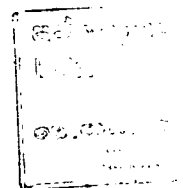


Agrarian Reform & Rural Development: Issues, Concerns & Future Challenges

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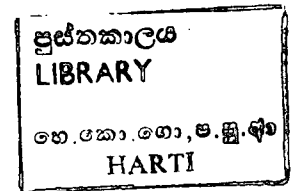
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Agrarian Reform & Rural Development: Issues, Concerns & Future Challenges

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Chapter One

A Brief Overview of National Development

1.0 Introduction

Sri Lanka is a developing country with an area of 65,628 sq. km. and a population of 19.668 million as estimated in 2005. According to Central Bank estimates (2005), per capita GNP at market prices was US\$ 1188 (Rs.119, 413). The agricultural sector plays a dominant role in the economy and accounts for 17.2 percent of the Gross National Product (GNP), 18 percent of total exports and 30.7 percent of total employed labour force. The majority of the people live in rural areas and earn a livelihood from agriculture and related activities. The agricultural sector, with characteristic features of a dual economy, consists of two sub sectors, a plantations sector and a non-plantation or domestic food crop sector. The former consists of plantation of tea, rubber, coconut and minor export crops that are mainly based on the export market and related with commercial, trade, banking and service activities. Domestic food crop sector, consists of paddy, other subsidiary food crops, cottage industries and related activities. According to the urban-rural definitions based on local government boundaries, 78.5 percent of the total population lives in the rural sector while 21.5 percent population lives in the urban sector.

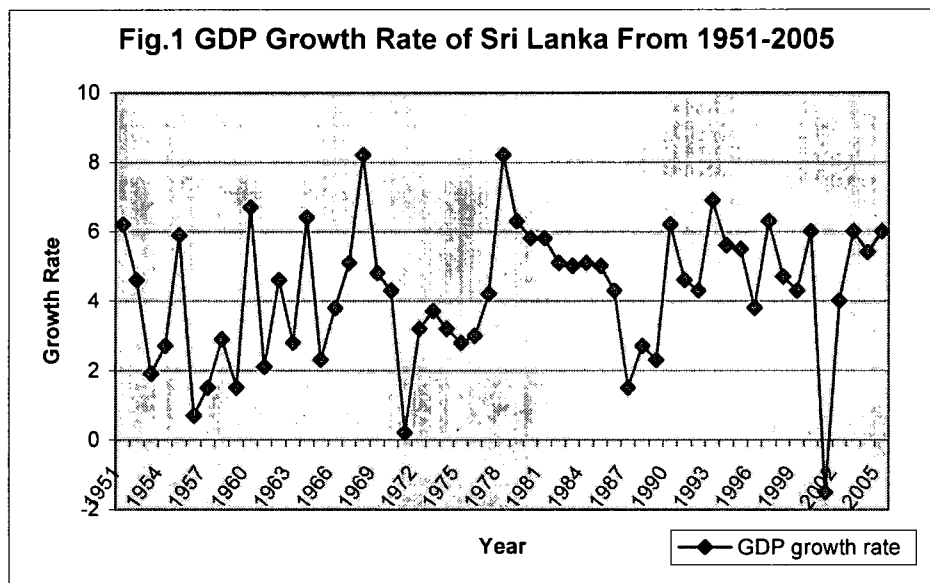
Similar to other developing countries, Sri Lanka also faces macro economic imbalances in spite of its remarkable improvements in socio-economic indicators such as literacy, health

* This Status Report is the collective effort of the following researchers at the Hector Kobbekaduwa Agrarian Research and Training Institute : J K M D Chandrasiri, D Gamage, G M Henegedara, W G Jayasena, and V K Nanayakkara.

and life expectancy compared to other developing countries. The major problems of the country are associated with ethnic strife, vicious circle of poverty, deficit of balance of payments, budget deficits, rural remoteness, unemployment, inflation, and the consequent slow economic growth rate.

Since independence in 1948, all the successive governments of Sri Lanka followed various economic policies and strategies to overcome the main economic and political issues that aimed at not merely economic growth but also sustainable economic development. Basically, two types of development policies were followed in Sri Lanka during the past 55 years. Policies followed during 1948-77 period were based on mixed economic policies, which focused mainly on “inward looking” policies and programs. Essence of the economic policies and programs followed since 1978 were mainly based on liberal economic thoughts that focused on “outward looking” policies and programs. Consequently structural adjustments policies, World Bank and WTO prescriptions were followed as the main focus of development since 1978.

According to statistical records of the past fifty five years since 1951, Sri Lanka is maintaining a moderate growth rate around 4.2 percent during 1951-2005 period while maintaining it at 3.6 percent for 1951-1977 period and 4.8 for 1978-2005 period. (Fig.1).



Source: Estimated on Special Statistical Appendix published in Annual Report of Central Bank of Sri Lanka, (2005)

The sectoral composition of the GDP has changed from 46.3 percent for Agriculture, 19.6 percent for Manufacturing and 36.9 percent for Services in 1951 to 17.2% for Agriculture, 27.1% for Industries and 55.7% for Services respectively in 2005. The share of agricultural exports has declined from 79% in 1977 to 18% in 2005 while shares of industrial exports has increased from 14 % in 1977 to 78% in 2005 respectively. However, the importance of agricultural sector still remains in terms of providing employment for 35 percent of the

labour force and 18.2 percent of export earnings. The rate of unemployment has declined from 24% (1978) to 7.7 (2005). The GNP per capita of the country has increased from US\$ 176 in 1978 to US\$ 1188 in 2005, transforming the country into a middle-income economy as categorized by the World Bank. The Physical Quality of Life Index (PQLI) has increased from 79.4 (1977) to 87.1 (1999).

Agriculture is still important as the backbone of the Sri Lankan economy. It contributes to 35 percent of export earnings and 36 percent of the total labour force. Out of 6.5 million hectares of total land extent about 35 percent is used for agriculture. Agricultural sector growth rate in the 1990s was rather sluggish at 2.5 per cent per annum. However, the production of principal agricultural crops such as tea, coconut and paddy has increased substantially in the recent past. More than 90 percent of Sri Lanka's tea, 65 percent of rubber and 20 percent of coconut are exported. Exports of minor export crops such as cinnamon, cloves, cardamoms and coffee and cocoa also made a significant contribution to export earnings. The area under paddy production is around 930 thousand hectares or 45 percent of the arable area. Over 70 percent of paddy farmers belong to smallholder category who own less than one hectare. The paddy sector accounts for about 50 percent of the employment in the agricultural sector. The average paddy yield has increased around 10 per cent due to application of newly improved methods and techniques. The total paddy production of the country fulfills almost 85 percent of food requirement of the nation. But the production of other food crops such as sugar, onions, potatoes, chillies and maize fluctuated over the past decade. Consequently the food security of many essential food items is still based on the foreign market.

According to the Annual Report of the Central Bank of Sri Lanka (2002), 6.6 percent of the population belongs to the category of extreme poverty, below \$1 per day and 45.5% of the population is below \$ 2 per day in 1995. According to the Department of Census and Statistics (2002), poverty was defined basically on three main criteria.

- (1) Households belonging to lowest four per capita expenditure deciles.
- (2) Households which spend more than 50 percent of their household expenditure on food.
- (3) Households for which average calory consumption is between 2475 and 2750 kilocalories per adult equivalent per day.

According to Household income and expenditure surveys conducted by the Department of Census and Statistics in 1990/91, 1995/96 and 2002 years, Minimum Required Adult Equivalent Food Expenditure (MRAEFE) is equivalent to Rs. 1294 per month and thus it was used as the national poverty line. According to average Energy consumption per adult required per day, number of poor households has decreased gradually in the past three survey period indicating number of poor households in urban and rural areas have decreased while increasing number in estate sector (Table 1.1).

Since Poverty could be regarded as the main cause of suffering, among almost all the communities throughout the world and in varying degrees and due to its complexity in terms of absolute and relative poverty, all the governments of Sri Lanka that came to power

since 1948 have implemented various types of strategies, policies and programs to eradicate it. Accordingly, all the successive governments of Sri Lanka also paid special attention to alleviate poverty by implementing various types of anti-poverty strategies such as rice ration, food stamps, *Janasaviya*, and *Samurdhi* programs. Nearly 4 percent of GDP is spent for these programs.

