

ANCIENT LAND TENURE
to
MODERN LAND REFORM
in
SRI LANKA

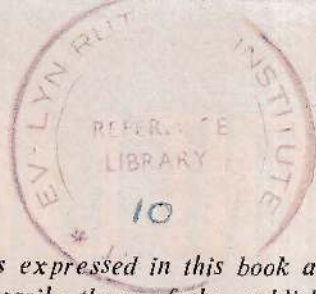
volume two

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Volume two

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Volume II

Part IV

LAND POLICY — INDEPENDENCE TO 1972

Chapters X - XI

X

LAND POLICY, LAND USE, LAND ADMINISTRATION INCLUDING SCHEMES IN THE 20th CENTURY UPTO 1948

The dependence on a handful of commodities with a high export potential, which dominated the nineteenth century, continued into the twentieth century, and this dependence throughout the century was both a source of strength and weakness. The two world wars and the great depression of 1929-31 merely served to delineate clearly the dominancy of the plantation sector, without bringing about any notable change in the direction of economic development. Coffee gave way to tea and this industry has grown phenomenally during the last two decades of the nineteenth century accounting for Rs. 53.7 million in 1900 whilst the share of coconut products was Rs. 16.3 million. By 1915, tea alone earned Rs. 122.4 million and coconut products Rs. 42.9 million. The commercial viability of natural rubber after 1890s attracted investors and by 1910 rubber became second only to tea as an export earner. The rise in export earnings was in turn matched by a steady increase in imports for consumption. By 1915, 33% of imports valuing Rs. 55 million constituted grains. Currystuffs (mainly chillies, coriander, fennel seed) and textiles, continued to flow into the country. Raw materials and machinery needed by the plantation industry also continued to be imported.

Government revenue mostly came in from import-export levies. Thus, the economic activity of Ceylon was largely governed by her exports and imports. Over the years several European firms were established to meet the needs of financial, managerial, shipping and insurance facilities and to also provide fixed assets for the plantation sector industries. Engineering establishments, servicing the tea and rubber factories, too sprang up. Local firms, mainly in plumbago exports, imports and shipping, began to grow.

In the first decade of the 20th century, with the dawn of the rubber era in Sri Lanka, there followed a rapid expansion of rubber plantation on Crown land or lands purchased from the peasantry whose lands very often had uncertain land titles. Partly because of the unfavourable impact of the rubber boom on low-country peasantry and partly because of new ideas on peasant welfare and of the place of the peasant in Sri Lanka society, there were suggestions that the land policy needed radical changes. Thus, in 1932, the Colonial Secretary, Sir Hugh Clifford (later to be the Governor of Ceylon) tried to get the "entire land policy consigned to the melting pot" but he was unsuccessful.

The outbreak of the first World War saw the emergence of land policy as a very thorny issue, which was a subject of discussion by officials and non-officials. The long neglected but hardly forgotten peasantry was the central focus of the land policy. Commissions, committees, surveys, investigations on peasant conditions, indebtedness and co-operation were the order of the day. The plight of the peasantry was the theme of most books published during this period. Reformists and nationalist leaders made a campaign to help the peasantry. But all these only spotlighted (161) the problems but did not in any way help to uplift the peasant. He remained where he was, neglected but much spoken of; that he was landless was evident from the plantation areas where villages were being hemmed in by estates of tea, rubber and coconut, without room for expansion. The population in the Wet Zone was increasing rapidly. Unutilized crown land in the vicinity of villages was being continuously purchased by capitalists while the peasants had not one inch to live in. The governmental sales system enabled individuals with money and initiative to purchase large extents of Crown land and even freely speculate and transfer them. These were, in later years, well-documented reports by several official committees and by 1920 the government was forced to admit that the land sale system was pro-capitalist and anti-peasantry.

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- (161) Leonard Woolf - *A Village in the Jungle* (1913)
R. L. Spittel - *Wild Ceylon* (1924)
A. Wright - *Twentieth Century Impressions of Ceylon* (1907)
D. E. Jayatilake's Presidential address (1923-24) *Handbook Ceylon National Congress* p. 577-578.
W. A. de Silva)
Marcus Fernando - *Tropical Agricultural Journal* LXXV (1930)
p. 260-264, p. 271 - 279
Brayne. C. V. - "The Problems of Peasant Agriculture in Ceylon" -
Ceylon Economic Journal VI (1934) p. 35.
R. L. Brohier - *Lands, Maps and Surveys - Vol. I* p. 38.

Both the European and the local Ceylonese capitalists, were responsible for landlessness in the Wet Zone, especially in the Sabaragamuwa Province (Kukul Korale) where rubber was planted by Europeans and also by capitalists from Panadura and Moratuwa areas. Villagers had only their sweat to sell. Even the peasants' village land was grabbed for cash and leased to the peasant under "ande" tenure system. There was a repeated demand that all chena lands should be recognised as appurtenances of paddy fields. The government did not attempt to change its long established policy. This resulted in extensive chena cultivation especially in the Kandyan and the North Central provinces. Several people were subsequently prosecuted, and they ended up in jail. However, officials wanted to preserve the peasants as a social group and this became the underlying principle of the government in the 1920s. There was a demand to strike a balance between the needs of the capitalists and the peasantry. Some wanted to permit land purchases only to Ceylonese, as was demanded by S. R. Wijemanna and others from the Kalutara Maha Jana Sabha in 1926. People like Francis de Zoysa of the Ceylon National Congress did sound the same note. It was a voice of the vested interest of the local capitalists. The Land Commission of 1926 made the first official declaration that Crown land was held in trust by the State on behalf of the present and the future generations.

In 1927 the Land Commission was appointed. It sat for two years. It made detailed and far-reaching recommendations in a series of reports after an exhaustive study of the subject. Simultaneously in 1925, the Landless Villagers Committee (Sessional Paper VI of 1931) was set up to advise, inter alia on, "What measures could suitably be taken to settle upon Crown land those who were without sufficient land for the support of themselves and their families." There was a feeling that increased land holding by the peasantry was necessarily due to the rising population and increasing pressure on land in the Low country wet zone and in the Hill country. It was held that the solution to this was to encourage peasant settlements in the hitherto sparsely populated areas (162). There was a concern for the peasantry as a social institution, worthy of preservation for its own sake; for the peasantry, was a "prosperous, self-supporting and self respecting multitude of peasant proprietors". (163)

(162) Sir Hugh Clifford - "Some Reflection on the Ceylon Land Question" *Trop. Agriculturist* Vol. 68 (1927) p. 301-303.

(163) R. L. Brohier - *Land, Maps and Surveys* Vol. 1 p. 37

The Land Commission of 1927 consisted amongst its members reformist and nationalist leaders in the Legislative Council. In fact, at one point or another, a total of 15 members of the Council served on it. It also included some of the key officials concerned with the administration of the land policy, among whom was **C. V. BRAYNE**, the public servant whose experiment in tenurial arrangements in the Batticaloa district, was strongly endorsed by the Land Commission (164). The Land Commission took within its ambit not only the workings of government land policy and its effect and the tenurial experiments conducted by officials and others, but also the role of the government departments concerned with the peasantry (165). It gathered together a mass of data and information about the peasant economy.

The Commission unhesitatingly adopted the then current notion that the preservation of the peasantry as a social group should govern the formulation of land policy. It recommended that the initiative in the alienation of Crown land should be in the hands of the State and that a special officer, to be named Commissioner of Land, should be appointed to function as the central authority and regulator of all matters relating to alienation. Crown land was to be "mapped out" so that future allocations could be made according to the diverse needs of the government and the people, with the needs of the peasants of course being given priority. This meant that, henceforth, the sale of Crown land would not "interfere with the village land, or what is more important, expansion" (166).

Regarding land tenure, the Land Commission prepared three systems: *outright grants* - where special protection of the peasant was not necessary; *leases under the peasant proprietor system* - which had already proved its worth especially in the Eastern Province; and a *new tenurial arrangement* to protect the peasants who displayed "*utmost improvidence in parting with land*", which the Commission urged should be put into effect by special legislation, thus ensuring, inter alia, the security of tenure subject to improvement of the land and prohibition of its alienation, mort-

(164) ADMINISTRATIVE REPORT FOR THE EASTERN PROVINCE: 1920-25 GOVT. OF CEYLON COLONIAL OFFICE DESPATCHES 54/891. C. V. BRAYNE - REPORT ON THE WORKING OF THE PEASANT PROPRIETOR SYSTEM. 25. AUGUST, 1928

(165) Interim Reports - 'Sessional Papers XVIII and XXXII of 1927; II; V, XVI, XXXV and XLV - 1928. I and XVII - 1928; and Final Report, in S. P. XVIII of 1929.

(166) Acting Controller of Revenue in the Legislative Council - Hansard State Council (1931) (I) p. 25 - 26

gage or sale for debt without permission, with the further proviso that it could not be sold in the execution of a decree of a court so of law; on death, the land was to pass into the hands of a nominated successor or an heir-at-law.

Despite the plans of the Commission and others, legislation was not prepared immediately and six years lapsed before they were given the force of law and that too in a modified form, through the Land Development Ordinance of 1935. On the basis of the recommendations made by the Land Commission's interim report of 1927, an Ordinance was enacted in 1927 voiding all alienation and mortgage (with certain exceptions) of "settled" as well as "unsettled" land, unless made with the consent of the Government Agent; this to some extent checked "improvident" alienation. On the urgings of the unofficial Legislative Councilors, who were concerned with the status of chenas, the *Land Settlement Ordinance* of 1931 was enacted and it recognised a third of a century's possession and occupation of land - including chena - for purposes of title against the claims of the Crown. Soon after the Land Commission issued its final report in 1929, the government accepted in principle the system of mapping out of land which was introduced to all parts of the island through revenue officials and specially appointed officials. By February 1931, mapping out had been undertaken in 8 provinces covering 653 villages, of which work in relation to 348 was completed (167).

The Land Commission of 1927, in its first interim report recommended the prohibition of sale by villagers of unsettled land without the prior approval of the Government Agent or the Assistant Government Agent of the District. This recommendation was incorporated in the Waste Lands Ordinance of 1931. It must be mentioned that since the publication of the final report in 1929, not much progress was made in the completion of settlements in the Kandyan province.

The Land Commission (1927-29) did not ignore *Colonization*. It made specific recommendations on colonization, in the form of Government - aided internal migration of people from populated to less populated areas (168). This was one of the reasons why it wanted land "mapped out". It also made suggestions regarding the selection of colonists, government assistance, and the creation of a class of colonists who were

(167) Hansard - State Council - 1931 (1) pp. 37.

(168) Final Report of The Land Commission - Sessional Paper XVIII (1929) p. 21-22

“men of moderate means”. It advised that the colonists should be carefully chosen and although some assistance in the form of financial advances should be provided, “self help” should be made the guiding factor, since the “experience in the past has proved that any system of advance by the government under which the colonist supports his enterprise, under a load of debt, has worked anything but satisfactorily”. And it did not fail to warn the government that all measures should be carefully thought out before being introduced.

In fact, these recommendations of the Land Commission were not oriented towards a programme of colonization in the Dry Zone. The Commission, perhaps discouraged by experiments in the colonization of the then malarial Dry Zone, mainly thought in terms of colonies in the Wet Zone (169) to solve the problem of land hunger and congestion. This was perhaps why the government was keenly concerned with the experiments at the Pasdun Korale East Scheme, which was established with the inhabitants of the rubber-growing region, whereas the government's attitude towards the dry zone colonization projects was lackadaisical. The almost total failure of the colonization schemes in the Dry Zone brought a feeling that these conclusions were correct. There was much truth in the assertion that “any attempt to colonize the Dry Zone with immigrants from the Wet Zone is..... foredoomed to failure, at any rate, until such time as acute economic pressurehas assumed the potency of an irresistible force” (170). The Land Commission of 1927-29 pointed out the development of land continued to be subject to the “risks of malaria, pests, flood, drought, scarcity of labour, and the depredation of wild animals” (171).

During the same period, the problems of the peasantry moved officials and others alike to evaluate thoroughly the potentialities of *developing the Dry Zone*. Officials like Ward in the mid - 19th century (172) and Gregory (173) gave attention to the colonization of the Dry Zone based on the restoration of

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- (169) B. H. Farmer - Pioneer Peasant Colonization in Ceylon (Oxford 1957) p. 128-137 especially regarding the experiments at Nachchaduwa and elsewhere.
 - (170) Sir Hugh Clifford quoted by Farmer in his Pioneer Peasant Colonization in Ceylon (Oxford 1957) p. 128 - 129.
 - (171) Sessional Paper XXV - 1926 p. 2.
 - (172) S. V. Balasingham - The Administration of Sir Henry Ward, Governor of Ceylon (1855-1860) (Colombo 1968) pp. 68-70
 - (173) Administrative Report, (1873) p. 15

tanks. The Director of Agriculture in 1914 complained of the lack of people for Dry Zone development (174). Sir Arthur Havelock saw the Dry Zone as an avenue to achieve a "a balance of population" between the Wet and the Dry Zone (175). After 1914, the capacity of the Dry Zone was used to absorb the landless and ease the adverse conditions facing the peasantry of the Wet Zone; it also became a place where food needs of the country could be grown. The outbreak of the war led to the opening of new agricultural land "by every means" for food production. An official committee appointed in 1920 to report on the means of achieving self-reliance in food brought out once again the need for land for the peasants. It proposed several incentives - a guaranteed price for paddy, supply of seed paddy and fertilizers and agricultural credit - to promote cultivation of paddy, which provided the staple food of the people (176). It was the food drive which initially moved the government to review the system of Crown land alienation and to consider a more liberal system than the "applications" policy which had slowed down the exploitation of land in the Dry Zone.

A more immediate outcome was the *Food Production Minute* of 1920 which permitted District Revenue Officers to lease Crown land, in small extents, to applicants on easy terms, with the option of applying for a conversion of the allotment into a grant on the payment of the unimproved value of the land for 3 years. From this temporary measure was evolved a more lasting experiment in tenurial arrangements, which was the PEASANT PROPRIETOR SYSTEM, developed by C. V. Brayne in the Batticaloa District in the 1920s, where carefully selected applicants received leases with restricted tenure.

The conditions of the leases, enabled the leaseholders to enjoy certain advantages of ownership while the government retained the right of ownership and also the right to eject those who proved to be unsatisfactory. The crucial restriction on the ownership rights related to the prohibition of alienation without permission. There was undoubtedly a land hunger; for instance, Brayne reported in 1928 that over 10,000 acres had been taken over by 4,000 applicants in the Batticaloa district alone. This system was introduced to Matara in 1925 and later to the Malay colony in the Walawe left Bank scheme, with the blessings of the Land Commission which had urged its further extension. Brayne summed up the advantages of the system as follows:

(174) Administrative Report, 1914 Part IV.

(175) Legislative Council - Hansard 1890-1891, Introduction p. iii

(176) Sessional Paper - II - 1920

- (i) It increased the number of smallholders, who were the base of agricultural prosperity in the colony.
- (ii) It led to economies of scale as compared to the older application and sale system.
- (iii) It enabled the development of land on a systematic, instead of, a haphazard basis.
- (iv) It brought the District Revenue Officer in close touch with the peasants.

Nachchaduwa colony was another experiment in the Dry Zone, where the colonists were to be given, after 10 years of satisfactory cultivation and repayment of the financial advances, free grants of not exceeding 5 acres of paddy land and 5 acres of highland. The **SINHALA MAHA JANA SABHA** took land in Minneriya after the failure of the Minneriya Development Company, to develop the area but it too ended in a failure (177) within a year, although its target was to open 9,000 acres (178). The reasons given for its failure were (179):

- (1) Paddy cultivation was not remunerative;
- (2) Inaccessibility of the area;
- (3) Sparseness of the local population; and
- (4) Malaria.

The food production drive did not necessarily lead to an improvement of the conditions of the impoverished peasant land holder or the landless. The efforts of public servants like Brayne were isolated and although there was the urgency of to develop sources of food supply in Ceylon. Officials and others in the plantation sector wanted the settlement of South Indians in the Dry Zone with the capital coming from the capitalist sector of the economy (180). In the war years (1914-19) and after, paddy

(177) Brohier, R. L. - The Tamankaduwa District and the Elahera - Minneriya Canal (Colombo 1941) p. 28.

Bandaranaike, S. W., R. D. - Speeches and Writings - (1963) Government Press, p. 601

(178) Sessional Paper XIV - 1932 - Report on the Minneriya Scheme - Ministry of Agriculture (Ceylon).

(179) Tropical Agriculturist (1916) p. 389

(180) D. S. Senanayake Memorial Number - Ceylon Historical Journal Vol. V, July-Oct 1955/ Jan-April 1956 No. 1-4 (Ceylon) p. 72.

S. W. R. D. Bandaranaike - The Spinning Wheel and the Paddy Field - Chapter III. A paper submitted to the First All Ceylon Rural Reconstruction Conference held at Hegalle Factory, Horana, on 18th Sept. 1932. Under the caption "Paddy Cultivation in the Wet Zone".

land fetched high prices and as investments in such land became remunerative capital flowed into this sector. The CEYLON MILLS COMPANY took approximately 5,000 acres of land at Kala Wewa in 1920 whilst the MINNERIYA DEVELOPMENT COMPANY in 1919 launched on a 9,000 acre project. The planting sector and the Agency Houses through the Low Country Products Association (LCPA) took over land in the Kirinde Oya in 1921. The plantation sector was faced with the following problems in the Dry Zone:

- (i) The Indian immigrant estate coolies showed a preference for a particular strain of rice which was grown in South India and it was not known whether this variety could be cultivated with success in the Dry Zone.
- (ii) The hostility of the nationalists who began to look at the Dry Zone as the patrimony of the Sinhalese; they saw that the efforts of the planters would "Indianize" this area and the Sinhalese peasantry would find no place, if this policy was pursued.

Once conditions returned to normal with the declaration of peace, the planters' interests in the Dry Zone began to wane and even the LCPA project was abandoned.

These years also saw the efforts to accommodate the "middle class" in colonization ventures. They were too wealthy to compete with the peasantry but too poor to compete with the capitalists in agriculture. Not much was achieved through these efforts.

The increasing interest in agriculture, the food crisis and a realization of the potentialities of the peasant brought about a re-examination of the question of rural institutions. A separate **DEPARTMENT OF AGRICULTURE** was established by Sir Henry MacCallum in 1912. Much efforts were made to re-orient and re-structure the department since its impact was inadequate, in spite of the establishment of experimental stations by the Department all over the island and also a School of Tropical Agriculture at Peradeniya. The Department of Agriculture failed to organise scientific studies in peasant agriculture in Ceylon compared with the work done by research institutes on tea, rubber and coconut. The Department was too "paddy oriented" and gave little thought to other crops in the Dry Zone (181).

Prompted by the food production drive, the *Irrigation Department* began to be active in the Dry Zone once again after it had suspended all work on new major projects in 1905. They were until now concerned with the task of maintaining major schemes and assisting in the repair and maintenance of village works. The Food Supply Committee (182) in 1920 argued that the Irrigation Department should not be regarded as a revenue earning but as an expenditure department whose social costs should not be evaluated from narrow commercial profit ratios. But the Government rejected this idea. However, steps were taken to revive suspended projects in the Dry Zone. The Department of Public Works linked the inaccessible Dry Zone areas through new roads and a rail line was built through Polonnaruwa to Batticaloa, with a branch line to Trincomalee (183).

The three agencies, the Department of Agriculture, Irrigation Department and the Public Works Department were, during this period, providing the pre-requisites to developing the Dry Zone. There was no co-ordination amongst them and they lacked clear cut policies. Their work was hampered by a lack of adequate staff and other resources. Nonetheless, their achievements cannot be discounted. The problem of malaria, which was hyper-endemic in the Dry Zone, had to await the invention of DDT and it was after World War II that some effort at eradicating malaria was taken.

In 1928, at an Agricultural Conference in the presence of the Governor, it was resolved that the conditions of paddy cultivation be investigated and a Sub-Committee of the Food Products Committee was appointed and their report was published. The Committee composed of Sir Henry de Mel (Member of the Legislative Council for Puttalam), Mr. Walter Samarasinghe, Mr. A. A. Wickramasinghe and few others. A commission to look into the development of paddy cultivation was recommended. It worked for sometime and later handed over its functions to the Executive Committee of Agriculture and Lands in the State Council (184). By 1929, the Land Commissioner's Final Report was published.

(182) Sessional Paper — II. 1920 p. 5.

(183) One Hundred Years of Ceylon Government Railways: 1864-1964 Ceylon Govt. Railway, (Colombo Dec. 1964) Govt. Press. Railway line to Madawachchiya developed in 1905, to Anuradhapura in 1904, to Kekirawa 1925, to Galoya in 1926, to Trincomalee in 1927, to Polonnaruwa in 1926, to Batticaloa in 1928, to Mannar in 1914, and to Puttalam in 1926.

(184) Speech of S. W. R. D. Bandaranaike, Member for Veyangoda, in the State Council on 6. 9. 1932 published on Page 875 in the Govt. of Ceylon Publication "Towards a New Era" (1961).

For various reasons the Colonial Government was slow to act on the Land Commissioner's recommendations for a new form of tenure; before the Donoughmore Commission's recommendations in the form of the Donoughmore Constitution came into force in 1931 it had, however, recognized the principle of the paramountcy of the peasantry and declared itself in favour of "mapping out" and a restricted form of tenure. Meanwhile, further experiments in tenure (185) and in colonization were made, notably at Tabbowa Colony (1929) and in the Pasdun Korale East Scheme (1930 onwards).

About Rs. 18.5 million were spent by the Government on major construction works in Ceylon from 1900-1931. Of this amount Rs. 8 million or nearly 50% was devoted to the Northern and Eastern Provinces where the population was 426,000 (1944) and 235,000 (1944) respectively, compared to nearly 7 million people in the rest of the island. Between 1931-Sept. 1943 the expenditure on major irrigation works was about Rs. 11.5 million of which the Northern and the Eastern Provinces received Rs. 2 million i.e. 19% of the total and the emphasis was on the Central and North Central Provinces. There was very little public expenditure on minor irrigation works like village tank restoration before 1931. However, between 1931 - Sept. 1943, out of a total public expenditure of Rs. 3.25 million the Northern and the Eastern Provinces accounted for Rs. 400,000 or 12.5% of the total. This shows how discriminatory was public expenditure on irrigation and agriculture. The Soulbury Commission received representations regarding discrimination in public expenditure in respect of the Northern and Eastern Provinces and referred to this problem in their report (186).

Constitutional Reforms After 1931

The inauguration of the Donoughmore Constitution 1931 marked a crucial stage in the evolution of the policy on land and peasant colonization. The subject of Agriculture now passed into the hands of the people's representatives in the State Council, where the Executive Committee of Agriculture and Lands became the new policy formulating body — with departments, such as, Agriculture Irrigation, Survey, Forests and Land Commissioner's, Departments coming under its purview. It was headed by *D. S. Senanayake*, who felt that the subject of Labour also should have been

(185) Decisions of Government on the Recommendations made in the Final Report of the Land Commission Sessional Paper XXXV of 1929.

(186) Ceylon - Report of the Commission on Constitutional Reform - Colonial Office - London (Sept. 1945) p. 45.

brought under the Executive Committee of Agriculture (187). The striking continuity seen in policy formation on irrigation and colonization was undoubtedly due to his influence both within the Committee, which he ruled like Bismark, even with British officials, and the Board of Ministers (188). He pioneered the work he did by reclaiming the jungles of the North Central Province of Ceylon, rebuilding the ancient tanks and turning the dry and arid land into green fields (189). "No one was better blessed with the many qualities of head and heart which fitted him to play a role in shaping what may well be called the modern chapter in the history of irrigation, agriculture development and colonization in Ceylon" (190). In formulating his policy on land, the focus of attention was the peasantry on whom he placed his faith; he also had a greater appreciation of the potentialities of the Dry Zone, land reform and dry zone peasant colonization, all of which were integral parts of a dynamic policy. Senanayake, in particular, displayed a visionary zeal in peasant colonization in the Dry Zone. His plans took off the ground especially because of a devoted band of public servants who worked in the Dry Zone. It is necessary to record with gratitude the much-forgotten, good and willing public servant, C. P. De Silva - whose work as the Government Agent resulted in peasant colonization of the Dry Zone. *Whatever contemporary historians might say of him as a political figure, he was a man of vision turning the dreams of their leader, D. S., into reality. His contribution to dry zone irrigation and land development needs to be recorded with gratitude by the nation* (191).

D. S. Senanayake's first task as the Head of the Executive Committee on Agriculture was to have consultations with the Heads of Departments under his Executive Committee. D. S. Senanayake's policy was based on the development of the peasantry and on irrigation. He assigned the responsibility for ground water exploration in the Dry Zone to the Survey Department and the task of appraisal and of gauging the availability of water to the Irrigation Department. He believed in colonization as a social policy. In order to develop the North Central Province, D. S.

(187) D. S. Senanayake—Agriculture and Patriotism (Colombo 1935) p. 94.

(188) R. L. Brohier - "D. S. Senanayake as Minister of Agriculture and Lands" - Ceylon Historical Journal, Vol. V (1955/56) p. 66-80.

(189) Fernando, J. L. - "Three Prime Ministers of Ceylon - An Inside Story". M. D. Gunasena & Sons Ceylon (1963) p. 27 - 32

(190) R. L. Brohier - C. H. Journal Vol. V. (1955/56)

(191) He later was a Cabinet Minister in S. W. R. D. Bandaranaike Cabinet as the Minister of Lands, Irrigation & Power and critic of D. S. Senanayake's political theories. He later crossed over to the party build up by D. S. Senanayake himself.

established a committee under his chairmanship with the Land Commissioner, Government Agent - North Central Province, Director of Irrigation, Director of Medical and Sanitary Services and Medical Entomologist as members. This committee was concerned mainly with paddy cultivation in the low areas.

Despite D.S. Senanayake's masterful control over the administrative mechanism of land policy and colonization, the problems of the earlier period did not, in fact, get reduced or solved. They were indeed aggravated by the great depression of the early 1930's, when the pressure on the existing resources, such as land, became greater (192). Colonization of the Dry Zone was the only way out. It was felt that internal migration from densely populated to less dense areas was "not a matter of choice but a given necessity" (193). In 1932, the government appointed a committee whose report paved the way to the founding of the Minneriya Scheme which was approved by the State Council in December 1932 but was formally inaugurated in April 1933 by Senanayake's protege, *Sir John Kotalawela*, then Mr. J.L. Kotalawela, the Acting Minister of Agriculture in the State Council (194). Recorded evidence in the Committee reports reveals that before preliminary work on the part of the government began, applications were received from people in the wet zone for alienation of over 2000 acres of land at Minneriya. The special attraction of Minneriya lay in its role as the granary of the island in ancient Ceylon, although in other areas irrigable lands were available for settlement purposes. The crux of the problem regarding settlement planning was the eradication of malaria in the Dry Zone to make the Dry Zone habitable. The disastrous malaria epidemic in the Wet Zone in 1934-1935 served to underline the fact that this region was by no means exempt from the disease, and that the terrors of the Dry Zone were not something special; on the other hand, the work at Minneriya, where the Health Services were closely drawn into the planning of the colony, demonstrated that the threat of malaria could be coped with.

D. S. Senanayake's land development policy identified three categories of applicants for settlement — peasant small holders who were to be given 5 acres paddy land and 2 acres highland with a cottage from the government; middle class Ceylonese with 50 acres with similar facilities, and big capitalists with 99 year lease

(192) *Tropical Agriculturist* LXXVII (1932) p. 253

(193) Senanayake, D. S. - *Agriculture & Patriotism* (Colombo 1935) p. 20

(194) Senanayake, D.S. was out of the island. (See "Three Prime Ministers, of Ceylon" - An Inside Story" J. L. Fernando. M. D. Gunasena p. 28.

lands. He emphasized fruit culture on high lands and food crops in the low areas. Self-reliance was emphasized from the beginning. His next pet scheme was Kahapana Colony covering 17,000 acres under Kalaluwewa Irrigation Scheme, followed by the Minipe Colony near the old Minipe Colony. The crowning achievement of D. S.'s policies was the restoration of the Parakrama Samudra Tank. He saw that the solution to unemployment and the food needs of the people was to bring more land under cultivation and provide employment in the land. The Gal Oya Development Scheme — the first multi-purpose river valley development scheme in Ceylon — was the last scheme D. S. developed as the Minister of Agriculture and Lands where 4,500 families and 40,000 settlers were to be settled.

Primarily, D. S. Senanayake's land and agriculture policy was built round two principles — irrigation and peasant colonists. He also emphasized the need to provide land redemption and other forms of assistance to solve peasant indebtedness. His interest in integrated agricultural development with animal husbandry was well reflected in his own Koulwewa Estate where poultry, ducks, pigs, turkey, goats, sheep, deer, buffalo, and meat cattle were bred. He introduced the sturdy Ongle cattle. He felt that for any successful agricultural development "the people and the government must pull together".

The policy on land and colonization followed by Senanayake and his Executive Committee, before the passage of the Land Development Ordinance of 1935, was wholly based on the recommendations of the Land Commission (195). There were two facets of land policy before 1935 namely, village expansion with settlements within rural areas and colonization. Mapping out was continued and the requirements of the existing villages for expansion; pasture and forests, were met before the land was demarcated for new colonists. The tenure of the new settlements followed the lines suggested by the Land Commission:

- (1) Tenancy at will;
- (2) Lease under the peasant proprietor system in the Eastern Province; and
- (3) Allotment under permits.

The concept of allotment under permits meant a programme of colonization in the Dry Zone. The allottees were carefully chosen at Land Kachcheries and in certain instances they were required

(195) R. L. Brohier — Food and the People, Lake House Investments Ltd., Sri Lanka, (1975) p. 116.

Ceylon Hansard (State Council) Vol. 1 (1972) p. 334 — 339.

to furnish a small deposit as a "guarantee of good faith" (because there was a fear that land would be exploited of its timber and abandoned). Settlers were chosen as social groups to ensure harmony and room for expansion was taken into consideration. No direct monetary aid was given but services were provided by the government through the Department of Agriculture, Veterinary Services and Co-operatives. Beginning with the Minneriya Scheme, the Government provided further assistance in the form of bearing the total cost of clearing the jungle and also exempting the colonist by from paying water rates for the first three years after settlement. A *quit-rent-in perpetuity* was introduced for permanent alienation of land in place of a payment. Planning of the settlement was also undertaken for the middle class. Any disposable land after alienation to all concerned especially peasants was allowed to be alienated to individual capitalists of "larger means". Ninety-nine year leases were given to owners of land up to 50 acres in extent with a rent of 6% of the unimproved value of the land been charged.

During this period several Dry Zone colonization schemes were established. *Tabbowa* (in 1928) covering 1968 acres with 270 allottees cost Rs 1,115,169 was a pioneer effort. In 1933, three colonies namely *Kagama (old) Scheme* with 300 allotments covering 1620 acres and *Kagama (new) Scheme* (1944) with 326 allotments covering 2608 acres both costing Rs. 3,156,449 was introduced. In 1936, *Karachchi-Tranamadu Scheme* covering 443 acres with 62 allottees costing Rs. 3,445,607 was inaugurated and completed. In 1939 the *Elahera Scheme* and *Minipe Scheme* were completed. The former scheme covered 939 acres with 135 allottees costing Rs. 2,708,796 and the latter costing Rs. 3,663,540 covered 3,280 acres with 410 allottees. In 1940, the *Beragama Scheme* (with 142 allottees cost Rs. 1,240,548) covering 1963 acres and in 1942 the *Parakrama Samud'a Scheme* (249 allottees covered 2119 acres costing Rs. 4,135,307); in 1943, the *Ridibendi Ela Scheme* (21 allottees covering 272 acres costing Rs. 1,024,301) and in 1944 the *New Kagama Scheme* were completed.

The total allottees settled between 1928-1948 were around 3,342 covering an area of 26,737 acres and costing about Rs. 27.75m (196). None of these colonies could be regarded as total failures, as some critics do try to show. The problems they encountered nevertheless showed that their planning was marked more by optimism than by a realistic evaluation of prospects. Malaria

(196) Administrative Report of the Land Commissioner 1939 - 47	
— do —	1948
— do —	1949.

continued to be a major disincentive. Colonists did come but some went back to their original villages. Some remained and they have now established themselves very well; and two generations have passed since they originally went to the Dry Zone colonies. Whatever the mistakes were, good lessons could be gained for the future.

The Land Development Ordinance No. 19 of 1935 approved by the State Council formalised most of the measures already taken or proposed after considerable discussion. The Ordinance incorporated many of the recommendations of the Land Commission of 1927. The Ordinance reflected the increasing concern for food production and for improving the position of the peasant cultivator. For the first time, the principle of the government taking the initiative in alienating land was introduced. A Land Commissioner's Department was established to supervise and control the alienation and use of Crown land. Distinction was made between different classes of people to whom the land could be allotted and different purposes for which it might be used. Crown land was to be "mapped out" for purposes of village expansion, village forests, pasture, chena cultivation, public purposes etc. Certain areas were to be allotted to local villagers or peasant colonists and to other categories such as "middle class Ceylonese", "any person irrespective of class or race" etc. The peasant cultivator was to be given a permit to a piece of land which, once certain conditions of residence and cultivation had been met, could then be converted to a grant of title under one of three classes of tenure, representing different degrees of "protection" for the tenant. The land could not be sold, leased or mortgaged, either in part or in whole, without the written consent of the Government Agent. It could not be seized or sold in execution of a decree of any court.

Under this Ordinance, no land could be alienated except at a Land Kachcheri, where the Government Agent, would select applicants to receive permits or grants of Crown lands, and an amount had to be paid annually to the Crown for land received through a grant or permit; the amount depended on the value of the land on the date of alienation. Under the Ordinance, the allottee could nominate a single successor, who had to be the spouse or a blood relative, unless otherwise approved by the G. A. in writing. If an allottee flouted the requirements of the Ordinance by way of illegal disposition, failure to pay the required dues, failure to take specific measures to prevent soil erosion or to develop the land in the specified way, he could be issued a warning notice and finally of the grant or permit cancelled by the G. A. The Ordinance, in basically the same

form, continued to control the alienation and development of the Crown lands until 1968 which amended certain provisions of the 1935 Ordinance.

Several criticisms were made about the provisions of the Ordinance. They were as follows:

- (1) The peasants were only interested in "freeholding" and not as envisaged by the Ordinance (197).
- (2) The peasant knows best on land uses and therefore leave him alone. Foolishness on the part of the peasant cannot be prevented through legislation (198).
- (3) The restriction of ownership to Ceylonese and Ceylonese by registration was discriminatory against Indian immigrants. They were regarded as men without any roots in Ceylon. Dry Zone was to be the preserve of the Sinhala peasant.
- (4) Two principles laid down in the Ordinance were contrary to the local customs and therefore ineffective in regulating certain inevitable economic processes. The first principle was that the colonist could not lease, mortgage or sell his land. In spite of this, the "ande" or share cropping system of tenancy was widespread in many colonies. Some colonists were passive landlords than active farmers. Some who made enough money wanted to change their status from cultivators to landed proprietors; some wanted to lease part of their lands since it was more than they could manage. The rule of unitary succession was partly contrary to the inheritance customs of all communities in Ceylon. This has led to severe conflicts within settlement families. In some cases landlessness increased as a result of one son getting the land; and in some cases various forms of concealed fragmentation and joint ownership arose (199).
- (5) The selection of colonists based on family, size and landlessness, the large unmanageable size of holding, the restriction to paddy within the colonization framework, shortcomings of the extension services in the colonization schemes, non-utilization of local leaders and neighbouring

(197) H. R. Freeman - Hansard (State Council) 1933 III pp. 2372

(198) W. A. de Silva - Hansard (State Council) 1933 III. pp. 2347.

