IFI interventions…
…in the paddy and rice sector in Sri Lanka

The purpose of this note is to present in summary form the documented evidence of interventions by the World Bank, International Monetary Fund and Asian Development Bank in the paddy and rice sector in Sri Lanka.

It covers the following:
1. Overall direction
2. Withdrawal from paddy purchasing
3. Liberalisation of rice imports
4. Removal of input subsidies
5. Reorientation of credit
6. Introduction of water charges
7. Liberalisation of land market

Each section begins by briefly describing the reforms that have taken place and concludes with an extract from the manifesto presented for the presidential elections in November 2005.

The note is based on a review of official documents, and is therefore incomplete, particularly with regard to interventions prior to 1995. References are listed in an annex.

1. Overall direction

The World Bank has clearly outlined its recommendations for the paddy and rice sector in Sri Lanka in two major documents, 'Non-Plantation Crop Sector Policy Alternatives' released in 1996, and 'Promoting Agricultural and Rural Non-Farm Sector Growth' published in 2003.

Both papers identify obstacles to growth in the agricultural sector. Paddy is described as a low valued commodity that should be discouraged. Advice on how to go about this is strikingly similar. Neither paper presents analysis of the prospects for alternatives, whether in high valued agricultural production or in industry and services.

In 1996, the recommendations were summarised as follows: 'Priority actions to get agriculture moving again are: initiation of trade policy liberalization, adopting a policy of full private ownership of agricultural land and fully operational land markets, implementation of land privatization and land market development programs, commercialization of the irrigations system, through creating water property rights and markets and a system of management by owners, phasing out of all Government sponsored market intervention programs (including privatization of the PMB, CWE, all public sector financial intermediaries, and the commercial activities of the Food Commissioner's Department). This will allow mainstream agriculture to recommercialise. Generally, agricultural sector administrators should take the approach of their colleagues in industry and trade.'[1]

In 2003, the list had further broadened in scope: 'Improving the policy and regulatory environment in the agricultural sector would require the formulation of a new agricultural strategy, integral components of which would be the adoption of policies to ease access to improved technologies and create a more transparent and stable trade policy regime. It would also require allowing full and transferable ownership rights to land, and ensuring the sustainable use of water…Critical to promoting growth in the non-farm sector (and indirectly to the agricultural sector) would be adopting policies to speed up currently lagging private sector participation and investments in the sector. This includes rationalizing currently restrictive labour regulation and phasing out government involvement in activities that could be efficiently performed by the private sector (e.g. retail distribution, marketing).'[2]

[1] World Bank: 'Non-Plantation Crop Sector Policy Alternatives' (March 1996)
[2] World Bank: 'Promoting Agricultural and Rural Non-Farm Sector Growth' (February 2003)

These recommendations remain valid in the eyes of the World Bank. They are repeated almost verbatim in the documents 'Sri Lanka: Development Policy Review' released in December 2004 and 'Sri Lanka Development Forum: the Economy, the Tsunami and Poverty Reduction' published in April 2005.

The World Bank has made both its overall level of lending and specific project lending conditional on the implementation of these recommendations. It has also had the support of the International Monetary Fund and the Asian Development Bank on particular issues.

Mahinda Chintana says:

Paddy production

My father washed his hands from the waters flowing from the sluices of the paddy fields before signing his nomination papers. Therefore the terminology associated with paddy farming is not alien to me. Over the past 40 years, I have been dreaming about farmer families in their own decent homes, with two wheel tractors and paddy storage facilities. I believe that I will be able to finally realise this dream.

Note: Mahinda Chintana is the name of the manifesto of President Mahinda Rajapaksa, elected in November 2005.

2. Withdrawal from paddy purchasing

Government intervention in paddy purchasing and rice marketing dates back to 1942. At that time, around 90% of supply came from imports, so that World War II precipitated food shortages and the implementation a Rice Rationing Scheme. An Internal Purchase System was set up to meet demand and made it compulsory for farmers to sell two bushels from the maha harvest and one from yala from 1943. Consumer Cooperative Societies were established to give two measures of rice per person per week at Rs. 0.60 per measure.

In 1948, the Internal Purchase System was replaced by the Marketing of Home Grown Foods, administered by the Commissioner of Marketing. The Guaranteed Price Scheme was introduced for paddy with a price higher than the c.i.f. value of the paddy equivalent of imported rice. Participation was voluntary and it accounted for about 5% of production between 1948 and 1954.

In 1954, the Rice Rationing Scheme was revised to offer two measures at a reduced price of Rs. 0.25 per measure. Purchases gradually increased to a peak of over 60% of production in 1966. Consumer Cooperatives Societies and Producer Cooperatives were reorganised into Multipurpose Cooperative Societies in 1961. Loans for construction of stores and mills were offered through the newly established People's Bank.

In 1966, the Rice Rationing Scheme was again revised and now offered only one measure of rice, this time at no cost. Purchases accounted for between a quarter and a half of production between 1966 and 1978.

In 1971, the Paddy Marketing Board was established and vested with monopoly powers to purchase paddy via the Multipurpose Cooperative Societies. Processing was contracted out to private millers and distribution was done by the Food Commissioner's Department through the Rice Rationing Scheme and the Multipurpose Cooperative Societies, with the Paddy Marketing Board holding onto a buffer stock. The Rice Rationing Scheme had been revised in 1970 following elections to again offer two measures, with the additional measure charged at Rs. 1, although income tax payers had to pay for both. Illegal transactions by private traders also took place and bulk storage and transport were banned in 1974.

In 1974, the Guaranteed Price was increased to Rs. 30 per bushel, then later in the year to Rs. 33. The following year, the Rice Ration was decreased to one measure at Rs. 1 and half a measure free, apparently because of a shortage of foreign exchange, and the year after to half a measure at Rs. 1 and half a measure free.

In 1977, the Rice Rationing Scheme was changed to a universal system offering 4lbs of rice (equivalent to two measures) and 4lbs of wheat flour to each person, following elections. The Guaranteed Price was increased to Rs. 40 per bushel.

This universal scheme accounted for about 20% of Government expenditure in 1978, and it was immediately revised to a targeted programme allocating rice to households with a monthly income of less than Rs. 300. This was changed the following year to a Food Stamp Scheme, but still around 75% of purchases were for rice. At the same time, private traders were officially allowed to buy and sell rice and the Colombo wholesale market was started.

Paddy Marketing Board bought not more than 5% of production in most years between 1980 and 1990, but the proportion changed in particular years, for example in 1983, 1989 and 1990. However, the contribution was apparently more than 65% in the major rice producing districts.

