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Policy Paper No. 4

**Modernizing the Irrigated
Agriculture Sector:
Transformations
at the
Macro-Institutional Level**

IMPSA

IRRIGATION MANAGEMENT POLICY SUPPORT ACTIVITY

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Preface

THIS PAPER IS a product of the Irrigation Management Policy Support Activity (IMPSA). IMPSA is a programme to assist the Government of Sri Lanka (GSL) in the implementation of its accepted policy of participatory management in irrigation and settlement schemes, in order to improve productivity, profitability and equity in the irrigated agriculture sector.

IMPSA was initiated by the Ministry of Lands, Irrigation and Mahaweli Development in association with the Ministry of Agricultural Development and Research. It is sponsored and financed by the United States Agency for International Development (USAID), through the Irrigation Support Project for Asia and the Near East (ISPAN) and is assisted by the International Irrigation Management Institute (IIMI).

For the execution of IMPSA, the GSL set up an inter-ministerial advisory committee, the Irrigation Management Policy Advisory Committee (IMPAC), to provide broad guidance for the implementation of IMPSA and to institute a mechanism to achieve consensus among the Divisions and Departments of the concerned Ministries on the recommendations to be adopted and implemented by the GSL. IMPAC is chaired by the Secretary, Ministry of Lands, Irrigation and Mahaweli Development, and comprises the Secretaries of State of the relevant Ministries, together with the Heads of the Departments and Agencies under them. IMPAC is assisted by a Working Committee, the IMPAC Working Group, which consists of some of the IMPAC members as well as several other officials drawn from the relevant Ministries and Agencies.

Under the IMPSA Programme, ten Policy Papers are scheduled to be prepared and processed for presentation to the government. Each Policy Paper will be a concise statement of the recommendations of IMPAC Working Group. Three Policy Papers have already been approved by IMPAC.

Chapter 1

INTRODUCTION

1.1. Purpose of the Paper

THIS DOCUMENT IS the fourth in the series of ten Policy Papers to be prepared under the IMPSA Programme. It is based primarily on five Staff Working Papers on the issues related to the topic.

Many factors affect the productivity and profitability of irrigated agriculture, but it is generally agreed that inefficient management of irrigation systems is a key cause of the low performance of these systems. It is also generally agreed that the underlying causes of this inefficient management lay in the realms of institutions and government policies. If the government can get its policies right, and if the institutional constraints to implementing these policies can be overcome — then it is likely that people will invest in improved technologies, use the factors of production more efficiently, and thereby increase the productivity and profitability of irrigated agriculture. This would, in turn, act as an engine of growth for the larger economy.

It is in this broader context that the Irrigation Management Policy Support Activity (IMPSA) was initiated. IMPSA aims to assist the Government of Sri Lanka in the implementation of its accepted policy of participatory management of irrigation schemes by developing specific policy statements and implementation strategies to expand and operationalize the broad policy framework. The first three IMPSA Policy Working Papers, and their supporting Staff Working Papers — already approved by IMPAC — build on previous experiences to propose ambitious and even radical changes in how irrigation systems are to be developed, improved, managed, and financed in the future. The major feature of these changes is that strong, autonomous, viable farmers' organizations will take primary responsibility for management of irrigation systems, and will play key roles in providing other supporting services.

The first three IMPSA Policy Papers emphasize that successful implementation and sustainability of these changes at the system level will depend to a large degree on the effectiveness of the macro-level institutions. They, therefore, point out the need for important changes in the government irrigation management agencies. These changes can be summarized as a shift from a primarily "control" function to a "support and facilitate" function.

The three papers also highlight the necessity for significant changes within these agencies in order to implement the participatory management programme effectively, and achieve the broad objectives set out in these papers. Policy Paper No. 1, with its broad "vision" of the future, envisions a process of evolution of the various agencies toward one single irrigation management agency at the national level, to be built around the Irrigation Department (ID), and to include the Irrigation Management Division (IMD) and appropriate components of the Mahaweli Authority of Sri Lanka (MASL).

This Paper spells out the changes required in the irrigation management agencies necessary for long-term success. It also discusses the roles of the Provincial Councils and the private sector; and some of the key policy changes required to facilitate enhancing the role of the commercial private sector. It is based on five Staff Working Papers (SWPs 4.1 to 4.5), which provide detailed analyses of the key agencies involved, provincial and local governments and the private sector, and which suggest specific reforms and changes in strategies.

1.2. Methodology

THE FOLLOWING METHODS were used in the development of this paper.

- i. Examination of available literature on the subject;
- ii. Informal and formal discussions with key officials of the irrigation management agencies and with the research personnel of the institutions which are concerned with training;
- iii. Information and feedback obtained from consultative workshops held for selected groups of experts drawn from various public institutions;
- iv. Discussions between the IMPSA Secretariat and IIMI/SLFO staff in the IMPSA Team; and
- v. Consultation with senior government officials through the medium of a 'Consultation Panel' set up to develop the two Staff Working Papers that supported the development of this Policy Paper.

1.3. Overview of the Present Macro-Institutional Scene

ALTHOUGH SRI LANKA is a relatively small country, it has an elaborate and complex set of institutions with direct involvement in irrigation management, complemented by others with important roles in irrigated agriculture. This fragmented and overlapping institutional framework makes it very difficult to develop and implement consistent policies toward irrigation. In addition, most of the existing organizations were developed in response to a very different set of objectives required in the irrigation sector earlier; their organizational structures, values, missions, and expertise are more appropriate to these earlier objectives than the new ones.

The two key Ministries concerned are the Ministry of Agricultural Development and Research (M/AD&R) and the Ministry of Lands, Irrigation and Mahaweli Development (M/LI&MD). Within the M/AD&R, the Department of Agrarian Services (DAS) was, until recently, responsible for "minor" irrigation, i.e., systems with commands of less than 200 acres (80 hectares [ha]). This role is now complicated by the 13th Amendment to the Constitution which, in principle, has devolved responsibility to the new Provincial Councils, but which, in fact, has been interpreted as doing so only partially. The Department of Agriculture (DOA) within the M/AD&R also plays an extremely important supporting role through its research, training and extension programmes in irrigated agriculture.

Because irrigation development has been historically perceived in the context of land development and settlement in the dry zone, the M/LI&MD is the premier Ministry for developing new irrigation schemes and for managing all those schemes over 80 ha. But within this Ministry, too, responsibility is divided. The Irrigation Department (ID) has a long and venerable history of restoring old irrigation systems, building new settlement schemes, and managing them. Until 1977, the sole responsibility for all the medium and major schemes in the country rested with it. With the creation of the Accelerated Mahaweli Development Programme, all those systems being developed as part of this programme plus the Uda Walawe system are now managed by the Mahaweli Authority of Sri Lanka (MASL). The ID was responsible for the rest of the medium and major systems until the recent constitutional amendments led to the management of many of these schemes being handed over to the Provincial Councils. Further, on about 35 major schemes, the Irrigation Management Division (IMD), a division of M/LI&MD, plays an important role in developing an integrated management approach (the INMAS Programme) and promoting farmers' organizations.

Presently, the Provincial Councils themselves are at various stages of development. Each one has a different approach to its irrigation responsibilities, and none has yet developed a high degree of management capability. There is continuing confusion about the relationships and division of responsibilities between central and provincial irrigation organizations. And most of the Provincial Council staff have not been exposed to the present thinking of the government in terms of policies and future objectives. In the private commercial sector, there is an awakening interest in investing in the agriculture sector, encouraged by some recent changes in government policies. But private establishments still hesitate, the government has still not clarified its long-term policies sufficiently, and serious impediments still remain.