(199) Thambiah S. J. - Some Sociological Problems on a Peasant Framework - Ceylon Economist Vol. IV No 3 Dec. 1958 - p. 238 - 248.

groups, uneven income distribution among colonists due to malfunctioning of the co-operatives and the rise of a middlemen class resulted in low productivity in colonization schemes.

- (6) It was denounced as a Communistic piece of legislation (200).

The Ordinance's virtues were that it gave prominence to the peasantry and its clauses quite deliberately left little discretion to officialdom in land administration. The Land Development Bill was introduced by D. S. Senanayake, the then Minister of Agriculture and Lands in the State Council on 1st March 1933 with the second reading on 17th October 1933; it was passed without a division on 19th October 1933 after which it was referred to a Standing Committee whose report was presented on 8th Nov. 1934. I. X. Pereira, Nominated Member moved that the Third Reading be postponed but the Ordinance was passed without a division. (201).

"The whole purpose of this Ordinance had as its basic principle the creation of a contented peasantry; the peasantry which settled on these lands under these circumstances will not remain on the land generation after generation although it was able to provide all their needs reasonably by the cultivation of this particular land" (202).

The introduction of the Land Development Ordinance did not accelerate the rate of development of colonization. In fact, no new colonization schemes were introduced until 1939 when, what has been termed the "New Policy", was introduced (203). What took place in 1939 was not so much the formulation of an entirely new policy but a re-orientation of the existing policy in the light of the experience gained until then. The crux was the provision of an increased scale of assistance to the colonists. Experience had amply demonstrated that the colonists had to face a grim struggle until the first harvest and it was felt that any further

(200) Hansard (State Council) - Speech of G. K. W. Perera, Member for Matara, quoted by S. W. R. D. Bandaranaike in this speech on 18. 10. 33.

(201) Hansard (State Council) 18. 10. 1933

(202) S.W.R.D. Bandaranaike's Speech in the State Council on 18. 10. 33 on the Land Development Bill & quoted in "Towards a New Era" Published by the Govt. of Ceylon Department of Information p. 909.

(203) Opinions on the 'New Policy' can be seen in the debates in the State Council especially of G. A. Willie, D. P. R. Gunawardane and Dr. N. M. Perera - Hansard (State Council) 1939 p. 681

assistance from the government should be provided during the crucial period just preceding it. From now on, the colonists were to receive, in addition to his land, a house, free seed, loans for the purchase of agriculture implements and animals. The repayment of these loans was to be determined on the basis of the colonists' performance who was to be paid a subsistence allowance until the first harvest was reaped. On a broader scale the government was to continue to provide, as earlier, free services through agencies concerned with land and agriculture. A Marketing Department was set up to assist farmers in marketing their agricultural produce. Communal buildings, hospitals and schools were also provided to colonists.

The working of this "new policy" involved a marked increase in government expenditure and it cost per colonist in 1939 Rs. 700 (including irrigation and roads). It was Rs. 200 per colonist earlier. Doubts on the returns, and the high expenditure worried some Members of the State Council. Some wondered whether the policies outlined were bold enough to solve the problems the colonization schemes were confronted with (204). Mr. G. A. Willic cautioned against the temptation to promote spectacular new schemes rather than hum-drum but possibly more effective measures, while in the same debate Mr. D. P. R. Gunawardene took the view that the proposals then being made for colonization were not bold enough (205). Dr. N. M. Perera argued that the objectives of food production, relief for the unemployed and the landless and over-population had been confused in the planning and organisation of colonisation schemes (206). Nevertheless, the policy was adopted overwhelmingly.

The "new policy" was to govern colonization efforts until 1948, and indeed thereafter for some years. DDT spraying in 1946 and subsequent years wrought a complete revolution in the environmental conditions of the Dry Zone. Now mass scale settlements in colonies could take place without disastrous failure from the onslaught of malaria. It was no mere coincidence that willingness to migrate to the Dry Zone, and widespread encroachment on Crown land there, have both shown a marked increase in the post war years.

The Land Settlement Ordinance No. 20 of 1931 aimed at speeding settlement operations and removing some of the abuses of the Crown Lands Encroachments Ordinance of 1840. This was followed

(204) State Council (Hansard 1939 (I) p. 595 - 611

(205) — do — 1939 p. 654 - 655 & 665

(206) — do — 1939 p. 681.

by the *Crown Lands Ordinance* No. 8 of 1947 in order to codify the laws relating to Crown Land and to replace the old land sale and lease regulations, of which the most important of all was the *Land Development Ordinance* No. 19 of 1935.

Since 1936, there was an accelerated programme of alienation of land to the peasantry and the middle class Ceylonese in the village expansion schemes in and around existing villages, and in colonization schemes in new areas. There was a smaller and more lukewarm programme of acquiring estates in overcrowded Wet Zone areas for alienation to local peasants. During this period the *Forest Ordinance* was amended by Ordinance No. 30 of 1945, followed by Acts No. 34 of 1951 and No. 49 of 1954. The *Lands Resumption Ordinance* (as amended) No. 57 of 1942 was an important piece of legislation which gave powers to G. As to review claims of owners who abandoned the lands for 8 years or over. This Ordinance was amended by Ordinance No. 62 of 1947, permitting the acquisition by the Crown of those lands lost by their owners after l. 1. 29 by sales in execution of mortgage decrees or transfer by them in satisfaction of mortgage debts. Another piece of legislation was the *Irrigation Ordinance* No. 32 of 1946.

Colonization was given a fillip by the outbreak of World War II, which spotlighted once again the perennial problems of food production and lack of self-reliance. War conditions aggravated the food situation. In 1942, revenue officials were permitted to alienate Crown land, wherever available, for food production, without any regard to the status of the applicants. In 1942, the Irrigation Department was entrusted with the task of developing land, with the assistance of a committee consisting of representatives of various government departments concerned with colonization being drawn for each project separately. The need to take over this task from the Irrigation Department became clearly evident in the following years and in 1948 a separate LAND DEVELOPMENT DEPARTMENT was established. During this period the State Council Executive Committee of Labour, Industry and Commerce initiated a series of economic surveys on the conditions of peasants in the wet zone, from among whom the future colonists for the development of the dry zone were to be drawn. By 1948, there were nearly 300,000 allotments under village expansion schemes.

The fragmentation of large estates in Ceylon commenced shortly after 1945 and this can be attributed to two factors:

- (1) The indirect result of the Land Development Ordinance which emphasized strongly the development of new land

through the agency of either peasant proprietors or middle class Ceylonese. It sought to arrest the prevalent trend towards the opening up of huge estates by private capitalists and companies which was thought to be a process to engulf the peasantry. The alienation of large units of Crown land on very concessionary terms to such capitalist organisations ceased and with it, the investments of large sums of private capital in land development projects. The depression of 1930s caused the drying up of investments from Ceylonese capitalists in lands because there was little capital accumulation during this period. This was followed by a period of war when a boom gradually developed in the economy due to the increasing demand for primary commodities in affluent economies (207). At the end of the war there was adequate capital among Ceylonese for investment. Instead of investing in undeveloped land they began to purchase already planted land which would give an immediate return. This was because by now, due to the land policy, Crown land was beyond their reach and also because there was very little private land in an undeveloped condition.

- (2) The desire of sterling companies to reduce their investments in Ceylon for various reasons. The grant of independence in 1948, the strong pressure for increased taxation and a welfare state, the rise of trade unions, perhaps the fear of the competition by synthetics in foreign markets all combined to make the companies reduce their investments in tea and rubber estates. The post war boom was followed by the Korean boom which raised the prices of commodities to record levels and sustained the values of these lands at very high figures - making it a "seller's market" of highly capitalized agricultural estate property.

From 1945 there was a well-defined trend of investment in these estates for the specific purpose of their fragmentation and sale to smaller capitalists. An official sub-committee was appointed by the Ministerial Committee on land values of estates over 100 acres in extent. Between 1945-1955 about 28,317 acres in 48 areas of rubber were fragmented. 21 estates of 9,654 acres of tea were fragmented during this period.

The "new policy" continued till 1948 and after. 1948 saw the gaining of political independence. The period between 1948-1958 saw the continuation of this land policy - after Mr. Dudley Senanayake and Mr. M. D. Banda.

(207) A. D. V. De S. Indraratne - *The Ceylon Economy - From the Great Depression to the Great Boom - (1930-1952)* - M. D. Gunasena & Co., Ltd. (1966) Colombo.

The colonization policies and other land settlement schemes during the British period have been evaluated rather in an ad hoc manner by various persons from their point of view. No study has tried to analyse problems in the proper perspective taking into account socio-economic and political structures of that time. Some geographers like B. H. Farmer have tried to evaluate pioneer peasant colonization efforts from the geographic point of view (208). Yet others, in the field of sociology (209) and economics (210) have also tried to analyse the problems of colonizations in recent years.

Peasant colonization is considered to have made a significant, though necessarily limited, contribution to the relief of landlessness and agrarian pressures, to production, and to the development of the Dry Zone. Irrigation needs have been the major consideration in the physical planning of colonies, resulting in physical and sociological problems. It is held that insufficient attention has been paid to soil surveys leading to location of holdings in unsuitable areas. The lack of any focal point for cohesion and the ribbon like colony location along a channel definitely has not led to community integration (211). It is held that standardization in land use without taking variations in physical conditions has been resorted to in most colonies since 1939. No planned highland crop mix is found due to lack of planning, lack of lift irrigation facilities and other technical problems.

There seems to be increasing unemployment due to low land-man ratio as the writer observed recently in Padaviya colony. It is useful to introduce some perennial crops like oranges, lime, cashew, mango which need little assistance and less water. In some colonies chena cultivation in the highlands can be got over by introducing these tree crops and drought resistance crops. In most colonies, the land use pattern has increased soil erosion,

(208) T. D. S. A. Dissanayake - Dudley Senanayake of Sri Lanka - Swastika Press (1970) p. 11-15:

(209) Farmer, B. H. - "Pioneer Peasant Colonization in Ceylon" 1957.

(210) Thambiah, S.J. - "Some Sociological Problems of Colonization on a Peasant Framework". Ceylon Economist Vol. IV No. 3 Dec. 1958 p. 238 - 248.

Weerakkody, K. N. - Colonization in Ceylon. Land Commissioner 1970.

(211) Abeyratne, G. M. - Economic Aspects of Some Peasant Colonizations in Ceylon. PhD. Thesis, Oxford University 1972.

Schickele, R. - Land Settlement Policy in Ceylon 1970.

Ceylon Paper on Agricultural Development and Economic Progress 1967 - 70.

resulting in silting the tanks etc. If proper contour bunds are constructed and accordingly the highland lots are planned this problem could be avoided.

Rather than select colonists from among farmers with large families as done after 1930s, they should have been selected on the basis of the capabilities of such farmers. It seems to be that few colonists have been selected from districts with high agrarian pressure while too many plans have gone to people from villages in the vicinity of colonies. If the Land Commissioner was free from political interference in the choice of some areas for colonists this would have not arisen. The heterogeneous nature of colony populations and the lack of co-operation among the colonists, due partly to the selection system have resulted in complex sociological problems. The allotments given before Independence were too large for colonists to manage and, therefore, they were not fully cultivated. No study on the optimum size of economic holdings has been done.

Among the sociological problems identified the absence of co-operative work, friction in the colonies, especially inter-caste conflicts, and those between purana villages (ancient villages) and the colonies and the absence of proper leadership were the major areas. Politics had brought in bigger and more complex problems to the colonies. Some of the provisions of the Land Development Ordinance did not conform to the traditional customs and social institutions in Ceylon. Proper water management, effective extension services, marketing facilities and better drought power are other problem areas in colonies (212). These problems of colonization were identified but were continued in the last war years. In 1948, the country received political independence but not much change in the land policy occurred until 1950s.

(212) Hartough, J. C. C. - An Appraisal of the Colonization Schemes in Ceylon, FAO. 1968

Weerakkody, K. N. - Colonization in Ceylon. Land Commissioner's Dept. Colombo, Ceylon 1970.

Schickele, R. - Colonization Schemes as "Special Products" for piloting dry zone development 1969.

XI

LAND POLICY — 1948 - 1972

The attempt to evaluate the effectiveness of the colonization programme in Ceylon is complicated by the fact that both the objectives of and attitudes towards colonization have changed considerably during the period after 1930. When systematic State-aided colonization of the Dry Zone really got under way in the 1930s, the objectives of such a policy were three-fold:

- (i) to protect peasant farmers as a class against deprivations resulting from the acquisition of land for commercial estates by private companies;
- (ii) to provide employment opportunities for the rapidly growing population of the Wet Zone; and
- (iii) to increase production of food, particularly paddy, and so reduce the island's dependence on imports.

It was to achieve these objectives that the basic colonization pattern in the 1930s was drawn up — a pattern which has largely remained intact to date, despite the changes in priorities and needs that have occurred in the intervening years. A fourth objective that clearly has been implied in the past colonization policy was that Colonization schemes, once established, should become dynamic centres of production that would contribute to the overall economic growth of the nation.

A final objective which has been given varying degrees of emphasis over the years was that colonization schemes should become a source of government revenue.

The first objective, that of protection of the peasantry, has clearly been achieved, not only through colonization but also as a consequence of the slower growth of the estate sector.

The second objective, that of providing employment for the expanding Wet Zone population, has also been met to a certain degree by past colonization programmes. It is estimated that about 90,000 families have been settled on State-aided colonization schemes, equivalent to more than 600,000 persons. This, however, represents barely 8% of the total growth in population since 1931 — a rather small share of the labour force—a small contribution when compared to the overall problem of providing employment.

Colonization in the Dry Zone has undoubtedly played a major role in paddy production over the last few years. About 20% of the island's total paddy production originated from the colonization schemes. During that period, Ceylon imported 500,000 tons of rice annually — more than three times the total production from colonization schemes. Although the colonization programmes' contribution to achieve the third objective has been a partial success, the production of crops other than paddy was negligible.

In respect of the fourth and fifth objectives, the past colonization policies have been least successful. The contribution of colonization schemes to overall economic growth has been insignificant; little secondary or tertiary development has occurred, producer supplies have remained small and the standard of living of most colonists have been close to the subsistence level. The hopes that colonization schemes would become dynamic centres of innovation that would lead to improved levels of productivity or exhibit self-sustaining internal growth have all been frustrated. In practice, they have been transplanted on traditional peasant agriculture along with the latter's inflexibility and resistance to innovation. They have been unable to absorb even the growth of their own labour force in one generation, as seen in Padaviya, Mahakandana and Minneriya areas. They have become stagnant responding only to renewed government inputs in the form of increased investments or expanded services; and even then their response has been slow and incomplete.

Many commentators have noted the extremely poor economic performance of colonization schemes in terms of their returns on investments. Estimates of their capital: output ratio range from 10:1 (213) to 12:1 (214). The 1958 Land Commission report criticised severely the disproportionately high expenditure that had been incurred in colonization schemes relative to benefits that have been achieved (215). The Gal Oya Evaluation Committee, published in 1970, showed a negative overall rate of return with a benefit: cost ratio of only 0.5 when discounted at 10%; of the seven sub-projects only one showed a positive rate of return. (216).

(213) Arbel: Israel Technical Assistance Programme (1964).

(214) FAO/IBRD irrigation Programme Review 1966.

(215) Govt. of Ceylon—Report of the Land Commission. S. P. X 1958 Colombo. (Sept. 1958).

(216) Govt. of Ceylon—Report of the Gal Oya Project Evaluation Committee—S. P. I—1970.

The final objective, that of providing government revenue, has been unattainable as a result of successive shifts in government land policy. In 1958, the Land Commission calculated that the total government expenditure of major colonization schemes (up to 1956) of Rs. 340 million resulted in government revenues of only Rs. 25 million, which is less than 1%. These revenues include payments by holders of permits and grants under the Land Development Ordinance, rents on Crown lands under the Crown Lands Ordinances, and irrigation rates. Even though the charges were small, collection was poor; since 1958, irrigation charges have been removed and collection of the other payments have been further relaxed. There was no tax on paddy and the size of farms and the levels of productivity were so low that only a very few farmers were liable to income tax. Hence, the revenue obtained from colonization schemes by the government was negligible.

Probably the major problem area of the colonization policy had been this conflict of objectives. The desire to facilitate the settlement of colonists through heavy investments in irrigation and infrastructure was combined with the objective of benefiting the maximum number of persons and reducing the cost per person. The inevitable result had been a gradual reduction in the acreage of farm units to 2 acre paddy and 1 acre of highland (as in Pada-viya Scheme). Policies have always aimed at establishing economic holdings without defining what this is, resulting in only subsistence size unit. The uniform size of allotments irrespective of water availability, podological conditions, or the capability of the settlers, had also been a constraint to the development of colonization agriculture. This, in combination with the strictly controlled tenure, had led to a great inflexibility within the system. The original purpose of the restricted tenure was to protect the cultivator against loss of his land to other individuals and to protect against fragmentation. This resulted in the farmers being unable to obtain clear title, to obtain credit on the mortgage of their land and (for the enterprising farmers) to enlarge their holdings beyond the subsistence level. Although legally forbidden, *de facto* fragmentation was widespread - an indication of the failure of colonization schemes to develop sufficient employment opportunities in secondary and tertiary activities to absorb the increase in family labour.

The inflexibility of the allocation and transfer of land, combined with several other factors, resulted in a passive attitude on the part of settlers and a parasitic dependence on government paternalism. Rigid supervision by the government at very high costs was an inevitable feature.

With Independence in 1947, attention was focussed on the construction of multi-purpose projects. The post of Minister of

Agriculture, which was held by D. S. Senanayake from 1931 to 1947, now passed on to his son, Dudley Senanayake (217) who became the Minister of Agriculture and Lands. Dudley Senanayake attached much importance to the colonization schemes in the North-Central and Eastern Provinces. "The earlier practice of conducting agricultural research in the salubrious climate of Peradeniya was in his opinion unsatisfactory from the point of view of its applicability in the completely different ecological conditions of these two provinces" (218). Therefore, he expanded the Dry Zone agricultural research farm at Maha Illuppallama, established a multipurpose farm in the Gal Oya valley and a paddy station at Kantalai. He also established a rice research station at Bombuwela and at Muthurajawela. With the opening of the roads in the Alutnuwara and Padiyatalawa, areas in the Uva Provinces more colonization schemes were opened with supporting agricultural stations in Bindunuwewa and Rahayala. In 1950, Dudley Senanayake introduced a Guaranteed Price Scheme (GPS) for paddy. Extension services were strengthened and mechanization of agriculture was emphasized. Livestock development programmes were launched. The Gal Oya Project, Padaviya, Kantalai, Huruluwewa and Kaudulla Tank colonization schemes were the highlights of his period.

The launching of Gal Oya Scheme, which had been under contemplation since 1937, was begun in 1947 to meet the dire need for more land to settle the increasing population and also to increase food production. Investigations which began in 1937 included the measurement of river flow at various points, establishment of rain gauge stations in the basin, the study of the sites most suitable for a dam and geological investigations of damsites. These investigations were concluded in 1939 and a preliminary report was prepared and submitted to Government by the Irrigation Department. This report, besides giving the main irrigation features of a reservoir, indicated the possibilities of developing the site for power generation and regulation of river flow below the dam. After further investigation into the multipurpose nature of this project a scheme to exploit the full potentialities of the site to the advantage of the community was formulated. It recommended the construction of a reservoir to impound 775,000 acre feet of water, out of which 200,000 acre feet was to be reserved for river flow regulation, flood protection

(217) Dissanayaka, - T. D. S. A. - Dudley Senanayake of Sri Lanka - Swastika Press. Colombo (1975) p. 12-13.

(218) Kahawita, R-Gal Oya Scheme - Facts and Fallacies - Ceylon Economist. Vol. I No. 2 Sept. 1951. Seneviratne. S. T. - A Study of Gal Oya project.

and the installation of 4 hydro power units each capable of developing 3000 H. P. Designs on these lines were completed by the Irrigation Department and an estimate of expenditure was also prepared in 1946. The proposals, designs and estimates prepared by the Designs Engineer of the Irrigation Department were submitted for expert opinion and a consultant, Dr. J. L. Savage (219) was invited to advise on the Gal Oya and Walawe Schemes. He observed:

“The possibilities in Ceylon for dual purpose dams, in fact, for multipurpose dams and other hydro development projects are believed to be considerable and important. This conclusion is predicted in my study of assembled data and examination on the ground of the proposed sites of Walawe and Gal Oya Reservoir projects; also in my observations of various other river systems, agricultural areas, tea estates, coastal plains and the lagoons, while inspecting various parts of Ceylon. Although the project sites are not ideal, they are most suitable in all important respects for construction of the prepared project” (220).

The water shed of Gal Oya had 380 square miles at the dam site. It covered the entire revenue division of Wellawaya with Bibile as the focal point. In 1946, there was a settled population of 25,522 persons. The Western boundary of the area was the Eastern slopes of Madulsima Hills. The total area when permanently developed was estimated at 10,400 acres consisting of 3,000 acres of terraced paddy fields, 2,100 acres of garden lands, 2,000 acres of chena lands, 700 acres of urban developed areas, 2,200 acres of permanent crop land and 400 acres for public utilities like roads, paths etc. This represents about 6% of the catchment area of 380 sq. miles. The balance 94% was under forest, patna, park lands, rocks and “recovered chenas”. On Nov. 24, 1942, the *Gal Oya Development Board Act* (G. O. D. B.) became law and the principal object of the scheme was defined as “the establishment within its area of authority the maximum number of families of Ceylon citizens that the area may carry at a reasonable standard of good and comfortable living conditions”. Under the provisions for the attainment of the principal object, the GOBD goes to say “that it will adopt in the main the principal of peasant colonization in defining the extent of holdings of Crown land within

(219) Dr. J. L. Savage – The architect and master of the world famed Boulder Dam in Nevada U. S. A.

(220) Ceylon Economist – Vol. 1 No. 2. Sept. 1951 p. 62

its area" (221). The Board decided that "the colonist's holding in the paddy area will be 4 acre irrigated land and a clear 3 acre of unirrigated land" (222).

The Gal Oya project—the first multi-purpose hydro project begun Ceylon—has been praised and also criticised by many. An Evaluation Committee published its findings in 1970. The Gal Oya Scheme while impounding the entire flow from a drainage area of 330 sq. miles was expected to be used for irrigating 120,000 acres, for generating 9,000 KW of electric power, whilst passing the water for irrigation, for domestic water consumption for 30,000 persons and to accommodate a peak flood, which otherwise could cause havoc in the lower basin. It was expected that the vast sheet of water impounded behind the dam would offer facilities to breed fresh water fish and also provide recreational facilities to build a lucrative tourist trade. The project was expected to resettle and reclaim a population of 200,000 who were victims of land grabbers. Mr. D. S. Senanayake who inaugurated the Gal Oya Scheme at Inginiyagala on 28th August 1949 said:

"Gal Oya has become almost a house-hold word. It is symbolic of the New Lanka. May it obtain fulfilment speedily and herald the progress of our march towards self-sufficiency".

Criticising the scheme, Dr. S. A Wickremasinghe alleged "very little attention has unfortunately been paid to the fundamental aspects of the scheme" (223) and the Gal Oya Basin would get silted over the years. He concluded, "When the history of Gal Oya is finally written, it will be found that it is not the people of Ceylon but the American experts and contractors who have benefited from it" (224). He suggested that development of agriculture could begin with reforestation of large upland areas which were unsuitable for planting tea and rubber as a permanent cultivation. He suggested "the cutting of a great irrigation canal from Trincomalee in the North and the East coast to Puttalam in the West and Jaffna in the North, and the building of a big dam in the lower reaches of the Mahaweli Ganga and divert the entire volume of water, now passing into the sea, into the dry zone through this canal" (225). S. T. Seneviratne writing in

(221) G. O. B. D. Annual Report - 1949 Para 2 Page 5

(222) -do- - 1949 page 6

(223) Wickremasinghe, Dr. S. A. - "The Gal Oya Project and the Crisis of Agriculture." The Ceylon Economist Vol. 1. No. 4 June 1951. p. 358.

(224) Ibid p. 368.

(225) Ibid p. 373.

the Ceylon Economist (226) said that Gal Oya project had no definite programme for drainage. He pointed out that the size of the holdings were too small for extensive cultivation and too big for intensive cultivation. Fragmentation over the years would not permit economic agriculture. The basis of village life in the Gal Oya had been an aggregation of homes on a suitable area of land but that did not bring about a cohesion of villagers. The Report of the *Gal Oya Project Evaluation Committee* (227) published in 1970 pointed out that the massive outlay on irrigation, colonization and land development would not be paying even at zero interest. Cost consciousness was lacking in the project. Almost Rs. 40 million were spent on housing and buildings while the dam itself cost not more than Rs. 40 million. The cost of infra-structure alone was in the region of Rs. 320 million (1960-1966). The Committee questioned the wisdom of diverting scarce resources to such costly schemes, instead of consolidating and developing existing schemes, which could increase production at relatively low cost. The scheme had failed to make sufficient impact on the colonists' agricultural practices. The selection of individual colonists from several districts had proceeded in the arbitrary manner that had governed all such selections for decades. Hence, the colonists were an amalgam of landless peasants with large families, people rendered homeless by natural disasters, fisherfolk in search of a new life, the odd undesirable exiled from his village and other diverse types. No attempt was made to judge the agro-skills or other aptitudes of the applicants, which was necessary to establish a viable community. The experience in *purana lands* of Gal Oya showed, however, that under right conditions there could be substantial returns on investments by increasing the productivity of already asweddumised paddy lands through flood control and improvement of the existing irrigation system. In Gal Oya, this did not involve high expenditure on infrastructure or overheads. Though the Committee urged the continuous evaluation of all aspects of the project nothing seems to have happened ever since. The failure of the sugar projects in Gal Oya, according to the Committee, should mainly go to the Gal Oya Board management, although other factors like poor soil, lack of equipment, improper cost control methods, ineffective supervision, ambitious targets also were contributory factors. Other secondary industries of the Gal Oya project failed due to faulty planning and poor management. Management and accounting systems had been far from satisfactory from the beginning due to lack of competent personnel in these disciplines in this project. The Committee recommended a resource study and

(226) Ceylon Economist Vol. 2 No. 1, Sept. 1951. p. 69 - 76.

(227) Sessional Paper No. 1-1970 Govt. of Ceylon Colombo.

a cost-benefit study of the project before any future such project was to be launched. It concluded: 'It is clear that the Gal Oya project as a whole was not planned in advance.'

Brohier (228) points out that the Gal Oya Scheme demonstrated to the country several lessons in a short space of time. Mechanization in agriculture was introduced and the size of family land holding was patterned on a flexible basis. In 1954, a pilot scheme for large-scale mechanized agriculture, backed by the resources of several plantation companies came to be established with the object of enabling employer class to contribute to food production on a scientific and mechanized basis. The attempts of this company enabled them to get exemption under the Food Production (Estate) Ordinance. Their attempts, however, failed due to varied factors.

Up to the end of 1955, 19,000 families had been settled in the major colonization schemes and 89,000 acres of irrigable land and 45,000 acres of highlands had been alienated under governmental framework. Up to 1952, about 8 acres were allocated per family. In 1951, 918 allotments and in 1952, 1415 allotments were alienated. Later a 5-acre allotment was decided upon; the rate of alienation increased and in the three years 1953, 1954 and 1955, about 2,750 allotments per year were alienated. In 1956, it was felt that the existing rate of alienation was far too slow to make any impact on the national problems, which the colonization schemes were intended to solve.

In order to accelerate the pace of land alienation, a new method called. The System of Advance Alienation was adopted by which the allottees were selected and brought into the scheme before development work commenced so that they could engage themselves in such work — jungle clearing etc. — instead of using departmental labour. There were several factors supporting this new departure, which may be summarized as follows:

- (i) A larger number of alienations became possible: Between 1956-1957 only 3,500 allotments were alienated but in 1958 when the system of advanced alienation got under way 7,500 allotments were alienated.
- (ii) Savings in expenditure became possible, because the allottees undertook work on job agreements; labour scarcity in irrigation construction work was thus solved with their labour. Jungle clearing and other development work were paid for at the rate of Rs. 100/- per acre.

(228) Brohier, R. L. - Food and the Peoples - Lake House Investment Ltd. Colombo (1970) p. 130-173.

- (iii) Quicker relief to ease the mounting pressure on land was possible, in comparison to the rate of alienation in colonization schemes up to 1955 (2,750 allotments per year) which had been quite inadequate to meet this pressure.
- (iv) Production by way of chena (shifting) cultivation etc. (e.g. rainfed paddy) was made at the earliest possible opportunity, without waiting till irrigation facilities were provided.
- (v) Participation by allottees in development work from the very inception itself made them more independent and self-reliant and also gave them a sense of possession of their allotments.
- (vi) It enabled the Irrigation Department to undertake channel construction work more expeditiously and at an earlier date than if this work had been entrusted to contractors; this system also minimised illegal squatting in irrigation projects.

During the period 1931-1955, 19,279 peasant families were settled in 69,000 acres of paddy land and 45,118 acres of highland. Between 1956-1958, a total of 14,875 colonist families were given 42,604 acres of irrigable land and 24,664 acres of highland in the major colonization schemes in the Dry Zone.

The major items of work done in settling this number of families are given below:

	1931-1955	1956-1958
1. Number of Colonist Families Settled	19,279	14,875
2. Paddy Land Alienated	69,900 acres	42,604 "
3. Highland Alienated	45,118 "	24,664 "
4. Colony Schools	81	59
5. Teachers' Quarters	86	83
6. Maternity Homes	4	1
7. Rural Hospitals	1	—
8. Central Dispensaries	9	6
9. Branch Dispensaries	28	16
10. Apothecaries' Dispensaries	18	4
11. Midwives' Quarters	35	22
12. Sanitary Asst. Quarters	19	1
13. Sub-Post Offices	5	22
14. Co-operative Stores	63	31
15. Meeting Halls	5	—

16. Office Buildings	12	3
17. Officers' Quarters	117	43

Note: The above figure exclude the Gal Oya Schemes.

(Source: *Land Development Department*)

Compared to 1931-1955, during the decade between 1961-1970, more than Rs. 210 million have been invested in land development and colonization schemes with 438,480 acres of virgin land been alienated to 198,000 allottees. No doubt the various colonization schemes had helped somewhat to solve unemployment, land hunger and congestion in some densely populated areas of the country. But, their performance, when evaluated in terms of acreage developed, increased production, and other benefits accruing therefrom, had not been commensurate with the investments made on such schemes. One major reason for their low returns and rather disappointing contribution to the economic development of the country was heavy social service expenditure. Another reason was the undue weightage given to extensive rather than intensive cultivation of paddy.

The most important shift in land policy took place after the political changes in 1956. Apart from the Gal Oya Multi-purpose Irrigation Scheme, the only other important land mark in 1956 was the establishment of the *Kandyan Peasantry Commission* (229). But the most important legislation in the post - 1956 period was the *Paddy Lands Act and the Five Year Agriculture Development Plan* formulated by the Minister of Agriculture, the late Mr. Phillip Gunawardane. The Paddy Lands Act of 1953 did not, even after incorporating the suggested amendments, achieve its objectives. Therefore, Mr. Phillip Gunawardane formulated a new Paddy Lands Act in 1957 which later was amended by the Cabinet to such an extent that it resulted in Mr. Gunawardane leaving the M. E. P. government in 1958. The objectives of this Bill were to ensure security of tenure of paddy land to existing tenant-cultivators; to prescribe the rent which an owner-tenant cultivator should pay the landlord or the rent the tenant - cultivator should pay a land- lessor or a cultivator-lessor. The 1953 Paddy Lands Act, however, had the following defects:

- (1) No security of tenure was given to existing tenant-cultivators. The 1953 Act gave a landlord the right to oust the existing tenant and enter into a 5-year lease with a new tenant. The paying of a premium by the prospective tenant

(229) Report of the Kandyan Peasantry Commission - Sessional Paper XVIII - (1951) Govt. Press, Colombo.

under Section 7 of the 1953 Act, more often than not, became a necessary pre-condition for the landlord to enter into such a 5-year lease with him. This was felt to be an insecure way to guarantee the security of tenure of the poorer tenants engaged in cultivating the fields of their landlords.

- (2) The 5-year security guaranteed to the tenant was legally valid only after the written lease had been drawn up between the landlord and the tenant. Even though under this Act the anomalous position regarding leases was clarified and oral leases prohibited, thereby making written leases compulsory; this yet led to a very troublesome procedure where the poorer tenants were concerned; it also made the Act administratively cumbersome.
- (3) One of the chief objectives in guaranteeing the tenant-cultivator security of tenure was provide him with an incentive to adopt improved methods of cultivation by ensuring a permanent tenancy for an indefinite period of time which was not provided for in the Act.

The Paddy Lands Act of 1958 attempted to remedy these defects of the 1953 Act by conferring full proprietary rights on the existing tenant - cultivators of paddy lands, subject only to the payment of rent to the landlords (230).

The main purpose of the 1958 Act was to increase the security of tenure of tenant cultivators of paddy lands and to regulate the rents paid to landlords. These provisions did not apply to settlement farmers where land was held by the Crown. The Act also established Cultivation Committees of elected representatives of farmers, with the responsibility for maintaining and developing irrigation works, controlling the issue of water and collecting irrigation rates. In Colonization Schemes, however, these functions were largely carried out by government officials; only a few of the Cultivation Committees were effective, although these Committees had the power to submit plans for improving the efficiency of paddy cultivation, consolidating paddy holdings and establishing collective farms.

The importance of the Paddy Lands Act lay in its capacity to remove some of the obstacles to increased paddy production and also to build the framework for future agricultural development (231).

(230) Official Documents - Paddy Lands Bill - Statement by Minister of Agriculture and Lands - Ceylon Economist Vol. 3. No. 4 (May 1957) p. 271-280.

(231) Kelagama J. B. - The Economic Significance of the Paddy Lands Bill, The Ceylon Economist Vol. IV No. 1.

It attempted to grant three rights to tenant-cultivators and hired labourers: there was to be no eviction, interference or exploitation by landlords; rent was reduced, interest and other charges were fixed; service tenure was to be done away with. Freed from economic and social fetters, the cultivators were expected to take greater interest in paddy cultivation and increase output. In addition, under the Cultivation Committees, paddy cultivators were to be organised and paddy cultivation planned and directed.

Ceylon's Paddy Lands Act of 1958 contained several features which in principle should have improved the conditions of tenure of share croppers and other tenants. On the contrary, the Act seems to have contributed to the deterioration in the tenants' position. The reasons were that reforms were not accompanied by the necessary institutional measures, as envisaged by late Mr. Phillip Gunewardane, and that they failed to take into account the strength of vested interests which it opposed. (232)

Hence the amendments of 1964 sought to remove the legal defects and difficulties that arose in the operation of this Act. The tenancy provisions of the Paddy Lands Act were never allowed to be properly implemented; Cultivation Committees never received recognition as people's developmental organizations by those concerned with agriculture; nor were the provisions for their development implemented.

