

ANNUAL REPORT 2008

**Hector Kobbekaduwa Agrarian Research and Training Institute
114, Wijerama Mawatha,
Colombo 07.**

Contents

	Page
Annual Report 2008	01
Board of Governors	03
Agricultural Policy and Project Evaluation Division	05
Environmental and Water Resources Management Division	12
Marketing Food Policy and Agribusiness Division	15
Human Resources Development and Institutional Development Division	21
Staff Position as at 31 st December 2008	27
Staff Development	27
Accounts	29
Auditor General's Report	41

Hector Kobbekaduwa Agrarian
Research and Training Institute,
114 Wijerama Mawatha,
Colombo 07.

28th May, 2009.

The Hon. Minister of Agricultural Development and Agrarian Services,
Ministry of Agricultural Development and Agrarian Services,
“Govijana Mandiraya”,
80/5, Rajamalwatta Avenue,
Battaramulla.

Annual Report and Audited Accounts 2008

In terms of section 14 (2) of the Finance Act No. 38 of 1971, I submit herewith on behalf of the Board of Governors, the following documents for the year ended 31st December 2007.

- (1) The Annual Report
- (2) The Audited Statement of Income and Expenditure
- (3) The Audited Balance Sheet
- (4) The observations made by the Auditor General on Accounts

I remain,

Yours faithfully,

Chairman
Board of Governors

ANNUAL REPORT 2008

The 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 Agricultural Development and Agrarian Services. It was established mainly for the promotion of policy oriented research and training needs of the agrarian and rural sector. Being a pioneer of agrarian research in the country, HARTI has wealth of experience spanning over thirty five years, in conducting socio-economic research and training and also providing information for formulation of agrarian sector development policies since its establishment in 1972.

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 economic use of land for agricultural purposes;
- v. To carry out socio-economic research relating to agricultural and rural development;
- vi. To provide or 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 hold 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 in order to serve their regional needs and provide a centre for the collection and dissemination of information on agrarian problems; and
- 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 for 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 into agrarian questions;
- ii. To liaise closely with planners and policy makers in the government, business and research communities;
- iii. To make policy process more effective through knowledge generation and timely dissemination;
- 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;

Staff

The Institute has created a work environment that is conducive for employees to perform their job requirements satisfactorily. In the year under review we note that the age analysis of the research staff was 46 years and 2 months. The mean age of the Statistical staff was 47 years. The age analysis and the service analysis of the employees as at 31st December 2008 is given in Table 1 and Table 2 respectively.

Table 1: Age analysis of staff as at 31st December 2008

Age group	Managerial Staff	Research Staff	Statistical, Data Analyst Staff	Clerical & Allied	Minor Grades	Total
Above 60	02	-	-	-	-	02
51 - 60	04	11	04	16	12	47
41 - 50	05	07	12	10	10	44
31 - 40	03	12	08	16	10	49
21 - 30	-	-	-	09	04	13
20 and below	-	-	-	-	-	-
Total	14	30	24	51	36	155

Table 2: Service analysis of employees as at 31st December 2008

Service (Number of years)	Managerial Staff	Research Staff	Statistical, Data Analyst Staff	Clerical & Allied	Minor Grades	Total
Above 20	03	10	09	16	17	55
16 - 20	03	05	03	03	03	17
11 - 15	01	03	08	08	03	23
06 - 10	-	-	04	12	02	18
Below 05	07	12	-	12	11	42
Total	14	30	24	51	36	155

The year under review marked the completion of 36 years of operation of the Institute. The government's new agricultural and food production policy "*Api Wawamu, Rata Nagamu*" got into full swing this year with a marked improvement in the production of agricultural commodities. In the year 2008 institute was able to compile its corporate plan for the next five years (2009-2013). The activities completed by the Institute are summarized in the ensuing pages.

BOARD OF GOVERNORS

- Mr. J. Ranjith Wijethilake - Secretary, Ministry of Agricultural Development & Agrarian Services (from October 2008)
- Mr. T.M. Abayawickrama - Secretary, Ministry of Agricultural Development & Agrarian Services (until June 2008)
- Mr. V.K. Nanayakkara - Director, HARTI
- Mr. W.M Jayathilake - Addl. Secretary (Lands), Ministry of Agricultural Development & Agrarian Services
- Mr. M.P. Hewawitharana - Asst. Director, Dept. of National Budget (from July 2008)
- Mrs. Bimba Gunathilake - Director, Ministry of Nation Bldg.
- Mr.G.D.W. Jayawardena - Addl. Secretary, Ministry of Plantation Industries (from June 2008)
- Mr. K.D.S. Ruwanchandra - Senior Asst. Secretary, Ministry of Plantation Industries (until February 2008)
- Mrs. Malini Peiris - Secretary, Ministry of Higher Education
- Mrs. Kamala Uyanwatta - Addl. Secretary, Ministry of Agriculture (from February 2008)
- Mr. D.D. Waniganayake, - Commissioner General of Agrarian Development (until March 2008)
- Mr. Sam Edirisuriya - Addl. Secretary, Ministry of Trade
- Mr. N.K.G.K. Nemmawatta - Director, Department of Trade & Tariff & Investment Promotion (until May 2008)
- Mr. Ravindra Hewavitharana - Commissioner General of Agrarian Development (from April 2008)
- Mr. K.L. de Silva - Senior Economist, Central Bank
- Prof. Buddhi Marambe - Dean, Faculty of Agriculture, University of Peradeniya
- Dr. C. Kudagamage - Director General of Agriculture
- Mr. S.D.A.B. Boralassa - Land Commissioner General

- Mr. H.P.S. Somasiri - Director General of Irrigation
(from January 2008)
- Mr. A.P.G. Kithsiri - Commissioner General of Co-operative Development
- Mr. Wasantha Ekanayake - Addl. Secretary, Mahaweli & Export Agriculture
(until January 2008)
- Mr. Pote Chumsri - FAO Representative
(until January 2008)
- Mrs. R. de Silva - Secretary, Board of Governors

AGRICULTURAL POLICY AND PROJECT EVALUATION DIVISION

COMPLETED STUDIES

1. Informal Land Transactions in Settlement Schemes in Sri Lanka and Their Impact on Production, Investment and Income of the Settlers

Co-ordinator: Mr. J.K.M.D.Chandrasiri

Objectives:

The main objective was to examine the causes for informal land transactions in settlement schemes and their impact on production, income and well being of the settlers. The field survey of the study covered four settlement schemes - namely Parakrama Samudra, Udawalawa, Mahaweli-H and Kirindi Oya.

Findings:

- i. Informal operation of land in settlement schemes is a very popular phenomenon -- common to both low and high lands -- but greatly influencing the former. In general, 60 per cent of low lands were under informal tenure conditions but it was more under settlement schemes like Mahaweli-H in particular-- where about 73 per cent of low lands were under informal tenure conditions.
- ii. The informal tenure systems over low lands were diverse and some of them were based on informal methods of transactions. Among them -- leasing on fixed produce (*vee badu*), leasing on cash and mortgaging were more popular. The other informally operated tenure or methods of transactions were -- purchasing (or selling) without legal documents, freely transferring to operate, fragmenting, jointly managing and encroaching government or private land.
- iii. Informal tenure systems or methods of transaction were diverse from area to area. It was based on land rent, cultivation rights and other terms and conditions. Each of them appeared to have been shaped by particular environmental conditions such as availability of water, types of cultivable crops and cropping pattern, infrastructure and marketing facilities, social and economic factors, etc. As a result, a number of informal tenure methods had prevailed in different locations.
- iv. The main reasons for transacting lands under lease systems were -- lack of family labour for cultivating the land, need of money for contingencies, living out of the area and impossibility of maintaining the land. The major reason for mortgaging lands was - - requirement of money for contingencies. The other reasons were -- lack of family labour for cultivating the land, need of money for the repair of household, necessity of changing the mortgage for a higher value, etc.
- v. Non availability of land rights or clear titles is no longer an issue of obtaining credit especially for investment on short-term crop production in land - in the case of many informally operated farmers. Because they would depend on micro-finance institutions like farmer bank -- *Samurdhi* bank and provincial development banks like -- *Rajarata* bank which accepts group guarantees against credit.

- vi. The type of relationship between the landowner and the cultivator of the informally transacted land did not badly affect on production activities and social life of both parties -- because most of the land transactions have been between friends and relatives other than those not known to each other.
- vii. In the case of paddy cultivation, the productivity of lands under leasing on cash, fixed produce and mortgaging was higher than the productivity of lands operated by the legal owner. Same as in the case of income.
- viii. Informal land transactions had encouraged use of land, water and labour with capital and advanced technology for commercial agriculture -- efficiently and effectively -- to have higher productivity and profits especially by diversifying land into other crops like banana and papaw.
- ix. In dealing with land management, the normal behaviour of informal land operators was -- that they did not participate in pre-cultivation meetings of the farmer organisations and also did not follow their decisions or cultivation schedule in the area.
- x. At present, with the given power of certifying the applications -- to obtain subsidized fertilizer -- the farmer organizations have been able to pressurize informal land operators into following the decisions of *kanna* meeting and farmer organisations.

The study recommends that -- as informal transactions of land in settlement schemes are positively functioning in many aspects -- the transferring of land should be made legal under them. Further, it should be made compulsory --for informal operators of land -- to become members of relevant farmer organizations so that they would also have to abide by their rules and regulations.

2. The Role of Agricultural Research and Production Assistant: Present Situation and Future Prospects

Research team: Ms. M.D.Susila lurdu - Co-ordinator
 Ms. P.R.Weerakkody - Co-researcher
 Ms. R.N.K.Rambukwella - Co-researcher

Objectives

The objective of the study was to investigate the potentials and constraints of the ARPAs in addition to their role at rural level in Sri Lanka.

The study was conducted in seven districts where the agricultural activities are prominent. 21 agrarian service centres were selected from the seven districts and 226 ARPAs took part in the questionnaire survey.

Findings:

- i. Majority of the sample population had adequate educational qualifications to carry out functions efficiently and effectively -- as grass-root level coordinators -- in implementing agricultural activities. Around 96 percent of the sample population fulfilled minimum required educational qualifications for ARPAs.
- ii. 24.3 per cent of the sample population had an opportunity to undertake long-term trainings. The ARPAs who had long-term trainings-- in the sample -- show higher performances than the non-trained.