A major recommendation that emerges from the analysis of macro institutions is that the government should quickly rationalize and simplify the existing institutional framework. The strategy proposed is to initiate and support processes of internal change in existing agencies — especially the ID, the IMD, the DAS, and the MASL — that will make them more effective in implementing the participatory management policy; and that will facilitate

the evolution of a single agency at the national level, and appropriate institutional arrangements at provincial and local levels.

1.4. Approach of the Paper

THE BASIC APPROACH adopted in IMPSA is to suggest ways to foster an evolutionary process in existing institutions, rather than proposing radical policy surgery. Radical and revolutionary change is tempting, but would lead to a high degree of conflict, resistance, and uncertainty, and is likely to delay the achievement of the objectives of the government in the end. But to maintain the required momentum of the evolution of the existing institutions into those required for success in the long term, this evolution must be firmly directed, adequately supported, and carried out quickly enough. Effective and dynamic leadership as well as full participation of the professional staff of the agencies will be required for successful institutional transformations.

Staff Working Papers 4.1 to 4.5 provide detailed proposals for the re-organization of and broad strategies for their implementation. These papers should be used to guide the implementation of the changes. The present Policy Paper synthesizes the major proposed changes from these papers, as a basis for decisions to be taken by policy makers. Details must be worked out during implementation. The paper emphasizes the changes needed in the major irrigation management agencies — the ID, the IMD, the DAS, and the MASL. In view of the continuing confusion surrounding the future roles and institutions at the provincial and local government levels, less emphasis is given to this area where further work is required. The role of the private sector is addressed more briefly here because future papers will address them in more detail.

Chapter 2

THE IRRIGATION DEPARTMENT (ID) AND THE IRRIGATION MANAGEMENT DIVISION (IMD)

2.1. Introduction

THE ORGANIZATIONAL REFORMS proposed here are based on the issues identified and analyzed in SWP 4.1 and build on the strengths and assets available in the two organizations. External assistance and support, combined with maximum participation of staff in planning and implementing the changes would be important to success. This section outlines the proposed changes.

2.2. Proposed New Mission and Objectives of the ID

THE OVERALL MISSION of the ID will be:

To develop water resources for irrigated agriculture and to provide technical and management services to water users for the optimum use of the country's water resources, with special reference to irrigation management with the active participation of the farming community.

The objectives of the ID will be to:

- i. Carry out overall planning, development, and conservation of the water resources for irrigation;
- ii. Plan, construct, operate, maintain and improve irrigation, drainage, and flood control schemes;
- iii. Promote the establishment and strengthening of farmers' organizations to build their capacities for irrigation management and improvement as well as for other functions needed to improve the profitability and productivity of irrigated agriculture;
- iv. Provide management and technical assistance and advice to both Provincial Councils and farmers' organizations responsible for management and improvement of their irrigation schemes, and to ensure they are able to do so efficiently and effectively in a sustainable manner;

- v. Work with farmers' organizations in planning and implementing the policies of self- and joint-management of irrigation schemes;
- vi. Identify, test through applied research, adapt, and disseminate new irrigation technologies and management practices that would enhance the long-term sustainability and productivity of irrigated agriculture; and
- vii. Build on its research and management experience, to provide guidelines for setting national standards in terms of design specifications and quality control to assist provincial and other agencies and farmers' organizations involved in construction, modernization and operation of irrigation systems.

In other words, the re-organized ID will be the premier irrigation management agency in the country responsible for implementing the government's irrigation management policies, while continuing its role of planning and developing irrigation and drainage schemes, and for assisting farmers to use water productively so as to increase their incomes.

2.3. Organization and Structure of the ID

THE PRESENT ORGANIZATIONAL structure of the ID has been designed to fulfil its earlier construction-oriented mission. With a new mission and new objectives, it will be necessary to re-organize the ID, so that it will be an effective multi-disciplinary and output performance-oriented department, i.e., working through interdisciplinary teams whose performance is measured by their outputs based on plans and standards; it must also be sufficiently decentralized to ensure decisions are made and implemented at a level appropriate to the problems being addressed.

The proposed new structure of the ID at the head office and at range levels, is described broadly, as follows:

- i. The ID would be headed by a Director General (DG). It would be re-organized into two sub-departments, each headed by a Director: one Director for Irrigation Management, and the other for Technical Services. Each of these Directors would be supported by Senior Deputy Directors for certain important functions;
- ii. The DG would be supported by five units, a public and parliamentary affairs unit, a planning and monitoring unit, a unit for coordinating services to the Provincial Councils, a human resources development (HRD) unit, and a unit for finance and administration. The DG would be responsible for overall planning and performance monitoring; public relations; and direct supervision of services to Provincial Councils, financial management, HRD including personnel management, and administrative support services.

The HRD unit will oversee the development and implementation of an overall human resources development programme, designed to ensure the ID develops and maintains the range of skills and expertise required to fulfil its mission, and it will launch a

long-term career development process to enable professional staffs to develop to their full potential within the ID. The HRD unit will provide overall policy and planning guidelines to ensure that the human resources are available to implement the department's programme effectively in the long run; it will also manage the administration of personnel. It should be linked to the Management Development and Training Unit (MDTU) in the Ministry.

The remaining management and technical functions will be delegated to the two Directors;

- iii. The Director for Irrigation Management will be responsible for implementing the government's participatory irrigation management policy. He will be assisted by Senior Deputy Directors for Institutional Development and Training; Operation and Maintenance; Rehabilitation and Modernization; Agricultural Services; and the Research Management Unit, as well as by Project Directors for special donor-funded projects. This sub-department will plan and implement programmes for: promoting and strengthening farmers' organizations for irrigation system management; implementing the policy to turnover systems to farmers' organizations for self-management; working with farmers' organizations for joint-management of larger schemes; providing management and technical services to farmers' organizations for operation, maintenance, improvement and modernization of irrigation systems and for modernization and diversification of irrigated agriculture; and for conducting applied research to develop, test and adapt new irrigation, technological and management innovations.

A major function of the range and divisional units of the ID will be irrigation management. The Deputy Directors of Ranges will report directly to the Director for Irrigation Management for irrigation management activities;

- iv. The Director for Technical Services will be responsible for water resources planning and development, design and construction, and a range of specialized services including the hydraulics laboratory, land use division, equipment management, etc. He will be assisted by Senior Deputy Directors for water resources planning and development; construction; and specialized services;
- v. To ensure the ID becomes an effective multi-disciplinary department — essential for it to achieve its mandate — there must be attractive career opportunities for non-engineering professionals as well as engineers. On the other hand, certain functions will continue that require an engineering background.

A key component of this proposal, therefore, is that certain positions would be open to persons from a variety of relevant disciplines. These positions include the Director for Irrigation Management; Senior Deputy Directors for Institutional Development, Human Resources Development, and Agricultural Planning; Project Directors; and Research

Managers; and at the range and project levels, Institutional Development Managers and Project Managers. These positions would be open to all disciplines, including engineering professionals, with the relevant capabilities.

The position of DG will be extremely important for the success of the re-organized department. The person filling this position should be very senior and have a recognized and broad experience in irrigation and water resources, and should have experience that demonstrates leadership skills; and

- vi. A major responsibility of the Range Deputy Director will be to supervise the implementation of the government's participatory irrigation management policy at the field level. He will be assisted by a Chief Irrigation Engineer for supervision of technical activities, an Institutional Development Manager for supervision of the institution-building and training activities, and an Agricultural Officer who may be on deputation from the Department of Agriculture. Project Managers responsible for working with farmers' organizations (as at present under the INMAS Programme) as well as Divisional Irrigation Engineers will report to the Range Deputy Director. However, implementation of changes at this level will be carried out after re-organization at the head-office level.

2.3.1. Future Options

THE ABOVE ORGANIZATIONAL structure is not intended to be a permanent and fixed feature. It is a first stage in the re-organization of the ID, and would be subject to further review and modification based on experience. It is suggested that the above approach be implemented, and after two to three years' experience, further re-organization be considered based on experience.

