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ESTABLISHMENT

Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI) was established in 1972 under the Agrarian Research and Training Institute Act No. 05 of 1972. It functions as a statutory body under the Ministry of Agriculture. It was established mainly for the promotion of policy-oriented research and addressing training needs of the agrarian and rural sector. Being a pioneer of agrarian research in the country, HARTI has a wealth of experience spanning over 40 years in conducting socio-economic research and training and also providing information for the formulation of agrarian sector development policies since its establishment.

Mandate

Under the provisions of Section 3 (1) of the above Act, the general mandated objectives of the institute are as follows:

- i. To foster, assist, encourage and co-operate in agrarian research.
- ii. To co-ordinate agrarian research undertaken by government departments, local authorities, public corporations and other institutions.
- iii. To carry out investigations and research relating to institutional factors affecting the development of agriculture.
- iv. To undertake investigations, research and studies relating to economical use of land for agricultural purposes.
- v. To carry out socio-economic research relating to agricultural and rural development.
- vi. To provide, undertake and implement training activities and programmes relating to agrarian research either alone or in association with other institutions in Sri Lanka or abroad and to award diplomas, degrees, prizes and distinctions in connection therewith.
- vii. To sponsor and conduct conferences, seminars and workshops at local, regional and international levels.
- viii. To carry out such research relating to problems of agrarian structure in co-operation with Asian countries to serve their regional needs and provide a centre for the collection and dissemination of information on agrarian related issues.
- ix. To relate such research to problems connected with agrarian development and modernization with special reference to Sri Lanka and other Asian countries in general.

Vision

Be the leader in generating and disseminating knowledge for sustainable agrarian and rural development.

Mission

To strengthen agrarian and rural sector through conducting research and training activities

Goals

- i. To be a centre of excellence in socio-economic research in agrarian issues.
- ii. To liaise closely with planners and policymakers in the government and business and research communities.
- iii. To make the policy formulation and implementation process more effective through generation and timely dissemination of knowledge.
- iv. To keep the public informed by providing independent assessments on national policy issues.
- v. To strengthen the capacity for socio-economic policy analysis by investing in the capacities of its staff and the institute's knowledge base.
- vi. To increase the capacity of rural development stakeholders through training.

BOARD OF GOVERNORS

Mr. B. Wijyaratne	Chairman	-	Secretary, Ministry of Agriculture and Chairman of the Board of Governors
Mr. Haputhanthri Dharmasena		-	Director, HARTI
Mr. N.P.V.C. Piyathilaka (Board Member)		-	Addl. Secretary(Admin), Ministry of Agriculture
Mr. L.B.S.B. Dayaratne	-do-	-	Addl. Secretary (Lands), Ministry of Lands
Mr. M.R.V.R. Meepura	-do-	-	Director, Public Enterprises Department, Ministry of Finance Planning
Mrs. K. Piyaratne (Reorganization),	-do-	-	Addl. Secretary Ministry of Industries and Commerce Department,
Mrs. K.N.K. Somaratne	-do-	-	Addl. Secretary (Admin) Ministry of Plantation Industries
Mrs. B.L.D. Balasuriya	-do-		Director of Education (Agri. and Environmental Education Branch) Ministry of Education (since June)
Mrs. G.L.D. Dahanayaka	-do-		Senior Asst. Secretary (Development), Ministry of Food Security (Until May)
Mr. M.M.P.K. Mayadunne	-do-		Addl. Secretary (Dev. & Planning) Ministry of Rural Economy <small>(since June)</small>
Mr. U.G. Rathnasiri	-do-		Addl. Secretary (Economic Affairs) Ministry of National Policies and Economic Affairs (since June)

Dr, (Mrs.) Y.M. Indraratne	-do-		Addl. Director, Economic Research Department, Central Bank of Sri Lanka
Dr. R.R.A. Wijekoon	-do-	-	Director General of Agriculture
Mr. R.P.R. Rajapaksha	-do-	-	Land Commissioner General
Mr. M.A.S. Weerasinghe	-do-	-	Commissioner General of Agrarian Development
Mr. D.C. Siribaddana		-	Actg. Secretary, Board of Governors (until September)

MEETINGS OF THE BOARD OF GOVERNORS

<u>Date of the Meeting</u>	<u>No. of Members Attended</u>
1. 22 nd January 2016	08
2. 30 th March 2016	10
3. 18 th July 2016	11
4. 19 th September 2016	11
5. 27 th December 2016	08

AUDIT and MANAGEMENT COMMITTEE

- | | | |
|--|---|---|
| 1. Mr. M.R.V.R. Meepura (Chairman) | - | Director
Public Enterprise
Department.
Ministry of Finance and
Planning |
| 1. Mr. A.L.A. Asoka Siriwardena (Member) | - | Addl. Secretary(Admin),
Ministry of Agriculture |
| 2. Mr. M.C. Gamage (Member) | - | Director, Ministry of
Traditional
Industries and Small
Enterprises Development |
| 3. Mrs. M.I. Pushpa Hemamali (Observer) | - | Audit Superintendent
Auditor General's
Department |
| 4. Mr. N.P.V.C. Piyathilaka (Member) | - | Addl. Secretary
(Admin.)
Ministry of Agriculture |
| 5. Ms. K.N.K. Somaratne (Member) | - | Addl. Secretary (Admin.)
Ministry of Plantation
Industries |
| 6. Ms. G.H.I. Vindya (Observer) | - | Audit Superintendent
Auditor General's
Department |
| 7. Mr. P.L. Namasena | - | Chief Internal Auditor
Ministry of Agriculture |

MEETINGS OF THE AUDIT and MANAGEMENT COMMITTEE

Date of the Meeting

03/11/2016

12/05/2016

11/07/2016

OVERVIEW

Development of agriculture in Sri Lanka is a controversial topic which must be discussed in depth as presently practiced way of agriculture does not conform to the traditional, organic, ecological agriculture inherited from our ancestors. Therefore, socio-economic research plays a vital role in the development of agriculture as well as generating the knowledge required to make appropriate, timely decisions on producing, processing, marketing and policy planning while overcoming the dire consequences of modern day agriculture.

Since the establishment in 1972, HARTI plays a vital role in the socio-economic and rural development in Sri Lanka. It makes an academic intervention when the need arises to facilitate the stakeholders of agriculture in arriving at the right decision. HARTI conducted 17 research studies during . Among them some studies focused on the current issues affecting the country, aiding in reaching necessary and accurate solutions. Farmers' attitude towards chemical pesticides and use of bio-pesticides, food security, development of integrated water management concepts, minimizing post- harvest losses and consumer buying behaviour with regard to liquid milk and milk powder were a few areas the studies focused on.

Another remarkable venture in the past year is HARTI undertaking a baseline survey on the National Food Production Programme 2016-2018, a massive food production drive initiated by the Ministry of Agriculture. The survey recorded the prevalent condition of the quantity and the quality of the crop production in the areas where the programme is implemented. The Weekly and Monthly Food Commodities Bulletins were also published without fail. A workshop on capacity development of agrarian research with international collaboration was held and a series of training was conducted for knowledge and skills improvement of farmers, middle level officials involved in agriculture development activities and higher level or managerial level officers including policymakers in the past year.

Haputhanthri Dharmasena
Director

AGRICULTURAL POLICY AND PROJECT EVALUATION DIVISION

ONGOING STUDIES

1. Potentials of Farmer Interactive Action to Remedy Vegetable Marketing Problems in Sri Lanka

Research Team: Dr. W. A. R. Wickramasinghe - Co-ordinator

Source of Funding: Consolidated Fund

Scope and Objectives:

Surplus production of vegetables resulting in lower price to vegetable farmers is a key challenge with regard to vegetable marketing. Despite changes in vegetable supply chain in Sri Lanka made with the expectation of increasing market margin for stakeholders of the vegetable supply chain, marketing problems still persist. According to the studies, irrespective of the changes in vegetable supply chain — increased exporting of vegetables, entering supermarkets into vegetable supply chain, extension of vegetable market chains — vegetable market clearance has not been supported adequately. Emergence of Oligopsony where few buyers determine market price causes price determination and aggravates economic problems of vegetable farmer. Vegetable farmer lacks bargaining power resulted from lack of market information, indebtedness to the trader and being unorganized.

The main objective of this study is to understand existing actions (strategies) of vegetable farmers with regard to vegetable production and marketing, and problems with regard to these actions to identify potentials of farmer collective actions to remedy vegetable marketing problems. The specific objectives are: exploring actions (strategies) implemented by vegetable farmers in vegetable production and marketing at present and benefits derived from these actions, identifying determinants of choosing these actions implemented by farmers in vegetable production and marketing and exploring potentials of farmer interactive actions to remedy vegetable marketing problems.

Data analysis and report writing is in progress.

Expected Outcomes:

- i. Identification of suitable collective action arrangement for vegetable farmers to overcome marketing problems
- ii. Identification of required policy decision to establish suitable collective action arrangement for vegetable farmers

02. Identified Issues and Possible Solution of Other Field Crop (OFC) in Northern Province in Sri Lanka

Research Team : R.L.N. Jayatissa (Co-ordinator)

Source of Funding : Consolidated fund

Scope and Objectives :

Other Field crop sector is one of the sub food crop sectors next to paddy sector in Sri Lankan agriculture. Although Sri Lanka is producing some extent of OFCs, it is inadequate to fulfill the current requirement of the country. Therefore, Sri Lanka has been importing OFC based food commodities expending large amount of foreign exchange. She has spent Rs. Million 39763 in 2016 to import 562253 mt of eight different varieties of OFCs.

Government is attempting to acquire self sufficiency in selected OFCs through National Food Production Programme. The northern region of Sri Lanka is considered as one of the potential areas with favourable agro-ecological conditions for OFC cultivation. In this sense, it needs to identify prevailing issues of the OFC sector in northern province. This study directly focused the rural farmers of the northern province those who directly dealing with other field crop cultivation. Further, key informant interviews were also conducted in order to have the opinion and ideas of the agricultural officers and farmer leaders in the study area.

Objective :

The main objective of the study is proposing the most suitable policy measures to develop OFC in the Northern Province of Sri Lanka

Specific objectives are as follows:

1. To identify current issues and investigating their degree of contribution in the food crops sector.
2. To analyses the impact of the issues on socio-economic of farmer household.
3. To find out the most suitable measures to solve these agriculture issues.
4. To suggest policy measures to address these issues.

AGRICULTURAL RESOURCE MANAGEMENT DIVISION

COMPLETED STUDIES

1. Hybrid Seeds and Vegetable Cultivation in Sri Lanka: Local Vs Imported

Research Team : Prasanna Wijesinghe – Coordinator
Rasika Wijesinghe – Co- Researcher

Source of funding: Consolidated Fund

Scope and objectives

Problems and issues of health and environmental impacts are inherent to the use of hybrid seeds; hence long run damages seem to outweigh the short term gains. Therefore it is very important to study the causes and impact of cultivation of imported hybrid varieties and its impact on farm economics. This study attempted to examine the determinants of farmers' preference for selection of seeds and the preferred varieties whether being local or imported. Also comparing the cost and benefits of cultivating imported varieties against local varieties and suggesting strategies for strengthening vegetable seed supply sector in Sri Lanka were other objectives.

Findings

Seeds

- Seed price varied with the different varieties and area of cultivation
- A larger share of the total seed requirement was met by private sales centres. One fifth of farmers used their own seeds.
- Lack of quality seeds and high seed price are the major problems and seed cost of the imported varieties remained high.
- The highest seed cost was reported for bitter-gourd and luffa of imported varieties.

Agro-chemicals

- Farmers applied agro-chemicals to at their will (43%), on the instructions of the agro-chemical seller (26%) and advice of the extension officer (17%).
- Farmers who cultivated imported varieties spent more on controlling pests. It is around Rs 5,000/= per acre.

Fertilizer

The highest inorganic fertilizer consumption was for bitter gourd (imported) followed by tomato and luffa; pumpkin (imported) was the lowest. Farmers cultivating local varieties had applied more synthetic fertilizer compared to imported varieties. All other local varieties growers have applied a low amount of synthetic fertilizer.

Income/yield

- Family income of imported variety cultivated farmers was greater than that of local varieties.
- Farmers of imported tomato varieties obtained around 2500 kg/acre than the yield of local varieties growers. However, the yield of local pumpkin varieties was higher. Similar yield was obtained by both local and imported variety growers of bitter-gourd. Apart from that, no significant difference in terms of the yield was reported based on the variety (local/imported).
- Bitter-gourd and pumpkin local variety cultivating farmers have obtained a better income whereas cultivators of tomato imported variety received a better income.

Recommendations

- The Department of Agriculture should intervene in preserving local varieties and promoting those among farmers by distributing seed samples. Awareness can be created through mass media campaigns.
- The government's vegetable seed production and distribution programme should be expanded with the increased participation of the private local seed producers, maintaining seed quality while making the cost affordable.
- Maximum price policy for seeds should be in place to minimize the cost of production. Stipulated price should be effective in a particular season irrespective of the brand name.
- Small scale farmers should be encouraged to reserve their own seeds for the next season through the awareness programme and the required technical knowledge could be disseminated through TOT programme.
- To minimize misuse of agro-chemicals on pest/disease incidence a diagnosis-based purchasing system should be introduced.
- Demand for local varieties at the market should be exploited by providing market space for selling local vegetable product in every wholesale and retail market.
- Farmers should be informed that the yield and income difference of the two categories is not significant and local vegetable seed availability in the seed market should also be increased.

ON-GOING STUDIES

1. Sustainability of Other Field Crop Production in South East Dry Zone in Sri Lanka: Issues and Options for Improvements

Research Team	: Prasanna Wijesinghe	– Coordinator
	: Rasika Wijesinghe	– Co- Researcher
	Chinthaka Jayasooriya	– Co- Researcher

Source of funding: Consolidated Fund

Scope and Objectives

Ground level social, economic and environmental circumstances of crop production relations /activities are diverse. Thus any causality behind poor performances in OFC production is too often place-based. Identifying this heterogeneity at grassroots level and addressing the related problems for production and productivity improvement in OFCs is required for the successful implementation of the new food production programme while countering challenges of climate change and food security, ensuring the well-being of farming community and environmental resilience. The overall objective of this study is to identify social, economic and environmental conditions of OFC production at grassroots level with causality behind present level of performances in selected food crop production systems. The other objectives are to estimate the financial profitability with factors governing the same, to quantify environmental externalities and mitigation options, to assess social acceptability with options for improvement and to sensitize policymakers on social, economic and environmental dimensions of OFC production aiming at providing a scientific input for informed policy formulation that will contribute to sustained production and productivity in the OFC sector in the country.