- iii. The ARPAs should be recognised as important officers at rural level. Due to reasons *inter alia* -- nature of their appointment, less educational qualifications and the job title -- they are yet to receive due recognition.
- iv. In the duty list of ARPAs -- the highest priority was to implement new programmes of the government. They do not provide extension services but act as rural level coordinators in the agricultural development activities.
- v. 58 duties are assigned to ARPAs. They are very complex in nature. Therefore it is very difficult to define the nature and area of duties. The evaluation of ARPAs' performance is also difficult.
- vi. There are very less variations according to gender, but only female ARPAs encounter transport difficulties.
- vii. Majority (ie 75 percent) of the ARPAs have a medium-level of job satisfaction and the level of job dissatisfaction is relatively higher than the level of job motivation.
- viii. Services of ARPAs can be made use of -- effectively and efficiently -- as good and strong human resources to develop rural agricultural sector.

The study recommends the re-arrangement of the list of ARPAs' duties. To obtain maximum benefit for rural agricultural development of the country -- it further recommends to have the subject of rural extension removed from their duty list, recognize them as facilitators making mandatory for them to follow a-one-year agricultural training course and introduce a proper evaluation and promotional scheme and an appropriate scheme of transfer.

3. Mid-term Evaluation of Dairy Village Development Project

Research Team : Ms. H.M.S.J.M. Hitihamu - Co-ordinator
 Mr. S. Epasinghe - Co-researcher

Source of funding: Ministry of Livestock

Objective:

The study was an attempt to investigate the level of achievement of the objectives of the Dairy Village Development Project (DVDP) in addition to examining the problems, constraints and effectiveness of the strategies implemented to achieve the project objectives. Giving necessary policy guidelines to make the project more successful is-- also part of the objective.

The study was conducted in 10 districts where dairy villages were established by the ministry of livestock development. Considering the implementing year of DVDP (2004 and 2005) 30 dairy villages were selected for the study and 293 farmers were interviewed using structured questionnaire. The information from secondary sources were also used for the study.

Findings:

- i. After implementation of DVDP, both cow milk and buffalo milk production has increased. The average production has increased from 16.01 litre/day/farmer to 19.9

litre/day/farmer. The highest production was observed in Puttalam district and the increase was from 18.6 litre/day to 31.6 litre/day. This is basically due to successful delivery of input under DVDP and managing high yielding breeds in the district. The milk production has increased in all districts in the study. The total improvement of milk production was 24 per cent. Therefore, DVDP is a very important and valuable programme for the improvement of dairy industry in Sri Lanka. This project enhances the production performance and family income of rural small-scale dairy farmers.

- ii. Due to effectiveness of the project, the milk consumption has increased slightly from 1.06 litres/day/household to 1.10 litres/day/household. The total number of households that consume fresh milk -- have increased from 67.2 per cent to 71.33 per cent after implementation of the project. Slight improvement in fresh milk consumption was shown among farmers in different districts in the study area. The quantity of milk consumption has - to a great extent -- increased in Hambanthota district (0.21 litres to 1.09 litres). The consumption of fresh milk among dairy farmers seems to be lesser than expected as per the project. Farmers stated that the lesser consumption of fresh milk was due to allergies to younger generation.
- iii. The farmers did not take interest in value-added products as expected under the project.
- iv. Even though there is a vast area of income generating activities in the dairy sector, the farmers have not given attention.
- v. Out of 18 strategies, 10 were implemented to meet the project objectives under the project in the study area and in future projects it is important to implement other strategies as well.
- vi. The study information proved that buying a genetically improved high producing animal is very difficult task for dairy farmers in the study area. At present, if farmers need to buy a healthy and high producing animal, they have to buy it from the surrounding area with minor improvements on genetic performance.

The study recommended that private sector breeding centres be set up under supervision of VS office in specific areas. It also recommended *inter alia* -- to conduct meetings of farmer managed societies once a month with the participation of relevant officers, introduce follow-up programmes and loan schemes to attract new farmers to dairy industry, transmit new technology to younger generation, make awareness of the importance of fresh milk consumption using the electronic media, conduct national and regional training to change the mindset of people about consumption of fresh milk and find remedies for allergies caused by fresh milk etc.

4. Action Research in Muchchagama Village in Ipalogama DSD under "Gamaneguma Programme"

Research Team: Mr. R.L.N. Jayatissa - Co-ordinator
Mr. M.A. C. S. Bandara - Co-researcher

This programme was implemented under Gamaneguma Village Development Programme to learn lessons and guidelines - to promote agricultural production and socio economic conditions of the tank-based agrarian societies in the dry zone of Sri Lanka.

Objectives:

- i. Promote use of available resources in the village to increase productivity, income and employment of the people
- ii. Examine better methods and mechanisms to mobilise people for more productive economic activities
- iii. To promote involvement of women in economic activities
- iv. Investigate for establishing a sustainable area-based organizational mechanism to take responsibility for planning, implementing and monitoring
- v. Evaluate the development activities, coordinate and build linkages between village and outside.

Activities Implemented and Lessons Learned

Under the programme, an organizational mechanism -- with divisional secretary of the project area as the head -- was formed. The key officials representing the provincial council and the other important agencies which provide agricultural services in the district -- were also involved. An action programme was prepared and implemented with participation of village people to promote productivity of home gardens and paddy fields.

As part of the programme, 80 bushels of new seed paddy variety (BG-358) were distributed among 34 farmers for cultivation as a *Yaya* model. The total cost of the seed was Rs 52,325 and out of which Rs 32,325 was borne by the project funds. The balance was borne by the farmers. The total amount has been recovered and used as a revolving fund to release credit requirements in future.

Another activity implemented was - the distribution of 265 (*Kartha Colomban*) mango plants with clay pots (to store water inside) to develop home gardens. The people have successfully cultivated them and in future they can benefit yield.

HARTI spent an amount of Rs 287,121 while agricultural ministry of north central province spent Rs 47,495 to restore the main village tank that had been covered in lush and vegetation. The villagers also contributed their labour. The total value estimated for the entire exercise was Rs 1 million. But the actual amount spent was Rs 334, 616. This is a good lesson learned by this project.

Under the objective of promoting women for economic development, the arrangements were made for them to benefit from the home garden development programme - *Siriliyaka Saviya* of the north central provincial council. In addition to advisory service, seeds were distributed by it.

Other lessons learned from the project were: (a) possibility of taking active service of the AI for village development activities. Otherwise it is not easy to obtain the AIs service, because his range covers a number of villages; (b) the research team has identified some positive aspects about village people taking part in their own development activities. Prior to implementation of the project, this village had been considered a backward village in terms of people's participation in village development.

5. Diffusion of Conservation Farming Techniques in the Upcountry Vegetable Farming System: Trends and Effects

Research Team: Ms. Sharmini K. Kumara - Co-ordinator
Ms. P. R. Weerakkody - Co-researcher

The main objective of the study was to assess farmers' knowledge on the environmental concerns in the up country vegetable farming system (UPVEGSYS) and their response towards conservation options.

In line with the main objective of the study, the final draft report has been organised into six chapters entitled "Natural Resource Management Perspectives in Upcountry Vegetable Production: Farmers' Knowledge Attitudes and Responses". Followed by an introduction, the literature survey of the report presents key environmental concerns in the UPVEGSYS and research and extension efforts launched towards its sustainability. Further the report contains a description of the physical distribution of the farming system and the socio-economic characteristics of the sample community chosen from Kandy, Matale, Badulla and Nuwara Eliya districts.

Study findings includes efforts on raising farmer awareness on conservation farming techniques and their response towards same, with particular reference to three major environmental concerns in the UPVEGSYS; soil degradation, pesticide pollution and fertilizer pollution.

The study concludes that an exceptional growth has occurred in the UPVEGSYS over the past half a century due to competitive and cost effective nature of up country vegetable production supported by climatic conditions.

6. Evaluation of National food Production Drive /Api-Wawamu Ratanagamu Programme

Research Team:	Mr. J.K.M.D. Chandrasiri	-	Coordinator
	Dr. L.P.Rupasena	-	Consultant
	Dr. W.M.G. B. Giragama	-	Co-researcher
	Mr. S. Herath	-	Co-researcher
	Mr. S. Epasinghe	-	Co-researcher
	Mr. H.M.J. K. Herath	-	Co-researcher
	Miss H.M.S, J.M. Hittihamu	-	Co-researcher
	Miss M.K.N. Damayanthi	-	Co-researcher
	Mrs. M.D. Susila Lurdhu	-	Co-researcher

The study was an attempt to evaluate the home garden development component -- which is one of main strategies followed to increase domestic food production of the country under *Api-Wawamu Ratanagamu* programme of the ministry of agricultural development and agrarian services. The major objectives of the study were: to examine the implementation progress of the programme; to investigate the level of contribution of home garden development component to achieve the national objectives of the programme and to make valuable recommendations to implement it in a more productive manner.

Findings:

- i. Over 80 percent of targeted home gardens have been established and the enthusiasm of the officers has been the major reason for this high progress.
- ii. More than two-third of home gardens initiated under the programme has been improved other than new home gardens. The major reason for this was -- the previously developed condition of most of the home gardens in many districts including Kandy and Polonnaruwa. But in some districts like Anuradhapura and

Hambanthota where *chena* cultivation was popular --new home gardens were initiated in urban and rural areas.

- iii. The enthusiasm of officers, free distribution of seeds, conducting of training classes, popularisation and increases in food prices affected developing of newly home gardens in rural and urban areas.
- iv. Cultivation of vegetables by home gardeners in rural and urban areas has satisfactorily contributed to achieving the objective of encouraging the people to meet their requirement of vegetables from the home garden.
- v. Most of rural and urban home gardeners had used cow dung / animal dung and compost on their cultivations and also had adopted traditional methods to prevent insects and pest attacks. They dug a compost pit/heap too. These were the indications--to show the success of some achieved objectives of the home garden development component -- such as promoting organic fertilizer and agricultural produce without poisonous elements.
- vi. An amount of 210 kilos of produce from a rural home garden and 120 kilos of produce from a urban home garden was recorded while 70 percent of all home gardeners utilized more than 75 percent of their produce for home consumption – an indication of a significant success of home garden programme.
- vii. The major problem faced by rural home gardeners was the inability to obtain seeds and planting materials due to increase of prices. Another major issue was the damages done by animals.

