

AGRICULTURAL DEVELOPMENT: CONTROVERSIAL ISSUES

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INTRODUCTION

Independence in 1948 did not mark a new era of agricultural policies in Sri Lanka. The agricultural policies adopted after the Donoughmore Constitution of 1931 continued to dominate agriculture. The main thrust of these policies in the early post-independence period was to attain self-sufficiency in food, mainly rice, through extensive land settlement of the dry zone. Other factors that influenced agricultural policy formulation in the post-independence period were a belief in agricultural fundamentalism, the interest and influence of key political personalities, a response to the insurgency of 1971 and the failure of land reforms resulting in a heavy burden on the public finances of the country. Multilateral international agencies have had an increasing influence on the country's agricultural policies since 1977.

The first change in agricultural policy strategy came about after the political change in 1956. The new government placed an emphasis on institutional changes and government support for paddy farming in particular. The Paddy Lands Act of 1958 that sought to regulate tenancies on paddy lands was the most significant policy to support peasant agriculture. The earlier policy of land settlement in the dry zone also continued. The other significant change came about largely as a response to the serious foreign exchange crisis that had engulfed the country in the late 1950s. From 1960 onwards the government commenced an import substitution programme with a new emphasis on the cultivation of subsidiary food crops and livestock. The import substitution strategy was reinforced during the 1970-77 period, when the government banned the import of most food items.

The early 1970s witnessed land reforms. The Land Reform Law of 1972 placed a ceiling on the ownership of land at 50 acres per individual, with a lower limit on paddy land at 25 acres. It however exempted company-owned estates. These were subsequently nationalized by the Land Reform Law of 1974.

The key agricultural development policy of the 1977 regime was the Accelerated Mahaweli Development Programme (AMDP) that enabled a further large extent of land to be settled by the diversion of the Mahaweli river. The debates on the Mahaweli

centred on environmental concerns, the high cost of the scheme, its inflationary impact on the economy and the ethnic dimensions of the settlement.

The poor performance of estates under state ownership and a large fiscal burden owing to huge losses in state plantation corporations resulted in their management being handed over to 24 private companies in 1992. This was followed by the sale of most of the estates to companies in 1995, ironically by the same party that headed the coalition government that had nationalized them 21 years before. Neither the nationalization of the estates nor their privatization generated much controversy, except for the Marxist parties' traditional opposition to private ownership of the estates.

Debates and controversies regarding agricultural policy issues have been rather limited, perhaps even muted. There has been some controversy regarding land settlement policies pursued from a period prior to independence. They were both political and economic. They centred on the costs and benefits of land settlement, the protective tenure conferred by the Land Development Ordinance, the ethnic implications of land settlement and the environmental impact of the Mahaweli diversion.

The tenancy reforms of 1958 evoked considerable political controversy. Subsequently, several evaluations of these reforms have been critical of their implementation. The usual controversies with respect to land reform were largely absent prior to, and immediately after, the land reforms of 1972 and 1974. Criticisms were levelled after the reforms about the mismanagement of the lands taken over. Even the privatization of the estates in 1995 attracted little criticism, except for the ideological stances of the Marxist parties. More recently, there have been controversies regarding the liberalization of trade in agricultural produce, the removal of production subsidies and the imposition of a water tax.

The discussion of the controversies is necessarily selective. The earlier debates are discussed in greater detail than the more current issues. The next section describes the most important agricultural development policies. The controversies surrounding these are captured in the third section. The fourth section makes some concluding reflections on the controversies.

EVOLUTION OF POLICY

Land Settlement

Land settlement in the dry zone was the key agricultural development policy in the first decade after independence. Post-independence land settlement was a continuation of government-sponsored colonization that commenced under the Land Development Ordinance of 1935. However, the progress of colonization was slow till 1947. Between 1931 and 1947 only 13 colonies involving 3,145 settlers had been established. Peasant colonization gained momentum after independence as the spraying of DDT (dichlorodiphenyltrichloroethane) drastically reduced malarial deaths from 12,500 to

4,500 between 1946 and 1947. The impact of this on colonization was unmistakable. Between 1948 and 1953, 16 colonization schemes were inaugurated and 10,426 colonists settled (Farmer, 1957: 147-67).

Until 1953 peasant families were resettled on an agricultural holdings of eight acres that consisted of five acres of wet or irrigated land for rice cultivation and three acres of dry land or 'highland' for a homestead and cultivation of other crops. The reduced availability of irrigated land and the need to settle more peasants on the available land necessitated a reduction in land holding. It was also contended that a five-acre paddy holding was too large for cultivation solely with family labour. Therefore in 1953, the government reduced the area of land holding per family to three acres of wet paddy land and two acres of dry land or highland (Sanderatne, 1974: 321-23).

In 1956, the allotment was further reduced to two acres of wet paddy land and one acre of dry land or highland. Together with the change in the size of allotment was a new policy known as 'advanced alienation'. Hitherto, the colonist was brought to the scheme only after irrigation facilities were provided, the land made suitable for cultivation and the allottees' houses constructed. Under the new policy of 'advanced alienation', the colonists were brought into the settlement two or three years prior to the availability of irrigation facilities.

