

Formal Institutions and Agricultural Development : The Experience of Sri Lanka

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Abstract

Before the changes introduced with advent of Western Colonial power, many of the economic and social institutions related to the peasant agriculture in Sri Lanka were self help and self reliance. Those ancient rural institutions were guided by community leaders, and people participation in the established law and day-to-day administration was very high. After Sri Lanka became a British colony in 1815, the colonial policies under a new administrative system focused mainly on plantation sector development while neglecting the traditional peasant agriculture. It is true that, since the 1920s, certain policy changes regarding allocation of public resources for peasant agricultural development had taken place. However, those changes were not sufficient to fulfill the requirement of rural farmers, and hence their agricultural practices remained basically unchanged. Since Sri Lanka gained independence in 1948, policy makers paid considerable attention to promote the peasant agricultural sector through creating various types of formal institutions. Despite the relatively improved performance, the fact is that Sri Lanka is still unable to get the maximum use of the existing formal institutions and hence the country still lags behind her potential agricultural growth.

I. Introduction

Agricultural development is defined as the process that creates the conditions for the fulfillment of agricultural potential (Laiglesia, 2006 : 10). Those conditions include the accumulation of knowledge and availability of technology as well as the allocation of inputs and outputs. In the past, technical constraints on agriculture production have generally represented a more serious barrier to agricultural and rural development in poor countries. However, as some of the technical constraints have been removed, institutional constraints have emerged as significant barriers to the realization of higher levels of productivity in rural areas (Ruttan, 1975 : 94). In this respect, after World War II, Asian countries which had newly emerged from foreign domination commenced work on a large number of formal institutions in order to develop domestic agriculture which the colonial rulers had

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largely neglected for a long period. However, many countries have not yet been able to achieve the expected results from their formal institutions. Therefore, in order to overcome the obstacles facing rural farmers in developing countries, it is necessary to reexamine the role of institutions in the agricultural development, their links, constraints and the effect of their changes.

The term “institutions” means different things to different people. In a narrow interpretation, institutions can be thought of as the formal rules of the game that shape individual incentives and constraints. In a broader interpretation, institutions also include unwritten informal codes of conduct and constraints such as norms of behavior and conventions of a society. In this respect, institutions are generally classified into two major groups ; formal and informal institutions. However, for this study formal institutions will be narrowly defined as “formal rules that human beings devise to shape human interaction”. In general, formal rules are designed externally and imposed on society by an external authority (state). In this respect, this study mainly focuses on two formal institutions ; agricultural development policies and government administration.

The performance of the agricultural sector in Sri Lanka in recent years has been quite unsatisfactory with the deceleration in the growth rate of agricultural output. Even though the non-agricultural sector in Sri Lanka has been recording an impressive performance, particularly since the end of internal war in May, 2009, there are apprehensions that a high growth rate in the non-agriculture sector alone would not help Sri Lanka to realize a high overall growth rate if agriculture continues to remain in a low growth trap. Despite substantial decline in the share of the agricultural sector in the economy's total output, the country has not witnessed similar decline in the share of population working in agriculture or dependent on agriculture for livelihood. During the sixty years since independence, the percentage share of agriculture in the total workforce of the country has merely declined from 53 percent (1950) to 33 percent (2009). However, in 2009, the agricultural sector in Sri Lanka has contributed only 12 percent to the country's GDP (Central Bank, 2010). This large and persistent gap between agriculture's share of GDP and employment suggests the poor of the country are largely concentrated in the rural agricultural sector.

The causes of this agricultural underperformance are many and varied. The costs of production have been increasing while the levels of agricultural productivity lag behind the potential levels. High production costs and low productivity levels, in turn, have been caused by inappropriate policies, and/or weak government administration. For example, a case study which was done in India by Chopra and Duraiapph (2009 : 268) found that badly designed land tenure reforms (inappropriate policies) caused many individuals or

families to adopt unsustainable farming activities that inadvertently caused a further drop in their land productivity. The drop in land productivity in turn forced many of the poor farmers to lose access to the economic facilities they needed to improve their land quality and adopt sustainable management practices. Moreover, if the government administrative system is weak and inefficient, farmers would refuse to have a close relationship with government agencies. Therefore, improvement of institutional efficiency and effectiveness can be viewed as a pre-condition to attract more people to use formal institutions.

This paper aims to examine the changes of agriculture related to formal institutions particularly the changes of land and irrigation institutions, and their impact on agricultural development in Sri Lanka. In addition, the problems and prospects related to the role of formal institutions in agricultural development in Sri Lanka will be discussed.

II. Formal Institutions in Agricultural Development : The Experience of Sri Lanka

The evolution of agriculture related formal institutions in Sri Lanka can be discussed under three main distinct categories :

1. Ancient Institutions (Before 1815)
2. Colonial Institutions (1815-1948)
3. Post-Colonial Institutions (1948 Onwards)

1. Ancient Institutions

Before Sri Lanka became a British colony, the Portuguese and the Dutch conquered and ruled the native population in the coastal area of Sri Lanka. They basically maintained the structure of native administration and practiced the same methods of exacting a part of peasant produce in order to enrich the imperial metropolis. Hence this study considers the period before 1815 as the ancient period when the traditional agricultural institutions were extent.

The peasant agricultural¹⁾ activities in the pre-colonial era were characterized by three main cultivation practices : paddy cultivation in low land, tree crops and mixed crops like mango, jack, coconut etc., in home gardens, and “*Chena*” (slash and burn) cultivation in communal forest areas. Paddy cultivation was irrigated by small village tanks while home gardens and *Chena* cultivation were fed by direct rainfall. Since the first Sinhalese

1) The term of “peasant agriculture” is used in this study to define paddy and other related rural agriculture

settlements of the dry zone (600 B.C.) in Sri Lanka, considerable attention has been paid to constructing canals/channels, water-storage tanks, and reservoirs to provide supplementary irrigation to counter the risks posed by periodic drought. Therefore, at first, it is important to examine the characteristics of ancient irrigation institutions and their functions. After that, the characteristics of ancient land institutions will be discussed.

Irrigation Institutions : In the early settlements of the dry zone in Sri Lanka, there were small scale village reservoirs with a simple channel system built by the villagers themselves. There are some references to the effect that private ownership of tanks existed in the distant past, as reflected in the use of the term *vapihamika* (owner of the tank), where the management was performed privately (Bandara, 2001 : 334). Together with the rise in population, the King had responsibility for building large scale reservoirs and irrigation canals. According to historical descriptions, building giant-sized reservoirs had been started in the 1st century B.C. during the reign of King Wasabha (111-67 BC) (Ariyaratne, 1998 : 05).

However, the ancient approach in designing irrigation systems can be viewed more advanced in practice than the modern approach of which the main objective is limited to irrigate the maximum possible area available under the command of the water resource. The design of the ancient Village Cascade²⁾ Tank System, in which there was one tank for each village, satisfied prerequisites for managing water resources as a group and thereby facilitating an automatic formation of a farmer organization. It is true that farmers automatically organize into groups to protect their own property when they have a separate tank for their village. Moreover, traditionally, much of the maintenance work on the tanks was carried out by the rural community through the *Rajakariya system*³⁾ (compulsory service). The *Rajakariya* should not, however, be seen as constituting a state-run maintenance program. The villagers were not indentured laborers, nor were they employed by the state. On the contrary, the work was organized at the local level. All decisions pertaining to irrigation and cropping were made and implemented through the *Gamsabhawa* (the Village Council) headed by the *Gamarala* (village headman⁴⁾) (Leach,

2) A 'cascade' is a connected series of tanks organized within a micro-(or meso-) catment of the dry zone landscape, storing, conveying and utilizing water from an ephemeral rivulet (Bandara, 1998).

3) Under the system of compulsory service (*Rajakariya*) the people were liable to be employed annually in various public works and personal services of the King. The duration of such services extended from fifteen to thirty days (Hettiarachchi, 1982 : 12).