Recommendations for expansion of home garden programme were: improve knowledge of ARPAs about home garden development; give necessary advice to people about the home garden development through ARPAs; and encourage people for home garden development by making available seeds free of charge etc.

ONGOING STUDIES

1. Agricultural and Agrarian Transformation in Sri Lanka
2. Impact of Decrease of Cultivated Paddy Lands in the Wet Zone of Sri Lanka
3. Spatial and Temporal Variations of Women's Role in Agriculture
4. Pro-poor Policy Formulation Dialogue in Sri Lanka
5. Restudy of Pul Eliya Village to Capture Divers, Potentials and Constrains: Agrarian and Agriculture Transformation at Grass-roots level
6. Study the Food Consumption Patterns to Develop Traditional Food-based Production and Marketing Policies for Nutrition Promotion: Special Reference to Food Habit Changes and its Impact on Rice Consumption in Sri Lanka
7. Changing Terms of Trade of Small Farming Sector Sri Lanka
8. Rural Development in Sri Lanka : *Dynamics and Perspectives*

ENVIRONMENTAL AND WATER RESOURCES MANAGEMENT DIVISION

COMPLETED ACTIVITIES

1. Allocation of Water among Different Sectors in Sri Lanka: Lessons of Experiences

Research Team: Mr. M.M.M. Aheeyar - Co-ordinator
Mr. V.K. Nanayakkara - Co-researcher
Mr. M.A.C.S. Bandara - Co-researcher

The principal objective of the study was to analyze past experiences and lessons from mechanisms in the allocation of water adopted by different sectors in the island. The study was based on three selected locations -- namely Thuruwila, Kalthota and Lunugamwehera.

Findings of the three case studies:

Thuruwila case study;

- i. Villagers / farmers in Thuruwila were not in agreement with the diversion of water from the Thuruwila tank to Anuradhapura town - to cater to its drinking water demand --during the initial stage of the project but their stance changed later.
- ii. The project did not have effective campaign to create awareness -- about the drinking water project - among farmers. As a result it created mistrust and resistance among farmers.
- iii. The drinking water project has accorded considerable advantages to beneficiaries (ie - improving economic and social welfare) particularly among women and children.
- iv. It has not made any negative impact on agriculture production and productivity.
- v. There are no accepted principles in Sri Lanka on allocation of water among different sectors but *ad-hoc* decision-making.

Kalthota case study;

- i. Water-sharing arrangement introduced under Kalthota Irrigation Scheme (KIS) had made a positive impact on farmers during dry seasons -- in spite of the conflict of interest between agriculture and the KIS's principal objective of hydropower generation -- after construction of the Samanawewa reservoir.
- ii. Further the scheme emphasises the need of a strict water management policy - to change attitudes of farmers and improve the existing system efficiently.
- iii. The study also reveals that farmers rejected the compensation scheme of the CEB in 1997 due to socio-cultural reasons, problems of managing the one-off compensation at household level, lack of income for tenant farmers and insufficient income for small land owners -- because opportunities were paused-- to hire out their labour

Lunugamwehara case study;

- i. Farmers in the 'old system' area of Lunugamwehara project suffered water shortages not only due to destruction of traditional irrigation tanks and ponds, but also due to the priority being given to almost 70 percent of water of the Lunugamwehara reservoir - to 'new system' areas.
- ii. Livestock enterprise was not recognised by the project appraisal and the basic thrust of the KOISP was for irrigated agriculture. The project converted the forest scrub lands traditionally used for livestock rearing into the cropland disregarding the basic needs of the animals. This is a clear example of non-recognition of the multiple use of land and water resources at the basin level.

- iii. The process adopted in sharing of water of the Krindi oya basin is a failed attempt. It has caused inequality in sharing water between different types of water users. The authorities have denied the rights of rearing livestock prevalent under the traditional management system. The problems of the livestock farmers are yet to be addressed.

2. Assessment of Runoff Rainwater Harvesting Intervention in Sri Lanka

The objective of the study was to assess the intervention and performance of the existing Runoff Rainwater Harvesting (RRWH) systems considering the increasing water scarcity in the dry areas in order to use the RRWH system as a tool to minimise the effect of drought disaster.

Research Team: Mr. M.A.C.S. Bandara - Co-ordinator
Mr. M.M.M. Aheeyar - Co-researcher

Findings of the study:

- i. Farmers utilised the harvested rainwater stored in RRWH ponds for purposes such as agriculture, livestock rearing, aquaculture and domestic use. The RRWH ponds/tanks are most popular for highland and home garden cultivation.
- ii. About 35 percent of farmers use runoff tank water for some of their lowland plots as a supplementary water source. The number of farmers involved in seasonal crops cultivation has increased significantly after introduction of RRWH ponds. The increase is very much significant during *yala* seasons.
- iii. There are increases in extent of cultivation among RRWH farmers, while considerable numbers of farmers have introduced new crops to the farming system.
- iv. The noteworthy change is the number of farmers involved in paddy cultivation. It has increased dramatically after the project though there are traditional rainfed lands located in the drier part of the country.
- v. About 72 percent of *yala* cultivators are using RRW as a sole source or main water source of their cultivation, which indicate the water scarcity condition in the area during dry seasons.
- vi. Cattle and poultry are the main livestock reared by 86 percent and 25 percent of the sample households with some linkages on RRWH ponds. About 6 percent of livestock farmers use the RRWH tanks purely for livestock rearing.
- vii. About 69 percent of livestock entrepreneurs have accepted that there is an improvement in livestock related income after introduction of RRWH ponds to the farming system. About 2 percent of beneficiaries have utilised the RRWH ponds solely for aquaculture activities. However 31 percent of the sample beneficiaries have used the ponds for aquaculture, while performing crop cultivation activities.
- viii. Non-availability of water in the RRWH ponds throughout the season, low level of growth of fish fingerlings within the recommended time period and lack of adequate knowledge among farmers on aquaculture are major problems specified by the beneficiaries.
- ix. About 48 percent of the sample households are utilising the harvested runoff water for various household needs except for drinking. According to the beneficiary

perceptions, 85 percent have realised the positive changes in the surrounding microenvironment after construction of ponds.

- x. Integration of crops with livestock and aquaculture into the farming system under the RRWH pond in dry areas in the country can make higher returns in a short-term period.
- xi. The economic analysis of different scenarios indicates that the RRWH-pond investment remains economically viable in all circumstances. Silting of ponds was the main problem experienced by farmers when they are using the ponds. Loss of water through leaks created in the ponds, loss of water through evaporation and percolation and damage done to bunds by wild and domestic animals are -- the other main problems encountered by farmers at the later stage of the pond operation.

3. Monograph on "The Small Village Tank System of Sri Lanka: Their Evolution, Setting, Distribution and Essential Functions"

Author: Dr C R Panabokke

Chapter outline

- i. Introduction
- ii. 2. Early Historic Period (500 B.C. to 300 A.D.) Evolution of the Small Village Tank in North Central Sri Lanka
- iii. Middle Historic Period (300 AD to 100 AD) Spread of Wetland Rice: Form and Order of Cascade System
- iv. Polonnaruwa Kingdom- Major System from 1000 AD to 1250 AD
- v. Some Aspects of Traditional Irrigation in Small Village Tanks
- vi. A Scientific Approach to Investigation on Village Irrigation Works

ONGOING STUDIES

- 1. Anicut Systems in Sri Lanka: A Socio Economic Analysis in Nilwala River Basin

OTHER ACTIVITIES

1. Consultative Workshop on updating Sri Lanka Water Development Report

HARTI is one of the partners of updating Sri Lanka Water Development Report (SLWDR) under the World Water Assessment Programme of UNESCO. A one-day-stakeholder-consultative workshop was organised by HARTI in collaboration with the ministry of agricultural development and agrarian services on 18th March 2008 with financial assistance of UNESCO. The major objective of the workshop was to obtain the expert comments and suggestions to update the SLWDR.

MARKETING FOOD POLICY AND AGRIBUSINESS DIVISION

The marketing, food policy and agribusiness division – MFPAD (ex market research unit) was established in the Agrarian Research and Training Institute (ARTI) in 1979 -- to provide market information to the Cost of Living Review Committee (CLRC), which was conducted at national level. Since then the division has been providing relevant data and information to policy-makers, entrepreneurs, traders, farmers and students.

Further, the MFPAD provides the agricultural prices and market information to the National Food Security Committee (NFSC) and the Cost of Living Review Committee (CLRC) that make policy decisions regarding production and marketing of agricultural commodities at the President's office in Sri Lanka.

In addition to above, this division provides prices to the food procurement and monitoring unit that functions under the presidential secretariat -- to decide the procurement prices of food to the government institutions (air force, army, navy, hospitals and prison).

REGULAR WORK PROGRAMME

Food Information & Market Intelligence Project

Research Team:	Dr. T.A. Dharmaratne	-	Co-ordinator
	Ms. C.P.Hathurusinghe	-	Co-researcher
	Ms. Roshini Rambukwella	-	Co-researcher
	Ms. Ruwini Widanapathirana	-	Co-researcher
	Mr. T.G. Somaratne	-	Co-researcher
	Mr. H.M.J.K. Herath	-	Co-researcher
	Mr. Duminda Priyadarshana	-	Co-researcher - From Dec. 2008
	Mr. N.P.G. Samantha	-	Co-researcher - From Dec.2008

Assisted by:

Statistical Officers/ Assistants	-	14
Casual Investigators	-	18

Division provides accurate data and information in time -- to policy-makers. As usual, prices and relevant market information of food commodities were collected from 9 retail markets in Colombo and suburbs -- namely Pettah, Thotalanga, Dematagoda, Borella, Wellwatte, Kirulapone, Nugegoda, Kadawatha and Kiribathgoda and (Colombo) Pettah wholesale market. In addition, data and information were collected from 24 markets in major food producing districts and food consuming districts.

Six statistical officers, seven statistical assistants and 20 casual investigators were employed to collect data. For the collection of data in outstations both statistical officers/assistants and 15 casual investigators were employed.