Table 1.1: Level of Poverty by Poor Households and Average Energy consumption

Country/Area	1990/91	1995/96	2002
(%) of poor Households Sri Lanka	30.4	26.7	23.9
Urban sector	18.2	13.4	7.9
Rural sector	34.7	28.7	26.4
Estate sector	20.5	26.1	22.1
The average Energy consumption per adult equivalent per day by poor households			
Sri Lanka	1970	2011	2028
Urban sector	1702	1803	1766
Rural sector	2002	2012	2017
Estate sector	2203	2454	2441

Source: Household Income and Expenditure survey (2002), Dept of Census & Statistics

The essence of the policies and programs implemented for the advancement of rural economic development in Sri Lanka in the past five decades could be summarized as follows:

- 1) Infrastructure Development Programs in relation to agriculture, irrigation and rural marketing;
- 2) Implement safety nets programs such as rice subsidy, *Janasaviya* and *Samurdhi* programs for the most vulnerable groups;
- 3) Capacity building programs such as change agent program, forming rural development societies and village Development Councils etc;
- 4) Integrated Rural Development Projects (IRDP) and Area development projects;
- 5) Provide production Incentives such as Guaranteed Price Scheme, (GPS) and input subsidies;
- 6) Foreign Direct Investment (FDI) and local investment programs;
- 7) Institutional development programs such as Agrarian service centers and committees, farmer organizations, farmer companies and irrigation management committees etc;
- 8) Agricultural credit and Insurance programs and
- 9) Deregulation process of land, labour and taxation laws

Despite the policy reforms and special programs implemented for rural development and poverty alleviation during the 1978-2005 period, Sri Lanka experienced only 4.2 per cent growth rate which is insufficient to gain rapid development comparable to newly industrialized countries. The major cause of this moderate growth was the low level of investment, particularly foreign investment. Though domestic investment has increased 8 per cent during the 1978-90 period, the average domestic investment remained around 25 per cent of GDP which is inadequate to accelerate growth. The average annual inflow of foreign direct investment (FDI) in the past few years was nearly 1 percent of GDP. This little FDI was invested mainly in the garment industry, which has limited scope in alleviating rural poverty. Income disparities between rural and urban sectors, which were low and kept reducing in 1960 and 1970 decades were increasing rapidly after 1977, due to some liberal policy reforms. The Gini coefficient ratio of consumption inequality has increased from 0.33 in 1995/96 to 0.35 in 1990/2000. Therefore macro economic policies of the country should essentially focus on a broad theme of “growth with equity” to assure fast and sustainable economic development for the nation.

Therefore, the main development concern of the government is to ascertain sustainable economic development, which is environmentally friendly, socially acceptable and economically viable to the whole society. Consequently development priorities of the government are broadly designed not only to achieve millennium development goals (MDG) with deepest concern on narrowing the rural – urban gap that has occurred both in terms of economic and social contexts. According to annual review of the Central Bank of Sri Lanka (2005), government has recognized its policies, programs and strategies to overcome regional imbalances, poverty while increasing economic growth as referred to in some policy documents such as Sri Lanka New Development Strategy – Framework for economic growth and poverty reduction 2005, Sri Lanka country report 2005 and the manifesto of the present government, which is referred to as “*Mahinda Chintana*”. It includes:

1. Promoting pre requisites for economic growth and development such as peace, legal and regulatory system, improving law and order, safety, property rights and effective enforcement, policy stability and consistency, transparency, accountability and governance, safety nets and social protection and environmental protection.
2. Strengthen factors related to growth and development, which includes capacity expansion, Human Resource Development, Infrastructure development and improving technology and research development.
3. Formulate policies and strategies such as national policy framework, demand management policies and structural reform policies etc

Under the globalization process, the effectiveness of these policies do not depend simply on internal factors. Though unsettled ethnic crisis is a crucial factor, international factors such as trade, finance and politics are also similarly important for achieving sustainable development. Thus achieving growth with equity in a sustainable manner is a major challenge to a small country such as Sri Lanka.

Chapter Two

Dynamics of Rural Development

Rural development is a multi-dimensional concept that aims to improve the living standards of the most vulnerable groups of society, who are isolated from the urbanized and developed areas. Broadly, it includes small farmers, fishermen and peasants together with low-income producers of agricultural, livestock and aquatic products and in particular, refers to informal tenants such as sharecroppers, landless agricultural labourers and small owner operators (FAO, 1978). In this context, the feature and intensity of rural lives are determined on four aspects such as income, productive assets (land, animals and equipments), inputs and services and the extent to which the people have control over their affairs. According to the encyclopedia of social sciences, though the term “rural” refers to population living in areas of low density and sparse settlements, the rural sector has been identified in terms of its evolution, present economic structure and institutional framework. Greater emphasis has been placed on the first two criteria and consequently the rural sector at times has been identified as the traditional sector and other times as the agricultural sector. The nature of both traditional and agricultural sectors is more closely related with function of rural society, which is based mainly on production of food and other raw materials. The relationship between rural and urban sectors is very important because these two sectors are mutually dependent on each other in sharing food, labour and service from rural to urban and vice versa.

2.1 Concept

As a development strategy, which is used by both developed and developing countries, the ideology of rural development has been evolving from village to be a homogeneous entity towards the concepts of Integrated Rural Development Projects (IRDP) and Regional Economic Advancement Projects (REAP). Both developed and developing countries have followed the concept as a vibrant strategy to develop under-developed areas or disadvantaged communities under different levels and different conditions. Thus the term is used in different ways and divergent contexts. It encompasses overall development of rural areas, which is based on improving the quality of life of the rural people. In this sense, it is considered to be the development of agriculture and allied activities such as cottage industries and crafts, socio economic infrastructure, community services and facilities.

2.2 Definition

Rural development has been defined as an approach to upgrade the living standards of rural communities through developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions, government policies and programs to encourage and speed up economic growth in rural areas, to provide jobs, and to improve the quality of rural life towards self sustenance. Accordingly, it implies a genuine change of rural life especially in its attitudes, beliefs and practices to suit changing global economic and social conditions. Once new economic thoughts addressed the elimination of poverty, inequality and unemployment as an important index in sustainable development, emphasis on reducing poverty has become the utmost target of rural development. Consequently RD was viewed as a strategy to bring about improvement in the economic and social life of the rural poor.

In this context, the physical entity of rural areas is defined as areas, which are not classified as urban areas. Accordingly, areas that do not belong to municipal council and urban council areas are considered as rural areas in Sri Lanka. The classification of 'rural' is based on the categorization of local government areas. The estate sector, which is physically and culturally somewhat different from the village areas, is also included in the rural sector.

However, over the years, since 1970s the approach to rural development, its orientation and thrust has undergone a rapid change reflecting that successive shifts in development paradigm from mere achieving basic needs of poor people towards the four fold objectives such as growth, equity, stability and sustainability. Thus the essence of the rural development approaches was focused on a few aspects.

- ❖ A shift away from top-down decision making system to bottom-up and participatory development approaches.
- ❖ Shift away from agriculture, community and infrastructure development programs to integrated rural development approach
- ❖ People oriented development approach that considered human factor as the instrument of development and ultimate objective of development.
- ❖ Introduce restructuring and institutional reforms in order to get benefits from the dynamic global opportunities especially to reduce poverty under global support and opportunities. Under these reforms it was expected to reduce dependency of poor and vulnerable groups through self-employment and new income generating activities.

Like many other developing countries, especially very similar to south Asian countries, Sri Lanka also undertakes above policy reforms and target oriented rural development programs focusing mainly on upgrading living standards of poor people who are vastly concentrated in rural areas. The salient feature of rural development concept followed in Sri Lanka is poverty focused integrated approach that is aimed at sustainable development, which is based on growth and equity. Thus target oriented subsidy programs, rural infrastructure development, agriculture and community development programs, which have been implemented since early 1950s changed towards area specific and target oriented Integrated Rural Development (IRD) programs, Regional Economic Advancement Projects (REAP) and self-employment and income generating programs. Thus, rural development programs required to increase production, raise

productivity, promote human development and expand employment opportunities (CIRDAP, 1999).

2.3 Legitimacy

The legitimacy of RD programs determines the context, strategies and policies. According to RD programs implemented all over the world, RD programs emphasized three strategic ways and accordingly legitimacy is determined on the type of program. Three types of interventions have been made in this regard.

- ❖ Emphasis on reciprocity programs originating in a strong value orientation that emphasizes the group welfare than individual interest. Countries like Israel, Indonesia, Papua New Guinea and Malaysia followed this strategy.
- ❖ Emphasis on social control and ownership programs initiated after revolution and abolition of private controls/ ownership. This strategy was followed by some Socialist countries like USSR, China and Hungary
- ❖ Emphasis on market systems: Reformist models of Japan, South Korea and Taiwan could be considered as successful examples in this regard.

2.4 Components

As a strategy or an ideology, rural development programs should be based on the principles of reciprocity or collective control or market orientation (Lea and Chaudhri, 1983). Therefore, following basic elements are common to all rural development strategies followed by all countries. It includes the following policies and components that are linked together.

1. Land Policy;
2. Technology Policy;
3. Employment Policy;
4. Education, research and extension Policy;
5. Rural institutions Policy;
6. Price Policy;
7. Linkages with the rest of the economy

According to Lea and Chaudhri (1983), collectivist strategies emphasize land, technology and employment policies and adapt other elements to suit these three. Reformist strategy emphasized a careful orchestration of all elements. Redistributive land reforms would be a precondition for success of such a strategy. Technocratic or market oriented policy would heavily emphasize technology and price policy as basic elements of RD strategy.

However, once the RD concept evolved towards the Integrated Rural Development approach, the components of rural development also changed towards the sectoral activities and area specific programs, which based on needs and priorities of the target beneficiaries.

Chapter Three

Rural Development Policies and Strategies

3.1 Brief Review on Past Policies

From the mid-1940s onwards, a broad array of welfarist programmes was provided. These includes free education, free health care and state subsidies on food, transport and other items. These initiatives contributed to achievements in areas such as literacy, infant mortality and life expectancy, which greatly exceeded those of most developing nations and which compared very respectably with some OECD countries, despite Sri Lanka's limited resources and the low level of per capita incomes.

Since independence, all the successive governments in Sri Lanka have placed prime concern on rural development in their development agenda and followed different policies and strategies and implemented various projects and programmes to achieve their agenda. Suitable institutional mechanisms were also established for this purpose.