4) Since the Sinhala term *gama* is commonly translated as 'village', many writers have thought that *Gamarala* was simply a village headman. However, according to Leach (1961 : 151), the normal holding of a *Gamarala* was not a village but a sub-unit of the village (*baaga*). The number of *baaga* ↗

1980).

Land Institutions : Historically, the king himself was given the honorific title of *Bhoopathi*, *Mihipathi*, *Daranipathi* denoting his lordship over the land (Bandara, 1998 : 72). People were given land in return for services to the king, *Rajakariya*. A portion of the total land area in the kingdom was regarded as Crown Lands (*Gabadagam*). A section of crown lands was known as 'Exclusive Fields' (*Muttettu*), the whole produce of which was delivered to the treasury. From the original crown lands, the king granted Hereditary Service Lands (*Nindagam*) to chiefs for assisting him with the administration. And some lands were granted by the ancient king to the benefit of the Buddhist temples and Hindu shrines. Some other lands were directly attached to various departments of the King's administration. Thus, the ultimate landlord of the ancient village was either the King or his chief, or the priest of some local temple/shrine, or an absentee landlord. Under the traditional system this ultimate landlord would always have sublet the village to one or more primary grant-holders : the *Gamarala*.⁵⁾ In accepting a grant of land he also undertook a number of service responsibilities associated with the grant. However, the traditional *Gamarala* did not act on his own ; he had feudal duties to perform and this implied that he must have tenants. Thus, most of the land was utilized under several land tenure practices. Furthermore, *Gamsabhawa* played the vital role as the grass-roots level institution which settled disputes concerning land.

2. Colonial Institutions

Irrigation Institutions : The traditional *Rajakari* system was abolished by the British administration in 1832 on grounds that it was a form of slavery. With the abolition of *Rajakariya*, the function of the *Gamsabawa* (village council/rural court) and *Gamarala* (Village headman) became inactive and the customary regulations and traditions began to collapse (Panabokke et al., 2002 : 40). This led to a vacuum in the responsibility of managing minor irrigations which resulted in the degradation of these systems, thus warranting the import of rice to feed the population. Realizing the mistake of abolishing the *Rajakariya* system, the British implemented the *Paddy Lands Irrigation Ordinance, No. 9 of 1856*, with the intention of mustering the community organizations to re-establish traditional customs in irrigation paddy lands. In 1857, this ordinance was enacted with more state power and recognition give to *Vel Vidane* instead of the *Gamarala*. The former

⁵⁾ in a village and hence the number of *Gamarala* offices was permanent and unalterable. Thus it is clear that there was not a single leader for the ancient village.

5) The *Gamarala* was a grant-holder, not an owner.

was given the responsibility of distribution of water equitably to all beneficiaries in a system and attending to all cultivation activities impartially. The original *Irrigation Ordinance of 1856* underwent at least seven revisions in 1867, 1889, 1906, 1908, 1915, 1917 and 1946, and was effective till the end of the colonial period.

Vel Vidane was to be the king-pin in village irrigation management, but his power and duties were clearly laid down by law and he could be punished and removed by the Government Agent (GA) for any omissions on his part. Even though, the *Vel Vidane* was elected by a majority of the farmers in the village, he was in fact the last link in the government bureaucracy. Although the *Vel Vidane* was not paid a monthly salary for his service, he was permitted to collect 1.5 percent of the total harvest from each farmer, and he therefore had an incentive to ensure that the crop did not fail. The *Vel Vidane's* position was further reinforced by the revival of the traditional *Gamsabawas* or rural courts which were easily understood and respected by the village communities. However, the *Gamsabawa* functioned under the chairmanship of the GA and they had power to enforce fines for breaking rules and also to impose punishments for any infringement of accepted rules and customs.

Apart from the village level irrigation institutions, Provincial Irrigation Boards were established at the provincial level in 1887 and the Government Agents were entrusted with the responsibility of executing both major and minor irrigation works in their administrative areas. These Provincial Irrigation Boards were subsequently abolished in 1900 with the creation of a separate central Irrigation Department, which was held responsible for the maintenance of all irrigation schemes through the GAs (Panabokke et al., 2002 : 13). Furthermore, the British administration paid considerable attention to the rehabilitation and improvement of the small village tank irrigation system immediately after World War I. These activities were mainly promoted by the need for producing adequate staple food within the country in order to avoid the heavy expenditure incurred on food imports.

Many scholars argue that the abolition of the ancient *Rajakariya* system had a bad effect on the management and the maintenance of village irrigation systems at the beginning of British colonization. However, later, British policy makers decided to institute the dictatorial office of *Vel Vidane* to communicate between village and government regarding village irrigation management. Even though the GA or Assistant Government Agent (AGA) had power to appoint the post of *Vel Vidane*, villagers had been allowed to select a person for this post from the same village by the majority of the people following the traditional method. Moreover, by allowing *Vel Vidane* to collect a

share of farmer produce, British rulers would expect to tighten the interdependency between farmers and their local leaders like the *Gamarala* and his tenant farmers in the ancient village. Likewise, the British administrative system was linked with the community leaders at the grass root level while they were controlled by the top level of government officials.

Land Institutions : The British land policy was closely associated with the development of a plantation crop by foreign private enterprises. Therefore, the major plank of British land policy was the establishment of private property rights in land (Wickramasekara, 1986 : 142). The Crown Land Encroachments Ordinance, No. 12 of 1840 (CLEO) is the major piece of legislation in the context under which '*all forest, waste, unoccupied or uncultivated lands shall be presumed to be the property of the Crown until the contrary . . . be proved*' (Farmer, 1957 : 109). Under this law, the government continued to wrest vast tracts of land from individuals and groups, who could not legally establish their customary rights. The Waste Land Ordinance of 1897 (WLO) was a logical extension of the same principle with the twin objective of preventing encroachments and voluntary sales of village land to capitalists. Under this ordinance, *Chena* lands were declared 'waste', and thus, *Chena* lands that had been practiced for a long time became property of the Crown. Further additions were made to the Crown lands by the Registration of the Temple Lands Ordinance No. 10 of 1856 (RTLO) (Hettiarachchi, 1982 : 112). Under the Ordinance, the costs of land surveys done for the purpose of the register of temple lands was to be shared by the temples and the government. Some of the temples which owned large extents of land were compelled, in order to escape heavy survey charges, to abandon claims to a large portion of their temporalities which were vested in the Crown under the CLEO of 1840.

The lands declared as Crown property were subsequently converted to large scale plantations under coffee, tea and other crops. According to Wickramasekara (1986 : 143), during the period from 1831 to 1930, about 2 million acres of Crown land had been sold to the private sector. However, it should be pointed out that the effect of the above ordinances on domestic agriculture were serious and manifold. First, the acquisition and sale of the *Chena* land and forest reserves of the villages to the European speculators restricted further expansion of villages. As a result, the traditional system which worked to maintain the land/labor ratio in equilibrium at the best level of production gradually disappeared. The only alternative for growing population was to apply more incentive labor on the available paddy lands.

However, since the 1920s, the British colonial government changed its attitude towards land policy, especially with the establishment of the Land Commission in 1927. The Land Commission of 1927 declared that Crown land must be held by the government *in trust* for the whole population inhabiting the island and the lands should be allocated according to the interest of the community. This declaration created the precedence for the subsequent attempts at establishing colonization schemes in the Dry Zone under the concept of “Peasant Proprietorship”, which were expected to help the landless in the Wet Zone. The most important piece of legislation which accelerated the process of peasant colonization in the Dry Zone was the Land Development Ordinance of 1935 (LDO). Under this act, land was to be allocated among selected peasants on a perpetual lease basis. Lands were distributed at ‘Land *Kachcheries*’.⁶⁾ Successful applicants received permits to occupy land and they had to pay an annual payment to retain the permit. After the land was developed, the holder was eligible to receive a grant, which was registered with the Government Agent. Lands could not be disposed of without the permission of the state (Land Commissioner), but the successors were to be nominated by the allottee. These measures were taken with a view to preventing the colony land fragmentation by inheritance and the dispossession of the lands through sales. However, in 1939, a “new Policy” of land alienation was introduced due to the slow progress of previous land reform policies. Under the new policy, each colonist should be given housing facilities as well as farm services. Infrastructural development, as well as improvements to and maintenance of irrigation structures, thus became the responsibility of the government (Gunawardena, 1981 : 75).