Primary data was collected from Ampara, Moneragala and Hambantota District on a representative sample. Data gathered from farmers cultivating selected crops which are sugar cane, groundnuts and green gram from selected districts with respect to the sampling frame.

Current Progress

Primary data collection has been completed. Data analyzing and report writing is in progress.

2. Sustainability of Other Field Crop Production in South East Dry Zone in Sri Lanka: Issues and Options for Improvements (R 509)

Research Team	: Renuka Weerakkody	- Coordinator
	Sharmini K Kumara	- Co-Researcher
	S. Epasinghe	- Co-Researcher
	Susila Lurdu	- Co-Researcher

Source of funding: Consolidated fund

Scope and Objectives

The ground level social, economic and environmental circumstances of crop production relations /activities differ one from other. Thus any causality behind poor performances in OFC production is too often place-based. Therefore identifying the prevailing heterogeneity at the grass root level and addressing the related problems for production and productivity improvement in OFC production is important at a time when a food production national programme is in progress. On the other hand the paradigm shift is required in the agriculture sector not only to feed the increasing population but, face the challenges of climate change and food insecurity while ensuring the wellbeing of farming community and environmental resilience. This requires understanding the wider circumstances under which each and every farming system is operated, the direct and indirect benefit enjoyed by the farming communities and externalities generated in quantitative terms with options for improvement and overcoming the problems. Hence this academic effort has been designed to fill the above information gap through identifying social, economic and environmental conditions of OFC production with causality behind present level of performances by selecting the South East Dry Zone as the study location with particular reference to;

1. Estimate the financial profitability with factors governing the same.
2. Quantify environmental externalities and identify mitigation options.
3. Assess social acceptability with options for improvement.
4. Sensitize policy makes on social, economic and environmental dimensions of OFC production aiming at providing a scientific input for informed policy formulation that will contribute to sustained production and productivity in the OFC sector in the country.

Current Progress

A representative sample of farmers from Ampara, Moneragala and Hambantta districts cultivating maize, ground nuts, onions, green gram and sugar cane were selected for the field survey and the data collection coding, entry and analysis is in progress.

03. Capacity Development of Agrarian Research-Policy-Technology Personnel in Sri Lanka on Global Change and Sustainability

Research Team : Renuka Weerakkody	- Project Leader
Sharmini K Kumara	- Co-Researcher
S. Epasinghe	- Co-Researcher
Prasanna Wijesinghe	- Co-Researcher
Rasika Wijesinghe	- Co-Researcher
Susila Lurdu	- Co-Researcher
Chinthaka Jayasooriya	- Co-Researcher

Source of Funding: Asia-Pacific Network for Global Change Research (APN)

Scope and Objectives

The agricultural policy of Sri Lanka symbolizes far-reaching ‘awareness’ of policymakers on ‘global change’ and ‘sustainability’. Nevertheless, poor social identity of farming communities, adverse environmental externalities and declining profitability depict how agrarian development efforts have fallen short of set goals thus sustainability of farming systems are in grave jeopardy..

Therefore providing guidance for policymakers to adopt a ‘systems perspective’ while equipping them with smart agricultural policy transformation tools is vital for resource allocation among sustainable farming options. This collaborative project comprises both research and capacity building components; to construct sustainability indices for selected farming systems operated in the South East Dry Zone of Sri Lanka and dissemination of sustainable knowledge among diverse stakeholders in the agrarian sector of the country through a series of workshops and training programmes as stated below.

1. Strengthening national research in global change and sustainability through building scientific capacity and developing analytical capabilities of the researchers at HARTI by taking social, economic and environmental dimensions of agriculture into account.
2. Mobilizing a science-policy interface to ensure appropriate interactions among scientists and policymakers to provide scientific input to decision-making in the agrarian sector from a sustainable development/system’s perspective.
3. Capacity development of Agricultural Extension Officers in the study locations to perform as farmer educationists and programme implementers at grassroot level and as data providers for policy and programme planning in the agrarian sector in the country.
4. Undertake ‘Easy-to-Learn’ training sessions to raise awareness of farmer leaders in study locations on ‘sustainability’ issues of the farming options and their effects and impact both locally and globally and sharing traditional wisdom on appropriate adaption measures.

Current Progress

A training workshop for HARTI researchers held from 3-5 August, 2016 successfully concluded and the compilation of the proceedings of the workshop is in progress. The trained HARTI research team is currently involved in the proposed research component.

ENVIRONMENT AND WATER RESOURCES MANAGEMENT DIVISION

COMPLETED STUDIES

1. Impact of Drought on Rain-fed Farmers and Potential Strategies to Minimize the Vulnerability: The Case of Farmers Cultivating under Rain-fed and Seasonal Tanks

Research Team : H.J.C.Jayasooriya - Coordinator
W.A.R Wickramasinghe - Co-researcher

Source of Funding : Consolidated fund

Scope and Objectives:

Vulnerability and impact of drought on rain-fed farmers in Sri Lanka has not been studied in detail this study is conducted to understand the impact of drought on the sustainability of the livelihoods of farming community operating under rain-fed and seasonal tank system, while identifying the ways and means of mitigate drought impacts to narrow the gaps in enhancing their resilient capacity.

The specific objectives are:

1. To find out the level of vulnerability of the farmer households under rain-fed and seasonal tanks to the drought.
2. To understand the impacts of drought on the sustainability of the livelihoods of farmers under rain-fed and seasonal tanks.
3. To identify the strategies practiced by the particular farming community to cope with drought related shocks.
4. To identify suitable measures to enhance the resilient capacity of farmers under rain-fed and seasonal tanks to adapt to drought consequences.

Major findings

1. Rain-fed farming community's cultivations and other livelihood activities face many difficulties such as the water scarcity problem due to the drought conditions.
2. Majority farmers' main income was crop farming while some had a secondary income source.
3. According to the farmers, frequency and the length of drought has increased during the past decade. Further, the amount and intensity of Maha season rains has increased while that of Yala season rains has decreased.
4. Majority of farmers had a good understanding in climate change and its impact on agriculture.
5. Exposure to drought related impacts were highest among Northern provincial farmers. Sensitivity to drought impacts and adaptive capacity was highest among North Western province farmers.

6. North Western province was the least vulnerable area while the Northern Province was the most vulnerable area.

Recommendations

1. Rain-fed, agro-well based and seasonal tank-based farmers should be given priority in supportive and promotional programmes and should be provided subsidies/support for constructing agro-wells and rain water harvesting ponds.
2. Abandoned tank should be restored through de-siltation programmes.
3. Farmers should be educated on drought mitigation actions and drought adaptation strategies through a public-private partnership approach.
4. Perennial crop component should be included in farming systems to ensure long term–year round spread income. Required knowledge on cultivation and subsidies for obtaining planting materials should be provided.
5. Diversifying the household economy towards income earning activities other than farming should be encouraged by providing training and material support and proper market linkages at the initial stage.
6. Research on drought adaptation agronomic practices, drought tolerant crop combinations for different agro-ecological locations, drought resistant variety development and drought adaptation strategies should be promoted.

2. Farmer Perception and Demand for Pesticide in Rice Production Systems of Sri Lanka

Research Team: Thilani Padmajani Munaweerage - Coordinator
J.A.U.P Jayasinghe - Co-researcher

Source of Funding: Consolidated fund

Scope and Objectives:

Pesticides have become an indispensable agricultural input in modern agriculture to eliminate pest and diseases and maintain high product quality. However exponential growth of pesticide ill-effects on the environment and human health is attributed to misuse and overuse of pesticides. It is vital to conduct a research to analyze attitudes and behaviour of farmers and pattern of pesticide use in paddy sector, one of the most important agricultural sectors of the country. This information can be useful in designing effective policies to address environmental issues and health problems due to pesticide misuse. Therefore, this study was designed to assess the pesticide usage and farmer perception on pesticides in paddy sector. Double hurdle model was used to examine the factors affecting the adoption and intensity of use of pesticides.

Major findings

1. In general the most commonly used pesticide type is herbicides followed by insecticides while fungicide use is minimal.

2. The majority of farmers apply herbicide prior to emergence of weeds as a routine practice while a one third of farmers use more than the recommended dosage due to ignorance.
3. Household size, farming experience, type of irrigation, training received related to pest control extent under cultivation are the common variables with significant effect on the decision on adopting or non-adopting the insecticides and weedicides in Maha and Yala seasons.

Recommendations

1. Agricultural Instructors, Extension Officers should be trained in modern technologies with regard to safe and careful use of pesticides. A good extension network to disseminate that information to the farmers at field level should be set up.
2. Farmers should be educated on the best management practices for application, storing and disposing of pesticide and media campaigns can be launched for this purpose.
3. Farmers should be motivated to use more mechanical methods of weed control such as weeders.

ON-GOING STUDIES

1. Potentials and Constraints of Bio-pesticide and Bio-fertilizer Usage and Production in Sri Lankan Agriculture

Research Team: Thilani Padmajani Munaweera - Coordinator
G.G.de.L.W.Samarasinaha - Co-researcher

Source of Funding: Consolidated fund

Scope and Objectives:

Bio-fertilizers and bio-pesticides have been evolving as a cost effective, eco-friendly, renewable and sustainable source of soil fertility management and pest control in the wake of challenges such as increasing food production with limited resources and harmful effects of agro-chemicals. Despite scant popularity in Sri Lanka for those methods, its use has projected promising results. Therefore, this study was planned to find out the limitations, challenges, incentives and barriers of using bio-fertilizers and bio-pesticides for designing policies and strategies related to expansion of sustainable agricultural technologies in Sri Lanka.

For this purpose, following specific objectives are expected to achieve:

- To assess the current status of the bio pesticide and bio fertilizer market in Sri Lanka
- To determine the factors driving and influencing the demand and supply
- To propose policy guidelines to promote bio-fertilizer and bio-pesticides in Sri Lanka

This research is based on relevant primary and secondary information in the field of bio control in the Sri Lankan agricultural sector. Case study approach will be used. Data collection is in progress.

2. National Food Production Programme 2016 – 2018 Baseline Survey

Research Team: M.A.C.S. Bandara - Coordinator
Thilani Padmajani Munaweera - Co-researcher
Uthpala Jayasinghe - Co-researcher

Source of Funding: Consolidated Fund

Scope and Objectives:

The study has been designed as a baseline study to the National Food Production Programme (NFPP) 2016 – 2018 implemented in 2016 at the request of Secretary to the Ministry of Agriculture. The purpose of this study is to gather cross-sectional descriptive quantitative and qualitative information on the current status of NFPP implementing areas. The survey will enable benchmarking of changes taken place as a result of the programme and help inform relevant authorities for further planning and monitoring the progress.

The survey collects information coming under six main categories as quantity and quality of input and output, relative prices, prevailing knowledge and attitudes of target communities, social and physical capital of the farmers. Using outcome indicators derived from the NFPP proposal, the baseline study aimed at documenting the initial status of villages with regard to these indicators, focusing on villages it is planned but has not yet been conducted. The survey will be used as the basis for measuring change through future evaluations.

General Objective

To take a first measurement of the major long-term indicators for the success of the NFP programme. The specific objectives are:

1. To serve as the first measure of all main program indicators, thus establishing a foundation for the programme monitoring and evaluation (M&E) system (the assessed conditions as of the start of interventions).
2. To establish or validate the indicator targets described under each crop

Current Progress

The survey was conducted in 20 districts covering 17 crops and the total number of sample was 2,554. Editing, coding, and entering of data has been completed and report writing is in progress with the involvement of 16 research officers.

03. Study on High Sedimentation on Tank Beds over Human Activities and its Impact on Agriculture

Research Team:	W.H.A. Shantha	- Coordinator
	K.A.B.S.Rupasinghe	- Co-researcher
	D.D. Prabath Vitharana	- Co-researcher
	Geethani Samarasingha	- Co-researcher
	B.A.G.Aluthgama	- Co-researcher

Source of Funding: Consolidated Fund

Scope and Objectives

In the dry zone area tank capacity reduction due to sedimentation has been leading to a substantial productivity loss in the lowland cropping system. Apart from inappropriate farming practices in the catchment areas, other activities related to industrial, constructions, tourism as well as residential areas have heavily contributed to erosion. The prime objective of this study is to identify the magnitude of the minor tank sedimentation in the dry zone area of Sri Lanka and its impact on livelihood of farmer households in affected areas.

The specific objectives are:

1. To identify the level and means of encroachments in the tank reservation areas particularly in the catchments of the small tanks and to map the intensity of encroachments.
2. To identify and assess the causes and rate of sedimentation and reduction of storage capacity of the tanks over time.
3. To study the impact on crop production system due to reduced storage capacity.
4. To propose policy recommendations for sustainable tank systems for crop production.

Materials and Methods

Study Area

Mee-Oya basin and Malwathu-Oya basins that consist of minor tanks affected by sedimentation were selected from Kurunegala and Anuradhapura districts respectively. A questionnaire survey on all the farmer households that involved crop cultivation under the irrigation water in Mahameruwa cascade in Ehetuwewa in Kurunegala was completed. A household survey in the Walpola Cascade in Medawachchiya, Anuradhapura is in progress. Preparations are underway to carry out the engineering and soil survey of the tanks as suggested by the Board of Governors of HARTI.

04. Study on Absorption of Agriculture Graduates and Diploma Holders into the Agricultural Sector of Sri Lanka: Current Status and Constraints

Research Team: M.H.K.Rambodagedara - Coordinator
U.P. Jayasinghe - Co-researcher

Source of Funding: Consolidated Fund

Scope and Objectives:

Agriculture faculties in national university system and agriculture schools of the Department of Agriculture are the two main institutes that provide systematic agriculture education in Sri Lanka. Agriculture graduates and diploma holders can contribute immensely to overcome the issues affecting the agricultural sector and hinder development of Sri Lanka. In this context, identifying of agriculture graduates and diploma holder absorption and involvement in agriculture sector is significant to address the existing gaps and focus their direction towards the growth of the sector. Hence the aim of this study is to comprehensively analyse absorption of agriculture graduates and diploma holders into agriculture sector and identify their involvement in the agriculture development of the country

Specific Objectives of this study:

1. To identify the agriculture graduates' and diploma holders' employment status and key influential factors on selecting current employment
2. To investigate graduates' and diploma holders' involvement in agriculture sector within their occupational roles
3. To find out the constraints of entering and retaining in the agriculture sector
4. To make recommendations to enhance agriculture graduates' and diploma holder's contribution to the agricultural sector development

The study is based on the questionnaire survey that covers agriculture diploma holders and graduates, graduated during 2012 to 2015. In addition, relevant secondary data will be used. Data collection is in progress.