The colonists were paid cash subsidies for jungle clearing and land preparation, given work for wages on irrigation works and road building and encouraged to undertake *chena* (slash and burn) agriculture at this stage. Allottee participation in preparing the settlement from its earliest stages was thought of as a means of evoking greater commitment to the project and of decreasing costs. However, inability of the irrigation plan to keep up with the schedule created considerable hardship as farmers had to face a period of unemployment. In response to this problem, the date of arrival of a colonist on the site was reduced to a year prior to the provision of irrigation (*ibid.*: 323).

Highland Colonization

Apart from the aforesaid land settlement programme, there were several other land settlement and land development schemes. In 1955, Highland Colonization Schemes for growing cash crops on smallholdings were begun. Till 1966, about 31,500 acres were cultivated with tea, rubber and coconut (Land Utilization Committee Report, 1967: 34). In 1968, cultivation of tea and rubber was abandoned on these schemes owing to uncertainties in the international market for these products, and cinnamon and coffee schemes commenced. In recent years, there has been less expansion of these schemes (*ibid.*: 27).

A colonist in these schemes was given two acres of tea, or 22 acres of rubber or five acres of coconut. The cost to the government of settling a colonist was about Rs 7,500 in the case of the tea and rubber schemes and Rs 7,000 for the coconut scheme. This expenditure included expenditure on clearing the jungles and subsidies for seeds, fertilizers, implements, and other cultivation needs as well as housing.

Middle Class Alienation

Land was also alienated to 'middle-class' individuals for development. A middle class individual was defined for this purpose initially as one with an income of less than Rs 12,000 per annum, and later as one with an income of less than Rs 24,000 per annum. The government did not meet any expenses, but the recipient of the land was entitled to a loan. Nearly 75,000 acres were alienated until 1955 to about 6,000 allottees. From 1956 to 1966, about 73,000 acres were alienated to about 8,000 allottees. This scheme was later abandoned, as its objectives were not attained (Land Utilization Committee Report, 1967).

Village Expansion Schemes

The largest extent of land alienation has been under the Village Expansion Schemes. Land surrounding old villages is allotted to villagers in blocks of one to three acres as a means of reducing the extreme population pressure on available village land. Subsidies were provided for house construction and the digging of a well but financial assistance was much more modest than under the major colonization schemes. The number of recipients of land under these schemes exceeded 7,00,000. These beneficiaries outnumber those under all other settlement schemes (Farmer, 1957: 174-76).

Youth Settlement Schemes

The increasing incidence of unemployment among educated youth in the country and the limited absorptive capacities in traditional agriculture and other sectors led to the formulation of a new policy of Youth Settlement Schemes in 1965.

The basic idea underlying these schemes were that the youth should be assured a minimum monthly income by the cultivation of profitable food and cash crops on a scientific basis. Ancillary income sources from poultry and livestock were also envisaged. These schemes were expected to generate high incomes for the youth, and be adequate incentives for them to remain in agriculture. Between 1966-69, 40 youth settlement schemes were established. These 40 schemes covered an area of about 9,500 acres of which about 2,100 acres were devoted to homesteads. This scheme was abandoned in the 1970s (Ministry of Land, Irrigation and Power, 1966a: 133-36; and 1966b).

Accelerated Mahaweli Development Programme

Another significant thrust in land settlement occurred in 1978 with the AMDP. It was the centrepiece of the agricultural development policy of the 1977 regime. The AMDP sought to bring under cultivation about 2,65,000 hectares of new land and the cultivation of about 1,00,000 hectares of land that had been developed but lacked adequate irrigation facilities in the dry zone. In addition, it was designed to supply 600 megawatt (MW) of electricity through generation of hydroelectricity within a short period of seven years (Chandrapala, 1986: 269-70). The accelerated programme was

completed in 6 years between 1978 and 1983. By the end of 1985, 47,278 farmers were settled in systems H, C, B and A.¹ The cost of the project is estimated at around Rs 35 billion. The increase in paddy production and yields in the post-1977 period were mainly due to the lands brought under cultivation under the AMDP. However, after 1988 the project lost steam owing to the political changes that occurred in that year. The progress in human settlements left much to be desired owing to resource constraints.

Tenancy Reforms on Paddy Lands: The Paddy Lands Acts of 1953 and 1958

Tenancy reforms on paddy lands perhaps evoked most controversy with respect to agricultural policy. There were two attempts to regulate tenancy conditions on paddy lands. The initial attempt in 1953 was a limited reform that had almost no effect. The Paddy Lands Act of 1958 was a far more comprehensive effort at regulating tenancy conditions.

The Paddy Lands Act of 1953

In 1951, the UNP government presented a Paddy Lands Bill, ostensibly to solve some of the tenure problems on paddy lands. The reasons for the introduction of this bill are somewhat obscure. It was perhaps a means of facing some of the criticisms that came from a few Opposition members who advocated the abolition of tenancy. It may also have been an international demonstration endeavour to keep up with other countries in Asia which were enacting land reforms. However, the voluminous 'World Bank Report on the Economic Development of Ceylon' in 1952 only made mention of the need to consolidate small sized holdings in the paddy sector.