2.4. Personnel and Human Resources Development Policies of the ID

2.4.1. Career Opportunities

AS NOTED ABOVE, an important change will be the opening up of certain key positions within the ID to non-engineers, in addition to those positions that will continue to be reserved for engineers. The vacancies of these "open" positions will be filled through a selection process from among public servants of the relevant level of seniority. Initially, preference may be given to persons within the Ministry of Lands, Irrigation and Mahaweli Development. As the in-house capability develops, senior positions would normally be filled through promotion from within the ID. Thus, there will be attractive career opportunities within the ID for both engineers and non-engineers. The proposed positions for Senior Deputy Director (Agricultural Planning) and Agricultural Officers attached to the Range Office could be filled from the Sri Lanka Agricultural Service, on a secondment basis.

2.4.2. *Achieving a Performance Orientation*

AT PRESENT THERE is no effective system for evaluating the performance of ID staff. Promotions within the Sri Lanka Engineering Service are based strictly on seniority, with no consideration for performance and capability. Such a system provides no incentives for achieving a high level of performance, and encourages staff to take a low-risk approach of performing at a lower level than many are capable of achieving. Effective implementation of the new irrigation management policies will require changes in peoples' behaviour and attitudes, new skills, and a high level of commitment and high individual performance. In other words, the ID needs to re-orient itself to being performance-oriented.

Therefore, for both engineering and non-engineering professional staff, including technical assistants, work supervisors, and personnel of new disciplines to be recruited, the ID should develop an objective, effective, and fair personnel performance evaluation system.

An approach is outlined in SWP 4.1 under which each person would be evaluated annually by his or her supervisor, and rated on a scale for overall effectiveness. The personnel within the ID would each be grouped into "slabs" based on seniority. Thus, the principle of seniority presently in use would be retained, but modified in terms of "slabs" rather than strict ranking based on the dates of appointments. Promotions would be from within designated seniority slabs for positions, but based on performance.

To ensure the system is implemented in an objective and impartial way, without outside interference, a Personnel Performance Evaluation Board is proposed, to oversee the whole system and ensure it is fair and objective. Implementation of the proposed system should be preceded by a period of careful planning, communication of the plans to staffs with ample opportunities for them to provide their inputs, and training, particularly of supervisors.

2.4.3. *HRD Plan and Improving Performance of Support Staff*

AN IMPORTANT INNOVATION required for success on the personnel side is for the ID to develop a human resources development plan for its staff. Another important issue requiring further work is the question of improving the performance of the other support services, i.e., those of the clerks, typists, store keepers, office aides, and the like. At present there is little incentive for the staffs to perform at the required standard, and there is little control over their performance by professional staff. This problem is a wider one in the public services. The HRD unit should address this problem.

2.5. Relationship of the ID to the M/LI&MD

A KEY QUESTION is the future role of the Irrigation Management Division (IMD), and the ID's relationship to the IMD if it continues, and to the Ministry more broadly. It has been generally agreed by the government that ministries should focus on policy making and monitoring of its implementation; they should not be doing policy implementation. At present the IMD, a Division of M/LI&MD, is implementing the INMAS Programme on selected major schemes.

The IMD has been a pioneer in developing and testing approaches to implementing the participatory management policy. Its very success is a major reason why a programme like IMPSA can now consolidate the gains made. It was always the intention of the government that the IMD would be a temporary Division, and that in the long run, the implementation functions should be transferred to the ID. Therefore, it seems logical to use this opportunity for incorporating IMD's implementation functions, and much of its staff, into a newly re-organized Irrigation Department.

The government will proceed with reorganizing the ID, beginning at the central level. The department will develop position descriptions and career opportunities that will make the best use of the existing IMD and ID personnel and that will induce experienced IMD staff to join the re-organized ID.

It will be important to establish a unit within the M/LI&MD to monitor the performance of the irrigation management policy implementation, and to continue to re-evaluate and refine that policy based on lessons learned.

Chapter 3

THE MAHAWELI AUTHORITY OF SRI LANKA

3.1. Introduction: Issues

THE MAHAWELI AUTHORITY of Sri Lanka (MASL) was formed under a legal framework to enable it to plan and implement an ambitious accelerated integrated development programme. This programme includes planning and construction of major reservoirs on the Mahaweli River for both hydroelectric and irrigation purposes, planning and construction of trans-basin canals to bring irrigation water to new areas in the dry zone, planning and construction of new major irrigation systems, settling of people on new lands, including the development of the necessary supporting infrastructure, and promoting the integrated development based on commercialized diversified agriculture. The construction phase is to a large degree completed; at present the major focus of the MASL agencies is on management, and not on construction. The present area of authority of the MASL includes certain special areas outside the Mahaweli Project.

The construction phase of the Mahaweli Accelerated Program coincided with the phase of experimenting with new forms of participatory management on other (non-Mahaweli) systems. Although there were some important experiments on Mahaweli systems as well, none of these proved as promising as those on other schemes. This has led to a perception that the MASL was not effectively implementing the government's participatory management policy. The MASL and the Ministry of Mahaweli Development have responded to this by initiating some re-thinking, and also by supporting a number of experiments, for example in System B and Walawe (Uda Walawe Project which is a small area declared under the MASL). The MASL management is committed itself to implementing the participatory management policies in its systems, and recently even sought assistance from the IMD for this purpose.

Thus, whether the MASL should be re-organized to be more effective in the implementation of participatory management is a timely issue. The present structure appears to have a number of constraints that need to be overcome. These include:

- i. The large number of separate units within the MASL with their own identities and interests, which tend to confine their functions within artificial administrative and disciplinary boundaries;

- ii. The division of the engineering activities of irrigation management between the Mahaweli Economic Agency (MEA) and the Mahaweli Engineering and Construction Agency (MECA);
- iii. The over-centralization of authority and responsibility in the head office despite the apparent decentralization under the unified management approach; and
- iv. An overly dense administrative structure at the field level that operates to inhibit, not promote, self-reliance among farmers.

In addition to these structural issues, there are important questions regarding the mission of the MASL, especially regarding its scope and opportunities. The question of the longer-term future of the MASL must also be addressed. These issues require further thinking, consultation, and study. The following suggestions are thus firm in principle, but tentative as to details. This paper focusses on the irrigation management functions of the MASL while recognizing that its actual functions are far broader.

3.2. Mission and Objectives of the MASL

A "MISSION STATEMENT" should be a coherent short statement of what the real core business of the organization really is. The MASL does not have this — perhaps reflecting the diverse sets of activities it is involved in, and its fragmented organization with multiple and sometimes overlapping units.

It is recommended that a high-level committee of the MASL chaired by the DG get together and with the assistance of a professional facilitator, prepare a coherent mission statement. The mission statement should include the following:

- i. Effective implementation of the government's participatory management policy as part of a broader effort at participatory rural and community development in Mahaweli settlement schemes;
- ii. Promoting the development of a prosperous, diversified rural economy based on agriculture and supporting industries.
- iii. Development, management and conservation of the Mahaweli River water resources; and
- iv. Provision of technical and management services to water users for the optimum use of water resources with special reference to irrigation management.

3.3. Organizational Structure of the MASL

THE BASIC PRINCIPLES to guide improving the structure of the MASL should be: consolidation to remove overlaps and redundancies; de-centralization of authority to the lowest levels possible; reduction in density of officials at field level; devolution of responsibilities and authority to farmers' organizations; shift from a "control" to "facilitator"

outlook and functions; and efficient and effective implementation of a more focussed mission and set of objectives, including the new policy of joint-management with farmers' organizations.