It was because of these reasons that the Paddy Lands Act failed in Sri Lanka. However, it is difficult to enumerate the contributions it has made to the socio-economic history of Sri Lanka. The changes were more qualitative than quantitative. The social benefits that accrued from this Act together with its organisational set-up formed the backdrop of the changes that came in 1968 in the form of the "Green Revolution" and the dramatic and radical changes that came about in 1972-1977 with the Land Reform Laws, and the Agricultural Insurance Laws (233). The Paddy Lands Act was replaced by the Agricultural Lands Law in 1972. Another contribution to agricultural development by Mr. Phillip Gunewardane was the restructuring of the Agricultural Department, the establishment of Multi-purpose Co-operatives and provision of rural credit through the Co-operative Banking system, the establishment in 1957 of a paddy Research Centre at Rahangala and

(232) Nimal Sanderatne - Tenancy in Ceylon's Paddy Lands; The 1958 Reform. Land Tenure Centre: University of Wisconsin - Madison - LTC Reprint No. 84.

(233) I. K. Weerawardane - Lessons of an Experiment-The Paddy Lands Act 1958-Evaluation Studies - No. 3. Ministry of Agriculture & Lands - Rural Institutional & Production Laws Dossier (June 1975).

encouragement to grow sugar and cotton on a large scale. A suggestion by him and his associate, Mr. Ronnie de Mel to nationalize tea estates which were foreign owned, was turned down. The history of agricultural policy and agrarian reform would have been different if late Mr. Phillip Gunewardane, remained in the first M. E. P. Government of Mr. S. W. R. D. Bandaranaike's.

In 1956, the government introduced the peasant to the plantation sector through Highland Colonization Projects, as a part of the programme of accelerated disposition of land. The first project (in 1956) was in tea, the price of which was then favourable to the producer. All the highland colonization projects except for the coconut projects, were started between 1956-1965. By 1961, these schemes were suspended due to the impact of unfavourable prices for tea and rubber. The production capacity was also very low due to the lack of 'know-how' of the peasants in the management of these crops. Moreover, farms of 2 acres in tea and rubber were managed individually by settlers and not collectively as on plantations.

The rate of alienation in village expansion schemes increased from 12,000 allotments in 1953 to about 19,000 allotments in 1955. By December 1955, there were approximately 225,000 allotments covering 320,000 acres. Progress was accelerated with the alienation of 20,000 allotments covering 34,500 acres. In 1957, this rate was stepped up to 28,500 allotments covering 37,500 acres. This was further accelerated in 1958. No new rubber highland colonies were initiated after 1960 nor any tea schemes after 1965.

Another area of progress in land alienation was strip acquisitions for residential purposes especially in the Kandyan areas and the South Western parts of the Island. Up to the end of 1955, 13,000 allotments on acquired estates covering 18,000 acres had been alienated. In 1956, about 3,850 allotments covering 2,125 acres were acquired. This reveals that certain policy changes did occur, but instead of finding a solution to landlessness in the Dry Zone, village expansion through estate acquisition became more important. After the announcement by the M.E.P. government that foreign-owned tea estates would be nationalized under the Five Year Agriculture Plan, fragmentation for sale of tea and rubber land took place and the government had to step in and pass a law against fragmentation through the *Tea and Rubber Estates (Control of Fragmentation) Act No. 2 of 1958*. This prevented fragmentation of tea and rubber properties of over 100 acres.

In 1958, the report of the second Land Commission appointed in 1955 was published. The Commission concluded that much of past investments had been used inefficiently and that the prevailing method of selecting settlers and the delay in the issue of title grants severely retarded efficient use of land and capital. Based on these conclusions the Commission recommended that prospective colonists should be drawn from a wider spectrum of persons instead of just landless peasants; that colonists should be selected on their aptitudes as much as on their needs; that agricultural planning in colonization schemes should be greatly improved; that highlands as well as paddy lands should be utilized; that some land should be colonised in larger units to be worked co-operatively or as estates; that colonists should pay for their land over a number of years and, on completion of such payment, should receive title to land with only a minimum of restrictions (primarily against fragmentation); that collection of payments should be enforced; that the level of assistance should not be reduced, but that all costs incurred by government should be eventually repaid by the colonists and that the level of complementary inputs like credit, roads, extension services should be greatly improved. Very little action, however, was taken on these recommendations except for some minor amendments to the Land Development Ordinance in 1960 & 1969.

During this period the *Middle Class Schemes* involving the alienation of land to persons whose annual income did not exceed Rs. 12,000 (but who were not of the peasant class) were initiated. They were given 10 - 25 acre holdings and they were expected to develop them with their own resources and with credit available from the Land Commissioner's Department.

Fairly similar to the middle class scheme was the *Marginal Land Scheme* introduced in 1963 to alienate large blocks of land considered marginal for agricultural development. About 70,000 acres were alienated under this Scheme and since the progress of development of marginal lands was slow, this scheme of alienation was suspended in 1966. Little use was made of these lands except for extracting timber, and eventually a large number of permits was cancelled.

In 1965, the *System of Special Leases* was begun to make land available systematically to persons who had their own resources to develop on a larger scale than those under peasant colonization; large scale commercial food-crop production was undertaken by companies like Carsons, Ceylon Tobaccos, Jafferjees, which took large acreages especially in the Mahiyangana area. These lands were leased only to firms and individuals with large financial resources in areas of the Dry Zone that did not come within any

irrigation scheme, planned between 1965 - 1970. Tax incentives, grants of foreign exchange to import machinery and other forms of assistance were given to the lessees. The original plan was to alienate 30,000 acres annually; by the end of 1966, 57,000 acres had been alienated. A further 35,000 acres were distributed in 1967; but it was realized that little of this land was been developed and, as such, no further new leases were granted. Many leases cancelled from 1968 onwards and by 1971, only 22,000 acres remained; of this acreage 14,000 acres had been cleared, of which only 8,000 were cultivated.

After 1965, the rate of land disposal decreased; 17,000 settlers were given about 34,000 acres of paddy land. In 1966, the number of unemployed persons was over 450,000 of which a large percentage were educated youths. With the object of absorbing a section of these youths into self-employment, a new series of projects known as *Youth Settlement Projects*, were started in 1966. The programme envisaged the establishment of 235 projects, at least one per electorate, to benefit 20,000 - 25,000 youths. For various reasons not more than 5,000 youths were settled in the 49 projects begun

In 1966 an IBRD/FAO Mission which visited Sri Lanka, recommended an integrated approach to settlements in order to optimise agricultural production, as the returns on major colonisation projects had not been commensurate with the investments made in them. The objects of the programme were:

- (a) to maximise production through improved cultivation methods;
- (b) to strengthen institutional arrangements in respect of marketing, credit and farm management;
- (c) to rehabilitate irrigation facilities for better production;
- (d) to encourage development where each settlement community would become a self-sustained unit.

A pilot project to implement this integrated approach was first initiated at the Elahera Colonization project in 1967/1968. A farm management survey carried out by the Faculty of Agriculture of the University of Ceylon, Peradeniya in 1968 (234) revealed that:

- (a) Although 95% of the asweddumised lowlands were cultivated in Maha season only 45% were cultivated in Yala. The Yala yield

(234) Socio-Economic Survey of the Elahera Colonisation Project, Faculty of Agriculture, University of Ceylon, Peradeniya (1968).

per acre was only half the average yield in Maha due to shortage of water; this shortage could be got over by reducing the Yala acreage by diversification with crops needing less water and less gestation period; and the feasibility of using lift irrigation during Yala to high value crops in highland was also considered;

(b) The average paddy yield at Elahera in Maha 1966/67 was only 42 bushels per acre, 74% of the average in the Polonnaruwa district. This was because only 38% of farmers used fertilizers; only 20% paddy lands were sown with certified seed paddy and less than 25% of the farmers practised transplanting;

(c) 60% of the highland allotments was not used while 25% was under chena cultivation;

(d) Sub-leasing of many lowland allotments was evident, and fragmentation was common;

(e) Many farmers did not repay their lease due to crop failures or low yields; credit funds were used for unproductive activities; the sale of paddy was to private traders and not to the co-operatives;

(f) There was a need for consumption loans for subsistence as well as loans for production purposes through co-operative societies;

(g) Allegations of corruption and bad management of co-operatives were made by a majority of the population;

(h) Cultivation Committees were ineffective, lethargic and corrupt.

Following this initial benchmark survey of the Elahera Colonization Scheme, a re-survey was carried out by Professor T. Jogaratnam (235). This survey indicated a decrease in farm size mainly due to informal sub-division of holdings amongst allottees' children. Cropping mix showed no change; despite water scarcity farmers did go in for paddy in the Yala season. There was no evidence of improvement of the irrigation system. Family labour had become important. Despite the decrease in farm size, farm incomes had increased due to high yields.

Later, the integrated approach was extended to 22 colonization projects, which came to be known as *Special Projects*.

Following the change of government in 1970, there were several institutional changes. The Land Commissioner's Department came under the Ministry of Agriculture and Lands; the minor

(235) T. Jogaratnam - Report of the Re-survey of the Elahera Colonization Scheme in Ceylon. Agricultural Economic Research Unit, Faculty of Agriculture, University of Ceylon, Peradeniya (1971).

irrigation work, earlier managed by the Agrarian Service Department, was transferred to the Ministry of Irrigation, Power and Highways. The Department of Irrigation which previously had full control over construction, operation and maintenance of irrigation systems, now had only a planning role plus the provision of supporting services and the operation of existing systems. Construction and maintenance passed on to the newly constituted *Territorial Civil Engineering Organization* (TCEO) with nine regional Directorates. Simultaneously, a new State Construction and Development Corporation (SCDC) was established to function as a contractor of major projects. Both the Mahaveli Development Board and the River Valley Development Board were re-constituted. The Water Resources Board, formerly under the Irrigation Ministry, passed on to the Ministry of Planning and Employment.

In 1971, there was a major change in land policy. The assistance given to settlers was not only reduced but was made uniform broadly under four categories:

- (a) Capital Expenditure (Jungle clearing, fencing, farm equipment of Rs, 16,000/- per acre.)
- (b) Recurrent Expenditure (Planting material, fertilizers, agro chemicals)
- (c) Infra-Structure and Social Facilities (Roads, water supply, health, educational facilities)
- (d) Subsidies (Houses, wells, latrines & permanent roofing to be determined at project planning time)

In 1971, a programme to establish *Co-operative Farms* (*Samupakara Gammana*, was introduced throughout the country with the objective of harnessing the manpower resources, particularly of youth for agricultural production; they were to be on a collective basis.,

In 1971, another form of settlement projects, known as the *District Development Council* projects, was introduced by the Regional Development Division of the Ministry of Planning and Economic Affairs; they were comparatively smaller than co-operative farms. The major objective of this scheme was to harness the manpower and raw material resources in respect of each district for agricultural and industrial production.

On 5th April 1971, a Youth revolt (236) broke out in the country. Renewed interest in land administration and land policy came about in the following years. (237)

(236) A. C. Alles - Insurgency 1971-Colombo Apothecaries Ltd. (1976)
(237) Land Reform Law.

Part V

LAND REFORMS

Chapters XII - XIV

XII

LAND REFORM AND ECONOMIC DEVELOPMENT - AN INTRODUCTION.

Economic development in Sri Lanka is identified with, what economists call, "economic growth", which means an increase in production, investments and savings, employment, saving and earning of foreign exchange and also a general average annual rate of increase in real output per capita. Development constitutes a multi-faceted process of social, economic, political and institutional change. It involves the re-distribution of economic, social and political power and systematic and concerted public policies for re-distribution of the gains and losses inherent in economic growth.

In the last century and half and especially during the mid - 20th century, land reform, employment creation, and income distribution have become increasingly pressing issues. These trends manifested themselves in Sri Lanka, especially with the Paddy Lands Bill of 1947 of Mr. J. R. Jayewardene, the Nindagam Bill of the late Mr. C. P. de Silva, the Paddy Lands Act of the late Mr. Phillip Gunawardane. The 1970s witnessed the passage into law the Land Reforms Act on the initiative of Mr. Hector Kobbekaduwa. This Act was necessitated by historical circumstances prevailing at that time, as discussed in an earlier chapter of this book.

In Sri Lanka, nearly 80% of the people still directly or indirectly depend on agriculture for their livelihood. Any form of economic development must, therefore, begin with agricultural development. Without the production of a surplus in plantation and domestic agriculture, together with alternative sources of foreign exchange earnings, available from the export of minerals like gems, graphite, mica, ilmenite, zircon, rutile, or from service industries like tourism, industrialisation cannot take place. Agricultural development, like the development of the sverall economy,

includes all the complex processes like increased savings and investments, improved technology, institutional change, redistribution of income and redress of the imbalances inherent in these processes. Over time, and as a result of development policies, the economic system should gradually transform itself from one that is largely agricultural to one in which the agricultural and the industrial sectors depend on each other, with the industrial sector finally becoming the dominant sector.

There are several contributions that the agricultural sector must make throughout this process of transformation, with many inter-related activities and inter-dependencies between the industrial and the agricultural sectors. In the Sri Lanka context, agriculture must provide the food needed to a growing population and for the increased demands resulting from higher per capita incomes. Tea, rubber, coconut and minor sectors must generate surplus production for export to finance capital investment goods and food imports. Agriculture must try and provide facilities to produce things that can be locally grown for internal consumption in order to conserve hard-earned foreign exchange for the import of industrial goods. A lag in production in the agricultural sector could lead to higher food prices, increased food imports, decreased agricultural exports (e. g. coconut) or some combination of these effects. Higher food prices will instigate trade union action in industry to demand higher wages, thereby, reducing the saving-investment potential in this sector. Increased food imports or a decrease in agricultural exports could reduce the foreign exchange available for the importation of capital goods and raw materials so essential for industrial progress in Sri Lanka. The agricultural sector must also contribute both capital and labour to the non-agricultural sectors in the development process. Capital transfers are achievable through direct and indirect taxation, direct sales of farm products to the State organizations such as paddy to the Paddy Marketing Board, rental payment to landlords, farmer savings deposited in the rural banks channelled into industrial investments, migrations, and terms of trade that are unfavourable to farm products vis-a-vis manufactured industrial goods.

Young educated manpower leaving agriculture may also be one of the most important sources of capital transfers. The quality and quantity of capital represented by such manpower depends on the investment made on their behalf in education, health, social amenities by the government, before they leave agriculture. If productivity increases in the agricultural sector more rapidly than in the rest of the economy and if these benefits are widely shared and distributed among the peasantry and the plantation worker population, siphoning some of the supplies from agriculture, it

need not produce a widening urban-rural income gap. The transfer of manpower from agricultural to non-agricultural occupations is inherent in the overall transformation process of development. It is generally the trend to organize the agricultural sector in order to hold back more labour until they are productively absorbed in other sectors. In fact, agricultural development must provide the necessary increased rural incomes to enlarge the demand for industrial products which serves to stimulate industrial sector investment.

Land tenure institutions and land reform have a direct bearing on the question of development in Sri Lanka. The Land Tenure System covers legal and contractual or customary arrangements like, *ande* system, and *tattumaru* system whereby people engaged in farming gain access to productive opportunities on the land. It constitutes the rents, duties, liberties and exposures of individuals and groups in the use and control over the basic land and water resources. Precisely, land tenure institutions help to determine the income patterns in the agricultural sector. (238)

Land reform means changing and re-structuring these rules and procedures with a view to make the existing land tenure system consistent with the overall needs of economic development. In Sri Lanka, land meant politics, for land represented the main source of wealth and the principal source of social, economic and political power; the land tenure system reflects social class structures and relations. A re-structuring of the rules and procedures involved changes in the social, economic and political power of several peer groups within the Ceylonese social structure. Since changes of such magnitude, as was done in 1972 and again in 1975, did not proceed along rational lines the events that followed were uncontrollable as well as unpredictable.

It is a far more radical and far-reaching step concerning changes in ownership and control of land water resources. This includes expropriation of large, locally and foreign-owned plantations and subsequent alienation of land to landless and tillers, either for individual or collective ownership. It also converts tenants into owners through the issuance of titles to tillers of land in order to provide greater security; and it also transforms agrarian forms and systems in the country for better and systematic land use. A proper land reform will give an opportunity to tillers of land or workers of plantations to participate fully in determining

(238) Dorner P. - "Land Tenure, income distribution and productivity interactions" - Land Economics (1964).

Carrol. T. F. - "Reflexiones sobre la distribucion del ingreso y la inversion agricola" Temas del BID ano i pp. 19-40 (1964).

the procedures governing the right of the land; how these rights are exercised and how they are to be changed. In Sri Lanka, however, land reform was more a social and political act than an economic one. Tillers did not have a right to make decisions although there was the institutional framework in the form of Agricultural Producers' Councils (APC), which were formed after land reform. Nor have plantation workers, mostly Indian repatriates, had any say in the management processes of nationalised estates, since they were non-nationals, only selling their sweat for wages.

Land reform is often an instrument mainly for the achievement of greater social equity and social justice. Land reform has the dual capacity of serving both as a re-distributive instrument and a means of achieving increased productivity. To achieve productivity, land reform must necessarily effect changes, in the pre-reform structures of supporting services — agricultural credit, marketing, research and extension, input supply, processing and storage.

In Sri Lanka, this was and is the weakest link. Such structural changes of supporting services did not follow land reform. The agricultural extension mechanism did not get a new orientation. Its extension staff carried on regardless as it was in the past. Agricultural credit, though provided through the APC, was not properly channelled to farmers when needed. Lack of proper marketing channels, vehicles, storage facilities as well as the pricing system disheartened the farmer. Fertilizers, agrochemicals, tractors, agricultural tools, machinery, implements, and seeds were not available when needed. This is where land reform in Sri Lanka failed to achieve its objectives. Only through increased productivity could the quality of life of the poor under-privileged millions be enhanced. Without such an increase, re-distribution alone will achieve only modest and temporary benefits. The lack of proper supporting services and scientific management, could not achieve the objectives of land reform in Sri Lanka.

Land reform became an urgent necessity in Sri Lanka especially after the 1971 insurgency, which was result of several historical factors. Unemployment, especially among the educated youth, and under-employment and unemployment in general in Sri Lanka, both in the rural and the urban sectors, increased rapidly in the decades following the 1960s. Rapid population growth added to this national burden. This growth led to increased rural-urban migration. But employment opportunities in the urban sector were insufficient. However, the potential benefits indicated by earning differentials and increased access to better health, educational and cultural services served as major factors

in the internal migration process in Sri Lanka. Lack of land for agriculture and, in some areas, lack of facilities for agriculture were other factors. Inequality in income distribution did not narrow down; instead the gulf between the haves and have nots widened. Political patronage played a more dominant role than qualifications in procuring employment (239). Those combined influences led to increasing social, economic and political tensions and instability in the country. Although the overall growth rates of agricultural output have been fairly high, they have been insufficient to provide a substantial diet for the rapidly growing population. Further, earnings from tea, rubber and coconut products did not increase even during the past decade while the cost of importing food and other capital goods had almost doubled.

All these factors led to the inauguration of land reform in Sri Lanka in 1972. The need to take control of foreign-owned plantations resulted in land reform in 1975. These land reform measures cannot last for ever, unless renewed share-cropping, fragmentation, low productivity, and under-farming of large estates are solved by renewed reforms that would re-organise supporting services, educate the farmers, and provide better management and in-service training for personnel at all levels of estate management.

(239) I. L. O. - Matching Employment opportunities and expectations - programme of action for Ceylon - p. 92-98 Geneva (1971).

LAND REFORM, LEGISLATION AND NATIONALIZATION OF PUBLIC COMPANY ESTATES

The Land Reform Law was brought into the statute book in 1972, by the then Minister of Agriculture and Lands, Mr. Hector Kobbekaduwa. Before the law was formally introduced, a Sub-Committee of the Cabinet of Ministers consisting of Mr. Maithripala Senanayake, Mr. T. B. Subasinghe, Mr. Felix R. Dias Bandaranaike, Dr. Colvin R. de Silva, Mr. Leslie Goonawardene, Mr. S. S. Kulatilake, the late Mr. George Rajapakse and Mr. K. B. Ratnayake, examined nine drafts before the final draft was approved by the Cabinet on 29th May 1971. A shadow Land Reform Committee consisting of 11 officials serviced the Cabinet Sub-Committee on Land Reform. They were Mr. K. T. Ratnatunga (Chairman), Dr. Ernest Abeyratne, Mr. Leelananda de Silva, Mr. Shirley Fernando, Mr. R. K. W. Gunasekera, Mr. R. A. Gunawardhane, Mr. C. R. Panabokke, Mr. L. B. Rajakaruna, Mr. S. B. Senanayake, Mr. W. Tillakaratne, Mr. K. N. Weerakkody and Mr. T. P. Illangasinghe (Secretary). This Committee provided statistical and qualitative data on land availability, land use, and worked out "ceilings" at 25 acres, 50 acres, 100 acres, 250 acres etc. It is recorded that some members were against an uniform ceiling of 50 acres but had suggested "ceilings" based on agroclimatic zones, land use, soil classification, soil capability, crop suitability etc. At the time land reform law was introduced, out of a total geographical area of 16,228,200 acres, 4,582,400 acres were in the Wet Zone and 11,645,800 acres were in the Dry Zone. About 3,120,510 acres were arable land, of which nearly 2,322,989 acres were under plantations. Under the Land Reform Law No. 1 of 1972, 563,411 acres got vested in the Land Reform Commission from a total declaration of nearly 1,200,000 acres. They consisted of 139,354 acres of tea, 82,563 acres of rubber, 112,523 acres of coconut and 228,971 acres of paddy, cocoa, cardamom, cinnamon, mixed crops etc. The total declarants were 5,160 from the 22 districts as follows:

<i>Administrative District</i>	<i>Total No. of Declarations</i>	<i>Individuals</i>	<i>Private District</i>
Colombo	2,856	1,479	377
Kalutara	191	185	06
Kandy	548	537	11
Matale	99	97	02
Nuwara-Eliya	36	24	12

Galle	149	139	10
Matara	171	170	01
Hambantota	35	35	—
Jaffna	83	83	—
Vavuniya	03	03	—
Mannar	N.A.	N.A.	N.A.
Batticaloa	88	87	01
Trincomalee	15	15	—
Amparai	29	29	—
Kurunegala	204	201	03
Puttalam	205	205	—
Anuradhapura	24	24	—
Polonnaruwa	07	06	01
Badulla	113	113	—
Moneragala	21	21	0
Ratnapura	185	183	02
Kegalle	98	87	01
	<hr/>		
	5,160		
	<hr/>		

On the basis of ethnic groups the declarants were as follows:

<i>District</i>	<i>Sinhalese</i>	<i>Tamils</i>	<i>Muslims</i>	<i>Europeans and Burghers</i>
Colombo	1,519	300	131	110
Kalutara	179	02	19	—
Kandy	323	156	157	12
Matale	41	20	30	08
Nuwara Eliya	14	19	01	03
Galle	114	29	04	02
Matara	162	03	04	02
Hambantota	34	—	01	—
Jaffna	83	—	—	—
Vavuniya	—	03	—	—
Mannar	—	—	—	—
Batticaloa	04	68	16	—
Trincomalee	02	10	03	—
Amparai	04	04	21	07
Kurunegala	189	06	06	03
Puttalam	133	19	53	—
Anuradhapura	18	01	05	—
Polonnaruwa	04	—	03	—
Badulla	54	47	06	07
Moneragala	19	02	0	—
Ratnapura	160	07	15	03
Kegalle	81	07	10	—

These lands once vested were alienated to various institutions for management, and to the landless for settlement. The distribution of land under the 1972 land reforms by means of alienation are given below:

<i>Institutions or Management Methods</i>	<i>Lands Vested (acres)</i>
Janawasama	Nil
Usawasama	64,900
State Plantations Corporation	33,547
Electoral Level LAC Co-operative Societies	64,900
Land Commissioner	64,517
Co-operative Janawasas	55,021
Individual Villages	52,215
Under G.A.s, A.G.A.s, D.R.Os, & Gramasevakas	29,913
District Land Reform Authority	27,700
National Livestock Development Board	7,673
Rubber Research Institute	1,719
Agricultural Productivity Committees	4,208
Sri Lanka Sugar Corporation	2,829
Multipurpose Co-operative Societies	2,735
Coconut Cultivation Board	2,261
Special Co-operative Organisations	1,878
Conservator of Forests	1,362
Coconut Research Board	381
Rehabilitation Department	360
Sri Lanka Cashew Corporation	165
Others	30,640
	563,411

The Land Reform Law of 1972 exempted plantations owned by public companies. As a second stage, the Land Reform (Amendment) Law No. 39 of 1975 vested or nationalized all cultivated land managed by these companies and the agency houses. The total land vested constituted 417,957 acres. This included 237,592 acres of tea, 94,835 acres of rubber, 6,406 acres of coconut and 79,129 acres of other crops.

These lands were alienated as follows:

<i>Institutions or Management Methods</i>	<i>Acreage Alienated</i>
State Plantation Corporation	162,984
Janawasama	234,073
Usawasama	2,648
Janawasama Co-operatives	835

LRC Electoral Level Co-operative Societies	6,317
District Land Reform Authority	1,197
Rubber Research Board	5,913
Tea Research Board	3,990
	417,957

On the basis of these alienations the State has now under its management 376,946 acres of tea which is 38.41% of the total vested land or 68.54% of the total tea acreage; 117,398 acres of rubber which is 18.08% of the total vested land or 35.48% of the total rubber acreage, 118,000 acres of coconut or 12.12% of the total vested area or 10.26% of the total coconut acreage and 308,091 acres which is 31.39% of the total vested land or 68.46% of the minor export crop acreage. The State Plantations Corporation now has nearly 250,000 acres of which 196,531 or 78.61% of land was mainly given through the 1975 land reform. The Janawasama has 234,073 acres with 100% land reform lands and Usawasama has 184,677 with 100% land reform lands. There are nearly 981,368 acres of land vested in the State through the 1972 and 1975 Land Reforms.

Following the passage of the Land Reform Law, the buildings of Carson Cumberbatch Ltd, were acquired under the Business Acquisition Act for the Janawasa; a part of the Whittal Boustead buildings was leased or rented to the State Plantations Corporation and a part of another agency house buildings, Messrs Shaw Wallace Ltd., came to be vested with the Ministry of Plantation Industry. The Ministry of Agriculture & Lands acquired the Planters' Association building for its use. The fertilizer mixing business of the Colombo Commercial Ltd. came under a Competent Authority to serve the needs of State Plantations while Janawasama took over the Shaw Wallace fertilizer mixing unit for its purposes.

Under the Land Reform Law of 1975 which nationalized the foreign-owned estates, 396 estates owned by 232 public companies came to be nationalized. Of the 232 public companies, 87 were sterling companies and 145 were rupee companies. The 87 sterling companies owned 191 estates and the 145 rupee companies owned 205 estates. Of the 396 estates, 376 were managed by 22 agency houses and 20 were managed by owner companies. The largest concentration of public company-owned estates were in the following districts:

<i>District</i>	<i>Acreage</i>	<i>District</i>	<i>Acreage</i>
Colombo	9,418	Kurunegala	6,031
Kalutara	27,756	Puttalam	911

Kandy	76,963	Badulla	77,839
Matale	13,167	Monaragala	2,031
Galle	21,288	Ratnapura	50,352
Matara	4,819	Kegalle	42,764
		Nuwara' Eliya	82,171

The take-over of foreign-owned estates not in the form of land reform but through nationalization was advocated as far back as 1943, by Mr. J. R. Jayewardene in his first Budget speech (240) He said:

“One of the major problems that face us today, is the problem of landlessness. We knew that in days gone by, land was expropriated by the Government for the people and handed over to British capitalists, to British foreign commercial interests. From 1835 to 1838, the average annual sale of land was 6,412 acres. From 1840 to 1845 the average annual sale was 42,880 acres. In 1841, that sale reached the high figure of 78,685 acres. The Government of the day, armed with the Land Ordinance of 1840, adopted the role of the highway robber, and took away, chiefly from the Kandyan peasants, the land they loved so much”

“The rebellions of 1842 and 1848, spoke only too eloquently, of the sufferings of the Kandyan peasant. Today, when we see the mountain ranges covered with plantations, we feel that they stand as an immovable monument, not only to the enterprise of the British planter, but also to the dumb sufferings of the people whose homesteads they once were. I think this House, and the Board of Ministers, must some day take every measure possible to restore these lands to the people. We must not rest till this purpose is achieved.”
(my emphasis)

In 1956, the M E P Elections manifesto pledged to nationalize foreign-owned tea estates. The late Mr. Phillip Gunawardane as the Minister of Agriculture and Co-operatives formulated the Agricultural Plan (241) with Mr. Ronnie de Mel to nationalize foreign-owned tea estates. It was not until 1972 that Dr. Colvin-R. de Silva, first Minister of Plantation Industry introduced in Parliament the Estates (Control of Transfer and Acquisition) Act

(240) Mr. J. R. Jayewardene 10.8.43. State Council Hansard, Column 1444

(241) Govt. of Ceylon - Five Year - Agricultural Plan - Ministry of Agriculture and Cooperatives p. 300 - 390. Govt. Press Colombo. (1958).



to control the transfer of plantations from hand to hand. Under this Act 10,000 acres known as Pelmadulla Holdings were nationalized.

In 1975, under Land Reform (Amendment) Law No. 39 the process of nationalization was completed except for lands belonging to religious institutions and service tenure land.

Before the nationalization of public company estates under this Law, Dr. Colvin R. De Silva submitted a Cabinet paper dated July 23rd, 1975 entitled "Nationalization of Estates of Public Companies" (published in the "Ceylon Daily News" in August 1975 before the Lanka Sama Samaja Party left the coalition with the then SLFP Government) outlining how best the estates should be managed. He outlined in this much-publicized Cabinet Memorandum the steps that should be taken "to ensure a very speedy nationalization with the least possible adverse effects on the condition of estates and their productivity, which is absolutely vital in connection with foreign exchange earnings and revenue".

The Cabinet Memorandum enunciated as follows:-

(1) "The legislation should provide for the immediate vesting in the State of the rights, title and interest of all Public Companies in relation to Estates". The Minister of Plantation Industry was to vest the estates of over 100 acres on January 1962, belonging to or is held by a public company. The vesting should give State the absolute title.

(2) "Notwithstanding the vesting of any estate under the legislation it should be provided that each person employed in such estate on the day immediately prior to the date of such vesting:

(a) Where such person was employed in a managerial or supervisory capacity, may continue to be employed on such terms as the Minister may determine; and

(b) Where any person was employed in any other capacity, shall continue to be employed in the same capacity in which he was employed immediately prior to such vesting and on such terms and conditions as the Minister may determine.

(3) "The State Plantations Corporation will be able to undertake the management of a certain number of estates. In the case of other estates it will be necessary to take over certain "Estates and Agency Companies" (i. e. Carson Agro Services Ltd; Whittals Estates & Agencies Ltd; Shaw Wallace

Plantation Management Ltd; Mackwoods Estates & Agencies Ltd; and Consolidated Commercial Agencies Ltd.) "This should be provided for in the same legislation that vests the Public Company Estates in the State. A Competent Authority with similar powers as laid down in the Business Undertakings (Acquisition) Act should be appointed to each "Estate and Agency Company" taken over. The Competent Authority will be subject to the direction of the Minister.

(4) "As there may be some short delay in operating the take-overs, it should be provided that where any Estate is vested in the State under this legislation, the agency house, organisation or person which or who was on the day immediately prior to the date of such vesting responsible for, and in charge of the management or supervision of the management of such Estate, shall continue to be responsible for, and in charge of, the management or supervision of the management of such Estate until the Minister otherwise directs, and subject to such general or special directions issued by the Minister from time to time. The remuneration payable to any such agency house, organisation or person shall be as determined by the Minister.

(5) "I propose that a special unit be set up in the Ministry of Plantation Industry, with representatives from other concerned Ministries to advise the Minister on the directions he should give to the Competent Authorities, and to oversee the work of the Competent Authorities.

(6) "I propose that a Sub-Committee of the Cabinet, chaired by the Prime Minister, and including the Ministers of Foreign and Internal Trade, Agriculture & Lands, and Finance as well as myself as the Minister of Plantation Industry be set up to oversee the operations connected with the nationalisation of Public Company Estates and their future working and management by the agencies responsible for this. The Minister of Plantation Industry will regularly report progress to the Sub-Committee. The Committee will also consider what company Estates lands should be transferred for settlement schemes etc."

This Cabinet Memorandum was never circulated in the Cabinet on the instructions of the then Prime Minister. The differences between the LSSP and the SLFP on the subject of lands were spotlighted in the letters exchanged between them, published in the statements made by both parties after the rifts. These letters were published in the "Ceylon Daily News" of the 18th August 1975.

On October 10th 1975 Public Company Lands were nationalized through the passage of the Land Reform (Amendment) Law No. 39 of 1975.

Negotiations took place between the Government of Sri Lanka and the representatives of sterling plantation companies on the question of payment of compensation for lands previously owned by them, (under the Land Reform Law of 1975), by the Land Reform Commission. Land Reform (Amendment) Law No. 39 of 1975 made provision for the payment of compensation to estate lands that were vested in the LRC. The relevant Sections of the Land Reform (Amendment) Law No. 39 of 1975, i.e. Section 42 J (Sub-Sections (3) and (4) of the Law which are as follows:-

“(3) The manner and mode of payment of compensation shall be determined by the Minister in consultation with the Minister in charge of the subject of Finance and the Minister in charge of the subject of Planning and Economic Affairs;

(4) The compensation payable, less any deductions that may be made from such compensation under this part of the law, shall carry interest, as from the date on which it accrues due until payment, at such rate as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance and the Minister in charge of the subject of Planning and Economic Affairs.”

Section 42 J Sub-Section (F) also provides for negotiated settlement of compensation. The question of payment of compensation was discussed throughout the negotiations on the basis of an average payment per acre. This was done taking fully into account the agricultural conditions of the estate, which were mainly mid and high grown teas. The average price which was finally agreed upon was Rs. 663/- per acre. This was inclusive of not only the land but also factory buildings and equipment, other buildings and property, vehicles etc. The Government also undertook the liability of the companies for labour gratuities as and when they were due for payment. The total amount of compensation payable for the 125,000 acres, which were the subject of negotiations, was Rs. 82,516,317 and was to be paid in Sri Lanka Rupees. This amount was remittable only with government authorization and that too over a period of 5 years beginning from 26th March 1977. The sum to be remitted annually was to be equivalent to the present annual levels of remittances by these companies in the form of dividends and head office expenses. On this basis, Sri Lanka will not make any payment after 1982. The annual rate of interest would be 4% per annum on all outstanding

balances due to these companies and this interest rate was to be the same as that paid to those owners of property whose assets were acquired under the Land Acquisition Act. However, the interest payment was to be subject to Sri Lanka tax. FEECS (Foreign Exchange Entitlement Certificate-65%) was to be paid on such remittances. However, there was no nett transfer from Government of this amount as the Central Bank was to collect an identical amount by way of sale of FEECs as revenue. There was also provision to adjust the amount paid as compensation if these companies owned some of these estate lands as leasehold.

The names of the companies whose interests were represented by the were British delegation (consisting of Sir Stanley Tomlinson, Mr. G. I. de Glanville and Mr. T. A. Moy), and the compensation agreed upon are given below.