The Bill was finally passed in 1953 after a two-year delay. Its applicability was restricted to the two districts of Hambantota and Batticaloa, which had certain unique conditions and peculiar problems. Strangely, the then Minister of Agriculture himself admitted that this Bill was not meant to benefit the tenants but to increase productivity on paddy lands. In a parliamentary debate he mentioned that the Bill was introduced solely with a view to obtaining greater production, and though the tenants did obtain certain advantages, the fact was that these advantages were incidental to the main purposes underlying the introduction of the Bill, which was achieving greater productivity from paddy lands.

The Paddy Lands Act of 1953 required tenancy arrangements to be written and registered. During the period of such an agreement, ejection of a tenant was permitted only for certain specified causes, and for such ejection a court order was required. A five-year period was laid down as a minimum period of secure tenancy and a maximum rent stipulated.

The characteristic feature of the Hambantota district was that large extents of paddy lands were owned by absentee landlords and managed by middlemen called *gambarayas*. The latter often managed the lands of more than one owner. The 1953 Act in effect reduced the rent paid by these middlemen to the landlords and improved

their security as 'tenants'. Those who tilled the land were still treated as labourers and did not benefit from the reforms at all.

Similarly, in the Batticaloa district landowners rented their land on a leasehold basis to managers who farmed a number of small sized ownership units in a single operational unit. Similar to the experience in Hambantota, the reform benefited these managers by providing them with a degree of secure tenure and rent reduction. The applicability of the Paddy Lands Act of 1953 to these districts either indicated ignorance and disregard for actual conditions prevailing in them or was designed purposefully to discredit reforms by not conferring any benefits to tenants (Sanderatne, 1974: 344-46).

The Paddy Lands Act of 1958

The change of government in 1956 had important repercussions on agricultural policy. The Mahajana Eksath Peramuna (MEP) government was a coalition of several parties under the leadership of S.W.R.D. Bandaranaike's SLFP. An important constituent party was the Viplavakari Lanka Sama Samaja Party (VLSSP) under the leadership of Philip Gunawardena. The MEP also had electoral support and no-contest agreements with other Left parties, notably the Lanka Sama Samaja Party (LSSP) and the Ceylon Communist Party (CCP). The MEP platform consisted of a very large number of issues including the nationalization of foreign owned estates. However, the critical issues which resulted in its victory were language, culture and religion, and a general dissatisfaction with the previous regime. Although agrarian reform as such was not an issue in the elections, the SLFP had a strong rural base.

There were two aspects of the new leadership which had an influence in them espousing land reforms. First, the government had a substantial rural support base, and second, the leader of the VLSSP, Philip Gunawardena, who became the Minister of Agriculture, had a deep interest in agrarian issues. His own university education in agriculture and the social sciences in Wisconsin and Iowa in the US, and active involvement in Mexican revolutionary politics provided a background and enthusiasm for agrarian reform. The portfolio of Lands and Irrigation rested with C.P. de Silva, who had been involved with land settlement as a civil servant. He turned out to be an opponent of the Paddy Lands Act from within the cabinet.

Philip Gunawardena's term of office as Minister of Agriculture resulted in a new direction on agrarian reform. For the first time, the need for comprehensive policies covering marketing, credit, crop insurance and land tenure reform with village-level farmer organizations was recognized and policies formulated to establish these. A new Department of Agrarian Services was established to administer these programmes. Although the significance of these years lay in the formulation of all these policies and the new direction they gave to peasant agriculture, Gunawardena is best remembered for introducing the controversial Paddy Lands Act of 1958 (Sanderatne, 1974: 347-48).

The main objectives of the Paddy Lands Act of 1958 and its subsequent amendments were to regulate the authority that landlords could exercise over tenants, regulate the rents paid by tenants and to provide security of tenure of a permanent and

heritable nature. It also had provisions to prevent further fragmentation of paddy lands and provide measures for the consolidation of small sized holdings. An important objective was to establish Cultivation Committees for the organization of paddy cultivation. It also had provisions for regulating interest rates on cash loans made to paddy cultivators, charges made for the hire of implements and draft animals by cultivators, and the fixing of wages for agricultural labourers (Sanderatne, 1974: 350-57).

The control of tenancy rents stipulated in the Act was designed to alter tenurial conditions towards an incentive-oriented rental structure. The two important aspects of the control were regulation to an equitable level and the introduction of a form of payment which would remove disincentive effects with respect to the adoption of improved practices.

Import Substitution

The post-1956 agricultural policies attempted to broaden the emphasis on food crop production beyond paddy cultivation to subsidiary food crops and to livestock. The Guaranteed Price Scheme (GPS) was extended to cover red onions, chillies, green grams, *kurakkan*, maize and a few other crops. There was a new emphasis on research and extension for other crops. Yet this attempt had limited success owing to fairly free imports at the time. The exceptions were perhaps potato production, which nearly doubled from about 6,78,000 pounds in 1958 to 12,50,000 pounds in 1961, and poultry and egg production, which more or less met the domestic requirements. This thrust in agricultural policies continued into the 1960s and achieved a degree of success.