By the 1980s, amid conditions of scarcity it was difficult to keep pace with the material needs and expectations of a rapidly growing population, particularly the young. This problem is in large part a product of the achievements of the welfarist programmes of successive governments. With such a large portion of the island's scarce economic resources committed to welfarist measures and with governments between 1950s and 1977 pursuing an economic strategy that involved hefty doses of state control and protectionism, the economy in that period achieved low growth rates.

After 1977, with the introduction of liberal economic policies, the government began to move away slowly from these welfare oriented policies. It expected, to utilize government resources economically for more productive purposes and, expected poverty alleviation and the social and economic advancement of the people to result from a trickling down effect of economic growth. For rural development, especially during this period, the government had given greater emphasis on giving the poor access to stable incomes and assets, public goods, social status and to a broad range of human and civil rights instead of transferring materials only under the name of welfare. However, it

should be noted that the perennial welfare orientation of Sri Lanka's policy did not undergo a dramatic change as would be expected to run parallel to other liberalization policies carried out. Accordingly, although some welfare schemes were curtailed resulting in cuts in government expenditure on some welfare investments such as education and health, they have been maintained continuously under different concepts such as "the adjustment with a human face", "cushioning poverty" and "provision of relief for vulnerable groups", etc.

3.2 The Current Policy

The current policy on rural development appears not to depart from the policy continued after the introduction of the open economic policy. The current policy is derived from the "*Mahinda Chintana*", the political manifesto of the People's Alliance Government which came into power in December 2005 and some other policy reports such as the report prepared by National Council for Economic Development.

Accordingly, attaining a higher economic growth and development that will benefit the poor through trickling down process is considered a pre-requisite to advance the well being of the people including the rural areas. Then pursuing a regional development through various initiatives and maintaining safety nets and social protection measures are important aspects of the government's rural development policy.

As the economic growth and development in the country will lead to trickling down effects such as increasing employment and incomes of the people even in rural areas, the government has identified some strategically important areas to promote as pre-requisites to achieve that. Those are the pursuit of peace in the North-East areas, modernizing legal and regulatory systems, improving law and order, safety, property rights, policy stability and consistency, transparency, accountability, governance and environmental protection.

3.3 Approaches

In the pursuit of rural development, all successive governments in Sri Lanka since independence have followed diverse approaches and strategies. These strategies range from growth with equity (e.g. establishment of peasant settlement schemes and village expansion schemes by the free alienation of state lands under forest cover), agricultural modernization (e.g. introduction of green revolution technologies), agricultural transformation (e.g. implementation of agrarian/tenancy reform and land reforms), import substitution (high tariffs and import controls) basic needs (e.g. provision of food subsidies, free education as well as free health care), holistic development (e.g. integrated rural development projects), bottom up and target-group (e.g. housing development programme for the low income groups), to self-reliant development and empowerment (e.g. Janasaviya and Samurdhi programmes).

According to the current government policy for economic growth as well as regional or rural development, specific strategies are followed. One of those is the enhancing production capacity in all sectors of the economy by promoting public, private and

foreign investment through various types of reforms such as market and institutional reforms. These investments are expected to generate more employment in the areas already identified as free trade zones (such as in Katunayake, Biyagama and Koggala) and industrial zones and in other areas too.

Another strategy which is expected to be followed in this respect is developing human resources. Strengthening and upgrading primary, secondary and tertiary education institutions, maximizing the available opportunities, enhancing access to education and improving the quality and relevance of education at all levels are the important steps of these strategies. In respect of health sector, providing high quality, equitable, cost effective, modern and sustainable health care services is important. Both health and education are still provided as free services by allocating funds from the government budget. These are the key areas the government welfare funds are utilized for.

Massive infrastructure development has become a major policy of the present government not only for economic development but also for regional and rural development. Under this it is expected to build modern, high quality and efficient infrastructure facilities to expand access to input and output market. Maintaining and rehabilitating existing road network throughout the country (under *Maga Naguma* programme) construction of highways (such as Matara- Colombo and Colombo-Katunayake highways), expanding the railway sector (by extending the Southern Coastal railway line up to Kataragama), increasing the availability of safe drinking water (through promotion of community water supply schemes), expanding the supply of electricity to cover all the houses in the country within next few years, establishing regional markets (economic centres at Maradagahamula and other areas to be identified) developing village fairs (especially in Southern Province) and constructing new ports and airports (both in Hambantota) are the major strategies of the infrastructure development policy.

Improving technology and research and development through promotion and application of modern technology (via knowledge and skill development under vocational training center and "*Nanasala*" Information Technology Training Center establishment programmes) and undertaking research and development activities in the country to enhance competitiveness are some of the strategies to promote regional development. Specifically according to "*Mahinda Chintana*" policy document, it is expected to revitalize the production base of rural sector (by covering smallholder farming and cottage industries) by increasing production and productivity through encouragement to utilize modern technology with the benefits of subsidies (like subsidized fertilizer and credit) and other facilities like linking markets.

Maintenance of safety nets and social protection programmes are also a major policy of the current government's rural development policy. The strategies of this policy are protecting, upgrading and empowering vulnerable groups and disadvantaged persons in the society through appropriate mechanism including most vulnerable groups to engage in productive economic activities. Continuously implementing the massive island wide poverty alleviation programme *Samurdhi* which covers about half of the country's

population and the *Gama Neguma* Village Development Programme which is expected to cover 15,000 villages are the attempts to take the rural people out of poverty by empowering them to get involved in some self-employment and income earning activities. Continuation of floor price schemes especially for paddy farmers is another example for protecting larger groups of rural and agricultural people from falling into a vulnerable state due to a decline of farm gate prices of paddy caused by continuous bumper harvests.

3.4 Policies and Strategies for Agriculture and Rural Development

Sri Lanka has a long history of rural development, planned and implemented by various governments and non-governmental organizations with assistance from various donor agencies. Even before independence in 1948, British administrators focused their attention on rural development activities in Sri Lanka, such as irrigation development, land development, rural settlement, health and education etc. After independence, successive governments have paid greater attention for rural prosperity through planned efforts. The first planned programme at national level was the 'Six-Year Plan' of 1947, while the second 'Six-Year Plan' was introduced in 1952. Both plans mainly emphasized agriculture based rural development, rural sanitation, housing, irrigation and land development etc. Another 'Five-Year Plan' for the period, 1972-76 was implemented which focused on development of the small holder sector agriculture and paid attention to rural infrastructure development, education, housing, land development and health.

It was only in the decade of the forties that systematic and meaningful rural development activity took firm root in the Island. In the 1940, a sub department of the Department of Commerce and Industries was created to deal with matters relating to peasants and rural development. In 1947, the Department of Rural Development was established by the Government to deal exclusively with matters relating to rural welfare and the upliftment of the living conditions of the peasants. During the initial period, special welfare societies were in the forefront of rural development activity. For the first time the programme of work and government policy reached grassroots levels through the activities of the newly created Department.

Within one year of formation of the Department of Rural Development, group societies were established in various parts of the country to ensure better supervision of rural development activity at the grassroots level. Supervisors of rural development societies were appointed to oversee the development activities in the rural areas. At the inception, the efforts of the Department were concentrated on the establishment of rural development societies for males only. There were no corresponding societies at the village level for women. This deficiency was rectified by the establishment in 1952 of rural development societies for women. These societies were called *Kantha Samithis*. Till such time these *Kantha Samithis* were established, the task of organizing rural women in development activity was done by non-governmental voluntary organizations, notably the *Lanka Mahila Samithi*, which was in the field of rural development since 1930. The principal task of the *Kantha Samithis* was to promote handicrafts, home economics, environmental sanitation, and home gardening. Both Rural Development

Societies and *Kantha Samithis* were given grants by the Department of Commerce and Industries and later by the Department of Rural Development to pursue their activities.

Characteristic of a dualistic economy the agricultural sector consists of the sub sectors, the non-plantation or domestic food crop sector and the plantation sector. The plantation sector or export oriented sector consists of the tea plantation of the mountain slopes, rubber plantation in the intermediate zone, and coconut plantations in the western coastal belt. The non plantation sector or traditional sector consists of the cultivation of paddy and other food crops mainly for domestic consumption.

Table 3.1 Agricultural Land Use (1995)

Paddy	-	732,000 ha
Tea	-	193,000 ha
Rubber	-	161,000 ha
Coconut	-	442,000 ha
Export crops	-	66,500 ha
Sugar	-	10,600 ha
Tobacco	-	6,000 ha
Subsidiary food crops	-	141,000 ha
Total	-	1,752,100 ha

Source: Water Statistics Hand Book, 2006.

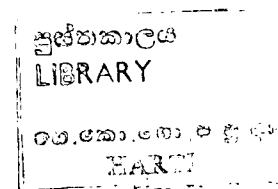
3.5 Rural Sector in Sri Lanka

Traditionally, Sri Lanka adopts a three fold classification of sectors, viz. rural, urban and estate. Rural sector accounts for over 72 percent of the population. A majority of them derive a living from agriculture either directly or indirectly. The agricultural sector plays a vital role in the economy and the society of Sri Lanka. It contributed 20.7% to the gross domestic product (GDP). Similarly, about 40% of the employed labour force are in agriculture (Central Bank of Sri Lanka, 2002).

The non-urban areas mainly depend on traditional agriculture, excluding the plantation sector. The subsistence sector or traditional agricultural sector produced mainly for home consumption but some surplus was available which was sold in the domestic market and sometimes even exported. This sector was mainly dominated by small farmers cultivating both paddy and food crops. The export sector was dominated by the plantations but there were small-scale producers and some of the produce especially coconut and tea was consumed in the domestic market.