A detailed organizational study of the MASL has recently been initiated under the Agricultural Planning and Analysis Project. It is therefore, premature to make firm recommendations. IMPSA has developed some detailed proposals in regard to the re-structuring of the MASL. Therefore, the study initiated by the Agricultural Planning and Analysis Project should be carried out in close collaboration with IMPSA. It is vitally important that the recommendations emerging from that study will strengthen the MASL's ability to implement the participatory management policies being developed under IMPSA and adopted by the government.

3.4. Relationship to the M/LI&MD

THE UNIT WITHIN the M/LI&MD proposed in section 2.5 to monitor the irrigation management policy implementation of the ID will also monitor the performance of the irrigation management (and other) policy implementation of the MASL, and will continue to re-evaluate and refine that policy based on lessons learned. It should have close links with the Planning and Monitoring Unit in the MASL.

Chapter 4

THE DEPARTMENT OF AGRARIAN SERVICES (DAS)

4.1. Introduction: Issues

THE DEPARTMENT OF Agrarian Services (DAS) has recently gained approval to restore its cadre and continue with some of its original functions. It may therefore be counter-productive to propose any further radical changes or alternatives at this stage. Further, the lack of detailed objective observational data on the actual working and effectiveness of the DAS hampers the drawing of any firm conclusions. Therefore, this section discusses some alternatives to be considered over the next several years as the DAS gains experience.

It is clear that the DAS has a very vital role to play in the implementation of the government's participatory irrigation management policy. It is responsible for registration and regulation of all farmers' organizations under the amended Agrarian Services Act, whether organized by the DAS itself, the ID, the IMD, MEA, the Provincial Councils, or by the farmers themselves. It is vital that effective rules be framed for these purposes, and that the DAS build a capability to evaluate regularly the functioning, and particularly financial management, of farmers' organizations, and to provide assistance to those facing problems.

The DAS is also likely to play a key role in promoting and strengthening farmers' organizations both for non-irrigation purposes and for irrigation management on all except the larger schemes managed by the Irrigation Department, the MASL or the Provincial Councils. This could cover as much as half the irrigated area of the country, and include over 20,000 schemes, in principle at least. This will be an immense responsibility.

The DAS will also continue to play a key role in supporting the O&M and improvement of smaller and medium-sized schemes, both through its regular budget and through special projects such as the National Irrigation Rehabilitation Project (NIRP) and the Integrated Rural Development Programmes (IRDPs).

In addition to these roles directly related to irrigation management, the DAS is planning to re-vitalize and strengthen the Agrarian Services Committees; and it will continue to coordinate services and enforce rules regarding land tenure and other activities under the Agrarian Services Act.

4.2. Mission and Objectives of the DAS

THE MISSION OF the DAS is to ensure the proper use and management of agricultural inputs and provide the institutional framework and statutory provisions to safeguard the rights of tenants and occupiers of agricultural lands, in order to maximize productivity of these lands.

The objectives of the Department of Agrarian Services will be:

- i. To provide security of tenure to tenant cultivators;
- ii. To determine standards of good management including irrigation management for efficient cultivation of agricultural lands;
- iii. To determine obligations to be met by owner cultivators and occupiers in order to maximize productivity in agricultural lands;
- iv. To make provisions to summon meetings of the occupiers of the agricultural lands to make rules regarding efficient management of irrigation water, proper timing of agricultural operations and enforcement of established customs affecting cultivation;
- v. To establish Agrarian Services Committees to determine the roles and functions of the DAS including the formulation and implementation of state agricultural development policies at the grass-roots; and
- vi. To promote farmers' organizations and to determine their functions, promote their activities and to register them enabling them to acquire corporate status, to cancel registrations and to appoint liquidators (of assets).

4.3. Organization and Structure of the DAS

THE DAS HAS proposed a reorganization of its head office and field structure to carry out its expanded functions. No radical alternative is proposed to this structure, but several suggestions for modification are made. These seem necessary in view of the large number and range of functions to be undertaken by the DAS, as noted above. A few key features of the proposed reorganization are:

- i. Training or rather human resources development should be under a separate Deputy Commissioner. The function of a human resources development (HRD) unit would be to ensure that the long-term strengthening of the DAS (including provincial agencies) occurs through appropriate training and other measures, i.e., that staffs in the DAS are assisted in planning their careers, by setting long-term goals, and arranging for appropriate training;
- ii. The compatibility of the regulatory functions of the farmers' organizations (FOs) including that of promoting them through catalysts and other support services, has to be ensured. This paper suggests: One Deputy Commissioner to be in charge of the Institutional Building Division and two Senior Assistant Commissioners under him to

be in charge of FOs and the promotion of Agrarian Service Committees; Two Assistant Commissioners under the Senior Assistant Commissioners in charge of FOs, one for registration of FOs and the other for monitoring and evaluation of FOs. Putting the Senior Assistant Commissioners at the same level — one for the promotion of ASCs and the other to be in charge of FOs — would also provide an administrative mechanism to work out the potential contradictions between ASCs and farmers' organizations for irrigation management; and

- iii. The short- and long-term relationships between the DAS and the Provincial Councils are vital, as are the relationship and co-ordination between the DAS and the irrigation management agencies within the Ministry of Lands, Irrigation and Mahaweli Development. A senior officer, another Deputy Commissioner, is required for this purpose.

Given the magnitude and importance of the mandate of the DAS, it must be ensured that the objectives of the mandate can be achieved with the current and proposed field-level staffing and organization. Focussing specifically on the roles of the DAS in organizing farmers for self-management of irrigation systems and in assisting in improving these systems, it seems necessary to engage a separate cadre of Institutional Organizers to play the role of catalyst and to provide the necessary technical and management support to help farmers develop effective self-management systems. It is to be noted that the DAS has already commenced this task.

Also, the proposed "supra" cadre of Divisional Officers for supervising these activities should be carefully screened, well-trained, and their activities carefully monitored. In addition, as catalysts gain experience through NIRP, some could be promoted as Institutional Development Supervisors to supervise the work of the Institutional Organizations. Provision of attractive career opportunities to the best Institutional Organizers engaged under NIRP would provide incentives for attracting and retaining good catalysts.

Another important issue is the linkage between the head office and the field staff. It will be important to have an effective system for developing annual and longer-term plans, which will be linked to staff work plans and monitoring and evaluating performance of the staff.

Chapter 5

STRATEGY FOR IMPLEMENTATION OF ORGANIZATIONAL REFORMS

5.1. Introduction

THIS SECTION BRIEFLY outlines some of the methodologies and actions required for successful implementation of organizational reforms. The discussion is at a general level, i.e., applicable equally to the ID, the IMD, the DAS, and the MASL. There are very complex relationships between organizational-level change and individual-level change. To be sustainable and effective, change must be carried out at both levels simultaneously. Introducing a new organizational structure without attention to the individual human dimension will not result in successful change in overall performance. Training individuals without changing the organizational context within which they work is equally futile.

In this section four key principles are discussed: leadership; participation; values; and specificity. Five methodologies are also briefly identified: training; workshops; performance incentives and accountability; professional assistance; and periodic programme and policy reviews.

5.2. The Key Principles

5.2.1. *Leadership*

EFFECTIVE LEADERSHIP IS essential for implementing a successful organizational change programme. The literature on organizational change is very clear on this: successful efforts always have had good leadership; the absence of good leadership is always a key factor behind failures. Leadership would primarily be provided by senior management in the initial stages, but as time goes on, leaders will develop within smaller units of the agencies as well.

Leadership involves articulating the mission, objectives, principles, values, and "vision" of the future, and how each individual can contribute to achieving this vision. It also involves setting an example, being consistent in applying the basic principles, and in a sense "creating" the new organizational values and culture. This can be done most effectively when a leader acts as a "mentor" or a "coach," rather

than as an order-giver. Thus, the leadership must itself be fully committed to the mission and objectives, and effectively communicate this commitment to the rest of the organization. Leadership qualities can be developed through effective training.