05. Lessons to be Learnt from Ancient Sri Lankan Water Management Techniques for the Development of Integrated Water Resource Management Concept

Research Team: U.P. Jayasinghe - Coordinator
M.H.K. Rambodagedara - Co-researcher

Source of Funding: Consolidated Fund

Scope and Objectives:

Integrated Water Resource Management (IWARM) allows countries to deal with water related issues in a cost effective and sustainable means. With rising population, improved living standards, increased economic activities and widening the gap of inequity and poverty the competition for limited available freshwater and related

natural resources increases. This has led to overexploitation of these resources which would lead to dwindled fresh water resources. Advanced water management techniques practiced in the ancient Sri Lanka can be revived in developing IWRM definition for the modern Sri Lankan context, which can be extended to the global context as well.

Major Objective

To identify good water management practices in ancient irrigation systems which can be utilized in developing IWRM concept for Sri Lanka.

Specific Objectives of this study:

1. To identify salient features of ancient water management practices in Sri Lanka that contributed for the sustainability of ancient irrigation systems with special reference to the dry zone of Sri Lanka
2. To assess the compliance of these practices with the IWRM principles To make recommendations to integrate good practices of ancient irrigation systems for the development of IWRM concept for the country

This study is mainly based on secondary data on IWRM concept and ancient irrigation systems in Sri Lanka. Case study method is the key approach for both data collection and data analysis. Secondary data collection is in progress.

MARKETING FOOD POLICY AND AGRIBUSINESS DIVISION

The main role of the division is collection, compilation, analysis and dissemination of market statistics for state policymakers, farmers, traders, academics and others. Currently, the MFPAD provides market information to the Ministerial Sub Committee on Cost of Living Review and National Food Security located at the Presidential Secretariat. Market information is also provided to the policymakers in the Ministries of Agriculture, Trade, Commerce and Consumer Affairs, Health, Finance and Planning and the Central Bank of Sri Lanka in formulating policies for stabilizing market prices.

Conducting agricultural marketing research studies and training programmes for farmers, traders and officials of the extension services is also part of the action plan of the division.

Food Information and Market Intelligence Project

Weekly “Food Commodities Bulletin” (English and Sinhala) and Monthly “Food Information Bulletin” (English and Sinhala) are the two major periodicals prepared by the MFPAD. These provide price statistics and market information to the government, farmers, traders, consumers and others. These bulletins play a major role in allocation of resources, reducing transaction cost, improving bargaining position of farmers, enhancing awareness of overall market conditions, supporting consumers to bargain and providing valuable statistics for policymakers in formulating policies in maintaining food stocks to ensure food security.

Prices and relevant market information of food commodities were collected from nine retail markets in Colombo and the suburbs such as Pettah, Thotalanga, Dematagoda, Borella, Wellwatte, Kirulapone, Nugegoda, Kadawatha and Kiribathgoda and from the (Colombo) Pettah wholesale market. In addition, data and information were collected from 30 markets in major food producing and food consuming districts.

The outstation markets covered in the year 2015 were Kurunegala, Nikawereatiya, Dambulla, Anuradhapura, Tambuttegama, Polonnaruwa, Nuwara Eliya, Kandy, Badulla, Keppetipola, Ratnapura, Embilipitiya, Hambantota, Tissamaharama, Mullaitivu, Matara, Galle, Kalutara, Moneragala, Dehiattakandiya, Puttalam, Meegoda, Marandagahamula, Jaffna, Killinochchi, Vavunia, Batticaloa. Wholesale prices of food commodities were collected daily from Pettah, Kandy, Tambuththegama, Keppetipola, Dambulla, Norochcholai, Marandagahamula and Meegoda markets. Those data was disseminated daily through electronic media to inform producers and traders of commodity prices in main wholesale markets in time.

Weekly Food Commodities Bulletin issued every Friday contains wholesale and retail prices in Colombo and outstation markets along with producer prices in major producing areas. The prices of main commodities collected are rice, chilies, onions,

potatoes, vegetables, fruits, egg, fish and dried fish. In addition the bulletin also provides a statistical description of ranges, averages and price comparison of the previous week and the year.

The Monthly Food Information Bulletin provides a brief summary of the key indicators, prices, production, crop situation and food stocks of the previous month. It also provides the overall food marketing situation of the country to the public with averages and retail prices, wholesale prices, producer prices in major crop areas and the quantity of food imports and their values, CIF prices and countries that Sri Lanka imports food from. Further, the information on crop stage in major producing areas, cultivation extents and target crop growing extents, actual crop extents, achievements, water levels of major irrigation tanks, rainfalls and climate conditions and natural causes like drought and floods that damage crops are the key indicators.

➤ **In addition to that details of current MIS dissemination Programme through Mobitel is as follows:**

Mobitel "6666" Agri Price Information Index

Daily wholesale price information collected from Pettah, Kandy, Dambulla, Meegoda, Norochcholai, Thambuththegama, Nuwaraeliya and Keppetipola markets is fully verified and validated by HARTI and entered into the system according to the market and product availability.

Customers can obtain information on 6666 via Mobitel service provider and information is available in Sinhala and Tamil Languages. Information can be browsed product wise or market wise.

Food Information Project

Research Team:	W.H.D.Priyadarshana	-	Coordinator
	Mrs. Roshini Rambukwella	-	Co-researcher
	Mrs. R.P. Vidanapathirana	-	Co-researcher
	Mr. W.A.N.Wojesooriya	-	Co-researcher
	Ms.Indika Edirisinghe	-	Co-researcher
	Ms.Jayamini Champika	-	Co-researcher

Assisted by:

Statistical Officers	- 07
Statistical Assistants	- 07
Casual Investigators	- 32

Source of Funding: Consolidated Fund

Progress for the Year 2016

1. Weekly Food Commodities Bulletin – 156 Bulletins were issued Sinhala, English and Tamil languages.
2. Daily Food Prices were provided to the relevant authorities – for the whole year.
3. Monthly Food Information Bulletins – 36 Bulletins were issued in Sinhala, English and Tamil languages.
4. Provided daily and weekly information to the media in time.
5. Provided price data and other market information to the requested government and private sector agencies throughout the year.

COMPLETED STUDIES

1. Consumption Pattern and Consumer Preference for Different Rice Varieties in Selected Districts in Sri Lanka

Research Team:	Ms.Roshini Rambukwella	- Co-ordinator
	Mr. W.H.D. Priyadarshana	- Co-researcher
	Mr.Nalaka Wijesooriya	- Co-researcher

Source of Funding: Consolidated Fund

Scope and Objectives:

Rice being the staple food in the Sri Lankan diet consumer preference will be an important factor in the future rice market. Farmer's choice of paddy variety differs largely from the consumer preference. The Department of Census and Statistics has reported the per capita consumption of different rice varieties in different districts, yet the reasons for such preference are not revealed. The study aims at investigating consumer buying behaviour and preference for different rice varieties. The study was conducted on a sample of 600 consumers in six districts: Gampaha, Colombo, Monaragala, Rathnapura, Matale and Jaffna.

Specific Objectives:

- To identify consumption patterns and buying behaviour for different rice varieties
- To identify factors influencing preference of rice

Findings:

1. Respondents attached the highest mean score for purity, quality and food safety while the lowest mean score was for producing area, package size, packaging, availability and brand name.

2. Age and the number of family members had a significant relationship with the frequency of purchasing. When considering the rice brand with demographic factors, civil status, race and monthly income had a significant relationship.
3. Majority except for Jaffna preferred to purchase a particular type of rice due to preference of all the family members.
4. Majority preferred to purchase loose rice by weight than packaged rice. Majority preferred to purchase rice in the smaller package size of five kilo.
5. High price was the most important problem followed by low quality. They reported that most of the rice stocks sold in CWE or cooperative shops were of bad smell and less purified.
6. Sensory quality (aroma and the taste respectively) were the mostly considered factors when purchasing rice followed by eye focus features..
7. Quality of the cooked rice came the third important factor.

Recommendations:

1. Government policy must be strong to increase the quality standards of rice.
2. Introducing packaged rice with different sizes.
3. Strict rules and regulations must be imposed on the rice production and marketing process.

2. Consumer Buying Behaviour and Preferences for Fluid and Powdered Milk

Research Team:	Ruvini Vidanapathirana	–	Coordinator
	Roshini Rambukwella	–	Co-researcher
	E.A.C. Priyankara	-	Co-researcher

Source of Fund: Consolidated Funds

Scope of the Study:

Being a key nutritional source dairy has become a vital commodity in the Sri Lankan market. Consumer buying behaviour, their preferences, attitudes, needs and demand for dairy products are considered to be key determinant factors to improve the efficiency of the dairy sector. Analyses of changes in consumption patterns and consumption trends are very important and applicable for policy modeling purposes. Having an accurate analysis and good estimates of demand for dairy products helps projection of the future development of the dairy sector in Sri Lanka.

Information on the nature of demand and preferences of consumers for various product attributes is needed for producers and market actors to take market-oriented production decisions to benefit from growing markets. For this a survey was conducted to understand consumer preferences for milk and milk powder and trends in consumption and their impact on determining dairy production and marketing opportunities.

Objectives:

The overall objective is to determine consumer buying behaviour and preferences for fluid milk and milk powder with new market trends.

1. To identify the existing consumption pattern, buying behaviour and preferences towards fluid milk and milk powder
2. To evaluate the impact of contamination issue on consumer buying behaviour, preferences towards milk powder and new market trends
3. To analyze the influence of different factors on purchasing of fresh milk and milk powder

The study was conducted in Colombo, Kandy and Matara districts. The data was collected from 400 selected households by personnel interviews using well-structured and pre-tested questionnaire.

Findings:

1. The majority of the households' consumption priority is highest for imported milk powder followed by local milk powder. The reasons are the special qualities of these milk powder brands and due to high availability. However, the actual preference priority is highest for fresh milk (followed by imported milk powder and local milk powder respectively).
2. Consumer preference for domestic products is high but inconsistent supply of safe, high-quality domestic products compel the household to purchase imported dairy products.
3. The monthly mean household consumption of the milk products is 3.05kg. The highest consumption was recorded in the urban sector, whereas the least consumption was recorded in the rural areas. The mean monthly household expenditure on milk and milk products was Rs. 2,790/=.
4. There is a significant relationship between household monthly income and expenditure on milk and milk products. There is a significant relationship between demographic variables and the quantity of consumption of milk products.
5. The consumers are concerned over the quality, safety and brand name of the products. These factors become an increasing focus for government, food processing companies and international trade and standardizing bodies.

6. Detection of DCD (dicyandiamide) in imported milk powder in 2013 has had a significant impact on the majority of the consumers on purchasing milk products. For 15 percent it was strongly influential. For a majority it had an effect only for a particular period and most of those households had changed the consumption from imported to local milk powder while the others had changed from one imported brand to another imported brand.

Recommendations:

1. It is important to improve the quality, availability and accessibility of locally produced milk and milk products and establish a milk distribution network with sales outlets ensuring wide availability.
2. It is important to introduce consumption promotion programmes of domestically produced milk and milk products. Milk-drinking habits among school children should be encouraged. Fresh milk consumption should be encouraged by reducing the price and increasing the quality simultaneously.
3. Introducing a quality assurance system for local products is also important. Local milk products should take consumer preference into account when producing dairy products.. Continuous testing of imported brands for the suitability of safety should be in place.

ON-GOING STUDIES

**1. Quality and Safety Issues in Fruit and Vegetable Supply Chains in Sri Lanka:
A Review**

Research Team:	Ruvini Vidanapathirana	–	Coordinator
	P.A.J. Champika	-	Co-researcher
	W.A.N. Wijesooriya	-	Co-researcher
	Roshini Rambukwella	–	Co-researcher

Source of Fund: Consolidated Funds

Scope of the Study:

Quality controlling and assuring safety of fruits and vegetables in supply chain has become one of the most challenging issues in Sri Lanka. The sector is highly afflicted by various malpractices throughout the supply chain at many points, which possibly led to low consumption of fruits and vegetables. Consequently, people are suffering from under-nutrition due to low intake of fruits and vegetables and are also becoming vulnerable to dreadful diseases by eating chemically contaminated food.

Quality deteriorated food due to post harvest losses and presence of chemical residues in the harvested fruits and vegetables has become a grave concern in Sri Lanka. Therefore, food safety issues need to be extensively investigated to examine the impact of current levels of practices.

Objectives:

1. To review issues related to post-harvest losses in fruit and vegetables supply chains in Sri Lanka and to identify studies addressing to minimize and overcome post-harvest losses in the country.
2. To review safety issues related to food adulterations (pesticides, ripening agents, preservatives etc.) in fruit and vegetable supply chains in the country.
3. To identify the institutional level measures to minimize quality and safety issues in fruits and vegetable supply chains.
4. To review success lessons and strategies developed by other countries of Asia and the Asia-Pacific region to mitigate the effects related to quality and safety issues in fruit and vegetable supply chains

The literature review of the study is completed. Key informant interviews were conducted with the stakeholders in different government departments, research institutes and ministries to identify the role of those institutes to maintain quality and safety in fruits and vegetable supply chains.

HUMAN RESOURCES AND INSTITUTIONAL DEVELOPMENT DIVISION

The objective of the training programmes conducted by HARTI is to develop knowledge, attitude and skills of adults involved in agrarian and rural development activities, and thereby improve the socio-economic standing of the farming community in Sri Lanka.

The clients of HARTI's training programmes belong to a broad range which includes field officers, higher officials of Government and Non-Governmental Organizations involved in development activities in the rural sector and farming community in Sri Lanka.

Training programmes conducted by the Division are structured as follows:

1. Co-ordinating, organizing and preparation of general training programs based on the needs of the farming community and national development programme.
2. Co-ordinating and preparation of training programs at the request of various organizations related to the agrarian and rural sector
3. Providing training expertise to other requesting organizations.
4. Designing and conducting Action Research Project under National Development programme.

Besides national and international training, seminars and workshops are organized and co-ordinated collaboratively with other national and international organizations.