The locations covered in 2008 were -- Kurunegala, Nikaweratiya, Dambulla, Matale, Anuradhapura, Thambuttegama, Polonnaruwa, Nuwara Eliya, Kandy, Hanguranketha, Badulla, Kappetipola, Ratnapura, Embilipitiya, Hambantota, Tissamaharamaya, Matara, Galle, Kalutara, Moneragala, Dehiattakandiya, Ampara, Puttalam and Marandagahamula. In addition, wholesale prices of food commodities were collected daily from Pettah, Kandy, Dambulla, Noroichchulai, Marandagahamula and Meegoda markets. These data were disseminated daily through electronic media -- to enable producers and traders to

become aware of commodity prices in main wholesale markets in time. By analysing both wholesale and retail prices in Colombo and outstations and also producer prices in major producing areas, the weekly food commodities bulletin is issued on every Friday. 52 bulletins were issued in time during the year.

Progress for the Year 2008

- Weekly Food Commodities Bulletin – 52 bulletins were issued.
- Monthly Food Information Bulletin – 12 bulletins were issued
- Daily Food Prices provided to relevant authorities – for the whole year.
- Provided daily and weekly information to the media in time.
- Provided price data and other market information on request --to government and private sector agencies throughout the year.

COMPLETED STUDIES

1. An Analysis of Price Margins of Agro-chemicals

Published in November as a working paper

Research Team: Ms. Ruvini Vidanapathirana - Co-ordinator
Ms. Roshini Rambukwella - Co-researcher

Objectives of the Study:

- To prepare a database on CIF prices and retail prices of agro-chemicals marketed by different agro-chemical companies in Sri Lanka.
- To find out the price margin between CIF and retail prices of agro-chemicals used in Sri Lanka.
- To find out the cost structure for the agro-chemical industry in Sri Lanka.

Findings:

- i. According to the cost structure of Agro-chemical companies, the landed cost is around 8-10 percent. They maintain a 40-45 percent of cost, as company margin and factory charges. Pesticides companies maintain a dealer margin of 25-30 percent. It varies depending on the companies.
- ii. According to the cost structure, the price gap between CIF prices and label prices is around 150 percent. However, it varied from 120 to 250 percent in field observations. This depended on the product and company. Company's factory charges are nearly 20 percent and they maintain a 20- 25 percent gross company margin. Further, all pesticides are subjected to 15 per cent VAT. Due to these high margins, a high price gap is reported between CIF and retail price.
- iii. The stiff competition prompts the main dealers to give a high discount percentage and according to companies, it varies from 20 to 25 percent with a net margin of 5 percent. However, in field observations, it varied from 10 to 30 percent and the net margin for the distributor would change more or less by 5 percent.
- iv. Retail prices of pesticides are lower than the label prices in most of the agricultural producing areas. Retail price of a product for a same pack size varies from location to location depending on the percentage of discount.

2. The Study on Production and Marketing of Other Field Crops

Research Team:	Ms. C.P.Hathurusinghe	-	Coordinator
	Mr. T.G. Somaratne	-	Co-researcher
	Ms. Roshini Rambukwella	-	Co-researcher
	Ms. Ruwini Widanapathirana	-	Co-researcher

Objectives:

The principal objective of the study was to ascertain the reasons for decreasing cultivation of the crops -- and study the structure, conduct and performance of the sector. The other objectives are given below.

- i. Review the past trend and present situation of the production and demand.
- ii. To study the potential for expansion of production
- iii. To find out the constraints for expansion of quality produces
- iv. To study whether there is food insecurity in the agrarian sector
- v. To study whether the farmers adopt new technologies for cultivation, processing and marketing
- vi. To analyse the market margins and
- vii. To suggest policy measures for the development of this sector.

Findings:

- i. The cultivated extent of most of the crops had been declined until 2000 and after that it was stabilised at about 20,000 ha. Maize cultivation has increased sharply as a result of forward contracts made by private companies. There was a tendency to cultivate newly improved local variety of *Cowpea* "Dhawala" in Ampara district -- this commodity fetched a higher price due to good quality.
- ii. Though the private sector is engaged in seed sector -- access to high quality seeds and planting material is limited due to procedural delays on the part of the state. In addition, research and extension services for high value crops are not adequate and not demand-driven.
- iii. Due to lack of quality seeds, the produces available in the market are relatively low and demand for imported commodities is high. Before 1996, the total availability of traditional crops was comprised of local production and subsequently it declined up to 70 percent. Production of big onion has increased by 145 percent from 2004-2007 due to high protective measures taken by the government. Customs duty was increased from Rs 3.00/kg to Rs 9.00/kg.
- iv. *Ad hoc* changes in tariff rates are not favourable to the long-term growth of this sector -- because this policy increases the inefficiency of production and marketing of commodities. As a result of *ad hoc* tariff, market price distortions occur in every year and this has badly affected both the producers and consumers. During the off-season, all are consumers.
- v. The producers, traders and processors are reluctant to invest in this sector due to uncertainty. Still there are consumers for traditional field crops and demand has increased. To fill the gap between local production and demand, about 25- 30 percent from the totally available supply was imported.

3. Socio-economic Status in the Proposed Siyambalanduwa - Moneragala Sugar Project

Research Team: Dr. T.A. Dharmaratne - Coordinator
Dr.L. P. Rupasena - Co-researcher

Source of funding: Sugar Research Institute

The Sugarcane Research Institute (SRI) requested HARTI to conduct a pre-feasibility study on the proposed Siyambalanduwa - Moneragala Sugar Project. Locations were identified by the steering committee based on a 40-km radius of the proposed factory site. The survey was carried out in 61 *Grama Niladari* divisions within two divisional secretary areas in Moneragala districts.

Objectives of the survey were:

- i. To ascertain demographic characteristics, education levels, employment, unemployment, land ownership and land use pattern;
- ii. To examine the prevalent infrastructure facilities;
- iii. To work out competitive profitability and
- iv. To estimate potential land for sugarcane cultivation.

The total land area of the command area amounted to 165,593 acres. Of that, 30 percent are reserved for wild life and forest; private-owned land is only 5.09 percent; encroached land accounted for 20 percent and state lands represent 17 percent. Holding sizes of the lands are relatively big compared to national level. Nearly 18.18 percent of the extent of none home gardens are above 5 acres in size. Some 44,785 acres were identified as potential lands for sugarcane cultivation

4. The Food Insecurity and Vulnerability Information and Mapping System (FIVIMS) in Sri Lanka

Research Team : Dr. Wasanthi Wickramasinghe - Co-ordinator

Source of funding: Food and Agriculture Organization

Objectives of the Study:

- o To establish an information system that allows on food insecurity and vulnerability analysis at national, regional, divisional and *grama niladari* division levels;
- o To undertake sub-national level food insecurity and vulnerability assessments to assist policy makers and planners to effectively formulate policies and strategic operational options to reduce food insecurity and vulnerability at each level; and
- o To disseminate information on vulnerability assessments and mapping both online and through print media.

Outcome:

- (a) Policy and vulnerability analysis report was compiled
 - i) Identified locations and population profiles vulnerable to food security at divisional secretariat (DS) level
 - ii) Derived feasible policy options and interventions to reduce vulnerability to food insecurity in the country

- (b) Developed a FIVIMS website linked with the Sri Lanka Key Indicators Data System (KIDS), or Interactive FIVIMS Data Mapper (IFDM) www.asiafivims.net/srl/page.jsp
- (c) FIVIMS Newsletters

5. Evaluation of Fertiliser Subsidy Policy in the Paddy Sector

Research Team: Dr. Wasanthi Wickramasinghe - Co-ordinator
 Ms. Geethani Samarasingha - Co-researcher
 Mr. S. Epasinghe - Co-researcher

Objectives:

- i. To review the fertiliser subsidy policy on paddy sector in Sri Lanka.
- ii. To study the effectiveness of subsidy policy on paddy production in the country.
- iii. To study the efficiency of fertiliser use in paddy sector under the new subsidy programme -- in view of the annual budgetary costs.
- iv. To assess and compare the procurement and distribution of fertilisers -- through state agencies on the availability, timeliness of supply and cost of distribution -- to farmers in relation to private sector distribution-mechanism under the new subsidy programme, and
- v. To suggest appropriate policy options for designing effectively and economically feasible fertiliser subsidy scheme.

Findings:

- i. The new fertiliser subsidy programme has made an effective and efficient contribution towards achieving the national objectives of economic efficiency, food security and, increasing welfare of the rural farmers of Sri Lanka in the short-run. By bringing the fertiliser use -- up to the recommendation and by changing the fertiliser use -- to straight application, fertiliser use efficiency has increased by increasing the average yield. The subsequent increase in the value addition due to increased paddy production -- has caused increased economic returns to the country during the global food crisis.
- ii. Under the new fertiliser subsidy, farmers were provided with three main fertilisers at 350 Rs per 50 kg and it is the **lowest price** recorded for all three fertilisers after withdrawal of the subsidy in 1990. As a result, fertiliser input cost came down from about 15 to only 6 percent of the average cost of production. However, due to huge subsidy rate in the wake of increasing prices of all fertilisers at the world market in 2007, subsidy cost amounted to a more than 3 percent of the agricultural GDP and nearly 30 percent of the government expenditure on agriculture and irrigation. Of the total subsidy of Rs 11 billion in 2007, more than 50 percent of the subsidy was transferred to farmers holding less than 3 acres of paddy land.
- iii. By taking over the responsibility of state-led implementation mechanism, the agrarian development department gradually became entirely responsible for the fertiliser distribution to farmers. While accruing additional benefits by state undertaking of fertiliser distribution, few drawbacks are yet to observe. However, the more conducive institutional mechanism -- that has been strengthened by the new subsidy programme -- have to be made use of -- for the purpose of implementing a more integrated plant nutrition programme -- to increase the productivity potentials of paddy lands in the long-run.

6. Aquaculture for Rural Development and Poverty Reduction

Author: Dr. K.H.D.T. Kasagala (Veterinary Research Institute of Sri Lanka, Peradeniya)

Objectives:

The objective of this study was to examine the state of the aquaculture sector in Sri Lanka and how it could be promoted as an integral component of the strategy for rural development and poverty reduction. It also reviews major trends, constraints and prospects for development of the sector to enhance its contribution towards the national economy.

