinements and revisions. While this may be conceived of as an integral part of the overall monitoring and evaluation component of the LIL, it is important to keep several distinctly "legal" issues in mind while designing these activities. Title registration introduces some significant and untested doctrinal innovations to property law in Sri Lanka. Examples include concepts such as the indefeasibility of title, the conclusiveness of the register, state guarantee of title and various others. As part of subcomponent 2b, the LIL will develop methods of evaluating whether these concepts are being successfully assimilated into Sri Lankan legal culture, and the extent to which they have been understood, misunderstood, distorted, or ignored.
- *Training, continuing education, and extension on legal aspects of title registration.* The success of the adoption of a title system will depend in some significant measure on the doctrinal changes mentioned in the previous paragraph being understood by judges, lawyers, administrators and users of the system. Under subcomponent 2b, the LIL will assist this learning process by supporting (a) the development of written training materials for lawyers, judges and registrars on law, including a distillation of comparative jurisprudence from other title jurisdictions; (b) the development of lay person guides (perhaps as insertions in more general guides on the system overall) to the legal aspects of title registration; and (c) in collaboration with the Bar Association of Sri Lanka, the development of courses or seminars for practitioners on title registration law as part of the Bar Association's program of continuing legal education.
- *Legal aspects of organizational development.* During project preparation and the life of the project, legal experts would assist in determining the legal advantages or disadvantages of different institutional options for project administration, such as creation of an authority.

***Subcomponent 2b: Policy formation and project-wide learning.*** The project would include activities to formulate policies and to develop national-level stakeholder communication. More specifically, they would comprise:

- *Policy formulation* will include de jure and de facto actions to lift market restrictions on leases and freeholds for parcels currently under the LDO and related legislation in the three project areas. It will also include studies (costed under subcomponent 2c), workshops, dialogue, and pilot reform activities on: (a) analysis of socioeconomic impacts of removing land market restrictions and land titling rural areas; (b) analysis of socioeconomic impacts of land market reforms and land titling in urban areas; and (c) analysis of fees, taxes, and cost recovery strategy, and guarantee of title. The activity of the Land Commissioner's Department will be progressively affected by the change in the tenure system, particularly through the relations of existing restrictions and the resolution of encroachments on state land. This will enable the Land Commissioner's Department to update their records and develop an appropriate land management strategy for the long-term program. The project would also include efforts to ensure that the project implementing agencies participate in the ongoing policy dialogue related to land use management, a dialogue which involves a large number of agencies that are not involved in titling.
- *National-level stakeholder communications.* To be effective dissemination of project information has to be based on an understanding of the questions and perceptions that direct stakeholders and other parts of the public have formed. Information and public awareness, therefore, have to be based on two-way communication. A user group has been formed to get feedback from stakeholders and to keep them informed of project progress and plans, and they will continue to meet. The general public will be targeted through a media campaign and series of local meetings, bimonthly bulletins, pamphlets, and explanatory papers. In addition to the stakeholder communications activities that would be an integral part of the titling activities under subcomponent 1a, the project would also include support for professional assistance in publicity and media campaigns to educate the wider public about titling, and as well as the development of strong communication channels with key stakeholders such as banking and legal professionals. Some stakeholder communications would also take place as part of the social assessment activities undertaken as part of monitoring and evaluation described below.

***Subcomponent 2c: Organizational development, project management, and program planning.***

- *Structural rationalization and staffing.* The project would test the project organization arrangements as a mechanism for interagency collaboration, and explore options for the long-term organizational arrangement. It would also include testing and analysis of the use of staff incentive payments, develop a long-term staffing plan, and develop procedures for ongoing interagency coordination.
- *Human resource development.* Training programs would include specially designed in-service training courses for project staff; training of other project participants such as conciliation committee members; NGO active in stakeholder communications and monitoring, etc.; study tours, workshops, international seminars, etc. Training would cover a wide range of topics including: legal aspects, community relations and awareness training, demarcation, cadastral survey as necessary, adjudication, facilitation of dispute settlement, working with conciliation committees, documentation requirements and standards, field office organization, computer use (for a limited number of persons), reporting requirements, and quality assurance and team management. The students and outsiders would evaluate the training. Lessons and innovations would be introduced through the training program. A draft manual would be developed over the period of the three-year project and finalized for the possible follow-on

program. The project would also develop a long-term plan for human resource development.

- *Information management strategy.* During the three-year project, an IT/information management strategy would be developed for the project and for all project agencies. This strategy would guide the IT used in the project including digital mapping, and data bases. It would include office procedures and where a method of assessing IT can help. Such a strategy with standards and guidelines would support individual agencies to develop their own information systems independently though optimized and information sharing made possible between them because of: (a) agreed data management standards and definitions; (b) institutional responsibilities for data updating agreed and clarified; (c) technology agreements made between agencies; (d) cost and fee agreements signed between the agencies; and (e) an assigned IT coordination office responsible for ensuring the implementation of the strategy and that agencies use the standards. It should also include a review of existing office practice and integrate revised practice with new technology.
- *Monitoring and evaluation* would comprise: (a) performance assessment of project activities, based on indicators outlined in log frame and on learning and innovation expectations, (b) evaluations of field methods to identify lessons learned and most appropriate options for the future program, (c) follow-up impact and participatory social assessments in project areas, and assessments in new areas covering all major tenure arrangements, agroecological zones, and socioeconomic situations not covered in the initial three-year project (with special attention to areas such as in the large dry-zone colonization schemes, locations directly affected by the ethnic conflict, and locations with larger scale encroachment and to topics as conflict impact assessment and gender), and (d) design of monitoring and evaluation for long-term program (including cost-benefit analysis), and measurement of baseline data. Activities would include surveys, data analysis, participatory rural assessment exercises, and workshops. There is a designated officer in charge of the learning and reporting related to each project subcomponent.
- *Project management and administration.* The project would provide an opportunity for project staff to develop hands-on experience in project management, and include support to build these management skills. The project also would include support for financial management and for other administrative tasks such as procurement and progress reporting, building the management and administrative capacity needed for a large scale investment program.
- *Program planning.* The project would include support needed to prepare a PIP for a follow-on project.

**Annex 3: Estimated Project Costs**  
**SRI LANKA: Land Titling and Related Services**

Sri Lanka  
 Land Titling and Related Services  
 Components Project Cost Summary

**A. Field Operation Methods Testing and Learning**

    Titling Methods  
 Land Titles Registry Offices  
 Land Records Maintenance

**Subtotal Field Operation Methods Testing and Learning**

**B. Development of Institutional Framework and Capacity**

    Legal Framework  
 Policy Formation and Project Wide Learning  
 Organizational Development, Project Management and Program Planning

**Subtotal Development of Institutional Framework and Capacity**

**total BASELINE COSTS**  
 Physical Contingencies  
 Price Contingencies  
**total PROJECT COSTS**

				(US\$ '000)	%	%
Local	Foreign	Total	Foreign Exchange	B	C	
2,131.7	1,167.7	3,299.4		35		
66.0	43.2	109.3		40		
70.5	99.4	169.9		59		
<b>2,268.2</b>	<b>1,310.4</b>	<b>3,578.6</b>		<b>37</b>		
20.3	7.2	27.5		26		
122.2	89.6	211.8		42		
744.4	1,258.7	2,003.1		63		
<b>886.9</b>	<b>1,355.5</b>	<b>2,242.4</b>		<b>60</b>		
3,155.1	2,665.9	5,821.0		46		
219.8	225.1	444.9		51		
336.9	178.3	515.2		35		
<b>3,711.9</b>	<b>3,069.3</b>	<b>6,781.2</b>		<b>45</b>		

Sri Lanka  
 Land Titling and Related Services  
**Expenditure Accounts Project Cost Summary**

	(US\$ '000)				
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
<b>I. Investment Costs</b>					
A. Civil Works	34.6	10.8	45.4	24	1
B. Goods					
1. Vehicles					
Vehicles	254.2	335.3	589.5	57	10
2. Equipment					
Office Equipment	7.7	59.1	66.8	88	1
Computers	27.7	221.7	249.4	89	4
Software and Support Equipment	18.7	143.8	162.5	88	3
Survey Equipment	91.6	508.7	600.2	85	10
Subtotal Equipment	145.6	933.3	1,078.9	87	19
3. Furniture					
Office Furniture	28.1	24.0	52.1	46	1
Archive Furniture	13.5	11.5	25.0	46	-
Subtotal Furniture	41.5	35.5	77.0	46	1
4. Supplies and Materials	37.2	141.8	179.0	79	3
5. Beacons	25.9	3.0	28.9	10	-
Subtotal Goods	504.5	1,448.8	1,953.3	74	34
C. Allowances, Incentives, & Transport	733.6	134.0	867.6	15	15
D. Service Contracts					
Photomaps	8.9	3.0	11.9	25	-
Survey and Demarcation	228.5	125.3	353.7	35	6
Rent of Premises for Project Work	179.7	-	179.7	-	3
Temporary Staff	79.2	-	79.2	-	1
Searches	5.7	-	5.7	-	-
Subtotal Service Contracts	501.9	128.3	630.2	20	11
E. Technical Assistance and Training					
Foreign Technical Assistance	-	780.7	780.7	100	13
Local Technical Assistance	177.8	-	177.8	-	3
PIU Contract Staffing	214.7	-	214.7	-	4
Community Relations and Communications	71.3	-	71.3	-	1
Studies	48.7	-	48.7	-	1
Local Training	58.4	17.4	75.8	23	1
International Study Tours	-	105.0	105.0	100	2
Workshops (Bank)	49.9	14.9	64.8	23	1
Subtotal Technical Assistance and Training	620.8	917.9	1,538.7	60	26
Total Investment Costs	2,395.4	2,639.8	5,035.3	52	87
<b>II. Recurrent Costs</b>					
A. Existing Staff	666.0	-	666.0	-	11
B. Civil Works O & M	4.6	0.8	5.5	15	-
C. Vehicle O & M for Registry Operation	11.4	2.1	13.5	15	-
D. Equipment O & M	65.7	12.0	77.7	15	1
E. Telecommunications Fees	11.9	11.2	23.1	48	-
Total Recurrent Costs	759.7	26.1	785.7	3	13
<b>Total BASELINE COSTS</b>	3,155.1	2,665.9	5,821.0	46	100
Physical Contingencies	219.8	225.1	444.9	51	8
Price Contingencies	336.9	178.3	515.2	35	9
<b>Total PROJECT COSTS</b>	3,711.9	3,069.3	6,781.2	45	116

**Annex 4: Cost Effectiveness Analysis Summary**  
**SRI LANKA: Land Titling and Related Services**

	Present Value of Flows		Fiscal Impact	
	Economic Analysis	Financial Analysis	Taxes	Subsidies
<b>Project Costs</b>	\$5.0 million	\$5.6 million	\$0.8 million	0

<sup>1</sup> If the difference between the present value of financial and economic flows is large and cannot be explained by taxes and subsidies, a brief explanation of the difference is warranted, e.g. "The difference between financial and economic costs arises from price controls on the inputs."