The training programmes conducted across the country during the year 2016 by the Division are as follows:

1. Training Programme on 'Agriculture for Healthy Generation'

This programme was conducted in 15 Agrarian Services in Kurunegala district where Chronic Kidney Disease and some other unidentified diseases are rampant and 1399 farmer leaders were trained. The programmes were conducted in Ehatu Wewa, Galgamuwa, Mahananneriya, Abanpola, Rajanganaya, Thambutta, Nagollagama, Rambe, Kotawehera, Mahagirilla, Rasnayakapura, Nikaweratiya, Kobeyigane, Diwullegoda and Moragollagama Agrarian Service Centres.

Training Team : S.M.A Samarakoon (Coordinator)
P.C.J De Silva (Resource Person)
H.M.J.K Herath (Resource Person)

External Resource Persons (Department of Agrarian Development, Department of Agriculture)

2. Training Programme on Empowering Farmer Organizations

It is essential to strengthen farmer organizations which are instrumental in developing knowledge, attitudes and skills of the farmer leaders and making them the active partners of the agrarian development process. This programme was created for that purpose.

This programme was conducted in Puttlam district covering Mahakumbukkadawala, Nattandiya, Tabbowa, Munneshwaram, Haldaduwana, Rajakadaluwa, Serukele, Palakudawa, Madurankuliya, Ihala Puliyanakuliya, Ihala Puliyanakulama, Nat/Tabbowa, Puttlam, Madampe, Wanathawilluwa, Nayinamaduwa, Nawagattegama Agrarian Services Centers. Around 1358 Farmer Leaders.

Training Team : S.M.A Samarakoon (Coordinator)
P.C.J De Silva (Resource Person)
H.M.J.K Herath (Resource Person)
External Resource Persons (Department of Agrarian Development)

3. ‘Sithamu Ekwa Rata Hadamu Govithenata Multhena’, Training Programme for Empowering Farmer Leaders

The three-year plan of the National Food Production Programme launched by the government consists of strategies that empower farmers and several programmes to improve the living conditions, social acceptance and self-esteem of farmers are in place.

In line with that, this programme targets to strengthen skills, attitudes and knowledge of farmer organization leaders and direct the agrarian community towards sustainable agriculture.

Eight training programmes were conducted in Kandy, Matale, Kegalle, Nuwara Eliya, Badulla, Kurunegala, Puttlam and Moneragala districts with 440 officers serving as Agrarian Development Officers, Agricultural Research and Production Assistants, Agricultural Instructors and Development Officers.

Training Team : S.M.A Samarakoon (Coordinator)
P.C.J De Silva (Resource Person)
H.M.J.K Herath (Resource Person)
External Resource Persons (Department of Agrarian Development, Department of Agriculture)

4. ‘Empowering Farmer Family by Empowering Farmer Women’ - One-day Training Programme in line with the National Food Production Programme (2016-2018)

Highlighting the significance of uplifting the farmer family—the smallest unit of the agrarian society — through empowering the women who play a key role in protecting and nurturing the this training programme is based on the progress made during the island wide *Govi Sathiya* programme. Utilizing the best capabilities of women in generating income at domestic level is the base of this programme.

The Training Plan for this programme was prepared by our institute and submitted to the Agriculture Ministry and Agrarian Services Department. This programme was conducted in all the Agrarian Centres islandwide as a one-day training programme on 13 October 2016. Assistance was provided in monitoring and facilitating resource persons for training programmes conducted in Kandy, Badulla, Gampaha and Moneragala districts.

Monitoring Team and Resource Persons

S.M.A Samarakoon	Head Human Resource and Institutional Development Division
P.C.J De Silva	Senior Research Officer
H.M.J.K Herath	Senior Research Officer
Sidath Bandara	Senior Research Officer
H.H.A Shantha	Senior Research Officer
R.L.N Jayatissa	Head –Agricultural Policy and Project Evaluation Unit
I.P.P.M Prasanna	Research Officer
Roshini Rambukwella	Senior Research Officer
P.A.J Champika	Research Officer

5. Training Programme on Staff Motivation

All the Management Assistants of the institute participated in this programme. An external resource person conducted the programme that aimed at improving the efficiency and productivity of the staff members.

Coordinator - P.C.J De Silva Senior Research Officer

Workshops

1. One-day Training Workshop for Sharing the Findings and Recommendations of the Research Studies conducted in Mahaweli Areas

Hector Kobbekaduwa Agrarian Research and Training Institute conducted several studies in Mahaweli area on various subjects during the past few months. The findings and the recommendations have been disseminated to the relevant stakeholders.

These would be helpful in solving issues in Mahaweli areas and this workshop was designed to share the knowledge with the officials in various divisions of the Mahaweli Authority.

The research studies carried out by the institute were presented at the workshop and discussed.

Officials including the Director General of the Mahaweli Authority and officers from various subject areas of the Authority participated.

Coordinator	S.M.S Samarakoon	Head Human Resource and Institutional Development Division
Presentations	Dr. Ranjith Wickramasingha	Senior Research Officer
	J.K.M.D Chandrasiri	Additional Director
	Sidath Bandara	Senior Research Officer
	P.C.J De Silva	Senior Research Officer
	W.H.D Priyadarshana	(Head) Marketing F Food Policy & Agribusiness division
	M.T Padmajani	Research Officer
	S.Epasingha	Senior Research Officer
	W.H.A Shantha	Senior Research Officer

2. Two-day Workshop on Application of Agri Business and Marketing Extensions

A programme was conducted to provide theoretical and practical exposure on application of agri business and marketing extensions to 74 final and second year undergraduates of the Agri-business and Management Faculty of the Jaffna University. Promoting national integration and reconciliation is another objective of the programme.

Training Team :	W.H.A Shantha	Coordinator
	J.K.M.D Chandrasiri	Additional Director
	P.C.J De Silva	Senior Research Officer
	W.H.D Priyadarshana	Head Marketing Food Policy Division
	H.J.C Jayasooriya	Research Officer
	W.A.N Wijesooriya	Research Officer
	I.P.PM Wijesooriya	Research Officer

Public Lectures

A lecture on ‘The Route of Sri Lankan Agriculture’ was held by MP Venerable Athuraliye Rathana Thero and the staff members, several other government and non-Government officers participated.

Coordinator S.M.S Samarakoon Head Human Resource and Institutional
Development Division

Another lectured was held on ‘Agricultural Development and Food Security Determining Factors in the Asia Pacific’ by Dr. Upali Wickramaratna. Research officers from the institute and outside participated.

Coordinator P.C.J De Silva Senior Research Officer

Providing Training Consultation to Other Institutes

1. Senior Research Officer Mr.H.M.J.K Herath served as a resource person in a training programme titled ‘Use of Information and Communication Technology for Agrarian Development’ designed for Agriculture Officers in Sri Lanka. It was held at the In-Service Training Institute in Agunakolapelessa from 27.10.2016 to 28.10.2016, on 03.03.2016 and on 25 and 27th July 2016.
2. Training Plan for One-day Training Programme ‘Empowering farmer family by empowering farmer women launched in line with the National Programme of Food Production (2016-2018) was prepared by Senior Research Officer Mrs. Susila Lurdu and it was submitted to the Ministry of Agriculture and Agrarian Services Department.
3. Training Plan of the training programme on ‘training of trainers for empowering farmer leaders’ launched with the National Food Production Programme was prepared by Mr. S.M.A Samarakoon and was submitted to the Ministry of Agriculture.

STATISTICS AND DATA PROCESSING UNIT

This unit comprises two sections: Agrarian Data Bank and Data Processing Unit. The data bank serves as a facility for social science research, planning and policy marking for development in the agrarian sector. The basic principles underlying the establishment of the data bank are:

1. To facilitate ready and equal access to the existing quantitative data, such data should be centrally located and the services should be automated.
2. Serving as a coordinating agency for quantitative data to identify gaps in information and new data needs and activate generation of new series of data.
3. Data collected through special surveys and studies can be used for various purposes in addition to those for which it is collected.

The database is ideally located within a social science oriented research environment where researchers collect data from diverse sources and also generate information through their studies. The Department of Census and Statistics, Department of Agriculture, Department of Customs and the Central Bank are major sources from which the data is currently collected. The activities related to databank fall into the following categories:

- i. Data collection
- ii. Coding
- iii. Verification
- iv. Storing
- v. Retrieving
- vi. Analyzing

Data collection is carried out from the above mentioned sources, their website and textbooks published by relevant organizations. Some of the data coming under prices of food commodities is collected from the Marketing and Food Policy Division of HARTI.

During the year, conversion and verifications of standard units of agrarian data carried out for selected commodities enabling units are to be brought to an equal flat form. The data verification along with regeneration of indices was carried out to increase the performance of the computerized database. The year-end backup process was completed to assure the availability of updated data in a safe manner. The following indicators were updated during the year.

1. Producer prices of food commodities for the years 2013, 2014 and 2015.
2. Wholesale prices of food commodities for the years 2013, 2014 and 2015.

3. Retail prices of food commodities for the year 2015.
4. Extent and production of seasonal and annual crops for the year 2015.
5. Imports and export information for the year 2013.
6. Extent of paddy cultivated in 2012.

Provision of Data on User Request

Breakdown of the requests received for agrarian information from both internal and external users is as follows:

Number of internal requests	-	43
Number of external requests	-	34
Total	-	77.

Sources Referred for Collecting Data

- a) Annual Report of Central Bank – 2015
- b) Economic and Social Statistics of Central Bank – 2015

Apart from maintaining the agrarian data bank, data analysis of following research studies was done by the unit during the year.

- R490 - Determination of Discrepancies in Paddy Land Data : Pilot Project in Low Country Wet Zone
- R496 - Hybrid Seeds Vegetable Cultivation in Sri Lanka : Local vs Imported
- R497 - Livelihood Development of Beneficiaries of the Samurdhi Programme : Strategies Outcomes, Impacts and Challenges
- R499 - Small and Medium scale Floriculture Entrepreneurs in Badulla and Nuwara-Eliya Districts : Present Situation and Future Potentials
- R500 - Prospects and Problems of Spice Industry in Sri Lanka : Case of Pepper and Cardamon
- R501 - Consumer Preference for Different Rice Varieties in Sri Lanka
- R504 - Evaluation of Commercial Farm Program and Youth Agri-entrepreneurship Programme Implemented by Ministry of Agriculture.
- R505 - Addressing Climate Change Impacts on Marginalized Agricultural Communities in the Mahaweli River Basin of Sri Lanka.
- R509 - Sustainability of Other Field Crop Production in DL 1a and DL 1b of South East Dry Zone in Sri Lanka
- R510 - National Food Production programme

Computer Maintenance

Computer maintenance assistants were fully engaged in maintenance of computers and related peripherals installed in the Institute. All installations of computer hardware and software and also purchasing and repairing are looked into. Technical specifications were prepared whenever required and technical participation in the capacity of chairman of Technical Evaluation Committees was ensured. Reports suggesting the current situation of infrastructure and developments were prepared.

Networking has also been implemented in following divisions.

Division	Status
Human Resources and Institutional Development	almost completed

Institutional Website

HARTI website was updated with timely information received by the unit. This comprises information received from the Marketing Food Policy and Agri-business division, Administration Unit and also the latest news received from the Program Unit. Regularly uploaded information includes:

Daily prices – bulletin

Weekly prices – bulletin

Monthly prices – bulletin

Publications and events

Computer Lab

The computer lab is operating providing computer facilities as a resource center for the HARTI staff.

LIBRARY

The main objective of the library is to collect, compile, retrieve and disseminate information related to the agrarian sector for the benefit of HARTI research staff and other interested persons and organizations. During the year, the staff borrowed 352 books, 16 reference books and 69 issues of journals for their reference requirements. The number of visitors to the library during the year were 250.

Acquisition of Books, Journals and Reports

During the year 118 books were added to the book collection, which consisted of 14 purchased books and 104 books received on complimentary basis and under the publication exchange programme. A large number of periodicals, newsletters, annual reports from foreign and local institutions were also received either on complimentary or exchange basis. The library also subscribed to eight foreign journal titles (which included 96 issues) and six local journal titles during the year.

Library Services

Requests for information and documentation services such as literature searches, reference services, current awareness services and photocopying services were provided to the research staff and also to the outside users.

Access to internet based information facilities has been further extended for the research staff with the ADSL facility being set up in the library. Collection of newspaper articles on various subjects and indexing of the articles for quick reference continued for the use of research staff and outside users.

Inter Library Cooperation (ILC)

The library is a member of the Agricultural Libraries Information Network (AGRINET) and the CARP Library functions as the focal point. The library continued to participate in AGRINET SDCP scheme (Selective Dissemination of Content Pages database).

Supplied bibliographical references from the library collection to the following databases maintained by AGRINET:

1. National Agricultural Bibliography (NAB)
2. Bibliography on Indigenous knowledge (With reference to agriculture)

To update the National Union Catalogue for year 2016 bibliographical references were supplied from the library database to the National Library and Services Board

Digitization of Institute Publications

The National Digitization Project of the National Science Foundation digitized our institute publications up to 2013 successfully and our site can be accessed on (<http://harti.nsf.ac.lk/>).

The aim of this project is to establish an institutional e- repository and provide a fast and enhanced online access to institute's publications.

Publication Exchange Programme

Two hundred (200) publications (books/journals) of the institute were sent to under mentioned libraries on exchange basis.

- 1) Post Graduate Institute of Agriculture
- 2) Social Economic Centre of Department of Agriculture
- 3) Department of Census and Statistics.
- 4) Centre of Department of National Planning (Development Information)
- 5) Centre for Poverty Analysis (CEPA)
- 6) Parliament Library
- 7) National Library & Services Board
- 8) National Science Foundation
- 9) Forest Department
- 10) Jaffna Public Library
- 11) International Water Management Institute
- 12) Central Environment Authority
- 13) Mahaweli Authority of Sri Lanka
- 14) University of Colombo
- 15) University of Kelaniya
- 16) University of Ruhuna
- 17) University of Sri Jaywardenapura
- 18) University of Peradeniya
- 19) University of Jaffna
- 20) University of Uva Wellassa
- 21) University of Rajarata
- 22) University of Sabaragamuwa
- 23) Eastern University
- 24) University of Moratuwa
- 25) University of Wayamba
- 26) Bihikshu University, Anuradhapura
- 27) Buddhist and Pali University

We received 104 publications from the above libraries.

PUBLICATION UNIT

The Publication Unit which functions under the purview of the Additional Director is engaged in editing and publishing of research reports, occasional reports, journals, newsletters, bulletins, manuals, brochures and other informational materials in all three languages.