Findings:

- i. Aquaculture presents significant potential for diversifying and increasing rural household income perhaps much as the potential offered by non-agricultural activities like micro enterprises and many forms of cottage industries. Further, aquaculture can function as an integral part of agricultural production systems.
- ii. The study shows much potential for aquaculture sector development in Sri Lanka. First the country is blessed with diverse climatic niches and different ecological zones needed for rearing variety of aquaculture species like tropical fish varieties, plants etc. Second, very large number of inland fresh water bodies including perennial and seasonal reservoirs, flood planes and large areas with brackish water are available. Third, there are suitable sites in coastal areas to culture pearl oyster, sea cucumber, milkfish, sea bass and grouper. Fourth, shrimp culture that has been expanded over the years -- could be developed strategically to its full potential using existing resources. Fifth, the Government of Sri Lanka recognises the importance of the aquaculture sector for economic development of the country and therefore it assists technology development and implements policies to conserve aquatic resources. Finally, being the fastest food-producing sector in the world, aquaculture also provides high potential for enhancing export incomes. Sri Lanka has shown significant development in the aquaculture sector during the last five decades.
- iii. In spite of the prospects presented by the sector, its potential for rural development, poverty alleviation and nutrition improvement has been little explored by most rural development projects and programmes. A comprehensive strategy -- towards the development of the aquaculture sector, with rural development and rural poverty in focus -- should be designed and implemented. Such a strategy should pay attention to aspects -- like optimal allocation and use of existing resources without much harm for the environment, resolution or minimisation of conflicts associated with existing resources that are often used as common properties and conservation of natural resources.

OTHER ACTIVITIES

- i. ***Ad - hoc* reports submitted to the ministry of agriculture and agrarian development**
 - a. Situation Report of Other Field Crops, vegetables and fruits

HUMAN RESOURCE DEVELOPMENT AND INSTITUTIONAL DEVELOPMENT DIVISION

The training programmes of HARTI include short courses, workshops seminars and symposiums. Resource persons of these programmes are mainly from the institute. Resource persons are also drawn from universities, other governmental institutions and agencies and NGOs according to the specific needs.

COMPLETED TRAINING PROGRAMMES

1. Training Programmes on Participatory Techniques (RRA, PRA & PCM) for Planning and Management of Rural/ Community Development Projects (“Gama Nagumata Sithata Saviya” Programme under “Gamaneguma” Programme)

Co-ordinator: R.M.R. Bandara

In view of the importance of preparing community action plan for sustainable development in rural areas under the *Gamaneguma programme* of the government, HARTI conducted two training programmes on above theme in 2008. The training programmes were designed-- to advocate and make awareness among officers who were directly involved with *Gamaneguma programme* -- to enhance knowledge on preparation of agriculture based community action plan. The basic theme of the programme was “*Gama Nagumata Sithata Saviya*”. The major objective was to enhance the participants’ knowledge on the concepts and methods used in participatory planning and management in addition to development of their skills in using participatory techniques such as RRA/PRA and PCM in rural/community development planning and management.

First five-day training programme was conducted for 16 government officers during 29 March to 2 April, 2008 at the training centre of the department of agriculture in Polonnaruwa. Second PRA training programme was conducted for 32 officers from 29 September to 3 October 2008 at the deputy commissioner’s office of the agrarian development department in Matara. The two programmes were able to train 48 officers and prepared three rural/community development model plans for the trainers and villages selected for field exercises.

According to the agreement signed by HARTI with the irrigation management division (IMD) of the ministry of irrigation and water management, another PRA training programme was conducted on 17 to 21 January, 2008 at the in- services training centre, Mahaelukpallma. Twenty government officers from Anuradapura and Kurunegala districts participated in the programme.

2. Training Programmes on Social Mobilisation for Social Mobilisers of “Wari Pubuduwa” Project implemented by Irrigation Management Division of the Ministry of Irrigation and Water Management

Co-ordinator: R.M.R. Bandara

“*Wari Pubuduwa*” Project was launched by IMD in Kurunegala, Anuradapura, Puttalam and Matale districts. One objective of the project was -- to strengthen the present farmer organisation in the districts. Under this, 184 new social mobilisers were recruited to the project.

HARTI provided consultancy services to conduct the above training programme on the request of “*Wari Pubuduwa*” Project and IMD in July 2007. Six training programmes were successfully completed by end of 2008 as per the agreement signed between HARTI and IMD. The training programmes were designed to advocate and make social mobilisers aware of the activities of social mobilisation. The main objectives of the training programmes were -- strengthening prevailing farmer organisations, making linkage with farmer organisations and other relevant GO/NGOs and private organisations, minimise problems and disunity among the members of farmer organisation and strengthening linkage with farmer organisation and “*Wari Pubuduwa*” project.

Two training programmes were conducted to achieve the above objectives in 2007 and 67 social mobilisers participated in the programmes. During 2008, another four training programmes were completed by HARTI. First training programme in 2008, was conducted from 21 to 25 April, second training programme was conducted from 5 to 10 September, third training programme was conducted from 13 to 18 November and fourth training programme was conducted from 4 to 9 December, 2008. These programmes were conducted at the Wayamba training centre in Wariyapola. 108 mobilisers participated from Anuradapura, Kurunegala and Matale districts.

The outputs of these four programmes were 108 trained social mobilisers under the *Wari Pubuduwa* Project in Anuradhapura, Kurunegala and Matale districts during 2008. HARTI completed the agreement signed with IMD before end of 2008 and 175 social mobilisers were trained.

3. In-country Training Programme on Agricultural Marketing Extension In collaboration with the Commonwealth Secretariat

Co-ordinators : Mr. R.M.R. Bandara
Dr. L.P Rupasena

The present extension system in the country is --production oriented aiming at increasing yield per crop and no attention is paid to farm planning and marketing strategies. In this environment farmers grow crops convenient to them and look for market after production. As a result, production does not match with market demand. Therefore, a system of market oriented production is urgently required to implement --to sustain the agriculture. To achieve this, marketing extension should be added to the present extension system.

The general objectives of this programme were:

- a. To enhance participants’ knowledge about the concepts on marketing extension,
- b. To understand ways and means of delivering marketing intelligence among farmers and
- c. To develop forward and backward linkages among market participants whereby improve supply chain management

The training programme was designed for extension staff working at divisional/village level known as agricultural instructors (AIs) in Polonnaruwa districts. The programme was conducted during June from 12 to 14, 2008 at Giritale Hotel in Polonnaruwa. HARTI implemented the programme in collaboration with the Commonwealth Secretariat.

The output of the programme was - the training of 31 trained agricultural instructors under the department of agriculture in Polonnaruwa district. Another two training

programmes have been planned for 2009 and finally the programme is expected to establish a marketing extension system in Sri Lanka.

4. Training Programme on Adults Training Methodology

Co-ordinator: R.M.R. Bandara

The major objective was to enhance the participants' knowledge on the concepts and methods of adult training methodology -- in addition to improving the skills they developed.

This training programme was designed for agrarian development officers of the department of agrarian development in Badulla districts. The programme was conducted during August 14 to 16, 2008 at the agrarian development training centre in Bandarawela. 32 agrarian development officers participated in the training programme. The output of the programme was - the training of 32 trained agrarian development officers under the department of agrarian development.

5. Training Programme on Trainer-Training for Training of Agriculture Research and Production Assistances (ARPAs) in Sri Lanka

Co-ordinator: R.M.R. Bandara

At the request of the ministry of agriculture development and agrarian services, HARTI planned and conducted the above training programme. Since HARTI lacked physical and human resources to organise and conduct the above training programmes islandwide on same day, they decided to organise and conduct a trainer-training programme for ARPAs. At present, more than 9,000 ARPAs are working as field level officers under the department of agrarian development.

Two trainer-training programmes were conducted during November 27 to 30, 2008 at the agrarian development training centre in Pothuhera (Kurunegala). First two-day training programme was conducted during November 27 - 28 and second was conducted during November 29 - 30, 2008. 41 government officers who were working under the department of agrarian development participated in the training programme. The output of the programme was -- the training of 41 trained government officers under proposed ARPAs training programmes.

STATISTICS AND DATA PROCESSING UNIT

The statistics and data processing unit functions as a national centre for information on agricultural development (NACIAD) in Sri Lanka. In collaboration with the USAID, the centre was established in 1979 aiming to contribute national development by establishing agricultural management information system at HARTI. The main function of the centre is -- to generate and disseminate agricultural and agrarian information for the wider range of users ie- researchers, planners, policy-makers, undergraduates, farmers and other interested individuals.

In addition to above, the unit carried out data analysis of research studies.

Activities relating to agrarian database

The unit collects data from primary and secondary sources and maintains a database on agricultural crops, livestock, demography and vital statistics. The following data series were updated during the year 2008.

1. Average wholesale prices of food commodities.
2. Statistics on paddy (extent sown, average yield and production) and data relating to cultural practices of paddy.
3. Extent cultivated and production of crops other than paddy.
4. Imports/exports of agricultural commodities.
5. Consumption data of food commodities.
6. Fertiliser and agri inputs.

During the year, a number of 43011 records were collected, verified and entered into the computerised data bank.

Requests for Data

The total number of requests met by the unit during the year 2008 --were 159. Of the total requests, 73 were by the users within the institute while the balance was by the external. Distribution of internal requests by divisions is given below: Distribution of external requests by category of users is given below.

Category	No. of requests	%
University staff/undergraduates/other students	22	25.6
Private companies/private institutes	26	30.2
Ministries/ govt.departments/semi-govt. organisations	32	37.2
Individuals	6	7.0
	----	-----
Total	86	100.0

Data Bank Activities

The data bank activities were carried out in three categories namely -- data appending, data verification and system developments. During the year, the data-retrieving programme was further modified to produce easy accessible formats. The entire database was checked for verification of cost of production, fertiliser and income data. Indexes were generated to check the availability of data.

Data Processing Activities of Research Studies

Data analysis of the following studies was completed during the year.

1. Diffusion of Conservation Farming Techniques in Upcountry Vegetable Farming System Trends and Effects
2. Study on Milk Cattle Problems in Udawalawa National Farm
3. Allocation of Water among Different Sectors in Sri Lanka: Lesson of Experience
4. An Assessment of Runoff Rainwater Harvesting Intervention in Sri Lanka
5. The Study on Constraints and Potentials of Agricultural Research and Production Assistance in Providing of Extension Service to the Rural Sector

6. Commodity Review and Agricultural Profile
7. National Food Drive Programme
8. Study on Informal Land Transactions in Settlement Schemes in Sri Lanka
9. Study on Subsidy Food Crops

HARTI Website

As a regular feature, daily prices coming from the marketing division were uploaded to the website. In addition, key information on research publications were also uploaded to the website. Necessary modifications were introduced to improve the layout of the website.