3.6 Agricultural Development

Agriculture occupied an eminent position in the economy of the Sri Lanka. The rural areas comprise about 70% - 80% of the country and in most part of it a rural agriculture



based economy. About two million farm families are engaged in farming as their main occupation. More than 70% of paddy farms belong to the small farmers category owning less than one hectare of land.

The public policies even before independence have encouraged domestic agriculture, with restoration of tanks and irrigation schemes in the dry zone. All the governments that have come to power since independence have launched many programmes to improve agricultural production. Among them land alienation and settlement, improvement of irrigation facilities, agricultural extension services, credit and insurance for agriculture, use of modern technology, use of improved mechanical equipment, and livestock and fisheries development are the major programmes which have affected productivity.

The new government that came in to power in 2005, proposed a comprehensive policy package aiming at the development of agriculture through the provision of sufficient irrigated water, land for cultivation, good quality seeds, fertilizer at a subsidized price, agro-technology, financial resources, agricultural advisory services, infrastructure for purchasing and storage of agricultural produce, fiscal incentives for investment, special incentives for smallholders, and specific policies and incentives for the tea, rubber, coconut, dairy and fishery sectors.

The share of employment in the agricultural sector, which includes agriculture, forestry and fishing sub-sectors declined to 30.7% in August 2005 from 34.1% in the third quarter of 2004 despite healthy growth in the agricultural sector, particularly domestic agriculture. The decline in employment could be due to a shift of excess labour from agriculture to other sectors with a high demand for employment. The under employment rate in the agricultural sector remained highest and had increased faster than in the other sectors in 2003/2004 compared to 1996/97. In 2005, the agricultural sector experienced a healthy growth in production, in spite of a decrease in employment. This was due to the shift of available labour, especially to the construction sector related to the Tsunami.

The share of the agricultural sector in GDP declined further from 17.9% in 2004 to 17.2% in 2005. However, paddy output increased to a new record level in 2005. The paddy output in 2004/05 Maha season increased by 20.5% to 2,012,706 metric tons, while the output in Yala 2005 season also increased by 28.7% to 1,233,480 metric tons. The well distributed rainfall throughout the year led to an increase in cultivated extent in major paddy growing areas and in marginal lands output of other food crops also increased benefiting from favourable weather conditions, production of subsidiary food crops and both upcountry and low country vegetables increased in 2005. Prices of some vegetables, however, were higher due to high costs of inputs and transportation.

Total milk production increased by 1.3% to 193 million litres in 2005. The government has initiated several programmes to increase domestic milk production and popularize fresh milk consumption. However, current domestic milk production is around 15% of the total milk requirement of the country. The poultry sector performed well during 2005. Poultry meat production increased by 2.7% to 97,256 metric tons in 2005. However, egg

production declined by 1% to 865 million eggs in 2005 compared to 2004. In addition, fish production dropped sharply by 43% in 2005 due to the impact of Tsunami.

Sri Lanka today has achieved a level of self sufficiency in rice and considerable improvement in other food crops. However, some have observed that although national targets in agricultural production have been achieved, the quality of life of people in rural areas, who are engaged in agriculture has not improved accordingly. The price of paddy and other commodities has gone up and at the same time, the cost of production also has increased. There are also many people without land and other facilities for agriculture living in the rural areas.

Chapter Four

Agrarian Reform Process

4.1 Introduction

Sri Lanka's agricultural sector comprises two sub-sectors, namely plantation (tea, rubber, coconut) and non plantation or smallholding sector. Smallholding sector is defined as the sector of landholdings comprising less than 20 acres in extent. It is defined for the purpose of this document as the "agrarian sector" and has developed many institutional/structural debilities since the country's independence due mainly to population pressure on land. Such debilities emanate mainly from land fragmentation, increases in the share of uneconomic agricultural holdings and adoption of various forms of land tenure to access land for cultivation. The Government has instituted a range of policies and programmes to relieve the pressure on land of which the major focus has been the distribution of land under the custody of the State. The Government has also implemented programmes of land and tenure reforms of which the results are far from satisfactory. In the recent past, the Government has taken steps to create conditions for improving tenure security and enabling the land markets to operate of which the results are not readily apparent. This section of the report deals with the existing land tenure situation in the smallholding sector, land policy of the Government, historical and institutional process that have been influential in evolving the existing land tenure situation in the country and emerging situation with challenges in the horizon.

4.2 Context

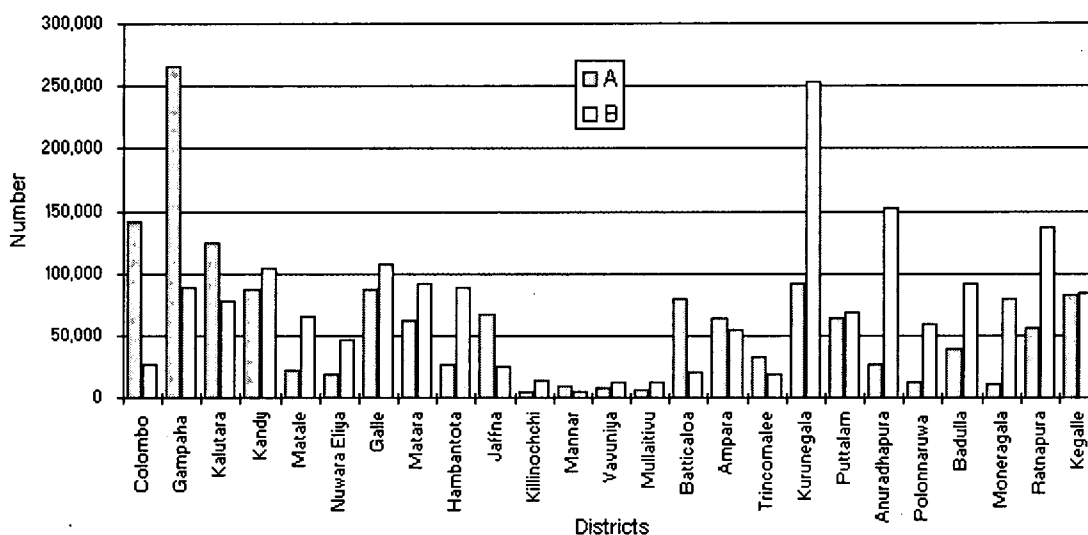
The principal feature in the smallholding sector in Sri Lanka is the excessive number of holdings smaller than one acre (over 60 per cent). Thus only a small portion has a flexibility to take advantage of liberalization of the economy for intensification and diversification of production. Another problem is the continuing sub-division of land or land fragmentation. Census of Agriculture of 2002 shows a significant increase in land fragmentation in the agricultural sector from 1982. Major findings in the 2002 Census regarding the land tenure situation in the agricultural sector is as follows:

- I. Significant increase in the fragmentation of land since 1982.
- II. There were 3.3 million agricultural holdings in the small holding sector in 2002. The corresponding number reported in the year 1982 was 1.8 million holdings and

shows the gravity of the emerging situation. Increasing land fragmentation is attributed to the division of land among family members as well as higher demand for land in the land market for various purposes.

- III. Out of the total number of 3.3 million holdings devoted for agricultural crops and livestock in the smallholding sector, about 45 percent were less than 40 perches (or quarter acre) and their agriculture produce is used mainly for home consumption.
- IV. Around 55 percent of the land was either above 40 perches in extent. Such lands were used mainly for agricultural production for sale.
- V. The fragmentation of land was highest in the Wet-Zone which comprises one-third of the country. Districts that experienced most land fragmentation were Colombo, Gampaha, Kalutara, Kegalle, Galle, and Matara. A similar pattern was also reported in dry zone districts such as Jaffna, Batticaloa, and Ampara (See Graph 1).
- VI. In the dry Zone districts, especially in Polonnaruwa, Anuradhapura, Moneragala, Badulla and Hambantota, still a larger share of agricultural holdings were being operated in lands above 40 perches in extent. In addition to this, a considerable extent of new lands has also been opened up for cultivation during the last two decades in those districts.

Figure 4.1 : Census of Agriculture 2002
No. of Agricultural Holdings - Small Holding Sector



- A. Holdings reporting extent less than or equal to 40 perches of land with agricultural produce mainly for home consumption
- B. Holdings reporting extent more than 40 perches of land or producing agricultural output mainly for sale

Source: Department of Census and Statistics, **Census of Agriculture 2002**.

4.3 Land Ownership

Structural debilities affecting the smallholder-farming sector can also be understood from the pattern of agricultural land ownership. Agricultural Census 1982 showed that 11 % of farm operators were landless; another 38.5 % owned home gardens only and were controlling around 14% of the total agricultural land area. In other words, nearly half of the smallholder agricultural population in the country was not in control of enough land to enable them to produce a marketable surplus. This situation has further aggravated in recent times.

4.4 Land Tenure

Population pressure on land, especially in the wet-zone areas, has been the major reason for adoption of complex tenure and share cropping systems to access land. Some 17% of the land located within the smallholding sector in Sri Lanka has been operated under indirect tenure arrangements such as share cropping or renting. Of the total paddy area, a significant proportion is cultivated under various share cropping and tenure arrangements.

Cultivation of land on "*ande*" or ("share cropping") is a strategy adopted by the rural people in Sri Lanka to access land for cultivation. *Ande* cultivation is predominant in the paddy sector. Tenant farming in Sri Lanka appears to take place in a closely knit environment in which the tenant is a close "relative" of the landlord, or a friend (Leach, 1961:267; Yalman, 1967:39-46). Rent, however has been the major means of extracting surplus from the tenant farmer. Shares apportioned to the tenant varied in the 1960s from 25 to 75 % of the crop (Obeysekera, 1967:214-16).

