1. Country and Sector Background

Land Allocation. The majority of lands in Sri Lanka are state owned and controlled. Sri Lanka’s covers 6.56 million 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 is 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 uses.

Policy Dialogue on Land. As a result in part of agriculture policy dialogue with the Bank on the lack of efficiently functioning land markets, the Government has taken action to implement land-related strategies. Among other initiatives, it recently enacted a Registration of Title Act and began drafting of the supportive regulatory and procedural frameworks and the Surveying and Mapping Act to facilitate a long-term land administration program. It also carried out pilot surveys and adjudication exercises in the field. Government officials actively participated in the PHRD-funded Study of Land Markets which has analyzed 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 yet 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
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. For 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, which 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. The Government therefore wants to ensure that its land policy not inadvertently exacerbate the ethnic conflict, and would like to see that it contributes to a future resolution.

Land Titling Concept. The Government now wants to transform the country’s land administration system from one based on deeds1 and documents permitting private use of state land2, to one based on registration of titles3. 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.

Long-term Vision. Over the long-term, the Government 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.

1. 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 10 years.

2. 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). Most are inheritable. All impose varying degrees of control on the rights of the allotees. Overall these restrictions reduce the potential sale value of the land by 50% or more, in comparison with privately held parcels.

3. 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 Government for this purpose. A registration of title system facilitates boundary dispute resolution, transparency of records and efficient land administration.

2. Objectives

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) 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 improve the socio-economic 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. This long-term program would encompass the entire country in the next 15 to 25 years and aim at (a) increased 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) land administration services viewed as fair to all political factions, social classes, ethnic groups, and gender categories.

This three year learning and innovation project would improve an ongoing land titling program that the Government 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 Sri Lanka.

3. Rationale for Bank’s Involvement
Policy Dialogue. Based on past sector work and policy dialogue, the Bank and the GOSL have jointly recognized that shortcomings in land administration and land market policy seriously constrain long-term productivity of the rural sector, including agriculture, and that similar constraints in the urban sector are also likely. Examples of this analysis include the Sri Lanka Non-Plantation Crop Sector Policy Alternatives, World Bank, March 20, 1996, and the PHRD-funded Sri Lanka Study of the Land Market, Abt Associates, June 15, 1998. Project concept development and preparation have further shown how that this LIL would build the institutional foundation for a long-term program which would address security, opportunity, and empowerment aspects of the Bank’s central poverty reduction mission.

Bank Experience. The World Bank has extensive experience in land administration projects. There are about 60 projects with land-related activities in the Bank’s active portfolio. Development in land administration requires careful strategic analysis and planning. The World Bank has a well-respected track record for facilitating such strategic work in Sri Lanka. Land administration also involves external risks in other sectors, many of which the Bank assistance is addressing through separate policy and project work. The development of a fair and efficient land administration system involves a long-term commitment. Thailand, for instance is preparing its Fourth Land Titling Project which will complete a process that started about 15 years ago. The World Bank, as an international financial organization, can sustain such a long-term commitment. The World Bank assistance is not tied to one model or technology. The Government is free to select the most appropriate design for local conditions. This project provides an opportunity to introduce international best practices and experience, and to bridge this experience with local understanding and wisdom.

4. Description
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.

Field Operations Testing and Learning. 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
Development of Institutional Framework and Capacity. The second component, institutional framework and capacity, would strengthen the legal and regulatory framework, formulate policy (e.g., eliminating land market restrictions, establishing 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.

Note: This document contains tables that cannot be converted into text files. However, if you have MS Word Viewer on your computer, you should be able to download the complete original version by going to: http://www.worldbank.org/pics/pid/lk50738.doc.

5. Financing

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<td><strong>Total Project Cost</strong></td>
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6. Implementation

A proposed Project Implementation Plan has been prepared. The project design builds upon the existing staff and resources of the Land Settlement Department and the Surveyor General’s Department, both of which are within the Ministry of Agriculture and Lands. The Commissioner of Title Settlement will be the Project Director. 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. The first two years would focus on the testing and analysis required to design a realistic, cost-effective, and high quality plan for the larger-scale development program, while the third year would focus on applying the learning and transitioning to the next phase of the plan.

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 already listed of groups impacting the project and being impacted by the project. Project implementation would include social assessment and continue to involve a range of stakeholders in project learning. The main beneficiaries, the landholders, would play a central role in the operational testing of systematic titling and registration methods, and the project would include steps to ensure ongoing feedback from them. The project would involve community based organizations, non government organizations, 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.

Monitoring and evaluation will be structured on the logical framework in the Project Design Summary and the learning and innovation expectations. The project preparation has developed plans for verifying key performance indicators, survey designs, and terms of reference for various research studies related to monitoring and evaluation.

7. Sustainability
Sustainability is a major focus of the project’s learning agenda, and takes into account financial sustainability (efficiency, cost effectiveness, and cost recovery) and institutional sustainability (public confidence, legal integrity, organizational coherence, management capacity, accountability, and realistic understanding of phasing and scaling requirements).

8. Lessons learned from past operations in the country/sector
The project design takes into consideration lessons of generic project implementation in Sri Lanka, and sector-specific lessons related to land administration. Project phasing, monitoring parameters, and preparation arrangements address generic project implementation issues involving project administration, political alliances, client ownership, and carefulness of design. The project addresses lessons from land administration projects through the small scale learning and innovation approach of the initial project, the single-purpose focus on land administration, the use of systematic and transparent adjudication, the existence of necessary preconditions for land titling, the inclusion of policy development and graduated institutional and legal reforms, and the consideration of a range of organizational issues.

9. Program of Targeted Intervention (PTI) 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 socio-economic monitoring will include an assessment of project impacts on opportunity, empowerment, and security, and establish baseline measurements for the long-term program.

10. Environment Aspects (including any public consultation)
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 take place 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 which hopefully would result from the LIL, the only conceivable environmental risk would be improvements in land markets contributing to an increase in environmentally harmful commercial enterprises, and 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.

11. Contact Point:
   
   Task Manager  
   Jessica Mott  
   The World Bank  
   1818 H Street, NW  
   Washington D.C. 20433  
   Telephone: 202-458-4507  
   Fax: 202-477-8277

12. For information on other project related documents contact:  
   The InfoShop  
   The World Bank  
   1818 H Street, NW  
   Washington, D.C. 20433  
   Telephone: (202) 458-5454  
   Fax: (202) 522-1500  
   Web: http://www.worldbank.org/infoshop

Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

This PID was processed by the InfoShop during the week ending April 13, 2001.