A significant change in agricultural policies was brought about in 1970 by compelling economic circumstances. The foreign exchange reserves were depleted to such low levels that the government was more or less forced to ban the import of a wide variety of consumer goods, including most food imports. This ushered in a regime of import substitution for agriculture as well as industry, in contrast to the post-independence period of liberal trade. A wide variety of agricultural produce that could be cultivated in the country continued to be imported, and the foreign exchange crisis deepened. For instance in 1964, Sri Lanka spent Rs 151 million, or nearly 8 per cent of the import bill, on the import of subsidiary food crops (chillies, grams, onions, potatoes and pulses). The new policy attempted the curtailment of these imports and institutional support and production subsidies for their cultivation. The rise in domestic prices owing to the import ban was perhaps the biggest incentive to increasing production of these crops. Import substitution in agriculture continued to be a policy till 1977, though some degree of protection continued even after 1977.

Land Reforms and Privatization

As a response to the insurgency of April 1971 the government enacted the Land Reform Law of 1972. This was the first attempt to alter the land tenure structure of the country by a redistribution of privately owned land. For the first time, it placed a limit on the extent of land that could be privately owned. Hitherto, land policies were

confined to the redistribution of government owned lands, the expropriation of small extents of marginal estate lands for village expansion schemes and the regulation of share rentals of paddy lands.

The Land Reform Law of 1972 placed a ceiling on the individual ownership of land at 50 acres, except in the case of paddy land where the ceiling was 25 acres. Lands held by public companies and religious institutions were exempt from this law.

Lands in excess of the ceiling were vested in the Land Reform Commission and alienated in several different ways to individuals and cooperative farms. The total extent of land expropriated amounted to a little less than one million acres, over one-half of which were coconut lands. Only 56,000 acres of paddy land were available for redistribution. Although owners were compensated, the method of compensation and delays in payment resulted in the lands being virtually expropriated with very minimal compensation.

There was a certain amount of displeasure and criticism over the fact that the 1972 Law did not apply to company estates, many of which were foreign owned. In 1974, the Land Reform Law of that year took over the company owned estates. These estates were distributed among several organizations, the Sri Lanka State Plantations Corporation (SLSPC) and the Janatha Estate Development Board (JEDB) managing the bulk of the estates.

Owing to fluctuations in prices of tea and rubber, poor management of the estates and high costs of production, the state corporations incurred heavy losses and productivity declined. Ultimately in 1992, the government decided to hand over these estates to 22 regional private companies. This experiment did not yield the expected results due to the insecurity of tenure of the management contract. Consequently, in 1996, the government decided to divest the ownership of estates to private companies. This measure in effect reversed the land reforms enacted in 1974.

Economic Liberalization

November 1977 marked a watershed in economic policies. It is generally assumed that the liberalized policies pursued since then resulted in a removal of restrictions on agricultural imports and that the protection offered to farmers, particularly in respect of food crops, was removed. This however is not a correct representation of agricultural policies. In fact, even after liberalization in 1977, several food crops were heavily protected by tariff and non-tariff barriers. For instance, chillies, big onions and potatoes were under import licensing till July 1996. Red onions were totally banned during this period. An import duty of 35 per cent and a further tax of 20 per cent were applicable to food imports (Central Bank of Sri Lanka, 1998: 98). It was as late as 1996 when all import restrictions were removed. However, despite protective measures, liberalized economic and trade policies resulted in cheaper imports and consequent depressed prices at the farm level. This resulted in poor progress in food production in the 1990s.

The post-1977 governments adopted different policies with respect to production subsidies, largely at the insistence of the multilateral agencies. The fertilizer subsidy was

an important policy that came under scrutiny. The fertilizer subsidy for paddy and other crops was introduced in the 1960s and continued till 1989. This subsidy amounted to 40–50 per cent of the cost of fertilizer. The removal of this subsidy in 1989 proved a politically unpalatable policy that the government was compelled to undertake at the insistence of the IMF and the World Bank. Therefore, with a change of government in 1994, a subsidy of 30 per cent in the retail prices of the main fertilizers was introduced. There is clear evidence that fertilizer usage was much higher during periods of fertilizer subsidy. For instance, when the subsidy was reintroduced in 1994, the use of fertilizer increased by 17 per cent in the cultivation year 1994–95 (Ranaweera, 1998: 97).

CONTROVERSIES

This section deals with six of the most controversial issues in agricultural policies. These controversies were at the political, technical and academic levels.

Cost and Benefit of Colonization

The high cost of colonization and the low productivity of land settlement in relation to its capital investment have been recurring themes of reports of government commissions and committees, international organizations and visiting specialists.

The Land Commission of 1955–58 estimated the average unit cost of a settler at Rs 10,500. The Committee on Utilization of Crown Lands in 1953 estimated the cost to be Rs 14,000. B.H. Farmer estimated the capital cost in 1951 at Rs 12,750, and in 1953 at Rs 6,535. Large components of this expenditure are the costs of irrigation, land-clearing and housing.

A study made in 1962 estimated the benefit and cost ratios of two schemes to be 0.56 and 0.67. The Report of the Committee on the Gal Oya Scheme, 1966–68, estimated an overall benefit and cost ratio of 0.5 on its project and estimated that discounted costs exceeded benefits by Rs 277 million. An FAO–IBRD (Food and Agricultural Organization–International Bank for Reconstruction and Development) team that visited the country in 1966 drew the government's attention to the high capital and output ratio, which they estimated at over 17:1. In 1987 Thorbecke and Svejnar pointed out that benefit and cost ratios of irrigation projects were 'much lower than anticipated at the outset' (Thorbecke and Svejnar, 1987: 101).