**Summary of benefits and costs:**

**Project benefits:** The benefits of the project comprise the assessment and development of the methods, framework, and capacity for making sustainable and comprehensive improvements in the land administration system (parcel based cadastre, land titling, and title registry). These benefits are structured in two intended outputs:

- (a) models to improve systematic titling and registration operationally tested, and lessons applied; and
- (b) institutional (including legal, policy, communications, organizational, management, and planning aspects) framework and capacity developed.

The project aims to build the foundation for a long-term program which would hopefully follow the project, and which would contribute to higher productivity, efficiency, cost and time effectiveness, and public confidence in land administration. If the project does not fully achieve the minimum institutional reforms and lead to a long-term program, the benefit would mainly be in the form of a learning exercise, since there would be serious questions regarding the sustainability of the project-created assets such as titles, title registries, and use of new skills. The small size of the LIL limits the risk exposure of such an outcome.

**Projected benefits of intended follow-on long-term program.** This follow-on large-scale program is envisaged to result in a fully developed and functioning system of land administration that is fair, efficient, and sustainable, and that would encompass the entire country in the next 15 to 25 years. It aims at:

- (a) increasing tenure security for farmers and other landholders, with associated improvements in capital investments, land use, access to credit, etc.;
- (b) efficient land transactions and administration, with associated savings of public expenditures, and transaction and opportunity costs of land administration clients;
- (c) providing to farmers and other landholders of greater control over land management through a full

range of market choices, with associated increase in value of affected land parcels estimated at 50 percent (based on the land markets study findings) and associated improvements in land use;

- (d) full cost recovery over the long-term while also keeping fees low enough to ensure inclusive and sustained participation in the official title registration system; and
- (e) land administration services viewed as fair to all political factions, social classes, ethnic groups, and gender categories.

Ultimately these benefits would result in increased productivity and improved governance.

**Quantitative analysis of benefits.** The institutional development nature of the project precludes meaningful economic and financial quantification of the project benefits. For example, the design focuses on the development of efficient titling methods and models rather than maximizing per parcel output within a fixed cost. At this early stage, the learning process, establishing new organizational frameworks, and patterns of behavior are more important than the total titling volume. However, the project includes the development of a detailed monitoring and evaluation framework and baseline measurements which will eventually enable quantitative economic assessment of benefits of the envisaged long-term program. Based on the experience of successful land titling projects in other parts of the world, the benefits of the long-term program are likely to be substantial--land titling projects elsewhere have resulted in rates of return on full-scale implementation of about 34 percent (World Bank, Thailand Land Titling Project 1991-94), 17 percent (USAID, Honduras) and 12.3 percent (World Bank, Guatemala, estimated).

**Fiscal impacts.** The models created under the project are expected to significantly reduce the units costs and time periods of various land administration activities, and thus make a large-scale program financially feasible. For example, the project aims to reduce the cost per parcel of systematic titling from \$110 per parcel preproject to under \$40 per parcel. The reduction in per parcel cost would reduce the prospective total cost of title registration in Sri Lanka by around \$560 million (undiscounted). It would also reduce the time taken to complete the process to about seven months per parcel, enabling completion of a full-scale program within 20 years. The models are also expected to resolve disputes, reducing the portion of parcels with unresolved disputes after adjudication from 50 percent to 5 percent, and aiming at less than 1 percent of the parcels titles being subject to legal challenge. Boundary and other land disputes have been common in Sri Lanka and frequently take decades to resolve in court. The models and framework developed under the project should enable a significant reduction in the public and private costs of such disputes, and the inclusion of disadvantaged and vulnerable clients who otherwise would not have access to legal redress. The up-front subsidy of titling helps to ensure high participation of landholders on a voluntary basis, and titling projects in other countries (such as Thailand) have demonstrated that land administration fees can provide full cost recovery over the long-term. The project supports policy analysis on land administration fees which may result in policy reform with fiscal impacts--the extent of these impacts will depend on the findings of the analysis and associated policy reforms. The small-scale land administration operations created under the project are also likely to increase the accuracy of land valuation and hence result in an increase in stamp duty revenue.

**Preproject and without project situation.** A further appreciation of the incremental project benefits can be derived from an understanding of the current pre-project situation and projections of the likely without project scenario. Existing issues include the following:

- Land Settlement Department staff lack skills in adjudication, for example, existing information is not sufficiently used, third party interests are not informed (hence disputes are created and rights

are not protected);

- the legal framework for land titling is inadequate;
- the organizational framework for title registries is not efficient, effective, or sustainable;
- no published results, workshops, or stakeholder discussions have reviewed progress of ongoing titling activities, either in terms of implementation experience or socioeconomic impacts;
- little coordination between survey and adjudication staff has resulted in multiple visits which waste government budgets and client's time;
- coverage has been incomplete with 50 percent of cases referred for further investigation;
- coverage has been limited to rural areas only; no piloting in economically significant urban areas;
- prospects for large-scale financing of systematic titling unlikely;
- lack of the use of modern and efficient survey and information technology for efficiency and productivity gains in titling;
- absence of the involvement of private sector capacity and skills to supplement government capacity and skills to speed up title registration and coverage;
- no motivation to carry out a continuing land related policy reform dialogue; and
- human resource development essential for an efficient long-term land titling program not addressed.

Without the project, most of these conditions would be likely to continue, with the possible exception of coordination between survey and adjudication staff, which is beginning to improve as a result of project preparation discussions, and the legal framework, where advice has been provided with Bank/FAO support. Without the LIL project, the unresolved problems would probably prevent the achievement of a high quality, long-term systematic titling program. In fact the festering problems would be ultimately likely to undermine the reputation of titling in general, the prospects of ever reinitiating titling in the future, and the prospects of ever achieving a well functioning land administration system in the country and the other intended benefits of a long-term program.

Field visits during project preparation have indicated that the public is extremely receptive to titling and has many ideas on what to do once they have clear title (usually they needed to know where the boundaries were or a document that they can use for collateral for loans). These visits have clearly demonstrated that titling should proceed, only better and more quickly. Delay or cancellation of titling at this stage would be serious. The current government program has demonstrated that titling is beneficial to the rural community, but that the government does not have the capacity or resources to undertake the program. If the LIL project is delayed or dropped, the government may give up altogether. If the government carries on without a LIL, the problems would be likely to continue and to worsen in magnitude, making long-term success highly unlikely.

**Costs.** The institutional development nature of the project benefits means that the most of the costs should be attributable to the future large-scale, long-term program. More than 27 percent of the costs are for technical assistance, training, and workshops directly fostering the development of human capital, while the 30 percent of the costs for goods is mostly for items that will be used for years beyond the three year period of the LIL. Almost 27 percent of the total costs are for technical services, allowances, incentives, and transport which directly contribute to the creation of two types of permanent assets: the individual titles themselves, and the knowledge of improved methodologies in the form of new models for titling

operations. Keeping the total project within the \$5 million IDA credit ceiling and \$6.9 million total costs limits the total risk exposure, should the project fail to lead to a follow-on titling program.

**Main Assumptions:**

Annex 1 lists the critical project assumptions, and Annex 11 provides a detailed risk analysis.

**Cost-effectiveness indicators:**<sup>2</sup>

Cost effectiveness has played a major role in determining the specific design of the project activities. The analysis of project alternatives (see Annex 11) rejected more expensive and complicated alternatives of a broader scope project concept, a larger scale project, and also rejected project concepts which lacked the essential learning and reform elements which would be essential preconditions for achieving the benefits that would stem from a successful long-term program. The unit costs are appropriate given the local conditions, comparable with ongoing Bank-financed projects, and within standard government budget norms. The project costs as a whole are less than the total costs of the only other LIL in land administration (Philippines - Land Administration and Management Project). The project makes use of international experience when establishing performance indicators for titling models (for specifics see paragraph on fiscal impacts above and PAD Annex 1).

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<sup>2</sup>These indicators should compare the project with a suitable comparator, e.g. unit project costs of alternative project designs or international standards.

**Annex 5: Financial Summary**  
**SRI LANKA: Land Titling and Related Services**

The costs and financing are estimated in "project years" which do not correspond to the government fiscal years which are equivalent to calendar years. The project financing would take place during four government fiscal years, beginning about half-way through calendar 2001.

Implementation Period	(US\$ million)		
	2001/2002	2002/2003	2003/2004
<b>Project Costs</b>			
Investment Costs	2.21	2.65	1.01
Recurrent Costs	0.23	0.56	0.12
Total Project Costs	2.44	3.21	1.13
IDA	1.83	2.25	0.93
Government	0.61	0.96	0.21
Total Project Financing	2.44	3.21	1.13

## **Annex 6: Procurement and Disbursement Arrangements**

### **SRI LANKA: Land Titling and Related Services**

#### **Procurement**

All civil works financed under the project amounting to about \$52,000 are small-scale renovation of existing building of the LSD, three field offices and the three land titles registry offices. The location of these buildings are widely spread.

The procurement of goods would consist of: (a) vehicles (\$650,000); (b) office equipment (\$75,000); (c) computer equipment and software (\$450,000); (d) survey equipment (\$665,000); (e) furniture (\$90,000); (f) beacons (\$35,000); and (g) other small supplies (\$200,000).

The service contracts would consist of: (a) production of photomaps (\$76,000); and (b) private sector survey and demarcation survey (\$430,000); (c) rent of premises (\$230,000), (d) temporary staff in the form of field helpers and office assistants (\$102,000), and (e) contracts to search land records (\$7,000).

The allowances, incentives, and transport (\$1,005,000) would cover the costs needed to implement the project. Incentive payments would be paid only for the duration of the project on top of the regular salaries. Allowances and transport would include normal allowances at standard government rates, as well as public transport fares, vehicle rentals, and a comprehensive fee for government and private vehicle use based on distance traveled for project operations multiplied by a unit price per km covering cost of vehicle fuel use, maintenance, depreciation, etc. All of these costs are associated with creating an asset (titles and the entire cadastre) and therefore can be considered investment costs in economic terms. Under this arrangement these costs are not recurrent--they are not needed to "maintain" the title/cadastre asset.

The consultants and training would be required for: (a) technical assistance and studies (\$1,3024,200); (b) project implementation unit contracted specialists (\$290,000); and (b) study tours, seminars, and workshops (\$310,000).