Plot rotation (*Kattimaru*) and operator rotation (*Thattumaru*) are two of the institutional arrangements adopted by the rural inhabitants to guarantee access to scarce land. The operator rotation system attempts to guarantee that all heirs to a specific plot gain access to it by rotation in cultivation. One may get one's turn, in extreme situations, every few years. Under the operator rotation system, several co-owners cultivate a number of land parcels, rotating them amongst themselves so that each has equal access to all the plots. Both systems are useful for preventing further fragmentation of land due to population pressure.

Another notable feature of Sri Lanka's land ownership pattern has been the Government custody and control of a large extent of land. Land resources under Government ownership include forests and forest reserves, land reserved for infrastructure development, lands that have been granted on long leases to private persons and firms for cultivation, and the agricultural properties taken over by the Government under the Land Reform Laws of 1972 and 1975. In the 1980s, the Government owned and controlled, directly or indirectly, about 84 % of the total landmass in the country including about 63 % of the agricultural land.

4.5 Land Policy

Under the Land Development Ordinance (LDO) of 1935, the Government has granted a substantial area of land to relieve landlessness and for cultivation. Lands distributed under different schemes are shown in Table 4.1.

Table 4.1: Extent of land distributed by Government between 1935 and 1985.

<i>Type of Scheme</i>	Hectares	Acres
Dry zone colonization schemes	175,941.31	434,751
Village expansion schemes	357,238.76	882,737
Highland settlement schemes	13,564.95	33,519
Youth settlement schemes	7,963.98	19,679
Regularization of encroachments	205,762.03	508,438
Middle class allotments	55,018.62	135,951
Land Grants (special provisions)	9,979.77	24,660
Rain-fed farming settlement schemes	5,363	13,252
Total	830,832.43	2,052,987

Source: Compiled using various sources.

4.6 Dry-zone Resettlement Policy/Programme

Dry-zone resettlement policy or programme is most prominent among the land alienation programmes of the Government. Starting from mid 1930s, the programme continued to the mid 1980s along with the implementation of the Accelerated Mahaweli Development Programme (AMDP).

The dry-zone colonization programme had the following objectives:

- I. To transfer excess population from the wet-zone to the dry-zone.
- II. To increase agricultural production.
- III. To solve growing rural unemployment in the wet-zone.
- IV. To preserve peasant farmers as a class.
- V. To establish new settlements as dynamic growth centers.

In the initial stages of the dry-zone colonization programme, most landless families received five acres of paddy land and two acres of highland. By the time AMDP started implementation, a norm of two acres of paddy and half an acre of upland per family had been established. With the completion of AMDP, a total of 300,000 ha had been provided with irrigation facilities under the major land settlement schemes with over 211,285 landless families settled. As Wanigaratne (1995:1) suggests, the total population

accommodated in major settlement schemes, including the second and the third generation, should be around 1.8 million.

In evaluating the dry-zone land settlement policy, it appears that Government use of a large extent of land and financial resources has been instrumental in keeping pace with increasing population pressures on land. Employment, both direct and indirect, on farm and off-farm, on irrigated land settlement schemes has been considerable. In this sense, the land settlement schemes might have functioned to curtail rural unrest associated with landlessness and to increase rural quiescence and political stability. The policy was also instrumental in curtailing rural unplanned migration to urban areas in search of employment as could be observed from data in Table 4.2.

Table 4.2: Changes in the proportion of population in the dry-zone and wet-zone regions

Year	Wet Zone	Dry Zone
1871	58.0%	42.0%
1946	66.3	33.7%
1971	60.5	39.5%
1981	57.25	42.75%
1993	57.25	42.75%

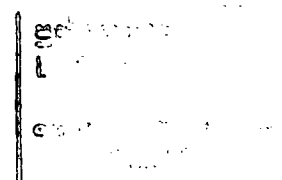
Source: Adapted from various sources

The Dry-Zone Irrigated Land Settlement Programme (DILSP) in particular has been instrumental in curtailing pressure on wet-zone land. How the Government's land-grant schemes have been instrumental in maintaining a balance between the wet-zone and dry-zone population can be understood from the data in Table 4.2. The data show that rather than reversing the trend towards concentration of population in the wet zone, DLSP have been able to maintain a balance of population between zones.

The rate of growth of paddy output on DILSP has accelerated from 4.1 % per year between 1970 and 1977, to 8.8% year between 1977 and 1982. DILSP accounted for about 65% of the annual national growth in paddy production from 1974 to 1982. Currently, nearly half of the domestic paddy production comes from irrigated land settlements.

4.7 Village Expansion Policy/Programme

Village Expansion Policy/Programme (VEP) is the other major intervention the Government has pursued to relieve landlessness in the Wet-Zone. The majority of



allotments granted under VEP comprises existing marginal land in the localities in which the settlers originate. Certain lands distributed in this manner have been acquired under the provision of the Land Acquisition Act No 9 of 1950. By 1970, more than a quarter of all Sri Lankan householders resided on plots distributed under VEP (Moore and Perera, 1978:4). By 1985, the total land area granted under the policy was 357,238 hectares (or 882,737 acres).

4.8 Regularization of Encroachments

Sri Lanka's landless people tend to occupy, on their own account, land belonging to the Government including forest reserves. In this manner, 110,640 persons had encroached upon some 178,741 acres by the end of 1977 (Peiris and Nilaweera, 1985). Moore (1993b: 334), reports that according to a survey conducted in 1978-1979, some 327,000 hectares were being illegally occupied by 605,000 persons or households. Almost one third of the encroached land was in eight dry-zone districts and most of the spontaneous settlers were landless people from the wet-zone. According to the 1987 Land Commission Report (1987: X), the central province reported the highest rate of encroachments.

In October 1989, the Government declared encroachments illegal, though little has been achieved in terms of the implementation of this decision. Of all the land granted by the Government to the landless, regularized encroachments account for a significant proportion. About 508,438 ha of the illegally settled lands by the people have been regularized in the 1980s by the Government. Surplus populations from irrigated land settlements occupy the Government lands adjacent to such schemes. This latter type of spontaneous settlers consists of various groups as outlined below.

- I. Second and third generation settlers from irrigated settlements, who decide to settle on near by Government reserves to access land and water for cultivation.
- II. Those who have migrated to the irrigated areas temporarily for work and settle later.
- III. Those who have migrated to the area for shifting cultivation and have decided to settle later.

It could be observed that certain lands that have been transferred under the regularization schemes are being transformed from shifting cultivation to stable forms of agriculture while others are fairly neglected or underutilized. This situation results from a number of factors as summarized below.

- I. In comparison to the beneficiaries of the irrigated land settlement schemes, spontaneous settlers lack infrastructure and irrigation water for cultivation.
- II. Being the rural poor, the majority of such settlers lack the necessary capital for land development.
- III. Lands occupied by them are marginal or small for efficient production.

4.9 Land Reform

Sri Lanka's land reform has been implemented in two stages under two Parliamentary Acts in 1971 and 1975. Under the Law of 1971, land parcels with extent over 50 acres by private persons were vested with the Land Reform Commission (LRC). Law of 1975 acquired lands operated as plantation estates. The major impetus for introduction of land reform in Sri Lanka is said to be the youth uprising under the leadership of Janatha Vimukthi Peramuna (People's Liberation Front) in 1971 (Sanadaratna, 1972:8). Other factors motivating reforms in Sri Lanka include egalitarianism, employment creation, reducing pressure on the balance of payments, and increasing output by improving, intensifying, and diversifying existing land (Peiris and Nilaweera, 1985:31).

Estimates of the total area vested with the State or LRC under the two Laws vary. One estimate shows that 987,368 acres or an area equivalent to 24 % of the total cultivated land in the country was vested with the State (Shanmugarathnam, 1981). Forty three percent of the land vested with the State was acquired under the Law of 1975. Of the latter land, 53 % belonged to foreign owners. Tea accounted for 42 % of the agricultural land acquired by the Government. Some 18 % of the total area acquired under the land-reform law is considered to be undeveloped or abandoned land (Shanmugarathnam, 1980:69).

There are a number of problems associated with land reform in Sri Lanka. Of the total land acquired under the land reform laws, some 597,691 acres (63 %) were vested with the Government agencies leaving the productive tea plantations intact for management. One of the major claims justifying this course of action was that the plantations were economically important to the country (Peiris and Nilaweera, 1985:32). Contrastingly, 13,500 acres or less than 14 % (mostly marginal land) was redistributed (Shanmugarathnam, 1980:69). Some view that land reform ignored the existence of an agricultural proletariat or landless peasantry in the country (Moore, 1992:352). Recently the plantation estates have been handed over to the Private Sector for management.

4.10 Tenure Reform

Tenure reforms are usually undertaken on the economic argument that high rent and tenure insecurities inhibit the application of improved land-management techniques and the adoption of new technologies. The Government established two tenure reform programmes in 1953 and 1958. The 1953 reform has had little impact and has not been evaluated adequately. The Paddy Lands Act of 1958 attempted to guarantee tenure security to the tenant cultivator and to limit the rent paid to the landlord to 25 % of the yield. It also aimed at ensuring proper cultivation of all cultivable land though some of the provisions granting protection to the tenants were reversed by the Agricultural Services Act of 1979 (Thiesenhusen, 1990:11).