5.2.2. *Participation*

WHEN MANAGERS TRY to impose changes through authoritarian means, particularly in well-established organizations, the result is often a greater degree of resistance to the changes. In the modern world, and in the specific context of Sri Lankan institutions, an authoritarian non-participatory approach is unlikely to succeed. Further, since the new mission calls for agency staff to implement a participatory management policy with farmers, it follows that participation should be practised within the implementing institutions. The importance of a multi-disciplinary approach and inter-disciplinary thinking is also recognized as part of the participatory process in order to ensure the involvement of several disciplines in the organizational change.

Thus, it will be important for senior management to ensure the active participation of the agency staff, at all levels, in the effort to bring about organizational changes. Authority should be decentralized as much as possible commensurate with peoples' responsibilities. Changes in job descriptions and procedures, development of plans and performance evaluation criteria, and implementation of the programme should be through teams, which are small problem-solving groups. Special efforts will be required to overcome the current hierarchical nature of relationships among various levels and the misunderstandings and suspicions between people of different disciplines and levels, and to encourage the emergence of initiative and leadership qualities at all levels.

5.2.3. *Values*

RECENT LITERATURE ON organizational change has emphasized the importance of "organizational culture," i.e., the set of basic values, beliefs and understandings shared by members of the organization, and in terms of which they operate and give meaning to what they do. The irrigation agencies, as ongoing organizations, have shared values that contribute to their esprit de corps and they provide a basis in terms of which people understand, interpret and retain their commitment to what they do. But the values required for implementation of a participatory management policy are not necessarily those appropriate for a construction-oriented agency. What is required is a "new professionalism" that goes beyond the normal professional values of various disciplines.

The suggested basic values to be developed and inculcated include: a value on participatory decision-making and team work; openness to new ideas; an orientation toward experimentation and innovativeness; a strong orientation to serve farmers'

organizations; a performance (i.e., output) orientation; and commitment to the mission and objectives of the agencies, i.e., to implementation of the participatory management policy.

5.2.4. *Specificity*

SPECIFICITY REFERS TO the importance of moving from general principles, values and goals, to specifying tasks, objectives, expectations from people, criteria for evaluation, etc. People must know exactly what is expected of them, what they are to do, and how they will be judged and rewarded. A key component of success will be the development of detailed job descriptions, detailed plans, and detailed performance evaluation criteria. This specificity should be achieved through a participatory group process, not imposed from above. In other words, staffs should be involved in developing their own position descriptions, in an interactive team process, that will lead to a level of specificity that is a basis for action that will result in a thorough understanding of and commitment to what the person is to do, what other members of the team are doing, and how it all fits together into a programme.

5.3. The Methodologies

5.3.1. *Training*

TRAINING SHOULD BECOME an important activity at all levels of the organizations; training units and professional training specialists will be needed. As part of the reorganization process, detailed training needs assessments should be carried out, and training programmes designed to fulfil these needs. A long-term training programme, tied both to the agencies' mission and to the career development needs of the staff should be planned and initiated. The kinds of skills required for implementing a participatory management policy go beyond the usual technical skills (though these are important), and include specific skills in management, leadership, and human relations.

5.3.2. *Workshops*

FORMAL TRAINING IMPLIES a notion of transferring new knowledge and skills to help people do their jobs better. Workshops can be used to fulfil this function. But workshops also provide an opportunity to go beyond simply "receiving" knowledge and to actively participate in the generation and shaping of new ideas, thereby ensuring a sharing of new ideas and the creation of a team spirit.

Organizing frequent workshops of small groups around specific topics or problems is a good way to build peoples' understanding and mutual respect, and to build consensus. They can be used to develop and validate specific job descriptions, performance criteria, work plans, etc. Through various methods of group work led

by professionals, workshops become an effective means of overcoming divisions and misunderstandings.

5.3.3. *Performance Incentives and Accountability*

GIVEN THE IMPORTANCE of planning and performance monitoring and evaluation, the agencies must think in terms of longer-term plans, say of five years, and annual plans keyed to the longer-term plans. These should state specific goals and objectives, criteria for evaluating performance, resources available, and also specify who will be responsible for what. These plans should be developed through a participatory process, not imposed from above. Management would then monitor performance, and intervene where problems arise. This is no more than what is called *Management by Objectives*.

But to be successful, incentives for achieving a high level of performance, and accountability for one's performance are also necessary. Salaries and benefits ought to be commensurate with responsibilities and should vary with performance. It is also possible to develop some non-monetary incentives that would be appropriate within a public service organization. These include public recognition of high levels of performance for units and individuals, encouragement of friendly competition among units, and the use of opportunities for special training or trips as rewards for excellence.

Accountability is a part of an effective performance monitoring and evaluation programme in which people are held responsible for their work.

5.3.4. *Professional Assistance*

A LARGE BODY of expertise has been developed in methods of understanding and assisting organizational change. Many of the concepts and methods are applicable to irrigation management organizations and to various cultural settings including Sri Lanka. It is suggested that given the ambitious nature of the changes contemplated, and the complexity of planning and implementing such a programme effectively, the agencies should obtain professional assistance. Three basic kinds of skills are suggested.

Objective observation and analysis through various social science methodologies, many of them developed for assisting organizational change processes, are available and they should be used as sources of insights and data to be used for planning, implementing, and monitoring the results of change.

A second type of expertise may be called "management consultants": people who are specialized in assisting agencies to analyze their management problems, and plan and implement changes. Even seemingly "simple" tasks such as preparing job

descriptions, or designing communication systems can be done more effectively if the process is assisted by specialists.

A third type of expertise is training methods and workshop facilitation. There are a large number of specialized techniques useful for improving the techniques of training, particularly making training programmes more effective for adults, and for assisting people to analyze, understand, and overcome hidden assumptions, tensions, and fears that inhibit a change process.

5.3.5. *Periodic Programme and Policy Reviews*

AN ORGANIZATIONAL CHANGE process must be monitored and reviewed periodically in order to guide it, and to learn from experience to make necessary adjustments. Frequent programme reviews should occur at several levels within the agency: project management committee, range (region), sub-department, and department or agency would be the minimum levels. These reviews should discuss the progress in comparison to the plans and the issues and problems that have arisen, and try to arrive at solutions. Problems or issues arising from higher-level decisions could be referred to the higher levels for solution. In the early years in particular, programme review meetings on a monthly basis at the various levels are recommended.

At the Ministry level as well, frequent policy review meetings would be extremely important, to ascertain the progress and problems in implementation, to take necessary steps to overcome impediments, and to re-adjust the policy as necessary based on experience. These meetings ought to be held on a quarterly basis. The proposed Central Coordinating Committee on Irrigation Management or a sub-committee of this overall committee, would be the appropriate body for these reviews.

Chapter 6

THE PROVINCIAL AND LOCAL GOVERNMENTS

6.1. Devolution

THE FUNDAMENTAL PROBLEM of the 'district' system of administration is that it is highly fragmented on functional departmental lines with top-down administrative procedures and practices which keep peoples' organizations outside the mainstream of development action. Participatory processes and self-management remain largely experimental. Devolution of governmental power and administrative authority to Provincial Councils and local authorities is a fundamental change and constitutes a landmark in the evolution of political and administrative institutions in Sri Lanka. It affords a unique opportunity to reform and restructure the planning and management of development activities. The devolution of authority as envisaged under the Provincial Council setup puts together a new framework which will have a potential to involve the bottom level and strengthen the decision-making process. It strengthens the democratic nature of the decision-making process by bringing people into the very centre of the development management process. With all the advantages of devolution, the transition phase from centralized to decentralized administration can present many problems and it requires careful handling to prevent a breakdown in services provided by the government. Again, the process of decentralization should be effectively carried down to the village level.