Name of Company	Acreage	Compensation @ Rs. 663 per acre		10x half-yearly instalments	
		Rs.	cts.	Rs.	cts.
Abbotsleigh Tea (1899) Ltd.	915	606,645.00		60,664.50	
Aboyne-Clyde Rubber Estates of Ceylon Ltd.	551	365,313.00		36,531.30	
Anglo-Ceylon & General Estates Co. Ltd.	7,768	5,150,184.00		515,018.40	
Arbour Court Estates Ltd.	2,775	1,839,825.00		183,982.50	
Associated Tea Estates of Cey. Ltd.	1,547	1,025,661.00		102,566.10	
Balmoral (Ceylon) Estates Co. Ltd.	1,033	684,879.00		68,487.90	
Bogawantalawa District Tea Co. Ltd.	2,479	1,643,577.00		164,357.70	
Central Province Ceylon Tea Co. Ltd.	5,128	3,399,864.00		339,986.40	
Ceylon & India Planters Association Ltd.	1,502	995,826.00		99,582.60	
Ceylon Proprietary Tea Estates Co. Ltd.	1,605	1,064,115.00		106,411.50	
Ceylon Tea Plantations Co. Ltd.	11,648	7,722,624.00		772,262.40	
Consolidated Estates Co. Ltd.	5,115	3,391,245.00		339,124.50	

Craig Tea Estates Co. Ltd.	769	509,847.00	50,984.70
Craighead Tea Co. Ltd	885	586,755.00	58,675.50
Deaculla Tea Co. Ltd.	359	238,017.00	23,801.70
Delta Estate Ltd.	1,027	680,901.00	68,090.10
Dickwella Tea Co. Ltd.	876	580,788.00	58,078.80
Dimbulla Valley (Ceylon) Tea Co. Ltd.	2,671	1,770,873.00	177,087.30
Doloswella Rubber & Tea Estates Ltd.	1,950	1,292,850.00	129,285.00
Doranakande Rubber Estate Ltd.	435	288,405.00	28,840.50
Dorpet Rubber Co. Ltd.	157	104,091.00	10,409.10
Duckwari Tea & Rubber Estates Ltd.	1,160	769,080.00	76,908.00
Eastern Produce & Estates Co. Ltd.	4,645	3,079,635.00	307,963.50
Ederapolla Tea Co. of Ceylon Ltd.	1,458	966,654.00	96,665.40
Elotan Estates. Co. of Ceylon Ltd.	1,075	712,725.00	71,272.50
Estates & Agency Co. Ltd.	1,603	1,062,789.00	106,278.90
General Ceylon Rubber & Tea Estates Ltd.	1,682	1,115,829.00	111,582.90
Gibson Estates Ltd.	1,592	1,054,833.00	105,483.30
Hanipha (Ceylon) Tea & Rubber Co. Ltd.	1,212	803,556.00	80,355.60
Kintyre Tea Estates Co. Ltd.	260	172,380.00	17,238.00
Kandagolla Estates Co. of Ceylon Ltd.	542	359,346.00	35,934.60
Kotmale Valley Estates of Ceylon Ltd.	750	497,250.00	49,725.00
Lanka Plantations Co. Ltd.	2,194	1,454,622.00	145,462.20
Liptons (Overseas) Ltd.	1,222	810,186.00	81,018.60
Lunuwa (Ceylon) Tea & Rubber Estates Ltd.	9,584	6,354,192.00	635,419.20
Mount Varnon (Cey.) Tea Co. Ltd.	735	487,305.00	48,730.50
Naduar Estates Ltd.	509	337,467.00	33,746.70
Nayapane Tea Estates Ltd.	799	529,737.00	52,937.70
New Dimbulla Co. Ltd.	3,437	2,278,731.00	227,873.10
Nuwara Eliya Tea Estates Co. Ltd.	3,877	2,570,451.00	257,045.10

Parambe Ltd.	745	493,935.00	49,393.50
Peacock Estates Ltd,	1,149	761,787.00	76,178.70
Pundaloya Tea Co. of Ceylon Ltd.	980	649,740.00	64,974.00
Rajalla Tea Estates Ltd.	1,147	760,461.00	76,046.10
Roschaugh (Ceylon) Tea Co. Ltd.	2,445	1,621,035.00	162,103.50
Rubber Estates of Ceylon Ltd.	813	539,019.00	53,901.90
St. George Rubber Estates Ltd.	1,954	1,295,502.00	129,550.20
Scottish Ceylon Tea Co. Ltd.	3,054	2,024,802.00	202,480.20
Scottish Tea & Lands Co. of Ceylon Ltd.	5,874	3,894,462.00	389,446.20
Standard Group -			
- Standard Tea Co. of Ceylon Ltd.)			
- Lindulla Tea Co. Ltd.)			
- Rollo Tea Estates Ltd.)			
- Sumtravalle Ltd.)	6,745	4,471,925.00	447,109.50
Talawakelle Estates Co. Ltd.	721	478,023.00	47,802.30
Tea Corporation Ltd.	1,419	940,797.00	94,079.70
Telbedde Ceylon Estates Ltd.	1,674	1,109,862.00	110,986.20
Limited Planters Co. of Ceylon Ltd.	5,221	3,461,523.00	346,152.30
Woodend Securities Ltd.	987	654,381.00	65,438.10
	<u>124,549</u>	<u>82,516,317.00</u>	<u>8,251,631.70</u>

With the State owning a large segment of the plantations, it has now become necessary for the development of various categories of management personnel. For this purpose there was a need to establish a National Institute of Plantation Management* which should get the assistance of the private sector agencies and the premier research institutions in the country. Another area which needs special attention is the case for a proper land use and regional development planning by rationalization of estates, rehabilitation, replanting and diversification. A rational Land Use and Regional Development Authority will be of immense value to the proper regional planning and land use.

* The proposal to establish this type of institute has been accepted by the Government in 1978 although it was mooted from 1976 onwards. Provision has been made in 1979 estimates of the Ministry of Plantations Industry to establish an Institute of Plantation Management.

LAND REFORM LAWS IN SRI LANKA—A SURVEY

Sri Lanka was a British crown colony until 1948. In 1948, it achieved its Independence. Sri Lanka became a republic on 22nd of May 1972. The first statute (242) to be passed by the new National State Assembly of the Republic of Sri Lanka was the *Land Reform Law No. 1 of 1972*.

The aims and objectives of the Land Reform Law No. 1 of 1972 are set out in its preamble, as follows:

1. To establish a Land Reform Commission in Sri Lanka (LRC).
2. To fix a ceiling on the extent of agricultural land that any person may own in Sri Lanka.
3. To provide for the vesting of lands owned in excess of the ceiling in the Land Reform Commission, subject to a statutory leave in favour of the former owner.
4. To prescribe the purpose and manner of disposition of lands vested in the LRC by the law in a manner so as to increase productivity and employment.
5. To provide for the payment of compensation to persons deprived of their lands under the law and for matters connected therewith or incidental thereto.

Land Reform — Machinery for Land Reform in Sri Lanka.

The LRC appointed to implement the Land Reform Law held its inaugural meeting in September 1972. The Land Reform Commission consists of nine members (243), three of whom are ex-officio members. The composition is as follow:

(242) Before Independence (pre-1948) legislative enactments are referred to as *Ordinances*. After Independence but before Sri Lanka became a Republic, enactments (1948-1972) are called *Acts*. After Sri Lanka became a Republic statutes are known as *laws*.

(243) Section 45 (1) (a) - (c) Land Reform Law No. 1 of 1972.

— a chairman appointed by the Minister of Agriculture and Lands.

— 5 appointed members:

(1) two persons having wide experience or shown capacity in land administration, land tenure or in surveying or in law;

(2) A State officer nominated by the Minister of Plantation Industry;

(3) A State officer nominated by the Minister of Finance;

(4) A State Officer nominated by the Minister of Planning and Employment;

Ex-officio members consisting of

(1) the Land Commissioner

(2) the Director of Agriculture

(3) The Director of Agrarian Services (now Rural Institutions & Productivity Law)

All members of the LRC are called "*appointed members*" and not as "Directors" as in other "State Corporations. Sectional Lands" (244) & of various department in the Commission are called Directors.

The following category of people is disqualified from being appointed or from holding office as appointed member of the LRC (245)

— if he *is a* member of the National State Assembly *or*

— if he *becomes a* member of the National State Assembly.

Every appointed member, shall hold office for three years from the date of appointment and is eligible for reappointment. During this period, vacation of the post of a appointed member could occur due to any of the following reasons.

(1) if he vacates his post

(2) if he dies in office

(244) Section 45 (2) No. 1 of 1972.

(245) Section 45 (3) No. 1 of 1972.

- (3) if he resigns on his own will
- (4) if he is removed by the Minister (246)

An appointed member of the Commission may be removed by the Minister of Agriculture & Lands without assigning any reasons, & such a removal of a member cannot be questioned in any court by way of a writ or otherwise. In case of members nominated by other Ministers to represent their Ministries such members can only be removed with the prior concurrence of the Ministers nominating such members. (247)

Though the LRC has the power to regulate its own procedure, the *quorum* for a meeting of the Commission has been statutorily laid down at *three*. (248) The Commission is a body corporate, (249) (like other State Corporations, Boards, Authorities, Institutions,) with perpetual succession and a common seal and may sue and be sued as such, but no suit or prosecution lies against (250) the LRC for any act which is done or purported to be done under the Land Reform Law in good faith. (251)

Ceiling on Agricultural Land

Until the Land Reform Law was enacted there was no law in the country which fixed a ceiling on land ownership. By 1972 there were 5,600 owners who had nearly 1.3 million acres, with an average land holding of 200 acres among those who were declarants, as against the national average of 0.36 acres cultivated land per person. In 1975; there were 396 estates owned by 232 public companies covering 415, 508 acres. This works out to 1,791 acres per company. Thus the land reform law provided for a ceiling on ownership (252) of agricultural land whereby the maximum extent of agricultural land which may be owned by any person shall be:

- (a) if such land was exclusively paddy land, 25 acres *or*
- (b) if such land does not consist exclusively of paddy land, then 50 acres. However, here too the total extend of paddy land shall not exceed 25 acres.

(246) Section 45 (6)-(7) No. 1 of 1972.

(247) Section 45 (6) „ „

(248) Section 45 (12) „ „

(249) Section 43 (2) „ „

(250) Section 46 (1) „ „

(251) Section 53 (1) (a) - (b) „ „

(252) Section 3 (1) No. 1 of 1972.

The law (253) also provides that:

“Any Agricultural land owned by any person in excess of the ceiling on the date of commencement of this Law shall as from that date;

- (a) be deemed to vest in the Commission and;
- (b) be deemed to be held by such person under a *statutory lease* from the Commission”.

Under the Land Reform Law No. 1 of 1972 land vested in public companies *viharagam* or *devalagam*, lands owned & possessed by religious institutions, trust properties, Muslim charitable trust or *wakbs*, lands held under the Buddhist Temporalities Ordinance(254) were considered not deemed to be agricultural land & got exempted from the law.

The statutory lease in favour of the former owners of land that got vested in the LRC was considered by some critics as “a legal fictions” (255) since such a statutory lease may be terminated at any time at the option of the LRC. But if not terminated at the end of end year the LRC, however, has the power to renew the statutory lease for another year, but no further renewal was possible except with the expressed approval of the Minister.

What the critics cannot understand is that land alienation through land reform could not have been done overnight. That is why the statutory lease was intended as a transitional provision which will & did operate, pending the effective distribution of land to cultivators envisaged by the law. In fact, within one year, the LRC did alienate land to various institutions, agencies & terminate without extension the statutory leases; this is beyond comparison with any land reform in any part of the world today.

(253) Section 12 (2) No. 1 of 1972.

(254) Section 66 (a)-(e) ,, ,,

(255) Section 15 Paragraph (b) provides that the lease rent annually payable to the LRC by the lessee will be 1/10 of the compensation payable to the latter (as the former owner) in the case of paddy land & 1/15 th of such compensation in all other cases. This lease rent will be deducted from the compensation payable. Para (c) says that the statutory lessee is entitled to manage the land & appropriate the profits during the period of the lease. He is also entitled to compensation for improvements if made within the written approval of the LRC.

Alienation of land by the LRC

A great deal of discretion has been conferred on the LRC in connection with the use and alienation of land vested in it. (256) Accordingly any agricultural land may be released for:

- (1) alienation for development of animal husbandry by way of sale, exchange, rent purchase, or lease to persons who do not own agricultural land or who own agricultural land below the ceiling.
- (2) alienation by way of sale exchange, rent purchase or lease to a person for agricultural development or animal husbandry or for a co-operative or collective farm.
- (3) alienation by way of sale in individual allotments to persons for the construction of residential houses.
- (4) for farms or plantations managed by the LRC.
- (5) utilized for any public purpose.
- (6) alienation to State institutions - any Corporation established under the State Agricultural Corporations Act No. 11 of 1972 (eg Usawasama or to the Ceylon State Plantations Corporation established under the Ceylon State Plantation Act No. 4 of 1958.)
- (7) alienation by way of sale to persons who were less than 18 years (minors) on 26. 8. 72 & whose parents were dispossessed of such land in excess of the ceiling by reason of such excess land having vested in the LRC, under Land Reform Law No. of 1972.

On this basis the 565,300 acres that finally got vested in the LRC were alienated by the LRC in the following manner.

Institution | Form of Alienation

Acres

Usawasama-Up-country Co-operative Estate Development Organization	87,235
Ceylon State Plantations Corporation	31,791
M.P.C.S. (Multi purpose Co-operative Societies)	48,143
Speicial Co-operative Organization	19,750
Land Commissioner	111,375

(256) Section (22) (a)-(g) No. 1 of 1972

District Land Reform Authorities (now transferred to Electoral level Co-operatives)	177,719
Janawasas	38,704
Livestock Development Board	4,891
Coconut, Tea, Rubber, Research Institutions	2,184
Coconut Cultivation Board	1,235
Lands under Govt. Agents	6,450
Alienated among villagers	13,833
Conservator of forests	785
District Development Councils	754
Other alienations	14,528

On this basis, in summary, alienation has been to:

Alienation to villagers	28,361 Acres
Co-operative Institutions	2,85,070 Acres
State Corporations	2,27,336 Acres
Held by GA's/Land Commissioner (Mostly uncultivated lands)	1,17,825 Acres

However, the utilization of land under land reform was to be "in a manner which results in an increase in its *productivity* and in the *employment generated* from such land" (257). The Minister of Agriculture & Lands has the power to make regulations in respect of the compiling of a register of unemployed persons who desire to purchase land for agricultural purposes or animal husbandry or *wish to work on farms or plantations* managed by the LRC (258) and those desirous of obtaining land on a *co-operative basis* for agriculture or animal husbandry. This provision was made because "land reform" by its very nature is concerned with changing the socio-economic, and political superstructure & also the institutional structures governing man's relationship with land. Hence, land reform would involve intervention in the prevailing pattern of land ownership and control of land in order to change the structure of holdings, improve land productivity, and not only broadbase the distribution of benefits (259).

Today the estimated unemployment is in the region of 850,000 or 8% of labour force. On the total unemployed figures, 56% are men & 44% women; 60% of the unemployed are between the ages of 15-24 years. 72% of the total unemployed are in rural areas, including estates, & only 28% are from urban areas. This is a

(257) Section 2 (b) No. 1 of 1972.

(258) Section 62 (1) (d) No. 1 of 1972.

(259) Patterns of Land Management through Land Reform in Sri Lanka A. Abeysingha - CAAS Session. 31, Section F- 1975. Seminar on Land Reform 12. 12. 75.

very good case for alienation of land for agricultural purposes in rural areas, especially among youth. In fact, the highest rate of unemployment is in the age group, 20-24 years; as a percentage of the labour force, the highest rate of unemployment is in the age groups, 15-19 years. Unemployment is also highest among those who have had a secondary education. For instance, the number of unemployed women with G.C.E. "O" level and those above is very significant and in fact exceeds the number of men with the same qualifications. Unemployed males actually predominate in the "no schooling" "primary & "lower secondary", categories. According to statistics available in 1971 there were 3,998 graduates unemployed. In 1975, it was around 5,500-6,500 & by December 1975 it was expected to be around 8,000. In 1975 the total number of unemployed engineers was 200. Thus, the rising level of those unemployed had to be found employment. Agriculture has more scope for employment when compared to industry which has a limited scope. This is where land alienation to create employment through land reform could relieve this socio-economic problem. (260)

It is very necessary to analyse the unemployment problem district-wise to understand where the problem is most serious. In fact, the 9 districts, almost exclusively in the wet zone belt, account for 83% of total unemployment. The highest level of unemployment as a percentage of labour force is found in the South Western coastal districts.

Colombo district	27%	Kandy District	18%
Kalutara	26%	Ratnapura	17%
Galle	26%	Badulla	14%
Matara	21%	Kurunegala	14%
Kegalle	23%	Lowest is in the Eastern coast.	

The above figures relating to the urban fringe of the coastal areas reveal those who are employable and could find employment in agriculture, but prefer to remain unemployed until some employment with 'social status' is found; although they have limited land area as well, they prefer to be registered as unemployed. But in certain other areas even if educated people are unemployed they subsist on agriculture until they find employment in the Govern-

(260) I.L.O. Survey 1959-60 Estimates (High estimates: 450,000; Low estimate: 340,000) i.e. 12.8% of labour force; Consumer Finance Survey, Central Bank 1963 estimates at 457,000 or 13.8% of labour force; 1973 Consumer Finance Survey estimates at 904,000 or 24% of labour force. Population census 1963: 265,000 to 390,000; an 1971 census: 504,864 to 839,264; Rural Employment 1964: 450,000; Labour Force Survey 1968: 448,000; Socio-Economic Survey 1969/70: 558, 500; Labour participation rates survey - 1973: 793,000.

ment, or the Corporation set-up. This is very true in the Jaffna district where the highest number of educated peasants are found in this country. It is very necessary to destroy the myth that social status goes with white collar jobs, if the unemployed are to be diverted to agriculture. Now that land reform provides such opportunities, it is very necessary to train unemployed manpower for agriculture on a large scale and in an organized manner.

The urban unemployed is concentrated in five districts-Colombo 58%, Galle 7%, Kalutara & Kandy 6%, Jaffna 4%, — a total of 81% of urban unemployed been concentrated in these districts. Nearly 82% of the rural unemployed are in 8 districts — Colombo 20%, Kandy 11%, Kalutara 9%, Galle 9%, Kurunegala 8%, Ratnapura 6%, Matara 6%, Badulla 5%. The degree of unemployment as measured by the percentage of the labour force that is unemployed, diminishes southwards along the Western coast & towards the interior of Sri Lanka. In fact, the lowest unemployment rates are found in the districts of Mannar, Vavuniya, Anuradhapura, Batticaloa, Matale, Moneragala, Amparai, Trincomalee and Polonnaruwa. In these areas those actively seeking jobs is only 6% of the Sri Lanka's total unemployed population.

On the other hand, participation rates of the labour force show a revealing picture. Colombo, Kalutara, Galle, Kurunegala, Kegalle districts are around 47%. But it is higher in Kandy, Badulla, Ratnapura districts with around 52%. Higher female participation rates, in fact, contribute directly to the higher participation rates in Kandy, Badulla and Ratnapura districts. Despite low female participation rates, 50% of female labour force is unemployed in Colombo, 42%, in Kalutara, 40%, in Galle, 35%, in Matara, and 36%, in Kegalle districts.

Of the urban areas, male unemployment is high in Colombo and Jaffna, while it is more evenly distributed between sexes in all other three districts. Unemployment among both sexes is high particularly between 20-24 age groups but for males the second largest category of unemployed is in the 15-19 age groups. In the case of females, unemployment is high in the age groups, 25-34 years. Generally in all five areas the unemployed who have had 5-9 grade education predominate among both sexes. Females with more than six 'O' Level passes at GCE examination find it difficult to get a job in Jaffna, Galle, Kandy or Kalutara than in Colombo. Graduate unemployment in these five districts constitutes 34% of the total and is very high among females. In Galle, Kandy and Kalutara, unemployed females exceed their male counterparts in the age group of over 25 years. On the

other hand, of the total classified as unemployed only 66% of the males and 44% of the females are actively seeking work while an equal number has been in the labour market for less than a year or two. In the rural areas, unemployed males, in fact, predominate in the age groups of 10-14, 15-19, 20-24; but in the higher age groups unemployment is fairly evenly distributed among the sexes. In actual fact, it is only in the Colombo and Kalutara districts that there is the highest proportion of those who actively seek work. Thus, the economic, social and political case for land reform is well substantiated from the statistics given below:

<i>District</i>	<i>Total acres vested in LRC in 1972 (Acres)</i>	<i>In 1975 (Acres)</i>	<i>Total unemployed</i>
Colombo	21,354	9,418	259,315
Kalutara	29,664	27,756	69,502
Kandy	81,211	76,963	81,181
Matale	36,093	13,167	12,105
Nuwara Eliya	28,760	82,171	21,207
Galle	21,091	21,288	68,539
Matara	24,414	4,819	41,879
Hambantota	6,927	—	16,890
Jaffna	5,015	—	23,716
Vavuniya	1,128	—	1,649
Manner	1,897	—	1,329
Batticaloa	4,359	—	6,352
Amparai	2,760	—	8,722
Trincomalee	1,349	—	6,526
Kurunegala	69,444	6,031	50,143
Puttalam	40,300	911	18,756
Anuradhapura	1,517	—	10,412
Polonnaruwa	400	—	6,765
Badulla	45,015	77,837	32,473
Moneragala	17,848	2,031	6,442
Ratnapura	75,000	50,352	42,921
Kegalle	43,851	42,764	52,440

These lands can provide employment to the unemployed. What is considered best is collective ownership, collective land use and sharing of profits. This pattern ideally renders itself for increased productivity per unit of land as well as per unit of labour, provided this is done in a proper manner. If, on the other hand, land is alienated individually the best benefit of land reform and proper land use will not take place unless there is proper management and better husbandry practices. As Mao-tse-tung says, "To divide up the land and give it to the peasants is to transform

the property of the feudal landlords into the individual property of the peasants and this still remains within the limits of the bourgeois revolution". (261)

Similar views were expressed in the first All-Russia Congress of Peasant Soviets "Peasant Mandate on the Land", where it stated, "Lands on which high level scientific farming is practised orchard plantations, seed plots, nurseries, hot houses etc. shall not be divided up but shall be converted into model farms, to be turned over for exclusive use to the State or to the communes, depending on the size and importance of such lands..." (262)

Land Reform Law of 1972 provides for collective and co-operative forms of ownership and land use in Sri Lanka, (263) Educated youth should provide the best material for this novel experiment of planned settlements. But if proper selection, training, crop selection, settlement planning and follow-up cannot be done, this experiment is bound to fail.

Land Reform Law and Compensation

There is provision in the Land Reform Law No. 1 of 1972 for compensation of those who were deprived of their lands, in the form of securities to be issued by the Central Bank of Ceylon, referred to as "Land Reform Bonds", and cash in such proportion as may be determined by the LRC with the concurrence of the Minister of Finance. (264) Though land reform bonds will be of 25 years duration carrying an interest of 7% per annum, holders of such bonds will be entitled to surrender them before maturity, with the approval of the Minister of Agriculture & Lands for the following purposes": (265)

- (1) Agricultural purposes approved by the Minister of Agriculture and Lands;
- (2) Industrial purposes approved by the Minister of Agriculture and Lands;
- (3) Other development purposes approved by the Minister of Agriculture and Lands;

(261) Collected Works-Mao-Tse-Tung.

(262) V. I. Lenin - Collected Works Vol. 126 p. 258-260.

(263) The Soviet Peasantry-Progress, Published Moscow (1975). Section 22.

(264) Ibid Section 42 and also Section 28.

(265) Ibid Section 42 (b).

- (4) Construction of residential buildings with approval of the Minister of Agriculture & Lands;
- (5) Any other purposes as may be approved by the Minister of Agriculture & Lands; and
- (6) For payment of any government dues such as capital levy estate duty and income tax at par value of such bonds. (266)

The LRC has been given broad powers of acquisition and alienation of movable or immovable properties, investigation, research, inspection and contractual commitment which may be necessary or expedient to achieve the objectives of the Land Reform Law No. 1 of 1972. (267)

Nationalization of Public Company Estates and the Land Reform (Amendment) Law No. 39 of 1975

The Land Reform Law No. 1 of 1972 vested in the Republic only lands of over 50 acres belonging to families, individuals & private companies. All public companies were exempted from this Law. On 17th Oct. 1975, the Land Reform (Amendment) Law vested in the LRC every "estate land owned or possessed" by a public company. (268) When this law came into operation public company land was "deemed to vest in & be possessed by the LRC and be deemed to be managed under a statutory trust for and on behalf of the LRC for a period of one year to begin with; the Agency House or organisation which, or the person who on or before the 17th October 1975, was responsible for and in charge of the management of such estate land, for and on behalf of such company and such Agency House, organisation or person shall be deemed to the statutory trustee of such estate land." (269) In terms of this law 396 Estates owned by 232 public companies covering 415,508 acres came to be nationalized & vested in the LRC. These 232 public companies were composed of 87 sterling companies owning 191 estates & 145 rupee companies owning 205 estates. 20 estates were managed by owning companies. The total areas nationalized under this law consisted of 292 126 acres of tea, 110,021 acres of rubber, 8,036 acres of Coconut & 5,325 acres of other crops. The district-wise breakdown is given below:

(266) Ibid Section 42 (c).

(267) Ibid Section 44.

(268) Land Reform (Amendment) Law No. 39 of 1975 Section 42 A (1) & (2).

(269) Ibid Section 42 g.

<i>District</i>	<i>Tea</i>	<i>Rubber</i>	<i>Coconut</i>	<i>Others</i>	<i>Total</i>
Colombo	687	6170	1450	1111	9418
Kalutara	2863	23107	1642	144	27756
Galle	3992	17296	—	—	21288
Matara	3481	1338	—	—	4819
Puttalam	—	—	911	—	911
Kurunegala	—	2916	3070	—	6031
Ratnapura	27849	21539	338	626	50352
Badulla	77556	281	—	—	77837
Kandy	76963	—	—	—	76963
Matale	11917	625	625	—	13167
Moneragala	—	2031	—	—	2031
Nuwara-Eliya	82171	—	—	—	82171
Total	292,126	110,021	8036	5325	415,508

The following categories of land were exempted from the nationalization of public company estates.

- (1) Viharagam & devalagam lands owned or possessed by a vihara or a devala on 17th October 1975 (270).
- (2) Buddhist trust lands held in trust on 17th October 1975.
- (3) Land owned or possessed on 17th October 1975 by a religious institution.
- (4) Muslim charitable or a charitable trust as defined in the Trusts Ordinance or Wakf as defined in the Muslim Mosques and Charitable Trusts or Wakfs Act No. 51 of 1956.

However, if any of the above categories were owned or used by any public company on 17th October 1975, they have got vested in the Land Reform Commission. For instance, Kuttapitiya Estate, Niriella Estate and Lellopitiya Estate are a few examples of estates in Ratnapura District whose major portion belonged to temples and had been given on lease to public companies on a long-term

(270) Nindagam when held by temples came to be termed Viharagam & Devalagam. The total extent of Viharagam & Devalagam lands amounted to 375,000 acres, made up of 250,000 acres Paraveni lands and 125,000 acres Bandara lands, of which 15,674 acres consist of paddy land cultivated by 12,750 tenant-cultivators (the rest being highland). All lands held by Parveni Nilakarayas are subject to performance of services. If the Paraveni Nilakarayas are themselves cultivating these lands they automatically become owner cultivators.

lease, which were vested in the LRC. Similar cases could be cited from Kandy, Matale, Nuwara-Eliya, Badulla and Moneragala districts.

The statutory trust in favour of the former owners of land, which were vested in the LRC, was confined to a transitional period of only one year. Such a statutory trust could be terminated at any time at the discretion of the LRC, which could at any time take possession of any such estate land vested in the LRC. (271) Unless terminated earlier, such a trust could continue only for one year from 17th October 1975, unless the LRC decided to extend the period by another year. However, no statutory trust could be continued for any further period by the LRC except with the expressed approval of the Minister of Agriculture and Lands. This provision was similar to the provisions in the Land Reform Law No. 1 of 1972. (272) The terms and conditions of a statutory trust under Land Reform Law No. 39 of 1975, including the remuneration of Agency fees to statutory trustees, has been prescribed by regulations under this law.

The Land Reform Commission had decided on the rates of crop charges, fees & commissions payable to the statutory trustees. (273) On this basis, in the case of tea, crop charge was $2\frac{3}{4}$ cents per pound of crop manufactured & the commission for the gross sale proceeds was $2\frac{3}{4}$ cents (less sales tax); in the case of rubber the crop charge was $2\frac{3}{4}$ cents per pound of crop harvested & the commission for gross sale proceeds was $2\frac{3}{4}$ cents; and for coconut the crop charge was 2 cents per nut plucked & the commission for gross sale proceeds was $2\frac{3}{4}$ cents in cases of public sales only; for other crops, the crop charge was $2\frac{3}{4}$ cents per pound of crop and the commission was also $3\frac{3}{4}$ cents of sale proceeds. Thus, there was a standardisation in this form, which was earlier subject to varying forms of payment during the period when such estates were owned by private companies. This was expected to act as an incentive to keep productivity high. However, keeping productivity high did not mean that the statutory trustees could increase their fees by extracting everything from estates in the form of slaughter-tapping, double-tapping which, if done, would be detrimental. For, the law provided certain conditions for managing the estate lands by the trustees on behalf of the LRC. (274) The law specifically states that no such statutory trustee shall by any act or omission cause the condition of any estate

(271) Section 42 G

(272) Section 3 (2)

(273) Ceylon Daily News (December 8th, 1975)

(274) Section 42 B (1) - (5)

land to deteriorate or its assets, movable or immovable, destroyed, lost, damaged or depreciated in value. (275) On 1st April 1976, however, the Janawasama was established to get over the problem of statutory trusteeship, and the control of the Tea Board over tea properties was ensured with provisions in the incorporation order of the Janatha Estate Development Board.

Alienation of Nationalized Estates by the LRC

A great deal of discretion has been conferred on the LRC for alienation of any estate land vested in the LRC. (276) Accordingly, the estate land could be:

- (1) alienated by way of sale, exchange, rent, purchase or lease to persons for agricultural development or animal husbandry, or for a *co-operative or collective farm or enterprise*;
- (2) alienated by way of sale in individual allotments to persons for *residential house construction*;
- (3) alienated for *village expansion* or any other *public purpose*: (about 80,000 acres are for village expansion);
- (4) alienated for *a farm or plantation managed* by the LRC *directly or by its agencies*;
- (5) alienated to *any Corporation established or to be established* under the following Acts:
 - (a) State Agricultural Corporations Act No. 11 of 1972 (277). e.g. National Livestock Board, Janawasama.
 - (b) The Ceylon State Plantations Corporation Act No. 4 of 1958.

(275) Section 42 B (2)

(276) (1) Section 42 H (1) (a-c)

(277) Janawasama - established under the State Agricultural Corporation Act No. 11 of 11 of 1972 under the Ministry of Agriculture and Lands. It has been given estates (250,000 acres) in the Kegalle, Kandy, and Matale Districts. Certain estates in the Nuwara-Eliya, Badulla, Moneragala Districts are also vested in the Janawasama 180,000 Acres in the Colombo, Kalutara, Galle, Matara, Ratnapura Districts and certain estates in Nuwara-Eliya, Badulla & Kandy Districts, are vested in the State Plantations Corporation.

However, in determining the purposes for which estate lands vested in the LRC may be used, the LRC was subject to any such directions as may be issued from time to time by the Minister. (278)

Compensation for Nationalized Estates

There is provision for payment of compensation in respect of every estate vested in the LRC under the Land Reform (Amendment) Law No. 39 of 1975. Unlike the 1972 law, the 1975 law specified whether the compensation will be paid in cash (279) or bonds. The manner & mode of payment of compensation were to be determined by the Minister (280) in consultation with the Minister of Finance & the Minister of Planning & Economic Affairs.

Acquisition of Agency Houses

The Land Reform Law No. 39 of 1975 has given the Minister of Agriculture & Lands the powers of vesting of the business undertakings of Agency Houses or organizations (281). This vesting could be done by the Minister in consultation with the Minister of Trade, Minister of Finance & the Minister of Planning & Economic Affairs. Thus, if any Agency House or organization was a statutory trustee of any estate land vested in the LRC, the Minister of Agriculture & Lands may request the Minister of Finance to vest such Agency House or organization in the Government under the provisions of the *Business Undertakings (Acquisition) Act* No. 35 of 1971. The Minister of Agriculture & Lands also has the power to appoint & remove directors or other executive officers of Agency Houses and organisations, if in his opinion, it is necessary for the good or proper management of any estate land vested in the LRC (282). All appointed directors or other executive officers will be gazetted. These actions will be valid & effectual notwithstanding anything in any other law in Sri Lanka & also such action cannot be questioned in any court or tribunal on any ground, whatsoever. (283)

(278) Section 42 H (2)

(279) „ 42 J (1)

(280) „ 42 J (3)

(281) Section 42 K (1) On 9.1.76., the first Agency House to be nationalized under this law was the Consolidated Commercial Company Ltd. All estates managed by Agency Houses were transferred to State institutions after terminating the statutory trusteeship from 9. 2. 76. onwards.

(282) Section 42 L (1)

(283) „ 42 L (2)

Comparative Analysis of the Land Reform Law No. 1 of 1972 and the Law Reform (Amendment) Law No. 39 of 1975.

The Land Reform laws vested about 900,000 acres in the Commission, which belonged to individuals, private companies and public companies. The Land Reform Law No. 1 of 1972 included only "agricultural lands" which were above the ceiling and which were used or capable of being used for agriculture, including private lands alienated under the Land Development Ordinance or the Crown Lands Ordinance or any other enactment and included also all immovable property like factories, fixtures etc. Therefore, all movables like vehicles, etc. did not get vested. Moreover, after the statutory determination was done most of the former owners, to whom the larger portion of the land still belonged, also received the factories etc.

The former owners took away all vehicles etc. and left only the agricultural land for the LRC. This resulted in great difficulties in operating estates and the Government had to incur high expenditure to provide vehicles, fittings etc. The Land Reform Law No. 39 of 1975, on the other hand vested in the LRC estate lands exceeding 50 acres and (284) included "unsold produce of such land and all buildings fixtures, machinery, implements, vehicles, and things movable and immovable and all other assets belonging to the owner of such land and used for the purpose of such lands". This enabled the running of these estates at production levels and also providing continuous employment.

Secondly, the Land Reform Law No. 1 of 1972 excluded public companies, whilst the Land Reform (Amendment) Law No. 39 of 1975 (285) included public companies. The former law fixed a ceiling on ownership at 50 acres (i.e. 25 acres where land was exclusively paddy and 50 acres where highland was involved but it could include only of 25 acres if paddy was involved). Thus, an owner, his wife and children over 18 should have received 50 acres each in the statutory determination. (2.6) The 1975 Land Reform Law more or less nationalized all estates since there were hardly any public companies with less than 50 acres; therefore, no statutory determination was necessary to be done in the latter case.

A recent decision of the Government to consider cases of "injustice" has enabled the release of land upto 200 acres to previous

(284) Section 42 M

(285) ,, 66 - Land Reform Law - 1 of 1972

(286) ,, 19 (1) (a)

owners of such lands, provided they were not given land under "inter-family transactions" by the LRC. When children attain 18 years of age, there is provision to give them land too.