Whatever the precise calculations, there is little doubt that although a large expenditure had been incurred in bringing new land under cultivation, the productivity on these lands was not significantly higher than in the rain-fed paddy lands in the early years. Given the considerably higher infrastructural expenditure and traditional agricultural practices, it follows that the capital and output ratio of these schemes was extremely high (or the benefit and cost ratio low). Does this imply that the expenditure on colonization was too much, or that such expenditure should not have been incurred?

Another contention advanced was that the expenditure incurred was not adequate in terms of the supporting services required for modernized agriculture. The lack of an efficient well-trained and committed extension service, inadequate availability of credit and inputs, and unsatisfactory marketing facilities, it was contended, were responsible for these colonization schemes not developing a highly productive agriculture.

The findings of 'The Socio-Economic Survey of Nine Colonization Schemes' in 1967-68, conducted by the University of Peradeniya, demonstrated the lack of adequate services to support settlement agriculture. The proportion of farmers reporting dissatisfaction with government services in the nine schemes ranged from 55 to 96 per cent with a median level of discontent of 86 per cent. In the nine schemes between 34 to 54 per cent of farmers complained of poor management of cooperatives, while 45-66 per cent complained of a lack of supplies and facilities in cooperatives (Jogaratnam and Schickele, 1969). Schickele conveyed this inadequacy of supporting services forcefully:

It is, of course, unrealistic to expect settlers transplanted from old traditional villages on to newly developed land to modernize their farming methods spontaneously. Why should they, and how could they? There was no one to demonstrate the new techniques to them, to guide them in the adoption of innovations, to help them in organizing multipurpose cooperatives and cultivation committees. Roads and general communications were often worse than where the settlers came from; but the sizeable land allotment made it easier for them to subsist than on the much smaller units in the old village.

In short, the colonization policy has been to assign settlers their land allotment; the rest was up to them. (Schickele, 1971: 32)

The very restricted exploitation of highlands in the allotments was also responsible for depressing the total productivity of the colonization projects. The average cropping index of highland in the nine colonization schemes surveyed in 1967-68 was only 53 per cent. It ranged from a low of 30 per cent (Hakwatuna Oya) to a high of 75 per cent (Rajangana and Minipe [temple]) with a median cropping index of 50 per cent. Even this may be an overstatement of cropping, as the area rather than the intensity of cultivation is measured. The lack of an irrigation system for the highlands, inadequate knowledge for cultivating dry zone highland crops and an extension service not geared to providing the know how for highland crops (and in any case inadequate in numbers and training) were among the primary causes for the very inadequate exploitation of these lands. Settlers often attempted to grow crops like coconut, which were dictated by their food needs and experience in the wet zone rather than soil-climatic suitability of the area. Successive seasons of failure to grow crops led to an ultimate abandonment of growing any crops whatsoever (Jogaratnam and Schickele, 1969).

Protective Tenure

One of the areas of considerable controversy is with respect to the protective tenure on colonization schemes under the Land Development Ordinance of 1935. The merits and defects of the restrictions imposed on land held under this Ordinance has led to

controversy till today. The controversy has been rekindled recently with efforts at making land marketable so as to improve its utilization and productivity.

The form of tenure granted under the Land Development Ordinance of 1935 followed the third form of restricted tenure recommended by the Land Commission of 1927-29. Land granted 'in perpetuity on a restricted tenure' contained restrictions and conditions which rendered it less flexible in its ownership rights than land held under fee simple or freehold. Among these restrictions were the inability to mortgage the land with the concomitant prohibition of seizure or foreclosure of land for collection of debts, and limits on the fragmentation of the land through inheritance. Further, the grantee could not lease the land for cultivation by others, and had to maintain certain conditions of cultivation and his house in a state of good repair (Land Development Ordinance, 1935).

The intent of these conditions was to protect the newly settled farmers from a loss of their land to more resourceful interests which might purchase such land or obtain it through moneylending activities, to preserve a peasant-proprietor form of land-holdings and prevent share and other forms of tenancy, and maintain a viable size of holding.

The experience of many countries, as well as experience in other areas in Sri Lanka, had suggested the advisability of such protective limitations. Where such protection had not been afforded, land so alienated had been sold or foreclosed after a few years to landlord interests, money lenders and others, or fragmented. Such developments ended up reproducing the unsatisfactory tenure conditions existing in the traditional villages and defeated a fundamental objective of settlement policy. Schickele expressed the merits of these restrictions well:

There are grave drawbacks in a free market for farm land, particularly in newly developing countries where traditional peasant farming is becoming transformed into modern production processes and management methods, and where most farmers are in a very weak bargaining position in the market of land as well as goods and services vis-à-vis a small, powerful local elite. Under such conditions, the right of a small farmer to dispose of his land freely, to mortgage it and sell it, makes him highly vulnerable to pressures from investors, moneylenders, and merchants to mortgage his land for any loans he may urgently need, and to be forced to sell it when he is unable to repay the loan at the rate it gets in default. (Schickele, 1968: 2)

Schickele was, however, careful to point out deficiencies of the restricted tenure in certain cases. One example was where a farmer was incapacitated by age or illness and wanted to move into another area permanently or temporarily, or turn it over to his son after a few years. He also suggested that subdivision of certain units could be permitted till a minimum size, as some holdings in the colonization schemes were somewhat larger than a minimum viable unit (*ibid.*).