In 1991, Government started handing over Paddy Marketing Board facilities to the private sector. Purchases accounted for an average of only just over 1% between 1991 and 1993.

In 1994, after elections and major protests by farmers, the Paddy Marketing Board bought about 5% of production, then 10% in 1995. The Guaranteed Price had been increased to Rs. 155 per bushel. Purchasing was stopped in 1996.

Government has since regularly claimed to be intervening, but has only ever bought a small amount of the harvest. This was done through the Cooperative Wholesale Establishment and the Multipurpose Cooperative Societies.

In 2003, the Cooperative Wholesale Establishment was restructured into 2 independent companies and 40% of its retail network and management was sold to the private sector. In addition, real estate was sold to settle outstanding debts.

Interventions by IFIs

The World Bank has certainly been pushing for an end to Government intervention in purchasing paddy and selling rice, and in particular insisting on the closure of the Paddy Marketing Board, while the International Monetary Fund then took up the case of the Cooperative Wholesale Establishment.

The World Bank **Economic Recovery Credit** for $106.6 million was approved in 1990 and closed in 1995, and accompanied the International Monetary Fund **Structural Adjustment Facility** in support of a joint Policy Framework Paper. It sought, amongst other things, to 'develop the private sector by reducing and rationalising tariffs and deregulating, privatising, and restructuring…the Paddy Marketing Board'[3]. Documents for this period are not available.

The World Bank **Country Assistance Strategy 1996** included the following triggers for increasing overall lending from $70 million per year: 'some reduction in government interference in the domestic agricultural market'[4] to access $140 million; and 'no government interference in the agricultural sector (marketing boards and price distortions)'[5] to receive $175 million. The performance assessment of these triggers in 1998 said: 'Although the role of the Paddy Marketing Board has been scaled back, government continues to intervene

[3] Independent Evaluation Group, World Bank: 'Conflict and Structural Adjustment in Sri Lanka' accessed from www.worldbank.org/oed
[4] World Bank: 'Country Assistance Strategy – Progress Report 18711' (December 1998)
[5] ibid

sporadically'[6]. The next key benchmark was decided: 'reduce intervention in agriculture by**.** *inter alia,* phasing out Paddy Marketing Board'[7].

The Asian Development Bank was apparently supporting the World Bank in this. It had a project called the **Agriculture Program Loan** (APL1), for which it lent $80 million in November 1989. Major policy and institutional reform measures included rationalising the Paddy Marketing Board. An assessment of compliance with policy conditions said that it had been partly implemented: 'Staff was reduced from 1,528 to 560. Disposal of surplus stores and paddy mills has not gone smoothly. Only 90 out of 212 stores and 2 out of 26 mills have been disposed.'[8] The evaluation said, 'APL1 reforms contributed toward reducing the physical capacities of the PMB…PMB's operations were significantly reduced as a result of asset sales and staff reduction'[9].

The International Monetary Fund provided a **Stand-By Arrangement** loan of SDR 200m in March 2001, for which prior actions included 'Announce revenue and expenditure measures in 2001 budget to achieve program fiscal target, including commitments on privatization and expected receipts'. Performance targets included decreasing ceilings on debt and restrictions on deficit financing, and one of the ways in which the Government intended to achieve this was through selling off assets of the CWE: 'Domestic debt financing of the budget will be reduced in part through increased privatization proceeds…The sale of the Cooperative Wholesale Establishment's wheat operation to Prima is ongoing…Altogether receipts are expected to amount to 1¾ percent of GDP or about $275 million'.

A **Poverty Reduction and Growth Facility** loan for SDR 413.4m was agreed in March 2003. Performance targets followed the same pattern, and the Government again referred to CWE: 'The key public enterprises (CPC, CWE, and CEB) will limit their bank borrowing. In particular, public corporations are expected to reduce their overall outstanding stock of bank debt by Rs 10 billion in 2003…CWE will use proceeds from its asset sales to also draw down its bank debt.' and 'We have decided on the list of enterprises to be privatized in 2003…Key items include…CWE's retail business.'

[6] ibid
[7] ibid
[8] Asian Development Bank: 'Agriculture Program Loan – Program Performance Audit Report: PPA SRI 18145' (December 1996)
[9] ibid

Mahinda Chintana says:

Purchase and Storage of Paddy

I will re-establish the Paddy Marketing Board in order to intervene in the process of paddy purchasing and rice markets.

With effect from the next Maha season, the guaranteed price for Nadu rice will be fixed at Rs. 16/50 and for Red rice and Samba Rice at Rs. 17/50 per kg.

I will launch a special programme to enhance the paddy production in the wet zone under a special programme to re-cultivate abandoned fields. The aim of this programme is to ensure national food security.

A buffer stock of 100,000 metric tons of paddy and rice will be maintained jointly by the Agricultural Department and the Trade Ministry.

I will make arrangements to grant loans up to Rs. 10 million at concessionary rates, in order to rehabilitate the presently defunct small and medium scale paddy mills.

I will also establish 'Rice Processing Villages' for the purpose of decentralising the rice market to village level.

I will ensure that rice, cereals and vegetables produced by our local farmers are used in the preparation of the midday meal that is to be given to our school children.

I will make arrangements to popularise rice based food with a view to ensuring that our farmers obtain a competitive price while also ensuring that our future generations are strong and healthy. I believe that such strategy would also revitalise the national economy.

3. Liberalisation of rice imports

Rice imports were previously handled exclusively by the Food Commissioner's Department, under advice from the Ministry of Agriculture. As domestic production increased, the relative importance of imports decreased, with the proportion of supply declining from about 90% in 1940 to 35% by 1970 and around 10% by 1980.

In 1988, responsibility for imports was given to 3 offshore companies functioning as bondsmen. They were allowed to import and store in the Food Department warehouses at commercial rates and stocks were released as necessary, with duty charged at the point of sale.

In 1993, other companies were allowed to import under licence and a quota system. This resulted in the registration of 10 companies, of which 8 were active.

In 1996, imports were liberalised and the tariff was set at 35%. The tariff was also bound at 50% under commitments at WTO. The tariff had been modified at least ten times by 2002. The majority of imports took place during periods of duty waivers or tariff reductions.

Licensing was reintroduced and then abolished at least twice. The Cooperative Wholesale Establishment was given preferential treatment during these periods, either through larger quotas or reduced tariffs. It often did not take full advantage of these.

In 2002, the tariff was changed to a specific duty of Rs. 7/kg. The move meant that when world prices of rice dropped, there was not a corresponding reduction in prices in the domestic market. This was reduced to Rs. 5/kg later in 2002, then increased to Rs. 7/kg and then Rs. 9/kg in 2003.