In total 19 research reports and six working papers were released in Sinhala and English during the year. Details of the publications are as follows:

Research reports published in 2016:

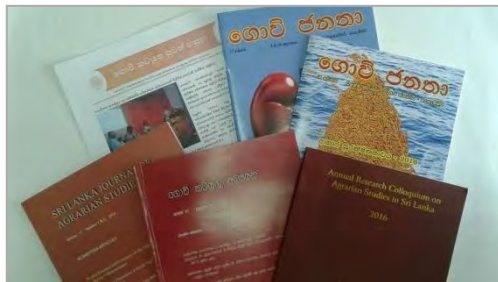
01. Supply Chain Analysis of Vegetable Production for Export Market (SR 62)
02. Contribution and Future Opportunities of Women Agriculture Extension Programmes for Promoting Women Entrepreneurship (SR 63)
03. Classification of Paddy Lands in Low Country based on the Feasibility of Paddy Cultivation (SR 64)
04. Permanent Crop Clinic Programme : An Evaluation (ER-183)
05. An Analysis of Marketing Margins and Marketing Efficiency : Marketing Channels of Potato and Red Onion in Sri Lanka (ER-187)
06. Agro Tourism Development in Farming Community : Opportunities and Challenges (ER-188)
07. Production and Marketing of Betel (ER-189)
08. Microfinance Institutions in Sri Lanka : Examination of Different Models to Identify Success Factors (ER-190)
09. Present Status of Vegetable direct Marketing in Selected Districts in Sri Lanka (ER-191)
10. Investigation of Peri-Urban Dairy Production System in Seethawaka Area. (ER-192)
11. Adopting the Farmer Field School Approach in the Dry Zone Livelihood Support and Partnership Programme (ER-193)
12. An Analysis of Farmer Decision Making and Its Effects on Price Volatility: Mid country Vegetable Sector in Sri Lanka (ER-194)
13. Production and Marketing of Traditional Rice Varieties in Selected Districts in Sri Lanka : Present Status and Future Prospects (ER-195)
14. Cardamom Cultivation in Knuckles Conservation Forest : Environmental and Socio-Economic Perspective (ER-196)
15. Mechanization in Other Field Crop Sector : A Situational Analysis (ER-197)
16. Impacts and Lessons of Microfinance Component of the Dry Zone Livelihood Support and Partnership Programme (ER-198)
17. Experiences and Lessons from an Investment in Tomato Processing : A Case Study in Matale District (ER-199)
18. Causes and Effects of Paddy Land Filling in Western Province (ER-200)
19. Behaviour of Marketed Surplus in Paddy Price Determination in Sri Lanka (ER-201)

Sinhala and English Working Papers Published in 2016

01. Utilizing Uncultivated Lands of the Nilwala Scheme Productively for Livelihood Development (Sinhala Working Paper No 03)
02. Production and Marketing of Leafy Vegetables : Matara District (Sinhala Working Paper No 04)
03. Present Status, Policy of Tobacco Cultivation and Possibility in Directing Tobacco Farmers for Alternative Crops (Sinhala Working Paper No 05)
04. Impact of Government's Accelerated Tank De-silting Programme Conducted in Late 2012. (Working paper No.06)
05. An Evaluation of Selected Dedicated Economic Centers: Comparative Analysis in Norochholei and Nuwara Eliya (working paper No.07)
06. Needs Assessment of Agricultural Market Information (Working Paper No 08)

Following periodicals were issued in 2016:

01. Govi Janatha - Volume 17, Fourth Issue , 2015 (October - December)
02. Govi Janatha – Volume 18, Special Issue, 2016 (January- December)
03. Govi Katayuthu Adyana, Volume 10 , Second Issue, 2015
04. Govi Katayuthu Puwath Hasuna, Volume 39, No. 01 , 2016
05. Sri Lanka Journal of Agrarian Studies. Vol. 17 No. 01 and 02,2014



The report comprising the abstracts submitted to the Annual Research Colloquium on Agrarian Studies in Sri Lanka was also published by the Publication Unit

During the year the team of the publication unit participated in several workshops, national exhibitions and was engaged in promotional activities and selling of publications.



The exhibition and sales stall at the 'Wasa Visa Nethi Ratak' (A toxin-free country) National Fair and Exhibition was held at the BMICH from March 06 to 08.

A sales stall was installed at the 'Govi Sathiya' —Food and Agricultural Fair at Green Path from 14th-16th October, 2016.



Radio Programmes in 2016

The Publication Unit coordinated Research Officers and other officials from the HARTI as resource person for around 20 radio programmes. Below mentioned are some of those programmes.

- Participating in the one-hour web radio programme of Krushi FM on Thursdays from 2.00 p.m to 3.00 p.m
- *Maha Gedarin Govi Gedarata* - Sri Lanka Broadcasting Corporation
- *Subharathie* – Sri Lanka Broadcasting Corporation



**Participating in the
'Sankathana' Programme of
'Krushi FM'**

Staff Positions as at 31st December 2016

	Position as at 31.12.2015	Termination, Resignation during the year	Appointments	Position as at 31.12.2016
Director	1	-	-	1
Additional Director	1	-	-	1
Head of Divisions	6	-	-	6
Research Staff	23	-	-	23
Administrative Staff	6	-	1	7
Senior Staff of Library	2	-	-	2
Data Development Bank	0	-	-	0
Computer Unit	2	-	-	2
Publication Unit	4	1	-	3
Statistical Staff	24	2	-	22
Technical Staff	5	1	1	5
Clerical, Secretarial & Parallel Grades	44	1	-	43
Operative & Allied Grades	48	4	-	44
Total	166	9	2	159

STAFF DEVELOPMENT

In 2016, the institute invested Rs. 1.8 million on staff development. Fifteen staff and non-staff members underwent local training and six staff members received foreign training.

The following Research Officers were engaged in Post -Graduate studies:

- Ms. Sagarika Hittihamu – Master’s Degree on Rural Development
University of Queensland, Australia
19th January 2015- 18th January 2017
- Mr. E.A.C. Priyankara - Doctoral Degree on International Trade
Huazhong University of Science & Technology,
China. 31st August 2015- 30th August 2018
- Mr. N.P.G.Samantha - Doctoral Degree on International Trade
Huazhong University of Science & Technology,
China. 31st August 2015- 30th August 2018

Participation at International Training Programmes / Seminars / Workshops / Conferences / Meeting etc.

01. Mr.H.J.C. Jayasooriya – Research Officer attended a training programme on “Application of Geo-Informatics system (GIS) for Application in Rural Development for Sharing Innovative and Best Practices” – 04th Jan – 13th Jan 2016 held in Hyderabad, India.
02. Mr.K.P.K.I.U. Fernando – Statistical Officer attended a training programme on “Information Communication Technology Application for Rural Development” 29 February 9 March 2016 held in Hyderabad, India.
03. Mr. W.H.D.Priyadarshana – Senior Research Officer attended a training programme on “Asian Food and Agribusiness Conference; Greening the Food Supply Chain” – 26th – 28 October 2016 held in Bali – Indonesia.
04. Ms.N.C.Ekanayaka – Internal Auditor attended a training programme on “Social Audit in Rural Development Programme” – 9th – 18th November 2016 held in Hyderabad India.
05. Ms.P.A.J.Champika , Ms.R.D.Wijesinghe – Research Officer attend a Training Programme on “Smart Agriculture” – 12th – 21st December 2016 held in Hyderabad India.

Participation at Local Training

1. Ms. N.C. Ekanayaka - Internal Auditor attended a Workshop on Internal Auditing Planning, Internal Controls and Risk Assessment on 10th March 2016 in Prag Service (Pvt) Ltd.
2. Mr. H.M.J.K. Herath - Senior Research Officer attended a Workshop on Procurement and Evaluation of IT Products on 14th & 15th March 2016 held in Skills Development Fund Limited.
3. Ms. H.M.T.G.L. Herath - Librarian attended a seminar on Library Information Networks on 16th March 2016 held in National Library & Documentation Services Board.
4. Mr. H.J.C. Jayasooriya, Ms. Indika Edirisinghe, Mr. C.U. Senanayaka, Mr. Pujitha de Mel - Research Officers (02) and Publication & Information Officers (02) attend a workshop on Reviewing and Editing Research Articles: Are we doing it right? on 28th April 2016 held at the National Science Foundation.
5. Ms. N.C. Ekanayaka and Ms. W.D.G. Perera - Internal Auditor and Account Officer attended a Training Programme on Assets Management on 20th and 31st May 2016 held in Association of Public Finance Accounts of Sri Lanka.
6. Mr. M.D.L. Senerath & Ms. N.C. Ekanayaka - Senior Analyst Programmer and Internal Auditor attended a 'Motivative Yourself and Your Team Awareness' programme on 16th July 2016 held at the National Human Resource Development Council of Sri Lanka.
7. Mr. Sidath Bandara - Senior Research Officer attended a Symposium and Workshop on Groundwater availability and Use in the Dry Zone in Sri Lanka on 22nd July 2016 held in PGIA, University of Peradeniya.
8. Ms. Susila Lurdu - Senior Research officer attended a seminar on Indigenous for Sustainable Development held in National Science Foundation.
9. Ms. H.M.T.G.L. Herath – Librarian attended a workshop on New Trends in Library Space Design: Library Design at Low Cost or No Budget on 21st and 22nd November 2016 held at the National Institute of Library and Information Science.
10. Dr. M.S. Senanayaka - Research Fellow attended a workshop titled 'Managing Time for Better Productivity' held at SDFL.

Hector Kobbekaduwa Agrarian Research & Training Institute
Statement of Financial Position as at December 31, 2016

LKR

ASSETS	Notes	2016	2015 Restated
Current assets			
Cash and cash equivalents	2	10,239,695.30	14,710,732.69
Receivables-Debtors	3	22,154,315.31	21,380,622.99
Receivables-Deposits	4	625,104.23	774,423.44
Inventories	5	5,879,924.92	5,371,267.40
Prepayments	6	854,953.11	375,506.23
Other current assets	7	222,563.12	171,427.80
		39,976,555.99	42,783,980.55
Nun-current assets			
Other financial assets	8	18,928,573.34	6,242,329.61
Infrastructure, plant and equipment	9	49,264,617.11	62,798,468.22
Land and buildings	10	37,406,540.40	32,569,179.58
Work in Progress	11	665,775.00	-
		106,265,505.85	101,609,977.41
Total assets		146,242,061.84	144,393,957.96
LIABILITIES			
Current liabilities			
Payables	12	11,121,020.64	14,235,551.08
		11,121,020.64	14,235,551.08
Provision for contingent liability		115,350.00	
Non-current liabilities			
Employee benefits	13	42,678,156.50	36,372,580.00
		42,678,156.50	36,372,580.00
Total liabilities		53,914,527.14	50,608,131.08
Net Assets		92,327,534.70	93,785,826.88
NET ASSETS/EQUITY			
Government Grant - Capital	14	170,879,115.48	182,143,835.19
Capital contributed by Ministry		1,405,701.00	1,874,268.00
Reserves	15	26,190,953.79	33,855,313.31
Revaluation Reserve		35,003,646.00	35,003,646.00
Incentive and Training Fund	16	319,994.30	426,659.06
Accumulated surplus/(deficits)	17	(141,471,875.87)	(159,517,894.68)
Total net assets/equity		92,327,534.70	93,785,826.88

These Financial Statements are in compliance with the requirements of the Finance Act, No.38 of 1971, Public Sector Accounting Standards and Generally accepted Accounting Principles.

Thushari Wedage

ACCOUNTANT

Date February 27, 2017

The Board of Directors is responsible for preparation of these Financial Statements. Approved and signed on behalf of the Board of Directors

HAPUTHANTHRI DHARMASENA
DIRECTOR

D V BANDULASENA
CHAIRMAN

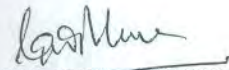
Hector Kobbekaduwa Agrarian Research & Training Institute
Statement of Financial Performance for the year ended December 31, 2016

LKR

Revenue	Notes	2016	2015 Restated
Funds from government Treasury		155,200,000.00	152,543,107.00
Funds from Outsiders for Research and Training Activities		4,954,465.96	1,201,860.60
Other revenue	18	30,342,006.44	30,748,898.10
Total Revenue		190,496,472.40	184,493,865.70
Expenses			
Wages, salaries and employee benefits	19	(130,876,188.88)	(138,658,607.87)
Research and Training Activities		(12,668,923.46)	(11,620,405.47)
Funds to Outsiders for Research and Training Activities		(4,954,465.96)	(1,201,860.60)
Depreciation *	9, 10	-	(19,223,722.72)
Other expenses **	20	(31,355,386.26)	(29,438,738.43)
Bad Debt over/(under) Provision		(32,237.18)	5,720.72
Bank Charges		(61,975.00)	(74,910.00)
Total expenses		(179,949,176.74)	(200,212,524.37)
Surplus / Deficit for the period		10,547,295.66	(15,718,658.67)

* Rs.128,077.00 amount adjusted for Bio Gas project and container GL - E 01

** Rs.249,750 amount transferred to Equipment A/C from Building maintenance GL -E 01


.....
CHAIRMAN


.....
DIRECTOR


.....
ACCOUNTANT

Hector Kobbekaduwa Agrarian Research & Training Institute
Cash Flow Statement for the year ended December 31, 2016

2015		Notes	2016 (LKR)	
	Cash flow used in operating activities			
(15,840,331.67)	Net deficit / Surplus for the year			10,547,295.66
	Adjustment for			
19,095,645.72	Depreciation		20,620,321.31	
-	Amotization		(20,620,321.31)	
3,595,007.50	Provision for Gratuity		9,538,762.00	
	Provision for contingent liability		115,350.00	
(1,170,700.17)	Investment Income		(1,643,812.29)	
-	Prior year adjustment		(11,514.83)	
(2,209,960.00)	Profit on Disposal Items		(31,727.00)	7,967,057.88
3,469,661.38	Operating profit before working capital changes			18,514,353.54
	Working Capital Changes			
137,297.20	Receivables		(773,692.32)	
(835,265.84)	Inventories		(508,657.52)	
(201,863.58)	Prepayments		(479,446.88)	
(15,507.80)	Other current assets		(51,135.32)	
4,780,578.24	Payables		(3,114,530.44)	(4,927,462.48)
7,334,899.60	Cash used in operating activities			13,586,891.06
(3,310,572.50)	Payment of Gratuity			(3,233,185.50)
4,024,327.10	Net cash used in operations			10,353,705.56
	Cash Flow from Investing Activities			
(627.47)	Receivables		149,319.21	
(745,198.82)	Other financial assets		(12,686,243.73)	
(4,106,504.56)	Infrastructure, plant and equipment		(5,653,529.44)	
(5,880,831.51)	Land and buildings		(6,149,317.98)	
1,170,700.17	Investment Income		1,643,812.29	
	Work in Progress		(665,775.00)	
(9,562,462.19)	Net cash used in investing activities			(23,361,734.65)
	Cash Flow from Financing Activities			
9,271,000.00	Government Grant - Capital Received		8,308,000.00	
-	Incentive Fund Institute Share (Project No R 507)		197,264.70	
3,062,760.00	Sale of disposal items		31,727.00	
121,351.85	Incentive Fund Institute Share (Project No R 489)		-	
12,455,111.85	Net cash from financing activities			8,536,991.70
6,916,976.76	Net Increase in Cash & Cash equivalents			(4,471,037.39)
7,793,755.93	Cash & Cash Equivalent at the Beginning of Period	I		14,710,732.69
14,710,732.69	Cash & Cash Equivalent at the End of Period	II		10,239,695.30
	Notes:			
	Cash & Cash Equivalent		1	11
			01.01.2016	31.12.2016
14,700,732.69	Cash at bank		14,700,732.69	10,214,695.30
10,000.00	Cash in hand		10,000.00	25,000.00
14,710,732.69	Total		14,710,732.69	10,239,695.30

