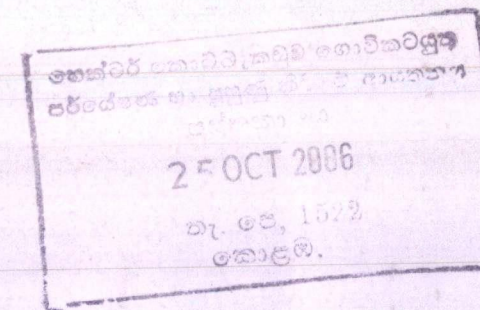


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HECTOR KOBBEKADUWA
AGRARIAN RESEARCH AND TRAINING INSTITUTE



ANNUAL REPORT 2004

HARTI Annual Report English 2004



Hector Kobbekaduwa
Agrarian Research and Training Institute
114, Wijerama Mawatha,
Colombo 7

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**HECTOR KOBBEKADUWA
AGRARIAN RESEARCH AND TRAINING INSTITUTE**



**ANNUAL REPORT
2004**

**Hector Kobbekaduwa
Agrarian Research and Training Institute
114, Wijerama Mawatha,
Colombo 7**

Board of Governors

- | | |
|---------------------------|---|
| Mr. Tissa Warnasuriyai | - Chairman, Board of Governors and Secretary, Ministry of Agriculture and Livestock |
| Mr. D.G.P. Seneviratne | - Director, HARTI |
| Mr. W.M. Jayathilake | - Addl. Secretary (Lands), Representative, Ministry of Agriculture and Livestock |
| Mr. M. Weerasinghe | - Addl. Secretary (Development), Representative, Ministry of Mahaweli and River-basin Development |
| Mr. A. Bedgar Perera | - Director (Agriculture Development), Representative, Ministry of Agriculture and Livestock |
| Mr. K.P. Indran | - Director, Public Enterprises Department. Representative, Ministry of Finance |
| Mr. C.P.Siriwardena | - Addl. Secretary, Representative, Ministry of Small and Rural Industries |
| Mrs. Indrani Sugathadasa | - Addl. Secretary, Representative, Ministry of Plantation Industries |
| Mrs. W.M.K.R. Balachandra | - Senior Asst. Secretary, Representative, Ministry of Trade, Commerce and Consumer Affairs |
| Dr. K.L. de Silva | - Senior Economist, Centre for Banking Studies, Representative, Central Bank of Sri Lanka |
| Dr. S.L. Weerasena | - Director General of Agriculture |
| Mr. K.S.R. de Silva | - Director General of Irrigation |
| Mr. Lucas Indurugalla | - Commissioner General of Agrarian Development |
| Mr. S.J. Pathirana | - Land Commissioner |
| Mr. G.S.L. Fonseka | - Commissioner of Co-operative Development |
| Mr. Mazlan Jusoh | - Resident Representative, FAO |
| Mrs R. de Silva | - Secretary, Board of Governors |

Hector Kobbekaduwa Agrarian
Research and Training Institute,
114, Wijerama Mawatha,
Colombo 7.

23rd March 2005.

The Hon. Minister of Agriculture and Livestock,
Ministry of Agriculture and Livestock,
"Govijana Mandiraya",
80/5, Rajamalwatta Avenue,
Battaramulla.

Annual Report and Audited Accounts 2004

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 2004.

- (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 of Accounts

I remain,

Yours faithfully,

Tissa Warnasuriya,
Chairman
Board of Governors.

ANNUAL REPORT

2004

Overview

The first Annual Report of the Institute reported the history of its establishment as follows: "In July 1960 the FAO of the United Nations Organization proposed the establishment of a South East Asian Agrarian Research and Training Institute. In July 1964 the Cabinet made a formal application for the establishment of the Institute in Ceylon with assistance from the United Nations Special Fund. Negotiations then began with the UNDP and FAO authorities as to the specific objectives of the Institute, the scope and content of the research and training to be undertaken by it, and its relationship with the teaching and research institutions such as the University of Ceylon, the only University with a Faculty of Agriculture at the time. On the basis of these discussions, a revised request was made in October 1967 seeking assistance for the establishment of a National Institute. The project was approved in January 1969 by the Governing Council of the UNDP. It was intended that the Institute should eventually expand its activities so as to cover the needs of the other countries in the Asian Region".

The projected expansion did not occur for a variety of reasons, the primary one being that the authorities at the time tended to be insular in their approach to our agrarian situation and the problems that characterized it. In the initial period even the foreign scholars who joined the Institute used Sri Lanka as a kind of 'case-study' to develop their own academic profile.

Collaboration with the Food and Agriculture Organization has continued from the start through the establishment of a Market Intelligence Network to the current Food Insecurity and Vulnerability Information and Mapping System. There have been other occasional episodes of collaboration in our interests, such as that with the International Food Policy Research Institute in Washington, D.C. on the economics of rice production in Sri Lanka [which showed that small-holder rice production is 'efficient' in economic terms].

The research staff of the Institute who were sent abroad for post-graduate training for the most part took the easier option of adopting the techniques advocated in the West for analyzing socio-economic phenomena. The fact that much of that post-graduate training was funded by agencies such as USAID contributed to that orientation. Not surprisingly, their attitude with respect to the agrarian and related questions in this country followed the broad strategic objectives of the host country in which they received their training. Eventually, some of them opted for sinecures in international organizations such as Banks and Non-Governmental Organizations funded by such financial institutions and their surrogates.

Initially, during the phase of collaboration with the FAO, the Institute focused on Land Economics and Land Tenure, Production Economics, Land Settlement, Rural Sociology, Co-operatives and Credit, Marketing, Statistics, Agricultural Extension and Communication. Agrarian problems were viewed as an interplay of factors and the approach adopted was, as far as was feasible, given the particular skills of the research and training staff, inter-disciplinary. With the increase in specialization in the courses taught, especially in universities in the USA, those who had been trained there encountered difficulties in relating the narrow areas they had been called on to examine with other disciplines. The process of re-training that the situation called for has not been pursued consistently due both to changes in the style of research administration as well as to the changes in government policy.

