

**A study to Propose a Common Basis of Valuation for
the Payment of Compensation for Property Rights
Acquired by the State**

L.H. Lickson

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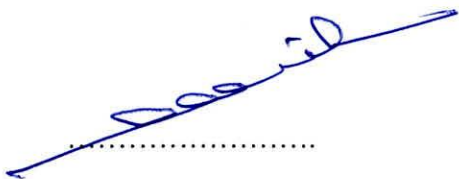
**Dissertation Submitted to the
University of Sri Jayewardenepura
As a Partial Fulfillment for the
Requirements of the Final Examination of the
M.Sc. in Real Estate Management and Valuation Degree**



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Student's Declaration

The work described in this dissertation was carried out under the supervision of Mr. H.M. Premathillake and any report on this has not been submitted in whole or in part to any university or any other institute for another degree /examination or any other purpose.

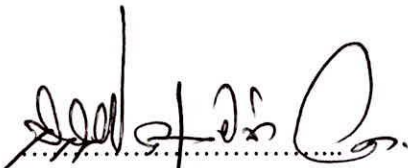


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Supervisor's Declaration

Hereby, I certify that Mr.L.H. Lickson (Registration No: GS/M.Sc./REMV/3401/08) duly completed the research titled "A Study to Propose a Common Basis of Valuation for the Payment of Compensation for Property Rights Acquired by the State" under my supervision and recommended to submit for the evaluation.



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Signature and the official stamp of the Head

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L.H. Lickson

May 23, 2013

ABSTRACT

Payment of compensation related to real estate acquisition of vesting. Basically the acquisition takes place when the government is looking to provide benefit to the public. Literature shows that there are different type's compensation methods in different countries. The main purpose of this study is to analyze existing system and introduce common basis of valuation for the payment of compensation for property rights vested by the State. Compensation receivers were analyzed whether they are satisfied for the payment received. This is a result of rapid increase of population, urbanization and transition. Looking at opportunities to maximize the public benefit government considers development opportunities Therefore it is essential to acquire lands for the development purpose protects.

There are many researchers have carried out in this thematic area. A two way approach involving a questionnaire and a structured interview was applied in this study. The questionnaire survey was focused to collected perspectives from claimants whose lands were acquiesced. Unit of analysis was beneficiaries. A sample of 100 beneficiaries was randomly selected covering from the areas of Badulla, Haliela, Haputale, Haldumulla, and Welimada were employed for this purpose. However, 92 completed questionnaires were received and the analysis was done based on those completed questionnaires using Statistical Package for Social Science (SPSS) computer software. 15 Structured interviews were held to ascertain their opinions on steps whichever necessary to identify the problems of compensation. Findings of the study indicate that there is a requirement of a common method of valuation for the payment of compensation. The key findings of this research will assist the policy makers to identify and introduce a suitable common method for the payment of compensation considering value to owner.

Key Words: Land Acquisition, Compensation, Common Compensation Method, Market Value.

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CHAPTER ONE

INTRODUCTION

Land which is a scarce natural resource plays a key role in development. Land is the foundation of all forms of human activity. It is the means of life without which human beings could never have existed and on which their continued existence and progress depend.

Also land is a factor of production. For any physical development to take place there should be land as the priority requirement. There are many proposed infrastructure development projects in the pipeline now in Sri Lanka. As a result the subject of Land Acquisition by the State has become important (Annual Report – CBSL, 2010).

Much of investors' incentive for the development maintenance and improvements of resources is rooted in the concept of property rights. At present with 84% of total the state dominates land ownership in Sri Lanka. Agricultural land accounts for approximately 2.79 million hectares or about 43% of total land mass, of this 53% is owned by the state, but farmed by private farmers under varying tenure agreements (World Bank, 1996).

But when and where land is necessary the government may not have lands needed for a particular public purpose. Hence the state has tools to acquire land for public purpose.

Land acquisition is the government tools to assemble land in solving the land supply problems for development projects. Hence land acquisition is a way out to solve problems with land ownership and land owners reluctance to offer their lands for development projects.

Land acquisition means the acquisition of ownership of private property by the state on behalf of the public through a specified legal process, for the use of the

community. Sometimes, the expressions “expropriation” and “compulsory purchase” are also used to mean such transfer of ownership of a land.

A government cannot rely on land markets alone to ensure that land is acquired when and where it is needed. However, a number of countries require that the government should attempt to buy the required land in good faith before it uses its power of compulsory acquisition. Compulsory acquisition requires finding the balance between the public need for land on the one hand, and the provision of land tenure security and the protection of private property rights on the other hand.

There is a generally accepted principle that on such a transfer of ownership of land from private to public, fair and reasonable compensation should be paid by the state representing the community to the individual member of the community from whom the land is acquired. This principle of payment of just and fair compensation for compulsory acquisition is guaranteed in many countries by the constitution. However, this concept of payment of compensation is sometimes questioned on social grounds. It is argued that the land originally belonged to the community at large, and therefore, what is being achieved through compulsory acquisition is just an attempt to reach the status ante. The community is merely taking over what belonged to the community.

1.1 Land Acquisition Procedure in Sri Lanka

Ministry of Land



Section 2 (LA Act, Investigation for selecting land for public purpose rigid selection in case of Road Widening)



Section 4 (Notice of Intention of Acquisition and for objection)



Section 5 – Declaration



Acquiring Officer – Sec 6 request Survey General for Acquisition Plans and sent to relevant authorities including Chief Valuer)