The ultimate outcome of the Paddy Lands Act of 1958 is not very clear. Studies addressing the relationship between land tenure and technology in Sri Lanka are few while the existing ones do not show that land tenure, as it prevailed before the

introduction of the Paddy Lands Act of 1958, was detrimental to productivity (Wanigaratne, 1995). As Peiris (1976:50) noted,

.... "the data available on paddy cultivation in Sri Lanka sustains neither the assumption that high rents and insecurity of tenure are features universally inherent to unregulated share tenancy nor the assumption that they make unregulated share tenancy an intrinsically inefficient system of land tenure."

The Law of 1958 was enforced until 1963 in only a few of the districts. Delays in implementation in the rest of the districts meant that many landlords taking steps to evict their tenants before they were forced to lower their rents (Herring, 1979:49). Almost 43,000 evictions were reported between 1958 and 1972 contributing to poverty among the landless (Peiris and Nilaweera, 1985). It has also been argued that provisions relating to tenant security in the 1958 Act were ineffective in certain areas (Pieris, 1976).

4.11 Historical Processes, Institutional Mechanism Shaping Land Markets in Sri Lanka

Sri Lanka's land market, especially the state ownership or custody of land, cannot be understood without considering the historical processes and forces that shaped it. Incorporation of the Kandyan or hill country region of Sri Lanka in 1815 gave the British colonial Government a large area of land previously little exploited and inaccessible to their predecessors like the Portuguese and the Dutch who colonized only the coastal regions of Sri Lanka. Bringing the hill region under its control has paved the way for the British colonial Government to establish coffee and tea on a plantation scale for export to remain self-supporting (Rote, 1986:32). The establishment of cash-crop agriculture on a plantation scale in a previously thinly populated, mainly forested, elevated highland region necessitated the patronage of an agency with the sort of hegemonic power the 19th-century British colonial Government possessed. Important in this regard too was the Government's ability to allocate land to establish plantations. Initially, crown lands were freely made available to plantation interests.

Traditionally the King of Sri Lanka was seen as the "lord of land" or "Bhoomipathy". According to Siriweera (1971) the King served as a trustee or custodian of land, rather than its sole owner. However, the British seemed to have interpreted this role as sole ownership and claimed to have inherited the land from the Kandyan monarchy that they expelled. This made it possible for the British to dispose of Sri Lankan land according to their wish. Over 1.5 million acres of crown lands were sold for plantation development, primarily to British capital interests, between 1830 and 1900 (Rote, 1986:30).

The Colebrook Commission (a British royal commission) arrived in the country to review the administration in 1829, abolished the free land-grant system in 1833. However, the coffee industry continued to place a high demand on land in the central highland region. Part of this demand was met by clearing forest and moving further into the elevated highlands. Such actions were deemed necessary, in part because the peasants did not want to lose the land for which they had usufructuary rights for subsistence production.

The British, in allocating land for plantations, faced mainly two types of constraints. First, the existing pre-capitalist land-tenure system in the area posed a major stumbling block. The peasants had no right to sell lands because they belonged to the crown. Thus, no land market existed at the time. Second, insurmountable tensions arose when the planters tried to convert the land where the peasant had rights of usufruct. (Bandarage, 1983:88). As demand for land grew, the Government attempted to appropriate land in peasant use for grazing, permanent agriculture, and collecting forest-produce. The colonial Government met the difficulties with alacrity and facilitated the transfer of lands from peasant to plantation use through new legislation. This also established conditions for a modern land market by converting property to private ownership by means of the state's legislative power as discussed below.

The first piece of legislation enacted for this purpose was the Crown Lands Ordinance (Ordinance No 12 of 1840). It curtailed the land cultivated by the peasants as *chenas*.¹ Section 7 of the Ordinance states that:

...all forests, waste, unoccupied and uncultivated lands shall be presumed to be the property of the Crown, until the contrary thereof be proved, and all chenas and other lands which can be only cultivated after intervals of several years shall, if the same be situated within the districts formerly comprised in the Kandyan provinces (where no thombo² registers have been heretofore established), be deemed to belong to the Crown and not to be the property of any private person claiming same against the Crown, except upon proof only by such person.

This single piece of legislation appears to have helped the British Government achieve two major objectives. First, it provided legal ground for the acquisition of lands previously used by peasants on a customary basis. Second, the law paved the way for a land market necessary for capitalist agricultural development. Snodgrass (1980:46-47) points out that the colonial administration was merely responding legislatively to the needs of capitalism. In other words, the state mobilized an ideological if not legal bias to serve its own interests. For instance, the Kandyan peasantry's user rights were for all practical purposes a guaranteed access to land. But to deny the peasants any access to land because they did not have written titles in a society in which written transactions were not frequent demonstrate how the state used its legislative powers to exclude the ordinary people and further its interests.

British started with coffee and cinchona cultivation while the cultivation of the latter did not see much progress. Coffee plantations rapidly expanded by catering to the ready market in Europe. However, coffee prosperity lasted only a few decades due to a depression in London, (its major market) between 1844 and 1849 and due to the obliterating impact the leaf disease *Hemilia vestatrix*. When coffee industry virtually collapsed, tea was introduced as a successful substitute. This again stimulated buying and

¹ *Chenas* is the anglicized term for the Sinhala word "hena" and refers to the practice of "slash and burn" cultivation. *Chenas* were practiced on common lands, mostly forests surrounding the Sinhalese villages at the time.

² Thombo is the traditional land registry.

selling land. However, conflicts of interest over lands between planters and peasants often resulted in renewed tension. The new situation led to the enactment of Ordinance No 1 of 1897 commonly referred to as the "*Waste Lands Ordinance.*" This act invigorated Clause 6 of Ordinance no. 12 of 1840 that prohibits encroachment onto crown lands.

Estimates vary regarding the actual transfer or sale of lands to plantation interests by the Colonial Government. In 1934, only about 20 hectares (49 acres) were sold while in 1841, a year after the Crown Lands Ordinance no. 12 of 1840 was enacted, land sales rose to 31,843 hectares (78,685 acres). During the period immediately following the enactment of the Crown Lands Encroachment Ordinance, the colonial office sold some 93080 hectares (230,000 acres) for plantations (Snodgrass, 1966:22). Land under tea plantations increased from a mere 250 acres in 1873 to about 450,000 acres in 1929 (Sessional Paper, No xviii, 1951:69). Similarly, Peebles demonstrates land sales between 1833 and 1899 had included approximately 10 percent of the country's surface area. At the time of the Sri Lanka's independence, the acreage under tea and rubber had increased to around 1.2 million acres (480,000 hectares), or some 26 percent of the total cultivated land area.

To meet insatiable demand for land, aforementioned Waste Land Ordinance of 1897 was enacted claiming to "*make provision for the speedy adjudication of various claims to chena, waste and unoccupied land*". However, as Peries (1996) notes the real reason was to prevent the private sale of not legally acquired land by the sellers and to curb speculation in land and established the ownership rights of the crown over vast extents in the Dry Zone which facilitated the land policies in the later times. Further interest in Dry Zone lands is shown by such pieces of legislation as the Partition Ordinance of 1863 and the Land Registration Ordinance of 1863 which served to formalize and to smoothen the processes of land transactions (Jogaratham, 2001).

The Waste Land Ordinances, No. 12 of 1840 and No. 1 of 1897, curtailed availability of land to the peasants for grazing, and communal grounds for hunting and the collection of other subsistence forest products (Sanderatna, 1974:296). Landlessness and poverty have been widespread in the Kandyan region since the colonial era (Sessional Paper No. XVIII, 1951). Attempts have been taken to link these phenomena to the British colonial heritage, especially to the implementation of Waste Land Ordinance, No. 12 of 1840, and its numerous amendments. These arguments will be examined briefly in subsequent sections of this chapter.

Due to increasing deprivation in the smallholding sector, burden of increasing food imports and increasing population pressure on Wet-Zone areas, the Government was compelled to support migration of people to hitherto thinly populated Dry Zone areas. The emerging trends called for rethinking of the Government policy on land and bias for export agriculture. As a response the Government appointed the first Land Commission in 1927 to look into the issues and make policy recommendations. The Commission pointed out that the villagers could be settled on Crown lands and recommended measures to prevent such land from passing into the hands of persons others than

villagers. The vision it adopted was “to create a prosperous, self respecting, and self supporting multitude of peasant proprietors” who had to be protected not only against their own improvidence but also against the rapaciousness of speculators and others (Sessional Paper, 1990).

In 1935, the Land Development Ordinance (LDO) was passed by taking into account the findings and recommendation of the Land Commission of 1927. It passed laws to allocate lands to landless under a permit, in effect a lease in perpetuity. As the law came into practice, the security of the tenure was ensured by preventing the division, mortgaging or disposal in any way without the permission of the specified authority. The Law stipulated that land could not be sold on any decree of the court and unitary succession to a nominated successor. The legislative support for Government policies on land grants to landless, the massive Dry Zone Irrigated Settlement Schemes etc as well as the protected tenure systems that governs such land is based on LDO of 1927. Under this law, over two million acres representing about 12 percent of the land area of the island had been alienated by 1985. Of all the land allocated, forty two percent was for village expansion, twenty five percent for regularization of encroachments and twenty one percent for irrigated settlement schemes (Jogaratnam, 2001).