Other Activities:

A computer awareness course was designed and conducted to improve computer skills of the clerical staff.

LIBRARY

The main objective of the library is -- to collect, compile, retrieve and disseminate information relating to agrarian sector -- for the benefit of HARTI research staff, other interested parties and agencies. During the year, the staff borrowed 1183 books and 283 issues of journals for their reference requirements. The number of visitors to the library during the year was 156.

At present the library has a collection of about 21,272 books and 20,550 issues of journals, etc.

Acquisition of Books, Journals and Reports, Maps, CDs

The library acquired 259 books and reports during the year -- out of which 87 were direct purchases and 100 items were received on a complimentary basis and under the programme of exchange of publications. A large number of periodicals, newsletters, annual reports from foreign and local institutions were also received on a complimentary or an exchange basis. The library also subscribed to 20 foreign journals and 25 local journals during the year.

Library Services

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

Access to internet based information facilities have been further extended to research staff with the ADSL facility in the library.

To provide current awareness services to research staff -- content pages of current journals were scanned and e-mailed to individual researchers.

Library data base provided the users to search the collection by author, title, subject etc.

Collection of newspaper articles on various subjects relevant to research staff was a regular activity during the year.

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. Library continued to participate in AGRINET SDCP scheme (Selective Dissemination of Content Pages Data Base). Member libraries requested photocopies of 218 content pages of 14 journals and photocopies of 12

journal articles from the library and received 36 content pages of 5 journals as per requests by institute's research staff.

From the last quarter of the year 2008 onwards journal articles and content pages were scanned and e-mailed to requested libraries.

Library provided computerized bibliographical information for the National Agricultural Bibliography (NAB) volume 10 data base maintained at CARP library.

Publication Exchange Programme

HARTI publications released in 2008 were sent to four local institute libraries on exchange basis.

PUBLICATION UNIT

The publication unit, which functions under the purview of the deputy director (research), is engaged in editing and publishing of research reports, occasional reports, journals, newsletter, bulletins, manuals, brochures and other informational materials in all three languages. During the year, under the '*Api Wawamu Rata Nagamu*' scheme, a member of the unit was involved in the publicity campaign for the print and electronic media.

Following publications were released during the year.

11 Research reports were released in Sinhala and English:

- i. Krushikarmika Pathikada - 2006 (Sinhala)
- ii. Evaluation of Crop Insurance Scheme in Sri Lanka
- iii. Agricultural Marketing Information Systems - Case Study in Matale District
- iv. Sri Lankawe Sampradaika Ahara Ratawa (Sinhala)
- v. Paddy Milling Survey - 2006
- vi. Food Commodities Prices 2000 - 2007
- vii. Krushiboga Viwaranaya - 2005 (Sinhala)
- viii. Viability of Rice Processing of Household Level
- ix. Impact of the Provincial Council System on the Smallholder Agriculture in Sri Lanka.
- x. Recent Labour Market Trends in the Food Crop Sector in Sri Lanka.
- xi. An Analysis of Price Margins of Agro-Chemicals

Other publications during the year:

- i. Annual Report - 2006 (English)
- ii. Annual Report - 2006 (Tamil)
- iii. Govijanathawa Special Issue
- iv. Annual Report - 2006 (Sinhala)
- v. Govijanathawa - April - June, 2008
- vi. Sri Lanka Journal of Agrarian Studies, Vol.12, No. 1, 2008
- vii. Annual Report - 2007 (English)
- viii. Govijanthawa - 2008 July - September 2008

The unit participated in the following exhibitions during the period concerned:

- i. "Dayata Kirula", BMICH, 2008, February 7-10.
- ii. "Galu Samaya - 2008, Galle Samanala Grounds, 2008, December 23-27

STAFF POSITION AS AT 31ST DECEMBER 2008

	Position as at 31.12.2007	Termination, Resignation During the year	Appoint- ment	Position as at 31.12.2008
Director	01	-	-	01
Deputy Director (Research)	01	-	-	01
Head of Division	06	02	-	04
Research Staff	25	-	-	26
Administrative Staff	07	-	-	07
Senior Staff of Library	02	-	-	02
Data Development Unit	02	01	-	01
Computer Unit	02	-	-	02
Publication Unit	01	-	-	01
Statistical Staff	21	01	-	20
Technical Staff	01	-	-	01
Clerical, Secretarial & Parallel Grades	51	05	07	53
Operative & Allied Grades	33	05	02	36
TOTAL	153	14	09	155

STAFF DEVELOPMENT

Post-Graduate Degree Programmes

The following staff/research officers were engaged in post-graduate studies

- Mr N P G Samantha - M Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya (from December 2006)
- Mr W H D Priyadarshana - M Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya (from December 2006)
- Ms D W S D K Seneviratne - M Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya (from December 2006)
- Mr P C J de Silva - M Sc in Human Resource Management at the Huazhong University of Science and Technology (from 2007 to 2010)
- Mr W H A Shantha - M Sc in Environmental Science and Technology Faculty of Agriculture University of Ryukyus, Japan (from April 2008 to September 2009)

- Ms P G P S Nanayakkara - Post Graduate Diploma in Business Management
Faculty of Graduate Studies
University of Colombo
(from March 2008 to April 2009)
- Ms M P Sandaya Kanthi - Post Graduate Diploma in Business Management
Faculty of Graduate Studies
University of Colombo
(from March 2008 to April 2009)
- Mr M D L Senarath - M Sc in Information Technology
Department of Information Technology
University of Moratuwa
(from September 2008 to August 2009)

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

Mr M M M Aheeyar - Research Associate attended the Training Programme on Geographic Information System (GIS) Application in Disaster Management” held in Bangkok, Thailand from January 6 to 15, 2008.

Dr L P Rupasena - Deputy Director (Research) attended the Study tour on Systems of Rice Intensification ,Oxfam America’s East Asia Regional Office in Cambodia from February 8 to 7, 2008.

Mr M A C S Bandara - Research Officer attended the International Training Workshop on “Renewable Energy” held in Bali, Indonesia from February 25 to March 01, 2008.

Mr V K Nanayakkara - Director attended the Technical Committee Meeting of CIRDAP held in Nepal, Kathmandu from May 5 to 7, 2008 and Governing Council Committee held in Delhi, India from June 23 to 27, 2008.

Mr J K M D Chandrasiri - Research Fellow attended the Regional Training Programme on Participatory Techniques for Planning and Management of Rural Development held in Islamabad, Pakistan from May 10 to 14, 2008.

Ms C P Hathurusinghe - Research Fellow attended the Regional Training Programme on Planning and Management of Agriculture and Rural Development held in Guwahati, India from August 4 to 13, 2008.

Ms M K N Damayanthi - Research Officer attended the Commonwealth Programme on Rural Governance at INFRA held in Malaysia from November 16 to 29, 2008.

Ms H M S J M Hitihamu - Research Officer attended the Commonwealth Programme on Rural Governance at INFRA held in Malaysia from November 16 to 29, 2008.

HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE

BALANCE SHEET AS AT 31.12.2008

ASSETS	Notes	2008.12.31		2007.12.31	
		Rs.	Rs.	Rs.	Rs.
Non Current Assets					
Property Plant & Equipments	2	38,002,336.54		28,934,899.47	
Investments - Fixed Deposits	3	17,534,769.99		5,769,437.21	
Treasury Bills		6,553,767.50		4,372,095.10	
Staff Development	4	20,272,327.22		18,654,480.34	
			82,363,201.25		57,730,912.12
Current Assets					
Stocks	5	2,570,552.53		3,330,316.99	
Debtors	6	27,187,918.33		28,619,109.10	
Deposits	7	612,070.00		612,070.00	
Prepayments & Accounts Receivable	8	672,835.70		424,128.35	
Advance	9	79,041.10		471,568.86	
Cash at Bank	10	2,751,717.76		15,711,407.20	
Cash in Hand		10,000.00		10,000.00	
			33,884,135.42		49,178,600.50
Total Assets			116,247,336.67		106,909,512.62
EQUITY & LIABILITIES					
Capital & Reserve					
Government Grant-Capital	11	113,341,900.00		105,841,900.00	
Contribution from savings		1,102,372.79		1,102,372.79	
Capital Contribution from Ministry		2,342,835.00		2,342,835.00	
Project Capital Fund	12	14,886,206.09		14,886,206.09	
Capital Reserve		3,242,284.40		3,242,284.40	
Project General Reserve	13	16,301,977.47		16,524,437.47	
Incentive Fund		137,061.91		137,061.91	
Incentive Fund - Projects		160,456.72		138,210.72	
Training Fund - Projects		396,261.91		396,261.91	
Incentive Fund - Institute share		590,819.86		501,835.86	
Net Deficit Carried Forward	14	(78,182,970.35)		(76,599,261.14)	
			74,319,205.80		68,514,145.01
LIABILITIES					
Non - Current Liabilities					
Gratuity Provision		30,101,245.75		29,618,437.52	
			30,101,245.75		29,618,437.52
Current Liabilities					
Creditors	15	8,444,849.48		6,577,298.00	
Accrued Expenses		3,382,035.64		2,199,632.09	
Bank Overdraft					
			11,826,885.12		8,776,930.09
Total Equity & Liabilities			116,247,336.67		106,909,512.62

.....
CHAIRMAN

.....
DIRECTOR

.....
ACCOUNTANT

HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2008

	Notes	31.12.2008 Rs.	31.12.2007 Rs.
INCOME			
Funds from General Treasury		96,200,000.00	88,900,000
Hostel & Conference hall charges	16	5,747,748.05	9,093,112
Sales of publications		192,561.50	93,493
Interest on investments		4,784,751.04	741,161
Interest on staff loan		957,221.98	794,921
Recurrent contribution from projects	17	2,092,118.49	1,706,925
Miscellaneous income	18	1,125,416.30	490,132
		111,099,817.36	101,819,744
EXPENDITURE			
Administration & Establishment expenditure	19	(103,819,651.60)	(97,108,385)
Research And Training Activities		(12,486,127.18)	(4,989,110)
Bad Debt over provision		1,102,636.06	(504,581)
Net income from operations before Financing cost		(4,103,325.36)	(782,333)
Financing cost		(25,090.80)	(27,823)
Net deficit before Taxation		(4,128,416.16)	(810,156)
Taxation			
Net Income after Taxation & before extraordinary items			
Extraordinary items-Profit on disposal of vehicles and scrap		2,544,706.95	-
Expenditure over income		(1,583,709.21)	(810,156)