B.H. Farmer issued a memorandum of dissent on the restriction of fragmentation recommended by the Report of the Land Commission, 1955-58. He contended that while fragmentation could be disadvantageous in estate agriculture, there was no evidence to suggest that small units of paddy cultivation or tree crops were less

efficient. Further, he cited evidence of consolidation of fragmented units through sale, inheritance and marriage. He also suggested a social undesirability of a control of fragmentation owing to its conflict with the customary practice of inheritance which, could, in turn, lead to familial disputes (Report of the Land Commission, 1958: 175-79). Farmer argued: 'The immediate effect of really efficient measures to prevent fragmentation, would be the creation of a large class of landless, jobless and embittered people ...' (ibid.: 177). He pointed out that, in practice, it was not possible to enforce the legal prohibition of fragmentation as various means of circumventing the law could be found.

The Land Commission of 1955-58 recommended a change in the restricted tenure granted under the Land Development Ordinance of 1935. They were of the view 'that after a certain stage there should be freedom of disposition subject only to the condition governing fragmentation' (ibid.: 86). They recommended a three-stage tenure as follows:

- 1st stage: A probationary supervised tenure of about three years.
- 2nd stage: A phased purchase of the developed allotment by the colonist.
- 3rd stage: A freehold subject only to a condition preventing fragmentation.

The premises of this recommendation were: that the restricted tenure was often conceived of as leased land (*badu-idam*) and therefore a disincentive to full exploitation; that the restricted tenure prevented access to credit sources; that the prevention of a transfer or sale resulted in inefficient cultivators continuing to hold land; that the saleability of the land was not likely to lead to a large scale transfer of land from peasants to other classes; and that agricultural productivity could be better maintained by legislation to acquire unsatisfactorily cultivated land (ibid.: 82-96).

In 1969, the Land Development (Amendment) Act No. 16 framed regulations to give effect to the suggested changes in tenure of alienated land. However, this legislation was not implemented. One purpose of permitting colonists to purchase their holdings was to fund further settlement projects with the finances so obtained. Quite apart from the question of the merits of a protective tenure as against a freehold tenure, had colonists undertaken to purchase their holding over a time period by paying the cost of developing their settlement, there would have been a continuous source of funds for further land development.

The payment of the costs of housing and land development by the settler would reduce the public costs of colonization and thereby enable expenditure on new colonization projects as well as provide much needed investment in supporting services. On the other hand, it can be argued that infrastructural expenses should not be borne by the colonists but by the public at large.

The purchase of holdings by the colonists does not invalidate the need for protecting the deterioration of tenure conditions by mortgage and foreclosure to more resourceful interests. Even with the existing legal limitations, it is not uncommon to find colonists as *de facto* tenants or labourers despite their *de jure* status of protected ownership rights or leasehold in perpetuity.

It has been argued that the disadvantage of the inability to offer these holdings as collateral to obtain credit should be met by institutional credit policies not requiring such collateral but offering credit on the basis of production needs. Recovery should be ensured through the supervision of lent funds, the strengthening of village level institutions and the dovetailing of all agricultural policies at the village level. In fact, institutional credit offered through cooperatives and rural banks do not require collateral. However, private traders, moneylenders, merchants and other non-institutional sources who provide most credit needs in the rural sector sometimes ask for collateral. It is precisely such commitment of the agricultural holding as collateral that must be avoided if the objective is that of preserving an owner-cultivating peasantry in the settlement areas (Sanderatne, 1970).

Paddy Lands Act 1958

The introduction of the Paddy Lands Act of 1958 was preceded and followed by considerable discussion and political controversy all over the country. Although the Bill did not even abolish tenancy but merely regulated the conditions of paddy tenancy, those opposed to it interpreted it as a communist plot to abolish private property. The clause which provided for the possibility of establishing collective farms was used as evidence of this hypothesis. The powers vested in the Minister of Agriculture were considered dictatorial and contrary to the need to have judicial control of government action (Sanderatne, 1974: 348-49).

The introduction of the Bill threw open the contradictions in the policies and principles of the coalition government. The Cabinet and the government parliamentary party began to split into a Rightist group led by C.P. de Silva, the Minister of Lands and Irrigation, and a Leftist group led by Philip Gunawardena. The issues were of course not confined to agricultural policies but encompassed several other economic issues, especially those involving nationalization and state ownership of industries. The Right also viewed the growing activities and vigour of the Minister of Agriculture as a threat to their influence in the government and popularity in the country. The Prime Minister attempted to reconcile the two groups or at least to keep them together by various compromises (*ibid.*: 1974: 349).