Thirdly, the Land Reform Law of 1972 made all earlier owners statutory lessees who could operate for one year, in the first instance, and if extended over another year, the Minister of Agriculture and Lands had to give his approval. Similar provisions were applied to statutory trustees, Agency Houses, organizations, and persons. The law provided for, in the Land Reform Law No. 39 of 1975 also, payment of fees and remuneration for services rendered on behalf of the LRC. This statutory trusteeship was stopped, and new agencies to manage State lands were created in 1976.

Fourthly, the Land Reform Law No. 1 of 1972 allows for seven forms of land alienation but the Land Reform Law of 1975 (287) identifies five purposes, including *land for village expansion*; but unlike in the (288) Law of 1972, the Land Reform Law of 1975 specifically states that the LRC, in determining the purposes for which estates are to be alienated, shall be subject to such directions as may, from time to time be issued on that behalf by the Minister of Agriculture and Land.

Fifthly, both laws accept the principle of compensation payment. The 1972 Land Reform Law specifically states that in computing the compensation, *two criteria* should be used & compensation be paid on the higher amount, so calculated. They are: (289)

- (1) An amount not exceeding fifteen times the average annual profit on such land during the previous five years as assessed by the Commissioner of Land Revenue or where not assessed, as declared to the Commissioner of Inland Revenue by the person who was the previous owner of such land on or before 26.8.72, if such land is not paddy land, and ten times such average annual profit if such land is paddy land.
- (2) The value of such land as assessed by the Commissioner of Inland Revenue for the year of assessment ending 31. 3. 71 or where not so assessed, as declared by its former owner to the Commissioner of Inland Revenue for the purpose of wealth tax.

(287) .. 22 (1)

(288) .. 42 H (1)

See also Interpretation Amendment Act 18 of 1972.

(289) Section 28 (1) (a) (b) and also Section 28 (2)

Where any agricultural land has not been assessed for income and wealth tax the LRC in consultation with the Chief Valuer, should make its own valuation for payment of compensation. The method of determination of compensation claims was also laid down. (290/1) Provision for cases where compensation is not accepted (292/3) and for deductions from compensation and also for a Board of Review constituted under the Land Acquisition Act (294) are there in the Land Reform Law No. 1 of 1972. The Law also states that finality of an award made by the Board of Review under this Law cannot be called in question in any court whether by way of or otherwise (295). The mode and manner of payment of compensation (296) are clearly stated in the Law. It was said that the compensation will be paid in cash and in Land Reform Bonds in such proportion as may be determined with the concurrence of the Minister of Finance (297). The Minister of Agriculture and Lands has also decided to set up a Compensation Board (298) to expedite payment of compensation to owners whose properties have been vested in the LRC. The new measure is intended to make payment as quickly as possible; it also affects the mode of computing compensation in a way advantageous to both government and the former owners. The payment of compensation through Land Reform Bonds of 25 year duration carrying an interest rate of 7% per annum was reported to have the following drawbacks: (299)

- (a) The amount finally paid on such a basis could well exceed the value of the land and be double or treble its real value;
- (b) Payment over a long period denies the owner the chance to re-invest that money quickly in some other productive enterprise.
- (c) An owner may often prefer to get a lump sum payment immediately and in quick instalments, even if this sum is less than the valuation he places on his properties.

(290) Section 30 (1)

(291) ,, 29

(292) ,, 32 (1)

(293) ,, 34 (1)

(294) ,, 36 (1)

(295) ,, 38

(296) ,, 42

(297) ,, 42

(298) The Sunday Observer. Colombo Edition, Dec. 7th. 1975.

(299) Section 42 (a)

The compensation to be paid will thus be negotiated with the former owners of estates. "If the surveys of the land valuations were to take place compensation payment might take 10 to 15 years" (300) The Land Reform Law No. 39 of 1975 also specifically mentions that compensation will be paid in respect of every estate land vested in the LRC. (301) It is stated that the amount of compensation to be paid will be "such sum as in the opinion of the Chief Valuer constitutes a reasonable value of such estate land" (302) as on 17th Oct. 1975. The Chief Valuer shall compute the valuation of such estates taking into consideration, inter alia, the following factors:

- (a) The condition of the estate land as on 17th Oct. 1975.
- (b) The dividends and profits declared by the owners thereof in each of the five accounting years immediately preceding 17th Oct. 1975.
- (c) The prices at which estate lands in the area in which such estate land is situated were sold during the period of 3 years immediately preceding 17th Oct. 1975.

Unlike in the 1972 law, in the 1975 Land Reform (Amendment) Law, the manner and mode of payment of compensation are not specifically stated. It is said that the manner and mode of payment of compensation will be determined by the Minister of Agriculture and Lands in consultation with the Minister of Finance and the Minister of Planning and Economic affairs. (303) The law also states that Sections 29-40 (both inclusive) will apply, *mutatis mutandis*, as far as compensation and procedures for review are concerned. It is stated that from the compensation due, the following are deductible:

- (1) Payments to the Commissioner General of Inland Revenue under the Inland Revenue Act No. 4 of 1963;
- (2) Payment to the Commissioner of Labour of such sums as are due from owners as arrears of salary, EPF contributions, gratuity or other monetary benefits in respect of any employee of an estate,

Sixthly, The Land Reform Law No. 39 of 1975, unlike the 1972 law, gives the Minister of Agriculture powers of vesting any

(300) Mr. Hector Kobbekaduwa, Minister of Agriculture and Lands National State Assembly, 12th Dec. 1975, Ceylon Daily News 13th Dec. 1975.

(301) Section 42 (j)

(302) Section 42 (j) (2)

(303) Section 42 (j) (3)

Agency House or trustee and of appointing or dismissing any director or executive of any Agency House or statutory trustee. (304)

The Land Reform Law in Its Perspective

The Land Reform Law No. 1 of 1972 which was presented to the National State Assembly by the Minister of Agriculture and Lands on 7th July 1972 and passed on 26th August, 1972, is very different in its nature and objectives from earlier legislation affecting land. (305) It should be understood not only in the light of the socialist aspirations and commitments of the United Front Government which came into power in May 1970 but also in the context of other Socialist-oriented legislation passed after May 1970, by the same government.

Legislation had been enacted affecting the income and wealth distribution structure. The more important of such laws are the legislation relating to the contravention by Ceylonese and others resident in Sri Lanka, of *Exchange Control Laws* (306) and Acts providing for *Compulsory Saving Contributions* (307) and for placing a *ceiling on disposable income* (308). The Budget proposals of 1976 removed the provisions for compulsory savings and the ceiling on income. The *Foreign Exchange Amnesty Act, No. 1 of 1971* is intended to provide for the making of deductions on or before 31st March 1971 of all movable and immovable property outside Sri Lanka held by persons resident in Sri Lanka in contravention of the provisions of law for the time being in force relating to Exchange Control; to enable all such property which is so declared to be dealt with or disposed of in accordance with such directions as may be issued from time to time by the Competent Authority in order to give full force and effect to the Exchange Control policy of the Government and the provisions of the Act No. 1 of 1971; to indemnify the persons who have made such

(304) Section 42 (L)

(305) Land Acquisition Act No. 9 of 1950, (Amended by No. 39 of 1954 and No. 22 of 1955) Land Settlement Ordinance No. 20 of 1931, (Amended by No. 22 of 1932 & No. 31 of 1933) Crown Lands Ordinance No. 8 of 1947, 9 of 1947 & Act No. 13 of 1949; Land Acquisition Acts No. 9 of 1950, 39 of 1954 & No. 22 of 1955; Tea & Rubber Estates (Control of Fragmentation) Act No. 2 of 1958. Estates (Control of Transfer & Acquisition) Act No. 2 of 1972.

(306) Foreign Exchange Amnesty Act No. 1 1971; Exchange Control (Amendment) Act No. 17 of 1971.

(307) Compulsory Savings Act No. 6 of 1971; Finance Act No. 38 of 1971.

(308) Ceiling on Income and Compulsory Savings Act. No. 12 of 1972.

declarations against liability to penalties or prosecutions under the provisions of that law; to exempt such persons from liability to pay income tax on all such property so declared under the law for the time being in force relating to income tax; and to provide for matters connected therewith or incidental thereto. An amendment to the Inland Revenue Act also introduced a "Pay As You Earn Scheme". Rates of levy on capital assets, so that valuable foreign exchange will not be lost to the State by the misconduct of private business, was passed in 1971. (309) The Act provides for "The acquisition for the government whether by agreement or compulsorily, of any business undertaking, for the requisitioning of that undertaking and for matters connected therewith or incidental there to".

Most of these legislative acts have been withdrawn by the present government on the ground that they violate the fundamental rights of a just society and in order to provide a liberalized environment for business. Real estate ownership too was changed radically through the control of ownership and renting of houses. (310) This too has been relaxed now. Another very important law affecting proprietary rights of lands was the *Estates (Control of Transfer and Acquisition) Act No. 2 of 1972* which is intended to control the transfer of ownership of estates and to provide for their acquisition in the national interest of estates for and on behalf of the Republic. Under this law, the Minister has the "right of pre-emption" or preference over any estate that is to change hands by transfer of ownership. This Act not only made transfer of ownership of estates (holdings over 100 acres in respect of Tea, Rubber or Coconut or any other crop), without the approval of the Minister of Plantation Industry, null and void but also gave the Minister the power to acquire any estate in the national interest. (311) This law has been amended to permit freedom of property transactions.

An attempt was also made through legislation to consider seriously the problem of productivity; like the Land Reform Law, these Laws enthrone the modern concept that land inherently belongs to the society as a whole and that the owner of the land is the Trustee for the society and must so utilise the land as to gather the maximum benefit for himself and for society as a

(309) Business Undertakings have been acquired: eg: BCC Ltd., Bogala Graphite, etc.

(310) Rent Act No. 7 of 1972; Ceiling on Housing property Act No. 2 of 1972.

(311) 10,600 Acres belonging to Pelmadulla Tea & Rubber Company limited, The Mahawela Rubber & Tea Company Limited & East India & Ceylon Tea Company Limited was acquired in the national interest under this law by the Minister of Plantation Industry on 3rd April 1975.

whole". (312) One of the pieces of legislation in this direction was the *Coconut Development Act*. (313) which provided for the development and regulating of the coconut industry by the relevant Minister through the Coconut Development Authority, established for this purpose or through any other means. As in the case of estates, Section 48 of the Coconut Development Act empowers the Minister of Plantation Industry "to acquire any Coconut Plantation" where this is necessary for the purpose of the Act. Section 51 of the Act empowers the Minister to make regulations for the carrying out or giving effect to the principles and provisions of the Coconut Development Act. It also empowers him to make regulations, control, supervise, direct, manage and inspect the cultivation and methods of cultivation of prescribed coconut plantation, the cultivation of prescribed land with coconut and the utilisation of land in prescribed coconut plantations including the utilisation of such land for other crops and for animal husbandry. But these provisions have not been used in Sri Lanka so far.

The *Tea Control (Amendment) Law* (314) has also provided for similar steps. It is intended to "provide for the registration of Tea plantations and proprietors, thereof; for the registration of Tea manufacturers and of the factories operated by them; for the development and maintenance of Tea plantations and Tea factories and consequences of non-compliance with orders issued by the Tea Controller; for the control of the planting and replanting of tea, the possession, sale and purchase of tea, and the exportation of Tea, Tea seed and such parts of the Tea plant as are capable of being used for propagation; for the imposition of an export duty on tea; for the establishment of a Tea Advisory Board; and for matters connected therewith or incidental thereto". Section II D provides for the establishment of a Special Advisory Committee consisting of the Tea Controller, who is the chairman, and four other members appointed by the Minister of Plantation Industry. Where the Tea Controller is not satisfied that a registered estate or registered small holding or registered factory is developed and maintained at the required standard of production and management, he shall refer the matter to the Advisory Committee for its advice regarding action to be taken to ensure that such estate, small holding or factory is developed and maintained

(312) Official Report National State Assembly Debates 1972 Vol 3. 118.

(313) Coconut Development Act No. 46 of 1971.

(314) The Tea Control (Amendment) Law No. 39 of 1974.

at the required standard of production and management. Section II F says that where the Tea Controller is satisfied that any registered estate or registered small holding cannot be developed or maintained at the required standard of production or management due reasons beyond the control of the registered proprietor of such estate or small holding, he may, on application made in that behalf by the proprietor of such estate or small holding, authorize him to replant such estate or small holding with any crop approved by the Tea Controller. Tea production norms are fixed by the Tea Controller for every estate or small holding under this law. (315) This law too has not been made fully operative; it has been left to individuals to voluntarily develop their properties by better incentives.

The Agricultural Productivity Law (316), which was passed soon after the Land Reform Law by the National State Assembly, also aims at maintaining and increasing productivity in agricultural property. According to its preamble the purpose of the Law is to "provide for maximum productivity through the proper use and management of agricultural land and the efficient management of agricultural crops and livestock." The Law (317) imposes a duty on every owner or occupier of agricultural land;

- (1) To farm such land with crops or breeds of livestock as are best suited to the land; and
- (2) To manage it with a view to improving the productivity and maintaining efficient standards of production both as to quantity and quality of the produce ensuring *inter alia* that;
 - (a) Only recommended varieties and breeds of livestock are used;
 - (b) irrigation water is efficiently managed;
 - (c) there is maximum conservation of soil and water;
 - (d) the fertility of the soil is improved by the application of fertilisers and manure; and
 - (e) necessary steps are taken for the protection and preservation of growing crops harvested or in the course of being harvested.

(315) Tea Control (Amendment) Law No. 39 of 1974 Part II A Section II A (a) (b)

(316) Agricultural Productivity Law No. 2 of 1972.

(317) Section 2 and 3.

Any breach of the above duties will be an offence under Section 4 of the Law. Moreover, the Minister of Agriculture and Lands will have the power to place the person in breach under his supervision for 12 months and if no satisfactory improvement has been shown by such person, to make an order of dispossession under Section 7 of the Law. The effect of such dispossession is to vest the ownership of the land concerned in the Government, except where the offender is mere occupier of land, in which case the land will be given to a suitable person on the recommendation of the Agricultural Productivity Committee of the area. (318)

The Agricultural Productivity Law also makes provision for the establishment of APCs all over the Island consisting of not more than 10 persons appointed by the Minister. There are today 300 APCs and 5000 Cultivation Committees. (319) Though the APCs seem to be bodies with a purely advisory function, they will have the power to impose and collect an acreage tax in addition to further powers that may be conferred by the Minister at his discretion. (320) The APCs may, however, delegate some of these functions to any Cultivation Committee constituted within its area of authority under the *Agricultural Land Law*. (321)

The Agricultural Productivity Law also provides for the establishment of *Agricultural Tribunals* consisting of about eight persons at least, one of whom should be a lawyer. There is provision to make every decision of the Tribunal final and conclusive, subject to a right of appeal to the Supreme Court on questions of law. (322) This Law also provides that an *Agricultural Co-operative Society* may be established in each APC area consisting of cultivators of the agricultural lands within the area. Such a *Agricultural Co-operative Society* may perform the following functions:

(318) An Agricultural Productivity Committee is body corporate with perpetual succession and a common seal. The members of the APC are appointed by the Minister of Agriculture and Lands and it shall consist of not more than ten persons who in the opinion of the Minister represent the interests of persons engaged in agriculture or, any other persons the Minister thinks are suitable. The Chairman of the APC and the Vice-Chairman are designated by the Minister and all members hold office for 3 years (Section 23, 24, 25, 26, of the Agricultural Productivity Law, No. 2 of 1972).

(319) Part II Section 23-29.

(320) Ceylon Daily News - Dec. 13, 1975.

(321) Agricultural Lands Law No. 42 of 1973.

(322) Part III Section 30-36 Agricultural Tribunals.

- (1) Obtain agricultural advances in proportion to the amount of land owned by its members.
- (2) Supply the farmers with working capital, including the necessary seeds, fertilizers, insecticides, cattle, pumps, agricultural machinery and provide facilities for storage and transportation of crops;
- (3) Organise the farming of the land and its utilisation in the best possible manner, including the selection of seeds, crop classifications, pests and weed control and the construction of canals and drains.
- (4) Sell the produce of the members subject to such conditions as may be agreed upon.
- (5) Secure on lease from the respective owners any agricultural land, and farm such land under the joint management and operation of such a Society; and
- (6) Take all such measures as may be necessary for the welfare of its members.

As a first step towards the transformation of agricultural land from the present system of individual and independent holdings to a collective or a co-operative production system, the Agricultural Productivity Law (323) empowers the Minister of Agriculture and Lands to establish *Small-holders Service Co-operatives*, which may be complementary to the *Agricultural Co-operative Leasehold Society* envisaged in the Law. (324) This law has now been amended & new legislation is pending.

The Agricultural Lands Law (325), apart from two other very important pieces of legislation, (326) (*The Sale of State Lands (Special Provisions) Law No. of 43 of 1973 and the Agricultural Insurance Law No. 27 of 1973*) is the most recent relevant addition to land laws.

It repeals and replaces the *Paddy Lands Act No. of 1958*. The measures envisaged by the *Paddy Lands Act No. 1 of 1958* were

(323) Section 26.

(324) Section 38 (1) (2); See Section 39 as well.

(325) No. 42 of 1973.

(326) Sale of State Lands (Special Provisions) Law No. 43 of 1973 provide for the systematic sale of State land in Sri Lanka to certain prescribed classes of persons for the purpose of Agricultural Development. for the repeal of certain Provisions of the Land Development Ordinance,

meant to be incentives to the tenant cultivators to increase production by giving them security of tenure. It was in many respects a pioneering piece of legislation. But it was a failure in no small measure due to careless drafting and somewhat faulty implementation. The new Law (42 of 1973) besides providing for security of tenure to the tenant cultivator, also seeks to regulate the payment of rent by the tenant cultivator in respect of land cultivated by him. The rent payable (327) under this law will be determined by the Minister of Agriculture and Lands and shall not exceed:

- (a) 15 bushels of paddy in respect of each cultivated acre.
- (b) 1/4th of the total yield of paddy, and
- (c) any customary rent hitherto payable for each cultivation season.

The Agricultural Lands Law also establishes *Cultivation Committees* which number 5,000 at present and are generally subject to the control and direction of the Agricultural Productivity Committee (APC), established under the Agricultural Productivity Law, within whose area of authority it lies. In fact, the Cultivation Committees will function as agents of the APCs.

The *Paddy Marketing Board Act* (328) established in 1971 a Paddy Marketing Board to carry on business as purchaser, seller, supplier, distributor, huller, miller and processor of paddy and rice. The *Paddy Producers' Savings Law* (329) authorised the Paddy Marketing Board or other authorized purchaser to make certain deductions from the price payable to a producer for the paddy sold and to credit such deductions to an individual savings account of such a producer so that he will be able to obtain at the time of his retirement a sizeable lump sum similar to the Employees' Provident Fund benefits operative in State Corporations, Co-operatives, the Mercantile Sector and Plantations.

The other Acts passed in 1972 enabled the establishment of *State Agricultural Corporations* (330) and an *Agrarian Research and*

(327) *Agricultural Insurance Law No. 27 of 1973* provides for the establishment of a *Agricultural Insurance Board* for undertaking the business of Agricultural Insurance for specified crops & livestock & to repeal the crop Insurance Act No. 13 of 1961 Section 20.

(328) *Paddy Marketing Board Act No. 14 of 1971.*

(329) *No. 24 of 1972.*

(330) *State Agricultural Corporation Act No. 11 of 1972.* The Usawasama-(the Up-country Co-operative Estate Development Organization), the Sri Lanka Cashew Corporation are examples of Corporations established under this Act. Janawasama is another institution established under this law.

Training Institute. (331) The abolition of *Fidei Commissum and Entails Act* (332) removed restraints on alienation of land and made possible freer use of entailed properties. It also provided for the regulation of title to properties which were subject to fidei commissal entails, settlements and restraints and also to limit the creation or operation or interests in remainder or reversion.

The statutes discussed may be described as attempts made by the Government in the field of land law "to lay the foundation for the building up of a socialist society" (333) and to eliminate economic and social privileges, disparity & exploitation, and to ensure equality of opportunities to all citizens". (334)

The Land Reform Law aimed at achieving a transformation in the structure of land ownership and land use in this country. These objectives have been achieved to a major extent and the process for such a transformation has been set in motion as a result of the Land Reform Laws & the related pieces of legislation in this country. In this task greater State intervention became necessary to ensure that long term planning, as carried out both in the estate sector & in the small holding sector. In this process it was considered necessary to be prepared to sacrifice present pleasures for future welfare because it was said that "there is no royal road to economic development except through hard work, sacrifice and a measure of austerity".

The change of government in July 1977, saw a sudden transformation in the direction of radical change. The Government headed by the Executive President, His Excellency J. R. Jayewardene clearly indicated that the government accepted the ceiling on ownership of land fixed by the law. The government also pledged to increase productivity by ensuring better management and creation of employment in land (335). The present government is pledged to establish a just society based on democratic socialist principles. Certain fundamental changes were made in this process: one such step was the scrapping of the co-operatives and the Usawasama and curtailment of the Janawasas; yet another was the bringing together of all plantation wherever possible under the direction of the Ministry of Plan-

(331) Agrarian Research & Training Institute Act No. 5 of 1972.

(332) Act No. 20 of 1972.

(333) Official Report House of Representatives, 1970, Vol. 1, 3.

(334) The Joint Election Manifesto of the S.L.F.P, the L.S.S.P and the C.P. United Front - 1970.

(335) Ceylon Daily News - Sept. 7th, 1977.

tation Industries. Certain changes in the environment of work have been brought about on a systematic and planned basis. Compensation payment has been expedited and the vesting of ownership of estates in SLSPC & JEDB has been worked out. Rationalization of estates has been done and decentralization of management has been launched. Proper management norms and input supplies have been assured. Estate-village integration programmes have been made operative.

In the field of Land Reform Law, the government recently announced that it would amend the law to permit the retention of 50 acres of land by all those who were 18 years of age and even below at the operative time, and the maximum a family could keep was made 250 acres of land. This is a major change in the law. What most people are not yet clear is, whether the ceiling of 50 acres would be ensured because the right of property ownership is not provided for in the Sri Lanka Constitution. Hence, most people either fragment and sell the properties and move into trade or they allow productivity to drop without re-investment. Hence some form of productivity norms may have to be introduced to increase productivity of plantations especially in coconut lands.

The present government has liberalized most controls in effect for greater incentive and freedom of action for productivity. Exchange control laws have been relaxed; compulsory savings contributions have been suspended; ceilings on income have been relaxed. Foreign Exchange has been made freely available. The Capital Levy Act has been withheld. The Estates (Control of Transfer and Acquisition) Act is being amended to enable free transfer of properties. The Ceylon Tea Board has been refashioned to suit the liberalized environment. If agricultural productivity cannot be increased by land owners, it may be worthwhile to consider fixing norms to increase productivity. Commodity prices are so good now that there is an incentive for voluntary increase in productivity by better husbandry practices.

Conclusions

An analysis of land laws in Sri Lanka from land reform to other land legislation reveals the need to codify land laws in the country. The ceiling on ownership is 50 acres and there is a need to amend a series of other laws to identify with the ceiling. Another area that needs consideration is the desire by investors to undertake large scale plantation-type of cultivation especially in horticulture etc., and here, the ownership of land in relation to land ceiling laws can be overcome by State organisations owning the land but leasing it out for utilization. It may be necessary

to consider the various aspects of land laws and their codification to meet the needs of changing times. It is also time to realize that arable land in Sri Lanka is limited and that the best use of this available limited resource must be made for national welfare. In this respect, there is a strong case to establish a National Land Use Authority at the highest level possible.

As for compensation payment, the government has taken a decision to pay owners of Sri Lanka public companies whose lands were vested under Stage II of the Land Reform, fifteen times the average annual profits of the lands owned by them during the previous five years as assessed by the Commissioner of Inland Revenue. Where no assessment has been made, payments are to be based on declarations to the Commissioner of Inland Revenue. The payment of compensation on this basis was approved by the government on proposals made by the Minister of Agricultural Development & Research. The profits are to be calculated after adding back the following expenditure:

- (a) Lump sum depreciation.
- (b) Replanting and new planting expenditure and maintenance of replanting areas and new clearings.
- (c) Capital expenditure on factory buildings and expansion or factory development and machinery, and
- (d) Capital expenditure on labour and staff accomodation and buildings.

Where companies had done replanting and new planting of tea rubber, coconut and other crops in the 7 years immediately preceding the date of vesting the estate lands, special consideration was to be given for extents so replanted or newly planted. However, the compensation for the extents of replanted estate lands will be subject to the following maxima:

Tea	Rs. 3000/-	per acre
Rubber	Rs. 2500/-	„ „
Coconut	Rs. 2500/-	„ „
Paddy	Rs. 2000/-	„ „
Cocoa	Rs. 2000/-	„ „
Cinnamon	Rs. 2000/-	„ „
Other crops	Rs. 2000/-	„ „

Where firms have not made profits during the previous five years the quantum of compensation is to be determined on the basis of yields of estate lands over the last 3 years prior to vesting.

Part VI

COLLECTIVE FORMS OF LAND USE

Chapters XV — XVI

XV

THE PROSPECTS FOR COLLECTIVE FARMING IN SRI LANKA IN THE INTERNATIONAL SETTING

Collective or co-operative farming exists in many countries with different levels of development, and socio-economic, political and cultural structures. Interest in the collective concept is growing especially in the "third world" countries. Unlike the peasants, social scientists backed by politicians in these countries look to the collective concept as a solution to socio-economic problems in their respective countries. Some economists argue that collective farming is the agricultural production form of the future.

All collective farms have the common feature of a group production system whose membership shared among themselves work, property and the fruits of their labour.

Many criteria are used to distinguish collective farms within and among countries. There are *Janawasas*, *co-operative farms*, *youth schemes*, *co-operative gammanas* in Sri Lanka. There are *moshav*, *moshav-shitufi* and *Kibbutzs* in Israel. Association of Joint Farming (TOZ), *artels*, and *communes* in the Soviet Union. There are *communes* in the People's Republic of China also *Ujamaa* villages in Tanzania, *co-operative ejidos* in Mexico, *Handwirtschaft Productions Genossenchaften* in the German Democratic Republic, and *collective farms* in Hungary.

There are various criteria for classification of collective farms. They include:

- (1) the amount of land commonly owned and its proportion to the total area;
- (2) the amount of co-operative work and its relation to work done by members for individual production;

- (3) the size of the farm;
- (4) the production characteristics of the farm;
- (5) the number of members;
- (6) the organizational principles;
- (7) the link between the collective farm and the general economic system.

All these classifications cannot fully cover the various socio-economic patterns of collective farms.

There are four types of collective farms identified by *Boguslaw Galeski* of the Polish Academy of Sciences. They are:

- (1) Collective farms based on an ideology which places a higher value on non-economic than on economic goals. These include religious communes, collective farms created by ideological believers in radical social change; communes created by those who reject contemporary capitalistic industrial civilization and its values; farms created by groups of believers belonging to a particular race, class, or mission.
- (2) Collective farms created by the landless who have encroached on State or similar land. These include farms created by new settlers requiring expensive investment in infra-structure and irrigation facilities.
- (3) Government sponsored collective farms to attain certain socio-economic goals. These include youth farms started by the Youth Council and the Land Commissioner, Samupakara Gammanas started by the Janawasa Commission. D.D.C. Agricultural Projects were started by the Regional Development Division of the Ministry of Planning and Employment in Sri Lanka. These were not created by peasants themselves but by governments. The collective concept embodied in these projects were not the ideas of the youths or peasants. To date no collective farm has been voluntarily and spontaneously created by peasants.

Collectivization permits control over production and consumption in rural areas and over prices of food. It also allows the use of large masses of manpower for construction of industry and supra-structure. Collectivization also provides the means for administrative and political control over the mass of petty producers. In some countries in the

Eastern European region like the German Democratic Republic of Czechoslovakia, reasons for collectivization were different. Most East European countries had highly developed industrial sectors and furtherance of industrialization programmes created difficulties for agricultural manpower. Lack of such manpower made it necessary the organization of large holdings. Since ideologically large private commercially oriented plantation type holdings were not acceptable, State and co-operative (collective) farms were possible. Like Sri Lanka's Government farms, the State farms were more expensive because they placed all the risks on the State and gave less incentive for productivity. Therefore, collective farms were chosen as the economical and the ideal form of large holdings.

- (4) Collective farms organised voluntarily by farmers in order to get the advantages of large scale operation — economies of scale, lower costs of production, more effective land use, of manpower, of capital and of management, resulting in higher economic profits. This type of collective farm is possible even in mixed economies like Sri Lanka & in competitive economies in the West. In these types, technological innovations, introduction of new and expensive agro-technical methods to maximize profits are possible. Farmers in these types of collectives pool their resources — land, manpower, capital, machinery, inputs like fertilizer in order to maximize production, minimize risk and costs and increase profits. The French *Groupement Agricole d' Exploitation on Comauian* (GAEC) is an example of this kind of collective farm. The field laboratory operated by the Agriculture Research and Training Institute in Sri Lanka, at Beminiwatte is a similar experiment. The *Maschenriage* in Germany with joint ownership of mechanical agricultural equipment, *Agricultural Circles* in Poland, and co-operatives in Yugoslavia are new intermediate collective types.

Types of Collective Farms in Selected Countries

Kibbutz in Israel.

The need to settle Jews in new land not in agricultural use or in inefficient use was the general reason for collective farming in Israel. This was the basis for different forms of co-operative farming in Israel. The ideological factor was the most important factor in the success of agricultural co-operatives in Israel. Settlers in Israel Kibbutz were in fact in an "optimal" situation. They received substantial financial assistance. They were also

well educated people. They had not been peasants in the past. They had been holding various professional and non-professional posts in the U.S.S.R., the U.K., France, Germany, U.S.A. and various other Western countries. So they had no attachment to individual farming or to private property. They were bound by their being "Jews" trying to build their long lost country. They had on unifying—usually a Socialistic Zionist—ideology. The Kibbutz was therefore not just a unit of settlement on the new land, and not just a military unit. It was primarily a group of believers in "an equalitarian utopia". Each kibbutz is affiliated with or was created by a different political party. Therefore, there are ideological differences between kibbutzim.

The most important organizational principle of kibbutzism is the vigorous equality in their access to all benefits — power (decision making), education, prestige, means of consumption and equal distribution of all unpleasant duties and work. The principle underlying the kibbutz is "to each according to his needs". Equality is not the single organizational principle of the kibbutz but it is the most important influence on the general features of kibbutzism. Socialization of ownership, socialization of production and consumption, rotation of all administrative jobs after every 2 years, the key role played by a general assembly of all members of a kibbutz in the decision-making process, the equal prestige of all kinds of work done in the kibbutz, are the consequences of the dominant idea of equality. Kibbutz are not free from internal conflicts and contradictions. The socialization concept was formulated in opposition to a profit oriented social system where exploitation is predominant, money is status, money commands benefits and privileges. The kibbutz is considered an "oasis" of socialism where money has no power, status commands no benefits and privileges. In theory, these may be true. But in practice, kibbutz cannot exist in isolation from the rest of the capitalistic economic system. The kibbutz exist in a competitive, market and profit oriented social order. Even in the internal organization of kibbutz, priorities are stabilised which are not particularly desired by members, but which are absolutely necessary if the kibbutz is to be competitive. Generally, the members of kibbutzim have not achieved their desired goals.

The socialised principle "to each according to his needs" is realized only to a very limited extent. Only the basic food is shared. All other consumables are distributed according to the length of time one individual has spent in an kibbutz and his estimated "contribution" to the kibbutz. Neither prestige nor distribution of power is equal. The rotation of all leading positions in the kibbutz is obligatory but in practice this is non-existent. The younger folk have different ideas from the older folks in the

kibbutz. The young people growing to be experts, technicians or managers have introduced new ideas of national work organization, of efficiency, modern technology, modern marketing etc. These are in conflict with the original goals of the kibbutz. Yet other younger folk leave kibbutzes to join the army, or the civil service where they do well but are not ready to live with unorganized individuals competing in a capitalist economy. There are yet another group of younger folk who may organize new kibbutz near the frontiers where they try to put into practice their own version of a just society, as their forefathers did. The idealism of kibbutzism cannot be realised but in trying to create an ideal form they manage to create a better society and in that sense kibbutzism are successful. What one can learn from the experience of kibbutzism is that efficient and successful collective farms can be created if there are favourable conditions and if the desire to create such socialised collectives does exist.

Ejido in Mexico

Co-operative Ejidos in Mexico have emerged from the Mexican Land Reform. Land was alienated to producers not as individuals but as group owners and was linked with traditional forms of ownership. Traditional land ownership did not imply collective farming. Livestock was usually privately owned. Land was privately owned. Production was organized on the basis of family farming. There did exist some more or less developed farms of mutual assistance. With this basis, it was possible to organize collective farming after land reform. Landless families living for generations as vasals of landlords received land. The general assembly of members of the ejido decided whether the land should be operated in an individual or collective manner. The receivers of land from land reform were generally inclined to operate the land as a large unit or at least to keep together part of the land and devote it to some kind of production, usually for the market. The factors creating such an attitude were numerous:

- (1) communal ownership of land;
- (2) lack individually owned agricultural equipment;
- (3) lack of agrarian and management skills to organize family farms;
- (4) awareness of profits of the landlord and that his profits could be divided among producers;
- (5) lack of accurate knowledge of any other form of agricultural production;

- (6) the government and its agencies were inclined to suggest the co-operative form.

The most important factor in creating collective farms was the banks. Families who received land had no capital and no equipment. They had to take loans from the inception. The banks needed some kind of guarantee which land given to a group could not provide and the solution was found through credit co-operatives controlled by the banks. In the legal agreements between banks and the ejido membership, banks got full control over the most important economic decisions and particularly over the use of loaned money. In order to secure repayment, banks were interested in the results of production, in efficient and successful farming by debtors. Most banks sent their own specialist staff to help organise the production plan or organize marketing of products and advance payment was given to producers. Some land economists defined ejidos as large holdings operated by banks.

It is reported that co-operative ejidos were successful in profit oriented private commercial plantation regions and in plantations which could not be divided among families without damaging the whole operation. In the La Laguna in North Mexico and in the Yucatan peninsula where large market oriented cotton plantations existed, co operative ejidos still exist not because of the banks but because of the marketing firms and processing industries which prefer to deal with commercial plantations.

The majority of the ejidos did not accept any collective forms of farming. In 1960, there were 18,699 ejidos in Mexico with about 1.5 million members of which only 431 (or 2.3%) with 329,000 members were collectives. Even in co-operative ejidos, co-operative collective concepts were not well developed and only in 281 with 20,000 members, did collectives include animal husbandry.

Collective work existed in agrarian operational aspects. A member of an ejido owned only his house and home garden as private property.

Marketing of ejidos were organized by the banks which paid advances on produce to farmers which came to be regarded as a salary by ejidos members. The assets were annually computed. A part was paid to the bank, a part to collective investment which was decided by the General Assembly of the ejidos. The rest was divided among members in proportion to their contribution of work. In some collective ejidos there was no need to distribute common money or produce because there was no common work results. In some collectives only part of the income was divided

according to the contribution of work, the remainder being equally distributed. In some co-operative ejidos members whilst working in their private plots, sent hired workers to till collective fields.