Preparations of procurement schedules, and all international competitive bidding (ICB), national competitive bidding (NCB), and international shopping (IS) procurement will be done by the project management unit (PMU). Procurement of works, goods and services under the project would be carried out in accordance with the provisions of the Bank's, "*Guidelines: Procurement under IBRD Loans and IDA Credits*", January 1995, revised January and August 1996, September 1997 and January 1999. Procurement of consultants would be in accordance with the provision of the "*Guidelines: Selection and Employment of Consultants by World Bank Borrowers*", January 1997 revised September 1997 and January 1999. The procurement methods applicable to various expenditure categories are summarized in Table A. Procurement thresholds and prior review requirements are outlined in Table B. Procurement of works, goods, and services would be carried out as follows.

## **Procurement methods**

**Works:** Given the nature of the works and the area of spread the renovation works of the building would be awarded under seven separate contracts, each estimated to cost less than \$35,000 equivalent, following NCB procedures acceptable to IDA.

**Goods:** Motorbikes and three-wheelers estimated to cost \$20,000 would be procured following national shopping procedures in accordance with paras. 3.5 and 3.6 of the Guidelines. Any urgent requirements of other vehicles estimated to cost less than \$50,000 equivalent may be procured under IS/national shopping (NS) procedures in accordance with paras. 3.5 and 3.6 of the Guidelines, with prior approval from IDA. All other vehicles estimated to cost around \$570,000 equivalent will be procured under a single ICB package. Specialized survey equipment which has a limited number of suppliers and which is estimated to cost around \$350,000 will be procured through IS. Computers and survey equipment estimated to cost less than \$100,000 equivalent in aggregate, and less than \$50,000 equivalent per contract would be procured under NS procedures. Standard software packages and IT support estimated to cost around \$40,000 will be procured by direct contracting from the manufacturers/agents. All the other computers and survey equipment estimated to cost around \$620,000 equivalent would be procured under two ICB packages; one for computers and the other for survey equipment. Urgent requirements of office equipment estimated to cost less than \$25,000 equivalent may be procured under NS procedure with prior approval from IDA. Other office equipment estimated to cost around \$50,000 equivalent will be procured under a single NCB contract. Both the office furniture and archive furniture will be procured following two NCB contracts. Furniture estimated to cost less than \$20,000 equivalent may be procured under NS procedures with prior approval from IDA. NS procedures will be used to procure beacons. Other small supplies and materials estimated to cost \$210,000 in the aggregate and less than \$20,000 equivalent per contract shall be procured through NS procedures.

**Services:** Production of photomaps and associated survey (for the testing of photogrammetric methods) estimated to cost \$70,000 would be carried out under force account by the Survey Department, as they are the only organization in Sri Lanka capable of photomap production. Private surveyors for survey and demarcation would be contracted based on work specifications under local shopping. Rent of premises estimated to cost \$210,000 will be procured under direct contracting. Temporary staff in the form of field helpers and office assistants estimated to cost \$95,000, and contracts to search land records estimated to cost \$7,000 will be procured through local shopping procedures.

**Consultant Services:** Selection of consultancy firms for technical assistance estimated to cost \$50,000 equivalent or more would follow quality and cost based selection (QCBS) procedure. Technical assistance and study consultancies estimated to cost less than \$50,000 equivalent may be selected following selection based on consultant qualifications (SBCQ) procedure in accordance with paragraph 3.7 of the guidelines, or selection under a fixed cost (SFC) procedure in accordance with para. 3.5 of the Guidelines. Selection of individual consultants for technical assistance would follow Section V of the Guidelines. Key specialists for the PMU would be employed following procedures acceptable to IDA.

## **Procurement methods (Table A)**

**Table A: Project Costs by Procurement Arrangements**

Sri Lanka Land Titling and Related Services procurement Arrangements (US\$ '000)	Procurement Method					Total
	International Competitive Bidding	National Competitive Bidding	Other	Consulting Services	N.B.F.	
<b>Civil Works (Office building rehabilitation)</b>	-	48.8 (39.0)	3.3 (2.6)	-	-	52 (41)
<b>Goods</b>						
Vehicles	584.8 (332.6)	-	65.0 <sup>1</sup> (37.0)	-	-	649 (369)
Office equipment	-	51.1 (40.9)	21.9 <sup>1</sup> (17.5)	-	-	73 (58)
Computers, and other IT	334.8 (297.0)	-	117.8 <sup>1,2</sup> (104.5)	-	-	452 (401)
Survey equipment	303.5 (257.2)	-	362.1 <sup>1,3</sup> (306.9)	-	-	665 (564)
Furniture	-	69.7 (55.8)	17.4 <sup>1</sup> (13.9)	-	-	87 (69)
Beacons	-	-	33.4 <sup>1</sup> (26.7)	-	-	33 (26)
Other small supplies	-	-	202.4 <sup>1</sup> (161.9)	-	-	202 (161)
<b>Subtotal</b>	<b>1223.2 (886.9)</b>	<b>120.8 (96.7)</b>	<b>820.0 (668.4)</b>	<b>0.0 (0.0)</b>	<b>0.0 (0.0)</b>	<b>2163 (1,652)</b>
<b>Service Contracts</b>						
Photomaps	-	-	13.7 <sup>4</sup> (10.9)	-	-	13 (10)
Survey and Demarcation	-	-	405.4 <sup>1,4</sup> (324.3)	-	-	405 (324)
Rent of Premises	-	-	208.8 <sup>2</sup> (167.0)	-	-	208 (167)
Temporary staff	-	-	92.0 <sup>1</sup> (73.6)	-	-	92 (73)
Land records searches	-	-	6.6 <sup>1</sup> (5.3)	-	-	6 (5)
<b>Subtotal</b>	<b>0.0 (0.0)</b>	<b>0.0 (0.0)</b>	<b>726.5 (581.2)</b>	<b>0.0 (0.0)</b>	<b>0.0 (0.0)</b>	<b>726 (581)</b>
<b>Allowances, Incentives, and Transport</b>	-	-	<b>1,005.5 (804.4)</b>	-	-	<b>1,005 (804)</b>
<b>Consultants, Training, and Workshops</b>						
Technical Assistance and Contracted Specialists	-	-	-	1,612.3 <sup>5</sup> (1,612.3)	-	1,324 (1,324)
Training and Workshops	-	-	308.5 <sup>1,2</sup> (308.5)	-	-	308 (308)
<b>Subtotal</b>	<b>0.0 (0.0)</b>	<b>0.0 (0.0)</b>	<b>308.5 (308.5)</b>	<b>1,612.3 (1,612.3)</b>	<b>0.0 (0.0)</b>	<b>1,632 (1,632)</b>
<b>Recurrent</b>	-	-	-	-	-	<b>912.3</b>
<b>Total</b>	<b>1,223.2 (886.9)</b>	<b>169.6 (135.7)</b>	<b>2,863.8 (2,365.2)</b>	<b>1,612.3 (1,612.3)</b>	<b>912.3</b>	<b>6,781 (5,000)</b>

Note: Figures in parenthesis are the respective amounts financed by World Bank

1/ National shopping

2/ Direct contracting

3/ International shopping

4/ Force account

5/ Quality and Cost Based Selection, Selection Under Fixed Cost, Selection Based on Consultant Qualifications, and Individual Consultants

## Prior Review Thresholds

**Civil Works:** IDA's prior approval would be required for first two contracts awarded following NCB procedure.

**Goods:** IDA's prior approval would be required for all ICB contracts, for first two NCB contracts, and for all international shopping of specialized survey equipment.

**Consultant Services:** Contracts estimated to cost \$50,000 equivalent or more would be subjected to prior review by IDA in accordance with paras. 2 and 3 of Appendix 1 to the Consultant Guidelines. IDA would review the terms of reference cost estimates, and short list for all other contracts.

### Prior review thresholds (Table B)

	Expenditure Category	Contract Value Threshold (\$ thousands)	Procurement Method	Contracts Subjected to Prior Review
1	Civil works	All contracts estimated to cost less than \$20,000	NCB	The first two contracts shall be prior reviewed by IDA in accordance with paras. 2 and 3 of Appendix 1 to the Procurement Guidelines.
2	Goods			
	(a) Vehicles	>= \$50,000 per contract	ICB	The first two contracts shall be prior reviewed by IDA in accordance with paras. 2 and 3 of Appendix 1 to the Procurement Guidelines.
		All other contracts	IS/NS	Post Review
	(b) Office equipment	\$50,000 or less per contract	NCB	The first two contracts shall be prior reviewed by IDA in accordance with paras. 2 and 3 of Appendix 1 to the Procurement Guidelines.
		\$20,000 or less per contract	IS/NS	Post Review
	(c) Computers and survey equipment	>= \$50,000 per contract	ICB	The first two contracts shall be prior reviewed by IDA in accordance with paras. 2 and 3 of Appendix 1 to the Procurement Guidelines.
		Specialized survey equipment	IS	Specifications, quotations, and contract award shall be prior reviewed by IDA
		All other contracts	IS/NS	Post Review
	(d) Furniture	>= \$20,000 per contract	NCB	The first two contracts shall be prior reviewed by IDA in accordance with paras. 2 and 3 of Appendix 1 to the Procurement Guidelines.
		All other contracts	IS/NS	Post Review

	(f) Beacons and other small suppliers	All contracts	IS/NS	Post Review
3.	<b>Service Contract</b>			
	(e) Photomaps		Force account	Post review
	(b) Private demarcation survey	All contracts	National shopping	Work specifications and cost estimates shall be prior reviewed
	(c) Rent of premises	All contracts	Direct contracting	Post review
	(d) Temporary staff and records searches	All contracts	National shopping	Post review
4	<b>Allowances, Incentives, and Transport</b>		Force account	Post review
5	<b>Consultancy Services</b>			
	Studies, technical assistance	<u>Firms:</u> Contracts estimated to cost \$50,000 equivalent or more	QCBS	Prior review in accordance with paras. 2 and 3 of Appendix 1 to the Consultancy Guidelines. Prior review of consultants contracts shall be governed by the provisions of paras. (i), (ii), and (iii) below. (a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, procedures set forth in paragraphs 1,2, [other than the third subpara. of para. 2 (a) ] and 5 of Appendix 1 to the Consultant Guidelines shall apply. (b) With respect to each contract for employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paras. 1,2, [other than the second subpara. of para. 2 (a) ] and 5 of Appendix 1 to the Consultant Guidelines shall apply.
		<u>Firms:</u> Contracts estimated to cost less than \$50,000 equivalent	SBCQ or SFC	TOR, cost estimates and short-list shall be prior reviewed.
		<u>Individual consultants</u> Contracts estimated to cost \$30,000 or less	IC	TOR, cost estimates and short-list shall be prior reviewed.
	Training and workshops		Direct contracting and NS	Post review

### Financial Management

**Financial management arrangements:** The Secretary of the MOLDMEA will be responsible for the implementation of the project. A project coordinator, who will be supported by a team of professionals,

including a financial management specialist (FMS), will lead the implementation efforts. In addition two critical agencies, namely, the SD, and the LSD, will also be involved in the implementation of certain activities of the project.