Over the years, especially as State funding declined, the research agenda of the Institute came to be influenced more significantly than before, by external funding agencies. That resulted in the outcome of such studies tending to support the conservative ethic that was gathering momentum under the ministrations of the IMF through the World Bank and the Asian Development Bank. It became difficult to acquire funding for studies in areas that ran counter to such prescriptions. During the previous administration the Ministry was able to secure funding from the Samurdhi project and to use it not merely to fund studies that were expected to provide support for the political objectives of that administration but to give some leeway to the Institute in pursuing other studies. Such a facility would seem to have been used inadequately on either front.

A sum of Rs. 15 million had been released to the Institute in June 2003 for the construction of a new Hostel building from the Farmers' Trust Fund but when the Treasury declined to support the project, it had been abandoned. That grant, less a preliminary expenditure of Rs. 234,000/- on soil testing for the site, was refunded to the Ministry in September 2004 on the understanding that some of it would be made available to meet expenses on activities to which the Institute gave high priority. They included a study of the role being played by NGOs, including, especially INGOs, in rural development; a multi-faceted action research program that would utilize the Institute's own experience in the 1970s in Beminiwatte (i.e., treating it as a 'field laboratory') its studies on the Agricultural Productivity Villages and Export Promotion Villages in the 1990s and its recent experience with the Sustainable Village Program. That project was also intended to provide, through the Market Intelligence Network, (for which 70 casual investigators had been approved

by the Treasury) the personnel required at field level to monitor and assist the small-tank / anicut rehabilitation program. The purchase of video equipment was also to be funded via this source.

Treasury funding has declined further, more so now than ever before, and barely covers the maintenance costs of the Institute. The tardy release of funds available to the Ministry has compounded the problems faced by the Institute in that respect while a narrow definition of the mandate of the Institute has effectively hindered its capacity to address critical national problems in the rural sector.

Despite the controversies that now exist, the present administration has put together a coherent national policy and the Institute has responded to it, initially by addressing the nature of small irrigation works in the country. Its efforts to equip itself to study the problems inherent in the management of resources within river basins, of issues in policies relating to the environment and those of human nutrition have encountered incomprehension.

A comprehensive proposal for the establishment of a buffer stock of paddy and rice was submitted to the Ministry.

The Functions and Objectives of the Institute

The functions and the objectives of the Institute are set out in the Act as follows:-

- to foster, assist, encourage and co-operate in agrarian research;
- to co-ordinate agrarian research undertaken by Government departments, local authorities, public Corporations and other institutions ;
- to carry out investigations and research relating to institutional factors affecting the development of agriculture ;
- to undertake investigations, research and studies relating to economic use of land for agricultural purposes;
- to carry out socio-economic research relating to agricultural and rural development;
- to provide or implement training facilities and programmes relating to agrarian research, either alone or in association with other institutions in Ceylon or abroad and to award diplomas, degree, prizes and distinctions in connection therewith;
- to sponsor and hold conferences and seminars, and publish journals and magazines in connection with agrarian research and training;
- 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
- to relate such research to problems connected with agrarian development and modernization with special reference to Ceylon and other Asian countries in general.

In terms of the Act, it is also the duty of the Institute to advise the Minister on any or all of the matters referred to in sub section and on any other matter that may be referred to the Institute for advise by the Minister.

At present the work of the Institute is carried out through Research Divisions designated as follows:

- Agricultural Policy and Project Evaluation
- Agricultural and Environmental Resource Management
- Irrigation Water Management and Agrarian Relations
- Marketing, Food Policy and Agribusiness
- Statistics and Data Processing
- Human Resource Development and Institutional Development (Training)

Despite the overlaps that are inevitable, it is evident that these divisions' needs to be realigned and made more coherent. Proposals towards such a realignment have been developed.

In 2004 steps were taken to expand the functions of the HRID (Training) Division. The appointment of a Deputy Director for Training was expected to facilitate the development of new training programs and marketing them.

It had also become clear that the conventional method of bringing research findings to the notice of academics and the general public via publications was not inadequate. The principal reason for this was the factor of time: research reports had to go through a process of editing prior to publication and in some cases the resultant delays reduced the applicability of research findings in policy making. It was therefore decided that the audio visual media be employed to supplement the publications and to perform the task

of interim reports. Video equipment compatible with TV transmission was purchased only at the end of 2004. In order to reduce the lag between the completion of a study and the publication of its results, steps were also taken to recruit a full time Editor for the Institute. - a position that had remained vacant for over 10 years.

Steps were also taken to fill vacancies in the following positions: Senior Assistant Registrar, Accountant, Internal Auditor, Librarian and ten positions in the research cadre.

A secretariat for the Food Insecurity and Vulnerability Information and Mapping Systems project was established. It was staffed with an expert in Geographical Information Systems and an experienced macro economist. Following these measures, and the establishment of a Core Group of research scientists including those from the University of Peradeniya, the Department of Agriculture, the WHO, the Department of Census and Statistics and the International Water Management Institute, guided by a Technical Committee headed by the Director, the Food and Agriculture Organization agreed to the re-establishment of the Institute as the focal point for this activity in Sri Lanka. A draft Cabinet Paper on the subject was submitted in order to obtain the co-operation of concerned Ministries and to assist them in targeting poverty alleviation, primary health care and food support programs at Divisional level.

The establishment of a separate unit in the Irrigation, Water Management and Agrarian Relation Division to undertake studies in the problems associated with River Basin Management was initiated in 2004.

Since one-fourth of the research cadre were new recruits, the majority of them with no experience in socio-economic research, a regular review of on-going studies was maintained and senior staff assigned to assist them. New proposals were subjected to scrutiny, and for those of them found to be deficient in significant features corrective action was outlined.

In response to the program for the rehabilitation of 10,000 small irrigation works a symposium on the subject was conducted by the Institute and its proceedings were published in 2004.

At the request of the Ministry, the Institute undertook the task of translating the Separate Opinion delivered by Justice C.J. Weeramantry, Vice President of the International Court of Justice, in the Danube Dam case. His Opinion had served to introduce the idea of sustainable development based on the principles embodied in Sri Lanka's ancient irrigation system into the sphere of international law.