Hector Kobbekaduwa Agrarian Research & Training Institute
Statement of Changes in Net Assets/Equity
for the year ended December 31,2016

L

	Government Grant Capital	Capital Contribution from Ministry	Reserves	Revaluation Reserve	Incentive and Training Fund	Accumulated Surplus/(Deficits)	Total
Balance as at January 01,2016	182,143,835.19	1,874,268.00	33,855,313.31	35,003,646.00	426,659.06	(159,517,894.68)	93,785,826.89
Funds received from Treasury	8,308,000.00						8,308,000.00
Amotization for the year	(19,572,719.71)		(1,047,601.60)				(20,620,321.31)
Written back of capital grants reserves & funds account balances		(468,567.00)	(6,814,022.62)		(106,664.76)	7,389,254.38	-
Incentive Fund Institute Share (Project No R 507)			197,264.70				197,264.70
Prior year depreciation corrections						(910,036.40)	(910,036.40)
Capitalization of Bio Gas project						1,031,020.00	1,031,020.00
Prior year interest adjutment on cashier's deposit						(11,514.83)	(11,514.83)
Income & Expenditure						10,547,295.66	10,547,295.66
Balance as at December 31,2016	170,879,115.48	1,405,701.00	26,190,953.79	35,003,646.00	319,994.30	(141,471,875.87)	92,327,534.70

Notes to the Financial Statements

For the year ended 31st December 2016

1. Significant Accounting Policies

1.1 General

The Financial Statements are prepared under the historical cost basis in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS) laid down by the Institute of Chartered Accountants of Sri Lanka and the provisions of the Finance Act No.38 of 1971. Adjustments have not been made for inflationary factors in these Financial statements. The accounting principles are applied consistently on accrual basis.

1.2 Comparative information

The Accounting Policies have been consistently applied by the Institute with these used in the previous year, Previous year figures have been restated wherever necessary to confirm to the current year presentation.

1.3 Events occurring after the Balance Sheet date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in the financial statements.

1.4 Valuation of Assets

(i) Property, Plant & Equipment

The cost of property, plant & equipments are at their cost of purchase or construction together with any incidental expenses thereon. Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the institute for the purpose of increasing the capacity of the institute has been treated as capital expenditure. Cost of maintenance and repairs are expensed as incurred.

a) Depreciation is provided on the straight-lines method at the following rates per annum.

Buildings	2 ½ % per annum
Equipment/Furniture	10% per annum
Computer	20% per annum
Welfare Equipment	10% per annum
Books	10% per annum
Vehicles	20% per annum

A full year's depreciation is charged in the year of purchase.

b) Amortization amount is recognized on a systematic basis within the useful life of a depreciable asset as a reduced depreciation expense.

1.5 Debtors

Debtors are stated at the amounts which they are expected to realize. Adequate provision has been made for bad and doubtful debts. Provisions for doubtful debts are made at 4% of debtors balance as at 31st December 2016.

1.6 Stocks

Stocks of consumable items are valued at cost. Other stocks are valued at lower of cost or net realizable value. Cost of the stocks is valued using FIFO method.

1.7 Liabilities and Provision

1.7.1 Gratuity

Provision has been made in Financial Statements for Gratuity payable under the payment of Gratuity act No. 12 of 1983.

In the year 2016 gratuity has been calculated base on Basic Salary and Cost of Living Allowance.

1.7.2 Contingent Liabilities

A provision for contingent liabilities has been made on pending court decision.

1.7.3 Contingent Assets- Contingent Assets has been made on pending legal cases for recovering to scholarship debtors

1.7.4 Defined Contribution Plan

Institute contributes 15% and 3% of employee's monthly salary to Employee's Provident Fund (EPF) and Employee's Trust Fund (ETF) respectively. These contributions are recognized as expenses in the Statement of Financial Performance on current circulars issued by Department of Management Service.

1.8 Statement of Financial Performance

The statement of financial performance is stated after;

- a. Providing bad and doubtful debts and all expected future expenses in day - to-day operation of the Institute and maintaining the property plants and equipment in a state of efficiency.
- b. Revenues are included Funds of Government Treasury, income of hostel charges, conference hall charges & others.

1.9 Transport and Printing cost

Transport and printing expenditures have to be accounted for all divisions and research and training. Therefore that expenditure has been valued at an approved rate and that cost is adjusted to a percentage between those relevant expenditures.

2 Cash and cash equivalents	2016	2015
Cash in hand	25,000.00	10,000.00
Cash at bank - A/c No 2323292	3,009,818.80	1,638,481.62
Cash at bank - A/c No 2323293	17,910.00	481,148.21
Cash at bank - A/c No 2323315	17,754.53	81,226.60
Cash at bank - A/c No 2323317	7,169,211.97	12,499,876.26
	10,239,695.30	14,710,732.69

3 Receivables

Staff Debtors

Housing Loan	1,565,164.55	1,966,261.85
Consolidated loan	18,009,429.50	17,919,014.28
Special Advance	745.47	695.47
Festival Advance	22,779.05	22,429.05
Auditorium Income Receivable	95,687.50	356,565.00
Hostel Income Receivable	92,807.25	513,304.75
Due from displaced persons	6,723.32	6,723.32
Scholarship debtors	19,173,425.10	19,593,320.10
	38,966,761.74	40,378,313.82

Other Debtors

Investment income receivable	637,799.23	159,743.05
In-Services Training Institute	6,806.38	6,806.38
K N U Gunasekara	12,100.00	12,100.00
Ministry of Agriculture	1,384,750.96	85,527.16
Recoverable from resigned employees	597,445.87	606,795.87
Sarasavi Book Shop	4,272.25	4,272.25
Debtors - Miscellaneous	123,332.65	123,332.65
Debtors - Mobitel Pvt Ltd	150,539.28	38,499.03
R-481 Value of Ecosystems' Services Provided by the Jaffna Lagoon and Contribution of the Lagoon to the Livelihoods of Peripheral Villages	111,921.59	111,921.59
Baseline Food Security & Market Assessment	58,884.29	337,490.58
Receivable from APO	95,310.00	-
Consultancy 01/2016 - Food security outcome monitoring (FSOM)	100,912.64	-
	3,284,075.14	1,486,488.56
	42,250,836.88	41,864,802.38
Less:		
Provision for Bad & Doubtful Debtors	(923,096.47)	(890,859.29)
Provision for scholarship	(19,173,425.10)	(19,593,320.10)
	22,154,315.31	21,380,622.99

4 Receivables

Deposits

Fixed - Caterer	70,000.00	70,000.00
Fixed - Cashier	12,034.23	11,353.44
Sundry - Sri Lanka Telecom (Internet facility)	3,125.00	3,125.00
Sundry - Post Master General	24,945.00	24,945.00
Sundry - Colombo Gas and Water Co.	4,750.00	4,750.00
Sundry - Water supply and Drainage Board	500.00	500.00
Sundry - Celltel Lanka Ltd.	3,500.00	3,500.00
Sundry - Ceylon Electricity Board	406,250.00	406,250.00
Sundry - Fuel Deposit	100,000.00	250,000.00
	625,104.23	774,423.44

LKR

5 Inventories	2016	2015
Publication and journals	2,753,079.00	2,757,389.00
Consumables	2,199,981.42	1,755,811.40
Sales Center	926,864.50	858,067.00
	<u>5,879,924.92</u>	<u>5,371,267.40</u>

6 Prepayments		
Vehicle Insurance	831,349.81	375,506.23
Building Insurance	23,603.30	-
	<u>854,953.11</u>	<u>375,506.23</u>

7 Other current assets		
Purchase Advance	222,563.12	171,427.00
Advance	-	0.80
	<u>222,563.12</u>	<u>171,427.80</u>

8 Other financial assets		
Call Deposits	12,001,500.00	1,500.00
Fixed Deposits at State Mortgage & Investment Bank	5,853,764.05	5,613,145.18
Fixed Deposits at State Mortgage & Investment Bank-Housing Loan Scheme	1,073,309.29	627,684.43
	<u>18,928,573.34</u>	<u>6,242,329.61</u>

9 Infrastructure, plant and equipment

Schedule of Depreciation of Assets - December 31,2016

LKR

Particulars	Cost as at 01.01.2016	Adjustment	Additions / (Disposal) during the Year 2016	Total Cost as at 31.12.2016	Acc/Dep as at 01.01.2016	Adjustments	Dep.for the year 2016	Accu/Dep. ended 31.12.2016	Net Value as at 31.12.2016
Equipment/Furniture	45,779,763.67	1,031,020.00	2,772,147.57	49,582,931.24	34,396,629.86	559,748.46	2,632,443.80	37,588,822.12	11,994,109.12
Computer Installation	27,628,312.58		2,199,500.00	29,827,812.58	23,243,262.85	350,287.94	1,911,280.00	25,504,830.79	4,322,981.79
Motor Vehicles	70,544,565.00			70,544,565.00	25,632,242.00		14,084,580.00	39,716,822.00	30,827,743.00
Books	12,834,544.85		681,881.87	13,516,426.72	10,716,584.17		680,060.35	11,396,644.52	2,119,782.20
Welfare Equipment	3,734.55		-	3,734.55	3,733.55			3,733.55	1.00
Total	156,790,920.65	1,031,020.00	5,653,529.44	163,475,470.09	93,992,452.43	910,036.40	19,308,364.15	114,210,852.98	49,264,617.11

6

10 Land and buildings

Schedule of Depreciation of Assets - December 31,2016

Particulars	Cost as at 01.01.2016		Additions/ (Disposals) during the Year 2016	Total Cost as at 31.12.2016	Acc/Dep as at 01.01.2016		Dep.for the year 2016	Accu/Dep. ended 31.12.2016	Net Value as at 31.12.2016
Land	1,716,667.00			1,716,667.00	-		-	-	1,716,667.00
Buildings	46,328,968.26		6,149,317.98	52,478,286.24	15,476,455.68		1,311,957.16	16,788,412.84	35,689,873.40
	48,045,635.26		6,149,317.98	54,194,953.24	15,476,455.68		1,311,957.16	16,788,412.84	37,406,540.40

Palwehera circuit bungalow have been acquired on 12.12.2011 under the 30 years operating lease

11 Work in Progress

Construction of Internal Drainage Line system

665,775.00

LKR

Payables		2016	2015
12	Accrued expenses	7,183,746.48	9,525,273.73
	Tender deposit refundable	136,462.20	136,462.20
	Canteen deposit refundable -Upatissa Paranamana	50,000.00	50,000.00
	Salary Advance	17,139.91	10,232.91
	Unpaid expenditure	250,297.33	192,344.11
	Payable to Resigned Employees	264,900.60	218,090.29
	Employees and restaurant deposit	13,084.50	13,084.50
	Stamp Fees Payable	15,875.00	16,000.00
	Retention	280,904.45	258,253.18
	Creditors	36,580.00	2,082,081.16
	Received in advance - Hostel	23,948.00	108,921.25
	Received in advance - Auditorium	72,775.00	86,250.00
	Welfare Society	3,197.00	3,197.00
	Gratuity Payable on Cost of Living arrears	126,912.50	126,912.50
	Paye Tax Payable	-	15,300.00
	Payable to Ministry	94,358.05	94,358.05
	Upathissa Paranamana	61,788.37	61,788.37
	Payable to Cashier	12,034.23	
Creditors against projects			
	R-470 Minimum Cost of Diet in Sri Lanka	423,823.94	423,823.94
	Rapid food Security & need Assessment	7,774.28	7,774.28
	R - 505 Addressing Climate Change Impacts on Marginalized Agriculture Communities Living in the Mahaweli River Basin of Sri Lanka	606,890.97	805,403.61
	R-512 Capacity Development of Agrarian Research -Technology personnel in Sri Lanka on Global Change and sustainability	1,438,527.83	-
		11,121,020.64	14,235,551.08
Employee benefits			
13	Balance as at January 01,	36,372,580.00	36,088,145.00
	Payments during the year	3,233,185.50	3,310,572.50
	Provision for the year	9,538,762.00	3,595,007.50
	Balance as at December 31,	42,678,156.50	36,372,580.00
Government Grant - Capital			
14	Balance as at January 01,	182,143,835.19	160,092,835.19
	Capital Contribution During the year	8,308,000.00	22,051,000.00
	Amotization for the year	19,572,719.71	-
	Balance as at December 31,	170,879,115.48	182,143,835.19
Reserves			
15	Contribution from savings	661,423.67	881,898.23
	Project Capital Fund	10,853,188.75	14,820,118.87
	Capital Reserve	2,615,370.64	2,928,827.52
	Project General Reserve	9,781,186.49	13,041,581.98
	Incentive Fund - Institute share	2,279,784.24	2,182,886.71
		26,190,953.79	33,855,313.31
Incentive and Training Funds			
16	Incentive Fund	82,237.15	109,649.53
	Training Fund - Projects	237,757.15	317,009.53
		319,994.30	426,659.06

Hector Kobbekaduwa Agrarian Research & Training Institute
Notes to the Statements for the year ended December 31, 2016