**Internal controls:** The financial regulations (FRs) of the GOSL will provide the internal control framework for managing project finances. The FRs, which are well established and documented, cover almost every aspect of financial administration and will provide necessary safeguards for ensuring orderly and efficient conduct of project activities. Extracts of applicable sections of the FRs have been incorporated in Annex 14 of the Borrower's PIP. A review of the FRs can be found in the Country Profile of the Financial Accountability and in a Country Financial Accountability Assessment study carried out by Bank consultants in 1999.

**Accounting system:** Separate set of accounts will be maintained for recording all financial transactions of the project on a cash basis of accounting. The chart of accounts developed for the project will facilitate recording of project expenditure by financing source, disbursement category, project components, and expenditure type and will also enable production of the quarterly PMRs as per the agreed formats.

**Coordination with SD and LSD:** As per the proposed implementation arrangements of the project, the SD and LSD will directly pay for certain types of project expenditure. On a monthly renewable imprest basis, the MOLDMEA's FMS will advance funds to SD and LSD, and record the expenses on receipt of the monthly statements of expenditure reports from the two agencies.

**Computerization:** The MOLDMEA will take necessary action to identify and/or modify suitable software for computerizing the project's accounting and reporting systems by July 31, 2001.

**Staffing:** The FMS will supervise the financial management aspect of the project and will be responsible for ensuring timely recording and reliable reporting of all financial transactions. The FMS will work closely with the accounting staff of the SD and LSD, other project staff of MOLDMEA, and with the World Bank. The terms of reference of the FMS is available in the project files. The IDA reviewed the qualifications of the FMS and concurred with his appointment. The secretary of MOLDMEA, will be responsible for assigning support staff to the FMS, as deemed necessary.

**Auditing:** The project accounts will be audited by the Auditor General of Sri Lanka. The terms of reference for the project has been developed and is available in the project files. The PMU will be responsible for submitting to IDA: (a) annual audited project financial statements, within six months after the end of each fiscal year; and (b) annual and semiannual management letters issued by the Auditor General on the specific items mentioned in the auditor's TOR, within six months and three months, respectively, after the end of the period.

#### **Financial Management Action Plan:**

1. Computerization of the Project Accounting and Reporting System - Target Date: July 31, 2001

## **Disbursement**

### **Allocation of credit proceeds (Table C)**

**Allocation of Credit Proceeds:** The disbursement categories to be used for the project and allocations of the credit proceeds amongst these categories are given in the table below.

**Table C: Allocation of Credit Proceeds**

Expenditure Category	US\$ million	Financing Percentage
1. Civil Works	0.04	100% of foreign expenditure 80% of local expenditure
2. Goods	1.49	100% of foreign expenditure 100% of local expenditure (ex-factory cost) and 80% of local expenditure for other items procured locally
3. Consultant Services and Training	1.73	100% (net of taxes)
4. Service Contracts	0.52	80%
5. Allowances Incentives, and Transport	0.72	80%
6. Unallocated	0.50	
<b>Total</b>	<b>5.00</b>	

### **Special Account**

The project would adopt the PMR-based disbursement method from the beginning and all disbursements would be channeled through the Special Account (SA).

**Project Management Reports:** The MOLDMEA will submit the quarterly PMRs to the IDA, within 45 days of the end of the quarter, for receiving advances in the SA. The PMRs will follow the formats given in the project financial management manual, exposure draft, and will be finalized and agreed upon during credit negotiations.

**Special Account (SA):** The MOLDMEA will be responsible for opening and operating a SA at the Central Bank of Sri Lanka according to terms and conditions acceptable to the IDA. The SA will be denominated in US Dollars. The amount of advance in the SA will be based on the six-month forecast as reported in the PMR and should not, at any given time, exceed the equivalent of \$500,000.

**Retroactive Financing:** To assist the GOSL with prompt execution of Bank-financed operations, the credit will retroactively finance IDA's share of eligible project expenditures paid for by the GOSL prior to the credit signing date. Therefore, payments made for eligible project expenditures before the date of the Credit Agreement but after December 15, 2000, in respect of disbursement categories 1 through 5 can be claimed under the Credit, subject to an aggregate amount not exceeding the equivalent of \$500,000.

**Annex 7: Project Processing Schedule**  
**SRI LANKA: Land Titling and Related Services**

<b>Project Schedule</b>	<b>Planned</b>	<b>Actual</b>
Time taken to prepare the project (months)	12	29
First Bank mission (identification)	04/19/98	04/19/98
Appraisal mission departure	04/20/99	09/05/2000
Negotiations	02/08/2001	02/08/2001
Planned Date of Effectiveness	06/30/2001	

**Prepared by:**

Ministry of Land Development & Minor Export Agriculture (formerly Ministry of Agriculture & Lands)

**Preparation assistance:**

- |  |   |
|--|---|
| PHRD Grant TF025284:                                   | Sri Lanka: A Study of the Land Market   |
| PHRD Grant TF025223:                                   | Sri Lanka: A Study of the Land Market, and<br>Short-term Specialists in PMU during preparation<br>Benchmark Survey on Project Areas |
| PHRD Grant TF027164:                                   | Report on Organizational Arrangements for Program Implementation,<br>and International Land Administration Specialist               |
| PHRD Grant TF027059:<br>Netherlands Trust Fund:<br>FAO | Stakeholder workshops during preparation<br>International Land Policy Economist<br>Review of Land-Related Legislation               |

**Bank staff who worked on the project included:**

<b>Name</b>	<b>Specialty</b>
Jessica Mott	Task Leader
Nihal Fernando	Co-task Leader
Lynn Holstein	Land Administration Specialist
John W. Bruce	Legal Counsel and Land Administration Specialist
Julitta Rasiah	Financial Management Officer
Jayantha De Mel	Procurement Specialist
Geeta Sethi	Economist
Per Egil Wam	Social Development Specialist
Sasanka Perera	Social Development Specialist
Geraldine Burnett	Program Assistant
Andrea Ruiz-Esparza	Program Assistant
Sumith Pilapitiya	Environmental Specialist
Mohammed Nawaz	Legal Counsel
Ivonna Kratynski	Disbursement Officer
Cora Shaw	Peer Reviewer for Land Administration and Economics
A.A. Wijetunga	External Reviewer for Land Administration Aspects
S.T. Hettige	External Reviewer for Social Development Aspects

**Annex 8: Documents in the Project File\***  
**SRI LANKA: Land Titling and Related Services**

**A. Project Implementation Plan**

Project Implementation Plan, June 2000 draft, December 2000 updated draft, and February 2001 final report

**B. Bank Staff Assessments**

Correspondance during Appraisal (September 2000 - January 2001)

Aide Memoire dated March 14, 1999, including Mission Notes:

- Schedule of Mission Agreements
- Updated Project Information Document
- Features of the Project Concept, Logical Framework, and Risk Assessment
- Comments on Land Administration Aspects
- Comments on Economic and Social Development Aspects
- Comments on Financial Management
- Comments on Procurement
- Comments on Cofinancing Arrangements

Aide Memoire dated November 20, 1998, including Mission Notes

- List of persons met and places visited
- Updated Project Information Document
- Revised Logical Framework
- Learning and Innovation Expectations
- Legal Considerations
- Land Administration Considerations
- Financial and Project Management Considerations
- Social Development Considerations
- Economic Considerations

Final Project Concept Document, dated September 29, 1998

- Aide Memoire dated May 19, 1998 including attachments
- List of persons met and places visited
- Draft Logical Framework for 25 Year Program and 3 Year Project
- List of Project Preparation Steps and Arrangements
- Technical and Policy Considerations

**C. Other**

Report on the Benchmark Socio-economic Survey and Social Analysis, December 2000 (prepared by Hector Kaobbekaduwa Agrarian Research and Training Institute with PHRD funding)

Review of Land Related Legislation of Sri Lanka (FAO: John Lindsay and Tony Lamb, covering

analysis during 1998-2000)

Government progress reports dated 1/05/99, 8/10/98, and 6/10/98

Reports of Gavin Adlington, international land administration specialist, from 1998, 1999, and 2000.

Reports of Paul Munro-Faure, international land policy economist from 1998 and 1999.

Sri Lanka: Feasibility Design Study - Land Titling and Cadastral Mapping Project, July 1997, Volume 2 (Land Law in Sri Lanka and Surveying and Mapping in Sri Lanka), and Volume 3 (Background Documents)

Sri Lanka: Registration of Titles - Final Recommendations Report for the Legislative Framework, November, 1998 (prepared by Department of Land Administration, Government of Western Australia under the AusAID financed Land Titling and Cadastral Mapping Project, Stage 1)

Sri Lanka: Land Title Registration Project – Report on Organizational Arrangements for Programme Implementation, September 1998 (prepared by B.C. Perera with PHRD funding)

Summary of Proceedings of the Stake Holder Analysis, 4th - 5th September 1998 (with PHRD funding)

Sri Lanka: A Study of the Land Market, June 15, 1998 (prepared by Abt Associates with PHRD funding)

**Financial Management Documents:**

1. Terms of Reference for the Financial Management Specialist;
2. Chart of Accounts (also included in the PIP);
3. Monthly Statement of Expenditure formats (also included in the PIP);
4. Terms of Reference for auditing project accounts (also attached to minutes of negotiation).