A Website for the Institute was developed and activated by end 2004.

The field research conducted by the Institute depends to a great extent on the mobility of the research teams. The Institute has 19 vehicles; of them, 15 were repaired and made road-worthy in 2004. 4 motor-cycles were also repaired.

A Circuit Bungalow at Pelvehera that belonged to the Department of Agriculture had been transferred to the Institute in 2003. A sum of Rs. 600,000/- provided by the Ministry had been utilized to carry out repairs to the building; the process had not been completed and it had remained uninhabitable. It was made fit to serve also as a Field Office for the Institute and, as a back-up for the projected expansion of the training functions of the Institute, as a Training Centre for members of Farmer Organizations in the North Central Province.

D.G.P. Seneviratne
Director/HARTI

31st March, 2005
Hector Kobbekaduwa Agrarian Research
and Training Institute,
Colombo 7.

Board of Governors (Changes during the year)

The following changes took place in the composition of the Board of Governors during the year 2004:

Mr. Dhanasena Hettiarachchi ceased to be the Chairman of the Board of Governors on his relinquishing duties as Secretary, Ministry of Agriculture and Livestock.

Mr. Tissa Warnasuriya became the Chairman, Board of Governors on assuming duties as the Secretary, Ministry of Agriculture, Livestock, Lands and Irrigation

Prof. M.O.A. de Zoysa ceased to be a member of the Board of Governors on relinquishing duties as the Director of the Institute.

Mr. D.G.P. Seneviratne became a member of the Board of Governors on assuming duties as the Director of the Institute.

Mrs. Muthulatha M. Perera ceased to be a member of the Board of Governors.

Mr. K.A.S. Gunasekera ceased to be a member on his retirement.

Mrs. Indrani Sugathadasa became a member of the Board of Governors to represent the Ministry of Plantation Industries.

Dr. G. Uswatte-Arachchi ceased to be a member of the Board of Governors on leaving the Central Bank of Sri Lanka.

Mr. K.L. de Silva became a member of the Board of Governors representing the Central Bank of Sri Lanka.

Mr. G.T. Dharmasena ceased to be a member of the Board of Governors on his retirement.

Mr. K.S.R. de Silva became a member of the Board of Governors on his appointment as Director General of Irrigation.

Mr. M. Weerasinghe, Addl. Secretary (Development), became a member of the Board of Governors to represent the Ministry of Mahaweli and River-basin Development

Mr. A. Bedgar Perera, Director (Agriculture Development), became a member of the Board of Governors to represent the Ministry of Agriculture and Livestock.

Mr. K.P. Indran, Director, Public Enterprise Department, became a member of the Board of Governors to represent the Ministry of Finance.

STAFF DEVELOPMENT

Post-Graduate Degree Programme

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

- Mr. L.P. Rupasena - Ph.D in Agribusiness Management at the University of Agricultural Sciences, India.
- Mrs. W.D. Wickramasinghe - Ph.D in Agri. Economics at the Glessen University, Germany
- Mr. M.S. Senanayake - Senior Scholar in the Programme of International Trade, University of Huazhong, China
- Mr. G.M. Henegedara - Senior Scholar in the Programme of International Trade, University of Huazhong, China
- Mr. S.M.A. Samarakoon - Masters Programme in Rural Sociology University of Los Banos, Philippines
- Mrs. P.R. Weerakkody - M.Sc in Forestry and Environmental Management at the University of Sri Jayawardenapura, Nugegoda.
- Mr. M.A.C. Sidath Bandara - Special M.Sc in Integrated Water Resource Management at the Post Graduate Institute of Agriculture, University of Peradeniya.
- Ms.G.G.de L.W. Samarasinghe - Special M.Sc in Intergrated Water Resource Management at the Post Graduate Institute of Agriculture, University of Peradeniya.

The following officers attended training programmes and workshops.

Dr. W.G. Jayasena, Deputy Director (Research) attended "Training in Agricultural Research Management for Senior Scientists" held in Hyderabad, India from 2nd - 21st February, 2004.

Prof. M.O.A. de Zoysa, Director, attended "CIRDAP Sub Regional Workshop on Country Experiences in Decentralization" held in Kathmandu, Nepal from 23rd -27th February, 2004.

Prof. M.O.A. de Zoysa, Director, attended " CIRDAP Follow up Workshop and Preparing Guidelines for Good Governance" held in Dhaka, Bangladesh from 18th - 22nd April, 2004.

Mr. N.S.W. Nawaratne, Statistical Officer, attended " Training Programme on Modern Agriculture" held in Wuhan, China from 1st April 2004 - 31st July 2004.

Mr. T.A. Dharmaratne, Research Associate, attended " Seminar on Information Networking for Enhancing Agricultural Productivity and Competitiveness held in Manila, Philippines from 19th - 23rd July 2004.

Dr. D. Gamage, Research Fellow, attended " Seminar on Rice is Life" held in Japan from 8th - 15th September, 2004.

Mr. M.S. Senanayake, Research Associate, attended "3rd International Conference of Japan Economic Policy Association" held in Japan from 13th -14th November, 2004.