3. Post-Colonial Institutions

Since Sri Lanka gained political independence from the British in 1948, the successive independent governments have made a noticeable effort to develop peasant agriculture which had been largely neglected by the colonial rulers. It was expected by the policy makers that development of peasant agriculture contributes to overall national economic growth and development while improving the socioeconomic conditions of the rural people. Therefore, various formal institutions related to peasant agriculture were formulated and a number of plans were implemented mainly to achieve self-sufficiency in food, especially in rice. Moreover, Paddy farming came to be treated as the foundation or the base of the rural economy, the pivot around which the economic and cultural life of the village

6) ‘*Land Kachchery*’ means a meeting held in the prescribed manner for the purpose of alienating state land.

revolved (People's Bank, January 1978 : 4). Further, in line with macroeconomic policy reforms followed since independence,⁷⁾ peasant agricultural policies as well as the government agencies through which government attempted to implement its agricultural policies were also adjusted.

Irrigation Institutions : Following independence in 1948, the responsibility for maintaining minor irrigation schemes was taken over by the Ministry of Agriculture, and with the introduction of the *Paddy Land Act of 1958*, the Department of Agrarian Services (DAS) was entrusted with the responsibility for maintaining all village irrigation schemes in addition to investigation and construction as well as the maintenance of minor village tanks (Panabokke et al., 2002 : 13). Moreover, under the Paddy Land Act of 1958, the *Vel Vidane* system was replaced by the Cultivation Committee (CC), whose members were to be elected by the farmers from a group of villagers which constituted the Cultivation Committee's area of operation. However, lack of legal authority given to these committees caused a malfunction in their role as an effective village institution. The irrigation institutional changes that subsequently took place in the successive periods are shown in summary form in Table 1.

The CCs were reorganized by the *Agricultural Productivity Law of 1972* and the *Agricultural Lands Law of 1973*. Along with the New Cultivation Committee (NCC) system, a divisional level organization called the Agricultural Productivity Committee (APC) was established. The NCC was supposed to function as an agent of the APC at the village level. Thus the autonomy and powers of the CC declined. Moreover, the members

7) Over the past sixty years since independence (1948), three distinctive periods could be identified relating to political ideology and development priorities.

1948-1970 Period : Development policies and programs followed during this period were mainly based on mixed economic policies. Thus, policies followed during the early fifties (1950-1955) and end of the sixties (1965-1970) were based towards open economic policies favoring partial liberalization programs such as currency devaluation, dual exchange rates for essential and non essential imports and tariff reforms, while during the period 1956-1964 the government exercised a greater control over economic policies considering the state sector as the focal point of development (Athukorala and Jayasooriya, 1994).

1970-1977 Period : By the early 1970s, again the economy had become highly regulated and controlled while increasing the government involvement in economic activities. Thus the government adopted a quota system, rationing and permits as the main instruments to control the domestic economy while imposing some regulation on the distribution and trade of some domestic agricultural products like rice and chilli. These policies were aimed at gaining self sufficiency in food production and reducing pressure on the balance of payment.

The Post 1977 Period : The economic reforms in the later 1970s attempted to reduce government intervention in the economy and give the market a larger role in determining prices of outputs and inputs and allocation of resources.

Table 1 : Institutional Changes in Irrigation Systems.

Period	Formal Institutions			Duties and Responsibilities
	Government Acts/Ordinances/Circulars	Grass-roots Level Institution	Supervision	
Colonial Period				
1832 to 1889	The British abolished the traditional <i>Rajakariya</i> system in 1832, and nobody was officially appointed to maintain village irrigation works			
1889 to 1948 Post-Colonial Period 1948 to 1958	<i>Irrigation and Paddy Cultivation Ordinances of 1889 and various revisions in 1906, 1908, 1915, 1917, and 1946</i>	<i>Vel Vidane</i>	Village Cultivation Officer (VCO) and Assistant Government Agent (AGA)	Irrigation, water management, and paddy cultivation
1958 to 1972	<i>Paddy Land Act of 1958</i>	Cultivation Committee (CC)	Department of Agrarian Services (DAS)	Planning and implementation of agricultural development and irrigation maintenance
1972 to 1977	<i>Agricultural Productivity Law of 1972 and the Agricultural Lands Law of 1973</i>	New Cultivation Committee (NCC)	DAS	Irrigation, paddy cultivation and other agricultural activities
1977 to 1979		NCCs	Dissolve consequent to change of government's political philosophy	
1979 to 1991	<i>Agrarian Services Act of 1979</i>	Cultivation Officer (CO) with <i>Yaya Niyogita</i> (YN)	DAS	Irrigation, paddy cultivation and supply of inputs Most functions similar to Vel Vidane
1991 to 2000	<i>Agrarian Services (Amendment) Act, No. 4 of 1991</i>	Farmer Organization (FO)	DAS	Irrigation works, marketing of produce and distribution of inputs
2000 to present	<i>Agrarian Development Act of 2000</i>	FOs	Department of Agrarian Development (DAD) (earlier DAS)	Supervision and administration of irrigation works

Source : Panabokke et al. (2002), Perera (1978)

of the NCC were appointed by the Minister of Agriculture and Lands on the recommendation of the member of parliament of the area. The APC which consisted of ten members was also appointed by the Minister of Agriculture and Land. This new method of selecting members paved the way to introduce party politics into the village level agricultural institutions.

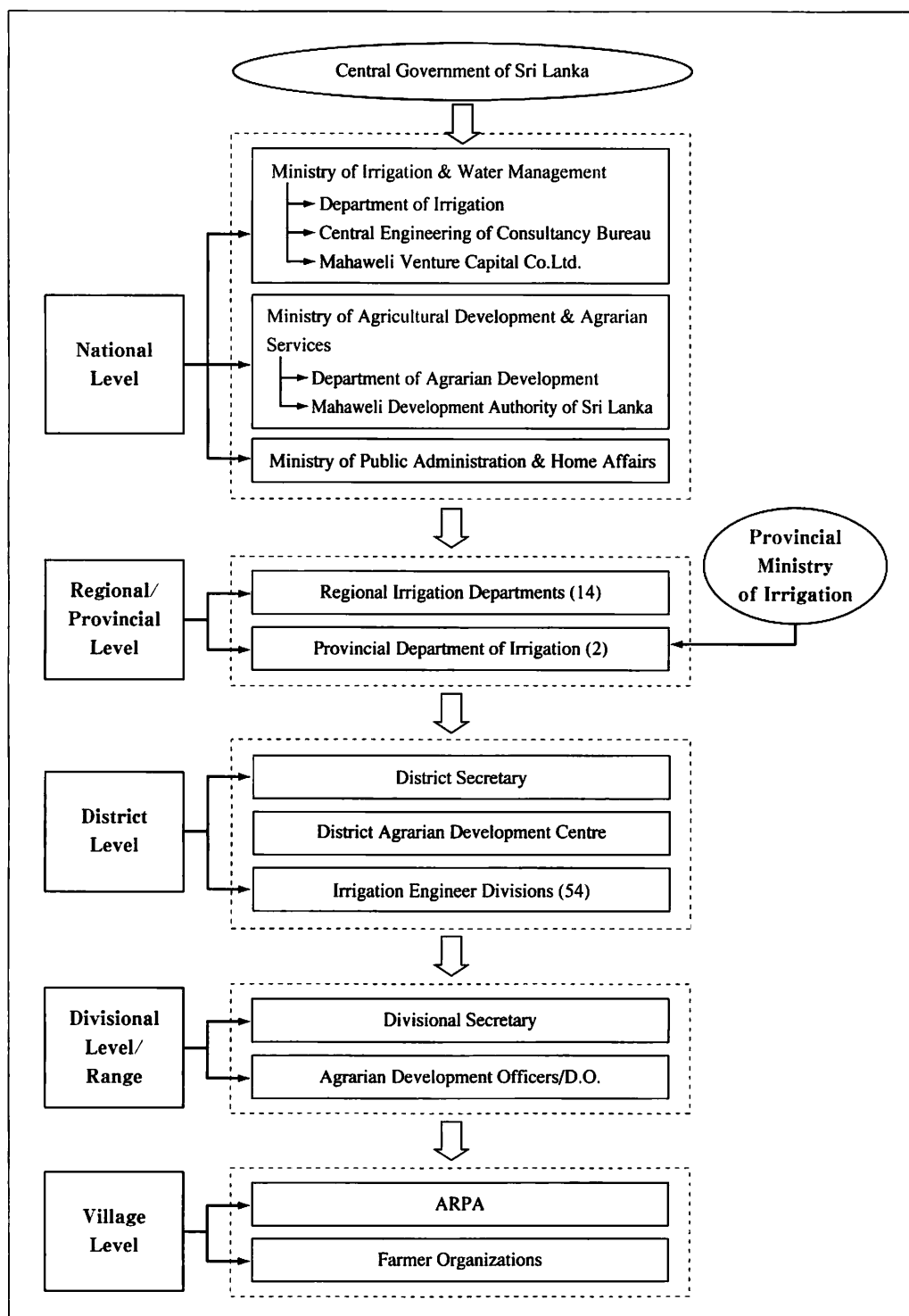
Between 1977-1979, there was a hiatus in irrigation water management leadership. Under the *Agrarian Service Act of 1979*, a salaried permanent officer called the Cultivation