The proportion of supply has remained below 5% since 2000.

Interventions by IFIs

It has not been possible to find much detailed evidence of interventions.

The World Bank **Country Assistance Strategy 1996** included the following triggers to fix the overall lending level: 'some reduction of tax/tariff exemptions and concessions and quantitative restrictions' to access $70 million per year, 'substantial reduction of tax/tariff exemptions and concessions and quantitative restrictions by 1997' to receive $140 million, and 'elimination of all quantitative restrictions in 1996, substantial reduction of tax/tariff exemptions and concessions by early 1997, and a uniform tariff structure by 1998' for $175 million. The performance assessment of 1998 said 'All quantitative restrictions on agricultural imports have been removed. 1999 budget reduced three-band tariff from 10%, 20% and 35% to 5%, 10% and 25% (except for agriculture which remains at 35%) and announced that the number of bands would be reduced to two in year 2000.'[10]

The **Country Assistance Strategy 2003** included the following expected outcomes 'Agricultural producers/traders receiving consistent price signals through a liberal trade regime' and intermediate indicators 'Implement a consistent and transparent tariff policy for agricultural products' with associated strategy 'With wide stakeholder consultation, establish institutional mechanism to set tariff rates for agricultural products'[11].

Secondary sources contain references to earlier interventions, pre-1995: 'The agricultural sector in Sri Lanka was substantially liberalised prior to the adoption of the [Agreement on Agriculture] due to economic reforms programs led by the World Bank and the IMF. In fact, the agricultural sector in Sri Lanka was more liberalised than what was required under Sri Lanka's [Agreement on Agriculture] commitments at the Uruguay Round negotiations in 1994.'[12]

Mahinda Chintana says:

No mention

4. Removal of input subsidies

Government earlier played a major role in the fertiliser trade through 3 state-owned enterprises. The largest, Ceylon Fertiliser Corporation, was restructured into 5 companies in 1992. From 1994, of the 7 resulting state-owned enterprises, 4 were privatised[13] and 2 were to be liquidated[14]. The share of the private sector in fertiliser sales increased from 18% in 1990 to 65% in 2000.

There has also been a large fertiliser subsidy, first introduced in the 1960s. This was removed in 1990. It resulted in an immediate near-doubling in prices, a sharp decline in paddy production and farmer welfare.

[10] World Bank: 'Country Assistance Strategy Progress Report 18711' (December 1998)
[11] World Bank: 'Country Assistance Strategy 2003-2006' (June 2003)
[12] IFPRI: 'Impacts of Trade Liberalisation and Market Reforms on the Paddy/Rice Sector in Sri Lanka' (May 2004)
[13] Wayamba Agro-Fertiliser Co. in March 1994, Ruhunu Agro-Fertiliser Co. in May 1994, Colombo Commercial Fertiliser Ltd. in July 1994, and Rajarata Agro-Fertiliser Co. in July 1996
[14] Janatha Fertiliser Enterprise Ltd., which was not privatised because of labour disputes, and Colombo Commercial Fertiliser Ltd., which had been repossessed in 1996 when it was failing.

The fertiliser subsidy was reintroduced in 1994. At that time it covered urea, potash muriate, ammonia sulphate and triple super phosphate. The scheme fixed the price in the domestic market and gave the difference between that and the imported price to the importers. It cost Rs. 0.630 billion in 1994, Rs. 1.345 billion in 1995, and Rs. 1.500 billion in 1996.

In 1997, the scheme was confined to urea and the overall cost was capped at Rs. 1.5 billion. This resulted in higher prices over time. The cap was exceeded to some extent in certain years and costs were Rs. 1.895 in 1997, Rs. 2.152 in 1998, Rs. 1.390 in 1999 and Rs. 1.733 in 2000. The limit was abandoned and the cost escalated to Rs 3.650 billion in 2001.

In 2002, the scheme was revised to a scheme that fixed not the price but the subsidy at Rs. 6,000 / MT. The overall cost reduced to Rs. 2.448 billion. This remained in place in 2003 at a cost of Rs. 2.191 billion, and in 2004 at Rs. 3.572 billion. The change in the scheme and increasing prices on the international market meant prices in the domestic market increased.

The most recent change in the fertiliser regime came after a manifesto promise in the November 2005 elections to provide all fertiliser at Rs. 350 per 50kg bag. An amount of Rs. 8.500 billion has been reserved in the 2006 budget for this purpose.

Government has also been heavily involved in the development and production of seeds in state-owned farms, which were then sold at subsidised rates.

In 1993, the Government sold off three seed farms and a committee comprising public and private sector was established to review the system of importing seeds. This committee was also later charged with reviewing the seed prices of the Government, and prices proceeded to increase over time.

In 1996, the Government approved the National Seed Policy, which sought to increase the role of the private sector in the development, production and marketing, while reducing the role of the state to focus primarily on regulation. In 1998 and 2000 respectively, another two seed farms were privatised[15]. Government now produces only foundation seeds, which are then issued to private growers for production and marketing. The majority of seed used for paddy is actually retained by farmers themselves from their own crop.

The Plant Protection Act, which envisaged a slackening of restrictions on the import of seeds, was approved by Parliament in 1999.

In 2003, the National Seed Act was also passed. It requires any person placing a seed in the market to be registered and the seed to be certified. Exchange between farmers is exempt. The National Seed Council comprising public and private sectors was formally established to formulate and oversee standards and procedures, recommend fees and so on. An Intellectual Property Act was approved in 2003.

Interventions by IFIs

It appears that the Asian Development Bank has been the most active in pushing for withdrawal from support for fertiliser, particularly in the privatisation of state-owned companies, and also in the reduction of subsidies, in active partnership with the International Monetary Fund. The World Bank has been involved in the shift on seeds, with some assistance from the Asian Development Bank.

The **Agriculture Program Loan** (APL1) of the Asian Development Bank mentioned earlier, of $80 million, agreed in November 1989, included rationalising the fertiliser sector as another of its major policy and institutional reform measures. Policy conditions included: 'remove all

[15] Hingurakgoda Seed Paddy Farm in July 1998 and Pelwehera Farm in January 2000.

fertiliser subsidies'[16]. The project was later 'rated partly successful owing to the reversal of policies on the elimination of fertilizer subsidies'[17].