**Study Circle Seminars, Other Seminars and Workshops
Conducted by HARTI in 2004**

No.	Title of Seminar/workshop	Speakers	Date Held	Place	No. of Participants
1.	The relationship Between Share Market, Treasury Bill Transactions and the Bank Interest Rates in Sri Lanka and their Economic Impact	Mr. W.H.D. Priyadarshana	29.03.2004	HARTI Conference Hall	23
2.	Application of Micro-Irrigation Technologies in Small Farming Sector In Sri Lanka: Potentials and Constraints	Mr. M.M.M. Aheeyar	30.03.2004	HARTI Conference Hall	23
3.	Rain Water Harvesting and Utilization: Chinese Experience	Dr. W.M.G.B. Giragama	29.04.2004	HARTI Conference Hall	21
4.	How to Make a Scientific Presentation	Dr. W.K. Hiriburegama	27.05.2004	HARTI Conference Hall	15
5.	Presentation and Discussion on Quantifying Paddy Husk Production for a Proposed Project of 100% Biomass Power Plants in Sri Lanka.	Prof. John Balachandran	4.06.2004	HARTI Conference Hall	26
6.	Rainwater Harvesting and Water conservation in Sri Lanka.	Mr. Abaya Ekanayaka	24.06.2004	HARTI Board Room	23
7.	Micro-Enterprises Development: Indian Experiences	Miss. H.N.S.J.M. Hitihamu	5.08.2004	Lecture Hall	25
8.	Globalization and Agricultural Development: A Review of Agricultural Policy Reforms in Sri Lanka.	Mr. G.M. Henegedara	7.09.2004	HARTI Conference Hall	21
9.	Poverty Alleviation and Environmental Governance: South Asian Experience	Dr. W.G. Somaratne	29.04.2004	HARTI Conference Hall	30
10.	Farmer Companies and Modernization of Agriculture	Mr. M.S. Senanayake	5.10.2004	Board Room	26
11.	The Findings of a Performance Assessment on Dedicated Economic Centers in Sri Lanka.	Mr. W.H.D. Priyadarshana	30.09.2004	HARTI Conference Hall	25
12.	Workshop on Food Insecurity and Vulnerability Information and Mapping System.	HARTI/FAO	23.07.2004	HARTI Conference Hall	25
13.	Symposium on Small Tank Settlements in Sri Lanka.	HARTI	21.08.2004	HARTI Conference Hall	50
14.	Twentieth Meeting of CIRDAP Technical Committee		21-22. 09.2004	HARTI Conference Hall	Representatives from CIRDAP member countries
15.	Management Practices and Socio-economic Feasibility of Vermiculture an Organic Farming Two Indian experts in the field of agriculture		14.11.2004	HARTI Conference Hall	25
16.	Production and Marketing of Big Onion in Matale and Auradhapura Districts.	Mr. C.J. de Silva	23.11.2004	HARTI Conference Hall	25
17.	Responding the Tsunami	Mr. Janaka Jayawickrama Mrs. Madavi Ariyabandu	31.12.2004	HARTI Conference Hall	50

The following new research projects were implemented during the year 2004:

1. Survey on Promotion of Agriculture Produce Marketing Through Establishment of Agricultural Produce Collecting Centre at Illukubura in the Division of Laggala Divisional Secretariat
2. Impact of the Peace in Recovering Agricultural Development in Boundary Villages to Conflict Zone: A case study of two villages in the Anuradhapura district
3. Study on Farmer Companies

The following research projects were completed during the year 2004:

1. Research Project in Assessing the Spatial and Temporal Dynamics of Poverty, Food Insecurity and Vulnerability in Ruhuna Benchmark Basin Area.
2. Public and Private Sector Interface in Agricultural and Development Strategy
3. Analysis of Production and Marketing of Selected Fruits (Banana, Mango, Pineapple, Papaw and Passion fruit)
4. A Comparative Analysis of Samurdhi and Non Samurdhi Micro Entrepreneurs in Sri Lanka.
5. Production and Marketing of Big Onion in Matale and Anuradhapura Districts.
6. Marketing of Paddy in Polonnaruwa District.
7. Private Sector Intervention in Livestock service and Delivery System (Dairy Sub-sector) Identification of Potentials and Constrains.
8. An Assessment of the Performance of Dedicated Economic Centres in Sri Lanka.
9. Study on Current Status and Future Prospects of Employment Opportunities for 2nd and 3rd Generation in Mahaweli H Area.
10. Assistance to the Government of Sri Lanka in the Design and Implementation of Budget Tracking and Analysis Systems.
11. Public Awareness Campaign on the proposed Water Resources Policy.
12. Study on Factors Affecting Cost of Production of Milk in Sri Lanka.

STAFF POSITION

The staff position of the Institute during the year was as follows.

	Position as at 31.12.2003	Termination, Resignation During the year	Appointment	Position as at 31.12.2004
Director	01	01	01	01
Deputy Director (Research)	01	-	-	01
Head of Division	06	-	-	06
Research Staff	31	01	-	30
Administrative Staff	06	02	-	04
Senior Staff of Library	02	01	01	02
Data Development Unit	02	-	-	02
Computer Unit	01	-	-	01
Publication Unit	04	01	-	03
Statistical Staff	25	-	-	25
Technical Staff	02	-	-	02
Clerical, Secretarial and Parallel Grades	51	-	-	51
Operative and Allied Grades	41	02	-	39
TOTAL	173	08	02	167

AGRICULTURAL POLICY AND PROJECT EVALUATION DIVISION

Staff:

Mr. J.K.M.D. Chandrasiri	-	Actg. Head of the Division
Mr. G.M. Henegedara	-	Research Fellow
Mrs. S.R. Bandara	-	Senior Research Officer
Mr. R.L.N. Jayatissa	-	Senior Research Officer
Mr. N.P.G. Samantha	-	Research Officer
Miss. M.K.N. Damayanthi	-	Research Officer
Miss. Sagarika Hitihamu	-	Research Officer
Mr. W.H.D. Priyadharshana	-	Research Officer
Mr. N.N.A. de Silva	-	Senior Statistical Officer
Mrs. S. Senanayake	-	Statistical Officer

COMPLETED STUDIES

1. The Role of Non-Farm Sector in Diversifying the Rural Economy of Sri Lanka: Potentials and Problems.

Researchers: Mrs. S.R. Bandara
Mr. R.L.N. Jayatissa

The first draft of this report is being revised in the light of comments made by the referees.

2. Sustainable Village Development Programme

Overall Coordinator : Mr. J.K.M.D. Chandrasiri

Project Coordinators:

Dr. D. Tennakoon	Mr. I.R. Perera
Mrs. S. Hathurusinghe	Dr. W.M. Giragama
Mr. C. Kusum Kumara	Mr. R.M.R. Bandara
Mr. J.K.M.D. Chandrasiri	Mr. R.L.N. Jayatissa
Mr. P. Piyaratne	

Researchers:

Mr. T. Ravichandran	Mr. J.K. Herath
Mr. N.P.G. Samantha	Miss. H.N.S.J.M. Hitihamu
Miss. M.K.N. Damayanthi	Mr. W.H.A. Shantha
Mr. C. Jayampathi de Silva	

Introduction:

This project, aimed to find a new approach for rural development, had two major components; (i) development component and; (ii) collecting of information. Under the selected villages, which are served as field laboratories in different agro-climate zones, they are being developed as models. There are 9 such field laboratories in 8 districts.