LKR

Accumulated deficits		2016	2015
17	Balance as at January 01,	159,517,894.68	151,607,990.39
	Depreciation correction for Previous Years	456,646.46	-
	Prior year adjustment - Computer depreciation correction	350,287.94	-
	Prior year adjustment - Capitalization of Bio Gas project	(1,031,020.00)	-
	Prior year adjustment - Depreciation for Bio Gas project	103,102.00	
	Prior year adjustment - Correction of interest on cashier's deposit	11,514.83	
	Written back of capital grants reserves & funds account balances	(7,389,254.38)	(7,808,754.38)
	Expenditure over income as at December 31,	(10,547,295.66)	15,718,658.67
	Balance as at December 31,	141,471,875.87	159,517,894.68

Other Revenue			
18	Hostel charges	15,334,782.82	13,563,914.60
	Conference hall charges	11,895,658.50	12,499,408.00
	Income From Mobitel Customer service	112,040.25	94,512.99
	Sales of publications	195,502.50	150,092.00
	Interest on investments	913,753.02	435,112.22
	Interest on staff loan	730,059.27	735,587.95
	Recurrent contribution from projects	453,501.92	140,530.43
	Scholarship Debtors	419,895.00	412,539.87
	Bungalow fees and room rent	62,108.60	21,260.25
	Palwehera Room rent	-	150,300.00
	Computer income	25,778.00	4,026.00
	Tender fees	-	10,000.00
	Manpower Income	23,773.10	-
	Scrap Item Disposal	31,727.00	-
	Other income	143,426.46	321,653.79
	Profit on Sale of Vehicles	-	2,209,960.00
		30,342,006.44	30,748,898.10

Wages, salaries and employee benefits			
19	Salary -Permanent staff	47,259,709.97	43,960,156.52
	Salary - Investigators	6,587,693.78	6,161,103.03
	Cost of Living Allowance,Special Allowance & other	51,595,828.96	51,298,540.32
	EPF	11,417,519.94	10,171,934.82
	ETF	2,283,503.98	2,034,386.98
	EPF & ETF Arrears	-	14,376,238.87
	Overtime	2,184,338.25	2,750,879.83
	Gratuity	9,538,762.00	6,854,467.50
	Gratuity Surcharges	8,832.00	1,050,900.00
		130,876,188.88	138,658,607.87

Hector Kobbekaduwa Agrarian Research & Training Institute
Notes to the Statements for the year ended December 31, 2016

LKR

Other expenses		2016	2015
20	Local subsistence & Local transport	1,016,069.09	1,740,496.63
	Foreign Travel Allowance	360,492.52	208,098.00
	Stationery and office requisites	1,280,642.01	1,004,002.10
	Fuel and lubricants	1,289,794.57	1,469,975.45
	Uniforms	377,474.01	373,546.82
	Vehicle repairs	1,051,462.88	1,183,707.89
	Maintenance of Building	1,262,690.08	503,194.49
	Plant machinery and equipment repairs	2,025,243.66	1,439,427.92
	Telephone charges	1,631,309.76	1,656,485.41
	Electricity	6,321,790.30	5,516,558.28
	Water bills	1,076,695.02	1,023,867.11
	Taxes to local authorities	315,601.20	315,601.20
	Postal charges	504,890.00	410,500.00
	Transport	566,795.00	567,507.50
	Legal activities on defaulters	4,000.00	8,000.00
	Technical Advice for Vehicles	75,000.00	82,500.00
	Technical Advice for Construction	180,000.00	165,000.00
	Newspapers	259,590.00	256,670.00
	License and insurance	981,083.06	1,034,597.27
	Security charges	2,565,800.00	2,097,530.00
	Cleaning services	745,408.58	697,722.68
	Laundry services	491,911.00	702,205.00
	Audit fees	300,000.00	270,000.00
	Medical charges	790,176.96	662,832.62
	Canteen charges	22,850.00	56,393.00
	Miscellaneous expenses - Others	661,175.02	649,676.55
	Legal charges	-	122,750.00
	Welfare	230,200.00	324,827.00
	Advertisement	652,009.50	359,889.75
	Interview charges	15,000.00	21,000.00
	Board of governors	253,800.00	180,400.00
	Printing & Publication	1,329,080.22	1,116,159.91
	Entertainment	13,848.06	4,705.00
	Dissemination of information	1,436,570.00	982,050.00
	Cost of Sales - Publications	198,192.50	146,712.00
	Withholding Tax	56,987.30	37,570.08
	Audit & Mgt Committee	81,000.00	100,400.00
	Staff Development	815,403.96	1,946,178.77
	Contingent liabilities expenses	115,350.00	
		31,355,386.26	29,438,738.43



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

AGL/D/HARTI/01/16/04

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

08 August 2017

The Chairman,

Hector Kobbekaduwa Agricultural Research and Training Institute.

Report of the Auditor General on the Financial Statements of the Hector Kobbekaduwa Agricultural Research and Training Institute for the year ended 31 December 2016 in terms of Section 14(2)(C) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Hector Kobbekaduwa Agricultural Research and Training Institute for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 24 of the Hector Kobbekaduwa Agricultural Research and Training Institute Act, No. 05 of 1972. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act, was issued to the Chairman of the Institute on 05 July 2017.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Hector Kobbekaduwa Agricultural Research and Training Institute as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements.

2.2.1 Sri Lanka Public Sector Accounting Standards

The following non-compliances were observed.

(a.) Sri Lanka Public Sector Accounting Standard 01

- (i) Information relating to the value of Rs. 7,389,254 adjusted to the Accumulated Fund in the statement of changes in equity, had not been made available in terms of Paragraph 29 (b) of the Standard.
- (ii) The financial assets should be disclosed on the date of maturity in terms of Paragraph 75 of the Standard, but it had not been so done.
- (iii) The items expected to be realized within a period of 12 months from the date of reporting should be considered current assets in terms of Paragraph 76 (c) of the Standard. Nevertheless, timely deposits valued at Rs. 12,001,500 had been accounted as non-current assets.
- (iv) In terms of Paragraph 48 of the Standard, assets and liabilities should not be set off against each other unless otherwise required or permitted by the Standard. However, the creditor balance of Rs. 18,700 had been set off against the debtor balance of the foreign scholarships amounting to Rs. 1,192,125.

(b.) Sri Lanka Public Sector Accounting Standard 07

- (i) In terms of Paragraph 47 of the Standard, an asset should be revalued when its fair value significantly differs from the carrying amount. However, except for the vehicles, the other Property, Plant and Equipment had not been revalued.

- (ii) As the useful life of non-current assets had not been reviewed annually in terms of Paragraph 65 of the Standard, assets valued at Rs. 4,203,649 had still been in use despite being fully depreciated. As such, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 03.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a.) A sum of Rs. 43,711 receivable from external parties as at 31 December 2016, had been omitted in the accounts.

- (b.) Accrued expenses relating to overtime payments, gratuity payments, and contributions to the Employees' Provident Fund and the Employees' Trust Fund, had been understated by a sum of Rs. 1,247,194 in the accounts.

- (c.) A sum of Rs. 197,496 in respect of unusable consumer goods had been stated under stocks in the financial statements.

- (d.) A sum of Rs. 20,620,321 had been shown in the schedule of depreciation of assets as being the depreciation for the year under review, but that had not been shown as an expense in the statement of financial performance.

2.3 Accounts Receivable and Payable

A sum of Rs. 19,698,344 from the debtors totalling Rs. 22,564,321, and a sum of Rs. 547,660 from the creditors totalling Rs. 10,799,237 had continued to exist for a period of more than 05 years by the end of the year under review, but action had not been taken to settle them.

2.4 Non-compliances with Laws, Rules, and Regulations

The following instances of non-compliances with Laws, Rules and Regulations were observed.

Reference to Laws, Rules, and Regulations, etc.

Non-compliance

- | | |
|---|--|
| (a.) Paragraph 2.3 of the Public Enterprises Circular, No. 01/2015, dated 25 May 2015 | A sum totalling Rs. 1,164,929 had been paid as fuel allowance to 04 officers not entitled to fuel allowance in the year under review. |
| (b.) Public Finance Circular, No. 03/2015, dated 14 July 2015 | It was observed that advances totalling Rs. 102,160 had been given to non-staff grade officers in 07 instances contrary to provisions of the Circulars. Furthermore, 19 instances were observed in which 40 per cent to 100 per cent of the advances obtained had been retained at hand without utilization for a period of 3 to 18 days before being settled. |

(c.) Paragraph 4 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, been emphasized, it was observed that the and the Guideline issued by the Institute had conducted only 04 meetings each Ministry of Finance and for the years 2015 and 2016. Planning in October 2010.

3. **Financial Review**

3.1 **Financial Result**

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a surplus of Rs. 10,547,296 as against the corresponding deficit of Rs. 15,718,659 for the preceding year, thus indicting an improvement of Rs. 26,265,955 in the financial result of the year under review. The increase in the Government grants by Rs. 2,656,893, the decrease in the salaries and wages by Rs. 7,782,419, and the decrease in the depreciations by Rs. 19,223,723 had mainly attributed to the improvement of the financial result.

An analysis on the financial results of the year under review and 04 preceding years revealed that the financial result had become a surplus in the year 2016 despite the deficit in the years 2012, 2013, 2014, and 2015. However, when the employee remuneration and the depreciation on non-current assets had been adjusted to the financial result, the contribution for the year 2012 amounting to Rs. 92,981,410 had continuously improved up to Rs. 142,163,671 in the year 2015, but decreased to Rs. 141,423,485 in the year under review as compared with the year 2015.

4. Operating Review

4.1 Performance

The main objectives of establishing the Institute in terms of the Hector Kobbekaduwa Agricultural Research and Training Institute Act, No. 05 of 1972 include : Strengthening, assisting and encouraging agrarian researches, and ensuring uniformity, co-ordination of agrarian researches, carrying out investigations, undertaking investigations relating to economic use of land, providing or implementation of training facilities and programmes and to award diplomas, degrees, prizes and distinctions in connection therewith, sponsoring and conducting seminars, study programmes and workshops of local, regional and international level, provide a centre for the collection and dissemination of information on agrarian problems in order to serve their regional needs, and carrying out such research relating to problems of agrarian structure in co-operation with Asian countries.

The following observations are made on the achievement of the said objectives.

- (a) Although a sum of Rs. 981,651 had been spent on the research project relating to the domestic chicken farming programme that had been planned to be complete by December 2014 at an estimated expenditure of Rs. 651,000, it was observed that the project report had not been published even by 23 June 2017.
- (b) Although a sum of Rs. 8,998,520 had been spent on 16 research projects that had been launched in the years 2015 and 2016 at an estimated cost totalling Rs. 9,438,000, the research reports had not been published even by 23 June 2017.
- (c) It had been planned to commence the survey on the pre-project condition under the National Food Production Programme 2016-2018, in January 2016 and conclude in February 2017 thereby submitting a study report. The budgeted provisions thereon amounted to Rs. 4,141,000, and a sum of Rs. 1,765,699 had been spent. It was observed that the preparation of the said report had still been in progress even by 23 June 2017, thus indicating that it was unlikely to submit the results of the research to

the relevant field on time although the research project had been conducted on the timely requirements relating to the period 2016-2018.

- (d) According to the revised Action Plan, provisions amounting to Rs. 7,450,000 had been made by the Institute to conduct 63 training programmes under 05 topics in the year under review. However, 39 of the planned training programmes had not been conducted in the year under review.
- (e) It had been planned to conduct 25 training programmes in the year under review under the subject “Agriculture for a Healthy Generation”. It had been expected to train 2500 farmers and farmer leaders. The districts in which the said programme would be conducted had not been identified, and 15 programmes had been conducted only in Kurunegala district with a participation of 1412 farmers.
- (f) It had been planned to train 750 farmer leaders by conducting 25 programmes under the Program for Empowering the Farmers’ Association. Without identifying the districts in which the programmes would be conducted, 15 programmes had been conducted only in the Puttalam district. Despite being planned to train at least 100 farmer leaders from an agrarian area, the participation of 05 agrarian areas had remained 50 per cent.
- (g) Eight programmes had been conducted under the training programme for empowering the farmer leaders contemporaneous with the Farmers’ Week that had not been included in the Action Plan, and a sum of Rs. 334,221 had been incurred thereon.
- (h) Research and training, the main objectives of the Institute, should be carried out on the recommendations, proposals, and evaluations of the Research and Training Committee. However, as only one meeting of the Committee had been conducted in the year 2014, whereas 02 meetings each for the years 2015 and 2016 had been conducted, it was questionable in audit as to whether the recommendations of the Research and Training Committee had optimally contributed to the relevant activities.

4.2 Management Activities

The following observations are made.

- (a.) It was observed that the Director's official residence of the Institute had been provided for external parties since the year 2015 without leasing out properly or recovering house rents.
- (b.) As 05 rooms of the hostel belonging to the Institute had been provided for external parties since May 2015 without charging fees, the Institute had been deprived of an income amounting to Rs. 4,855,530 by the end of the year under review.
- (c.) The circuit bungalow in *Pelwehara* belonging to the Ministry of Agriculture and Livestock, had been handed over to the Institute in the year 2003, but the legal rights thereof had not been taken over even by 29 June 2017. Nevertheless, the Institute had spent a sum of Rs. 2,350,051 on the repairs of that building in the years 2011, 2012, and 2016.
- (d.) Although a lorry belonging to the Food and Agriculture Organization of the United Nations had been used by the Institute, no action had been taken by the Institute to take over the lorry. Furthermore, the vehicle remained broken-down from the year 2015 up to the end of the year under review, but action had not been taken to repair and make use of it.

4.3 Staff Administration

The following observations are made.

- (a.) The approved cadre of the Institute had been 235, and 70 vacancies existed by the end of the year under review. Of those posts remained vacant, the post of Registrar, a post of the senior level relating to the administration of the Institute, had remained vacant over a period of more than 06 years from 03 January 2011, up to the date of audit, 19 May 2017. However, no recruitments had been made

although newspaper advertisements had been published in the year 2015 for the said post.

- (b.) Although the posts of Research Officer which had been pivotal in accomplishing the main objectives of the Institute, had remained vacant, a senior Research Officer had been assigned to assist in the duties relating to transport of the Additional Director. The said appointment had been made as the post of Transport Assistant had remained vacant for a period of 03 years.

5. Accountability and Good Governance

5.1 Budgetary Control

As variances ranging from 15 per cent to 204 per cent had been observed in comparing the budgeted income and expenditure with that of the actuals, it was observed that the budget had not been made use of as an effective instrument of management control.