The Asian Development Bank followed this with a technical assistance grant 'TA 1478-SRI: **Rationalization of the Fertilizer Marketing System**, for $97,000, approved on 9 February 1991'[18], and then the **Second Agriculture Program Loan** (APL2) for $60 million, approved in November 1991. It says 'the policy reforms covered seven broad categories…[including] rationalization of the fertilizer marketing system and privatization of three state-owned fertilizer companies…[and] streamlining of the agricultural seeds subsector'[19].

The most significant results quoted include 'The Ceylon Fertilizer Corporation was restructured into five companies, two of which were divested to the private sector. About half of its fertilizer retail stores and two of its regional fertilizer distribution stores were privatized.'[20] Also, 'Two agricultural seed farms were also privatized.'[21] Other notable accomplishments were described as 'a doubling of the private sector's share in the domestic fertilizer trade.'[22]

The second of two equal disbursements was to be made 'provided satisfactory progress was made by the Government with the policy reforms and eight specific conditions'[23]. These included: sell district fertiliser stores of CFC by June 1992; sell regional warehouse complexes by June 1992; privatise CFC by December 1992; privatise Colombo Commercial Fertiliser Ltd. by December 1992; privatise Janatha Fertiliser Enterprise Ltd by March 1993; and privatise Rajarata Agrofertiliser Ltd by July 1996.

In addition: 'In 1996, as part of the third extension of the APL2 closing date, the Government and ADB agreed that fertilizer subsidies would either be eliminated or a plan for their eventual elimination would be agreed with the International Monetary Fund (IMF) before the second tranche could be released. The inclusion of the removal of the fertilizer subsidy as a second tranche condition was subject to much internal debate in ADB as the condition was not originally part of APL2.'[24] This was added as: remove the fertiliser subsidy, or enter into an agreement with the International Monetary Fund under its Enhanced Structural Adjustment Facility that includes, among others, the removal of the fertiliser subsidy by December 1996.

Three references are made to the result: 'Despite three extensions to the loan closing, the Government's failure to comply with some policy conditions, particularly the divestiture of several fertilizer…companies and the removal of fertilizer subsidies, led to the cancellation of the second tranche. A few of the important policy conditions have remained unfulfilled to date because of a combination of waning political support, legal challenges, civil war, and labour disputes.'; 'With respect to the policy reform conditions, a lack of satisfactory progress in privatizing state-owned sugar, fertilizer, and dairy companies, and divesting an adequate number of seed farms, and the failure to abolish fertilizer subsidies were the main reasons for the three delays in the closing date and were the eventual cause for the cancellation of the second tranche.'[25]; and 'Noncompliance with loan covenants on major policy reforms relates to the failure to privatize enough…state fertilizer companies and fertilizer storage facilities [and] seed farms...The Government's failure to remove fertilizer subsidies or to reach an agreement with the International Monetary Fund on their removal was a critical setback.'[26]

The World Bank had a project called **Second Agricultural Extension Project** (AEP2) for $14.3 million, which was approved in June 1992. One of its two objectives, as recorded on

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[16] Asian Development Bank: 'Agriculture Program Loan – Program Performance Audit Report: PPA SRI 18145' (December 1996)
[17] Asian Development Bank: 'Second Agriculture Program – Program Performance Audit Report: PPA SRI 24320' (August 2002)
[18] ibid
[19] ibid
[20] ibid
[21] ibid
[22] ibid
[23] ibid
[24] ibid
[25] ibid
[26] ibid

the World Bank website, was to develop the National Seed Policy, but there are no publicly available documents to give the details.

The **Country Assistance Strategy 2003** included as an expected outcome 'Access to safe and efficient planting material and methods facilitated' and as an intermediate indicator 'Amend existing Phyto Sanitary and Plant Quarantine Legislature' with associated strategy 'Undertake process to rationalise Phyto Sanitary and Plant Quarantine Legislature'[27].

Mahinda Chintana says:

Fertiliser

I will make arrangements to offer 50 kg bags of all types of inorganic fertiliser at Rs. 350 to farmers in order to increase the agricultural and plantation productivity. The Government will also launch a scheme to encourage farmers to cultivate crops without using chemical fertilisers. Farmers who will opt for this method will be given financial assistance by the Government.

A new fertiliser factory will be established to ensure the supply of fertiliser at cheaper prices in the long term.

Seed Production

With a view to reducing the cost of production of paddy, I will launch a programme to produce seeds in a competitive manner, by ensuring the development of state owned seed research farms and seed production farms. I will also ensure that good quality seeds are available at cheaper prices and also increase the overall seed production which is now well below the expected levels.

5. Reorientation of credit

To be completed.

Mahinda Chintana says:

Financial resources

Agricultural insurance schemes and farmer pension schemes will be streamlined so that benefits can accrue to the beneficiaries without delay.

Cultivation loans that cannot be repaid by farmers will be written off.

6. Introduction of water charges

The development and maintenance of irrigation systems has always been a hugely important part of the role of the Government. Large areas of land have been settled and developed for agriculture in organised schemes accompanying major irrigation projects.

[27] World Bank: 'Country Assistance Strategy 2003-2006' (June 2003)

One of the biggest projects of recent years was the Mahaweli Program started in the late 1970s. It developed about 120,000 hectares of irrigated land and settled some 130,000 families. The Mahaweli Authority managed the system and also provided housing, education, health and agricultural extension services, as well as looking after rural roads and markets.

In 1983, the Government agreed to introduce charges for water in all the irrigation schemes, aiming at full cost recovery within 5 years. However, it was largely unimplemented and was officially abandoned in 1995. Meanwhile, irrigation expansion and rehabilitation projects started installing the necessary equipment to measure and charge for water use.

In 1988, the Government adopted a system of what was called participatory management of irrigation schemes, whereby farmer companies were to be established and would be given responsibility for the operation and maintenance of minor irrigation schemes (less than 80 hectares) and of most sections of major irrigation schemes (more than 80 hectares). Again, it was not completely effective.

In 1995, the Cabined approved the Strategic Framework and Action Plan for Comprehensive Water Resources Management. This foresaw the establishment of a system to allocate water rights to different uses and users so that an apex body could decide on the most effective use of resources in the country. The Water Resources Council and Water Resources Secretariat were established in 1996 to develop this further.

In 1998, the Government began restructuring and part-privatising the Mahaweli Authority, transforming it into a River Basin Management Authority. A number of other river basin management organisations were subsequently set up to pilot a system of allocation and transfer of water rights between competing uses, for example agriculture, domestic consumption and industrial uses[28].

In 2000, the Government approved the National Water Policy. It followed on from the Strategic Framework and Action Plan for Comprehensive Water Resources Management. It recognised water as an economic good and envisaged the allocation of bulk water entitlements and marketable water rights to all surface and groundwater in the country, and the establishment of a national apex body to implement the system, the National Water Resources Authority.