Progress:

During the reference period it proved impossible to implement the proposed development activities at each project site as the Ministry of Samurdhi, which was the major sponsoring agency of the project was unable provide to further funding for it. As a result the project was terminated. The final evaluations and study reports prepared for each individual village was also summarized into one major report.

Lessons and Experiences

- A lot of problems in the rural sector can be solved within the existing environment by utilization of available physical as well as human resources more efficiently and effectively under proper management than at present. One example was the possibility of increasing the paddy yield from 60 to 80 or 85 bushels/acre in Nikawewa village in Moneragala without spending much more money. In this case a new paddy variety was introduced in addition to encouraging farmers to apply amply available unused manure such as cow-dung and goat-dung and application of some other proper farming practices.

- ii. Under any development intervention if participatory methods are used effectively an increase in production and productivity would be possible. One example for this was the construction of agro-wells to the value of Rs. 1,00,000/- by the utilization of local labour and other resources such as sand and stones by providing only Rs.60, 000/- funds from this project.
- iii. The different types of conflicts including political ones in villages have paralyzed the development exercises. Because of these types of conflicts, the resources received from outside for the development of villages could not be utilized for that purpose. For example 23 out of 25 agro-wells promised under the REAP project in Matale to Digampataha village had been given to some other villages later.
- iv. The people had come to believe that "a project" means any type of development activity that will be done by allocation of a large amount of money and resources. This mis-perception made it difficult to get the attention for the Sustainable Development Project which depended on self-help and self-reliance.
- v. The research team experienced that many of the issues of the farmers such as the reduction of the prices of their products and increase of prices of fertilizer are related with macro-economic policies such as import of alternative products for local produce reduction of subsidies for fertilizer. Hence, it is impossible to give solutions for those issues by a project like Sustainable Village Development Project.

ON-GOING STUDIES

1. Factors Affecting Cost of Production of Milk

Coordinator: Miss. H.M.S.J.M. Hittihamu

Researchers: Mr. Gamini Ratnayaka
Mr. N.P.G. Samantha

The major objective of this study was to identify and measure the cost of production of milk in Kurunegala district in terms of scale of production, management practices and technologies. The specific objectives of the study were: to analyze the cost and benefits in smallholder milk production, to examine the importance of institutional factors in milk production, to ascertain the behavioral aspects of stakeholders of milk production and to suggest the policy prescriptions to improve the efficiency of milk production.

The survey showed that in Kurunegala district the average cost of production of milk/litre was Rs.10.93 in the year 2004, while the market price was Rs. 16/litre.

Most of the farmers practiced the semi intensive type of management system. So the net input used were somewhat low. More than 50% of the cost appears to have gone for labour.

As the study revealed, the main constraint the industry faced was the high cost of concentrate feed. It was also found that farmers did not get much extension services to increase the production using locally available resources.

2. An Assessment of the Performance of Dedicated Economic Centers in Sri Lanka

Coordinator: Mr. W.H. Duminda Priyadarshana

Researchers: Mrs. Roshini Rambukwella
Mrs. Ruwani Vidanapathirana
Mr. Bandara Rathnayaka

The object of this study was to evaluate the Dedicated Economic Center Establishment Programme that was a priority among the steps taken by the government since late 1990s to develop rural marketing in the country. Among the specific objectives of this study were; identifying the different types of traders in the market and the suppliers as well as buyers coming there, studying marketing activities such as grading and packing, examining the problems faced by farmers and traders and investigating the appropriateness of the location for trading activities.

- i. Preliminary findings show that Dambulla, which had originated naturally, has developed more rapidly compared to other two, i.e. Keppetipola and Meegoda.
- ii. Among the key factors for the satisfactory operation of Dambulla Economic Center has been its location which connects all the roads running to Kandy, Kurunegala, Anuradhapura, Polonnaruwa, Trincomalee and Batticaloa of providing easy access from major vegetable cultivation areas such as Matale, Kandy and Nuwara-Eliya and also from the places which have a bulk demand for agricultural products such as Army camps in Northern and Eastern parts of the country.

Wrong location of the centres and political interference to give trade stalls have contributed in the unsatisfactory operation of the Keppetipola and Meegoda Economic Centers.

NEW STUDIES

1. Impact of the Peace Process in Recovering Agricultural Development in Boundary Villages to the conflict zone: A case study of three villages in the Anuradhapura district.

Co-ordinator: Miss M.K.N. Damayanthi
Consultant: Dr. D. Gamage

The major objective of this study was to ascertain the extent to which the boundary villages of the war affected district returning to normalcy in terms of livelihood activities and living conditions as a result of the cessation of violence or on going peace process.

The specific research objectives were to examine and assess:

- i. Bringing under production the land that was abandoned, if any, due to the war.
- ii. Intensity of land use, crop diversification and adoption of productivity increasing technologies, if any, as a result of the peace process.
- iii. Extent to which the peace process has become instrumental in resolving the production marketing problems in the villages
- iv. Trends in productivity and household incomes.
- v. Trends in growth of employment in on-farm and off- farm sectors after the MOU.
- vi. Trends in access and use of service (transport, education, health, postal etc.)
- vii. Trends in living condition (reflected by food security, physical mobility etc)
- viii. Assessment of remaining challenges to be met before the villages can fully realize the existing potential for growth, in particular the growth of agricultural sector.

The two boundary villages selected for the study are Thammannakulama and Mahakoongaskada. They are situated in the Medawachchiya Divisional Secretariat Division (MDS) of the Anuradhapura district. To understand the situation without a threat of the war Pul Eliya village located closer to Thammannakulama was also selected for study.

The major instrument used for data collection is a questionnaire survey of sample households. It covered over 90% of households in selected villages. The questionnaire survey did not cover the newly established (after 2002) households in selected villages. The survey questionnaire designed to capture changing livelihood practices, livelihood outcomes and living conditions before and after cessation of hostilities. The data gathered from the questionnaire survey was complemented/triangulated with data collected through observation, interviewing of key informants including village level officers, NGOs active in the locality and community leaders. The study team consisted of a research officer, a statistical officer and two research assistants.