The Land Development (Amendment) Act of 1981, by permitting the grant of land to the allottee, could be seen as a step in the direction of a free land market. Under this Act, the Land Commissioner was empowered to determine the price for plot of land which could be paid over a period of ten years or waived altogether. The new law replaced the system of granting a lease in perpetuity to a grant (first called “Swarnabhumi” and later “Jayabhumi”). Under the new system the land could be mortgaged to obtain loans though it could be transferred only to persons of similar standing and with the Government Agent’s (presently the District or Divisional Secretary’s) permission. The Agrarian Development Act of 2000 enables tenant cultivators to purchase the land he/she tills.

4.12 Issues with Contemporary Land Market in Sri Lanka and Challenges

It should be understood from the preceding discussions that one of the major issues affecting the smallholder farming sector in Sri Lanka is too many farmers cultivating too many uneconomic holdings. The expansion in the cultivated area via implementation of irrigated land settlement schemes in the Dry-Zone by the Government has increased the number of families that depend on agriculture for a living rather than increasing the number of economically viable holdings available for efficient, profitable and dependable agricultural production. On the other hand, about 55% of the agricultural lands operated by smallholders are Government owned and affected by restricted transfer rights. Various studies points to the existence of hidden tenure associated mortgaging out, share cropping arrangements and sub division of land in irrigated land settlement schemes. It has also been argued that protected tenure on lands granted by the State prevent smallholder farmers exiting agriculture and efficient farmers from enlarging their holdings.

Leasing out land could result in economically viable holdings though selling privately held land is made difficult due to ownership problems, lack of titles and prolonged

procedures involving clearing titles. As World Bank (1996:32) notes "*Wet-Zone land being largely private owned land suffers from far more fragmentation and greater title disputes.*" Land transactions have also become costly due to high costs of surveying, cumbersome legal procedures involved and Government taxes.

Agriculture in Sri Lanka has variously been referred to as stagnant if not in crises. Factors responsible for this situation include escalating input prices, a yield plateau in paddy (the major crops) and a lack of comparative advantage in almost all the commodities traditionally produced on smallholdings. Miniature landholdings the smallholder farmers depend upon appear to have a close relation with the prevailing agrarian situation including the widespread poverty amongst those engaged in small scale farming, marketing problems, lack of profitability and low farm income. Nearly a quarter of the population lives in poverty and two-fourth of the poor depends on agriculture or related pursuits for a living.

As already noted, the State has a heavy influence of land market in Sri Lanka as it directly or indirectly controls a disproportionate proportion of land mass in the country and a significant proportion of the land under agriculture. Though the land acquired under the land reform laws and operated as plantation estates have been privatized or handed over to private sector in a phased manner, the land in the non-plantation or smallholder sector has remained largely unchanged though some attempts have been made to reduce the degree of protection.

Due to these facts, importance of functioning land market to facilitate land consolidation for commercial agriculture has been widely aired. As a remedy, it has been proposed to initiate land market reforms to allow private ownership of land, transferring ownership to all land grantees under the LDO of 1935, removing restriction on minimum and maximum size of holdings.

Problem of lack of clear titles has been discussed in the Land Commissions of 1935, 1957 and 1985. Lack of clear titles is deemed to affect access to credit, land transfer in open market, consolidation of land into viable units etc. On the other hand, land titling and registration is viewed as useful for improving efficiency of land market, transfer of land from inefficient to efficient farmers and consolidation of land into economically viable units for efficient production.

In 1998, the Government initiated the Land Titling and Related Services Project (LTRSP) as a pilot project in three Divisional Secretariat Divisions. The project involves cadastral mapping, title certification, and provision of related services. It has the objective of assuring the security of tenure of privately owned landholdings by insulating the uncertainties associated with ownership, land related disputes, delays and costs involved in land transfers. An evaluation carried out by the Hector Kobbekaduwa Agrarian Research and Training Institute in 2005 to ascertain the early effects of the project found that the LTRSP has issued title certificates (TCs) to private landholdings as well as for the landholdings granted by the Government under various land grant schemes. It was also found that TCs are being used for various forms of land related transactions at more

or less the same scale the former deeds were used for the purpose. There have been substantial delays in implementing the project, surveying and issuance of TCs etc. On the other hand, its effect on the land market has been limited due to the fact that it has not resolved the problems of landholdings having unclear and disputed ownership. There was little evidence to support TCs having extraordinary impact on slowing down or boosting up the offer of landholdings in the open market. This is because the value of holding a plot of land is much more socially and culturally determined than by the market processes and freehold tenure.

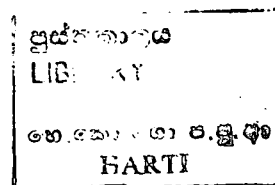
4.13 Future Challenges

Foregoing explanation shows the extent which the Government's initiatives have been instrumental in solving the major agrarian issue--land tenure. Such extensive undertakings as irrigated land settlement have reduced the outright landlessness than creating a prosperous smallholding sector or self sustaining growth in farming sector. Increasing landlessness and unemployment amongst second and third generations of settlers in land-settlement schemes has become inevitable due to slow migration and lack of growth in off-farm sector in the rural areas. Off farm sector trade has dominated development within the irrigated schemes while the surplus generated within the schemes is transferred substantially to urban areas through commercial banking systems resulting in draining of capital that could have been reinvested locally.

Most allotments that have been granted under VEP are small and hardly constitute economically viable units for productive agriculture. Infrastructures where such schemes are located were generally poor. Therefore, most of the land plots alienated under VEP were used for housing and home gardens. Due to the absence of economically viable plots for agricultural production, on farm employment opportunities in the villages established under VEPs are limited. Therefore, the settlers are often compelled to work as hired labour while others take to petty trade. Employment problem in these schemes is aggravated by the lack of off-farm work. Therefore, seasonal migration to irrigated land settlements in search of agricultural work opportunities is common among the settlers living in VEPs.

Complex land tenure system exists not only on freehold lands but also on irrigated land settlement schemes. Land tenure disputes affect the government's attempts at introduction of cadastral mapping and title certification system. As Government initiatives, such activities take over few decades to complete. Fragmentation continues to occur producing uneconomic micro land holdings and rural poverty is significantly associated with farming.

Of the land vested with the state, only about 14 %, mostly marginal land, have been redistributed amongst the people on the premise that the plantations were economically important to the country and that redistribution could result in a reduction in productivity. As a matter of fact land reform ignored the existence of an agricultural proletariat or landless peasantry in the country as some claim.



This shows that the problem is outside the parameters defined for solutions. For instance, Sri Lanka is a densely populated country with deteriorating land-person ratio. Therefore, what is needed in Sri Lanka is rapid industrialization in general and rural industrialization in particular to absorb excess labour from land and agriculture. When this happens, land tenure issue will be taken care of by market forces themselves. The Government's role will have to be limited to regulatory and facilitating functions.

Chapter Five

Institutional Mechanisms

Farmer Organizations have a long tradition in Sri Lanka. The Village Council (*Gansabha*) was the earliest type of rural organization consisting of a council of elders and traditional village leaders responsible for local administration with the authority to maintain the irrigation systems. Furthermore, there were frequent meetings of farmers which consisted of the whole village community. These farmer meetings decided on a cultivation calendar before the commencement of each farming season.

5.1 Cultivation Committee

In the post independence, period a very important institutional mechanism for farmer participation in agricultural development was the establishment of Cultivation Committees under the Paddy Lands Act of 1958. Under this Act, Cultivation Committees of elected farmer representatives were established in each village. This was the first occasion farmers got an opportunity to form organizations consisting only of farmers. The number of Cultivation Committees established in the whole country was 14,000.

Developing paddy and other crops, fixing the wages for agricultural labour, levying an acreage tax, providing security for agricultural loans taken by farmers, performing the duties of "*Vel Vidanes*", forwarding proposals for land consolidation and the establishment of collective farms were some of the functions entrusted with the Cultivation Committees.

Although the original draft of the Paddy Lands Act excluded the landlords from the Cultivation Committees, a later amendment included three landlords in each committee of ten. This has enabled the landlords to influence the decisions. Despite these weaknesses Cultivation Committees brought about a greater degree of popular participation in agricultural development.

5.2 Agricultural Productivity Committee

The Agricultural Productivity Law of 1972 and Agricultural Lands Law of 1973 have set the background not only for changing the structure of Cultivation Committees but also for establishing a new type of organization. Under the Agricultural Productivity Law of 1972, 500 Agricultural Productivity Committees were established in 500 Agricultural Service Centers as a new type of divisional level Farmer Organization.

Under the two aforesaid Laws both the Cultivation Committees and Agricultural Productivity Committees were formed with farmers nominated by the Minister of Agriculture. This Ministerial nominations paved the way for political loyalists who support the government to gain office rather than the genuine farmers.

5.3 Farmer Organizations Associated with Water Management

By the end of 1970s the main emphasis in the establishment of government sponsored farmer organizations was in a new direction, namely water management. Since 1978 different types of farmer organizations were established under different programmes, projects and schemes in order to promote farmer participation in operation and maintenance of major irrigation systems. At the beginning this type of organizations were established on experimental basis under limited schemes such as Minipe, Kimbulwana Oya and Gal Oya. Before and after adopting of participatory Irrigation system management policy in 1988 a large number of farmer organizations were established under different programmes called INMAS, MANIS and Mahaweli.