5.2 Procurement and Contract Process

In terms of Section 5.6 of the Procurement Guidelines – 2006, the specifications should be presented in a detailed manner in order to accomplish the objectives of the procurement. However, when quotations had been called for the supply and fixing of curtains valued at Rs. 1,301,305, bids had been furnished in a non-comparable manner due to failure in properly identifying the specifications.

5.3 Unresolved Audit Paragraphs

The following observations are made.

- (a.) A sum of Rs. 15,992,125 remained further recoverable from 11 scholarship holders studied for post graduate courses at foreign universities who had breached agreements.
- (b.) Despite being interdicted due to financial misappropriation, the Assistant Registrar (Administration) had been reinstated. The Board of Administration had ordered that a new preliminary investigation be conducted afresh by cancelling

the one already conducted to that matter. Reinstating an officer accused of financial fraud without a disciplinary inquiry, contradicts Section 31 of Chapter XLVIII of the 2nd Volume of the Establishments Code. It was observed that a situation would arise therefrom that would impede the investigation.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institute from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Controls	Observation
(a.) Accounting	Due to failure in maintaining a ledger account for the debtors of foreign scholarships valued at Rs. 19,173,425 as at 31 December 2016, the risk existed that when monies were recovered from the debtors, such monies would not be accounted properly.
(b.) Financial Control	Identification of variances between the budgeted and actual expenditure, and failure to take action to settle the loans.
(c.) Control of Operations	Failure to implement the research projects as planned, and delays in publishing the reports.
(d.) Staff Administration.	Failure to take action promptly on the vacancies of the Institute.

W.P.C. Wickramaratne
Acting Auditor General.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

Auditor General
Auditor General's Department No.306/72, Polduwa Road
Battaramulla.

Report of the Auditor General on the Financial Statements of Hector Kobbekaduwa Agrarian Research and Training Institute for the year ended on 31 December 2016 in terms of section 14 (2) (C) of the Finance Act No.38 of 1971.

My explanations with regard to the above report dated 08.08.2017 is presented herewith.

2. Financial Statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

(a) Sri Lanka Public Sector Accounting Standards – 05

(I) Cumulative funds of the changing equity report is presented under the heading of written back of capital grants and funds accounts balance, comply with the Sri Lanka public sector accounts standard No.1 para 29/A.

Adjustment of amortization on capital grants is disclosed on financial statement of 2016 that included note No.1/1 5A. Additional related and comparable information will be presented in next year's financial statement of Rs.7,389,2545/-.

(II) Accepted

Noted, this year's financial statement will be disclosed on related note under the Sri Lanka Accounting Standards.

(III) Sri Lanka Public Sector Accounting Standards No.2

Investment maturing in three months or less from the acquisition date are considered cash or cash equivalent under the Sri Lanka Public Sector Accounts Standards No.02 para 9. However, one of the conditions on the above para 9, realization value of the investment is clearly identified. That investment made on 18th June 2016 for call deposit valued at Rs.12.7 mn.

Realization date of the call deposit is not clear on the date of audited. However, changing the value of investment was a risk. Therefore, this investment (Call Deposit) is not presented in cash flow as cash and cash equivalent. This investment realized on 02nd June 2017 and the face value is changing as Rs.622,625.76.

(IV) Accepted.

As per the Sri Lanka Public Sector Accounting Standards this should be accounted not as Debtor balance of the foreign scholarships but as foreign scholarship debtors and creditors. This has been revised.

(b) (I) In terms of paragraph 47 of the standard, property, plant and equipment should be revalued once in every three years. But our institute has not revalued according to the terms of the standards. When preparing the budget for 2018 the estimated cost is calculated by including the cost for revalued property, plant and equipment. It is noted to revalue all property, plant and equipment of the institute in 2018.

(II) It is noted to revise the estimated error by revaluing all the property, plant and equipment of the institute as per the standard 03 of SLPSAS.

2.2.2

(a) Accepted

The telephone charges have not been accounted as receivables. But the external party occupying the Director's circuit Bungalow this year has made the payment to the institute and then this has been revised.

(b) A sum of Rs.7,183,746.48 is accounted as the accumulated cost. But from that balance a sum of Rs. 1,265,254.00 is remaining as the balance of the Accumulated Cost Account. Therefore, accumulated cost has not been accounted in short for 2016.

(c) The Internal Audit Query dated 05.09.2016 has revealed that 175 stock items have been repeatedly stated since 2014. According to the recommendations of the Audit Query, measures were taken to reduce the items to 98. As stated in this statement few consumer goods are unusable and outdated. It is noted to take action as per the circulars to get rid of those stock items from the stores ledger having identified the same.

(d) Value of depreciation of assets in 2016 is Rs.20, 620,321.31. While accounting as per the alternative method of LKAS 20, the value of the depreciation of assets is reduced as the value of amortization value. Therefore, in the statement of Financial Performance depreciation value is not stated as an expense.

2. Accounts receivable and payable

From the total debts a sum of Rs.19, 173,425.10 was expended for scholarship debtor balance. Legal action is in place for this balance and a sum of Rs.3,200,000 has been recovered during the year under review.

The remaining loan balance is Rs.524,919/-. A board paper was submitted on 16 February 2016 seeking approval to take action concerning a debtor value of Rs.247, 736.19 from that balance.

Creditor value which continues for more than 5 years is Rs.547, 660/-. A board paper has been submitted at the Board meeting No.354 to take action concerning a sum of Rs.100, 671.91 of that balance. A sum of

Rs.246, 974/- is allocated for Auditing charges (1987-2000). Measures will be taken to settle that balance by obtaining relevant bills in the future. Rs.50, 000/- is a balance that should be maintained as a creditor.

2.4 Non-compliance with Laws, Rules and Regulations

(a) In terms of paragraph 2.3 of the public Enterprise circular, No.01/2015, dated 25 May 2015 the fuel allowance was granted to four Senior Research Officers (HM category) of the institute.

(b) As per the Public Finance circular No.03/2015, dated 14 July 2015 advances are paid only to the staff officers. But when the respective staff officer was on leave advances had been paid to the respective Management Assistant and it was granted on the approval of the Chief Accounting Officer (the Director) of our institute.

A cost estimate is needed to be prepared and presented to obtain the advance. In our institute most of the times cash advances are obtained for field work and sometimes field activities are unpredictable due to the uncontrolled causes. In such instances the expenses would not be made according to the cost estimate and it causes fluctuations. The cash advance should be settled within three office days after completing the field visit.

(C) Four meetings of Board of Directors in 2015 and 05 meetings of Board of Directors were held in 2016. Board approval has been obtained to hold Board meetings monthly (Third Thursday of each month) from 2017 onwards.

3. Financial Review

3.1 Financial Result – Agreed

4. Operating Review

4.1 Performance

(a) Assessment of Backyard Poultry Promotion Programme (R 485)

The Coordinator of this research study reported to the work after completion of higher studies after two years on 01.01.2017. The draft of the said report was sent to two external reviewers by the coordinator. She had made some improvements before sending to the reviewers. One of the two reviewers had expressed his critical views on the report and it was unable to get the reviews of the other reviewer. Due to this situation this report has been sent to another suitable reviewer. With his review the report has been improved considering both reviews and the report has been sent to printing.

(b) Opportunities and Barriers in Income Diversification of Irrigated Paddy Farmers in Anuradhapura District (R 488)

The coordinator of this research study is on foreign leave for higher studies. When the coordinator left the country the report had been reviewed by the reviewers and comments had been incorporated and had been submitted for language editing. The responsibility of publishing and other relevant tasks of the report was taken over by the co-researcher of the study. The report is published in English Language thus the report had to wait in the editing process. Now the report is ready to be published within the next two weeks.

(c) Survey on the Pre Project Condition of the National Food Production Programme (2016-2018)

Five components of this research have been submitted to the Ministry. Reports have been already prepared for the remaining components and all are in the final stage. Measures will be taken to submit those reports without delay.

(d) According to the revised action plan, provisions amounting to Rs. 7.45 million had been allocated for 63 training programmes under five categories of programme during the reviewed financial year.

However, the training division was only able to conduct training programme on empowering Farmer Organization, agriculture for healthy generation, Training Programme on Training of Trainers Programme for Empowering Farmer Leaders. Accordingly, number of total programmes conducted during the year was 38.

There were several reasons for not conducting the other training programmes in the year under review: relevant resource persons leaving the country for post graduate studies, unavailability of resource, researchers engaging in the evaluation work of the National Food Production programme, assigned by the ministry to our institute, resource persons engaging in compilation and conducting of Training of Trainers Programme for Empowering Farmer Leaders in line with the 2017- Govi sathiya launched by the Ministry and contributing to supervise farmer women training programme.

(e) Although 25 Training Programmes on 'Agriculture for a Healthy Generation' were scheduled during the year, only 15 programmes were conducted.

These programmes were conducted successfully in Anuradhapura and Polonnaruwa districts where the chronic kidney disease of unknown etiology (CKDu) is rampant. It was successfully conducted in those two districts in 2015. Based on the experience gained through above programmes 15 training programmes were conducted in several areas in Kurunegala districts where the disease is prevailing.

(f) Several districts to conduct 25 training programmes on empowering Farmer Organizations have been identified. However, only 15 programmes were conducted during the year and it was restricted to the Puttlam district.

Participation of the trainees was at a higher level. The number of participants were low in few Agrarian services areas. However, more than half the registered participants attended and the training team concluded the programme successfully.

- (g) Training of Trainers Programme for Empowering Farmer Leaders was not included in the Action Plan and it was conducted by the Agriculture Ministry in eight districts. More than the expected participants attended for those programmes in some districts as some districts have a large number of Agrarian Services divisions. A financial provision allocated by the 2016 action plan was utilized for those programmes.
- (h) Although only one meeting of the Research and Training Committee meetings was held during the year comments and instructions for the research studies were constantly received from the committee. All the research reports were reviewed by the members of this committee and reports were further reviewed by the external experts only when further review is needed for specific research reports.

Even though the Research & Training committee did not meet frequently, the members of the committee always meet to discuss the matters related to the selection of samples and other advice. Instructions of the members with regard to the research proposals are sought in the beginning of the year and the mid-year. Despite of the busy schedule of those officials four committee meetings are planned from this year onwards.

4.2 Management Activities

- (a) Several requests have been made to the Ministry to return the Director's Official residence.
- (b) It is informed to recover the room charges from the Department of Police on behalf of the relevant police officers occupying the rooms.
- (c) Agreed.

Application to lease the plot of land no 456 of the survey plan no422 in the Palwehera village in the Dambulla divisional secretariat area by our institute is gazetted by the gazette dated 24 February, 2012. In accordance with that notice land surveying activities have been directed to the senior land surveyor in Matale District. Our institute took immediate legal action to take over the bungalow with the assistance of Dambulla Pradeshiya sabha and Land Commissioner General's Department. However, according to the surveyor's report the survey plan number has to be revised as 421 instead of 422. Therefore, they have informed that they are unable to conduct the survey. So, this circuit bungalow has not been legally acquired so far but the procedures are in place to take over. (d)A vehicle bearing the number 40 Sri 3933 belonging to the Food and Agriculture Organization was granted to our institute a few decades ago. The vehicle has been registered in the name of our institute and the Motor Traffic General has noted that if the vehicle is to be sold approval of the defense and foreign secretaries have to be obtained.

4.3 Staff Administration

(a) Although vacancies exist recruitments can be made only if the financial provisions are approved. The budget for 2017 was prepared considering all vacancies when allocating funds for salaries and staff allowances. But the Treasury restricted provisions for that purpose. The Post of Registrar remains vacant since 2011. Applications for the post were called in 2015/16, but there were no qualified applicants.

Applications were called again in 2017 after relaxation of qualifications. One qualified applicant was selected and she requested to place her in a higher salary scale. The possibility of doing so is currently being queried by the Department of Management Services.

Although the shortlisted applicants were called for an interview for the post of Additional Director there were no suitable persons. Applications were called for the same post again in 2017 April and a Research Fellow from the institute has been appointed for the post.

Interviews were held several times for the post of Administrative Officer. A court case is being heard for one post out of the two and one person is appointed for the other post. However, the administrative activities of the institute have not been interrupted.

(b) The duties of the Transport Assistant are covered by a Management Assistant. Applications were called three times for the post of Transport Assistant since 2015. The selected candidates have not reported for duty. Another qualified person was appointment from 01 of June 2017 . He too has not assumed duties. Due to this reason instead of recruiting Transport Assistant it is considered to appoint Transport Officer by revising the Scheme of Recruitment and it has been sent to the Department of Management Services for approval.

According to the nature of the duties of our institute, providing transport facilities to the field work is a very important task. Therefore, the transport section is operated under the supervision of Additional Director who has all the responsibilities with regard to research and field work. A Senior Research Officer has been appointed to assist the Additional Director in transport activities in his absence.

5. Accountability and Good Governance

5.1 Budgetary Control

The Budget is being used as an effective instrument of management control in the year 2017.

5.2 Procurement and Contract Process

Specifications have been presented according to the Section 5.6 of the Procurement Guidelines. According to the Guidelines specifications should be drafted facilitating the widest competition among bidders. Therefore, specifications related to the type of curtains and patters/ designs are not mentioned in the specifications. On a previous occasion quotations were called and the institute consulted the Chief Engineer of the Buildings Department. He clearly advised not to mention a specific brand when bidding for curtains.

5.3 Unresolved Audit Paragraphs

- (a) Legal activities are in progress and the Institute has recovered a sum of Rs. 3,200,000 from a scholarship holder as per the Supreme Court order last week.
- (b) According to the decision taken by the Board of Directors the relevant officer was recalled for the office cancelling the preliminary investigation and fresh investigations were conducted. According to the second investigation his salary increment was halted for a period of one year.

6. Systems and Controls

(a) A ledger account for the debtors of foreign scholarships is maintained in our ledger as per the Sri Lanka Accounting Standards.

(b) Measures will be taken to resolve this. Balance amount of the debtors of foreign scholarships will be recovered with a close relationship with the Attorney General's Department. This balance has been created as a result of activities occurred a long time ago. There is no room for restraining from loan payment.

(c) The issue of human and physical resource shortage that prevailed for a long time has been resolved to a great extent. Sinhala and English Information and Publication Officers and Sinhala Editor to the publication staff have been recruited during the year. Action has been taken to complete all the reports delayed from 2013, 2014 and 2015. Special administration methods have been used in this regard.

(d) Investigations regarding the recruitment of the institute are carried out properly. Action is taken to fill the vacancies. Filling all the vacancies which the treasury funds are allocated will end this month.

Director/ Chief Executive Officer

Copy – Secretary , Ministry of Agriculture