\*Including electronic files

**Annex 9: Statement of Loans and Credits**  
**SRI LANKA: Land Titling and Related Services**  
**Feb-2001**

Project ID	FY	Purpose	Original Amount in US\$ Millions					Difference between expected and actual disbursements*	
			IBRD	IDA	GEF	Cancel.	Undisb.	Orig	Frm Rev'd
P044809	2000	LEGAL AND JUDICIAL REFORMS	0.00	18.20	0.00	0.00	15.79	-1.37	0.00
P058070	2000	North-East Irrigated Agriculture Project	0.00	27.00	0.00	0.00	24.92	-0.85	0.00
P063472	1999	EMERGENCY Y2K TA	0.00	29.00	0.00	8.49	4.14	13.98	0.00
P010525	1998	GENERAL EDUCATION II	0.00	70.30	0.00	0.00	56.02	32.98	0.00
P034212	1998	MAHAWELI RESTRUCTURE	0.00	57.00	0.00	0.00	30.10	10.98	0.00
P035828	1998	CONS OF MEDIC PLANTS	0.00	0.00	4.60	0.00	2.65	0.64	0.00
P039965	1997	ENERGY SERV.DLVY.	0.00	24.20	5.90	0.00	3.36	1.03	0.00
P010526	1997	HEALTH SERVICES DEV	0.00	18.80	0.00	3.46	5.01	6.73	0.00
P010498	1997	ENERGY SERVICES DLVY	0.00	24.20	5.90	0.00	9.16	4.57	0.00
P010513	1997	ENVIRONMENTAL ACTION	0.00	14.80	0.00	0.00	8.64	8.23	0.00
P042266	1996	TEACH ED &DEPLOYMENT	0.00	64.10	0.00	0.00	27.46	26.75	0.00
P010517	1996	PVT SECT INFRADEV	0.00	77.00	0.00	0.00	63.61	63.44	13.54
P010467	1995	COL. ENV. IMPROV.	0.00	39.00	0.00	0.00	12.46	16.98	0.00
<b>Total:</b>			<b>0.00</b>	<b>463.60</b>	<b>16.40</b>	<b>11.95</b>	<b>263.35</b>	<b>184.08</b>	<b>13.54</b>

**SRI LANKA**  
**STATEMENT OF IFC's**  
**Held and Disbursed Portfolio**  
**Feb-2001**  
**In Millions US Dollars**

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1999	Aitken Spence	0.00	2.73	0.00	0.00	0.00	2.73	0.00	0.00
1996/97	Asia Power	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1999	DCR Lanka	0.00	0.09	0.00	0.00	0.00	0.05	0.00	0.00
1992	Eagle NDB	0.00	0.06	0.00	0.00	0.00	0.06	0.00	0.00
1981	Lanka Hotels	0.00	0.64	0.00	0.00	0.00	0.64	0.00	0.00
1997	Lanka Orix	1.50	0.30	0.00	0.00	0.60	0.16	0.00	0.00
1996	Lanka Orix Lease	1.11	0.00	0.00	0.00	1.11	0.00	0.00	0.00
1998	MLL	0.00	0.00	1.80	0.00	0.00	0.00	1.80	0.00
2000	NDB Housing Corp	0.00	1.11	0.00	0.00	0.00	0.00	0.00	0.00
1999	Nations Trust	0.00	1.09	0.00	0.00	0.00	1.09	0.00	0.00
1997	Packages Lanka	0.00	1.11	0.00	0.00	0.00	1.11	0.00	0.00
1992	Pyramid Trust	0.00	0.25	0.00	0.00	0.00	0.25	0.00	0.00
1999	SAGT	35.00	7.30	0.00	0.00	5.00	2.33	0.00	0.00
2000	Suntel	0.00	7.50	0.00	0.00	0.00	7.50	0.00	0.00
1988/95	Union Assurance	0.00	0.50	0.00	0.00	0.00	0.50	0.00	0.00
Total Portfolio:		37.61	22.68	1.80	0.00	6.71	16.42	1.80	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
1998	Apollo Lanka	5000.00	0.00	1558.15	0.00
2000	NDB Credit Line	35000.00	3500.00	0.00	0.00
Total Pending Commitment:		40000.00	3500.00	1558.15	0.00

## Annex 10: Country at a Glance

### SRI LANKA: Land Titling and Related Services

#### **POVERTY and SOCIAL**

**1999**

Population, mid-year (millions)  
GNP per capita (Atlas method, US\$)  
GNP (Atlas method, US\$ billions)

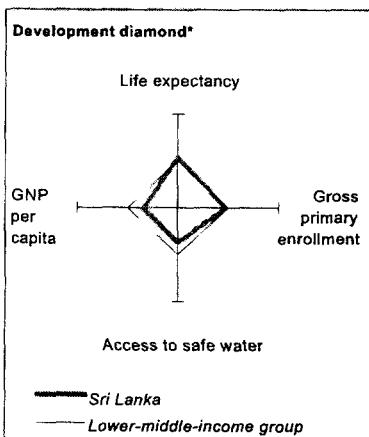
	Sri Lanka	South Asia	Lower-middle-income
Population, mid-year (millions)	19.0	1,329	2,094
GNP per capita (Atlas method, US\$)	820	440	1,200
GNP (Atlas method, US\$ billions)	15.6	581	2,513

**Average annual growth, 1993-99**

Population (%)  
Labor force (%)

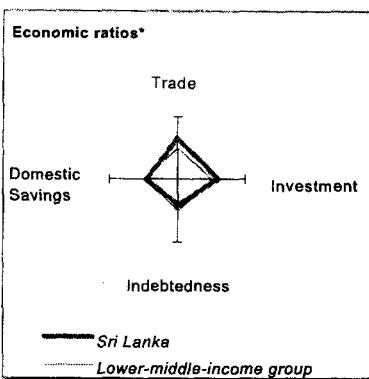
**Most recent estimate (latest year available, 1993-99)**

Poverty (% of population below national poverty line)	25	..	..
Urban population (% of total population)	22	28	43
Life expectancy at birth (years)	73	62	69
Infant mortality (per 1,000 live births)	17	75	33
Child malnutrition (% of children under 5)	38	51	15
Access to improved water source (% of population)	64	77	86
Illiteracy (% of population age 15+)	11	46	16
Gross primary enrollment (% of school-age population)	109	100	114
Male	110	110	114
Female	108	90	116



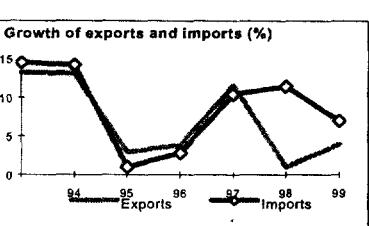
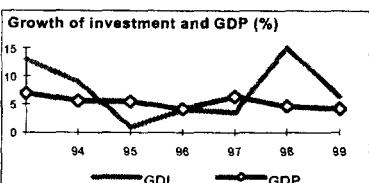
#### **KEY ECONOMIC RATIOS and LONG-TERM TRENDS**

	1979	1989	1998	1999
GDP (US\$ billions)	3.4	7.0	15.4	16.0
Gross domestic investment/GDP	25.8	21.7	25.1	27.1
Exports of goods and services/GDP	33.7	27.3	36.2	35.3
Gross domestic savings/GDP	13.8	12.2	19.1	19.8
Gross national savings/GDP	..	14.6	23.8	23.9
Current account balance/GDP	-6.7	-5.9	-1.5	-3.1
Interest payments/GDP	0.8	1.6	0.8	1.0
Total debt/GDP	46.2	74.1	55.4	54.7
Total debt service/exports	12.9	18.6	6.5	10.0
Present value of debt/GDP	..	..	40.8	..
Present value of debt/exports	..	..	90.8	..
	1979-89	1989-99	1998	1999
(average annual growth)				
GDP	5.0	5.3	4.7	4.3
GNP per capita	3.4	4.0	3.4	2.4
Exports of goods and services	5.5	7.4	1.0	4.0



#### **STRUCTURE of the ECONOMY**

	1979	1989	1998	1999
(% of GDP)				
Agriculture	26.9	25.6	21.1	20.7
Industry	28.2	26.8	27.5	27.3
Manufacturing	19.1	15.3	16.5	16.4
Services	44.8	47.6	51.4	52.1
Private consumption	77.1	77.3	71.1	71.2
General government consumption	9.2	10.5	9.8	9.0
Imports of goods and services	45.8	36.8	42.2	42.6
	1979-89	1989-99	1998	1999
(average annual growth)				
Agriculture	3.5	2.1	2.5	4.5
Industry	5.0	7.1	5.9	6.0
Manufacturing	5.5	8.3	6.3	4.4
Services	6.5	5.6	5.1	4.0
Private consumption	5.7	5.7	7.5	6.4
General government consumption	7.0	5.9	3.4	-2.5
Gross domestic investment	7.5	6.9	15.2	6.4
Imports of goods and services	8.0	8.4	11.5	7.0
Gross national product	5.0	5.3	4.6	3.9

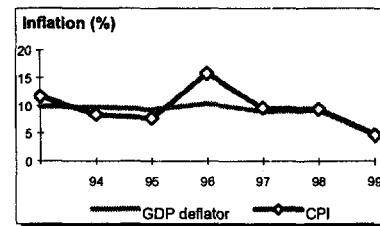


Note: 1999 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

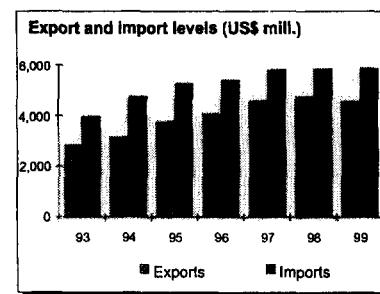
**PRICES and GOVERNMENT FINANCE**

	1979	1989	1998	1999
<b>Domestic prices</b> (% change)				
Consumer prices	10.8	11.6	9.4	4.7
Implicit GDP deflator	..	8.1	9.2	4.6
<b>Government finance</b> (% of GDP, includes current grants)				
Current revenue	..	24.0	17.9	18.2
Current budget balance	..	1.4	-1.7	-0.4
Overall surplus/deficit	..	-8.7	-8.4	-6.9



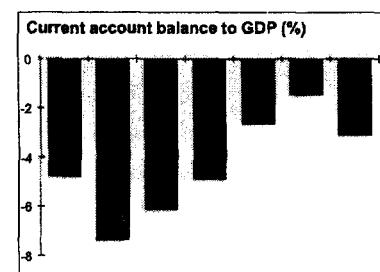
**TRADE**

	1979	1989	1998	1999
(US\$ millions)				
Total exports (fob)	..	1,558	4,798	4,600
Tea	..	379	780	621
Other agricultural goods	..	..	352	373
Manufactures	..	490	2,460	2,425
Total imports (cif)	..	2,226	5,890	5,899
Food	..	94	723	655
Fuel and energy	..	165	215	257
Capital goods	..	333	1,477	1,565
Export price index (1995=100)	..	..	141	139
Import price index (1995=100)	..	..	116	122
Terms of trade (1995=100)	..	..	121	114



**BALANCE of PAYMENTS**

	1979	1989	1998	1999
(US\$ millions)				
Exports of goods and services	1,134	1,851	5,712	5,565
Imports of goods and services	1,537	2,565	6,659	6,718
Resource balance	-403	-714	-947	-1,153
Net income	-15	-163	-180	-253
Net current transfers	..	..	900	911
Current account balance	-226	-414	-227	-495
Financing items (net)	..	..	190	758
Changes in net reserves	..	..	37	-263

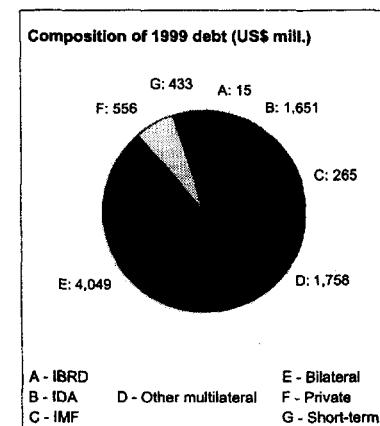


**Memo:**

Reserves including gold (US\$ millions)	..	1,984	1,639
Conversion rate (DEC, local/US\$)	15.6	36.0	66.1