The co-operative ejidos are in the process of disintegration now because most ejidos have abandoned the collective principle, of changes in the political situation, of political differences between ejido members, of internal conflicts between free groups and families, of dissatisfaction of the most active members who did not like to depend on group work and of the problem of "just" reward for work and egalitarian tendencies which weakened the role of economic incentives and in consequence the productivity of collective farms. Joint operations in credit, marketing and processing do exist, despite the fact that production is based on single family farming. Communal land ownership and collective mutual work still exist. In fact, co-operative ejidos in Mexico could be regarded as a stage in the transformation of semi-feudal Haciendas into new units composed of family farms, unified by some co-operatives such as credit and marketing co-operatives. Highly specialized commercial market-oriented plantations continue as large State plantations.

Kolkhos In the U. S. S. R.

Collectivization was started in the Soviet Union in 1927. Between 1917-1919, just after the October Revolution, the dominant form of collective was the *Commune* which was an ideological group created by former agricultural labourers. As in kibbutzim in Israel, in communes ownership, especially after the land was nationalized during the revolution, production, and consumption were collective. After 1921, the communes diminished in numbers and by 1927, only 1,800 remained.

Apart from communes, another collective form existed. They were *Artels*. They slowly increased in number and numbered 8,000 by 1927. The dominant production means were collectively owned) However, each member kept his own house, a homestead and a few animals. Each member was obliged to work for a given time on the collective land and during his free time worked in his own private plots in the homestead. The results were distributed according to the quantity and quality of work and payment was in kind and not in cash. Supplies were sold to the market especially to marketing co-operatives or to the State. Artels were mainly created by the landless and poor peasant families partly on their own land and partly on the lands given to them by the State.

The other form of collective that existed in the Soviet Union was known as *TOZ* or the *Association for Collective Work on the Land*. In these, the means of production were individually owned. Each family kept its land. Some work was collectively done, particularly work with the State owned tractors and a part was done by the family on its own fields. Animal husbandry was not collectively owned but fully privately owned. The results of production effort were not collectively owned but owned by the families.

Various people adduce various factors for the sudden decision by the Soviets to collectivize Soviet agriculture. There were both socio-economic and political reasons for this decision to collectivize.

- (1) The superiority of large scale over small scale agricultural production and the co-operation of joint labour efforts result in advantages "towards socialism".
- (2) It is a move towards "socialist transformation" of the country side as by advocated Lenin.
- (3) Underdeveloped and destroyed by war and revolution, the Soviet industrial sector was not able to meet demands and there were no incentives for farmers — to sell their products. They preferred to keep them as the best means of security. An ambitious program of industrialization, mass migration from rural areas to the industrial centres and the needs of the export sector to buy modern technical equipment all required the strong control of prices, especially of food and other measures to supply the industrial and export centres with agricultural products. Since agricultural producers were not inclined to sell their produce, and it was not possible to get the production via market exchange, it was necessary to use non-economic measures to control the producers, their investments, their resources and their consumption and to extract all surplus from agriculture. Collectivization was considered as the tool to control small commodity producers and to subordinate them to the program of industrialization which the Soviets considered as necessary for economic development and also for the creation of a military force sufficient to protect the country and to stabilize the political power of the new power holders.
- (4) Collectivization was enforced "from above" via political, economic and administrative pressure. The Communists used various means—continual aggressive political campaigns, high taxation of individual farmers, confiscation of crops,

and search for hidden crops. Thousands of party men, industrial workers, army officials were sent to the rural areas to collectivize the peasants by any means. The peasants opposed collectivization. Some rebelled but were forcibly suppressed by the army. Most peasants slaughtered livestock, horses, destroyed seeds, worked slowly and even refused to work in collectives. These temporarily slowed and even put a stop to collectivization. Methods later became more rational and less harsh, and collectivization was completed in 1931.

The Soviets chose *Artel* as a model for obligatory collective farming over the other two models — Communes and TOZ — the latter models were also transformed into artels against members' wishes, like what happened in Sri Lanka in 1976 when co-operative farms, co-operative gamwasas, youth farms were converted to Janawasas. The new form of model collectives in the Soviet Union took the general name of *kolkhoz*, an abbreviation of *Kollectivnoje chazicajstwo* or collective economy. Generally, *kolkhoz* united fragmented small, individual family plots with the collective holdings. The means of production were collectively owned except nationalized lands. Till 1954, tractors and other heavy machinery were in the possession of the MTS (State Machinery Stations). The returns on production were disbursed as given in the diagram.

STATE BANKS

(control of financial activities)

State Authority Approved Plans and Major Decisions

KOLKHOZ

Remainder was distributed among members according to quantity and quality of work measured in Day/Units - Trudodien, A Day of work

(Managers received 2 units/8 HR work
Tractor operators 1.6 units - For Ploughing and unit area)

Obliged to Deliver a Stipulated amount TO THE STATE

Portion of Production

Products sold at much lower prices than potential prices in the private market

Portions of production

State Machinery Stations (MTS)

Special Social Funds
(i.e. Percentage of net production being set for each fund)

For Payments for work of farm machinery

Sale income went into obligatory investments

The economic and organizational model of the Kolkhoz is in the process of permanent transition. The changes became very frequent after 1954. Kolkhozes received the right to possess heavy machinery and the MTS are now service stations. Economic incentives like prices, supply of attractive produce etc. have been increased. In 1969, a new model constitution and wages system and accounting system were introduced.

Wages are now part of the cost of production and therefore a minimal income level is guaranteed. On the other hand, earlier, wages as such did not exist at all and all income depended entirely on what remained after all obligatory reductions. In certain instances, kolkhozes were amalgamated into bigger agricultural-industrial units known as *AGROGOROD*. There were others which were allowed economic independence. Certain attempts were also made to reduce the role of individual plots and to bring kolkhozas close to the state farms known as *SOUKHOZES*. Yet in some collectives the role of self management was emphasized and the family plot was declared a very important element of collective farming. In some, fields and mechanical equipment were given to groups - known as *Zveno* for longer periods and such groups were remunerated by a part of production, giving them an interest in the production results. Therefore, very often, this experiment organized on the basis of the family, like in Hungary, was in fact an introduction into collective farming, the principle of family farming.

In the Soviet Union today, there is a wide variety of organizational forms of kolkhozes which vary according to the region, production specialization, internal and external pressures. Thus, there are kolkhozes similar to Sovkhozes, communes and union of family farms. Cash income is usually not very large since members prefer to take their salaries in kind especially where members are part time farmers, who partly work in small individual plots and outside on a collective farm.

Economic incentives increased in importance as a result of the growing industrialization of the Soviet Union and the need to re-orient industry towards consumer and agricultural needs. Simultaneously, such incentives are limited by the system of obligatory deliveries and without major changes in the general economic system, these incentives would not yield satisfactory results. Agricultural production would increase with the rise of the cultural levels of Soviet peasants and with modern technology, from which will emerge peasants who would be an active force putting into practice the principles of self-management and demanding further changes in the socio-economic system

In the future in the Soviet Union, two forms of collective farms will probably emerge. They could be:

1. The specialized farms with structures similar to State farms, operating under the direct supervision of governmental specialists;
2. Consolidation of small fragmented family farms unified by a collective farm producing raw agricultural materials.

If the governmental policy was to change, the re-emergence of family farming is probable. On the other hand, if the policy does not change, the kolkhoz type of state farms will gradually become dominant in Soviet agriculture - with some elements of co-operative organization, with worker participation in management and sharing of net income.

Groupement Agricole D'Exploitation En Commun (GAEC) in France.

Unlike the members of Communes in the USSR and the ideologically oriented kibbutzim in Israel, the French farmers were motivated by an awareness of economic advantages of large operations, when they decided to collectivize. GAECs were created by the organization of Catholic farmers known as *Jeunesse Agricole Catholique*. The rise of competitiveness in French markets resulted in difficulties to many family farms. Technological modernization, minimizing production costs, efficient and rational use of capital were pre-requisites to increase income, or to keep family standards on the same level. Such goals required large scale operation.

GAECs increased from a mere 60 in 1965 to 2,000 in 1970. GAECs are an unification of few family farms. About 90% of the GAECs are groups of two, three or four farmers (46% unifying about 2 farmers) and members usually come from the same family (nearly 63%). Nearly 15% are in one branch of production, with the other branches remaining in individual hands. In such collective farms, the portion most specialized and market oriented was integrated, whilst other non-specialized areas was left to the family. In the GAEC, membership is limited to farmers and the membership cannot exceed ten. All members should personally participate in work according to the legal provisions of the GAECs. Owners could contribute by means of production and by labour. Tenants could contribute by their labour and capital, landless workers by their sweat. The membership contributions can actually be transformed into common ownership, particularly of agricultural equipment or can only be loaned

to GAEC, particularly of land and buildings. Minimum capital to organize a GAEC is about Rs. 20,000 (U. S. \$ 2,000). Income is distributed according to contributions of work, capital, and land. Wages are part of the COP (Cost of production) and cannot be lower than the minimum wages or higher than six times the minimum wages.

In the GAEC, all members participate in decision - making. The General Assembly of members works informally and problems are discussed at length. Annually at least the General Assembly must elect a manager - and each member has a number of votes proportionate to his participation in the GAEC by way of capital, land and work. The GAECs are linked with other co-operatives and machinery services (CUMA), credit co-operatives, marketing and processing co-operatives etc. Thus, the GAECs are agriculturally vertically integrated. Some assistance usually is given to GAECs by the agricultural institutions and the government.

In France land ownership is divorced from land use. Thus, only 44% of land in GAECs come from members and 56% is rented from its owners. The average size of a GAEC is about 338.53 acres (137 hectares). The size of GAECs are still growing. Production is higher than on family farms of the same size and the average income of members is about half as high as that of non-members. Usually GAECs hire workers only in the harvest season, but at least 10% of the farms have permanent workers as well, which is very much criticized by ideologists of the GAEC movement in France.

Generally, the requirements of GAEC's that all members must participate equally in production is difficult to attain due to the seasonal need of manpower arising from the size of farms, production structure and the technological level. Many GAECs members prefer not to participate in work, but contribute their shares as rent for land and interest for capital. Therefore, there is a tendency for GAECs to be transformed into share-owned business ventures with a single operator. In this sense GAECs can be considered a way to larger, more rationally organized holdings without much co-operative spirit. The GAECs are a very unstable form, sensitive to the equilibrium of such interpersonal relations as mutual trust. Sometimes in GAECs the decision to withdraw land or capital is very common especially with the changes of generation. However, it has to be noted that GAECs have existed for a short time, like Sri Lanka Janawasas, to come to definite conclusions. Like in the case of Sri Lanka Janawasas, the GAECs need new organizational solutions which could give them more independence from changing interpersonal relationships.

JANAWASA: AN EXPERIMENT IN GROUP FARMING IN SRI LANKA - A REVIEW OF THE ORIGIN, EVOLUTION AND THE FUTURE

The Janawasas were inaugurated much earlier than the establishment of the Janawasa Commission, under the Janawasa Law of 1976. The Janawasa Commission had under its control the following extents of lands until the end of June 1978 - with 15,000 youths distributed in 180 Janawasas in 15 administrative districts:

Tea	:	10,309	acres
Rubber	:	16,168	acres
Coconut	:	21,700	acres
Paddy	:	2,751	acres
Other crops	:	3,496	acres
Uncultivated	:	12,569	acres
		<hr/>	
		67,058	acres
		<hr/>	

In July, 1978, 35,164 acres of this extent were transferred to management agencies of State plantations (i.e. SLSPC, JEDB, NDB, NBDSA) *and at present the Janawasa Commission has 31,984 acres and composed of the following crops:

Tea	:	4,122
Rubber	:	6,549
Coconut	:	15,500
Paddy	:	1,340
Other crops	:	1,540
Uncultivated	:	2,843

The Concept of Janawasas

The original concept of Janawasa was based on co-operative principles. A Janawasa is described as an organisation composed of a group of youths of over 18 years and having co-operative ownership, equal wages and profit-sharing. The Janawasas were originally registered as group societies under the Co-operative Societies Ordinance.

Since the Co-operative Ordinance catered to the needs of the post war period, it did not fit into the needs of Janawasas.

It was rigid and obsolete. The Janawasa Law which followed the co-operative law, though better formulated, was not effective in its operation. The objectives of Janawasas were:

- (1) to foster the collective management and development of agricultural lands;
- (2) to foster the collective development of animal husbandry and agro-based and cottage industries;
- (3) to ensure maximum productivity;
- (4) to ensure maximum utilization of agricultural land for maximum employment and profit sharing;
- (5) to promote the socio-cultural development of the members of the Janawasas;
- (6) to promote and foster group farming among owners or cultivators of neighbouring agricultural lands around Janawasas;
- (7) the provision of agricultural machinery like tractors, implements like tillers, sprayers and inputs like seeds, agro-chemicals, fertilizers, tools, and other such services like marketing to members.

The Growth of Janawasas

The Land Reform Laws of 1972 and 1975 provided for the alienation of lands vested in the State in co-operative farms. Under the 1972 Land Reform Law the government alienated 48,816 acres to Janawasas and under the Land Reform Amendment Laws of 1975, about 835 acres of tea lands were vested in them. The original Janawasa law drafted did not see the light of day but a revised version got into the statute book.

The Janawasa Commission (JC) Law had provisions for obtaining necessary land by the following methods:-

- (1) lease from the Land Reform Commission.
- (2) lease from other State institutions or any other sources, e.g. Samupakara gammanas (co-operative villages), colonization schemes, DDC agricultural projects, youth settlement schemes.

The JC law ensured that no land held by a Janawasa could be used to benefit an individual member, except about 30 perches

which was to be leased to a member for residential purposes on the farm. In the Janawasas, land was to be owned in common and wages were to be given to individuals on the basis of productivity. Crops were to be shared jointly, in terms of a formula which placed the premium on the quality and quantity of output of each individual member.

Janawasas were to be controlled and regulated by a J. C., a corporate body established under the Janawasa Law of 1975, consisting of seven members, of whom two were members of the LRC appointed by the Minister of Agriculture and Lands and three members elected by the Janawasa Federation, which was originally an association of 180 Janawasas. MPs and those who had direct or indirect benefit under any contract made by or on behalf of the JC were not permitted to be members of the JC. Like all other State bodies, JC to had the power to acquire, hold, take, lease or hire, exchange, mortgage, pledge, and sell movable or immovable property; carry out surveys and research into all aspects of land tenure and agrarian reform in Sri Lanka; register any new Janawasa or any society like Samupakara Gamwasas; supervise and regulate the work of the Janawasa Federation and also operate on any relevant operational field to achieve its objectives. The structure of Janawasas, as at December, 1976 is shown in annexed schedule.

Janawasa system revolves round the Council of Management and the General Body of each Janawasa. The general body was the supreme body of the society which had the power to decide the principal duties of the Council of Management, review its work, ratify all the important decisions of the Council of Management, such as, expulsion of members, production programmes, accounts etc. The Council of Management of Janawasas was to consist of nine members, elected from among the members holding office for one year period and is responsible for the overall planning of development in Janawasas, in accordance with the directions issued by the J. C.

Janawasas were expected to be operated through Janawasa Operational Committees which were to implement the decisions of the General Body.

They were:

- (a) The Planning and Development Committee — decides on the crop-mix based on agro-ecological factors, whereby optimization of productivity and employment is envisaged.
- (b) The Supplies and Marketing Committee — procures inputs and maximizes income from produce sales.

(c) The Accounting Committee — sees to the smooth flow and use of financial resources, keeps account books, minimizes wastage of funds.

(d) The Disciplinary Committee — ensures the observation of Janawasa principles and the conduct of members.

(e) The Cultural and Welfare Committee — looks after the cultural development of members and provision of welfare facilities.

(f) The Objective Formulating Committee — regulates review of objectives and reviews progress of implementation of all committee programmes.

— It also acts as a link with the adjoining villages for possible integration between them.

Janawasas have lost their original glamour, and criticism has been levelled that the system was inefficient and premature to a society which was oriented to achieve certain socio-economic goals. The failure to achieve its goals are ascribed to several factors, They include:-

(1) The concept of collective ownership and management was considered alien to a society which works and accepts individualism and individual profits.

(2) The creation of pockets of collectivized socialist groups within an individual, profit-motivated system, could not work.

(3) The lack of training of selected youths who did not have the correct orientation to collectivization.

(4) Hostility from outside sources who were traditionally opposed to group-farming.

(5) The low allowances given to youths.

(6) Lack of discipline.

(7) Lack of proper planning and evaluation.

(8) Lack of initial investments.

(9) Lack of security of tenure.

(10) Limited housing facilities.

(11) The novelty of concepts and principles.

(12) Lack of decentralization of responsibilities; hence few individuals who were in charge did not have the time and capacity to implement policies.

(13) The attempt to centralise their administration from Colombo - based offices.

(14) The establishment of Janawasas without proper planning and control.

Group farming through Janawasas has not been viewed with favour by the present government, which evaluated their progress and found them to be unproductive. One alternative that could be suggested is to fragment them into individual plots with ownership rights but ensure group production through service co-operatives. This needs proper orientation, training and objective action, which will take time to be of maximum benefit. Another, is to integrate them on the basis of a single crop by small holder service authorities (e.g. Tea Small Holder Authority, Rubber Small Holder Authority, Coconut Producer Co-operatives). Whether the time is ripe for these experiments can only be seen over the next few years.

Schedule I - Janawasas as at December - 1976

District	No. of Janawasas	Acreage	Member-ship	Tea	Co-conut	Rub-ber
1. Colombo	29	3,484	808	—	1,849	587
2. Kalutara	14	4,299	960	136	575	2,949
3. Badulla	3	547	501	737	2	50
4. Ratnapura	4	529	347	286	—	208
5. Moneragala	1	308	10	—	5	—
6. Anuradhapura	1	405	43	—	90	—
7. Nuwara-Eliya	1	172	10	100	—	—
8. Puttalam	18	3,771	559	—	3,149	—
9. Kandy	5	1,051	167	218	140	—
10. Kegalle	5	828	131	—	293	124
11. Matale	7	955	112	175	147	358
12. Galle	13	10,915	1,400	278	51	2,177
13. Matara	18	4,352	1,078	1,053	656	1,251
14. Kurunegala	55	11,136	2,957	—	7,726	351
15. Hambantota	1	110	22	—	110	—
	176	42,862	9,105	2,983	14,833	8,055

Part VII

THE MANAGEMENT OF PLANTATIONS

Chapters XVII — XVIII

XVII

AGENCY HOUSE SYSTEM OF PLANTATION MANAGEMENT, ORIGIN, DEVELOPMENT AND THEIR CHANGING ROLE TO POST—LAND REFORM PLANTATION MANAGEMENT PATTERNS

A plantation, to define it by its characteristics, deals with large extents of land, large capital investment, and a vast concentration of labour employed under a checkroll system of minimum daily wages. It is geared to produce "profits" for the owners (State/private) of that capital by means of a highly systematic modern method of management organisation and of cultivation. The best results of agronomy relating to production, and of technology relating to manufacture are most evident in plantations particularly, in tea and rubber, and least in coconut. In tea plantations, there is not only an agricultural aspect but also a manufacturing one which in one sense, is central to the whole system. For it has to be sensitive to the markets abroad in order to sell its tea profitably. An organisation of this nature requires a complex but efficient system of management, financial service, supply system, transport and packaging, insurance, shipping and marketing.

Foreign ownership of plantation properties in Sri Lanka led to the emergence of agency houses, first as coastal agents residing and operating in Colombo. They performed various services for developing plantations, which the pioneering planters in the hill country, could not attend to on their own. The processing of coffee, sales, arranging of shipping facilities, procurement of supplies and the provision of credit were their original functions. With the multiplication of functions these coastal agents in Sri Lanka (as in Malaysia) developed a closer identification with the planting interests. Thus came into being, in this process, firms and corporate bodies called the Agency Houses in Sri Lanka.

The plantations, established through pioneering efforts in respect of coffee and later tea in Sri Lanka, were either owned by individual proprietary interests or by relatively small groups of business interests in the United Kingdom. Planters of the day needed the services of the Agency Houses, which were mostly located in Colombo, in order to obtain loans to meet current expenditure as the banking system in Sri Lanka at that time was in its infancy. Seasonal harvesting of crops made it necessary to obtain finances in between sales. Further, tea planters were short of capital to import indentured Indian Tamil labour and to build factories and labour lines. Banks were very cautious in taking risks. Although they were reluctant to finance tea production, they were prepared to finance marketing of tea. Hence, the Agency Houses took over this risk which at that time served a very useful purpose in helping the growth of our economy. The Agency Houses also ensured the regular flow of supplies to the estates on credit at a time when there were difficulties in obtaining such supplies due to poor communications and a lack of storage facilities in the plantation areas. Planters also found it very difficult to procure required transport services to get their produce to Colombo. They needed storage and shipping facilities in Colombo for their produce destined for London. Export marketing involved commercial practices and procedures common to international business, including shipping and insurance services, which came within the purview of the Agency Houses and not the production-oriented planters.

From the 1890s onwards, the pioneering planters were been replaced by the limited liability companies, some of which were incorporated in the U. K., which later came to be known as Sterling Companies, while a few in Sri Lanka were called Rupee Companies. These companies usually bought the assets of these planters; in a number of instances shares were issued to them in these companies. This was also a common feature in other British colonies where plantations had developed. These companies later played a large part in opening the land for the cultivation of rubber in the early part of the twentieth century.

Plantation companies, with their head offices and agents and secretaries in the U. K., generally handed over the management of the interests in the plantation industry in Sri Lanka to the European-owned and long-established Agency Houses operating here. Messrs. James Finlay & Co. Ltd., provided a notable variation from this practice. As this Company had several subsidiaries linked to the Sri Lanka plantation sector, it established its own Agency House, as a branch of the Indian company, to manage these holdings,

The 1938 Companies Ordinance of Sri Lanka enabled the establishment of companies to manage a business. A number of limited liability companies was formed, some of them been family businesses (e. g. Vinitha Ltd.) concerned with inherited property. Some of these companies were formed by persons who had become co-owners of the assets and therefore wished to take advantage of the prevailing good prices fetched by plantation produce in the period immediately after World War II. Nevertheless, those who formed Rupee Companies to run estates were either unwilling or unable to establish an effective organisation to manage the affairs of their newly-established business concerns. To employ the services of an already established Agency House was considered by most of these newly-formed companies, to be far more economical.

With the increase in the acreage under company-owned plantations there was a proportionate increase in business handled by the Agency Houses. Tea and rubber acreage expanded sharply, compared to coconut. On account of this, the number of Agency Houses multiplied and their activities expanded over a period of 100 years.

The nature and scope of the services rendered by Agency Houses have not remained the same throughout the century. Some of their earlier functions have been replaced by new ones; for instance, George Steuart & Co. Ltd. which dealt with cinnamon and coffee exports have branched into to plantation management, management consultation, management agencies and non-traditional exports, tourism, travel trade and hotel management.

The wholly British-owned and managed Agency Houses were Ceylonized during the post-war years when proprietary interests, partnerships and rupee companies took over plantation management. Ceylonization increased after political independence and the establishment of exchange control. It was after political independence that the Ceylonese interests have taken over the ownership and control of the large Agency Houses.. An example will illustrate this, from Gordon Frazer & Co. Ltd:-

	1946	1948	1960	1970
1. Ceylonization of the Estate Agency Business-Executives	4 Non-nationals only	4 Non-nationals only	3 Non-nationals, 10 nationals	4 Nationals
2. Ceylonization of the Estate Agency Business-Directors	4 Non-nationals only	4 Non-nationals only	3 Non-nationals only	3 Non-Nationals 2 Nationals
3. Ceylonization of the Estate Agency Business-Equity Capital-Percentage-wise	2% Foreign 98% Local	2% Foreign 98% Local	2% Foreign 98% Local	75% Non-nationals 25% Nationals

Source: Agency House Commission Report, Table II, III & IV.

Prior to land reform, the Agency Houses managed the cultivation, production and marketing of estate produce on behalf of the companies and proprietors that came within their control. Their functions were:

- I. Management and the provision of necessary services directly linked with agricultural assets;
- II. Matters relating to policy-making, finance, accounting, maintenance of books and records.

The Estate Management functions of Agency House were as follows:-

- (1) Budgetary control — in relation to revenue and capital.
- (2) Cultivation advice.
- (3) Manufacturing advice.
- (4) Recruitment and disciplinary control of staff including estate management.

The Secretarial and Accounting services are as follows:-

- (1) Maintenance of records.
- (2) Financial control and banking services.
- (3) Credit services to principals.
- (4) Procurement of estate supplies.

- (5) Tax advice.
- (6) Exchange control matters.
- (7) Insurance services.
- (8) Shipping agency services.
- (9) Transport, storage and produce sales services.
- (10) Services rendered as Directors on Boards of rupee companies which are the principals of Agency Houses.
- (11) Engineering and Legal Consultancy Services.
- (12) Miscellaneous services.

After the 1972 and 1975 Land Reform Laws, all Agency Houses lost most of these functions. In the post-land reform period there have emerged several new management institutions which will be discussed in this chapter. The Land Reform Laws vested in the State about 63% of the total tea lands, producing nearly 80% of the total tea production. The various post-land reform, plantation management institutions have changed between 1972 and 1977. They are detailed out in a subsequent chapter.

The Agency House System, whatever be shortcomings or abuses spotlighted by the Agency House Commission has played a vital role in the Sri Lanka economy over the years. They have rich traditions, adequate experience, personnel management talent and discipline which can be channelled for better use for the country's development. The planters are assets in that they have a multi-disciplinary approach to development and, as such, cannot just be dismissed as "Brown Sahibs". They can be moulded and adjusted to meet the demands of changing times. So are Agency Houses. They have adapted themselves very well. Today they have diversified their operational mix ranging from management consultancy to gemming, and industrial-hotel management. Hence in any development process, Agency Houses can be utilized for the welfare of the country. Some talented personnel in them could be absorbed into the management of State commercial and industrial ventures. The Free Trade Zone could also absorb most of them. The know-how of these disciplined planters and Agency House men could be utilized for the benefit of younger folk who need training and discipline. Mahaveli, State Corporations, Agricultural farms are few areas where their talents could be channelled. It is seen that experienced and far-sighted men are more important in economic and social development than those with mere academic qualifications. The opening of the public sector to experienced and practical men could give better results. This may be an answer to certain constraints in the development process of this country.

XVIII

NEW PLANTATION MANAGEMENT FORMS IN SRI LANKA

Until 1972, the plantation industry remained essentially a private sector undertaking in both production, management and trade. The State's involvement in plantation management operation began in 1964, when the Sri Lanka State Plantations Corporation was vested with 1,141 acres. By 1972, it had 13,530 acres of tea which was 2.3% of total tea acreage. For trading purposes, the government created the Consolidated Exports Ltd. in 1963, to export tea and later coconut products under bilateral government-to-government treaties. Rubber was shipped by the Commissioner of Commodity Purchase to China under the Sino-Ceylon Rice-Rubber Pact.

Changes in land ownership occurred in 1972 and 1975. On August 26, 1972, the first (Stage I) Land Reform Law was passed, establishing land ceilings on all privately held agricultural land, at 25 acres for paddy and 50 acres for all other crops. The take-over of land in excess of the individual ceilings was vested in the Land Reform Commission (LRC) of the Ministry of Agriculture and Lands. The actual take-over of land began in mid-1974, but between the actual enactment and final implementation of the law, management of privately owned estates suffered because owners had to continue operating their lands without any indication as to which portion of their holdings could be retained by them. This complete uncertainty naturally led to a temporary abandonment of good cultivation practices with the immediate consequence of lower productivity. No clear-cut policies were made on the management of the estates. The previous managerial personnel were dismissed and overall management responsibility entrusted to the District Estate Management Boards, which were created at the last moment by the Minister of Agriculture and Lands in September 1974. The properties entrusted to the District Management Boards by the LRC were actually managed by the State Plantations Corporation, the Co-operative Societies, and the LRC itself through its District Land Reform Commission Authorities (DLRCAs). In practice, the Co-operatives and district LRCAs were controlled by the local political leadership. In 1975 October, the Government passed its Land Reform (Amendment) Law, to implement its Stage II of land nationalization, this time for the taking over of all company owned agri-

cultural lands. Consequently, 395 estates passed into the LRC, whose total land holdings expanded by 417,957 acres. Under the two Acts, the LRC was vested with a total of 977,334 acres.

Of the 396 estates, 376 had been managed by some 22 agency houses, while 20 were owner-operated. These managements were retained as statutory trustees until March 1976, when they were replaced by the Sri Lanka State Plantations Corporation (SLSPC) under the Ministry of Plantation Industries, and the Janatha Estates Development Board (alias Janawasama) (JEDB) under the Ministry of Agriculture and Lands. In taking over the operations of the former company estates, the two state agencies displaced the agency houses and plantation company head office directors, but the services of estate level and other executives were retained on salaries paid to them by the private sector. With this, the SLSPC's acreage expanded over nine-fold in just four years: 1972-1976 from 13,520 acres to 123,501 acres. JEDB was created very hastily and entrusted with 205 estates totalling 149,556 acres. In 1976, a new organization, the Janawasa Commission was created and it took over 56, Stage I estates from DLRCA's and other co-operatives, with the object of experimenting on a commune type of management and worker-sharing of income.

At the end of 1976, there were several forms of plantation management in Sri Lanka. With the change of government in July 1977, all public sector estates, except Janawasas and LRC Estate Division estates, were brought under the Ministry of Plantation Industry. By September 1978, all Co-operative type managements were abolished, and most estates formerly under them were transferred to the two State agencies. Janawasa Commission still manages 4,000 acres, whilst 14,239 acres of uneconomic tea in Matale and Kandy were given to the National Agricultural Diversification and Settlement Authority (NADSA) which intends to plant most of this land with remunerative spice crops.

Land Reform in Sri Lanka has also created various types of private-sector individually owed management patterns. There are a large number of small holders who manage their individual holdings of tea, rubber, coconut, cardamoms, coffee, cinnamon, cocoa estates. Some have joined hands with other owners for joint management. Yet others operate their share of the land by selling their crops to the bought-leaf factory or the rubber mill within the same estates, which they owned earlier.

Sri Lanka State Plantations Corporation (SLSPC)

The SLSPC was established under the State Plantations Corporation Act No. 4 of 1954 with the objective to raise, develop,

maintain and manage plantations. Thus, the character of this assignment was one of development and rehabilitation which involved enormous investments from its income, which would otherwise have been reflected in their annual accounts as profits.

Originally, the SLSPC was under the Ministry of Agriculture Lands and Power, as a successor to the State Plantations Division of the Land Commissioner's Department. After 1970, when a separate new Ministry of Plantation was created it came within the purview of the Ministry of Plantation Industries. Originally, the SLSPC acquired ownership of various types of plantation lands through tax recovery procedures, highland colonization schemes, new plantings, rehabilitation. After 1970, it expanded its acreage through open market purchases, acquisitions by law, and later from land reform. It pioneered the plantation of cashew on a large scale in Mannar and Batticaloa, mango in Kurunegala district, kenaf in Polonnaruwa, and cardamoms in Yatiyantota. In this manner, the SLSPC opened four new plantations of high yielding tea and these were completed by 1973. These raised its acreage to 2,133 by 1973.

The growth of the SLSPC between 1970-1979 could be ascribed to several factors:

- (1) The policy of negotiated purchase of Rupee and Sterling company estates through the Ministry of Plantations as going concerns. This began with a package purchase of James Finlay's estates and ending by purchase of 35 estates culminating in the purchase of Brook Bond owned estates. By this process, SLSPC purchased approximately 47,690 acres;
- (2) The vesting of estates acquired in the "national interest" under the Estates (Control of Transfer & Acquisition) Act No. 2 of 1972 whereby 10,000 acres belonging to Pelmadulla Group were acquired;
- (3) The vesting of estates under the Land Reform Laws of 1972 and 1975. The 1972 Land Reform Law vested in the SLSPC 27,276 acres and by the 1975 law another 169,805 acres were vested for management;
- (4) The handing over of some estates originally managed by the Usawasama after its dissolution in October 1977;
- (5) Opening of new land e.g. 4 new tea plantations completed in 1973: cardamoms estate of 1,000 acres in Yakdera, Yatiyantota, 1,000 acres of cashew in Batticaloa, 3,000 acres in

Mannar (now assets of Sri Lanka Cashew Corporation) 500, acres of kenaf in Polonnaruwa (now assets of SLCC) by 1977. SLSPC had the following:-

Tea	—	136,053	acres
Rubber	—	78,349	„
Coconut	—	3,131	„
Minor Crops	—	1,715	„
Paddy	—	3,072	„
Other Crops	—	13,298	„
Forests	—	8,431	„

In 1979 after the nationalization of estates, SLSPC owns 247,474 acres in the following regions:-

Galle	—	23,158	acres
Kalutara	—	47,568	„
Matara	—	12,967	„
Balangoda	—	34,874	„
Ratnapura	—	36,408	„
Matale	—	22,576	„
Hatton	—	27,995	„
Nuwara-Eliya	—	21,538	„
Haputale	—	20,395	„

The sudden expansion of SLSPC has brought in new directions in the management process. The concept of regionalizing has taken place since 1975 with a view to decentralize operations. Originally there were 7 regional offices under Regional Managers in Hatton, Nuwara-Eliya, Haputale, Kalutara, Galle, Matara, Ratnapura and Kandy-Kegalle areas.

Since 1977, decentralization process has taken a novel turn. A Board of Directors to deal with general policy and four plantation management divisions to cover the function of production, finance, and personnel covering -Galle, Matara and Kalutara districts (total extent - Tea and Rubber - 83,693 acres); Balangoda and Ratnapura (Total extent - Tea and Rubber - 71,277 acres); Matale and Hatton (total extent - Tea and Rubber - 50,571 acres); Nuwara-Eliya and Haputale (total extent - Tea 41,933 acres)-have been established. There are semi-autonomous units with staff responsible for production, finance and personnel aspects within each division. Under the new organizational structure, the Chairman and the Board of Directors will be responsible for policy, a Committee of Management consisting of the General Manager, 4 Plantation Managers and the Managers of the Marketing Supplies, Engineering and Insurance sections will form the management team of the organization.

The SLSPC is the first State-owned plantation Agency House in Sri Lanka. It has pioneered in introducing new crops on a plantation basis e.g. cashew, cardamon, cocoa, coffee, kenaf and mango. It has also pioneered in crop diversification, between 1970-1976, with mulberry, sugar cane and oil palm. In 1970, it had only 7,080 in employment and by 1976 there were over 185,000. The growth of the SLSPC is summarized below:-

	1970-71	1977
Estates developed by the SLSPC	6	6
Estates developed by the Govt. for SLSPC	6	5
Estates purchased for SLSPC	Nil	30
Estates managed for other organizations	Nil	2
Estates received from LRC Stage I	Nil	39
" " " " " II	Nil	148
Estates acquired by law in the national interests	Nil	5
Bought leaf factories-SLSPC managed	4	4
	<hr/>	<hr/>
	16	239
	<hr/>	<hr/>

The SLSPC purchased : 1971 to 72 - 9 estates; 1973 - 11 estates; 1974 - 22 estates; 1975 - 35 estates.

