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### **Institutional Arrangement and Land Tenure Development in Sri Lanka**

The research investigates the land tenure system in Sri Lanka in order to find a means to develop a land tenure system which assists the development objectives of the individuals and the nation as a whole. Accordingly, the research hypotheses are, first, that the existing land tenure system in Sri Lanka fails to satisfy the development objectives of individuals and the country as a whole and, second, that the main reason for the failure of the land tenure system is the lack of congruence among the institutions within the country.

The research was conducted in two phases. The first phase explores a theoretical framework to guide the development of the land tenure system. Within this theoretical framework, two major components of a land tenure system, namely, property rights and institutions, were studied in depth. Accordingly, property right theories, especially New Institutional Economic theories, were used to study the factors which need to be considered when defining and implementing new property rights. Institutional theories (economic as well as social and cultural) have been used to study the functions of institutions when defining and enforcing new property rights so as to socially integrate or disintegrate them. A rational analysis was also made to clarify the reciprocal nature of the relations, which exist between land rights and institutions within a land tenure system.

Empirical observations at the local and national levels were made to identify the interests of individuals as well as of the nation and the difficulties they face. The second phase of this research was dedicated to this purpose. Literature reviews, semi structured interviews with representatives of different organizations who are dealing with land matters as well as case studies in two different geographical areas were conducted to have a clear representation of the mentioned interests and difficulties. The models developed in this research, together with Kuhn's model, were used to analyze the data.

The research has found six types of complex socially and economically derived land tenure relations (institutions) and has proved that the prevailing land tenure system is neither supporting the development objectives of the individuals nor the ones of the nation as whole. The failure is partially

caused by lack of congruence between constitutional order and formal as well as informal institutional setup, whilst other conditions such as population growth, soil conditions, natural hazards, and financial limitations are also contributing to the failure.

In addition, the research highlighted the potential risk of introducing and implementing private/individual titles within rural areas and, in this context, provided recommendations organized in three main components: informal institutions development, constitutional order as well as formal intuitions development, and structural changes. Finally, the vision and the models developed by this research together with Kuhnen's model proved to be efficient tools in the development of a land tenure system and have proved to have a big potential in future land tenure development studies, especially in developing countries.

**Key words:** Land tenure system, property rights, informal and formal institutions, development objectives, Sri Lanka.