Findings

- i. This study revealed that after the signing of the MOU the extent of cultivated land has increased in boundary villages. Especially in Thammannakulama they have started cultivation of *chena* lands during the referenced period.
- ii. After the MOU, commercial crop cultivation (long bean, brinjal and big onions) has also been started in Thammannakulama. Most of the families in Thammannakulama have cultivated commercial crops oriented to Dambulla Dedicated Economic Center. Pul- Eliya farmers had started cultivation of commercial crops since before MOU. But, before MOU they had faced some difficulties like transportation of their production to Dambulla. After the MOU, they have been able to transport their products without any delays, barriers and other difficulties.
- iii. After the MOU, some of these villages have been able to benefit from some facilities like electricity and telephones. For example one private company the "Selco solar private Ltd" has introduced solar power lighting system and telephone system to Mahakoongaskada as well as Pul-Eliya.
- iv. In Mahakoongaskada and Thammannakulama people have been able to easily access medical treatment after MOU. Before MOU, the people who lived in the study villages went to Anuradhapura or Madawachchiya hospitals for their medical treatments. But, Vavuniya and Ulukkulama hospitals are closer to them though they did not visit them because of insecurity and risk. This has changed after the MOU.

OTHER ACTIVITIES

Participation of division members in seminars, workshops and training programmes

1. All researchers of the division participated in the workshop on Food Insecurity and Vulnerability Information and Mapping System, organized by HARTI with sponsorships of FAO at HARTI on 23rd July 2004
2. Miss. M.K.N. Damayanthi participated in the NIRD-CIRDAP collaborative training program on capacity building of Rural Development Functionaries for various anti-poverty programmes, held at NIRD, Hyderabad, India from 09th to 18th September 2004.
3. Miss. H.M.S.J.M. Hitihamu participated in the research seminar on Contract Research Programme of CARP held at In-service Training Institute, Peradeniya on 12th March 2004.
4. Miss. H.M.S.J.M. Hitihamu participated in a workshop on An Exposure to Organic Agriculture organized by Lanka Organic Agriculture Management held at HARTI on 30th November 2004.
5. Mr. J.K.M.D. Chandrasiri participated in the preliminary national workshop on "New Impetus for Development of Oceanography, Marine Science and Ocean Services in Sri Lanka", organized by Ministry of Science and Technology and Ministry of Fisheries and Aquatic Resources between 21-22 December 2004 at BMICH.
6. Mr. J.K.M.D. Chandrasiri, Mr. M. Henegedara and Mr. R.L.N. Jayatissa participated in the Symposium on Small Tank Settlements in Sri Lanka held at HARTI on 21st August 2004.

Contribution of division members in preparation of articles for journals, magazines and newspapers

1. Miss. M.K.N. Damayanthi prepared an article on "Gender and Women in Agrarian Society" for Govi-Katayuthu Adyana (Sinhala Journal), vol.5, no.01, 2004

Organizing Study Circle Seminars

The seminars and workshops listed in page 5 and 7 were organized by Mr. J.K.M.D. Chandrasiri as the Co-ordinator of the HARTI Study Circle seminar series.

AGRICULTURAL AND ENVIRONMENTAL RESOURCE MANAGEMENT DIVISION

Staff:

Mrs. Sharmini Kusum Kumara	-	Actg. Head of the Division (01.01.2004 to 02.03.2004)
Mr. T.A. Dharmaratne	-	Actg. Head of the Division (03.03.2004 to 02.06.2004)
Dr. M.S. Senanayake	-	Actg. Head of the Division (21.12.2004 to date)
Mr. R.M.G.K.B. Ratnayake	-	Senior Research Officer
Mrs. P.R. Weerakkody	-	Senior Research Officer (on study leave)
Mr. S.M.A Samarakoon	-	Senior Research Officer (on study leave)
Dr. W.G. Somaratne	-	Research Fellow (on special leave)
Miss. D.W.S.D.K. Seneviratne	-	Research Officer
Mr. W.H.A. Shantha	-	Research Officer
Mr. S. Epasinghe	-	Statistical Officer

ON-GOING STUDIES

1. Current Status and Future Prospects of Employment Opportunities for 2nd and 3rd Generation in Mahaweli H Area

Research Team

Miss. D.W.S.D.K. Seneviratne	-	Co-ordinator
Mr. W.H.A. Shantha	-	Co-researcher
Dr. G.M. Henevedara	-	Supervisor

Introduction

One of the main objectives of the Mahaweli programme was the creation of an egalitarian society of farmers. However, several studies show a trend of growing disparities among farm families. This seems to indicate among other factors a slow growth in employment opportunities for growing labour force, which mainly consists of second and third generation, member of settler families. At an annual rate of increase of 1.4% around 51,900 persons would join the ranks of employment and income seekers within the next six years. The tasks of finding new lands, employment and income avenues for the growing second generation population has created a critical situation that demands immediate attention.

Though, many studies and surveys have been done in the area of employment mainly in the 1990's employment and income benefits of innovative development initiatives taken recently such as One-area-One-product specialization and the transformation of Mahaweli into river basin management authority remain largely speculative due to the lack of 'hard and reliable data' to determine their effects. The impact of the above development activities in Mahaweli System H upon the unemployment issue of the settlers, specially for second generation settlers is a concern that was addressed by this study.

The primary objective of this study is to examine the current status and future trends in employment opportunities and income avenues for second and third generation settlers in Mahaweli H area.

- To identify the effect of the selected on-going projects in generating employment and income earning opportunities for second and third generation settlers.
- To identify the constraints and potentialities for access and availability of employment opportunities in both on-farm and non-farm sectors for the second generation settlers.
- To identify the skills, nature of training received and preparedness for employment and individual job aspirations and employment seeking behaviour among members of the second generation.

