New Trends in Land Policies in Sri Lanka

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The Government of Sri Lanka is introducing a series of new policies and laws related to land. This process envisages a major structural reform in the economy of the country. Land is one of the most important resources on which the lives of the people depend. Therefore, it is of utmost importance to look at the new policy trends and new laws and processes that have been proposed.

There is a tremendous urgency with which these policy changes are introduced. It is being done with such speed that the people have very little time and opportunity to understand the implications on their lives and on the future.

The objective of this article is to look at some of these land policies and measures of implementation, their actual objectives and implications to provide some opportunity for public debate and discussion on the same. It is also necessary to look at the ways in which the international financial institutions are pushing through these changes which leaves very little space for the people of Sri Lanka to participate in decision making

1.2 million "Freehold" titles to be granted in 2002

The Budget 2002 stated that the government would undertake to grant free hold land titles to 1.2 million small holders who have received land allocations from the Government, to enable them to sell, lease out or mortgage their land plots if they wish to do so. This covers a total land area of 2 million acres. This programme is called " Jayaboomi" scheme.(This proposal to complete granting of freehold titles to 1.2 million families within the year 2002 is also included in the ' Connecting to Growth: Sri Lanka's Poverty Reduction Strategy" policy document that was presented and agreed upon at the "Sri Lanka Development Forum" meeting held between the World Bank and the Government of Sri Lanka on 5-6 June 2002 in Colombo.

Allocation of state land to foreign companies

Minister of Lands and other high officials of the Ministry of Lands and related Departments at several media interviews clearly stated that measures have been adopted to make it easy for foreign investors to obtain state owned land. Already large acreages of land have been granted to some such companies.

The previous policy of minimizing the possibility of foreign interests from acquiring land has been completely reversed. Budget 2002 removed the additional tax of 100 % that was levied from non citizens in buying land in the country. The present policy is to grant land to foreign investors on a long term, 50 years lease basis and they would have to pay only 4 % of the land value if they invest in agricultural activities and 6 % in the case of industrial ventures. Although it is said that they will have to initiate the projects within 6 months, there is also provision made for them to close down their projects and leave at any time they desire. (Sri Lanka's Poverty Reduction Strategy).

Expediting the land market

There is a series of measures designed to make the over all land market freer.

In March 1989, the World Bank made its proposals regarding the needed structural changes in land ownership pattern in Sri Lanka. This was in the policy recommendations titled "Non Plantation Sector Policy Alternatives" – World Bank Report. It stated that the lack of growth in the Non Plantation Agricultural Sector was due to the fact that most of the small scale rural farmers were cultivating low value crops (meaning domestic food crops such as rice, vegetables and other food crops). Therefore, it was necessary to shift from low value (domestic food crops) to high value crops (meaning export crops). For this purpose the WB recommendation was that the land market should be freed. Concrete steps suggested was to grant freehold titles to all small holders immediately and to initiate a rapid process of regularizing land titles to enable easy sale of land.

The new land policies and procedures have introduced a new system of granting 'land entitlements" to overcome the delays caused in going through the required process of surveying and demarcating land for preparation of proper titles.

The Government tries to give the impression that these measures are to reduce the problems and land disputes faced by the people, to reduce the long delays caused in settling land disputes in courts and also to reduce the number of criminal offences caused due to land disputes. It is simply assumed that greater the number of land transactions taking place the better it is for land development and better utility of land. It is assumed that more investments made by either local or foreign investors the better it is in terms of higher productivity and contribution of land to the overall economy of the country.

The obvious intension of creating a free land market in the rural regions
is to get the small farmers to sell their land and move out of agriculture

2 million land holdings to be granted freehold titles cover an area of 2 million acres. Thus the average land holding would be about 1.6 acres. Almost all these rural small holders are extremely poor and indebted farmers. About a million of them are paddy farmers. The total number of such small holder farmers is about 1.8 million families. Since many of these small farmers are heavily indebted and since the present policies and the policies adopted throughout the last 24 years have not been to protect and strengthen such farmers they are a group who would be compelled to sell away their land holdings due to debt and are destined to leave their agricultural livelihoods very quickly.