5.4 Farmer Organizations under the Mahaweli Project

The need for farmer participation in decision making was recognized early in the Mahaweli project. Hence the Mahaweli Economic Agency has been experimenting with ways to encourage farmers to take part in system operation and management. The structure of farmer organizations established for that purpose under the Mahaweli scheme was in a three tier system as indicated below:

- (a) Field canal/Turn Out Groups (TOG)
- (b) Unit Level Farmer Organization (ULFO)
- (c) Block Level Farmer Organization (BLFO)

The turn out groups were established especially for water management. Each of these groups, which consisted of 15-20 farmers elected a leader. The leaders of each unit manager's Division formed themselves into Unit Manager Organizations. The Unit level organizations in the Mahaweli project was very similar to the distributary channel organization which was accepted as the operational tier of the farmer organization structure.

Except in playing a role as an association of water users, the Mahaweli Farmer Organizations have not functioned well in other respects. Therefore, the Mahaweli

Authority has later encouraged production oriented societies like Milk Producers Associations based on each unit under system C and the Cooperative Producer Societies established by the Department of Cooperatives. However, since 1992, the MEA adopted an organization similar to that developed for INMAS programme.

5.5 Farmer Organizations under the Department of Agrarian Services

The Department of Agrarian Services promoted farmer organizations under minor tanks and anicut schemes which are under its management. Each Agrarian Services Center has taken responsibility in establishing farmer organizations in the area under its jurisdiction. These are individual organizations established one for each tank or "yaya" basis.

In reviewing the farmer organizations set up under these laws, Weerawardena highlights the following features: (Weerawardena, 1988: 16-19)

- A. the thinking behind the organizations that were set up under the above Laws can be termed as an administrative "top-down" approach. Successive governments used the bureaucratic machinery available at their command to establish farmer organizations at rural level. Their objective was to get farmer support for the implementation of government programmes.
- B. although in the original draft of the Paddy Lands Act the Cultivation Committees were intended to be representative only of the working farmers, it was later amended to provide for the inclusion of land lord representatives, thus defeating the main objectives of the farmer organizations. Farmers in settlement schemes were excluded from these reforms and did not benefit.
- C. the Agricultural Productivity Committees and the new Cultivation Committees did away with the elective principle and, instead, nominated members to these Committees in the belief that nomination could ensure farmer representatives with the correct ideology who would support government policy.
- D. the Agrarian Services Committee in 1979, while bringing back the elective principle, introduced the appointment of a governmental official (Cultivation Officer) at village level on the recommendation of the Member of Parliament (MP). This officer was expected to actively promote government policy and at the same time to co-ordinate activities of the farmers. He was supported by a group of elected 'yaya' representatives who, however, had no statutory powers.
- E. an integrated approach towards irrigated agriculture through these farmer organizations was lacking. The separation of agriculture from irrigation was so marked that these formal farmer organizations had almost nothing to do with irrigation water in major irrigation schemes which were left to the Irrigation Department. Irrigation was clearly separated from other agricultural inputs such as extension, provision of seed, fertilizer and

research. Farmer organizations had no power sharing with regard to irrigation and, consequently, the dependency syndrome continued.

- F. the legal definition of a 'farmer in the above agrarian laws did not reflect the real agrarian situation in the country. There was no provision to legally accept either encroachers or the family members actually involved in farming operations. They had no say in any formal farmer organization as the principle of 'one head for one allotment' was strictly applied. The encroachers and the younger groups who cultivated alongside their elders were left out.
- G. political patronage led to these farmer organizations being granted lucrative concessions such as construction contracts. As a result these organizations attracted groups other than genuine farmers.
- H. within the government itself ministries competed to set up their own rural organizations leading to a multiplicity of small bodies which left the villagers confused and frustrated. This also resulted in a wastage of money and manpower.
- I. the policy makers did not take into account the fact that in Sri Lanka the right to land continued to be an individual right while the right to water was a community right.
- J. farmer organizations came to be entrusted with statutory functions which were socially unacceptable, e.g. the collection of an acreage levy and the prosecution of irrigation offenders. This dual function of being both authoritarian while at the same time seeking popular support caused a major conflict of interests.

In conclusion, one must not underestimate and dismiss the different contributions made by these various farmer organizations, each in their own way. Although their autonomy was limited they did provide a forum for the farmers to air their grievances and seek redress and also to participate in government development programmes at rural level.

Chapter Six

Rural Development: Future Perspectives and Directions

The conventional development approach failed because it assumed a conflict-free, homogeneous rural society where development efforts would automatically be fruitful and equitable for all the groups in society. The safety net programme, *Samurdhi*, on the other hand, considers the differentiation that exists in village society with its inbuilt stratifications in influence and power. It clearly identifies the poor and the helpless and directs its mobilization and development efforts towards the groups. In addition, it is designed to integrate short term welfare objectives with long term development objectives by granting immediate relief measures to counteract the low food and nutritional levels of the vulnerable groups in society.

The development projects/programmes which are being currently implemented, particularly in rural areas, have given priority to achieve 'Millennium Goal specific', development targets. Thus eradication of extreme poverty and hunger has become the goal one among the eight major development goals. The poverty focussed development programmes like *Samurdhi* expect to reduce the present poverty population (26.1% in 1990/91) by half (13.0%) in 2015.

The international conference on Agrarian Reforms and Rural Development (ICARRD) which was held from 7-10 March 2006 in Porto Allegro, Brazil, discussed in detail the importance of focussing attention on agrarian reforms and rural development projects/programmes to alleviate rural poverty prevailing in Asia, Africa and Latin America.). The Declaration of this conference emphasized a large number of issues (27) to be considered by the Asian, African and Latin American developing countries. This declaration emphasized the need for actions to realize the millennium goals of respective countries. The conference reaffirmed that "wider, secure and sustainable access to land, water and other natural resources related to rural people's livelihoods, especially, *inter alia*, women, indigenous, marginalized and vulnerable groups is essential to hunger and poverty eradication, contributes to sustainable development and should therefore be an inherent part of national policies" (Report of the International Conference on Agrarian Reform and Rural Development, Port Allegre, March 2006, p. 50). Sri Lanka too has to pay serious attention to incorporate these marginal stakeholders into their development

programmes to achieve successful results from rural development and poverty reduction efforts.

6.1 Agricultural Development and Rural Development

The agricultural production systems play a major role in the rural economy of Sri Lanka by providing direct employment for about 30—40% of rural people. Nevertheless, entire rural population directly or indirectly depend on agricultural production systems. Therefore, agricultural development has become an integral part of Sri Lanka's development effort. As revealed from the past development policies almost all the governments that came into power made considerable efforts to develop rural areas and livelihoods of rural people by making heavy investments on irrigation development based agricultural development projects/programmes generating opportunities for improving livelihoods of rural people.

The present government of Sri Lanka has also accepted the policy of developing rural agricultural sector (or community known as local agricultural sector). The main objectives of this new agricultural development policy is to contribute to economic growth ensuring food security, transform subsistence agriculture to commercial agriculture raising living standards and livelihoods of rural people. (Ministry of Agriculture, 2006). The projects and programmes designed to be implemented from 2005 by the Ministry of Agriculture covers a wide spectrum of agricultural sector issues. If successfully implemented, these projects/programmes will produce positive results towards the improvement of living standards and rural livelihoods reducing the existing poverty in these areas.

It should be emphasized that the following issues highlighted in the ICARRD Declaration of 2006 should be incorporated into Sri Lanka's current development policies to achieve sustainable agricultural and rural development.

- ❖ Laws should be designed and revised to ensure that rural women are accorded full and equal rights to land and other resources.
- ❖ Need for rural development policies and programmes to ensure better preparedness to increase reliance and respond effectively to natural and man made disasters.
- ❖ Need to facilitate increased and environmentally sustainable agricultural policy and fair trade
- ❖ Agricultural policies need to find a balance between national policy space and international disciplines and commitments
- ❖ Policies to promote land and agrarian reforms, rural credit and insurance, technical assistance and other associate measures to achieve food security and rural development.
- ❖ Agrarian Reforms and rural development policies must respond to the needs and aspirations of rural people taking into consideration gender, economic, social cultural, legal and ecological factors.

- ❖ Need to involve relevant stakeholders in the decision making process through participatory approaches
- ❖ need for expanded opportunities for employment and income for rural people and development of men and women farmer's associations, organizations of family farmers, other producers and rural workers, cooperatives and other rural organizations.

6.2 Current Development Policy

The development policies spelt out by the present government under the *Mahinda Chintana* Presidential Policy statement have emphasized the importance of village based development to reduce the rural poverty and enhancement of livelihoods of the rural people of the country.

The development programmes currently being implemented under the *Mahinda Chintana* policies by the Ministry of Agricultural Development and other Ministries cover most of the development principles expected to be achieved by developing countries under the ICARRD Declaration of 2006. Some of those development programmes which are being implemented by various other Ministries and Institutions under *Mahinda Chintana* Policy are listed below;

- *Samurdhi* programme to eradicate poverty
- *Jana Sevana* programme to provide shelter to rural people
- *Gama Neguma* programme for creating prosperous village under participatory development approach
- Establishment of *Nana Sala* (Wisdom outlets) in rural areas to enhance knowledge on Technology
- Development of **Rural Food Crop Sector** through various incentive programmes
- **Rural industrial** and enterprise development
- **Land distribution** programmes to reduce rural landlessness
- Infrastructure development in rural areas under *Maga Neguma* programme
- Rural Health and Nutritional programmes for **Women and School Children**

The remarkable feature of the *Mahinda Chintana* development policy is its emphasis to develop all villages of the country as **micro-centres of growth** based on integrated and participatory development approach which has the potential for reducing poverty and improving the living standard of rural communities.

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