Officer (CO) was appointed to be in charge of an area which constituted several villages. In 1981, the government decided to resuscitate the traditional *Vel Vidane* system by allowing farmers in each paddy tract (*yaya*) to elect their own farmer representative called *Yaya Niyojita*. *Yaya Niyojita* was mainly responsible for assisting the CO in matters relating to the protection of irrigation works and for the conservation of water supplied in his area. In 1991, the *Agrarian Service Act No. 58 of 1979* was amended to establish Farmer Organizations (FOs) and gave legal authority to FOs to undertake irrigation contacts. Though this represented the best alternative for farmers, the formation of FOs on village boundaries complicated the independent functioning of FOs.

In 1984, the Sri Lankan government instituted an irrigation fee with the aim of recovering the costs of operation and maintenance (O&M) of the irrigation facilities from the farmers. To make this charge palatable to farmers, the government promised that irrigation service would improve and that the funds collected within a scheme would be spent in that scheme. However, this effort was not as successful as expected. In view of the difficulties in fee collection and the success of a decade of experiments in farmer participation in irrigation management, in December 1988, the government formally adopted the Participatory Irrigation Management (PIM) for all major schemes. Under the PIM policy, farmers in the small or minor irrigation schemes were given full responsibility for O&M. Medium and major irrigation works were brought under joint management with FOs in charge of O&M of irrigation facilities below the distribution canal head, and the irrigation agency managing the headworks and the main canal system. The impact of participatory management to date is mixed (Samad, 2005 : 133). Although farmers were expected to finance O&M, due to legal and political problems the cost recovery program was abandoned and the government continued to finance O&M. Moreover, some farmers complain that they are taking on new expenses and responsibilities and not getting much in return.

Over the years, a number of state organizations have been established and vested with the responsibility of the planning, designing, implementation, supervision, and maintenance of irrigation works and also managing water resources. At the national level, there are several government agencies that have some involvement in the water sector, while there are many other entities involved with water at the provincial, district, divisional and local levels. Among them, the Ministry of Irrigation and Water Resource Management and the Ministry of Agricultural Development and Agrarian Services are the key organizations responsible for irrigation policy development and implementation. The present institutional structure for irrigation administration is presented in Figure 1.

Figure 1 : Institutional Structure for Irrigation Administration



Source : Department of Government Printing, 2007 ; Damayanthi & Nanayakkara, 2008 : 76-77

The Department of Irrigation and Central Engineering and Consultancy Bureau assist the Ministry of irrigation and Water Management in implementing irrigation works at the national level. In addition to the above institutions, Mahaweli Venture Capital Co. Ltd. helps the government in fulfilling irrigation activities in Mahaweli settlement areas. The Ministry of Agricultural Development and Agrarian services implements its irrigation related activities through the Department of Agrarian Development (DAD) and Mahaweli Authority of Sri Lanka (MASL). The Department of Irrigation and Department of Agrarian Development have administratively decentralized their responsibilities and functions to grass roots level. The Irrigation Department is in charge of all major and medium irrigation schemes while MASL deals with the *Mahaweli* Projects. Minor schemes come under the Provincial Councils.

In addition to the above departments, the District Secretaries and Divisional Secretaries have co-ordination responsibilities for irrigation work at district and divisional levels respectively. However, administrative works related to grass root irrigation are continued by the Agrarian Development Department with the help of FOs (Samad, 2005 ; 130). At present, some of 3,000 Distributary Canal Organizations or Water User Associations (WUA) and about 15,000 Field Canal Groups (FCG) have been established and vested with the responsibility for O&M of the canal systems. WUAs (commonly referred to as farmer organizations) are in charge of managing all minor irrigation system. However, there has been a strong perception among policymakers and farmers that the limited O&M funds are not effectively and diligently managed by the irrigation agencies. However, in 2000, the Agrarian Services Act of 1979 (No. 58) was replaced by the Agrarian Development Act 2000 (No. 46) while renaming the Department of Agrarian Services as the Agrarian Development Department (Department of Government Printing, 2000). At present, the new Act provides legal recognition to Farmer Organizations (FOs) and stipulates the responsibilities of the FOs including the levying of water fees while conferring the authority on the Agrarian Development Department to support the activities of FOs. However, the fragmented nature of these multiple laws obviously creates problems for regulations as they lack external coordination and internal consistency.

Land Institutions : Although there was no fundamental change in land policy during the period 1948 to 1971, successive governments changed the policy of alienation of land in the Dry Zone colonies as a result of the recommendations made in 1952 by the World Bank. In 1953, the size of individual allotments was reduced to five acres of paddy and two acres of highland (Gunawardena, 1981 : 76). Moreover, it was decided to appoint a Commission

in 1955 to report on Land Policy and generally review the Land Development Ordinance (LDO) of 1935. The Commission recommended the setting up of an organization for land use planning in the colonization schemes and the introduction of a system for land tenure.

However, the delay in the provision of irrigation facilities by the government as well as the flood in 1957 caused a certain amount of hardship to the colonists. It was felt that the existing rate of alienation was inadequate to make an impact on the problems of land hunger and agricultural development. Therefore, in 1958, a policy of "advance alienation" was adopted by which the colonists were admitted to the schemes before the commencement of the land development work. Under this system, colonists themselves were to participate in the construction of channels, roads, etc., and preparation of land for cultivation, for which they would be paid. Once land clearing was over, the colonists were placed in possession of their allotments (Bansil, 1971 : 70). The scheme of advanced alienation was done away with in 1969 and a set of "new proposals" was drawn up with regard to the selection of colonists, land development and settlement. Under the revised system the lands were cleared by the labor hired by the Land Development Department. The colonists were subsequently provided with subsidies for building houses. In the selection of allottees, preference had been earlier given to landless persons with large families. Under the new system, however, agricultural knowledge, physical fitness, and practical experience in farming began to receive priority as criteria for selection.

The United Front Government which came into power in 1970 carried out land reform programs in 1972 and 1975. Under the Land Reform Law of 1972, all individuals owning paddy land in excess of a ceiling of 25 acres and highland in excess of 50 acres were to declare and hand over their estates to the state. Under this law a total of 563, 411 acres were vested in the state. The Land Reform (Amendment) Law No. 39 of 1975 provided for the total appropriation of land owned by public companies (close to half of which was foreign-owned), and 415, 000 acres were taken over by the government. Alienation of land taken over by the government was carried out in three basic ways. Firstly, large estates were not broken down into smaller units but their management was entrusted to one or another of several public sector institutions. The two large state corporations, the Sri Lanka State Plantation Corporation (SLSPC) and Janatha Estate Development Board (JEDB), managed a large proportion of large estates. Secondly, some of the lands were brought under collective farms. Thirdly, marginal lands were distributed among individuals in small units.