**EXTERNAL DEBT and RESOURCE FLOWS**

	1979	1989	1998	1999
(US\$ millions)				
Total debt outstanding and disbursed	1,554	5,181	8,526	8,727
IBRD	33	82	26	15
IDA	78	702	1,648	1,651
Total debt service	159	422	452	683
IBRD	7	12	8	8
IDA	1	7	24	27
Composition of net resource flows				
Official grants	116	195	114	..
Official creditors	103	298	379	504
Private creditors	10	48	126	-201
Foreign direct investment	47	20	193	..
Portfolio equity	0	0	6	..
World Bank program				
Commitments	68	20	57	56
Disbursements	15	59	97	48
Principal repayments	4	7	19	4
Net flows	11	53	78	44
Interest payments	3	12	14	14
Net transfers	7	41	64	30



**Additional  
Annex 11**

**Project Alternatives and Lessons Reflected in Design  
SRI LANKA: Land Titling and Related Services**

*Note: This section is normally not completed in a LIL PAD. Rationale is implicit based on the learning and innovation expectations. However, we believe that it is still appropriate to describe the project alternatives considered and lessons reflected in the project design and hence have included this annex.*

**Project Alternatives Considered and Reasons for Rejection**

<i>Project Alternatives</i>	<i>Analysis and Reason for Rejection</i>
Broad scope covering not only land issues but also other agricultural policy issues (proposed in draft PCD during FY97)	The experience of other Bank projects shows that land administration is best tackled in a focused approach rather than within a project with multiple development objectives
Broad scope covering not only land administration issues but also land use and land management issues	Inclusion of land use and land management issues would require involvement of additional agencies, further complicating the projects challenging organizational issues, and is therefore not considered feasible. Furthermore, there is a need for analytical work on land use and land management policies and strategies prior to identification of a project concept.
Larger and longer-term project encompassing both pilot and initial scaling up of operations	GOSL has specifically requested a small scale project only, to enable it to build understanding and consensus on key institutional issues before making commitments to the legal, policy, and organizational framework required for large-scale operations.
Improvement of existing deed system without any introduction of parcel-based title system	A significant portion of landholdings are based on documents permitting private use of state land and therefore not yet in deed system. Many of these state land parcels already have surveys which would facilitate conversion to title. A deed system, even with incremental improvements, would not as readily resolve boundary disputes, have same potential to minimize transaction costs over long-term, be as readily transparent, or be as easily used for various public purposes such as land valuation.
Focus on land administration without reforms related to fully marketable freehold and leasehold tenure	Reforms are required to achieve a full range of market choices and the resulting productivity gains. Over the long term, it is questionable whether land titling without such reforms would deliver sufficient benefits to cover investment costs. Policy reforms would be essential prior to large-scale investments, and it is essential that the learning and innovation project help address concerns related to reforms and facilitate their implementation.

Focus on reforms related to fully marketable freehold and leasehold tenure without attention to land administration	The benefits of reforms related to freehold tenure would not be realized without corresponding steps to address the major constraints in the land administration system itself
Conditioning LIL support on organizational arrangements which ensure close coordination of deed and title registry operations, hence minimizing public confusion, public confusion, and future transaction and investment costs.	Immediate reorganization is not politically feasible, and LIL implementation through two ministries would be administratively difficult. The small scope of the LIL makes costs minimal. LIL involvement now will facilitate decision-making on sound organizational arrangements for a long-term program.
Land reform in the form of more equitable entitlements of those vulnerable groups and individuals who need some protection	Relative to other countries, land distribution among private parties within Sri Lanka is relatively even and the Government does not view land tenure inequities as a major problem. The LIL would in any case increase transparency and improve management within a framework which safeguards the concerns of vulnerable groups. Furthermore, improved land administration would be a pre-requisite if redistributive land reforms were desired in the future. The LIL's land market policy reform would reduce the role of the public sector as a land holder, which in turn would reduce the potential for political manipulation of the land distribution system in ways which may harm vulnerable groups.
Focus on initiating titling in high-value mostly privately owned metropolitan/urban lands.	Ownership of titling concept strongest within MOLDMEA which focuses on rural areas. Limiting organizational complexities will also strengthen feasibility of LIL implementation. Long-term vision is for a program that would cover both rural and urban areas. Impact of area sequencing for first phase of program would be limited due to small scale of initial field testing.

### Lessons Learned and Reflected in the Project Design

**Land Administration.** The learning and innovation approach builds on the following lessons and best practices learned from land administration in other countries:

- land titling projects require political support, supportive and coordinated bureaucratic priorities, institutional capacity to design and implement, willingness to commit adequate resources, and realistic estimates of complexity and costs;
- land administration investments require a relatively favorable land policy environment. The experience of piloting and up-scaling with graduated institutional and legal reforms has worked well; and
- land administration programs are most cost-effective when they are area-wide and combined with agile conflict resolution mechanisms, usually in the form of systematic adjudication.

**Generic Project Implementation.** The project design takes into account several generic project implementation issues commonly experienced in Sri Lanka:

- Bank project implementation suffers from procurement delays, weak financial management, and weak project management. Preparation includes review of past experience and realistic, detailed planning of procurement steps, the fund flow schedule, and project management activities. The overall project

- phasing will be grounded in these plans;
- in past Bank projects, PMUs separate from line departments with project directors who are not in line positions, have weakened the impact and sustainability of project supported reforms. The mainstreaming of project administration within the LSD and use of line staff wherever available will help to strengthen institutional memory, improve the application of project experience to follow-up programs, and demonstrate ownership;
  - close association of a project with a political faction can undermine project sustainability. One indicator of the program development objective explicitly highlights need for services to be viewed as fair to all political factions; and
  - a project prepared without active participation and input of the client lacks client ownership and commitment during project implementation. The client is taking the lead in project preparation. A core team has been appointed and is at work. Action is being taken to consult all relevant project stakeholders. The project design will be shaped by these collaborative partnerships.

**Additional  
Annex 12**

**Social Analysis  
SRI LANKA: Land Titling and Related Services**

The following is a brief overview of possible social implications of land titling in Sri Lanka and project design features which address these implications. As the LIL will be implemented in three smaller areas with less apparent social or ethnic conflict issues than in other parts of the country, most of the following will therefore apply to the country-wide long-term program expected to follow the LIL. As noted in the PAD, the LIL is designed to provide direct knowledge related to land titling in Sri Lanka, and also include a component of detailed studies of the anticipated social implications of the wider program, including the issues highlighted below. This overview does not claim to be comprehensive, but rather attempt to highlight certain key social issues pertaining to land titling in Sri Lanka.

Land has social and political implications in Sri Lanka. Its value often exceeds the strictly economic conditions by contributing to the households' social and cultural identities. Because of this, contests over ownership and control over land are part of the sociopolitical history of particular regions. Control and rival claims over land have also contributed to the ongoing armed conflict. In a politically sensitive environment as is currently the situation in Sri Lanka, issues related to land may again be used to rally support for partisan social or ethnic agendas. In such a situation, public perception--fueled by political interests--may be more important than what can actually be documented. In addition to further investigating the objective social impacts, it is therefore necessary to understand the multitude of interests, perceptions, fears and hopes related to land that the different stakeholders have, as well as how these can play within the political agendas.

Land tenure arrangements in Sri Lanka can be broadly grouped into lands under state control and private control. Ownership of about 80 percent of the total land area is estimated to be vested in the state, of which large extents have been alienated to small-holder operators under various legislation. Those lands are characterized by restrictions in marketing, which is argued as a major factor associated with the low productivity and under-use of land in Sri Lanka and one a factor inhibiting rural development. In both private lands and states lands which are privately allocated, disputes over land ownership, boundaries and tenurial arrangements exacerbated by an ineffective land administration system which fails to provide quick legal resolutions to such disputes are typical causes for family disputes and disharmony in rural and urban life.

Systematic land titling is expected to have significant positive social implications for all landholders, including the rural poor, by resolving ambiguities about rights over land, by clarifying land boundaries, and by establishing a transparent, reliable, and accessible land registration system. These changes are expected to include the following social effects:

- increased land security, which may stimulate landholders' investments in e.g., agriculture, or improved housing;
- decreased incidence of land disputes (which normally do not favor the poor due to the cost, access to legal advise, and documentation involved);
- better chance of obtaining bank loans, at better terms, with land as collateral; and
- better opportunities for rural poor to escape poverty by increasing their control over and use of their land assets and associated debts and the choices they have for investments in the farm and nonfarm sectors.

However, there are concerns that land titling may also have negative social impacts, especially if it expands to a long-term large-scale program. In consultations with civil society groups concerns about possible negative impacts tend to dominate the discussion despite some being based more on speculation than documentation. The continuing social assessments to be carried out as a part of the LIL will investigate the possible negative social impacts as basis for design of countermeasures and how to maximize the positive social impacts in the long-term land administration program which is envisaged to follow the LIL. The social analysis strategy is described in Annex 5 of the PIP. Possible negative impacts may include:

- **Information and education:** There is a fear that some groups may be unable to pursue their entitlements despite wide coverage information dissemination. Reasons for such inability may include their location outside the country or in remote or war-affected areas; limited capability to articulate their interests and concerns; or limited knowledge of or experience with the government system. This may also be because certain right holders are living in other countries. The LIL includes extensive support for dissemination and awareness building. It also includes an impact monitoring, project performance monitoring, and project learning workshops which, *inter alia*, will assess the effectiveness of information and education efforts supported under the project. The work on social assessment for a future long-term program will address the information and education challenges associated with land titling in specific localities and involving or affecting vulnerable persons.
- **Poverty (associated with the lifting of market restrictions):** There is a concern that lifting of market restrictions, issuing of titles and increased marketability of land may lead poor subsistence farmers to sell, and that the number of casual wage laborers or rural unemployed therefore may increase. There is also concern that unequal access to information (see above) may result in a form of speculation that places the poorest at a further disadvantage. Reasons for selling may include coercion, settling of debt, or to pursue other income opportunities. Voluntary sales may be a positive move it was noted by the Sri Lankan Rural Assessment (2000, pg. 1) that a growing rural nonfarm sector has become the path out of poverty for the rural poor, while those who continue to depend upon subsistence agriculture have become the very poor. The land markets study has already indicated that a policy reform which would make many small rural parcels (which the government has distributed to relatively poor families) more readily marketable under the formal system would effectively raise the value of these parcels by 50 percent, thus increasing the value of an important asset of these rural families. Both the rural and urban impact studies include carefully designed sample surveys which will, *inter alia*, address the issue of impact on poverty and the impacts of project sponsored investments and policy reforms and the social assessment framework would take into account special considerations related to a long-term program.
- **Ethnic Conflict:** Contested historic claims to land on ethnic grounds is one of the underlying causes for the ongoing armed conflict, and one concern would be that issuing of titles could be perceived as “cementing” what some Tamil groups see as colonization of their traditional land by Sinhala settlers through government resettlement schemes (such as Mahaweli). Another side of the problem is when Sinhalas may consider that issuing of tiles to Tamil right holders in contested areas as giving in to Tamil political demands for a traditional Tamil homeland. Similar concerns are likely to arise in the central hill country among Sinhalas and Tamils of Indian origin. Competing land claims and disputes are emerging between Tamils and Sinhala, Sinhala and Muslims, and Muslims and Tainils in the eastern region partly as a result of the displacement, relocation and resettlement of the conflict affected people. The internally displaced (IDPS) represent a problem in several ways--many of them hold rights to land (e.g., Muslims from Jaffna), but are unable to exercise those rights until there is a peaceful

solution, some internally displaced people are relocated to new areas but their permanent settlement is contested by other inhabitants of those areas; repeated displacement and destruction of local government offices have lead to loss of documents on land rights. The project will also include further review of special regional and religious inheritance systems reflected in personal laws, which have and can continue to coexist with land titling, to ensure they are not reinterpreted in a negative fashion with adverse social impacts. The work supported by the project on social assessment framework will directly address the issue of addressing ethnic conflict in a long-term framework, which represents a significant risk (see PAD Annex 13 Risk Analysis).