In 2003, the Water Services Reform Bill and the National Water Supply and Drainage Board (Amendment) Bill were brought to Parliament, but were dropped after protests and a case in the Supreme Court.

Since then, the National Water Policy and Water Services Bill have reportedly been edited several times and brought to and approved by Cabinet, most recently in January 2006, but it has not yet been presented in Parliament.

Interventions by IFIs

The World Bank and the Asian Development Bank have been the driving forces behind the changes in the irrigation sector.

The World Bank has lent over $400 million for 12 irrigation expansion and rehabilitation projects[29]. In the early 1980s, the World Bank decided to make these loans conditional on the implementation of full cost recovery: 'In 1981, during the negotiations for the [**Third Mahaweli Ganga Development Project**], extensive discussions on cost recovery took place between

[28] Kala Oya, Menik Ganga, Deduru Oya, Attanagalu Oya

[29] Mahaweli Ganga Development Project I: $29 million in 1970; Tank Irrigation Modernisation Project: $5 million in 1976; Mahaweli Ganga Development Project II: $19 million in 1977; Mahaweli Ganga Technical Assistance Project: $3 million in 1980; Village Irrigation Rehabilitation Project: $30 million in 1981; Mahaweli Ganga Development Project III: $90 million in 1981; Major Irrigation Rehabilitation Project: $17 million in 1984; National Irrigation Rehabilitation Project: $29.6 million in 1991; Mahaweli Restructuring and Rehabilitation Project: $57 million in 1998; North-East Irrigated Agriculture Project I: $27 million in 2000; North-East Irrigated Agriculture Project II: $64.7 million in 2004; National Water Management Improvement Project: $36 million in 2005

the Bank and the Government. Water charges were to be collected in the Mahaweli starting in September 1982 at a level equivalent to 22% of the expected operation and maintenance costs, rising to 100% of those costs by 1991. The Government initially stalled but eventually responded because the Bank made it clear that it would not support further investment in irrigation if cost recovery was not addressed. In July 1983, the Cabinet approved the introduction of a nationwide program of water charges, aiming to achieve full cost recovery within 5 years'[30].

As this was largely not implemented, from the late 1980s, another tack was attempted and all World Bank irrigation rehabilitation projects operated on the basis of 'participatory irrigation system management'[31], which devolved responsibility for the operation and maintenance of sections of the system to farmers' organisations created for the purpose. This included the **National Irrigation Rehabilitation Project** and the **Mahaweli Restructuring and Rehabilitation Project**.

Again, as this failed to have the intended effect, the World Bank decided that a more comprehensive approach was needed to effect change: 'Many lessons have been taken into account in the design of more recently prepared Bank projects. For example, there is widespread recognition today that investment in infrastructure needs to be accompanied by measures to reform the policy environment and to strengthen institutions. Water needs to be priced and irrigation operation and maintenance charges need to be recovered from farmers'[32].

The World Bank decided in the mid-1990s to include major reform of the Mahaweli Authority in their latest irrigation rehabilitation project: 'The Bank facilitated discussions with the senior management of MASL on the need to reform MASL in view of the country's growing budget deficit…MASL was initially reluctant…however, at the Bank's suggestion, MASL sought the technical assistance (TA) of the Tennessee Valley Authority (TVA) in the design of a restructuring program for MASL…the stakeholders, including key MASL staff, were sensitized to the serious fiscal and policy issues involved…Efforts were also made by the Bank to bring key donors on Board such as Organization for Economic Corporation and Development (OECD), the leading donor for Mahaweli programs at that time, as well as the Asian Development Bank (ADB), United States Agency for International Development (USAID) and European Union (EU). As a result of this process, MASL demonstrated its commitment to restructure and prepared an acceptable institutional restructuring program. Further IDA-financed additional TA from TVA enabled MASL to prepare a detailed restructuring action plan.'[33]

The objectives of the World Bank's **Mahaweli Restructuring and Rehabilitation Project**, $57 million agreed in 1998, were: '1) transformation of MASL into a River Basin Management Agency (RBMA) whose primary mission is to ensure productive and sustainable use and management of the water and land resources of the whole Mahaweli and adjoining connected water basins; 2) transforming System H into a more productive, commercially oriented production system'[34].

The project included an institutional component, with: 'funds to right-size MASL…for a target 35% overall staff reduction…; support for privatisation of commercially nonviable MASL business units; handover of non-irrigation infrastructure to appropriate line agencies; strengthening farmers' organizations (FOs) in all Mahaweli systems and handing over distributary and field (D&F) canals to Distributary Canal Farmers' Organizations (DCFOs)'. An additional element was added to implement in one river basin (Kala Oya) 'a pilot RBMO, volumetric bulk water based water allocation, river basin committees and water users

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[30] Operations Evaluation Department, World Bank: '3rd Mahaweli Ganga Development Project Performance Reassessment Report 29489' (June 2004)
[31] ibid
[32] ibid
[33] World Bank: 'Mahaweli Restructuring and Rehabilitation Project – Implementation Completion Report 28927-IN' (May 2004)
[34] ibid

organisations'.[35] According to the World Bank, 6,002 out of a total of 10,780 staff left the Mahaweli Authority[36].

The infrastructure component 'included rehabilitation and improvement to the irrigation infrastructure and the eventual handover of O&M of the MASL-managed irrigation systems to farmers groups formed principally for this purpose'[37]. This work involved the installation of meters to measure water flow at all points in the rehabilitated system.

The World Bank acknowledged that the reforms being carried out as part of the institutional component had 'no legal standing'[38] until the Government passed the water policy and legislative amendments that were 'in drafting stages even at the time of project completion'[39]. It later added passage of the policy and bill as key indicators in the project and for their 'continued support for the sector'[40].

The **Country Assistance Strategy 2003** included as an expected outcome 'Water resource management improved' with intermediate indicator 'Enact National Water Policy'[41].

The Asian Development Bank has followed the lead of the World Bank, and taken on the detailed work in the more recent efforts.

It has also given several loans for irrigation schemes, often linked with rural development or agricultural programmes, totalling at least $250 million, although the majority of such projects have been phased out in recent years[42].