In 1979 the Land Grant (Special Provisions) Act of No. 43 was passed by the Parliament to enable free distribution of lands vested with the state among landless

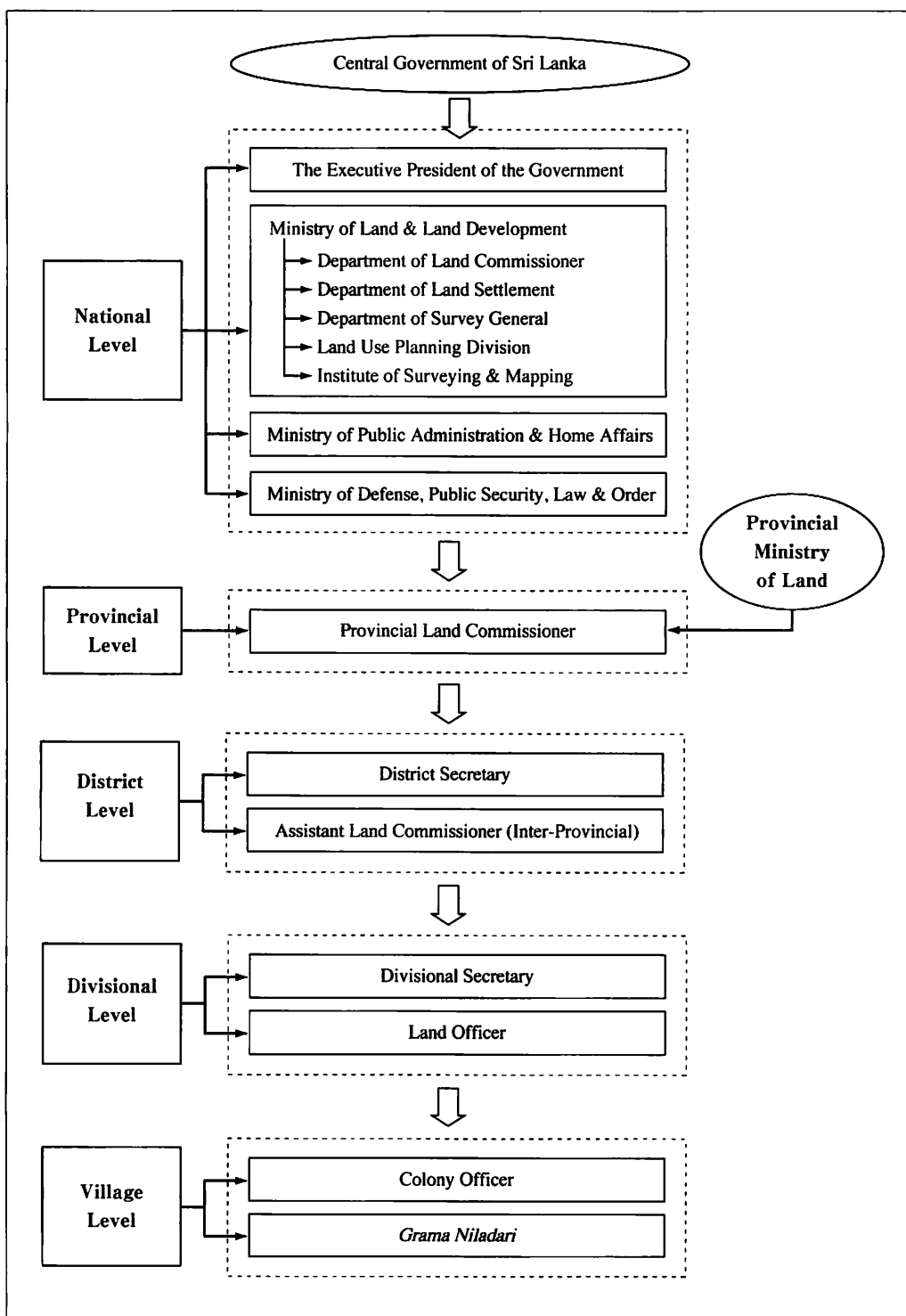
villagers. This law made provision for the redistribution of land to about 100,000 landless families with land one acre in size. However, the largest colonization scheme of the Dry Zone in Sri Lanka introduced by the independent government was the 'Accelerated *Mahaweli* Development Scheme' which was begun in 1979. However, a larger proportion of the settlers in the *Mahaweli* region have so far come from within the areas affected, i.e. surrounding *Purana* (traditional) villages and old colonization schemes. Thus, the scope for the resettlement of Wet Zone villagers has been limited.

Issuing grants⁸⁾ for the lands alienated under LDO commenced in 1982 under the Land Development Act (amendment) of 1981. Land grants were variously titled 'Swarnaboomi' (1982-1994), 'Jayaboomi' (1995-2002), 'Isuruboomi' (2002-2004), and back to 'Jayaboomi' since 2005. It is important to note that though 'Swarnaboomi' grants were prepared with a survey map, 'Jayaboomi' grants were not. Moreover, land grant title was introduced in 1994 and was applied to both LDO based irrigated settlements as well as land alienated under the Land Reform Laws of 1972 and 1975. Furthermore, the Registration of Title Act No. 21 of 1998 was enacted with the objective of providing titles to land parcels. However, there have been numerous difficulties in implementing the legislation because of the absence of appropriate provisions towards conflict resolution during the process of land titling, denial of registration in case of co-ownership which is widely prevalent and culturally acceptable in the country, lack of clarity in handling subsequent transactions relating to lands for which titles are issued, absence of consensus on the issue of Second Class titles, etc. In addition, the Land Ownership Bill was suggested by the World Bank to give freehold titles to the allottees of the alienated state lands and this led to much controversy as some were of the view that it would create more negative impacts on the poor.

At present, however, as roughly 1.4 million hectares of the 2.25 million hectares of agricultural land in the country are government owned, and out of them, approximately 1 million hectares have been distributed over the last seventy years for private household use through a series of land distribution programs (World Bank, 2008). Moreover, successive post-colonial governments attempted to solve the problems related to land utilization, particularly among the Second and Third generation through implementing various rules and regulations. However, the implementation of land distribution programs as well as land utilization rules and regulations are hampered by the fact that the administration and

8) Grant is a permanent document which confers tenure close to that of a freehold title subject to several conditions that transfers require prior permission, prohibition of fragmentation and subdivision, inheritance restrictions, etc.

Figure 2 : Institutional Structure for the Administration of the Land Sector



Source : Department of Government Printing, 2007 ; Damayanthi & Nanayakkara, 2008 : 76-77

management of land in Sri Lanka is handled by more than 39 operational laws and a number of government institutions. At the national level, three Ministries and the Executive President have responsibilities regarding the subject of land and land development (see Figure 2). The Ministry of Land and Land Development that has primary responsibilities for land and land development, has three departments and two institutions for the implementation of its policies. Moreover, nine Provincial Councils have posts of Provincial Land Commissioner for the implementation of Provincial Councils' responsibilities regarding land and land development. On the other hand, the responsibilities regarding the subject of land are implemented through Divisional Secretaries, Colonial Officers, and *Grama Niladaris* who are officials of the Ministry of Home Affairs. The Divisional Secretary is entrusted with implementing many duties and functions under the relevant Acts and Ordinances. The Divisional Secretary :

- Acts as the custodian of state land within the division and recommends lands for state use.
- Recommends lands for alienation to other agencies.
- Recommends lands for acquisition.
- Implements settler selection criteria.
- Manages land in inter-provincial and land development schemes.
- Makes recommendation for surveys.
- Takes action to protect reservations.
- Locates land for mapping and survey activities (Damayanthi & Nanayakkara, 2008: 76).