The growth in terms of crop mix between 1970 and 1976 is as follows:

	1970	1977	1978
Tea (acres)	2,566	136,053	155,696
Rubber	2,097	78,349	79,728
Coconut	1,255	3,131	4,457
Cocoa	1,437	1,371	—
Other crops	2,455	13,345	23,583
Total cultivated	9,810	245,594	263,464
Total uncultivated	3,144	254,035	73,312
	<hr/>	<hr/>	<hr/>
	12,954	299,629	336,776
	<hr/>	<hr/>	<hr/>

Budgetary procedure for the SLSPC begins with estate management, preparing production, price and cost estimates. Estates budgets are summarized by districts and national estimates cover the aggregate. SLSPC has played a vital role in State Plantations management and it runs profitably on a commercial footing. It has a very important role to play in the plantation economy in

the present and the future. Today, it has grown from a mere division of the Land Commissioner's Department to a large State management organization in Sri Lanka.

Janatha Estates Developmet Board (Janawasama) (JEDB)

Usawasama (Udarata Wathu Sanwardhana Mandalaya) was the second State plantation corporation established in 1972 but it was dissolved in October 1977. The third State plantations corporation created in Sri Lanka under the Ministry of Agriculture and Lands on April 1st 1976, under the provisions of the Agricultural Corporations Act of 1972, was the JEDB in order to ensure management of certain estates acquired under the Land Reform (Amendment) Law No. 39 of 1975. The JEDB was transferred to the Ministry of Plantations after July 1977. The JEDB, being a novel, dynamic state plantations organization, started on a better footing with experienced planters. It is amenable to change and is flexible enough to venture into new areas, like village integration.

The JEDB is controlled by a five-member Board of Directors including a full-time Chairman, a Working Director and a General Manager. In early 1978, it was organised into seven regional offices with each exercising complete budgetary control. The Head Office, located in Colombo in the former Carson's building, formulates policy, controls overall management processes and estate input supplies (i.e. tea, chests, vehicles, fertilizers and equipment). At present, in the JEDB there is a Chairman and a Board of Directors supported and serviced by a Committee of Management consisting of the General Manager and six Deputy General Managers, in charge of servicing, marketing, finance, personnel, planning and fertilizers. There are 4 Senior Managers, of whom 3 are Deputy General Managers in charge of various regions. One DGM is in charge of the Badulla region with a Regional Manager and six Assistant Managers. There are 56 estates covering 44,730 acres (Tea-42,340 acres, Rubber-1,528 acres and Coconut-862 acres). One DGM is in charge of two regions of Hatton and Nawalapitiya. Hatton Regional Office has a Regional Manager and five Assistant Managers covering 38 estates with 25,828 acres of tea. The Nawalapitya region has a Regional Manager and three Assistant Managers with 31 estates covering 19,876 acres of tea. The third DGM is in charge of 4 regions - Avisawella, Kegalle, Kurunegala and Chilaw. The Avissawella region is under a Regional Manager and five Assistant Managers with 50 estates of 42,814 acres-(Tea-6,168 acres; Rubber 35,588 acres, Ceconut - 1,068 acres); Kegalle under one Regional Manager and four Assistant Managers with 37 estates covering 29,272 acres (Tea-5,085 acres, Rubber-20,298 acres and Coconut-3,889 acres);

Kurunegala under one Regional Manager and two Assistant Managers with 15 estates of 9,909 acres (Tea-473 acres, Rubber 4,264 acres, Coconut 5,172 acres); Chilaw under one Regional Manager and two Assistant Managers with 6 estates of 49 units covering 7,947 acres of coconut. Another Senior Manager is in-charge of the Kandy and Nuwara Eliya regions. The Nuwara Eliya region is under one Regional Manager and five Assistant Managers of 66 estates with 45,016 acres of tea and Kandy under one Regional Manager and five Assistant Managers with 30 estates of 23,196 acres with 22,253 acres tea and 943 acres coconut.

The JEDB which had 49,481 hectares (108,858 acres) in 1976 had 126,621 acres in May 1978 and at present it has 248,588 acres. The growth of the JEDB from 1976-1979 is as follows:-

	1976	1977	1979
1. Sterling Company Estates from Stage II Land Reform	100	100	n.a
2. Estates from DLRA's and Electoral Co-operative Boards	9	74	n.a.
3. Total Estates	109	174	329
4. Total Acreage	118,858	126,621	n.a.
5. Total Cultivated	87,824	101,545	248,588
6. Total Uncultivated	21,034	25,076	n.a.

The crop-wise growth over 1976-1979 period is as follows:

	1976	1977	1979
Tea	72,197	76,534	167,039
Rubber	8,901	17,538	61,678
Coconut	—	—	19,871
Other Crops	6,725	7,434	n.a.

The financial and budgetary procedures in the JEDB are comparable to those of the SLSPC. In 1976, JEDB made a capital investment of Rs 2.7 million and in 1977, Rs. 30 million from finances generated from its resources. Unlike the SLSPC, the JEDB began on a good footing with well-maintained estates and experienced management personnel on the same terms offered by previous employers. JEDB, unlike the SLSPC, was vested originally with estates, as going concerns, together with vehicles etc. Like the SLSPC, JEDB is now on a firmer footing making a positive contribution to the national economy.

The Udarata Co-operative Estates Development Board (Usawasama)

Usawasama was an estate management service agency of the State established on a co-operative footing under the Ministry of Agriculture and Lands, under the provisions of the State Agricultural Corporation Act to manage estates in the Kandyan areas and in the mid-country that got vested in the State through the Stage I of the LRC. Under the Stage I Land Reform Law, the Usawasama was vested with 64,900 acres and under Stage II about 2,648 acres, totalling to 67,548 acres. This acreage consisted of 33,572 acres tea, 3,172 acres rubber, 1,525 acres coconut, 4,970 acres minor crops (cardamoms, cocoa, coffee, nutmeg, cloves), 6,641 acres of other crops and 2,451 acres of forest cover.

These lands were mostly run down, uneconomic properties which also got neglected under the management of Usawasama due to lack of proper management personnel, lack of finances for re-investment and lack of proper direction. This institution was later transferred after July 1977 to the Ministry of Plantations; on a government decision it was dissolved in November 1977 and the estates were re-distributed to SLSPC, JEDB & NADSA.* This is the first State plantation management agency to be dissolved in the recent socio-economic history of Sri Lanka. Unfortunately, the plantation agency had to be dissolved due to mismanagement by unqualified inexperienced personnel. If proper and experienced personnel were manning the estates, it could have been re-organized better. Moreover, these lands were neglected and rundown and needed much investments to make them viable units. The best course of action would have been to undertake selective crop diversification and settlement planning, as now done by the NADSA,

Janawasa Commission (JC)

The Janawasa Commission, established under the Janawasa Law of 1976 had succeeded the original co-operative youth settlements, established by the LRC's Settlement and Planning Unit. The rigidity of the Co-operative Ordinance, which did not suit the establishment of land management co-operatives gave way to a separate agency known as Janawasa Commission. The JC was given 55,021 acres from Stage I of the Land Reform Law and yet another 2,648 acres from Stage II. The JC, established under the Ministry of Agriculture and Lands in 1976, came under the Ministry of Agricultural Development and Research.

* NADSA - National Agricultural & Diversification Authority.

The extents of lands until the end of June 1978 under JC were, as follows:-

Tea	—	10,309	acres
Rubber	—	17,163	"
Coconut	—	21,770	"
Paddy	—	2,751	"
Other Crops	—	3,496	"
Uncultivated	—	12,569	"
		<hr/>	
		67,058	
		<hr/>	

In July, 1978, 35,164 acres of the 67,058 acres were transferred to the SLSPC and JEDB. At present, JC has only 31,984 acres, as follows:

Tea	—	4,122	acres
Rubber	—	6,549	"
Coconut	—	15,500	"
Paddy	—	1,340	"
Other crops	—	1,540	"
Uncultivated	—	2,843	"
		<hr/>	
		31,894	
		<hr/>	

Today, the JC has a large number of smaller and non-profitable estates. A recent Committee of Members of Parliament had recommended its abolition. A decision on the future of the JC was made by the government. All lands under the JC & the LRC are to be handed over to an Agro-Industrial Corporation, to be established soon.

Electorate Level LRC Co-operative Societies (LRC Co-ops)

The LRC Co-ops were a result of the pressure of politicians who wanted to have a hand in electoral-level plantation management. The lack of proper manpower, the creation of LRC Co-ops under the obsolete Co-operative Ordinance without proper controls, the use of LRC Co-ops by politicians for their personal gain or as seats of patronage and corruption, led to very inefficient forms of management of estate. These LRC Co-ops were expected to be supervised and guided by a Management Services Division of the LRC. The LRC Electoral level Co-operatives turned out to be hot beds of corruption and mismanagement under the guidance of politicians who neither had the time nor the competence to

manage plantations. This mismanagement was so rampant that the LRC recommended their closure as far back as 1975 but the power of the politicians prevailed over the LRC decision. Members of Parliament who took over the Chairmanship of these Co-operative Societies used these as their pocket boroughs; corrupt political supporters, without any plantation experience were given responsible positions resulting in mismanagement. The LRC or the Minister of Agriculture could not control them once corruption set in. System of management, accounting controls, audit system, estimates, financial procedures were not evident in these societies. The Co-operative Department which had only expertise to manage wholesale and retail co-operative societies did not have the know-how, expertise or the experience to lay down procedures. This is another fundamental reason for the failure and mismanagement of LRC Co-ops.

The LRC Co-ops received 178,360 acres of lands from Stage I and 6,317 acres from Stage II of the Land Reforms. The LRC Co-ops. were dissolved in August 1977 and their estates have been alienated to SLSPC & JEDB. At present there are 34,500 acres under LRC Estate Management Division. LRC has already alienated 120,000 acres in small holdings of $\frac{1}{2}$ -2 acres; but the settlers have not yet received their title deeds and, as uncertainty lies in their minds, they have allowed lands to be neglected. 67,058 acres, handed over to Janawasa Commission too, have been given over to State organizations, leaving them with 31,894 acres. At present nearly 68,000 acres of land are with the LRC, of which 34,500 acres are managed by DLRA's (District Land Reform Authorities). The crop mix of these 34,500 acres of lands is as follows:-

Paddy	14,000	acres
Jungle	20,000	„
Mixed Crops	500	„

The LRC's Estate Management Division manages 34,500 acres as cultivation and management projects in several electorates. The crop distribution of the lands managed by these projects is:-

Tea	—	1,500	acres
Rubber	—	2,000	„
Coconut	—	22,000	„
Paddy	—	1,500	„
Other crops	—	200	„
Uncultivated	—	7,300	„
	—	<hr/> 33,500 <hr/>	„

A Committee appointed to review the functions of State organisations in the agricultural sector in August 1978 recommended the transfer of the JC & LRC lands to the plantation management agencies under the Ministry of Plantation Industries. Whatever lands remained with the LRC are now transferred to the newly-established Agro-Industrial Corporation.

Coconut Cultivation Board (CCB)

The CCB was established under Section 2 of the Coconut Development Act No 46 of 1971 for developing and assisting in the increase of productivity of land under coconut plantations. This involves rehabilitation, replanting, underplanting, new planting, intercropping programmes and pasture cum animal husbandry programmes. The CCB has 3,751 acres of which 3,429 acres are under coconut. It may be worthwhile strengthening the CCB by giving few more coconut estates for development. The CCB now is under the Ministry of Coconut Industries.

National Livestock Development Board (NLDB)

The NLDB was originally established under the State Agricultural Corporation Act in April 1973 under the Ministry of Agriculture and Lands. At present it is under the Ministry of Rural Industrial Development. Its principal functions as envisaged at that time, were the processing and marketing of meat with the ancillary responsibility for the importation of breeding stock and the establishment and maintenance of animal husbandry farms. It now manages 26,752 acres, mainly of the best coconut lands. Its total land holdings are as follows:-

Coconut	—	12,259	acres
Jungle	—	11,059	"
Paddy	—	518	"
Rubber	—	34	"
Pastures	—	2,275	"
Food crops	—	450	"
Other crops	—	164	"
		<hr/>	
		26,752	"
		<hr/>	

Cattle multiplication farm development could attract investment as an area for livestock development especially in the Dry Zone and in the uneconomic mid-country and jungle-areas in the Wet Zone.

Sri Lanka Cashew Corporation (SLCC)

The SLCC was established, under the State Agricultural Corporation Act under the Ministry of Plantation Industries, for the purpose of developing cashew cultivation on a large scale in Sri Lanka, especially in the marginal arid areas where nothing else grows. In this task, it had to spend large sums of money for land clearing, roads, settlements and infra-structure before people were brought in for cashew cultivation. It also carried out a regional development and settlement programme but profitability cannot be shown soon; as in other crops, the gestation period was 5 years while the economic crop would take 9 years, after planting. The SLCC's functions include assisting small holders, cultivation, processing, marketing and the promotional activities linked with the development of the cashew industry. The Corporation has 30,289 acres of which 9,099 acres are cashew, 197 acres coconut, and 100 acres kenaf; 20,893 acres are uncultivated. Its areas of operation are Mannar, Batticaloa, Polonnaruwa, Puttalam and Hambantota. The scope for this Corporation's activities is enormous in terms of the rising demand and prices for cashew products.

Sri Lanka Sugar Corporation (SLSC)

The SLSC under the Ministry of Agricultural Development and Research was originally established to administer the Gal-oya, Hingurana, Kantalai sugar projects. The sugar acreage in Sri Lanka has risen from 6,586 acres in 1966 to 27,300 acres in 1976. It has scope for expansion with large scale cultivation in the Dry Zone. It is one of the oldest plantation Corporations in the Dry Zone.

National Agricultural Diversification And Settlement Authority (NADSA)

Responsibilities for settlements and land administration in Sri Lanka especially in the mid-country are also exercised by NADSA under the Ministry of Agricultural Development and Research. NADSA is a new organisation for settlement and crop diversification and envisages to settle 4,500 families in 1979/80 in the Kandy, Matale and Kegalle districts.

River Valley Development And Settlement Schemes

The settlement schemes were originally implemented under the Land Development Ordinance, and the department of the Land Commissioner, which administered this Ordinance, established over the years, a body of rules, regulations and principles, and

schemes. With the establishment of the *Gal Oya Development Board (GODB)*, in the early 1959s, land administration and organisation of the settlement schemes in a limited area passed for the first time from the Land Commissioner's to a statutory organisation. The GODB's successor, the *River Valleys Development Board (RVDB)* continues to exercise this authority over land administration in defined areas. The *Mahaveli Development Board (MDB)* is vested with the authority for land administration of its command area. MDB envisages to settle 20,000 families in the developed areas in 1978 & 1979. The MDB under the Ministry of Lands, Land Development and Mahaveli Development is vested with the task of developing settlements annually in the Mahaveli area. New forms of land management, settlement patterns and leadership are bound to arise from this novel approach to development.

Conclusions

Agricultural progress in Sri Lanka has depended and will continue to depend both on the improvement of existing cultivations and on the opening out of new land for organised cultivation. Today the State manages 38.7% of tea lands (i.e. 229,852 acres), 19.0% rubber lands (i.e. 123,173 acres), 6.1% coconut lands (i.e. 69,990 acres) and 1.1% paddy lands (i.e. 21,782 acres). In other words, the State sector manages 18% of all land in Sri Lanka under the major plantation crops. The State sector alone controls 48.3% of the Sri Lanka's tea estate acreage. Nearly 144,193 acres of uncultivated lands are held by State organizations which could be developed under various viable crops and forestry. What is most important is to develop management effectiveness of these assets in the interest of national development.

Part VIII

MAHAVELI & SMALL FARMERS

Chapters XIX — XX

XIX

LAND DEVELOPMENT & ECONOMIC GROWTH IN THE DRY ZONE THROUGH THE MAHAVELI GANGA DEVELOPMENT SCHEME

The Dry Zone has been the cradle of Sinhalese civilization based on hydraulic development and agriculture. Gal-oya and Walawe have been tapped for development. Although in the past Sinhalese Kings have directed the Mahaveli river and its tributaries in a limited way, it took a long time for Sri Lanka to tap the vast volume of water of this longest river for land development and economic growth in the Dry Zone. The diverting of the waters of the Mahaveli has been the dream child of so many over centuries and also in modern times. No one can claim to have been the originator of this idea. Perhaps the Sinhalese Kings would first have thought of agricultural development of the Dry Zone, through the utilization of Mahaveli waters. Mahaveli was first diverted in the times of Mahasen, Dhatusena. Agra Bodhi I, Dhatusena is said to have dammed Mahaveli at Minipe, and built Kalawewa. Lately, credit has been given to many modern politicians for having mooted this idea first: they include the late D. S. Senanayake, Dudley Senanayake. C. P. de Silva & S. W. R. D. Bandaranaike. No single person could, however, take the credit for so vast an undertaking as the Mahaveli diversion. It was probably the confluence of several ideas that finally materialized in the form of a plan.

If historical research based on documentary evidence is accepted the first person in modern times to concern himself seriously with Mahaveli diversion was Sir Henry Ward, the British Governor of Ceylon from 1855-60 (vide: Gamini Iriyagolle: *The Truth about the Mahaveli*: 1978 p. 73).

Why is Mahaveli so important to Dry Zone development?

The Mahaveli Ganga originating in the Kandyan mountainous region of Sri Lanka above 8000 ft. from sea level flows down the

rocky terrain and meanders its way to the Bay of Bengal through the Koddar Bay in the east coast of Sri Lanka, near Trincomalee. This is the longest river, travelling 207 miles and has a drop 8,000 ft. The mean annual run-off of the Mahaveli is 7.2 million acre feet; this is over 20% of the total run-off of all rivers in the country. The total drainage area of Mahaveli is 4,034 square miles which is about 16% of the total land area of Sri Lanka. The mean annual precipitation in the area is high, being 75-217 inches in the upper 820 square miles of the catchment, which lie in the Wet Zone and 65-75 inches in the lower reaches of 3,214 square miles which lie in the Dry Zone. In spite of the favourable rainfall, suitable soil conditions for a variety of crops, the larger hydropower potential and the high run-off available for irrigation, industrial and domestic use, this huge giant remains one of the least exploited rivers in Sri Lanka. About 72.5% of the land in the Mahaveli basin which is suitable for agricultural development is still under tropical forests, and the utilisation of the river run-off for irrigation is less than 10%. This is why the development of Mahaveli Ganga is so important for the economic growth of Sri Lanka, especially to the Dry Zone.

Modern Mahaveli Development Plan

In 1963, the Government of Sri Lanka requested the UNDP/FAO to undertake a study for the preparation of a Master Plan for the Development of the Mahaveli. This was undertaken, with the assistance of local counterparts, by FAO experts between 1965-1968 in the form a survey of the irrigation and hydro-power potential of the Mahaveli Ganga and the adjoining river basins. These resulted in the formulation of a Master Plan. This Master Plan is described in the three volumes on "*Mahaveli Ganga Irrigation and Hydro-Power Survey*" - (FAO/SF: 55/CEY-7 Rome, 1969).

The Master Plan envisages the irrigation of 900,000 acres of land and the generation of 2,037 million kilowatt hours of hydro-electric energy from an installed capacity of 507 megawatts. The capital cost estimated in 1968 was Rs. 5,583 million plus another Rs. 1,120 million for other ancillary work. In view of the large magnitude of work and investment involved, the Master Plan was divided into three phases for purpose of implementation.

To develop the natural yield of the Mahaveli Ganga and the adjoining Maduru Oya, fifteen multi-purposes reservoirs have been proposed. There will be four on the Mahaveli, ten on its tributaries and one on the Maduru Oya. Thirteen of these reservoirs are multi-purpose units for development of hydro-

electricity and the other two are purely for irrigation purposes. These reservoirs will regulate annually 4.75 million acre feet from the Mahaveli and its tributaries and 0.14 million acre feet from the Maduru Oya development purposes. This is reported to be far in excess of the irrigation needs of the available lands in these two basins. The surplus water is envisaged to be diverted to the adjoining north-central region to develop 324,000 acres of land. These lands are located in six of the major river basins in that region. There is also a proposal to have seven service reservoirs to the eighteen existing major tanks in this region to store and regulate the diverted water in addition to 0.7 million acre feet of run off from their own catchments. The list of reservoirs with their parameters are given below:-

<i>Name of Reservoir</i>	<i>River where it is Located</i>	<i>Catchment Area/mls</i>	<i>Capacity 10 ACF7(Gross)</i>
Polgolla Bar	Mahaveli	499	1.9
Bowatenne	Amban Ganga	188	37
Victoria	Mahaweli	730	415
Ulhitiya	Ulhitiya Oya	109	88
Moragahakanda	Amban Ganga	315	692
Taldena	Badulu Oya	110	66
Kotmale	Kotmale Oya	217	320
Kaluganga	Kalu Ganga	73	208
Rotalawela	Mahaweli	2,063	196
Pallewala	Loggal Oya	80	87
Randenigala	Mahaweli	900	629
Upper Uma Oya	Uma Oya	195	52
Lower Uma Oya	Uma Oya	273	36
Heen Ganga	Heen Ganga	44	97
Maduru Oya	Maduru Oya	175	324
Malwatu Oya	Malwatu Oya	819	225
Yan Oya	Yan Oya	506	208
Kapirigama	Malwatu Oya	13	14
Kitagala	Ma Oya	55	180
Kanagarayan Aru	Kanagarayan Aru	33	112
Parangi Aru	Parangi Aru	165	285
Pali Aru	Pali Aru	35	180

The conveyance of the diverted flow from the major reservoir to the proposed service reservoirs and existing major tanks for issue to the fields is effected by 4 trans-basin canals. The regulated flow will provide irrigation facilities to 900,000 acres of land, which comprise all available suitable land in the Mahaweli and Maduru Oya basins and 430,000 acres of land in the north-central region. About 246,000 acres of land presently cultivated under irrigation is expected to receive supplementary water supply for the

continued cultivation of two crops annually. The other 654,000 acres are new lands which have to be cleared for development purposes. The lands to be benefitted are grouped under 14 irrigation systems designated A to M. Land use surveys indicate that more than 50% of the land proposed for development is suitable for the cultivation of a variety of high value upland crops other than rice. Crop mix and irrigable extents in each of the 14 irrigation systems are as follows:-

Irrigation System	Irrigable Area 10 ³ AC			Crop Rotation for New Lands 10 ³ ACS				
	Total	Existing	New	Paddy	Paddy-Upland Crops	Sugar Cane	Up-land Crop Rotation	Pas-ture
G & DI Part	74.2	54.2	20.0	11.0	—	9.0	—	—
D 2 Part	19.0	19.0	—	—	—	—	—	—
H	112.1	41.1	71.0	28.3	5.8	—	36.9	—
I/H	9.7	9.7	—	—	—	—	—	—
M/H	8.0	8.0	—	—	—	—	—	—
Total	223.0	132.0	91.0	39.3	5.8	9.0	36.9	—
C	76.9	3.3	73.6	11.5	21.2	10.0	30.9	—
E	15.2	15.2	—	—	—	—	—	—
Balance D1	28.0	—	28.0	10.3	4.3	—	13.4	—
Balance D2	9.1	—	9.1	9.1	—	—	—	—
A/D	9.1	—	9.1	9.1	—	—	—	—
B	124.9	6.8	118.1	42.6	20.0	—	55.5	—
A less A/D	104.9	90.9	90.9	61.9	—	—	11.0	18.0
F	8.7	0.5	8.2	2.5	—	—	5.7	—
I less I/H	130.0	42.2	87.8	13.0	15.3	—	59.3	—
M less M/H	27.9	3.0	24.9	4.2	10.8	—	9.9	—
L	96.4	19.9	76.5	—	23.4	—	53.1	—
K	20.0	0.6	19.4	—	5.2	—	14.2	—
J	31.8	7.0	24.0	—	—	—	24.8	—
Total	682.9	112.5	570.4	164.2	100.2	10.0	278.0	18.0

Phase 1 of the Master Plan for which feasibility studies have been prepared by the UNDP/FAO team has been sub-divided into three projects. The entire Master Plan was phased for step-wise implementation over a period of 30 years.

The IBRD Mission in 1969 examined and evaluated the project for Bank financing, and on the government's insistence agreed to

finance the headworks at Polgolla on the Mahaveli, the bifurcation works at Bowatenna and a tunnel and a canal from Bowatenna to the Kala Oya basin. The execution of Project 1 of Phase 1 commenced in 1970 and was completed in 1978. The total extent of land benefited by Project I is 132,000 acres of existing fields and 91,000 acres of new lands.

The change of government in 1977 gave the emphasis to an accelerated pace of development, with a view to complete all projects envisaged in the Master Plan, in five years. These were grouped into 12 projects. They are as follows:-

<i>Project No.</i>	<i>Name of Projects & Major Components</i>	<i>Estimated Total Cost Rs./Mln.</i>
1	Victoria Multipurpose Complex	2,025
2	Moragahakanda Multipurpose Complex	1,070
3	Maduru Oya Reservoir Complex	1,180
4	Taldena Multipurpose Complex	380
5	Kotmale Multipurpose Complex	1,035
6	Kalu Ganga Reservoir Complex	800
7	Rotalawala Reservoir Complex	320
8	Pallewela Multipurpose Complex	695
9	Malwatu Oya Reservoir Complex	335
10	Yan Oya Reservoir Complex	350
11	Randenigala Multipurpose Complex Part NCP Canal	3,830
12	Balance NCP Canal Complex	2,995
	Total	15,015

Project Components

The Victoria Multipurpose Unit- This is project 2 in phase 1 of the Master Plan. This has a reservoir across the Mahaveli Ganga with the capacity of 415,000 ac. ft. There will be a hydro-electric unit of installed capacity of 120 MW/RB trans-basin canal from the existing Minipe anicut upto and including the Uthitiya reservoir, and the development under it of 3,300 acres of existing fields and 73,600 acres of new lands in system C. It will also provide irrigation facilities to 15,200 acres of existing lands under the Minipe LB scheme in system E.

The Moragahakanda Multipurpose Unit- This is project 3 in the Master Plan. This has a reservoir capacity of 692,000 ac. ft across the Amban Ganga, a hydro-electric

plant of installed capacity 40 MW and irrigation development of 46,200 acres of new lands, 28,000 acres under the existing Kandulla tank in System D 1, 9,100 acres in System A/D under the existing Kantalai tank and 9,100 acres in System D 2 under the Parakrama Samudra.

The Maduruoya Reservoir Unit- This is a reservoir across Maduru Oya. It includes a hydro unit of installed capacity 4.9 MW, the extension of the RB trans-basin canal from Ulhitiya Reservoir through a 3 mile long tunnel to the Maduru Oya and the development of 6,800 acres of existing lands and 95,000 acres of new land.

The Taldena Multipurpose Unit- Consists of the Taldena reservoir across the Badulu Oya and a hydro - electric plant of installed capacity of 14.5 MW and the development of the balance 23,200 acres in System B.

The Kotmale Multipurpose Unit- Consists of a reservoir across the Kotmale Oya and the hydro-electric plant (installed capacity 150 MW)

The Kalu Ganga Reservoir Unit- Comprises of a reservoir across Kalu Ganga and a hydro-electric plant and also irrigation development of 500 acres of existing fields and 8,200 acres of new lands in System F directly under it.

The Rotalawela Reservoir- This is an irrigation reservation to be conducted to supplement water requirements of lands in system A. The unit comprises a reservoir across the Mahaveli Ganga and the development of 18,000 acres of land under the Kandakadu anicut in System A.

The Pallewela Multipurpose Unit- This consists of the Pallewela reservoir across the Loggal oya. Also hydro-electric plant and the development of 36,000 acres of land (in System A under the Kandakadu anicut)

The Malwatu Oya Reservoir- Comprises of a reservoir for the development of 19,300 acres of existing land and 9,000 acres of new land with water from its own catchment. The irrigation requirements of the 19,300 acres of existing anicut at Tekkam to the fields under Giant Tank. When the reservoir is augmented by the NCP Canal, an additional 7,300 acres of new lands can be irrigated.

The Randenigala Multipurpose Unit- This and part of the NCP Canal 67 miles long, taking off from Moragahakanda

Reservoir, will irrigate 78000 acres of new lands in System I under the Kapirigama Reservoir to be constructed and the Malwattu Oya Reservoir & 8,900 acres in System M under the Yan Oya Reservoir.

The Balance NCP Canal Complex- Will comprise of extension to the NCP Canal up to 103 miles, for the development of 27,600 acres of existing lands and 120,700 acres of new lands under Kitagala Reservoir System L, Kanagarayan Aru System K, and the Parangi Aru & Pali Aru System J.

Cost and Benefits of Mahaveli

The estimated cost of the project is Rs. 15,015 million. Irrigation of new lands is expected to generate employment. The telescoping of the Mahaveli project from 30 years to 5 years is expected to generate employment during the period of construction for about 800,000 persons. Later on completion, 225,000 landless peasant families are to be settled. This will provide 1 million people employment in agro-industries and in agriculture. Foreign exchange savings from import substitution of rice is expected to be Rs. 2000 million annually. The net value of agricultural produce grown under the project is projected to be over Rs. 1,900 million annually, with mixed cropping. The hydropower generated from multipurpose projects is estimated at Rs. 325 million.

Land Tenure and Settlement Patterns in the Project Area

Since much has been written on Mahaveli at present the writer is concentrating his analysis on types of settlements in the Project area. There are four distinct types of settlements in the project area:

- (1) The '*purona*' villages inhabited by the original settlers of the Dry Zone with a long tradition-bound history.
- (2) The colonization schemes, which are comparatively of recent origin, and are State - sponsored agricultural settlements.
- (3) The "new" villages also of recent origin usually found along the major highways of the area inhabited by "outsiders", often off-shoots of the Colonization Schemes.
- (4) The urban areas serving as the main shopping centres of this area.

The problem of the ecological integration of the 'purana' villages and the new villages is underway but at a slow pace while social integration is almost non-existent at present.

The "purana" villages are old or "traditional" settlements with a village tank, the "gangodella" or residential area, the "vel yaya" or paddy fields and "goda idam" or highland and "Hena" or chena land. Usually in the dry zone the "vel yaya" — the paddy fields, the "gangodella" — the residential part of the village and the village tank are one composite unit. The highland and the chena lands are situated away from the main village. A large number of villages in the Mahaveli area are *purana* villages.

The number of people and families living in a *purana* village ranges from 15 - 20 to 100-120. On an average there are about 50-60 families with a total population of 300-400. There are uninhabited villages whose lands are used by those from a neighbouring village for cultivation of paddy, highland and chena crops. Some peasants temporarily live in *Olagamas*. This could be the result of salinization of the soil due to the progressive cultivation and over-irrigation, making land and uncultivable leading to abandonment of land and village reservoirs which have been either in a state of disrepair or breached. In recent years, many *olagamas* came to be inhabited and were categorized as *purana* villages. Many outsiders have encroached on *olagamas*, on the fringes of many *purana* villages and on crown land to cultivate highland and chena crops. They take a long time to integrate themselves socially with the *purana* villages; their social link is still marginal.

Of the many colonies in the Mahaveli area, Kagama Kathiyawa (1946), Usgala Siyambalagamuwa (1954), Rajangane (1964) and Kalawewa are a few of them. The land in these colonies consists of highland and paddy allotments. People who inhabit them are more cosmopolitan in outlook. In these colonies, some lands are cultivated by owners but most of them are leased out to peasants who cultivate them on the basis of an annual cash rent or share cropping.

The new villages are of recent origin and consist of spill-overs from the colonization schemes and urban areas. The emergence of new villages and the creation of new ones in the Mahaveli area are an interesting phenomenon. Some of them are 'ribbon' settlements located closer to the arteries of transport than *purana* villages. Most of the settlers do not possess paddy land and most of them have encroached on State lands.

The urban centres are the semi-urban and urban towns located on fringes of the area, with few thousands of people. These are places of transit, equipped with shops and public utility facilities like hospitals, schools, cinemas, police stations, Mahavidyalayas, banks, courts, market places, pawn broker shops, big groceries, AGA's office, Gramasevaka's office, garages etc. These urban centres exert noticeable influence on the rural people who patronize the cinema, shops or attend government offices or courts.

In the Mahaveli area there are two distinct land tenure patterns, one in the *purana* villages and the other in the colonization schemes. The tenurial pattern of the colonization schemes was devised from the Land Development Ordinance, Sale of State Lands Law, and is comparatively simple and uncomplicated. Each colonist is allocated a specific area of paddy and high land which could be passed down to the nominees (although the ownership remains with the State and colonist cannot sell land). The land tenure system in the *purana* villages is complicated. There is ancestral land (*paraveni* land) and the ownership is governed by the traditional laws of inheritance, while *de jure* ownership passed down to kinsmen; each 'heir' is the *de facto* owner of the land and there is no limits on land disposal by gift, bequest or sale. Usually land is disposed of by gift or bequest to kinsmen. Sale of land to outsiders is disliked by kinsmen who prefer to own such land among themselves. Land ownership resulting from a purchase is known as *Sinnakkara*. Prior to the Land Development Ordinance of 1935 and subsequent amendments to the Ordinance in 1961 and 1969, allocation of land was governed by a series of "Land Orders" under which the government allocated land to these *purana* villagers by grants. Such granting of ownership rights for the allottee was also considered as "*Sinnakkara*".

The government also allocated land to peasants for village expansion under the Land Development Ordinance. Such lands were referred to as "Badhu Idam" (rented land) or "Anduwe Idan" (government land). The allottees were obliged to pay "*badhu*" or rent to the government. Usually the *badhu* or rent was nominal and occupation was guaranteed. Since the World War II the government has allocated land to peasants under annual short-term leases and on food production permits. However, later under the Land Development Ordinance, peasants were allocated such lands outright.

The right of cultivating jungle land was granted to peasants under the "chena permit system" which had to be renewed annually; as such, there was no security of tenure. Hence under the "*Paraveni*" (inherited ownership), "*Sinnakkara*" (ownership by outright purchase or land under government lease), land under

“LDO permits” and “short term lease”, a *purana* villager in the Dry Zone could have his own land. Another feature of the land tenure system is the existence of “*Nindagam*” – (land gifted by the ancient Sinhalese kings and by British rulers in colonial times to chieftains for loyal and faithful services rendered). Sometimes complete villages gifted to chieftains resulted in villagers becoming tenants under such owners of land in the village. The land gifted in the villages by the king to ‘*devalas*’ (were known as *Devalagama*) and ‘*viharas*’ as (*Viharagamas*) in the Dry Zone where the Mahaveli development programme is to take place.

Land Ownership Patterns in the Mahaveli Areas

There are several land ownership patterns deriving from the land tenure pattern in the Dry Zone area of development. They are as follows:-

(1) In the *Purana* villages where land held under “*Paraveni*” or the “*Sinnakkara*”, ownership passes from father to children and each person would inherit a “*pangu*” or share of the land. There is no physical land partitioning or demarcation of boundaries but the boundaries are fixed by mutual agreement. After several generations of fragmentation the “*panguwas*” became so fragmented and uneconomical that owners surrendered their share in favour of big land owners and received from the latter their share of the crop. The big landowners were chief families of the village who owned large and extensive areas of land where the majority of the peasants were either landless or owned too small and uneconomic units of land.

(2) The “*Thattumaru*” system is another pattern of land tenure where each of the shareholders (*pangukarayo*) would take turns in cultivating the whole extent of land. This ingenious system makes cultivation of a large extent of land a more profitable proposition and gives each shareholder a turn to cultivate.

(3) The “*Kattimaru*” system is yet another land tenure pattern in existence. Here, each of the share holders would demarcate of land and exercise a right of ownership to that portion of land. However, all the portions are not equal in fertility and soil quality. In order to maintain an equitable distribution of both fertile and infertile or barren land each of the owners would change their ownership rights from one portion to another, so that all shareholders would have a turn on all portions.