Altogether three study locations called Galnewa, Thalawa and Thambuttegama block areas were selected based on the current position regarding on-farm, off-farm and non-farm sector dominantly in employment and income generation. Two Farmer Organizations which were actively engaged in One area - One crop programme were selected from each study location. 30 farmers representing both 1st and 2nd generation people were randomly selected for the questionnaire based field survey.

Two focus group discussions were held with both 1st and 2nd generation members in each and every selected village. Informal discussions with key informants of the village and field level officers were useful to gather important data.

Findings of the Study

Majority of the 2nd/3rd generation (82%) has an education beyond primary level. Higher education rate of the 2nd/3rd generation population in study areas is relatively high and around 11% of the population is G.C.E. (A/L) qualified. However, university enrolment rate either being university graduates or still attending university is relatively low, accounting for only 5 in all three blocks.

70% of the 2nd/3rd generation population is in the labour force and nearly 81% of them are economically active. Males represent the majority of the economically active labour force (72%) while female's contribution is limited to only 28%. Labour force is comprised of employed 53%, unemployed 4%, students and youth who are following vocational trainings 23%, unpaid family workers which composed of housewives 14% and too young/disabled 6%.

The most significant feature of the age distribution among 2nd/3rd generation settlers is that over 60% of the population is between the ages of 19 to 36 years. This reveals that currently the majority of second and third generation population belongs to employment seeking age group and also represent the labour force. Further, the immediate effect of a large number of children (22%) in the age group 6-19 would be to enlarge employment seeking age group further within next few years.

From the employed 2nd/3rd generation population only 30% are involved in agriculture as their primary employment. While only 10% of females from 2nd/3rd generation are engaged in agriculture and primary income source males' involvement in this sector is around 43%. However, nearly half of the males are engaged in non-agricultural activities as primary employment. From this, public service accounts for 18% and has reported as main contributor. Security forces are the important public sector employment generating source for the males of 2nd/3rd generation in the study area.

On the other hand, for the females the contribution of non-agricultural activities as the primary income is nearly 32%. From non-agricultural activities, garment sector accounting for 10% dominates, other income earning sources in private sector which accounts for 8% and foreign employment which accounts for nearly 6%. One of the significant findings is 44% of females from labour force reported as housewives, other than the involvement in agriculture as unpaid family workers alternative income sources are unavailable for them.

Nearly 38% of the 2nd/3rd generation population prefer to be employed in agriculture while majority (62%) has the preference to be involved in non agricultural sector. This is a consequence of insufficient income from agriculture and unavailability of owned land for cultivation. Job expectations of youth vary with education and age. They expect to move in to the non-agricultural sector with regular monthly income, mainly in the fields of self employments, skilled employments and technical sector and employments in public sector.

40 persons (7%) of 2nd/3rd generation are involved among in self-employment activities in various levels as primary employment or as an additional income source. From males 5% are engaged in self-employment activities as the primary employment source and for female this value is small as 2%. But, the diversification of self-employments of 2nd/3rd generation is high compared to 1st generation. However, it is important to note that the involvement in agro processing industries (milling) is as low as two persons for all three blocks.

Animal husbandry, though one of the most productive and employment generating type of activity is not well established within the study area. Only 30 households (nearly 17%) are keeping buffaloes or neat cattle in a small scale and mostly for domestic agricultural purposes. About 19 households (10%) had taken to poultry farming. The main problem faced by farmers who were engaged in livestock is lack of feed, as absence of sufficient amount of grasslands. As well they face problems such as lack of space, finding a proper market for their produce, high price of animal feed and frequent animal diseases. Among the people who were engaged in animal husbandry, 2nd/3rd generation contribution accounting for 38% revealing their low interest on animal husbandry.

According to the survey, land ownership of 2nd/3rd generation accounting for very small value, 4% from the total population own highland while for lowlands, this value is accounting for 3%. The extent of land which is owned by 2nd/3rd generation also extremely small compared to the total land extent. For all three blocks for highland this value is 20.5 acres while it is accounting to 70.25 acres for lowlands. As the demarcation of original land allotments are not allowed, both highlands and lowlands have been shared among 2nd/3rd generation without any legal basis. As a consequence to this trend, lowlands have been fragmented resulting low agricultural productivity while ½ acre of highland allotments have been crowded with a number of houses, which belong to 2nd/3rd generation.

Before the initiation of the programme "One area – One crop" in *Yala* season 2003, private companies had initiated some kind of forward contract crop production systems since 1998. But nearly 40% of farmers under the programme have initiated forward contract farming systems in the *Yala* season 2003 in which

the programme was introduced. Only nearly 60% of farmers are aware about the 'One area - One crop' programme even after three seasons from the initiation of the programme. Only 33% of farmers are engaged in the programme. According to the farmers, who practiced the programme, relative profitability (52%), easy access to inputs (22%) gaining technical knowledge (13%) and conveniences in marketing (10%) are the main benefits of the programme. The forward contract crop production systems are limited to very few crops like soya bean and maize. On the other hand only one outside company has been involved in the programme on both soya bean and maize crop production systems. Unawareness (71%) about the programme and lack of land with suitable soil condition and not availability of assured irrigation water (14%) are the main reasons for non involvement in the program for majority of farmers.

There is only around 10% of households with at least one settler of 2nd generation as a member in FOs. The absence of land ownership (70%) is the main reason for not involvement in FOs. Only settlers with land ownership are entitled to get the full membership in FOs. Because of most 2nd/3rd generation settlers do not have their ownership of lands they are not allowed to get membership in FOs.

On the other hand, the members who do not have the full membership because of absence of land ownership are not allowed to hold offices in FOs. Hence, this situation kept 2nd/3rd generation settlers away from decision making, and planning activities in respective FOs. Therefore, 2nd/3rd generation settlers involvement is relatively less in the Farmer Federation and system level Project Committee which highest level forum in decision making on preparation of cultivation calendar and distribution of irrigation water through out the season. However, from the members of 2nd/3rd generation settlers in FOs, 47% are holding the offices. It reflects the willingness of 2nd/3rd generation members in taking the responsibility in FOs.