Therefore, the Divisional Secretary implements many responsibilities such as holding a land Kachcheri, selecting suitable allottees and granting the land permits. The Land Officer (LO) helps the Divisional Secretary to implement entrusted land responsibilities at the divisional level. At the village level, the Colony officer and *Grama Niladari* are entrusted with the functions regarding state lands (Damayanthi & Nanayakkara, 2008 : 76). However, many people criticize the current land administration system while critical of that the lack of coordination among those institutions leading to overlapping of authority and contradictory decisions and policies. In other words these settlements are not traditional villages, but bureaucratically controlled entities. They in turn are a part and parcel of the highly centralized state. In this way the creation of a new peasantry is managed through a high degree of central control.

III. Institutional Change and its Impact on Agricultural Development

1. Ancient Institutions and Peasant Agriculture

Peasant agriculture in the Early Historic Period (Pre-Vijayan period) in Sri Lanka was mainly characterized by various kinds of cereal crops which were grown under rain-fed conditions. The most dominant cereal food crop in Sri Lanka during the Early and Middle Historic Periods between 500 and 300 B.C. was *Kurakkan* (Eluecine Coracana), known as finger millet (Panabokke, April/May 2010 : 4-6). However, its one main limitation was that its grain yield per acre was less than rice and it therefore could not support a rapidly increasing population. In order to get beyond the status of subsistence living, it was recognized that irrigation had become a necessity. Once they had advanced to a stage where they were able to construct village tanks with a larger storage capacity, the cultivation of rice became possible. Since then, rice became the main staple food of the people in Sri Lanka. It is important to note that Sri Lanka had more than 2,400 varieties of rice (Dharmasena, April/May 2010 : 50). For example, *heenati* rice was grown for lactating mothers. *Kanni murunga*, another variety, was grown for men going out to work in the fields. *Suvandel* was cultivated for its extraordinary fragrance. Monks who did not eat after noon were given a special variety grown over six months called *mawee*, which possesses a high-protein content.

Many agricultural practices found among rural communities in the past had aimed at minimizing the losses and failures of crops due to climate, wildlife and other natural disasters. Rice farming in the traditional village was a common activity. Individual decisions had to be in par with the common decision taken by the *Gamarala* or village chief. Decision making on cultivation of a portion of paddy track sharing proportionately among farmers in the seasons of water shortage (*betma* cultivation) was a good example of their unity. Cultivation commenced with rituals praying to gods to ensure the success of cultivation. Soil fertility was looked after by allowing cattle free grazing during fallow time. Crop was protected from pest by leaving a paddy strip to attract birds (*kurulu paluwa*), performing kems, a ritual or a religious rite, and if necessary, using plant or plant extracts (bio-pesticides). The crop was harvested and heaped in the field for some weeks, threshed and winnowed. The peasants, produced basically to meet the consumption needs of the family and not to make profit. However, the tragedy of the peasant was that he was never able to use all that he produced, to meet the consumption needs of the family. The State and its bureaucracy, and various mediators made demands on his surplus produce

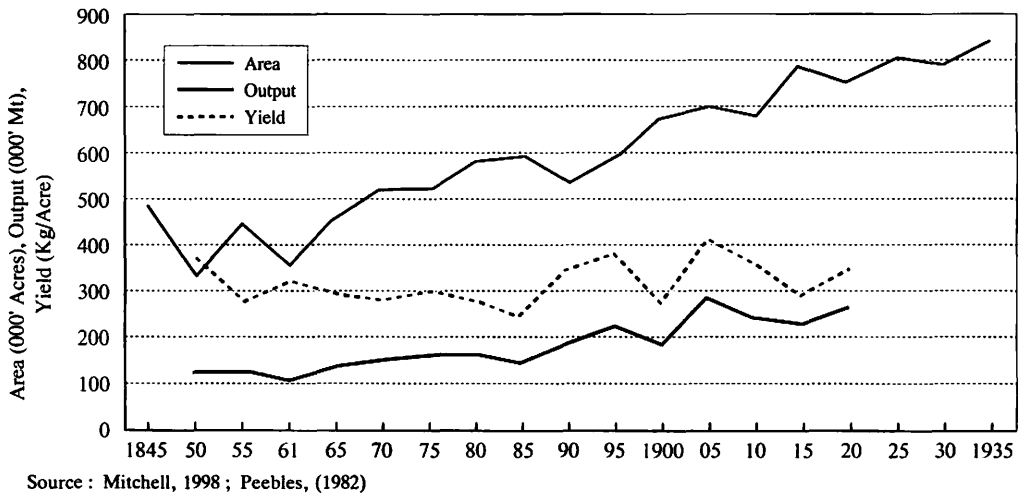
which the peasant was unable to resist because they exercised authority over him. The result was a bare subsistence for the peasant and no capital accumulation among them.

Moreover, the absence of peasant land rights in ancient Sri Lanka can be viewed as a major barrier for tenant farmers to utilize lands to the maximum. It is natural that without secured property rights farmers do not feel emotional attachment to the land they cultivate, do not invest in land development and will not use input efficiently. Moreover, it can be assumed that the King's monopoly of power over land led him to make land policy for the benefit of his family and his chiefs, but not for poor peasant farmers. The *Gamsabhawa*, however, can be viewed as a very influential rural institution which was not only responsible for the agricultural activities but also for maintaining village peace and harmony. Since it was headed by experienced village people, villagers had no doubt about the knowledge of their leaders. Moreover, the interdependency between farmers and leaders of *Gamsabhawa* automatically supported having a better coordination and mutual understanding among everybody in the village. Since *Gamsabhawa* functioned as one institution responsible for both irrigation and land activities, it was more convenient for farmers to deal with one institution rather than visiting several institutions while wasting their valuable time. On the other hand, it would be easy for the King or other landlords to implement their agricultural policies efficiently through such a single rural institution. Therefore, it is assumed that grass-root level agricultural administrative activities in the ancient era were done by farmers themselves in a transparent manner. However, since the ancient King and his team had super executive power over policy making, it is doubtful whether they considered public opinion when they made any kind of policy.

2. Colonial Institutions and Peasant Agriculture

The traditional cultivation pattern of peasant farmers in Sri Lanka began to change gradually with the institutional changes made by the British colonial government. The growing demand for cash-crops like coffee, coconuts, etc., and the peasants' ability to cultivate and exchange these for foodstuffs, made the cultivation of *Chena* dispensable for many peasants. The village irrigation system, upon which the paddy cultivation completely depended, went into ruin during the early stage of British administration. Although some interest in the irrigation schemes was shown by the British administrators during the first decade of their rule, once the policy of road construction got under way that was completely and conveniently abandoned. The village council (*gamsabhawa*) which traditionally used the compulsory labor of the peasants in constructing and maintaining the irrigation system had no authority to exact compulsory labor in order to compel peasants to

Figure 3 : Performance of Paddy Sector (Colonial Period)



perform these public works. This inability of the traditional institutions to attend to village irrigation works had more adverse effects on peasant production (Hettiarachchi, 1982 : 64).

The colonial figures show (see Figure 3) a general increase in paddy cultivated area, which is consistent with population growth, public investment in irrigation, and the alienation of crown land to peasants. However, the returns for acreage, yields, and production fluctuate erratically from year to year. For example, the cultivated area of paddy increased steadily from 331,000 acres in 1850 to 756,000 in 1920, while the reported output increased 123,000 metric tons to 262,000. The growth of paddy output during the colonial period has stagnated mainly because of the low level of paddy productivity. Although the plantation sector performed well, the peasant agriculture failed to achieve the same dynamic growth during this period, while the method of cultivation remained unchanged. It is true, after the 1920s, that Colonial government changed their policies on peasant agriculture while allocating a considerable proportion of government funds for construction of irrigation works and agricultural development in the rural sector. However, these changes were not sufficient to fulfill the requirement of rural farmers, and hence their agricultural practices remained basically unchanged. As a result, Sri Lanka had to import more than one-half of the rice it needed particularly during the late decades of the Colonial period.