- **Discrimination and disruption of existing tenurial arrangements:** The relevant part of the government system may not pay equal attention to all groups; they may tend to ignore the rights of groups such as the: very poor, uneducated, illiterate, low-caste, women, and certain ethnic groups (e.g., former estate Tamils). The project objectives, transparent procedures with extensive awareness activities, and performance indicators directly address this concern. The impact studies and social assessment framework include (a) further analysis of issues of gender bias, absentee right-holders, religious or ethnic minorities, persons affected by ethnic or other conflict, poverty, poor or no documentation of land holdings, occupiers of temple land and other aspects that may be identified in the future, (b) review of relevant project efforts in and experiences especially public awareness and field staff skills and (c) develop appropriate strategies for the future program. The social analysis would further consider personal (customary) laws, which include the Kanyan law applicable to the Kandyan Sinhalas, the Tesawalamei applicable to the Tamils of Jaffna, and the Muslim Law applicable to the Muslims. It would consider the implications these may have for the fulfillment of the project objectives, ensuring that the project does not inadvertently interfere with the existing rights to land, and that the project has no unforeseen consequence of exacerbating existing divisions and suspicions among the groups that practice the divergent personal laws.
- **Potential displacement of people occupying or using state land:** A high percentage of land in Sri Lanka is state land. A significant amount of this land is occupied by private persons through permitting, grant and leasing schemes, under the *LDO, State Lands Ordinance* and other legislation. The project activities will not disturb such legally authorized private rights over public lands; instead, through adjudication and registration, the project will assist in the clarification and confirmation of those rights. At the same time, however, unauthorized occupation of state land is a problem in Sri Lanka, and field visits have indicated that it occurs in the project areas. This may take place in the form of encroachment beyond the boundaries of privately allocated state land or unauthorized transfer of a legally-defined parcel. The overall approach of the project to this issue has both short term and long term elements. For the short-term, project activities have been designed in such a way as to avoid displacement of persons occupying or using government land. For the longer-term, under the social assessment framework the project will develop a policy framework for addressing the problem of encroachments and potential resettlement issues associated with countrywide implementation of the *Act*. Specifically:
  - (a) during the project, no land in or directly adjoining the project areas will be titled in the name of the government in situations where this would result in the displacement of people occupying such land, or in restrictions on their access to this land;
  - (b) state land which is or appears to be subject to unauthorized occupation shall be excluded from the titling process during the project. However, where such land is identified, project personnel shall bring it to the attention of divisional land officers and assist them in assessing whether it would be feasible and appropriate to regularize the occupation in question, taking

into consideration, inter alia, Bank safeguard policies on natural habitats and forestry. Consistent with current government approaches to this issue, it is anticipated that it will be both possible and acceptable to regularize many of the instances of unauthorized occupation within the project areas. Where such regularization can be accomplished, the land in question will once again be included in the titling process, thus ensuring that the coverage of the titling program within the project areas is as comprehensive as possible; and

(c) during the project, information on the types, extent, and reasons for encroachment in the project areas will be gathered and analyzed. This will be used to design a comprehensive government strategy for dealing with encroachment in the context of titling, and a policy framework for addressing the resettlement implications of such a strategy consistent with World Bank guidelines in the design of a long-term program.

- **The potential for increased disputes due to systematic adjudication:** In the long run, systematic titling and registration of land in Sri Lanka is expected to reduce the incidence of land disputes, by clarifying boundaries, by resolving ambiguities about rights over land and by putting in place a registration system that is transparent, reliable and accessible. In the short-term, however, some have raised the concern that the process of adjudication and normalization of rights may bring to the surface latent disputes that may have otherwise remained below the surface, thus increasing the level of disputes rather than reducing it. There is little evidence so far of this phenomenon from the field work carried out by government adjudication teams in the pilot areas, but this may in part be due to the fact that many "difficult" cases have been deferred for the time being. The impact studies and social assessment work of the project will entail close study of this issue, and the testing and refinement of adjudication practices designed to address emerging disputes in a fair, efficient, and transparent manner. Special attention will be paid to evaluating and strengthening the capacities of community-based institutions to play a meaningful role in this regard, in particular the conciliation boards referred to in the Act.

**Additional  
Annex 13**

**Risk Analysis  
SRI LANKA: Land Titling and Related Services**

The risks of the project are significant in the aggregate and these aspects of the project have therefore been carefully reviewed and considered. Some highlights of the review are outlined below.

**From LIL Development Objective to Long-term Program Objective**

At the level of development objective of the LIL, there are two major risks which would affect prospects for a long-term program: (a) distractions and disruptions associated with elections, political feuding, civil unrest, civil war, etc. prevent the political leaders from addressing project objectives; and (b) issues in the Sri Lankan context it is not possible to develop a pragmatic social assessment framework for the long-term program which adequately addresses contentious social issues.

Both of these risks are significant, they are outside the control of the project itself, except to the extent that the use of a LIL mechanism provides an exit strategy for the Bank that would avoid reputational risks that might be associated with a problematic long-term program. The prospects for the LIL successfully leading to a long-term program are uncertain. Every effort has been made to keep the development objective modest, and to provide guidance on what would be needed in a social assessment framework. However, there is still a risk that a major learning of the project may be that project objective itself or that the development of a social framework proves to be "too hard" in the Sri Lanka context. This risk is one of the main reasons that the project has been designed as a LIL rather than a SIL.

**From Outputs to LIL Development Objective**

**Conflicting interests among stakeholders delay or prevent sustainable decisions on the organizational, legal, and policy reforms and the social assessment framework required for a long-term program.** The success of a long-term program will require firm consensus among the key Ministries (Finance, Lands, and Public Administration) for a rational and cost effective organizational arrangement and legal and policy reforms. The extent to which this consensus can be reached in the future is not clear at present. Also, the responsibility for the amendments to certain ordinances (e.g., Registration of Documents Ordinance) rests with other ministries meaning that a high level of support and coordination between the MOLDMEA and those ministries are required. In the context of Sri Lanka's ongoing conflict, it may be difficult to develop sufficient support for the reforms and agreement on a social assessment framework. It may be particularly challenging to develop guidelines and processes for systematic adjudication in a future program in sites subject to ethnic conflict, encroachments of public land which cannot be regularized, and other contentious social issues. There are no examples of well-functioning social assessment frameworks for land titling which are readily applicable to Sri Lanka. The PIP clearly defines the issues and the project includes: (a) plans that a high level committee comprising the three key ministries would review the lessons and experiences of the LIL objectively to take a decision about the future organizational arrangements; (b) inclusion of a representative of the Ministry of Finance in the project steering committee to effect interministerial coordination; and (c) specific social analysis and communication activities designed to reduce this risk. The risk, as it relates to the planning of a long-term program in a timely fashion, is critical and substantial.

**Changes in political leadership and insufficient political consensus delay or prevent legislative action on organizational, legal, and policy reform.** There is currently considerable political support for the titling program, but it has been heavily reliant on individual support from the minister of the former Ministry of Agriculture and Lands, which in October 2000, was divided into two ministries, with a new Ministry of Land Development and Minor Exprot Agriculture (MOLDMEA). There is both support and opposition across the political spectrum. The project is not considered politically sensitive and the new minister has not altered the project concept. A complicating factor has been the embarrassment associated with the need to amend the new RTA, but the transfer to a new ministry makes this less problematic. It should be noted that a registration of title program has been attempted many times in the past, but always failed due to opposition from the legal fraternity and politicians. This risk can be classified as critical and substantial. The project design addresses this risk by: (a) focusing on long-term vision which builds support across the political spectrum, (b) including communication activities involving influential persons, and (c) building understanding and confidence among all stakeholders through learning by doing.

**Delays or inaction on approval of critical legal amendments and regulations would undermine quality of titles issued and registry operations.** This risk involves amendments to the RTA, the regulations and procedures to operate a land title registry, and the enactment of additional laws and regulations. The full set of amendments as well as the most urgent and priority amendments necessary to the RTA have been identified by the government. They are very important as they affect the ability of the project to deal with the recognition of rights, disputes, multiple ownership, land transactions and the reliability of the registers that will be produced. The procedures outlined in the Act for adjudication are also contrary to good practice and would delay titling if followed. There are recommendations on a set of critical legal amendments but the timely passage of the amendments through parliament is essential for achievement of the project objectives. This is highly unlikely to happen until the project is under implementation, after stakeholder communication activities have been underway and when the minister can demonstrate its success and explain the need for amendments by referring to practical experience of the LIL. It is common in legislative matters for amendment approval to be slow and it is also possible that the amendment could be rejected. There is also the danger that the opposition of key stakeholders may result in the delay or rejection of the amendments and that the number of amendments may encourage the legal community to press for revision or rewriting of the whole Act. When the Act was first approved, the legal community generally was pressing for revocation of the existing Act and preparation of a new Act but this was not acceptable to the minister.