When the **Agriculture Program Loan** of $80 million was agreed in December 1989, actions to be completed by the end of September 1990 included: 'conduct policy dialogue with the Bank on the findings and recommendations of World Bank study on procedures for the collection of operation and maintenance costs from farmers'; 'establish an administrative system and implementable procedures for the recovery of operation and maintenance costs'; 'amend the Irrigation Ordinance Chapter 453 and any other legislation necessary to enable the government to quickly prosecute wilful defaulters on operation and maintenance fee payment through civil courts'; 'amend the Agrarian Services Act of 1979 in line with the government's thrust for farmer participation in irrigation management'[43].

The loan evaluation carried out in December 1996 said 'the second disbursement was delayed due to legislative difficulties in processing amendments to the Agrarian Services Act and the Irrigation Ordinance to enable Farmers' Organisations to collect irrigation service fees' and recommended 'program covenants should not be made contingent on legal amendments'[44].

The development of the National Water Policy began with a technical assistance project called the **Institutional Assessment for Comprehensive Water Resources Management**, agreed in July 1993 for $0.188 million, in which consultants developed 'a strategic framework and an action plan for reform'. It recommended the establishment of a Water Resources Council for a period of 3 years to oversee the implementation of the reform[45]. This 'senior

[35] World Bank: 'National Water Management Improvement Project Information Document AB1549' (April 2005)
[36] World Bank: 'Promoting Agricultural and Rural Non-Farm Sector Growth' (February 2003)
[37] World Bank: 'Mahaweli Restructuring and Rehabilitation Project – Implementation Completion Report 28927-IN' (May 2004)
[38] ibid
[39] ibid
[40] ibid
[41] World Bank: 'Country Assistance Strategy 2003-2006' (June 2003)
[42] Examples include: Walawe Development Project: $7.7 million in 1969; Kirinda Oya Irrigation and Settlement: $45 million in 1976, 1981 and 1985; Anuradhapura Dry Zone Agriculture Project: $15 million in 1980; Walawe Irrigation Improvement Project: $15 million in 1984; Agriculture Program Loan: $80 million in 1989; Southern Province Rural Development Project: $38 million in 1991; North Western Province Water Resources Development Project: $30 million in 1992; North Central Province Rural Development Project: $20 million in 1996
[43] Asian Development Bank: 'Agriculture Program Loan: PPAR SRI 18145' (December 1996)
[44] ibid
[45] Asian Development Bank: 'Institutional Strengthening for Comprehensive Water Resources Management: TACR' (October 2001)

level' body brought together representatives of the public and private sectors to jointly oversee the process of reforms, thereby bringing in corporate interests[46]. The Institutional Assessment was accompanied by a project for **Management Strengthening of the National Water Supply and Drainage Board** of $0.552 million from October 1993, under which consultants were to 'assess the potential for privatising some services'[47].

This was followed up with a major package of advisory services that worked out the details under the **Institutional Strengthening for Comprehensive Water Resources Management Project** totalling $1.57 million from October 1995. For the consultants, 'the main activities [included] developing a National Water Sector Policy [and] preparing and enacting a National Water Act and amending water-related legislation'[48]. As part of this process, they supported the actual establishment of the Water Resources Council and a supporting Water Resources Secretariat. The consultants included companies that are regular recruits of the ADB and World Bank[49]. The individual who served as Senior Technical Advisor to the WRC later filled the same position at the WRC established under ADB tutelage in Vietnam[50]. The project also funded a number of study tours and training programmes abroad.

Meanwhile, in its irrigation projects, the Asian Development Bank started to include criteria for the selection of systems for rehabilitation, and in the **North Central Province Rural Development Project**, this was described as follows: 'the majority of the farmer beneficiaries in a scheme are willing to form a formal Farmer Organisation, in case none is operational, and agree in writing to contribute at least 10% of the scheme cost in the form of labour, cash or kind, and assume operation and maintenance upon completion'[51].

Also, in its piped water projects, the Asian Development Bank began including agreement on the National Water Policy as a condition. The **Third Water Supply and Sanitation Project** for $75 million agreed in October 1997 included: 'adopt a national water policy' (March 1999); 'create a permanent institutional arrangement for water sector coordination' (March 1999); 'adopt a new national water act with amended water-related legislation' (March 2000); 'establish policies and operational procedures for the determination of water rights and the allocation of water, particularly with respect to (a) the competing uses of water resources for water supply and irrigation, and (b) groundwater use' (December 2000) [52].

At this stage, the ADB started implementing the policy in various stages, although it had not yet been approved, nor had the legislation been passed. Still in the **Third Water Supply and Sanitation Project**, 3 packages of consultancy work were included, totalling $4.2 million from October 1997. One task was to 'prepare policies and operational procedures for water rights where there are competing uses of water sources for water supply and irrigation purposes. For this purpose, the consultants will undertake a full case study of the Anuradhapura water supply and irrigation development options. Policies and operational procedures will also be developed for the licensing of groundwater use. The consultants will provide training for NWSDB and local authority staff. Following preparation of a manual on water supply operations for local authorities, the consultants will assist NWSDB in the transfer of schemes to local authorities'[53].

The following year, consultants were asked to prepare a project to introduce the concepts of water rights and allocations in 5 major river basins around Colombo, for which an amount of $1.5 million was allocated in June 1998. It said that this would effectively 'operationalise the policy'[54] and 'assist the WRC and WRS to secure approval of the new water law by November

[46] Asian Development Bank: 'Water Resources Management Project: RRP SRI 31288' (August 2000)
[47] Asian Development Bank: 'Second Water Supply and Sanitation Project: PCR SRI 23209' (August 2000)
[48] Asian Development Bank: 'Third Water Supply and Sanitation Project: RRP SRI 28153' (October 1997)
[49] Agriteam Canada Consulting Ltd: http://www.agriteam.ca/details.cgi?uid=120 http://www.agriteam.ca/projects.html.
[50] Alfred Birch: http://www.adb.org/Documents/Events/2004/Leadership_in_Water_Governance/program.asp.
[51] Asian Development Bank: 'North Central Province Rural Development Project: RRP SRI 27186' (August 1996)
[52] Asian Development Bank: 'Third Water Supply and Sanitation Project: RRP SRI 28153' (October 1997)
[53] ibid
[54] Asian Development Bank: 'Water Resources Management Project: RRP SRI 31288' (August 2000)

1999'[55]. This was carried out by the same company that had earlier written the new water policy and law[56].

This led to a loan of $19.7 million in August 2000 for the **Water Resources Management Project.** This was to establish the National Water Resources Authority, which was to implement the draft water policy and legislation[57].