It is true that the British colonial government introduced most of their institutional changes for their own benefits. However, the attempt on the establishment of private property rights in land can be viewed as a valuable step taken by the British government to encourage the allocation of available resources efficiently. Moreover, the *Land*

Table 2: Changes in the Composition of Main Agricultural Crops : 1950-2010

(percentage of total agricultural sector)

Year	Plantation Sector (Percentage)				Domestic Sector (Percentage)			Total Agricultural Output
	Tea	Rubber	Coconut	Total	Paddy	Other ^{a)}	Total	
1950	28.3	16.0	15.8	60.1	...	39.9	39.9	100
1960	28.7	9.7	11.8	50.2	...	49.8	49.8	100
1970	11.3	6.2	14.3	31.8	25.6	42.6	68.2	100
1975	11.1	5.9	13.6	30.6	17.1	52.3	69.4	100
1985	9.7	3.0	13.5	26.2	23.9	49.9	73.8	100
1990	10.0	2.4	10.9	23.3	21.3	55.4	76.7	100
1995	9.4	2.1	10.5	22.0	21.0	57.0	78.0	100
2000	7.0	1.8	8.6	17.4	15.9	66.7	82.6	100
2005	6.0	2.2	6.6	14.8	14.7	70.5	85.2	100
2010	10.0	6.2	8.4	24.6	15.9	59.5	75.4	100

a) Includes other agricultural crops as well as forestry and fishing.

Source : Abeyrathne & Rodrigo (2002 : 32) for 1950-1975, CBSL Annual Reports for other years

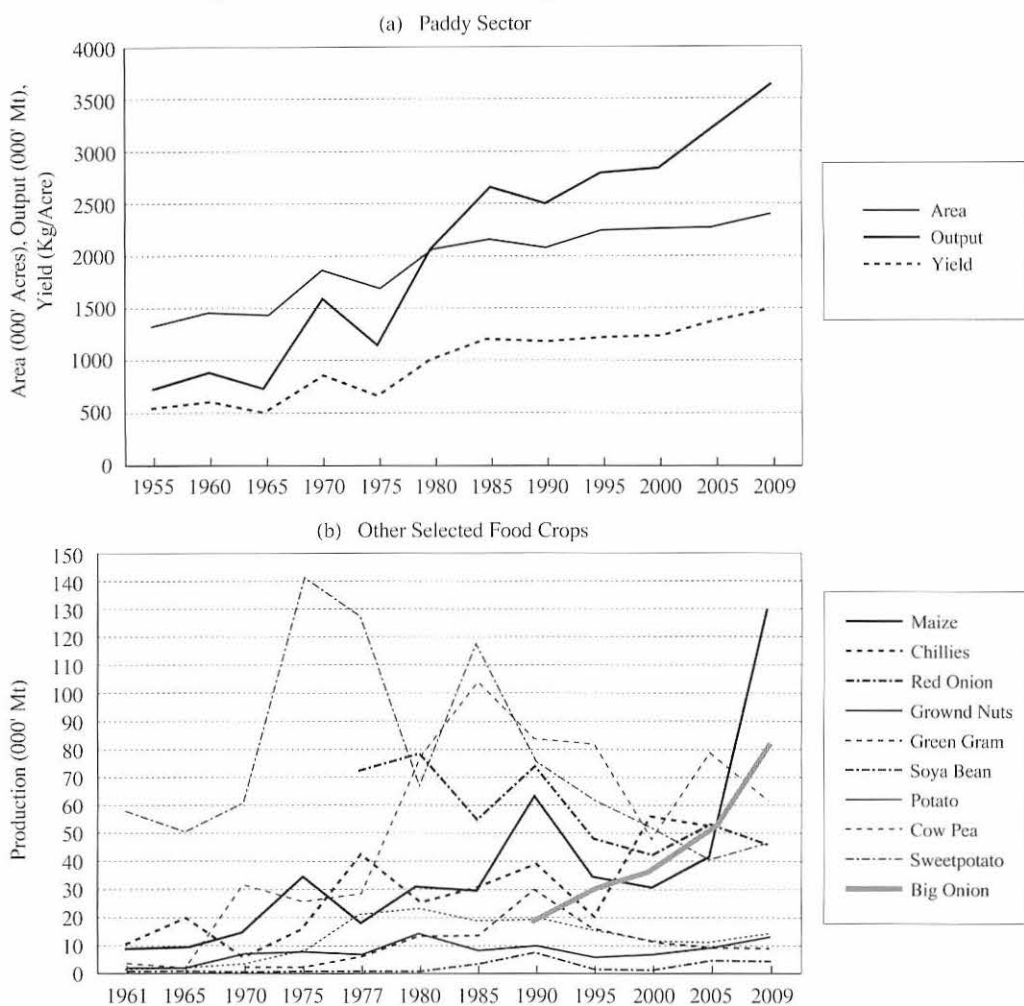
Development Ordinance, which was introduced by the colonial government in 1935, has been continued by successive independent governments as a base for peasant colonization schemes with several amendments.

3. Post Colonial Institutions and Peasant Agriculture

As discussed in the foregoing analysis, Sri Lanka has attempted to adopt various agricultural development policies while establishing various formal institutions required to implement those policies. As a result, the agricultural sector has become more diversified, specifically during the past sixty year period. Within agriculture, export crops which constituted the engine of growth in the classical colonial economy, altogether accounted for about 60 per cent of total agricultural production in 1950 and declined to about 25 per cent by 2010 (Table 2). Meanwhile, the share of peasant agricultural sector has shown a rapid expansion indicating a significant diversification within the overall agricultural sector. For example, in 2010, peasant agriculture contributed 50 per cent of total agriculture (excluding livestock, forestry and fishing) while paddy contributed 16 out of 50 per cent and the remaining 34 per cent by subsidiary food crops, particularly grown in rural areas, has become the larger contributor and paddy has become the second largest contributor to agricultural value-added in Sri Lanka. There is no doubt that independent agricultural development policies and the establishment of a number of agriculture-supported formal institutions were mainly responsible for these changes in the composition of the agricultural sector.

The establishment of formal agricultural institutions and their changes achieved some

Figure 4 : Performance of Peasant Agriculture (Post Colonial Period)



Source : Central Bank of Sri Lanka, Various Issues ; HARTI Data Bank Statistics Abstracts

positive results during the past six decades. In 1948, although food requirement (food and drink in value terms) imported was nearly 53 per cent of total imports, this reduced to less than 10 per cent by 2010. This means that peasant agricultural production in Sri Lanka has increased during the post-independent period. For example, paddy output, the main agricultural production in the rural sector has increased by 165 per cent during the last sixty year period (see Figure 4a). Another important impact of formal agricultural institutions was employment generation. As a result of new settlement programs, many families in wet zone were resettled in the colonization schemes with employment opportunities in farming. However, the other subsidy food crops do not indicate a rapid growth during the post-independent period (Figure 4b). Although Chilli, Big Onion and Maize production have gradually increased to some extent, the production of many other

Table 3 : Agricultural Inputs and Food Production (Selected Countries)

Country	Input				Output	
	Employment in Agriculture (% of Total Employment)	Arable Land (Hectare per Person) (2008)	Irrigated Land as a % of Total Agricultural Land Area	Fertilizer Consumption (Kg. per Hectare) (2008)	Average Annual per Capita Food Supply (Kg.) (2005-2007)	Average Annual Growth of Vegetable Production (1994-2009)
Sri Lanka	32.5 (2009)	0.1	34.4 (2006)	284	37	1.4
India	56.1 (2005)	0.1	30.6 (2003)	154	62	3.7
Pakistan	43.6 (2007)	0.1	73.0 (2008)	163	30	2.3
Bangladesh	48.1 (2006)	—	62.0 (2005)	165	18	5.9
Nepal	65.7 (2007)	0.1	27.7 (2008)	7.7	76	5.9
Viet Nam	44.1 (2002)	0.1	33.9 (2003)	287	84	4.8
China	57.7 (2004)	0.1	10.2 (2006)	468	276	6.9

Source : FAO Statistical Year Book 2010, World Development Indicators 2010

Table 4 : A Comparison of Average Annual Productivity of Selected Crops (2005-2009)

Country	Paddy (kg/Ha)	Potato (kg/Ha)	Onion (kg/Ha)	Tomato (kg/Ha)	Sweet Potato (kg/Ha)	Pumpkin (kg/Ha)
Sri Lanka	3,694	14,823	11,590	9,881	7,051	10,484
India	3,247	18,401	15,428	17,826	8,831	8,763
Pakistan	3,351	17,503	13,554	10,370	11,425	9,780
Bangladesh	4,013	14,823	6,870	7,124	9,259	8,291
Nepal	2,748	12,806	—	—	—	—
China	6,418	14,319	21,372	36,704	21,401	18,938
South Korea	6,926	28,341	64,300	65,781	16,890	34,158
Japan	6,559	32,069	49,868	58,075	24,803	—

Source : FAO Statistics, <http://fao.org/>

crops like Red Onion, Green Gram, Soya Bean, Potatoes, Cow Pea etc. increased until the beginning of the 1990s and after that it started to decline or stagnate.