The structure of government administration consequent to devolution comprises:

- i. Government Ministries, Departments and District Administration;
- ii. Provincial Council Administration; and
- iii. Local Authorities.

It is significant to note that these three overlap and must therefore function and perform concurrently while constituting a hierarchy of decentralization.

Devolution transfers both legislative and executive powers in respect of subjects assigned to a Provincial Council. Thus, a Provincial Council has powers to pass "statutes" in respect of subjects assigned, making existing laws in respect of those subjects inoperative within the province.

6.2. Subjects Assigned

SUBJECT MATTERS ASSIGNED to Provincial Councils in respect of irrigation and irrigated agriculture include:

- * *Irrigation*

The planning, designing, implementation, supervision and maintenance of all irrigation works, other than irrigation schemes classified as either "inter-provincial" or "land development projects."

Also assigned is the maintenance and rehabilitation of "minor irrigation works" which were earlier the responsibility of the Department of Agrarian Services in terms of the Agrarian Services Act;

- * *Agriculture*

Agriculture, including agricultural technology transfer, promotion and education for provincial purposes and agricultural services, other than in inter-provincial irrigation and land development schemes, state land and plantation agriculture; and

- * *Land*

Land, that is to say rights in or over land, land tenure, transfer and alienation of land, land use, land settlement and land improvement, subject to certain conditions related to state land, inter-provincial irrigation and land development projects and the National Land Commission.

6.3. Implementation

WHILE THE PROVINCIAL Council system provides for unity of authority regarding devolved subjects at the sub-national level, devolution itself introduces new lines of segmentation. Organizational arrangements to cope with these lines of segmentation are yet to emerge. Centre-province dialogue is still informal and ad-hoc. It is necessary that line Ministries establish formal and regular arrangements for dialogue and consultation to effect policy programme co-ordination and its continuity.

Within the provincial system, technical subjects such as irrigation and agriculture have tended to retain their 'line identity.' It has been argued that these are technical areas which cannot be 'submerged' within the system integration proposed at the provincial and divisional levels. Whilst this position has some technical validity, such departmentalized activity within a Council may result in a similar situation as we have seen in the central government administration where officers of line departments feel little or no responsibility toward the people whom they are supposed to serve. Responsibility is largely toward a departmental hierarchy, whilst vain attempts are made at the district and provincial levels to coordinate the activities of these line agencies and ensure speedy action at those levels.

6.4. Organization for Irrigation and Agriculture

IRRIGATION, BEING BASIC to all agricultural pursuits within the province, requires a separate cadre of irrigation engineers and technical staff who have the necessary experience in this field, to ensure that the services provided to farmers are adequately maintained. Similarly, agriculture and agricultural extension services are vital to successful production and require a separate specialized cadre of agricultural staff.

In this circumstance, it would be necessary to have separate Provincial Directors for irrigation and for agriculture. It would also be necessary to bring these Directors under the administrative control of the Secretary of the Ministry of Irrigation and Agriculture of the Council as the responsibility for irrigation and agriculture within the province rests solely with the Minister in charge of these two subjects. However, in order to ensure that for purposes of professional advancement and for other technical reasons, the staffs of these two departments are not totally cut off from the corresponding central government departments, a mutual arrangement could be worked out between the Provincial Directors and their parent departments so as to maintain essential "technical" linkages.

6.5. Farmers' Organizations

ALTHOUGH THE (AMENDED) Agrarian Services Act provides for the formation and development of farmers' organizations in irrigation schemes, it does not prohibit the Council from also engaging in activities concerned with such organizations. In fact, it will be embarrassing, if not impossible, for a Council not to be interested and involved in the development of farmers' organizations within the Council's territory as these are people's activities in which the Council has every right to participate. The Council's Irrigation Statute should therefore provide for its participation in activities related to farmers' organizations.

Notwithstanding the above considerations and in view of the fact that the Department of Agrarian Services (DAS) already has statutory powers in relation to the registration and grant of legal status to farmers' organizations, it would be necessary for each Provincial Council to work out mutually acceptable arrangements with the DAS, so as to avoid any duplication or confrontation in this area of activity at the field level.

6.6. Village Irrigation Schemes

VILLAGE IRRIGATION SCHEMES come under two broad categories:

- a. Those which are not related to inter-provincial rivers, and
- b. Those schemes relating to rivers running through more than one province.

All schemes in category (a), fall within the jurisdiction of the Provincial Councils irrespective of the size of the scheme.

Schemes in category (b), although the responsibility of the government, comprise a large number of small and medium sized village irrigation works. Since the Provincial Irrigation Department will be set up in any case to handle schemes in category (a), the same administrative arrangements could well be extended to look after the village schemes falling in category (b). This will only require a mutual agreement between the Irrigation Department and each Provincial Irrigation Department, where the former delegates its responsibility to the latter in respect of such works. Such an arrangement will not be in conflict with the constitution so long as mutual agreement provides some guarantee that no improvements to the headworks in those schemes will be done without the prior approval of the Irrigation Department, and that there is a specific description of the extent of delegation of responsibility to the Provincial Council.

6.7. Coordinating Irrigation Management Activity

IMPSA'S POLICY PAPER No. 2 proposes that a Central Coordinating Committee be set up at the national level to coordinate and promote all irrigation management activities, particularly in relation to the new participatory management policy of the government and the need to turnover irrigation systems or sub-systems to farmers' organizations for operation and maintenance.

As a large number of irrigation schemes will now fall under the jurisdiction of Provincial Councils, it is necessary that effective co-ordination mechanisms be set up to ensure that the related activities in the provinces are in keeping with the expectations of the government and with the participatory irrigation management policies it has declared.

It is suggested that the basic framework of such a co-ordination mechanism should provide for:

- a. The setting up of Provincial Agricultural Committees (PAC) chaired by the Minister of Irrigation and Agriculture in each Provincial Council, and
- b. Representation of each PAC in the proposed Central Coordinating Committee for Irrigation Management.

Chapter 7

THE PRIVATE SECTOR

7.1. Definition of "Private Sector"

ALL ORGANIZATIONS AND individuals whose activities are not administered by the government have a de facto "private" status. The private sector in Sri Lanka encompasses two groups, namely the formal and informal sectors. The *formal private sector* would include all companies meeting the criteria of recognized legal status, majority ownership by private shareholders, autonomy in acquisition and allocation of resources, and engagement in one or more commercial enterprises. The *informal private sector* in relation to irrigated agriculture consists of two main categories. First, the individual businessman who controls activities such as input delivery, marketing of agricultural produce, etc. or provides any other service to the farmers. The provision of most of the inputs for the irrigated agriculture sector is in the hands of private businessmen at present. Second, the individual farmer who is managing his own resources can also be considered to be in the private sector. When individual farmers group themselves into organizations and achieve full legal status to function as corporate bodies, they will also act as private sector entities. Many cooperatives would also qualify under this general rubric, provided they meet the same conditions, i.e., that they are not organized and controlled by the government as adjuncts of public enterprises or for purposes of sponsoring public activities.

The private sector functions outside the government's bureaucratic system and has freedom in its operation. Therefore, this sector may be better geared to deliver services which the public sector is unable to do. One of the important characteristics is its ability to generate high profits. This can be made use of in the development of the irrigated agriculture sector which has not tapped the resources and capabilities of the private sector in the past.

This broad definition of the private sector is the basis of the remainder of this section.