The consultants who wrote the policy and legislation said that 'much of the policy implementation will take place through the declaration of pilot 'water management' or 'groundwater management' areas'[58]. Consequently, the same project also included pilot programmes to create River Basin Organisations and see how the policy and legislation would work in practice in 3 river basins (Menik Ganga, Deduru Oya and Attanagalu Oya). This was done as part of a twinning arrangement with organisations from Australia, and co-financing from AusAid. Infrastructure to allow the control and measurement of water was to be constructed.

The project also included another big block of consultancy services for $3.73 million. The ADB said that 'although considerable work on policy development has been done, work is still required in cost recovery, demand management, water quality, research strategy, flood and drought management, and water management in some of the sub-sectors'. Further, it was necessary to 'develop regulations and other subordinate legislation for implementing the Water Resources Act' and to 'provide guidance in policy formulation, river basin planning, water resource administration; and also advise partner agencies on the restructuring required' and on 'pilot water management activities to be carried out in selected river basins'[59]. This project also included an extensive programme of overseas secondments, visiting specialists, training courses abroad, and so on, for a cost of about $4.5 million.

Loan conditions included: 'Cabinet will approve the National Water Resources Act' (May 2001); 'National Water Resources Authority will be formally established and functioning' (December 2001). It went on to say 'in the event [the NWRA] is not established by then, the Government acknowledges that the loan may be suspended'[60].

In 2001, the Asian Development Bank update on its activities said, 'three loans of the portfolio [including the water resources management project, approved in 2000] are still not effective due to delayed compliance with conditions'[61].

Shortly afterwards, consultants were brought in to prepare another project at a cost of $1 million in December 2000. This included a study to '[assess] the feasibility of trading water rights between farmers and water utilities [in Hambantota and Moneragala]', by looking at 'water supply versus irrigation for competing water use, drawing conclusions as to the way water should be allocated in the future'. Meantime, consultants were to give 'support for introducing a regulatory body and benchmarking for the water supply and sanitation sector'[62].

This work led to agreement on the latest piped water project, the **Secondary Towns and Rural Community-Based Water Supply and Sanitation Project** for $60.3 million in December 2002. Conditions that had to be complied with before the loan became effective included: 'draft of the water service industry act satisfactory to the ADB…approved by the Cabinet for submission to Parliament'[63].

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[55] See http://www.adb.org/Documents/Profiles/PPTA/31288012.ASP
[56] See http://www.agriteam.ca/details.cgi?uid=105
[57] See http://www.adb.org/Documents/Profiles/LOAN/31288013.ASP
[58] International Water Resources Association: 'International Mentoring: Application of Australian Experience for Sri Lankan Water Sector Reforms Under Technical Assistance of the Asian Development Bank' published in 'Water International, Vol. 24, No. 4' (December 1999)
[59] Asian Development Bank: 'Water Resources Management Project: RRP SRI 31288' (August 2000)
[60] ibid
[61] Asian Development Bank: 'Country Strategy and Program Update 2002-4' (July 2001)
[62] Asian Development Bank: 'Secondary Towns and Rural Community-Based Water Supply and Sanitation Project: RRP SRI 31501' (December 2002)
[63] ibid

As the passage of the policy and legislation was lagging behind schedule, another set of consultants was brought in through the **Strengthening the Regulatory Framework for Water Supply and Sanitation Project** for $0.285 million in December 2002 to '[finalise] the draft Water Reform Act, [provide] a set of guidelines to implement the various provisions… [and provide] training' and also to 'develop regulations and guidelines for the water and sanitation sector within the existing PUC framework', all of which should be 'conducive to private sector participation. Performance indicators for the consultants specified that the 'Water Services Reform Bill [should be] approved by Parliament by November 2003' and 'specific regulations and guidelines for water supply approved by December 2003'[64].

The overall lending level was linked to passage of the legislation in the **Country Assistance Strategy 2003**: 'Water Supply Bill enacted by Parliament'[65]. The program set out a 'sector road map' for water, each with long lists of performance indicators. $133 million (and $100 million in non-concessional funds) was allocated, but the amount of concessional lending was reduced to $90 million after the performance assessment, and remained at that level the following year[66].

In 2003, the Asian Development Bank update on its activities said, '[the natural resources] portfolio has encountered delays in loan effectiveness…more fundamental issues have related to delays in policy and institutional reforms…[including] the preparation for submission to Parliament of the National Water Resources Policy and Act, the Watershed Management Policy…and strengthening of the National Water Resources Authority…and the Department of Irrigation'[67]. In 2004: 'The Water Services Reform bill is also crucial for one loan, the Greater Colombo Waste Water Management Project in 2006'[68]. In 2005, the ADB harmonised its performance based allocation process with that of the World Bank. A total of $93 million (and $190 million in non-concessional finance, now also explicitly conditional on progress in reforms) was to be disbursed in 2006[69].

Mahinda Chintana says:

Water: the lifeblood of farming

Water is one of the prime resources of our country. The owner of this valuable resource should be the people of this country. I will firmly assure this position.

I intend to present a national irrigation plan where the main rivers, regional tanks, anicuts and water streams in villages will be connected. Dry lands in the North, South, East and West will be transformed to fertile agricultural lands.

7. Liberalisation of the land market

Government owns 1.38 million hectares of agricultural land, while around 0.88 million hectares is under private ownership.

Government land is largely farmed by private individuals or families under a number of restrictions. The land was given under the Land Development Ordinance of 1935, under which the beneficiary was first provided with a permit to use and develop the land, then given a grant for a 99-year lease, for which the beneficiary and their successors were required to pay an annual payment. It could not be sold, leased, mortgaged, seized or sold in execution of a court decree nor subdivided.

64 Asian Development Bank: 'Strengthening the Regulatory Framework for Water Supply and Sanitation: TAR SRI 34315' (December 2002)
65 Asian Development Bank: 'Country Strategy and Program 2004-8' (September 2003)
66 Asian Development Bank: 'Country Strategy and Program Update 2005-6' (September 2004)
67 ibid
68 Asian Development Bank: 'Country Strategy and Program Update 2006-8' (August 2005)
69 ibid

A small number of beneficiaries bought grants to their land after the passage of the Sale of State Lands (Special Provisions) Act of 1973 and some others after the Land Development (Amendment) Act of 1981 that gave the Land Commissioner power to set or waive the payment. The latter also converted the 99-year leases to perpetual grants[70]. These grants allowed the land to be mortgaged to obtain loans, and to be sold to persons of similar standing with the permission of the Land Commissioner.

Private land is subject to ceilings on the extent that can be owned by a single individual or family. A limit of 50 acres was set in the Land Reform Law of 1972 and 1975 and excess land was acquired by the Land Reform Commission and redistributed to the landless. The limit was 25 acres for paddy land, and 56,000 acres was acquired. Individuals or companies were allowed to lease land in excess of 50 acres after the passage of the Land Reform (Special Provisions) Act of 1981.