In the "Non plantation Sector Policy Alternatives" World Bank policy recommendation in March 1996 it was clearly stated that "paddy was a low value crop which had no comparative advantage, therefore paddy farming had to be discouraged. It stated that farmers would not give up cultivating paddy as long as there was free irrigation provided by the government. Thus, it was suggested that water should be made a commodity to be marketed by the private sector.

Closing down of the paddy marketing Board and withdrawal of government services and protection provided to paddy and other small farmers have created a situating where most of these small farmers have become increasingly indebted and are facing conditions that would compel them to sell away their land.

It is very clear that the policy intention of creating a free land market among them is to see that they leave their land and agricultural livelihoods quickly. It says

"Government will remove restrictions on farmland and remove restrictions on the sale, lease transfer ,sub-division and mortgage of state land in rural areas. Appropriate amendments will be made to the land Development ordinance, Land Grants Act and the State Lands Ordinance to accomplish this.

It is important to note that most of the Land Policies of the past , particularly in the case of land grants to the poorer sections of society and the small farmers, had policy measures to ensure that these small holders would not be compelled to sell their land and become landless destitute. This and many other policies that were designed to support and sustain the agricultural livelihoods of small farmers were major reasons for the positive achievements that Sri Lanka made in terms of social development and in terms of the physical quality of life index (PQLI).

It is hard to accept that a rapid reversal of all these policies is now seen as " a strategy of reducing poverty" and of helping these poor to link up with the process of growth.

In talking of the international experiences of the poor benefiting from growth by finding opportunities of connecting themselves to the process of growth it should be remembered that in all most all countries there were extensive measures adopted to protect and strengthen the weaker groups until they became sufficiently strong to compete by themselves.

In the agricultural sector the reality today is that even some of the strongest and richest farmers in countries such as the US and Europe are being heavily protected and subsidized. What is being done in Sri Lanka is the complete opposite of creating conditions where by the smallest of farmers would rapidly lose their last means of survival, the small plot of land

<u>The real agenda behind the structural reforms in relation to land and agriculture</u>

The actual reasons behind the proposed process of accelerating and freeing the land market could be understood when one looks at the overall strategy proposed in the document "Connecting to Growth: Sri Lanka's Poverty Reduction Strategy". The proposals made in relation to Land, Rural Development and Agriculture should be taken together.

This strategy document that has been prepared over a four year period claims that it is a Strategy for Reduction of Poverty (It is said to have been prepared in extensive consultation with all stake holders. It is obvious that the poor, the small farmers or their organisations were not consulted) But from the very outset it makes the assumption that the only way to reduce poverty is by connecting the economy with a strategy of private sector led growth. It also says that this requires connecting the poor to the national and international markets effectively.

It says “International experience suggests that economic growth can be a powerful engine for poverty reduction only if poor are provided opportunities to participate in the growth process”. But, let us look at the ways suggested to make this possible.

Enhancing connectivity: the infrastructure Agenda

The report says that 90 % of the poor live in rural areas. A huge programme for building infrastructure facilities such as upgrading the ports network, building a network of super highways and an extensive network of roads that would link the poorer rural regions to rapidly growing domestic and international markets is suggested as the way of connecting the poor to the process of growth.

Thus it is said that that one of the government’s major challenges in connecting the poor to growth process is to effectively link poor regions to rapidly growing domestic and international markets. This programme of building infrastructure is named “pro –poor transport and communication initiatives”. There are six main initiatives

- Upgrading the ports network
- Building a national highway and integrated road network
- Enhancing the performance of the bus system
- Modernizing the railways
- Improving access to telecommunication facilities
- Upgrading the commercial agricultural marketing infrastructure

It is absurd to argue that this very expensive infrastructure development would benefit the rural poor, since the process of freeing the land markets suggested above would only result in the poor rapidly losing their only remaining means of production the small land holdings.

The strategy suggests that “**Structural change,** or the shift of the rural population from the low productivity primary product production into high – productivity industrial and service sector production is one of the most powerful engines for rural poverty reduction.