The Prime Minister, an owner of paddy lands himself, was a keen supporter of the Bill. A year after the passing of the Paddy Lands Act, he wrote:

Vested interests are still trying to defeat the purposes of the Act. They are trying to bring the peasant back into a dark age. This government which people thought would break on the issue of the Paddy Lands Bill will never allow this type of resistance. If necessary, the law will be made more effective. Let there be no doubt this government will do everything in its power to make this far-reaching legislation a real boon to the cultivators for promoting paddy production. For if we fail, it will be the greatest set-back to our Socialist Programme (quoted in *ibid.*).

Yet, the opposition to the Minister of Agriculture continued to grow within the government and various pressures such as an organized campaign against the Paddy Lands

Act were exerted. When Gunawardena proposed a cooperative credit bill designed to substantially increase credit for peasant agriculture, the opposition within the government grew to such an extent that the Prime Minister himself undertook to administer the proposed bill, and Gunawardena and his small group left the government. In September 1959, the Prime Minister was assassinated (Sanderatne, 1974: 350).

Soon after the enactment of the Paddy Lands Act its strongest supporters were no longer in the government. Besides, the years after the enactment were some of the most troublesome years in the country. The passage of the Sinhala Only Official Language Act in 1956 led to communal riots in May 1958. The assassination of the Prime Minister in September 1959 was followed by a period of considerable political uncertainty. The indecisive election in March 1960 ushered in another period of an unstable government till July 1960. Consequently, the implementation of the Paddy Lands Act of 1958 lacked political initiative and enthusiasm almost from its inception. The implementation was largely left to the bureaucracy (*ibid.*).

The opposition to reform at the macrolevel and the inadequate provision of services, and weaknesses of tenants vis-à-vis their landlords, rendered this reform largely ineffective. The implementation of the Paddy Lands Act of 1958 illustrates the difficulty of attempting to regulate tenancy conditions in a context where the interests adversely affected wield considerable power and influence (*ibid.*).

Land Reforms

There was very little controversy regarding the two land reform bills of 1972 and 1974 though the UNP opposed them. Some of those who supported the Land Reform Bill of 1972 expressed concern in the limitation of the land ceiling to private lands and the exemption of the land ceiling for company owned estates. The Marxist parties that were a constituent element of the government and had throughout advocated the nationalization of estates expressed this concern. Mounting criticism that foreign-owned company estates were not taken over led the government to take these over by the Land Reform Act of 1974. However, except for the opposition of landed interests to these reforms, there was an absence of serious opposition to the land reforms. In contrast, there was considerable criticism of the management of state lands and the decreasing productivity on estates (Fernando, 1980).

Privatization of Estates

The privatization of the estates, first through a management contract with companies, and then the outright sale of a large shareholding, too evoked little controversy. The fact that state ownership and management of these estates had led to a fall in productivity and huge losses was no doubt the reason for this relative reticence. The criticisms were mostly with respect to the manner in which the privatization took effect.

Protection, Subsidies and Environment

The issue of whether Sri Lanka's agriculture should be protected, and if so the extent of protection that should be conferred, is a continuing debate. There appears to be a divergence in the views held by economists and politicians. Even political views on agricultural protection are schizophrenic as politicians are torn between the interests of consumers and producers. The SAFTA (South Asian Free Trade Area) and SAPTA (SAARC Preferential Trading Arrangement) agreements and the Free Trade Agreement with India disclose protectionism for agriculture in an overall thrust to free trade.

Other controversial issues have been the question of production subsidies and the need to impose a water tax. Interestingly, these controversies are, owing to multilateral agencies insisting on the removal of the fertilizer subsidy, imposition of the water tax and freeing of trade in agricultural produce.

Environmental issues with respect to agricultural policies emerge from time to time. These have included environmental concerns in the cultivation of certain crops under particular soils and terrain. These debates have been particularly focused on potato cultivation in the up-country and tobacco cultivation. However, these environmental concerns have had little impact on changing agricultural policy.

CONCLUDING REFLECTIONS

Although several aspects of agricultural policies since independence have had an important bearing on the agrarian structure, controversies regarding agricultural development issues have been limited. Land reform figured as an important political issue on two occasions. The first occasion was when the Paddy Lands Bill was debated in 1958 and the second was the enactment of the Land Reform Law of 1972. Between the enactment of these pieces of legislation—1958 to 1972—there was little discussion of land reform issues. Significantly, it has not been an issue in any of the elections since independence and neither of the main political parties advocated land reform as an important plank in its programme during this period.

This reticence with regard to land reform is striking when one considers the high dependence of the population on agriculture and the very competitive nature of Sri Lankan politics, with every election since 1952 till 1977, and the elections of 1994 and 2001, resulting in changes in government and shifts in political power between the two major parties with their respective coalitions. What were the reasons for this reticence? One of the important factors may have been the extensive land settlement programmes. Land settlement or colonization too attracted little controversy except that Marxist parties were against these programmes for ideological and political reasons. They saw in these policies a means by which the governing party entrenched themselves in power. A land-owning peasantry was hardly conducive to gaining support for their Marxist ideologies. Colonization of the dry zone offered a good opportunity for

governments to gain political support both in the wet zone areas where the settlers would be chosen from, and in the dry zone where they were settled.