.....
CHAIRMAN

.....
DIRECTOR

.....
ACCOUNTANT

HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE

CASH FLOW STATEMENT FOR THE YEAR ENDED 31th December 2008

	Notes	Rs.	
Cash flow from operating activities			
Net deficit for the year			(1,583,709.21)
Adjustment for			
Depreciation		4,946,242.61	
Vehicle & Scrap Disposal		(2,544,706.95)	
Investment income		(4,784,751.04)	
Provision for Gratuity		7,012,814.94	
Payment of Gratuity		(6,530,006.71)	(1,900,407.15)
Operating loss/ Profit before working capital changes			(3,484,116.36)
Working Capital Changes			
Stocks		759,764.46	
Debtors		1,431,190.77	
Prepayment & Account receivable		(248,707.35)	
Advances		392,527.76	
Creditors		1,867,551.48	
Accrued expenses		1,182,403.55	5,384,730.67
Net cash from operating activities			1,900,614.31
Cash Flow from Investing Activities			
Purchase of property, plant & equipment		(14,013,679.68)	
Investment income		4,784,751.04	
Staff Development cost		(1,617,846.88)	
Net cash used in investing activities			(10,846,775.52)
Cash Flow from Financing Activities			
Government Grant capital		7,500,000.00	
Incentive Fund - project		22,246.00	
Incentive Fund Institute share		88,984.00	
Project General reserves		(222,460.00)	
Scrap & Vehicle Disposal		2,544,706.95	
Net cash from financing activities			9,933,476.95
Net Increase in Cash & Cash equivalents			987,315.74
Cash & Cash Equivalent at the Beginning of Period	I		25,862,939.51
Cash & Cash Equivalent at the End of Period	II		26,850,255.25

Notes:

Cash & Cash Equivalent	1	11
	01.01.2008	31.12.2008
Investment - Fixed deposits	5,769,437.21	17,534,769.99
Treasury bills	4,372,095.10	6,553,767.50
Cash at bank	15,711,407.20	2,751,717.76
Cash in hand	10,000.00	10,000.00
Total	25,862,939.51	26,850,255.25

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31.12.2008

	Government Grant Capital	Contribution from Savings	Capital Contribution from Ministry	Project Capital Fund	Capital Reserve	Project General Reserve	Incentive Fund	Incentive Fund - Projects	Training Fund Projects	Incentive Fund - Institute Share	Accumulated Revenue	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01/01/2008	105,841,900.00	1,102,372.79	2,342,835.00	14,886,206.09	3,242,284.40	16,524,437.47	137,061.91	138,210.72	396,261.91	501,835.86	(76,599,261.14)	68,514,145.01
Funds received from Treasury	7,500,000.00	-	-	-	-	-	-	-	-	-	-	7,500,000.00
Project Contributions	-	-	-	-	-	(222,460.00)	-	22,246.00	-	88,984.00	-	(111,230.00)
Income & Expenditure	-	-	-	-	-	-	-	-	-	-	(1,583,709.21)	(1,583,709.21)
Total	113,341,900.00	1,102,372.79	2,342,835.00	14,886,206.09	3,242,284.40	16,301,977.47	137,061.91	160,456.72	396,261.91	590,819.86	(78,182,970.35)	74,319,205.80

Notes to the Financial Statements

For the year ended 31st December 2008

1. Accounting Policies

1.1 General

The Financial statements are prepared under the historical cost convention in accordance with generally accepted accounting principles and the applicable Sri Lanka Accounting standards.

1.2. Valuation of Assets

(i). Property, Plant & Equipment

Property, Plant and Equipment are stated on the balance sheet at cost less accumulated depreciation. Depreciation is provided on the straight-lines method at the following rates per annum.

Land	No depreciation
Buildings	2 ½ % per annum
Equipment/Furniture	10% per annum
Computer	20% per annum
Welfare Equipment	10% per annum
Books	5% per annum
Vehicles	20% per annum

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

Maintenance and repairs are expensed as incurred whilst major improvements are capitalized.

(ii). Debtors

Debtors are stated at the amounts at which they are expected to be realized. Adequate provision has been made in the accounts for bad and doubtful debts. Provision for doubtful debts are made at 4% of net debts as at the date of reporting.

(iii). Stocks

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

1.3. Gratuity

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

1.4. Income and Expenditure Account

The income over expenditure (expenditure over income) 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. Charging all expenses incurred in the year.

Schedule of Depreciation of Assets - 2008

Particulars	Cost as at 01.01.2008	Additions/ (Disposals) during the Year 2008	Total Cost as at 31.12.2008	Acc/Dep as at 01.01.2008	Dep. For the year 2008	Accu/Dep. ended 31.12.2008	Net Value as at 31.12.2008
	Rs:	Rs:	Rs:	Rs:	Rs:	Rs:	Rs:
Land	1,716,667.00		1,716,667.00				1,716,667.00
Buildings	20,780,668.17	3,360,958.95	24,141,627.12	8,537,625.45	603,540.68	9,141,166.13	15,000,460.99
Equipment/Furniture	31,692,375.30	2,489,417.44		24,395,630.14	1,405,353.25		
		(6,563,648.01)	27,618,144.73		(6,563,648.01)	19,237,335.38	8,380,809.35
Computer Installation	17,573,513.12	1,306,200.00		15,317,993.76	1,174,973.03		
		(2,161,659.54)	16,718,053.58		(2,161,659.54)	14,331,247.25	2,386,806.33
Motor Vehicles	8,560,855.88	6,450,000.00		8,347,206.88	1,343,400.00		
		(2,341,867.82)	12,668,988.06		(2,341,867.82)	7,348,739.06	5,320,249.00
Books	9,076,311.80	407,103.29	9,483,415.09	3,867,096.57	418,975.65	4,286,072.22	5,197,342.87
Welfare Equipment	3,734.55		3,734.55	3,733.55		3,733.55	1.00
Total Additions		14,013,679.68			4,946,242.61		
Total Disposals		(11,067,175.37)			(11,067,175.37)		
Total	89,404,125.82	2,946,504.31	92,350,630.13	60,469,226.35	(6,120,932.76)	54,348,293.59	38,002,336.54

Notes	31.12.2008
3 HARTI Investments - Fixed Deposits	Rs.
Fixed Deposits at State Mortgage & Investment Bank	5,500,000.00
Fixed Deposits at SMIB (Housing Loan Scheme)	527,219.99
Call Deposit	11,507,550.00
	17,534,769.99
4 Staff Development	
Balance as at 01/01/08	18,654,480.34
Adjustment during the year	1,617,846.88
	20,272,327.22
5 Stocks	
Publication and journals	1,074,556.24
Supply Consumables	1,105,354.79
Sales Center	390,641.50
	2,570,552.53
6 Debtors	
Staff Debtors	
Housing Loan	1,745,950.11
Consolidated loan	21,407,547.60
Special Advance	200.00
Festival advance	96,010.00
Due from displaced persons	6,723.32
Salary advance	1,363,948.48
Scholarship debtors	26,004,140.47
	50,624,519.98
Other Debtors	
Hostel, Auditorium & Conference	199,020.00
Investment income receivable	1,522,344.00
Miscellaneous Debtors	187,881.75
Receivable from in-services training institute	6,806.38
Receivable from K N U Gunasekara	12,100.00
Receivable from Ministry	107,302.16
Recoverable from Resigned employees	860,032.84
Sales center	43,354.75
	2,938,841.88
Advance Against Project	
R-318 - Food Insecurity and Vulnerability Information Mapping System in Sri Lanka	158,669.63
R-349 - Mid-Term Evaluation of Diary Village Development Project	450,884.79
	609,554.42
Total Debtors-Gross	54,172,916.28
Less:	
Provision for bad & Doubtful Debtors	(1,126,751.03)
Provision for debtors (Bond)	(110,373.69)
Provision for scholarship	(25,747,873.23)
	27,187,918.33

7 Deposits	
Fixed - caterer	20,000.00
Fixed - cashier	1,500.00
Sundry - Filix Perera and Sons	147,500.00
Sundry - Sri Lanka Telecom (Internet facility)	3,125.00
Sundry - Post Master General	24,945.00
Sundry - Colombo gas and water Co.	4,750.00
Sundry - Water supply and drainage board	500.00
Sundry - Celltel Lanka Ltd.	3,500.00
Sundry - Ceylon Electricity board	406,250.00
	612,070.00
8 Pre Payments & Accounts Receivable	
Pre Payments	672,835.70
	672,835.70
9 Advances	
Purchase Advance	11,041.00
Other Advance	68,000.10
	79,041.10
10 Cash at Bank	
Bank of Ceylon - A/C No - 2323293	611,974.83
Bank of Ceylon - A/C No - 2323292	1,814,746.98
Bank of Ceylon - A/C No - 2323317	166,843.44
Bank of Ceylon - A/C No - 2323315	158,152.51
	2,751,717.76
11 Government grant - Capital	
Balance as at 01/01/2008	105,841,900.00
Capital contribution during the year	7,500,000.00
	113,341,900.00
12 Project capital fund	
Balance as at 01/01/2008	14,886,206.09
Additions during the year	-
	14,886,206.09
13 Project general reserve	
Balance as at 01/01/2008	16,524,437.47
Additions during the year	(222,460.00)
	16,301,977.47
14 Net deficit	
Balance as at 01/01/2008	(76,599,261.14)
Expenditure over income as at 31.12.2008	(1,583,709.21)
	(78,182,970.35)
15 Creditors	
Tender deposit refundable	103,462.20
Canteen deposit refundable -Upatissa Paranamana	50,000.00
Unpaid expenditure	19,932.75
Institute Caterer	65,692.47
Payable to Resigned Employees	150,015.00
Employees and restaurant deposit	13,084.50
Stamp Duty Payable	4,575.00