Despite all the rhetoric about agriculture, the fact is that agriculture's growth in Sri Lanka, the growth of vegetable production in particular, has lagged behind those of other sectors. Comparatively, though developing countries like India and Vietnam have less irrigated land and less fertilizer usage than Sri Lanka, per capita food supply and the average annual vegetable growth rate of those countries are significantly higher than Sri Lanka (Table 3). Moreover, Table 3 clearly shows that Sri Lanka has the lowest average annual vegetable growth rate for the last fifteen year period from 1994 to 2009. The main reason for less per capita food production and low growth rate is that the yield levels attained in almost all crops is much less than the potential (Table 4).

Therefore, it is important to re-examine the reasons why formal agricultural institutions and their changes have failed to achieve the expected results.

Politicization of Peasant Agricultural Institutions : During the last six decades, successive governments have made considerable changes in peasant agricultural policies according to their own political views with their macroeconomic policy reforms. It is also important to note that, after independence, rural development through agricultural development became an important strategy for most political parties vying for power. This resulted in establishing various new institutions and changing the existing institutions for supporting input subsidies, marketing facilities, free water, and public investments in parallel with government changes. Therefore, the absence of a consistent, coherent and continuous national policy on peasant agriculture and policy implementation institutions towards fostering the farming community in particular can be viewed as a major institutional barrier for the stagnation of the peasant agricultural sector in Sri Lanka. Moreover, since independence the Member of Parliament has been playing the main role regarding the resource allocation in each electorate in Sri Lanka. The state bureaucracy was thus brought into work in close collaboration with the peasantry, their representatives and their policy makers. However, politicization of state bureaucracy in the context of an agrarian society resulted in the ultimate collaboration between the bureaucracy and the policy. This left the ordinary peasant at the receiving end, rather than involving him in the decision making process relating to production, distribution, management and construction.

Poor Coordination among the Institutions : Some departments related to peasant agricultural development are functioning under the control of different Ministries in the central government. For example, while the Department of Agriculture functions under the Ministry of Agricultural Development and Agrarian Services, the Department of Irrigation and Mahaweli Authority, Departments related to land affairs, and the Dedicated Economic Centers (Whole Sale Markets) are controlled by the Ministry of Irrigation and Water Management, the Ministry of Land and Land Development, and the Ministry of Co-operatives and Internal Trade respectively. Moreover, some of the departments related to peasant agricultural development are linked directly to the existing central government's administrative mechanism, while the others function as departments of various Ministries in the Provincial Councils. However, it is important to note that there is a lack of coordination between those agencies of central government and the provincial councils. This situation led to a tendency for different Ministries to approach the farming community separately. Therefore, the absence of an adequate environment to work towards common

goals can be viewed as another institutional constraint.

Moreover, the attempt at implementing agricultural development policies separately by each government department/ministry without coordination has certainly caused the fragmentation of responsibility at the national as well as field levels. Such a fragmentation of responsibility affects negatively inter-and intra-agency conflicts at implementation level and the ultimate result would be the inefficient functioning of those institutions.

Gap between Institutions and Farmers : Even though the British colonial government introduced a new administration system during their colonial period, they gave main priority to appointing native leaders from their own community for grass root level administration activities. However, successive independent governments have neglected the values of traditional leadership or traditional rural institutions when they appoint grass root level official or leaders. Most of the grass root level agricultural development officials who should play the main role of coordinating government agencies and farmers remain as outside institutions. Moreover, most of them are political appointees. Their knowledge about agriculture is not sufficient to advise farmers. As a result, these officials have failed to build up a strong relationship with farmers. Therefore, farmer participation for agricultural development programs particularly organized by government officials has gradually declined. The lack of coordination between grass root level officials and farmers has negatively affected both farmer participation in policy making and policy implementation.

Poor Adjustment for Peasant Agricultural Institutions under the Liberal Economy : With the introduction of liberal economic policies in 1977, policy makers expected to adjust peasant agricultural activities according to market demand and supply. However, government did not attempt to adjust the formal institutional structure of the agricultural administrative system appropriate for the open market policies. Therefore, some institutions gradually collapsed and some were weakened by the wave of the liberal economy. For example, after 1977 the members of co-operatives had lost considerable interest in the running of their societies. Policy makers or bureaucratic elements had no aspiration to adjust those co-operative societies with liberal economic policies. The ultimate result was the deterioration of the co-operative spirit in Sri Lanka's co-operative movements.

After the 1990s, with the increase of the price of domestic agricultural crops, the domestic agricultural sector again began to receive considerable attention from policy makers. However government had to face various problems when implementing its policies. For example, government attempted to re-introduce a fertilizer subsidy and

minimum price for paddy. However, the mechanism or the formal institutional structure of distributing fertilizer and buying paddy from farm gate had collapsed, and thus it was difficult for government to achieve the expected results. Furthermore, it is interesting to note that when the implementation of any kind of agricultural development policy fails due to the inefficient functioning of the agricultural administrative structure, government used to change its policies instead of correcting the malfunction of the administrative structure or otherwise government take actions to change the ministry/department or to appoint new officials particularly for the grass root levels. Such government behavior will make the current situation worsen while leading to very low levels of resource efficiency in the agricultural sector in Sri Lanka.

IV. Concluding Remarks

Before the changes introduced with the advent of Western colonial power, many of the economic and social institutions in Sri Lanka were self help and self reliance. Those ancient rural institutions were guided by community leaders, and people participation in the established law and order and day-to-day administration was very high. During the period from 1815 to 1948, the British colonial government attempted to transform the island from a self contained economy to an export-import economy while introducing new policies under a new administrative system. At the beginning, the colonial government had neglected the peasant agricultural sector while focusing their policies mainly on plantation sector development. However, after the 1920s, certain policy changes regarding allocation of public resources for peasant agricultural development had taken place. One of the key achievements during this period was the allocation of a considerable proportion of government funds for construction of irrigation works and agricultural development in the rural sector. However, these changes were not sufficient to fulfill the requirement of rural farmers, and hence their agricultural practices remained basically unchanged.

Since Sri Lanka gained independence in 1948, policy makers paid considerable attention to promoting peasant agriculture through creating various types of formal institutions. Those formal institutional changes achieved some positive results, particularly during the initial stages of their implementation. For example, during the past sixty-year period, the agricultural sector has become more diversified and domestic agricultural production, particularly paddy production, has increased at an unexpected rate. Despite the relative performance, the fact is that Sri Lanka is still unable to get the maximum use of the existing formal institutions and hence the country still lags behind her potential

agricultural growth. Therefore, this study found that raising agricultural production and improving the efficiency of the agrarian system in particular will require a reorganization of rural, social and institutional structure to provide farmers with a real opportunity to shift themselves out of their present state of economic subsistence and social subservience. Furthermore, understanding and addressing the obstacles faced by Sri Lankan rural farmers will require looking beyond formal institutions, into both formal and informal institutions as they mutually and deeply influence each other.

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