7.2. Basic Principles

A BASIC PRINCIPLE is that while the public and private sectors must be close and active partners, the government itself should not compete with private firms, but could intervene at times when necessary to stabilize the prices of products and ensure fair competition. This implies a shift from the "command" economy of the recent past to a competitive market-based economy. The role of the government will therefore be:

- i. To provide the basic infrastructure beyond the means of private firms.
- ii. To ensure and promote competitive markets by establishing and operating a legal and regulatory framework that is conducive to private investment, that maintains fair competition, and that prevents unfair prices, practices and exploitation; and
- iii. To take necessary measures to minimize violent fluctuations of prices of essential commodities.

Market systems work best when there is a multiplicity and diversity of actors, or firms. Dominance by a few large firms leads to monopolies and undermines effective competition. The government should encourage diversity and multiplicity of firms, but should not necessarily exclude large firms. In the present world economy, and for certain kinds of products, there is an important role for large firms with their access to world markets, economies of scale, and capital and advanced technologies.

7.3. Specific Areas Better-Managed by the Private Sector

IDENTIFICATION OF THE proper roles for the private and public sectors in the development of irrigated agriculture in Sri Lanka — as elsewhere — is not an easy exercise. In almost no instance can a clear-cut case be made for either the public or the private sector having an exclusive role to play. Even in economies which are heavily oriented toward private sector leadership and participation, the public sector has a major and legitimate role in economic affairs.

Discussion of these varying roles can be facilitated by desegregating the total irrigated agriculture sector into several different components. These include at least the following.

7.3.1. Construction, Rehabilitation and Maintenance of Irrigation Systems

THE POLICY OF turning over irrigation system management is a form of "privatization" which is central to the government's present policies. A related area which may offer expanded possibilities for the private sector is in modifications to existing irrigation systems to accommodate the demands of crop diversification. The need for on-demand irrigation water delivery throughout the year to support perennial or long-cycle crops and tree plantations may be one example. It would appear that installation of this type of irrigation system will involve considerable modification to existing infrastructure and an entirely new management approach.

7.3.2. Exchange of Goods and Services which Directly Support Agricultural Enterprises within an Irrigation System

WHERE COMPETITIVE MARKETS exist, it has been shown that private sector firms are generally more responsive, innovative and efficient in the provision of goods and services than public sector agencies and parastatals. This is particularly true in cases where agricultural enterprises are serviced by a decentralized system of numerous

small to medium-sized entrepreneurs interacting directly with producers such that no one supplier commands a predominant share of market transactions.

In such situations, private sector firms can play the predominant role of providing producers with necessary physical inputs such as seeds, fertilizers, agro-chemicals, tools and machinery; short- and long-term credit; technical, financial, planning and management advice; and services in collection, transport, preparation, processing and marketing of agricultural produce. In short, private firms can effectively service the full gamut of commercial services demanded by producers and consumers in an agricultural production and food distribution system.

The government has a very significant role to play in support of a free enterprise system in guaranteeing conditions to ensure the continuity of competitive markets. It must facilitate the free movement of goods and services between markets in response to price signals and economic conditions. It must permit and encourage free entry and exit of participants from commercial market activities. It must see that market participants — buyers and sellers — are given equal access to information on changing market conditions on a timely basis. And, finally, the government must play the lead role in protecting consumers from fraudulent trade practices and products which are either illegal or dangerous to public health and safety.

7.3.3. Introduction of New Technologies and Farm-Management Strategies

AS SRI LANKA has entered a new and higher phase of agricultural development and as potential exists for significant diversification into other crops, prospects for effective private sector leadership in promoting technological change are increasing, especially in two areas: diversification and production of high value commodities for the fresh market trade, and processing of agricultural commodities where production exceeds demand for fresh market sales or where processing is required before sale.

In many developing economies, experience has shown that private sector firms have been most effective in situations requiring installation of complex and integrated commodity systems. All such commodity systems are run as collaborative partnerships between large private agro-processing firms and producers organized in various out-grower arrangements. These systems are oriented toward specialized production technologies, with strict scheduling arrangements for both production and commodity preparation. For success, they demand very high levels of both capital investment and management expertise at all levels. Such operations must be decentralized activities where firms have full autonomy to plan and execute their production and marketing in direct response to changing market signals.

At a second level, private sector agribusiness firms have been highly successful in introducing and operating commodity processing operations — again usually with out-grower arrangements. These operations are most appropriate in areas where

conditions preclude production of the highest quality produce or prevent timely marketing of fresh produce at acceptable costs. They are also common where joint products are derived from commodities produced in large volumes.

A third level of private sector involvement is in promoting production and preparation and processing of agricultural produce for domestic markets. In Sri Lanka, such activities run the gamut from simple rice milling enterprises to production of fruit juices to processing of medicinal plants for traditional medicines. In the near term, techniques for cold storage of fruits and vegetables and for artificial drying of crops like onions and chillies will almost certainly be demanded as means of improving product quality and extending market availability.

In many instances such activities can be successfully managed by small-scale firms with limited capital resources but high levels of managerial expertise. Technologies employed in these enterprises are often simpler to install and maintain and, while financial returns may be lower, operators usually function under lower risks than in highly competitive export markets. Domestic markets will also have less stringent entry requirements with respect to product preparation and packaging.

As the crop diversification programme evolves in Sri Lanka, production-processing-marketing systems should be planned and developed at many levels of investment and complexity to achieve optimal allocation of available resources and derive maximum benefits from all market opportunities. These include opportunities for high-value export crops, and domestic opportunities for competitive import-substitution agricultural enterprises and the development of new food products. Such opportunities will expand with national economic growth and increased effective purchasing power of domestic consumers.

7.3.4. Provision of Complementary Infrastructure and Related Services

MODERNIZATION AND INCREASING sophistication in commodity production-processing-marketing systems will demand the development of a complementary infrastructure. Maintenance of efficient irrigation systems is obviously important, but that alone will not be sufficient to allow modernization and diversification.

Modern commodity systems are highly dependent on efficient transportation networks, reliable sources of energy, and excellent communications for production and marketing operations. Increasing specialized facilities for crop research, soil testing, control of agricultural chemical residues and processing wastes, etc., will also be required for efficient and safe operations.

In most countries, experience has shown that governments must play the pivotal role in the provision of most of this complementary infrastructure. While private sector firms must have access to such infrastructure, they cannot be expected to fund it all out of private resources — nor can they expect to recover their investments if

they do so. The costs of such development lie predominantly with governments. In the case of Sri Lanka, the need for government support in this area is particularly important if, as projected, farm organizations, with very limited capital resources, are to play a major role in the new directions of agriculture sector development.

7.3.5. Development of Human Resources to Support Economic Development

MODERN AGRICULTURAL SYSTEMS require a well-educated and technically competent farm population. They also require managers, technical specialists, marketing experts and a whole range of other support personnel to function efficiently. While private sector firms often conduct specialized training for their employees and provide extension services for associated farmer groups, they cannot be expected to provide the broad-based educational systems needed to support modern agriculture. This responsibility lies with the government and it must be undertaken effectively in response to the changing needs of the economy of the country.

Quality education is needed at all levels of the rural economy if farm families are to participate fully and equitably in modern agricultural systems. Specific needs include: development of well-trained managers for commercial farming and agribusiness operations, targeted technical extension education for farmers involved in the crop diversification program, and instruction in organizational, financial and planning skills for the emerging farmers' organizations.

Chapter 8

SUMMARY OF RECOMMENDATIONS

8.1. Simplify and Rationalize the Institutional Framework

A MAJOR RECOMMENDATION emerging from the analysis of macro institutions is that the government should rationalize and simplify the existing institutional framework. The strategy proposed is to initiate and support processes of internal change in existing agencies — especially the ID, the IMD, the DAS, and the MASL — that will make them more effective in implementing the participatory management policy; and that will facilitate the evolution of a single agency at the national level, and appropriate institutional arrangements at provincial and local levels.