(4) The operation of the “*Thattumaru*” and the “*Kattimaru*” systems has forced small shareholders to work as *ande* cultivators during the period when the land was cultivated by other share-

holders. Most of the peasants are *de jure* landowners—though with small shares of land. Therefore, in the Dry Zone, where the Mahaveli is being developed, “chena” or “shifting” agriculture became an important aspect of the economic life of rural peasants. Encroachment into State lands for chena cultivation is common in these areas. The right to the chena is respected by other peasants and the “intrusion” into another’s chena, even if abandoned or uncultivated, by another peasant would not take place without the consent of the original cultivator.

Conclusions

The Paddy Lands Act No. 1 of 1958 envisaged to redress the social imbalance existing in village society, particularly that between the landowners and the tenant cultivators. But this Act failed to be effective even in the Dry Zone because of various factors ranging from social links between landlords and tenants to the existing land tenure patterns. In the Mahaveli development area these patterns remain to date, varied and complex. It is necessary to take into consideration land tenure patterns, land use, grouping patterns, inter-relationship patterns (i.e. “*Bethma*”, “*attam*” and “*kaiya*” systems), leadership patterns, values, attitudes and patterns of behaviour. The lessons and mistakes of past colonization policies and schemes like the high cost of infrastructure facilities, State paternalism, traditional bias towards paddy, water wastage, over-irrigation, physical lay-out, will have to be taken into account in planning the settlement, and land development in the Mahaveli area. The pattern of land tenure that would suit the Mahaveli area would be individual family farmers and not co-operative or collective farms. Peasant psychology in the Mahaveli Ganga development area indicates that this was the pattern of land tenure most acceptable to almost all the farmers. The experience of and reaction to land tenure and settlement patterns in Sri Lanka especially in the Dry Zone reveal a bias towards individual ownership which is the prevailing pattern of land tenure.

The Government has established a Mahaveli Development Authority with wide powers which will be geared to the maximum utilization of all existing technological, administrative, human and other resources aimed at the completion of Mahaveli Project within the accelerated target period of 6 years.

XX

DEVELOPMENT OF THE SMALL FARMER IN SRI LANKA

In Sri Lanka today, there are different tenurial patterns, as analysed in the earlier chapters. There is the plantation commercial sector with State-owned plantations side by side with small holders.

In the peasant sector, micro-ecological systems are still evident. In the Dry Zone, there are *purana* villages where the *ande* system still exists. Since water is scarce, the right to irrigation water is of utmost importance. This has resulted in an elaborate and finely worked out dispersed system of land tenure which ensures social equity by a fair and equal access to irrigation water. This also has resulted in fragmentation of ownership of paddy land. This has also ensured a more or less equitable distribution of the fertile and infertile land among the different *yaya* owners. The *yayas* below the tank or water reservoir are laid out in several divisions. The sub-divisions of the *yaya* revolves round water availability and irrigation potential of the *yaya*, in that the larger tanks have larger *yayas* and smaller tanks have smaller *yayas*. In these, the tenurial pattern was developed to provide each owner to get a *pangu* or a share in each section of the *yaya*. The advantage of this system lies in the maximum use of available irrigation water whilst ensuring equal return to each share-holder. This system of *bethma* was described earlier. However, the *bethma* (division) system cannot function efficiently unless there is equity.

It is here that tenurial reform towards land consolidation becomes necessary. This was recognized in the Agricultural Land Laws, especially, the Agricultural Productivity Laws. On the other hand, the fragmented ownership as seen in the Paranagiyawadiya Hurulu Palatha (Vide Karunanayake, M. M: National Geographer 12:25-34) resulted in better use of water available, collective maintenance of the channels and collective channel management.

Land consolidation in *purana* villages could result in neglect of collective channel maintenance and management and the disintegration of socio-cultural practices based on community social justice and fair play. However, it can be argued that land consolidation in *purana* villages in the Dry Zone will facilitate easier and better cultivation with larger holdings including the adopting of innovative methods. This is a question between "static efficiency" vs "cultural inertia". Consolidation of land in the

purana villages could also result in better system of water use instead of the present permissiveness in the use of water for irrigation discipline in water issues, water use and water management through an efficient rural peasantry - run institutional mechanism at village level by the enforcement of irrigation rules. This would be a good lesson for land settlement planners in the new river basin projects.

The colonization schemes are another pattern of land use in the Dry Zone examined in the earlier chapters. In the Colonization Schemes, generally land tenure pattern is quasi-modern compared to *purana* villages. Here the colonists have leased land to others for cultivation for cash. Second and third generation colonists have taken to mechanization. Inter-colonization migration and the large family sizes have resulted in the first generation of colonists moving into new colonies, as a general feature. This was seen in the first generation of colonists leaving old colonies of Mahakandawara to new settlements in Murunkan and Thanthirimala areas. However, they keep their links with their kinsmen and often migrate seasonally for harvests.

In the Jaffna Peninsula, there is highland tenancy with land being put to cash crops in the highlands. Some lease these highlands for cash and yet others for share cropping. The pattern changes from crop to crop. On the other hand, in the Mannar area large tracks of land are cultivated in Maha; it is a liberal tenurial pattern without clear demarcations. The tenurial pattern around the Giant Tank using seepage water, irrigated water and tube well water varies from place to place. Muslim farmers combine animal husbandry with agriculture; large tracks of land actually owned by or leased from Mannar Tamils are used by Jaffna farmers who have sometimes encroached even upon Crown territory without a clear title. There is great wastage of water, and pumping of tube well water has resulted in increasing brackishness of water and higher soil salinity. The Batticaloa area reveals a different tenurial pattern. Here land is not owned by the cultivators. Large tracks of land are owned by outsiders, especially Jaffna Tamils. The *Mattayas* or the Muslim farmers are a hard-working peasantry of the Eastern Province who take on lease some of the lands and give stipulated shares to owners or a payment of a stipulated rent. Although land reform laws have limited ownership of paddy lands to 25 acres, large tracks are still cultivated without regard to this law, especially in the Maha season.

The land tenure pattern in the Ruhuna area, especially in the Hambantota area, is characterized by the *Gambara* system. Enterprising persons from Galle, Matara and Ambalangoda areas have come to these areas and taken on lease other people's lands for

cultivation. They are mostly land managers, in that the *Gambaras* lease these lands taken from owners to tenants. The manager is usually a sort of *mudalali* who leases the land to tenants and collect the share from them. Usually the owners get 25% of the crop and the *gambaras* 50% of the remaining 75% and the rest goes to the tenants. Sometimes the *gambaras* provide inputs like seed paddy, fertilizers, agro-chemicals to tenants.

In the Wet Zone, large estates are owned and managed by State Plantation management agencies, with small holders working side by side. Most small holders own their lands. Share cropping or leaseholder-owner relationship exists with regard to certain crops like cinnamon. In the Southern Province, joint ownership of land has been a constraint on land development. In the use of paddy *ande* system, share cropping is common in the Wet Zone. Joint ownership resulting in fragmentation, inter-family marriages to consolidate and preserve properties from fragmentation, and share cropping are common, in the Kandyan hill country. Service land tenure, especially in relation to Viharagam, and Devalagam, is managed by Buddhist Temples and *Devalas*. Large acreages are also owned by Christian Churches in Negombo, Chilaw and Kurunegala areas. Hindu temples own large tracks in Mannar and Jaffna; similar pockets are owned by Mosques in Muslim areas. The service tenure pattern is common to all. The service tenure and *rajakariya* system of land tenure have resulted in the neglect of large tracks of such land. Any tenurial reform in the future needs to cover these lands too.

Land ownership over the years especially in the Wet Zone would lead to more and more fragmentation into smaller units. Land consolidation for better land use through tenurial and institutional reforms will become inevitable in the future.

Small-holders constitute nearly 34% in tea, 76% in rubber, nearly 90% in coconut and 98% in minor crops:

	Total Acreage	Small Holders	Estates	% of Small Holders
Tea	594,481	198,918	95,563	33.5
Rubber	563,000	427,000	136,000	75.8
Coconut	1,115,000	1,103,500	11,500	90.0

They form a very significant component in the paddy sector too. Thus their growth and development, side by side with the commercial State sector, becomes vital to economic and social development of Sri Lanka. Their potential for development in the country both production and employment-wise is very high, if

not the highest. Under the Mahaveli Development programme and the Agriculture Diversification schemes, the small farmer would take the pride of place. The rural-integrated projects in Kurunegala, Hambantota, Matale, Matara, Vavuniya, Moneragala and Puttalam are also directed towards the development of the small farmer. The Agriculture Development Authority is directing all its effort to the upliftment of their economy. Their importance is bound to grow as a vital source of national productivity and employment in agriculture and agro-industries.

The Tea Small-Holders

Tea is the principal cash crop and foreign exchange earner in Sri Lanka, currently contributing some 47% in value of total exports. Total acreage under tea in 1976 was 594,527 acres. There is also now a very significant area cultivated by small holders, amounting to 18.4% in 1974 of the total national tea acreage, consisting of nearly 120,000 farmers. In 1976, small holdings constituted 30% of the total tea acreage, thus providing employment to a large section of the population.

Due to the relative neglect tea factories suffered from after the Land Reforms of 1971 & 1975, small holders often faced the problem of selling their green leaf. A Tea Small Holders Development Authority (TSHDA) was formed in December, 1976 to cater for the special needs of small-scale producers with less than 50 acres. The Authority is now responsible for the maintenance of certain bought-leaf factories. The importance of the TSHDA would grow in importance as its scope and capacity to serve the interests of small holders are wide.

The Rubber Small Holders

Natural rubber is the second largest export earner of Sri Lanka, amounting to about 16% of the total value of exports. It employs about 200,000 workers or 5% of the labour force. Some 563,000 acres are under cultivation in the Wet Zone. About 136,000 acres of estates were vested in the Land Reform Commission and are managed by SLSPC & JEDB. About 427,000 acres are in the private sector in units of 50 acres and below; of this 2/3 is in holdings of less than 10 acres in extent.

A replanting programme has been in progress since 1953. But since 1971, the annual target of 15,000 acres has not been fully achieved. The area tapped is nearly 230,000 acres (42% of the total). The problem of the rubber small holder is the low yield due to the trees being over 30 years old (i.e. 200,000 acres) that needs replanting with clones. The planting of rubber, provi-

sion of production inputs and the organization of the marketing of rubber will involve the provision of technical advice facilities for processing. The organization at present available for providing the assistance to small holders is the Rubber Control Department which provides the replanting subsidies, while the Rubber Research Institute provides extension services and the operation of Group Processing Centres. The Commodity Purchase Department maintains buying points to purchase rubber.

The Coconut Small Holders

The area under coconut is 1.15 million acres of which 70% is found in the agro-ecological zone most suitable for its cultivation, in the districts of Kurunegala, Colombo and Puttalam. About 90,000 are directly employed in the coconut sector and about 40,000 in the processing industries. The coconut sector is essentially in the hands of small holders, with over 60% of the acreage being in holdings less than 10 acres. 30% of the holdings are between 10-100 acres and about 10% are in plantations of over a 100 acres.

The major constraints in expanding coconut are related to land tenure, land ownership, low income, low husbandary levels, low use of fertilizer, lack of agricultural credit, lack of development work undertaken by producers, lack of hybrid planting materials, low level of extension and advisory services etc. The Ministry of Coconut Industries with the Coconut Cultivation Board has announced a package deal for the producers as an inducement to increase production over the years.

Minor Export Crops

The total area under crop production in Sri Lanka is reported to be 4.6 million acres. Tree crops take 3.9 million acres or 80% of land under cultivation. About 1.1 million acres are divided more or less equally between seasonal and miscellaneous perennial minor export crops. Holdings of 10 acres and below account for 90% of land and 99% of all holdings. The area under perennial minor crops consists of small holdings of 10 acres and below, which account for 80% of land and 95% of holdings. The basic problem in the case of minor crops is their neglect over the years, including the lack of research into these crops. The Minor Export Crops Department under the Ministry of Agricultural Development & Research is giving full attention to these crops at present.

Food Crop Sector

The small farmer is a significant factor in the food crop sector, particularly in paddy. Livestock too is classified within the food

sector of the small peasant economy. The Department of Agriculture, the National Livestock Board, the Agricultural Development Authority mainly direct their efforts to the upliftment of the small farmer in this line.

Production Inputs and the Small Farmer

The willingness and the ability of the small farmer to engage in agricultural activities, whether it be tree crops or food crops, need to be supported by a wide range of inputs by way of research, extension services and orientation, in order to develop his capacity to the fullest. Irrigation, water, farm credit, seed planting materials, fertilizers, agro-chemicals, implements, packing materials and farm power, constitute the major inputs in this respect. Many State organizations are marginally involved in the supply of such inputs. The supply of such inputs is also a function of the private sector. There is a grave need to co-ordinate the activities of input supplies at farm level. In the field of livestock development, which is vital to the small farmer, there is a need to strengthen extension services, development of feed stocks, introduction of price incentives to producers and to streamline marketing facilities. Another important area for development of the small farmer in Sri Lanka is to give much-needed attention to agricultural marketing, which is the weakest link in agricultural development in Sri Lanka.

Conclusions

This brief survey of the agricultural sector reveals the importance of the small farmer in the agricultural economy of Sri Lanka. He is the vital link in the development process. The inauguration of the Mahaveli Ganga Scheme, the Lunugamvehera Project, the proposed Kalu and Kelani Ganga Diversion Schemes would cause the expansion of the small farmer-community in Sri Lanka. If the small farmer is to have his impact on productivity and employment there is a need to strengthen production inputs and also to re-vitalize agricultural marketing.

Part IX

CONCLUSIONS & A POSTSCRIPT

Chapters XXI — XXII

XXI

CONCLUSIONS

".....the ideas of economists and political philosophies, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist....."

(John Maynard Keynes)

A historical study of land tenure, land use and land development in Sri Lanka reveals the saga of a hard - working and intelligent people, whose entire civilization revolved round land and water. The remnants of the ancient glory of a hydraulic civilization still remain. Even at present, Sri Lanka's salvation lies in land and water. As in the past and the present, in the future too, land status, land tenure and the power they exert, will constitute a significant determinant of the social, economic and political evolution of Sri Lanka.

The Paddy Lands Act, Nindagam Act, Land Reform Laws, Agricultural Land Laws, Sale of State Lands Laws, Agricultural Productivity Laws, Agricultural Insurance Laws and the Estate Control of Transfer & Acquisition Act Laws have all created several land tenure, land use, land management patterns in Sri Lanka. The Crop Diversification Project, The Mahaveli Project, and the Colonization Schemes also have a bearing on such patterns.

The Land Reform Laws in Sri Lanka are claimed as simple nationalization since the ownership of land was transferred from the private sector to the public sector, as a result of the law and that the reform did not bring about a change in the hierarchical character of the plantations. Critics also assert that "social organization of labour in estates remains without change" which to quote Edgar Thompson's terminology, was "Military Agriculture"

The true significance of land reform cannot be comprehended without a proper understanding of both the past and the present. To those like the writer, who has associated himself in policy formulation and its implementation, especially during the initial stages of land reform in Sri Lanka, it had been possible to observe the changes that have been effected in relation to the structures and relationships of the property-owning and other classes. Land Reform has stimulated an invisible process of transformation in the economy.

Land Reform in Sri Lanka should, however, include appropriate rural economic institutions to provide credit, technical knowledge and so forth. It should also be a part of a process of radical social change to create an ethos in which the attitudes to land ownership will change in a way that would contribute to effective use of the land. Land Reform in the Sri Lankan plantations has somewhat failed to induce the required development because these have been carried out in a piecemeal fashion, without adequate supporting institutional or attitudinal changes with regard to land ownership. Land reform in Sri Lanka should have covered all arable and non-arable land covering both local and foreign owned and all institutional lands. Whatever land that has been alienated to peasants should be of high quality and not marginal rocky and infertile areas.

In order to secure the resource - use adjustments that are necessary for development, measures to deal with present distortions in the structure of encouraging incremental flow of resources into commercial agriculture needs to be corrected by reducing the emphasis on them and enhancing prices received by farmers. Price supports are not enough but measures must also be taken to ensure that adequate marketing facilities became available, and agricultural credit scheme should favour production oriented to the domestic market. There is a need to rationalize the use of land available and in this process there is a great need for the creation of a National Land Use Authority at the highest level, without leaving institutions and individuals to bring about any haphazard development of land. This would also make land reform meaningful.

The necessary restructuring of economic institutions to promote economic development is very elaborate. The national commercial banks need to channel savings for investment for further development. Informal credit institutions need to be expanded so as to make small lot savings available for investments in development projects. Regional development banks may be a source of providing financing regional projects such as industrial and agricultural sectors. Regional marketing organizations will be

necessary to stimulate the product flows and to manipulate the price structure to advantage. Research institutions need to broaden their research to cover both agricultural and industrial research.

Publicly and privately owned communication media needs to keep people continuously informed of developments in the society, the region and the world, so as to foster and maintain a high level of development, motivation and involvement. These are some of the many changes that have to take place with land ownership and tenurial pattern changes. Economic change alone is not sufficient, because economic changes can succeed only if there is a favourable social ethos. This has to come about partly by land reform, but for it to be more meaningful there is a need to bring socio economic integration by developing social consciousness and responsibility. Agriculture will continue to remain the largest and the best source of income, employment, land use and regional development. The growth centres in the Dry Zones could consolidate once the water becomes available in the Dry Zone. Rural-Urban migration would tend to reverse with large numbers of urban centres growing in the developed territories; village expansion in the estate areas will result in creation of new villages which undoubtedly would intrude into the plantations.

Decentralization of the administration would substitute centralization prevalent at present. There will be a need to shift the centres of power and decision-making away from Colombo. Functional demands would make the shifting of Irrigation, Electricity, Highways, Agriculture, Veterinary Services from Colombo and Kandy to the periphery. A new pattern of land use, land tenure and land management would emerge. A change in these forms could lead to better rural-urban integration. Time has also come for the integration of plantations with neighbouring communities.

The change in the government in July 1977 also resulted in a change of policy towards land tenure and land use (*). It was of the view that "far from transferring the benefits of Land Reform to the rural farmer", land has been "alienated to supporters, kith and kin" of the previous regime, and rural institutions have become "centres of political revenge and corruption". Therefore, the new government pledged to implement "a programme of development, maximising the proper use of land and providing irrigation facilities", with the objective to provide "employment, land for the landless, ensure equitable distribution of cultivable

(*) United National Party - General Election Manifesto - July 1977. See also Sri Lanka Freedom Party Election Manifesto - July 1977 under agriculture, plantation industry, irrigation and power; TULF Manifesto under Colonization; and ULF Manifesto - July 1977 under agriculture.

land in the non-plantation sector, guaranteeing to the farmer the ownership of an economic unit of land" and finally, to "put land resources to the best possible use towards achieving self-sufficiency in essential foods". (*)

The strategy adopted by the government to achieve these objectives have been to bring large extents of uncultivated arable land under cultivation; the restoration of village tanks; establishment of agro-industries; large scale replanting of trees to ensue fuel crops and food; provide production inputs including capital, credit, Marketing and technical services and establishing farmer organization managed by farmers themselves. The government categorically has said that the land ceiling will not be changed (*) and land sales, ownership and land use will be within the existing land ceiling laws. The government considers agrarian reform as a continuous process. An analysis of these new policies reveals that the new land policies, if properly implemented, could ensure land to landless, provide ownership rights to land-owning cultivators and also attain self-sufficiency in food production. It is here that new projects like estate-village integration, Mahaveli project and other projects must be implemented carefully to attain these objectives.

The LRC sometimes took steps to accelerate the taking-over of excess land at the beginning, without keeping to some of the provisions of the law. In consequence, some of the declarants who held land above the ceiling underwent certain hardships in the course of the implementation of the law. An identical provision of the law was sometimes implemented differently, depending on the individual concerned. Though it was obligatory to consider the preference of a declarant when deciding the statutory determination, such preference was not always given due regard in some cases. Some who had earlier possessed hundreds or thousands of acres were given their due share of 50 acres from either bare, rocky, steepy or grass lands, while the best productive land was vested in the LRC. Sometimes, those who had alienated their property to others during the proscribed periods were not given a hearing at all and such alienations were declared null and void. Certain amount of injustice took place unnoticed in respect of transfers to children or parents of declarants to the extent that some of them did not get even an inch of land, while others were given the full extent due to them under the ceiling. There was thus no uniformity in the decisions taken by the LRC. Mis-management of some lands vested in the LRC and the unmethodical manner how land was distributed among the landless were other shortcomings.

However, it is noteworthy that the Land Reform Laws were one of the boldest attempts taken by the legislature to re-structure the

* op. cit.

land tenure system of Sri Lanka although there were certain shortcomings in their implementation. If land reform was not done in 1972 or 1975 it would had to be done some day.

It can be summarized that the main constraints of implementation were lack of management skills, political interests that undermine national interests, non-availability of effective machinery for implementation, lack of long-term perspective planning, misapprehension of the concept behind land reform and the lack of a national approach towards the re-structuring the agrarian economy on an overall basis.

How land reform will finally evolve itself in Sri Lanka would be subject to a variety of influences that would flow from the political, economic and social circumstances prevailing in the country. This may bring about certain structural and functional re-adjustments that may give it a different tone and character. It is hoped that its fundamental objectives will not be subordinated to any compromises that would defeat its very purpose. Whatever be the ultimate outcome of this exercise, none could gainsay the fact that land reform has come to stay. For the forces that were released in the course of its implementation would provide their own dynamics that would stall any reversal of this process to *status quo ante*.

The ripple effect engendered by land reform will have its impact on every sphere of society and set in motion a process of change that may effect the political, economic and social life of Sri Lanka in a radical way. Care has to be taken, however, to prevent land reform from been caught between the crossfires of ideological conflict. Should that happen, the country will be made to pay too heavy a price, which it could ill-afford to bear. A pragmatic approach drawn from the experiments abroad and the experience at home, should ensure higher productivity coupled with distributive justice based on egalitarian principles, so that ultimate beneficiaries would be both the producers of wealth and the national exchequer.

If these become a reality, this massive national endeavour would not have been in vain.

Agrarian reform should aim at increasing economic growth through technological innovations and better management skills, more employment opportunities, an even distribution of wealth and income and greater productivity. Hence, land reform should be a part of an unified development strategy with the farmers and workers as effective participants in the development process. What Sri Lanka needs is an ideology and objective that conforms to such requirements.

XXII

A POSTSCRIPT

The present government recently approved an unique and historical piece of legislation through the Parliament (21st June, 1979) which makes land reform more meaningful and effective. Landless people are to be alienated land from those vested in the State through the Land Reform Laws.

This piece of land law affecting land ownership and tenure is the *Land Grants (Special Provision) Act of 1979* formulated by Mr. Gamini Dissanaiké, Minister of Lands and Land Development. This piece of legislation gives teeth to land reform operations by giving outright legal rights to owners of such alienated land. (It is worth conferring similar status to lands alienated by administrative action by the former Minister in charge of Agriculture and Lands through the Land Reform Commission.) About 125,000 acres or more are to be thus alienated from the LRC land found in small acreages scattered in the various parts of the country. 80,000 landless families whose incomes do not exceed Rs. 750 monthly would be recipients of such land. The original proposal was to give land to those within the Rs 350/- group. The ceiling of land holding under the Land Grants Act will be 3 acres of paddy land and 1 acre of highland.

The Lands Grant (Special Provisions) Act has two main objectives. They are as follows:-

- (a) Provide for the vesting in the State of agricultural or estate land which is vested in the Land Reform Commission under the Land Reform Law, No. 1 of 1972, as amended by Law No 39 of 1975;
- (b) To enable the transfer, *free of charge*, to the landless citizens over 18 years of age, of the lands so vested in the State, with the concurrence of the Minister of Agricultural Development and Research, who is the Minister in charge of Land Reform, (Section 2 (1).

However, the transferee has no right to any mineral wealth in, under, or upon such land under the Mines and Minerals Law No. 4 of 1973. Also any alluvial or other accretion in any State land together with all rights appertaining or belonging to such accretion will be the property of the Republic (Section 12) like the minerals which are the absolute property of the Republic

(Section 5 (1)). Thus, the Lands Grants (Special Provisions) Act of 1979 has absolute command on all "agricultural land" and "estate land" vested in the State under the Land Reform Laws. If the government feels that an estate should be fragmented and alienated among the landless people it has absolute power over all other laws (Section 17) like the Estates (Control of Transfer and Acquisition) Act No. 2 of 1972 and the Tea and Rubber (Control of Fragmentation) Act of 1958. The definition of "disposition" under this Act is so wide that it covers any transaction of whatever nature affecting land or title thereto, and includes any conveyance, transfer, surrender, exchange, lease or mortgage of land or the creation of a trust attaching to land. The alienation of land to landless transferees is with *the absolute title free from all encumbrances* (Sec. 4).

Under the Lands Grants Act, the Minister of Lands and Land Development, having regard to the need to augment the area of land available to the State, for the purposes of distribution and in concurrence with the Minister of Agricultural Development and Research, by an order published in the Sri Lanka Government Gazette, may vest in the State, any agricultural or estate land which is vested in the Land Reform Commission under the Land Reform Law No 1 of 1972, as amended by the law No 39 of 1975. Every order will provide the following information (Section 2 (2)):-

- (1) Specify the extent of agricultural or estate land vested in the State by such Order. (This will not preclude the vesting of even existing plantations managed on behalf of the LRC by plantations management agencies, because all land whoever manages is owned by the LRC);
- (2) Make reference to the survey plan made by the Survey-General or under his direction in respect of agricultural or estate land;
- (3) Specify any servitude attaching to such agricultural or estate land.

The value of estate or agricultural land vested in the State by any such order will be paid by the State to the owner of the State lands (i. e. the LRC), an amount equal to the compensation payable to the former owner by the LRC. The Land Commissioner will be the absolute authority who will vest all such land and transfers to transferees will be done by him only after such land has been surveyed and demarcated to his satisfaction. All lands transferred to the landless are subject to the following conditions under this Act.

They are as follows:-

- (1) lands will be disposed of with the prior consent in writing of the Land Commissioner;
- (2) the transferee will have to carry out all soil conservation measures as the Government Agent may specify from time to time;
- (3) the transferee's title to such land will be subject to any servitude attaching to such land;
- (4) the minerals found in, under, or upon such land will be the absolute property of the Republic;
- (5) the transferee will be liable to pay any irrigation rates payable under the Irrigation Ordinance;
- (6) the title to land will revert to, and vest in, the State if the transferee does not comply with any condition laid down in executing such transfer;
- (7) the transferee is subject to any prescription prescribed in the interests of proper land use and land management.

Thus, one finds that the Land Commissioner, apart from a land alienation function, has also a land development function. He has to be serviced by a whole host of disciplines — agriculture extension, water management, land use and cropping pattern selection, land administration, settlement planning, and marketing; the latter has always been neglected to the detriment of all development projects. Hence, there needs to be a well-integrated approach to development at district level, if settlers are to benefit. Under the Land Grants Act of 1979, the instrument of land disposition will be signed and executed by the President of the Democratic Socialist Republic of Sri Lanka, and later authenticated by the Government Agent of the administrative district within which the land transferred by such instrument is located. These will be deposited for purposes of record at the Registrar of Lands in the district where the land is situated. The registration of the instruments of disposition will be free of charge.

In respect of the Wet Zone highland colonization schemes and the Dry Zone colonies there have been free and open transfer of land from transferees to third parties, leading to the creation of absentee landlords. This is an area that has to be watched carefully and the Land Grants Act provides for some amount of control (Section 10) over this problem. This is an aspect the Land Commissioner has to watch in the interest of development.

It is also necessary to have greater co-ordination at village level between various department and agencies for the common development goal. This brings us to another important piece of legislation directly influencing the agro-social structure of the farmers in the country.

The *Agrarian Service Act of 1979*, aims at the following objectives:-

- (1) To provide security of tenure to tenant cultivators of paddy lands;
- (2) To specify the rent payable by tenant cultivators to landlords;
- (3) To provide for maximum productivity of paddy and other agricultural lands (growing field crops, spices, condiments industrial crops, vegetables, fruit, flowers, pasture, fodder, diary farming, livestock rearing and breeding, plant and fruit nurseries) through the proper use and management of agricultural crops and livestock;
- (4) To provide for the establishment of Agrarian Services Committees;
- (5) To provide for the determination of terminal and other disputes relating to agricultural lands by the Commissioner of Agrarian Services.
- (6) To confer and impose certain powers and duties on the Commissioner of Agrarian Services;
- (7) To provide for the appointment of Cultivation Officers;
- (8) To provide for the repeal of the Agricultural Productivity Law No. 2 of 1972 and the Agricultural Lands Law No. 42 of 1973.

The paddy lands under the Agrarian Services Act involves the following categories:-

- (1) Land already cultivated with paddy;
- (2) Land which is prepared for the cultivation of paddy;
- (3) Land which was previously cultivated with paddy;
- (4) Land which is suitable for the cultivation of paddy;

- (5) Land adjoining or appertaining to the paddy land but used by the cultivator for a threshing floor or construction of his dwelling house but does not include chena land or any other land.

The tenant cultivators of paddy lands under the Agrarian Services Act cover the following categories:

- (1) Where a person who is a Sri Lanka citizen, is also a cultivator of any extent of paddy land, under any oral or written agreement;
- (2) Where two or more persons who are citizens are cultivators either jointly or in rotation of any extent of paddy land under an oral or a written agreement;
- (3) Nominee of a tenant cultivator as a successor to such tenant cultivator's rights (Section 7 (1));
- (4) Children or spouse of a tenant cultivator in the absence of nomination of a successor and in cases of cultivation jointly or in rotation. (Section 8);
- (5) Person appointed by the Commissioner of Agrarian Services to lands without a tenant and where the paddy land is not cultivated for two or more successive seasons.

The obligations of the landlord under the Act are as follows:-

- (1) Furnish information to the Commissioner of Agrarian Services (CAS) on the following:
Owner's name, tenant cultivator's name, extent of paddy land cultivated by the tenant cultivator;
- (2) Landlord shall receive or demand only the rent required by the Act and nothing above it (Section 5 (1));
- (3) Pay compensation to tenants who have proved eviction (Section 7 (8)).

The Agrarian Services Act of 1979 is intended to assist the tenant cultivator of paddy by protecting his rights within the Law through the Agrarian Services Department. Provision has been made on the rights of tenant cultivators; rights of evicted tenants of paddy lands and restrictions of eviction of tenants of paddy lands. The law also lays down the procedure for eviction (Section 6 (1)), nominations of successors to tenant cultivator's rights (Section 7 (1)), devolution of rights of a tenant cultivator in the

absence of nomination of a successor and in case of cultivation, jointly or in rotation (Section 8). The Commissioner of Agrarian Services has powers to decide disputes regarding devolution rights to tenant cultivator, appointment of cultivators, action to be taken when tenant leaves no successor to inherit a tenant cultivator's rights. The powers of the Commissioner to appoint a tenant cultivator and determination of rent by the Commissioner, are also spelled out in the Act. Rural Credit, minor irrigation, good crop husbandry, good management standards, are all spelled out. Similarly the duties of the Commissioner of Agrarian Services, Deputies and his Assistants in relation to the farmer are also stated in the Act in great detail. The base organization for agrarian services is laid down in the Act as the Agrarian Services Committees. Their functions are specified as co-ordination of the agricultural activities, and implementation of the government agricultural policies. The village-level cultivation officers are the grass-root operating units within the law. The Agrarian Services Act 1979 is a vital piece of legislation which needs careful study and greater attention by all interested in peasant welfare and upliftment. This new law is expected to give greater room for the development of peasant democracy at the village level. Its effect cannot be seen immediately. Its importance can only be stressed at present.

ANNEXURE 1.

A Record of the Evolution of Land Reform in Sri Lanka in Recent Times

Event	Year
1. Reforms in Crown Land — Land Development Ordinance No. 19 (Provided for the development and its systematic leasing of Crown lands to the landless farmers)	1935
2. Paddy Lands Tenurial Reforms — Paddy Lands Act No. 1 (Introduced the legal rights of tenant-cultivators of paddy lands, conferring the absolute right of possession, right of use and the right of alienation of his rights and prevent eviction)	1953
3. Announcement of the desire and possibility of Estate Nationalization	1956
4. Paddy Lands Act No. 1	1958
5. Control of Fragmentation (Tea and Rubber Estates) Act No. 2	1958
6. Establishment of the State Plantations Corporation	1958
7. <i>Nindagama</i> Lands Act No. 30	1968
8. Paddy Lands (Special Provisions) Act No. 2	1970
9. Establishment of USAWASAMA (Up-Country Estate Management Board)	1971
10. Creation of Co-operative Youth Settlement Schemes (<i>Samupakara Gammana</i>)	1971
11. Appointment of Agency Houses Commission	1971

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| 12. | People's Committee Act No. 16 | 1971 |
| 13. | Estates (Control of Transfer & Acquisition)
Act No. 2 | 1972 |
| 14. | Land Reform Law No. 1
(Establishment of the Land Reform
Commission) | 1972 |
| 15. | Agricultural Productivity Law No. 2
(Provision made for the creation
of Agricultural Tribunals) | 1972 |
| 16. | State Agricultural Corporation Act No. 2 | 1972 |
| 17. | Agricultural Lands Law No. 42
(Re-organisation of the Cultivation
Committees) | 1973 |
| 18. | Establishment of <i>Janawasas</i> on a trial basis | 1973 |
| 19. | Companies Special (Provision) Law No. 19
(Prohibited Companies from owning
property or carrying on any undertaking in
Sri Lanka after a specified date unless
they were incorporated under the Companies
Ordinance of Sri Lanka) | 1974 |
| 20. | Completion of land vesting process
(Stage I Land Reform) | 1974 |
| 21. | Creation of Land Reform Electoral Co-operatives | 1974 |
| 22. | Publication of the Agency Houses
Commission Report | 1974 |
| 23. | Nationalization of 10,000 acres of
Pelmadulla Holdings | 1975 |
| 24. | Land Reform (Amendment) Law No. 39
(Nationalization of Sterling and Rupee
Company Estates) | 1975 |
| 25. | Establishment of Agricultural Tribunals | 1975 |

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| 26. | <i>Janawasa</i> Law No. 25
(Creating the <i>Janawasa</i> Commission) | 1976 |
| 27. | Dissolution of Usawasama and Electoral Land Reform Co-operatives and handing over the estates to <i>Janawasama</i> and the Sri Lanka State Plantations Corporation | 1977 |
| 28. | Dissolution of the Agricultural Productivity Committees and Cultivation Committees | 1977 |
| 29. | Establishment of the Agricultural Development Authority | 1978 |
| 30. | Lands Grants (Special Provision) Law
(Alienation of land to landless) | 1979 |
| 31. | Agrarian Services Law
(to repeal Agricultural Productivity Law No. 2 of 1972 and the Agricultural Lands Law and to provide security of tenure to tenant - cultivators of paddy lands and to provide for the establishment of ASC) | 1979 |

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ARIYA ABEYSINGHE is a contributor to the contemporary Sri Lankan socio-economic scene, having written extensively to various journals both local and foreign. He served as a Director on several State Corporations and as a member of the Land Reform Commission (1973/77) he was amidst the changes that took place and his experiences are incorporated in his writings. He has done research in Land Settlement, Land Development and Marketing problems of Minor Export Crops in Sri Lanka.

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