The possibility of out-migration from the densely populated regions reduced political pressures that could have led to more radical land policies. The resettled peasants, owing to their newly acquired vested interest in land, were likely to support the existing political structures and institutions. The oligarchy, which ruled the country during the early post-independent period, viewed colonization as a useful long-run basis for ensuring political stability. This was particularly so with D.S. Senanayake, the first Prime Minister who had very strong agricultural-fundamentalist views.

Several reasons account for this approach towards agrarian policies. The legislature was overwhelmingly composed of landed interests and had an elitist approach to politics. They conceived of society as consisting of distinct classes and saw no need to break these class barriers. The peasants who were resettled on new land were not expected to be different in their economic or social status, only somewhat better economically than before owing to their larger land holdings.

The prevailing economic conditions too reinforced this approach to agricultural development. There was a substantial amount of land available and the prosperity of the country during the war years enabled the government to bear the costs of land settlement. The perceived need for a greater degree of self-sufficiency in rice was a strong motivating factor to expand cultivation by bringing in new areas. At this time, the technological breakthrough to achieve very high yields was not available. Therefore, the strategy for agricultural development necessarily implied an extensive strategy of increasing the area cultivated. Also, the concept of agrarian reform based on tenure changes and institutional developments at the village level was not a widespread body of opinion. Agrarian reform, essentially a post World War II, development in Asia, took time to reach Sri Lanka's shores.

The government formed after independence consisted of a landed oligarchy led by D.S. Senanayake, the Prime Minister, who was the Minister of Agriculture in the pre-independence period. Another factor was that the first few years after independence were a period of relative economic prosperity dependent on the plantation exports of tea, rubber and coconut. The war years followed by the Korean boom resulted in large foreign exchange surpluses and continuous BOP surpluses.

This prosperity enabled the government to undertake several welfare measures, which were perhaps a distraction from the agrarian issues mentioned earlier. The high cost of colonization too did not come into question at this time owing to the strong conviction of land settlement being the means of achieving self-sufficiency, as well as the general economic conditions being such as to place no immediate burden on the public finances of the country.

Colonization had another political significance in pluralist Sri Lanka. It gave the majority ethnic community the opportunity to resettle Sinhalese in the ancient historical capitals and ancient kingdoms and thereby confirm the area as a Sinhalese rather than a Tamil region. The land settlement issue has been a most controversial issue and was an underlying cause for the ethnic conflict. The opposition Marxist parties advocated the nationalization of the foreign owned estates, but their position did not influence the

government. These parties concentrated their attention on urban labour conditions and trade union activities rather than peasant agricultural problems. Many of the Marxist leaders were themselves owners of substantial tracts of rubber and coconut lands.

The change of political leadership in 1956 resulted in only a minor difference in the class composition of the legislature. The leading members of the several political parties and the governing SLFP continued to have significant landed interests in coconut, rubber and paddy lands. The composition of the political elite from among the landed elite was one reason for the reticence and inactivity on issues of agrarian reform.

Competitiveness among political parties led to strong positions on issues likely to find favour with large sections of the community. This included promises of subsidies and welfare measures as well as emotional appeals on language, religious and racial issues. The country has not been lacking in social welfare measures and socialist legislation encompassing a large arena of the economy such as the nationalization of transport, insurance, port facilities, several big private-manufacturing companies, the state monopoly of big industries, state control of several items of the import-export trade and government ownership of about 80 per cent of the country's banking. Welfare measures have included free or subsidized rice, free medical facilities, free education through university and subsidised transport. However, land reform and agrarian reform did not figure prominently in this competition. In fact, these other issues may have submerged agrarian issues.

While political and public debate on agricultural policy has been rather limited, there has been a reasonable amount of discussion and controversy at the academic level. As the previous section disclosed, there has been considerable controversy regarding the high costs and limited benefits of investment on land settlement. The protected form of land tenure confirmed by the Land Development Ordinance has been a controversial issue, more so today than a few decades ago. A freer form of tenure is currently argued to be needed for a free market in land that is, in turn, considered a prerequisite for a more productive agricultural sector. However, vestiges of the earlier arguments for a protective tenure still prevail, though muted now. The ethnic dimension to land settlement has also been resuscitated in recent years.

The discussion on the Paddy Lands Act of 1958 has been mostly with respect to the efficacy of its provisions. These discussions too have been quite limited and mostly confined to research reports, journal articles and academia. Similarly, the land reforms of 1972 and 1974 have been critically evaluated mostly in academic writings. However, the general conclusion that these reforms failed in their objectives has been recognized. This recognition was no doubt the reason for the ultimate privatization of the plantations by the government led by the party that carried out the reforms in 1974.

It is interesting to note that current controversies in agricultural policies have been generated by the policies recommended by, and often insisted upon by international institutions. The liberalization of trade in agriculture, the removal of production subsidies and the imposition of a water tax are among these controversial issues. The interplay of international pressures and domestic political considerations would no doubt determine the ultimate set of agricultural policies. Economic and environmental considerations are likely to assert a lesser influence on agricultural policies.

 NOTE

1. The downstream regions of the Mahaweli Basin and adjacent basins fed by the Mahaweli river have been broken up into irrigation areas called Systems. Each of the Systems is again broken up into Blocks, which share the water from an irrigation control point.

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