It is expected that the recommendations contained in this paper would be implemented basically by the re-deployment of existing staff and with minimal additional staff recruitment. However, new skills and expertise would be necessary for the successful implementation of the government's new participatory management policies. Much of this expertise could be found within the public service itself where they are not available within the particular agency concerned. The necessary skills could also be developed in the existing staff with proper training. The remaining gaps in expertise could be filled by new recruitment or on a contract basis.

8.2. The ID and the IMD

- i. THE OVERALL MISSION of the ID should be:

To develop water resources for irrigated agriculture, and to provide technical and management services to water users for the optimum use of the country's water resources, with special reference to irrigation management, for effective implementation of the government's participatory irrigation management policies;

- ii. The ID should be re-organized to be an effective multi-disciplinary and performance-oriented decentralized irrigation management department, working through interdisciplinary teams;
- iii. The main features of the proposed new organizational structure of the ID are as follows:

- a. Change of designation of Head of the Department as Director General. The person filling this position should be very senior and have a recognized and broad experience in irrigation and water resources, and should have experience that demonstrates leadership skills.
 - b. Creation of two sub-departments, one for irrigation management and the other for technical services, each headed by a Director;
 - c. The Director General to be supported by separate units for public and parliamentary affairs, planning and monitoring HRD; co-ordination of services to Provincial Councils, and finance and administration;
 - d. Assisted by various senior Deputy Directors, the Director for Irrigation Management will be responsible for implementing the participatory management policy. Units will include institutional development and training, O&M, rehabilitation and modernization, and a research management unit. Range Deputy Directors will report to this Director for irrigation management activities; and
 - e. To help the department become more effective in implementing its mandate, and to provide encouraging career opportunities for non-engineers as well as engineers, vacancies of certain key positions will be openly filled from a variety of disciplines. These include the posts of Director for Irrigation Management, Senior Deputy Directors for institutional development, human resources development, Project Directors, and a Deputy Director in charge of the research management unit;
- iv. The ID should adopt an objective staff performance evaluation system, and promotions should be on the basis of seniority-cum-performance; it should also develop a human resources development plan for its staff, and non-monetary incentives for performance; and
 - v. The ID and the IMD should be integrated in two phases. In phase 1, the ID will re-organize and recruit new staff while the IMD will continue its responsibilities in INMAS systems; in phase 2, the ID will take over the INMAS Programme as well. Some IMD staff may opt to join the ID; others will form the nucleus of a unit within the M/LI&MD to monitor policy implementation.

8.3 The MASL

- i. IT IS RECOMMENDED that a high-level committee of the MASL be established to develop a more focussed mission statement, appropriate to the new responsibility to implement a participatory management policy; and

- ii. The Agricultural Planning and Analysis Project, in close collaboration with IMPSA, should study the reorganization of the MASL and make necessary recommendations early.

8.4. The DAS

- i. THE MAIN FEATURES of the proposed reorganization of the DAS should be:
 - a. A separate Deputy Commissioner for human resources development;
 - b. In regard to farmers' organizations, the performance monitoring and regulatory, and promotional (institutional strengthening) functions split between a Deputy Commissioner and an Assistant Commissioner;
 - c. Given the importance of the relationships of the DAS with Provincial Councils, and with irrigation management agencies within the M/LI&MD, a Deputy Commissioner is proposed for ensuring close collaboration among them; and
 - d. To create a post of "Deputy Commissioner for Institutional Building" to oversee the FOs and monitoring and evaluation functions as well as the promotion of ASCs.

8.5. The Provincial Councils and the Local Government

- i. EACH PROVINCIAL COUNCIL should have an Irrigation Statute passed under the Provisions of the 13th Amendment to the Constitution.
- ii. This Irrigation Statute should provide for:
 - a. The appointment of a Provincial Director of Irrigation to function under the Secretary of the Ministry of Irrigation and Agriculture of the Council;
 - b. The involvement of the Council in activities related to the formation and development of farmers' organizations (especially for irrigation management) within irrigation schemes which fall within the jurisdiction of the Council, in consultation with the Commissioner of Agrarian Services who has statutory powers for registration of such organizations; and
 - c. the setting up of provincial agricultural committees in each province, to be chaired by the Chief Minister or the Minister of Irrigation and Agriculture of each Council.

- iii. Each of the provincial agricultural committees should be represented in the Central Coordinating Committee for Irrigation Management suggested in IMPSA's Policy Paper No. 2; and
- iv. Where a Provincial Irrigation Department has been established and is functioning satisfactorily, village irrigation schemes which are classified as "inter-provincial" can also be made the "delegated" responsibility of the Provincial Council, provided a mutual agreement can be worked out between the Provincial Irrigation Department and the Central Irrigation Department which will continue to hold overall responsibility in terms of the 13th Amendment to the Constitution.

8.6. Strategy for Implementing Organizational Reforms

THERE IS A complex relationship between organizational and individual change. Both must be pursued. Four key principles to govern the overall strategy, and five specific methodologies are proposed. The four key principles are:

- i. *Leadership.* Effective, committed leadership is absolutely essential to success. People can be trained to improve their leadership qualities;
- ii. *Participation.* Full active participation of all professional staff in planning and implementing organizational change is far more effective than changes imposed from above;
- iii. *Values.* It is important to inculcate new values required for participatory innovative performance-oriented irrigation management; and
- iv. *Specificity.* People must know what exactly is expected of them, and how they will be judged and rewarded, if they are to work effectively.

The five specific methodologies for implementing organizational changes that will be accepted and internalized by staff are:

- i. *Training.* Detailed assessments of training needs, and long-term training programmes for staffs at all levels.
- ii. *Workshops.* Holding frequent small group workshops on specific topics or problems is a good way to build people's understanding, commitment and team spirit, as well as to generate new ideas;
- iii. *Performance Incentives and Accountability.* Both incentives for achieving high standards of performance and accountability for what people do are essential ingredients of successful organizations;
- iv. *Professional Assistance.* Professional assistance in the form of researchers on internal management processes, management consultants, and specialists in modern adult training techniques will help achieve the ambitious objectives set out in this paper; and

- v. *Periodic Programme and Policy Reviews.* Frequent programme reviews at several levels within the agency and frequent policy review meetings at the Ministry level are essential for monitoring and re-adjusting the organizational change process.

8.7. The Private Sector

- i. THE GOVERNMENT SHOULD develop a comprehensive, clear, long-term agricultural sector development policy, following a similar methodology as has been developed by IMPSA for irrigation management. There is an urgent need to develop and disseminate a clear comprehensive statement on government objectives, investment strategies, and development programmes, and the role of the irrigated agriculture sub-sector within the larger sector; and to take steps to implement it fully;
- ii. As part of the articulation of this broad policy, the government should re-assure potential investors of its seriousness and long-term perspective, and enforce sufficient internal discipline among Ministries and Departments to ensure its effective implementation;
- iii. The government should create a positive environment for private sector participation in agricultural enterprises by maintaining competitive factor and output markets, flexibly and pragmatically solving problems that arise, and by streamlining its bureaucratic structures for greater responsiveness;
- iv. The government should withdraw from direct participation in commercial agricultural enterprises which can be done more efficiently by private sector firms, and foster greater public-private partnership in those essential service enterprises which support agricultural development, such as research, provision of market information, and installation of essential infrastructure;
- v. The government should establish and improve essential social services in rural areas, such as education, health, communications, and transportation, to attract a skilled labour force; and
- vi. The government needs to guarantee secure access to land, water and other resources for productive irrigated agricultural enterprises. This would require a re-examination of its policies of land allocation and ownership and lease rights (an issue raised by many of those consulted); policies in regard to access to reliable and equitable water supplies on a year-round on-demand basis; and policies with respect to importation of improved seeds and plant materials.