All land is also subject to ceilings on the extent that can be cultivated by a tenant. A limit of 5 acres was defined in the Agrarian Services Act of 1979.

All paddy land has at times been subject to restrictions on use. This was introduced in the Agrarian Services Act of 1979, removed in the Amendment of 1991, but partially reintroduced in the Agrarian Services Development Act of 2000, which allowed cultivation of other crops with the permission of the Commissioner of Agrarian Services.

In 1998, the Registration of Title Act was passed in Parliament, which established a system of registration of land parcels and transactions.

In 2003, a piece of legislation called the Land Ownership Bill was brought to Parliament. It proposed to give freehold titles with no restrictions whatsoever to all those holding permits or grants as described above. Government estimated that it would give 1.2 million titles for about 0.8 million hectares of its land. However, the bill was blocked by the Supreme Court on the grounds that it was inconsistent with the Constitution. They concluded that the bill in its current form would therefore have to be approved by the people in a referendum in addition to a two-thirds majority vote in Parliament.

Since then, amendments to both the Land Development Ordinance, which provides for the conversion of land grants to freehold titles, beginning with village expansion schemes, and the Registration of Title Act, have apparently been approved by the Cabinet, but they have not been brought to Parliament.

Interventions by IFIs

The World Bank has been the main actor in the push for liberalisation of the land market.

The **Country Assistance Strategy 1996** triggers to increase overall lending levels included ‘introduction of land market’ to receive $175 million per year in the high case, up from $140 million in the high base case and $70 million in the low base case. The performance assessment in 1998 said, ‘Pilot land titling program being prepared with view to liberalising land markets – possibly with IDA support’[71].

The World Bank has an active project called **Land Titling and Related Services Project** for $5 million, agreed in March 2001.

This follows two technical assistance projects – **Study of the Land Market** in 1998 and **Review of Land-Related Legislation** between 1998 and 2000 – and the engagement of an International Land Policy Economist in 1998 and 1999. The Bank said, ‘Based on past sector work and policy dialogue, the Bank and the Government of Sri Lanka have jointly recognised

[70] Swarnabhoomi and Jayabhoomi
[71] World Bank: ‘Country Assistance Strategy Progress Report 18711’ (December 1998)

that shortcomings in land administration and land market policy seriously constrain long-term productivity of the rural sector, including agriculture…Examples of this analysis include the Sri Lanka Non-Plantation Crop Sector Policy Alternatives, World Bank, March 20, 1996 and the PHRD-funded Sri Lanka Study of the Land Market, Abt Associates, June 15, 1998'[72].

The project has two components. The first is to prepare for the introduction of a title system of land administration in place of the current deeds system, by carrying out pilot projects in 3 areas to serve as models for later expansion throughout the country[73]. The second is to formulate policy on the lifting of land market restrictions and on the introduction of fees land administration fees, and to adjust the legal and regulatory framework governing land administration. The project document says that it will include 'de jure and de facto actions to lift market restrictions on leases and freeholds for parcels currently under the LDO and related legislation in the 3 project areas'[74].

Loan conditions included 'the project reforms, including the legal reforms, land market restriction policy reforms, and organisational reforms shall be implemented in accordance with a schedule agreed with the Bank'. A key performance indicator was 'provision to farmers and other landholders of greater control over land management through full range of market choices and jurisdiction to decide on most desirable course of action regarding their land,' with associated critical assumption, 'sound policy frameworks and capacity for agricultural input prices, water ownership and maintenance and fertiliser distribution and non-plantation crop marketing'. The output indicators included 'decision made on lifting of market restrictions on leases and freeholders for parcels currently under LDO, LG and SLO; analysis underway of other market restrictions'[75], to be achieved before the end of 2003.

The overall lending level was linked to passage of the legislation in the **Country Assistance Strategy 2003**. The base case of $800 million over 4 years would be reduced to the low case of $250 million in case of failure to implement reforms including 'improved rural economic incentives as measured by number of cleared titles issued to farmers'. CAS expected outcomes included 'Legal framework established to improve property rights and increase flexibility in land markets' and intermediate indicators included 'Enact State Land Transfer Act liberalising grants under Land Development Ordinance; Amend Agrarian Development Act' with associated strategy 'Remove restrictions on the transfer of land; Remove restrictions limiting allotted land to paddy cultivation'[76].

In 2004, in the World Bank's update on its activities it said 'it is essential to reach consensus around [the Land Ownership Bill and the State Land Transfer Act] and ensure that their implementation is done in a coordinated and complementary fashion'[77]. It talked of converting the project into a long-term program to cover the whole country. In 2005, 'the Cabinet has approved amendments to the RTA and reforms to the LDO'[78].

In 2006, the message was reinforced when the Country Assistance Strategy 2003 was reviewed and updated. The base case lending levels for the next 3 years could be increased to the high case if there was progress in 'land ownership and freedom of land use for poor farmers', but would be cut to the low case if economic strategies reverted to 'protectionist approaches'[79].

The World Bank website currently describes one of the ten things worth knowing about the World Bank in Sri Lanka as follows: 'We are also bringing our worldwide experience in land management reform to help Sri Lanka remove restrictions on the sale, mortgage and lease of state lands allocated to farmers. In this way, state lands can be used more productively by the poor people who live there.'

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[72] World Bank: 'Land Titling and Related Services Project Information Document PID7857' (March 2001)
[73] Balangoda, Gampaha and Gampola
[74] World Bank: 'Land Titling and Related Services Project Appraisal Document 22020-CE' (March 2001)
[75] ibid
[76] World Bank: 'Country Assistance Strategy 2003-2006' (June 2003)
[77] World Bank: 'Status of Projects in Execution – FY03' (April 2004)
[78] World Bank: 'Status of Projects in Execution – FY05' (September 2005)
[79] World Bank: 'Country Assistance Strategy Progress Report 2006' (January 2006)

Mahinda Chintana says:

Land for cultivation

The availability of land is one of the major issues in our country. Due to the abandoning of arable lands, traditional attitudes and a multitude of other problems, farmers are gradually getting discouraged. This is a serious challenge facing our farming community. I am determined to meet this challenge and for that purpose a National Land Policy will be formulated.

Under this program, 100,000 plots of land will be given for cultivation to farmers who do not possess land.

Land will also be provided to those in the next generation of settlement schemes and Mahaweli farmers.

Laws will be enacted to confer freehold rights of crown lands already allocated to farmers.

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