Establishing regulations and procedures is also necessary since they are required for effective operation of a Land Titles Registry. Some regulations have been prepared, but additional regulations are needed. The regulations and procedures follow on from, and are dependent on, the wording of the Act but, given the expected delays in enacting amendments to the Act, it will not be possible to implement all necessary regulations and procedures in the short- to medium-term because some will contradict the Act. Others which concern matters not covered by the Act can be drafted immediately. Companion legislation in the form of a new Survey Act and, amongst others, revised registration of documents and notaries ordinances are also deemed necessary. The draft Survey Act has already been drafted and is ready for submission to parliament. Ammdement of certain of these other laws, which are considered critical or which are being made in place of amending the Registration of Title Act, is to be undertaken so that at least some of the critical problems concerning land titling can be addressed. Further amendments will be undertaken in the life of the project. Survey regulations are also necessary to ensure uniformity of approach and good practice. Any delay in enacting this companion legislation and regulation would affect the achievement of project objectives. Overall, delays or inaction in further developing the legal framework is a critical issue with a substantial risk, the risk on passage of companion legislation is lower than the risks associated with the registration of Title Act. The project preparation and design has addressed the risk by:

(a) defining a time bound action plan and steps for legal reforms, and monitoring schedule plan for all scheduled benchmarks for the legal reforms, and having a project covenant reference this schedule in the project legal agreement; (b) providing technical support in both preparation and implementation to improve quality of legal and regulation amendments; and (c) including mechanisms to build stakeholder understanding and support.

**Establishing title registries separate from land registries may cause confusion and undermine confidence.** The project does not utilize the existing land deed registries which deal with land deed registration and which are under the purview of the Ministry of Public Administration at present, as the basis for the new land titles registries. Instead, the MOLDMEA is establishing a new organization to be the new land titles registry. In the long-term this approach would create enormous problems of capacity in terms of staffing, training, lack of experience, premises, furniture, public understanding, cooperation with the existing land registries, public sector employment policy, etc., and may not be viable. The problems have been compounded by the appointment of a comparatively junior officer to the post of Registrar General of Title. The former Minister of Lands and Agriculture was not in agreement with the proposal to use the land deed registries as title registries. Therefore, an agreement was reached by the Secretaries of the two concerned Ministries to establish the new land title registry offices within what is now MOLDMEA during the LIL Project and to carefully monitor the technical, procedural, and cost/time effectiveness of maintaining two separate establishments for deed registration and title registration and its implication for a long-term program. The parties have agreed to appoint a committee comprising the Ministry of Finance and the two concerned ministries to review the situation by the mid-term review and apply the lessons accordingly for a long-term program.

The number of titles to be issued and amount of transactions expected is moderate. Hence there will be no serious consequences if the lesson learned is to revert to using the Registrar General's Department for registration of title or it is decided to move the Registrar General's Department into the MOLDMEA. This is a critical issue, with a moderate risk in the for the period of the LIL. The project addresses the substantial risk for the longer-term program through: (a) the agreement that the GOSL will review experience of LIL and apply lessons to organizational reform, and a reference to this agreement implicit in the project covenant on arrangements for organizational reform; and (b) the fact that donor support for large-scale program under arrangements involving separate registries would be unlikely, and (c) the fact that the government would be unwilling and unable to domestically finance the costs of replicating separate registries on a large scale.

**The political and bureaucratic commitment to structured learning and adaptation may not be adequate.** There have been no published results, and it was not until 2000 that there were workshops and stakeholder discussions to review the work of the domestically funded land titling program, which has been underway for the last four years. Learning and adaptation are fundamental elements of the project concept and critical to project success. This risk is assessed as moderate. The risk is addressed by (a) inclusion in the Project Implementation Plan of a structured work program for learning and adaptation reflected in the job descriptions, terms of reference for multidisciplinary technical assistance, specific research studies, training plan, and implementation schedule and, monitoring system etc. and (b) project covenants referencing key arrangements and processes.

**Change in political parties might affect the Government commitment to project areas.** As mentioned above, the current program has been heavily reliant on the former Minister of Agriculture and Lands. The small scale of the LIL limits the political significance of LIL project areas, while the vision of nation-wide coverage in long-term program should build support across the political spectrum. For the project period the issue is moderately critical and has a moderate risk. Site selection and scheduling for

long-term program will be highly critical and will require processes and criteria widely regarded as fair and politically sustainable.

**Civil strife might disrupt project activities.** Civil strife with the Tamils in the North is continuing with peace looking unlikely. Violence associated with elections and localized ethnic conflict has also occurred. The selection of pilot areas avoids regions most affected by existing conflict such as the Northeast. Thus, although this risk is beyond the control of the Project, there is little likelihood of civil unrest affecting the project activities. However, the ongoing conflict has created a complex land ownership and tenure problems resulting out of internal displacement of people followed by relocation and resettlement of the displaced people by the Government at different locations. These issues will have to be addressed in the long term program. The long term strategy to deal with such issues is to be developed within the Project and implemented in the future program would affect majority Tamil areas and a certain amount of analysis, investigation, and dialogue is to be conducted in those areas during the Project. Stakeholder communications activities will build channels with all ethnic groups. Although "land" has been an issue with the Tamils, "land administration" has not been an issue. This situation will be further evaluated during the Project.

**Project fund flows might not be timely, reliable and adequate.** There have been significant delays in the fund flow of the Borrower-executed PHRD grant associated with this project. To address this potential problem, the PIP includes a monitorable fund flow schedule and detailed cost estimates. Financial expertise is in place as condition of appraisal. The risk is therefore negligible.

### **From Components to Outputs**

**All implementing agencies may not collaborate in team mode.** In the preproject activities there has been little collaboration between the key agencies. Based on past experience, this is a critical issue with a significant risk. The project will try to mitigate this risk by including the heads of the key departments in the steering committee, inviting other interested stakeholders to steering committee meetings and the regular inclusion the various departments and private sector stakeholders in dialogue, workshops, training and the like. The project design also specifies arrangements and performance indicators for field-level collaboration. The PIP describes arrangements for collaboration in detail. To reinforce this, there is a project covenant on these arrangements.

**Government may not make satisfactory arrangements to expand capacity for communications, adjudication and other new tasks, including arrangements to involve the private sector.** The existing land titling program has demonstrated limited understanding of titling needs and weak implementation capacity. The capacity and support from the key departments varies. Effective private sector participation is essential for achievement of project targets. The modalities for expanding capacity (empowerment, schemes of payments, coordination with adjudication teams, contracting etc.), needs to be worked out very early if mobilization is to be achieved as planned for. The Survey Department have experience with using private sector contractors, and the technical assistance will be expected to assist with contracting and monitoring arrangements. In the recent titling efforts within Sri Lanka, there have been significant bottlenecks in adjudication, and the allocated staffing positions for Land Settlement Department adjudicators have not been filled. For fiscal reasons it is important that overall government staffing not increase and the new positions for adjudicators will need to be filled by internal transfers. The PIP includes realistic detailed staffing plan and procurement plan including consultant and service contracts, but it will be critical that it is implemented, and that organizational, staffing, and procedural options be considered and tested to maximize overall efficiency within required quality standards. The risk is substantial.

**Demarcation and survey staff may avoid difficult sites subject to disputes and/or multiple ownership.** It is naturally simpler and faster to deal with parcels where there are no disputes, no multiple ownership and where the parcel is easy to survey. If incentives and private sector contracts are based on parcels surveyed there will be a tendency to avoid the more complicated parcels. The risk will be mitigated by careful monitoring and paying incentives on completion of all parcels in a specific area. Although the project itself avoids titling of encroached public land in cases where this would result in the displacement of people, it includes the development of a policy framework to handle these situations in a long-term program. These design features reduce the risk to a low level.

**Title registry staff may not gain skills nor function in coordination with Lands Section of Registrar General's Department.** The small volume of titles and transactions limits consequences. Lessons learned (even from failure) are likely to build support for organizational reform. However, this is a substantial risk which needs to be carefully monitored.

**Records may be destroyed before they can be converted or preserved.** Existing records at Land Registries, the Survey Department and other key departments are in poor condition and subject to destruction by fire or vermin. These records have been in this condition for decades and it is unlikely that they will be destroyed during the project period. If the records are destroyed there are still means for acquiring the necessary information, though at greater cost and longer time. This is a low risk and low criticality. This is more of a problem for the nonproject sites that may not be attended to for some years. The records maintenance activities under project will address this concern and include the development of a long-term strategy.

**GOSL may not give sufficient priority to two-way communications flow.** The stakeholder communications activities have been structured to address this concern. The risk is therefore negligible.

#### Possible Controversial Aspects

**There may be a public perception that project would not address concerns about fairness and socioeconomic impacts on socially excluded and other disadvantaged groups.** Some NGOS, academics and government officials worry that freeing restrictions against use and disposal of land assets will lead to speculation and encourage land owners to dispose of their land for immediate monetary benefit or through coercion. They also worry that pressure may also be applied on ethnicity and gender grounds. There is little indication of this occurring in other countries that have undergone such projects. The social impact will be very carefully monitored during the Project. Public confidence in fairness and techniques for impact assessment, and development of stakeholder communications strategy are key performance indicators. The project will include stakeholder communications initiatives including awareness campaigns, and careful monitoring and management through interventions that support a transparent and inclusive titling process. The risk is therefore negligible.

**Problems in pre-project and ongoing non-project initiatives (e.g., issuance of titles that have a high rate of challenge in court) may undermine the reputation of titling concept.** Pre-project titling has been minimal and little non-project titling is expected during the project period. The project includes close and continued interchange that facilitates improvement of non-Bank financed activities based on learning from Bank financed project. Although the issue is critical the risk is small.

**Pre-existing perceptions and/or actual practices of petty corruption in land administration activities continue and undermine the reputation of the project operations.** The project design directly

tackles this issue with its strong emphasis on transparency, and on building an effective client communications and awareness program that specifies what the public should expect and strengthens public accountability.

**The Sri Lanka Bar Association may lobby strongly against titling.** It is common internationally for notaries and lawyers to resist introduction of Registration of Title. Sri Lanka is no exception. This risk is moderate. In most countries the new system soon gains credence and is supported by the legal profession once it is in place. It is important for the legal profession to support the project as they are the intermediary with the public during transactions. The project addresses this risk by including the Bar Association in the steering committee on an ad hoc basis and ensuring the legal profession are fully informed of all activities, included in the public awareness activity and invited to workshops, seminars, etc., and focusing on building support for long-term program objectives.

**Management capacity may be insufficient due to multiple agency involvement and inexperience with Bank project implementation.** The pilot scale of the project and attention to generic project management issues limit this risk.

## **MAP SECTION**



# SRI LANKA LAND TITLING AND RELATED SERVICES PROJECT

- PROJECT AREAS
- TOWNS
- DISTRICT CAPITALS
- PROVINCE CAPITALS
- NATIONAL CAPITAL
- MAIN ROADS
- RAILROADS
- RIVERS
- RESERVOIRS
- PROVINCE BOUNDARIES
- DISTRICT BOUNDARIES

KILOMETERS