It is however clear from the processes adopted to get the poor and small farmers to lose their land and the productive abilities in agriculture that the envisaged shift is not intended to benefit the poor. The above infrastructure developments are obviously not meant to benefit these poor but to expedite the process of richer investors pushing out the poor and small farmers from their land to take over their land and other resources for the richer investors to come in.

Elsewhere in this report it is stated that the Government would encourage rural to urban migration. It is even envisaged that by the year 2010 half the estimated population of 21 million will be living in urban areas.

There are several other issues of crucial importance that needs to be considered.

1. The structural changes that are being pushed through rapidly are likely to create very large numbers of rural landless, unemployed poor. The inability of the economy of the

country to absorb the very large numbers of rural youth who were pushed out of agricultural livelihoods by adverse conditions have resulted in youth rebellion and have contributed to the causes of the Northern war. The present policies I land and agriculture are likely to intensify this process much more, leading to even worse forms of social unrest and rebellion.

2. The extremely heavy investments envisaged in infrastructure development such as upgrading port networks, construction of highways and extensive road network systems are unlikely to come from the private sector. Already there has been tremendous increase in foreign debt incurred in infrastructure development. If these new infrastructure developments are to be done with borrowed money, as seen in the case of ADB loans in building the Southern highway, this would add on to the already unbearable debt burden on the poor.

   Since investors have to be offered large incentives and tax concessions, it is unlikely that they would pay for these benefits provided to them. This leads to a situation of not "growth trickling down to reduce poverty" but to a situation of the "poorest being compelled to subsidize the rich investors "

3. The land policies largely aiming at attracting private investments for high value, export oriented crop production and the envisaged process of linking up the rural areas with the domestic and international markets, inviting big commercial agriculture would leave very little possibility of adopting the type of sustainable agriculture that the country needs in order to rebuild the "regenerative capacity of land and other natural resources".

   The presently proposed land policies and the proposed National Land Use Policy give priority to the private sector led commercial agriculture and export orientation and also it suggests minimizing the role of small farmers who utilize land for their livelihoods and for food security. It has been proved in many countries and in Sri Lanka that the small farmer based approaches in sustainable agriculture has far more potential in developing sustainable approaches and in achieving food security.

These are issues that need careful consideration and people's participation in making decisions and in planning policy. But, it is extremely damaging to allow the World Bank to push through policy reforms and legislation preventing any public debate on these matters of grave importance. We say this since we are fully aware of the fact that World Bank has been pushing for these structural reforms in relation to land and agriculture, utilizing the compulsions that they impose as condition in approving loans.

As we have already mentioned the WB has been advocating the creation of a free land Market since 1996. We also know that they were involved in developing strategies towards such reforms right from that time.

Around 1998, the WB sent a group of experts to work on the land market issues to Sri Lanka. We have had the possibility of having direct discussions with them. These experts included

1. Jessica Mott, Senior Natural Resource Economist
2. Per Egil Wam, Social Scientist
3. Jose Pedro Correia da Silva, Senior Counsel

Although it is stated that the present "Poverty Reduction Strategy" presented to the Sri Lanka Development Forum in June 2002 was formulated by the Government of Sri Lanka in consultation with a wide range of stake holders. It is obvious that these were heavily influenced by the WB and IMF, the donor community, the private sector and was done with no consultation with the stake holders most affected by them the poor, the farmers, workers and the rural people.

The government is now pushing through these reforms and the required legislation so rapidly in order to meet the deadlines laid down by the WB. It is obvious that the target of pushing through 36 Bills, including those related to land policies, during the months of August and September is because the World Bank demands that these be completed before the scheduled dates of November / December when they decide on the loans to be given for this year.

Therefore, we would like to request all those who are able to intervene in this much needed dialogue on land policy to study these issues and to make their contribution to prevent an extremely destructive process that would have serious implications on the lives and resources of the people.

It is with very strong conviction that there are much better alternatives in sustainable land use and in achieving a better and more viable approach to economic development with social justice that we make this request to be engaged in this process of rethinking.