Medical Facilities receivable	43,863.44
Upatissa - Caterer	25,324.46
Retention	235,087.41
Creditors against projects	
Book on Rice Production	1,869,952.75
R - 300 - A comparative analysis of Samurdhi & non Samurdhi	234,996.50
R - 322 - Proposal to study the feasibility for establishment of a dedicated economic centre at Wariyapola	26,119.08
R-324 - Economic Viability of Rice Processing at Household level	42,568.10
R - 332 - Study on improvement of Pola markets in Western	799,777.02
T - 294 - FIVIMS	217,946.87
R - 334 - Feasibility Study - Proposed Economic centre at Balangoda	24,048.32
R -344 - Socio Economic Survey - Proposed Sugar Project	837,706.52
T - 228 - Workshops on "strategies for development work in conflict affected areas"	1,227,360.49
R-359 - Pro-poor Policy Formulation Dialogue in Sri Lanka	383,737.28
R-330- Feasibility Study - proposed economic centre at Kurunduwatta	163,945.94
R - 356 - Pre-Feasibility Study of the proposed Moneragala, Siyambalanduwa Sugar Project	21,304.81
T - 226 - Programs for community based leaders on creating awareness of advocacy messages	774,137.89
T-239 - In-Country Training Programme on Agricultural Marketing Extension	461,285.95
T-236 - Consultative Workshop on Sri Lanka Water Development Report	41,749.05
T-232 - Training Programme	607,175.68
	8,444,849.48
16 Auditorium, Conference hall & Hostel charges	
Auditorium & Conference hall charges	3,679,187.30
Hostel charges	2,068,560.75
	5,747,748.05
17 Project income	
Administrative cost	2,092,118.49
18 Miscellaneous income	
Bungalow fees and room rent	58,696.05
Palwehera Room rent	23,500.00
Computer income	5,801.12
Tender fees	75,565.00
Other income	961,854.13
	1,125,416.30
19 Administration & establishment expenditure	
Permanent staff	45,937,267.02
Casual staff	4,996,690.22
EPF	7,450,263.35
ETF	1,494,635.84
Overtime	1,709,052.46
Holiday pay	22,366.25
Tea Expences	361,799.00
Gratuity	7,012,814.94
Cost of Living Allowance	9,060,898.61
Local subsistence	428,813.49

Local transport	559,717.61
Foreign Travel Allowance	302,096.64
Stationery and office requisites	634,781.92
Other consumables	1,117,786.27
Fuel and lubricants	1,489,611.61
Uniforms	121,376.20
Vehicle repairs	2,059,628.50
Plant machinery and equipment repairs	1,070,334.83
Depreciation	4,946,242.61
Building repairs	1,016,372.73
Telephone charges	1,910,348.56
Electricity	3,095,215.45
Water bills	420,311.60
Taxes to local authorities	197,460.00
Postal charges	509,230.00
Transport	245,410.78
Legal consultant	120,000.00
Computer Consultant	108,000.00
Vehicle adviser	62,000.00
Newspapers	215,240.00
License and insurance	455,053.99
Security charges	1,727,160.67
Cleaning services	380,815.90
Laundry services	218,550.00
Audit fees	100,000.00
Medical Insurance	241,703.00
Canteen charges	107,514.85
Donations -publications	305,315.00
Miscellaneous expenses - Research	70,000.00
Miscellaneous expenses - Others	315,732.45
Legal charges	298,357.00
Welfare	97,081.00
Advertisement	284,538.75
Interview charges	23,114.36
Board of governors	122,000.00
Printing & Publication	355,522.14
Entertainment	41,426.00
	103,819,651.60
20 Cash and cash equivalents at the beginning of the period	
Investment - fixed deposits	5,769,437.21
Treasury bills	4,372,095.10
Cash at bank	15,711,407.20
Cash in hand	10,000.00
	25,862,939.51
21 Cash and cash equivalents at the end of the period	
Investment - fixed deposits	17,534,769.99
Treasury bills	6,553,767.50
Cash at bank	2,751,717.76
Cash in hand	10,000.00
	26,850,255.25



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No.

AF/D/HARTI/FA/2008

ඔබේ අංකය
உமது இல
Your No.

දිනය
திகதி
Date

27 May 2009

The Chairman,
Hector Kobbekaduwa Agrarian Research and Training Institute.

Report of the Auditor General on the Financial Statements of the Hector Kobbekaduwa Agrarian Research and Training Institute for the year ended 31 December 2008 In terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of Financial Statements of the Hector Kobbekaduwa Agrarian Research and Training Institute for the year ended 31 December 2008 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. 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 Director of the Institute on 23 March 2009.

1.2 Responsibility of the Management for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

හිදහස් වතුරලය,
කොළඹ 07, ශ්‍රී ලංකාව

දුරකථනය
தொலைபேசி
Telephone. } 2691151

සතර්තිර සත්‍රුකුකම,
කොලුමුඬු 07, ඉලහඟ්කෙ

ලැකිස් අංකය
பக்ஸ் இல
Fax No. } 2697451

INDEPENDENCE SQUARE,
COLOMBO 07, SRI LANKA

ඉලෙක්ට්‍රොනික් තැපැල්
අ- ලෙමයිල්
E-mail. } oaggov@slt.net.lk

1.3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the Financial Statements presented to audit and substantive, tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. 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.

2. Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Hector Kobbekaduwa Agrarian Research and Training Institute had maintained proper accounting records for the year ended 31 December 2008 and except for the

effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Hector Kobbekaduwa Agrarian Research and Training Institute as at 31 December 2008 and the financial results of its operation and cash flows for the year then ended.

2.2 Comments on Accounts

2.2.1 Accounting Policies

The value of library books purchased during various years amounted to Rs. 9,483,415 as at 31 December 2008 and had been capitalized under the Property, Plant and Equipment. The rate of depreciation of the books had been at a low level of 5 per cent.

2.2.2 Account Deficiencies

Recurrent expenditure amounting to Rs.557,672 incurred on building repairs had been capitalized.

2.2.3 Unidentified Transactions

Unidentified transactions aggregating Rs.21,573,699 were observed in the Financial Statements of the Institute and the details thereof were not furnished to audit.

2.2.4 Lack of Evidence for Audit

The welfare equipment valued at Rs.3,735 and deposits amounting to Rs. 590,570 shown in the Financial Statements could not be satisfactory vouched in audit due to the unavailability of detailed schedules.

2.2.5 Non- Compliance with Laws, Rules, Regulations, and Management Decisions

Instances of non- compliance observed during the course of audit are given below.

Reference to Laws, Rules, Regulations etc.	Particulars
(a) Finance Act, No.38 of 1971 Section 13(8)	The steps taken or proposed to be taken with regard to the matters pointed out in the report issued in terms of Section 13(7)(a) of the Finance Act in respect of year 2007 had not been furnished to the Auditor General.
(b) Public Finance Circular No. 393 of 06 February 2001	A motor vehicle of the Institute had been released to an external party, contrary to the circular instructions.
(c) Financial Regulations (i) Financial Regulation 380	Whenever Government institutions maintain more

than one Bank account, the approval for that should be obtained from the Deputy Secretary to the Treasury . Nevertheless, the Treasury approval had not been obtained for the maintenance of 04 Bank accounts by the Institute.

(ii) Financial Regulation 756

A verification of library books for the year 2008 had not been conducted and the report submitted to the Auditor General.

2.2.6 Accounts Receivable

The value of Scholarship debtors shown in the accounts amounted to Rs. 26,004,140 and out of that Rs. 12,723,162 had been older than 04 years. The amount due from 04 debtors over a period exceeding 10 years amounted to Rs.6,445,628. Out the balance debtors, the debts on which recoveries had ceased over 04 years amounted Rs.1,728,831.

2.2.7 Accounts Payable

-
- (a). The amount shown as the value of creditors in the financial statements included Project Creditors amounting to Rs. 1,869,953 remaining without being settled over periods exceeding 04 years and a sum of Rs. 150,015 payable to resigned officers remaining without being settled for over 02 years.

- (b). Employees and Canteen deposits included in the credit balance and shown in the financial statements as existing from the years prior to the year 2003 amounted to Rs. 13,084.

2.2.8 Management Inefficiencies

- (a). No steps had been taken to transfer in favour of the Institute the registration of 05 motor vehicles handed over by the Ministry and being used at present or to take other appropriate action.
- (b). It has not been possible for the Institute to collect sums totalling Rs.441,181 as the employees had left the Institute without settling the loans.

3. Financial and Operating Review

3.1 Financial Results

According to the financial statements presented, the working of the Institute for the year under review had resulted in a deficit of Rs.97,783,709 before taking into account the Government contribution for recurrent expenditure as compared with the corresponding deficit of Rs.89,710,156 for the preceding year. After taking into account the Government contribution of Rs. 96,200,000 for the year under review the deficit was reduced to Rs. 1,583,709. After taking into account the Government contribution of Rs. 88,900,000 for the preceding year, deficit for that year was reduced to Rs. 810,156, thus indicating an increase of Rs. 773,553 in the deficit for the year under review.

3.2 Performance

- (a) Data relating to the progress of the Research Projects are given in the following table.

	Year	Year
	2008	2007
	-----	-----
Number at the beginning of the year	18	15
Add		

Number Awarded during the year	11	06
	-----	-----
Total	29	21
Less		

Number completed during the year	12	03
	-----	-----
Work – in- progress as at end of the year	17	18
	=====	=====

Out of the 17 Research Projects not completed by the end of the year 2008, eight projects which should have been completed by 31 December 2008 had not been completed while 06 out of the 08 projects had been completed by March 2009. One Project had been stopped halfway due to the non- receipt of provision while the other project Farming free from Chemical Fertilizer had not been completed even by March 2009.

3.3 Utilization Extraneous to Objectives

A sum of US \$ 65,000 had been received in the year 1992 from the Swedish Agency for Research and Economic Co-operation for a Project on the Rice Production in Sri Lanka. The Chairman in reported to me on 03 April 2009 that the project had not been approved due to the non-receipt of approval of the Board of Governors and that the money had been utilized on a Project for carrying out a

study and publication of a book on the transformation of the Small Scale Lands Cultivation Sector and the Present Position. A further examination of the matter revealed that the money had not been utilized for the intended objectives and that the said project had not been completed even by 30 March 2009.

3.4 Idle and Underutilized Assets

It was observed that 02 motor cycles valued at Rs. 120,000 since 09 years, one motor cycle valued at Rs. 40,000 since 11 years and 03 motor cycles valued at Rs. 240,000 over a period exceeding 01 year had been idling.

3.5 Budgetary Control

Significant variances were observed between the budgeted and the actual figures thus indicating that the budget had not been made use of as an effective instrument of management control.

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Payment and Settlement of Advances
- (b) Use of Fixed Assets of External Institutions

S. Swarnajothi
Auditor General