There were 20% of total households in the study area (36 in number) that with at least one member of the household has migrated permanently to outside the Mahaweli area within last five years. Marriages (88%) between settlers and outsiders are the major reason for permanent migration. Returning of settlers and their family members to their native places (14%) where 1st generation settlers came from (specially Matale and Kandy districts) is the next reason for the permanent out migration. Specially to give a good education, settlers are sending their children to their native places.

15% of settlers from the total population have temporarily migrated to outside the Mahaweli area in seeking income earning sources. Most of temporary migrants are involved in permanent employments (38%), while skilled labour category accounts for 45%. The percentage of unskilled labourers who temporarily migrated is 18%. As skilled labourers, workers in garment factories play an important role and it is about 48% and remaining 52% of temporary migrated skilled labour category represented by income earning activities such as carpentry, masonry, welding, motor mechanics and so on. Foreign employees, specially house maids are accounting for 57% of unskilled labour category. 90% of temporary migrated settlers are engaged in income activities on fulltime basis and only 10% of are doing part time jobs. These figures reveal the employment seeking objective of temporary migrated settlers.

Policy Implications and Recommendations:

Less profitability and non availability of sufficient cultivable land lots are the major reasons for 2nd/3rd generation settlers not remaining in agriculture. There should be programmes which target at promotion of profitable farming systems like commercial field crop production, export oriented high-tech protective agriculture systems. To achieve these targets proper input supply systems including capital and formal support and efficient knowledge dissemination and advisory (agricultural extension) service and well functioning marketing channels should be introduced. Relevant responsible authorities have to motivate, subsidize and introduce incentive packages to farmers to cultivate commercial crops with high market value and profitable other than crops with high fluctuation of market price and high cost of production.

Introducing of self employment and agro-based cottage industries specially for women is important to absorb them as economically active settlers other than unpaid family labourers. Training programmes on sewing, and production of yoghurt and milk based value added products may be useful for women to initiate self-employments.

Introducing buy back poultry farming systems would be beneficial for poultry farmers to uplift their income and keep them in the sector. The expansion of livestock related activities of Mahaweli Economic Agency joining with Neeraviya Farm would be advisable to improve the dairy sector. Provision of extension services and other breeding facilities like artificial insemination (AI), stud bull and heifers could be initiated with proper marketing mechanism to procure the farmers milk at reasonable price. Introducing high yielding drought resistant and nutritious fodder and pasture varieties could be grown in homestead is essential to develop the dairy sector.

Settlers who have no legal ownership of lands are not allowed to have the full membership of Farmer Organization. Since, specially second and third generation settlers do not have land ownership, it leads to keep them away from FOs. Hence, it is needed to make necessary legislative changes allowing landless second and third generation settlers to be active members and office bearers in FOs.

Generating of employment opportunities and income avenues for skilled labourers in non-farm sector is essential to put barriers to flow of out migration. Specially expansion of industrial sector to absorb employment seeking skilled workers into respective fields is urgent. Establishment of garment factories to provide employment opportunities for women skilled workers may be useful as higher proportion of migrated skilled labourers are engaged in garment industry outside the Mahaweli areas.

The role of Mahaweli Authority in the "One area - One crop" area specialized programme should be strengthened. The MASL should get involved in the co-ordinating process through introducing proper outside companies to make forward contract agreements with Farmer Organizations or individual farmers on suitable crops in relevant areas with suitable soil condition and assured water availability. All the forward contract farming systems are practiced under the agreements between individual farmers and outside companies, hence Farmers' Organization's involvement is negligible. Therefore, Farmer Organizations should be absorbed into and promoted as active participants in the forward contract farming systems practiced on selected crops. Proper awareness programme with providing practical knowledge on new cultivation methods is essential to motivate farmers to be attracted and kept in the programme.

2. Private Sector Intervention in Livestock Service Delivery System (Dairy Sub-sector): Identification of Potential and Constraints.

Research Team

Mr. W.H.A. Shantha	-	Co-ordinator
Mrs. Sharmini Kusum Kumara	-	Supervisor
Miss. D.W.S.D.K. Seneviratne	-	Co-researcher
Mr. N.P.G. Samantha	-	Co-researcher

Introduction

The smallholder dairy farmer plays the major role in milk production in Sri Lanka. Small holders keep about 95% of the cattle with a farm which is less in land size and landless estate labourers (Shakthivale, 1986). Numerous milk production systems in the smallholder dairy farming sector were involved due to the wide range of agro-ecological and socio-economic conditions prevailing in Sri Lanka.

The inadequate services for livestock production has been highlighted in the government policy framework for dairy development as a major constraint for the upliftment of the dairy sub-sector.

To rectify above constraints, the document 'Regaining Sri Lanka' proposed that;

'Encourage private sector to establish commercially oriented efficient livestock sector services. Government livestock services are not expanding to meet the growing sector demand. Some services like animal health and delivery of vaccination, laboratory services, and testing for quality could be initially handed over to the private sector.'

The Department of Animal Production and Health (DAPH) is the sole state sector service delivery arm which bears the whole responsibility in bringing technology and inputs to the dairy farmer. In provision of inputs and other services to the dairy farmer, the experiences can be observed with private sector as well. As there is a considerable encouragement of private sector investment in livestock service delivery system in the government policy framework to uplift the dairy sub-sector, it is important to undertake a study to determine feasibility of private sector intervention in dairy service delivery system.

Objective of the Study

The prime objective of the study is to identify and investigate the factors which could/would influence the private sector intervention in service delivery system in smallholder dairy farming.

Method of Study

The study was mainly based on primary data collection from both service delivering agents and beneficiaries (small scale dairy farmers). The study was undertaken in Kurunegala, Anuradhapura and Nuwara-Eliya districts representing the Coconut Triangle System, the Dry Zone System and the Estate System respectively.

Two village level milk producing/collecting societies were selected from each district. From each selected society 40 farmers will be randomly selected for the field survey. The field survey was conducted with a pre-tested comprehensive questionnaire. Two focus group discussions were also be conducted with selected dairy farmers in each and every society.

Data from existing state sector and non-state sector dairy service delivery systems was also collected by means of unstructured interviews with key informants of those institutes and agencies. Informal discussions with the field level extension workers in both sectors were useful in gathering both quantitative and qualitative data.

Findings of the Study and Policy Recommendations

Difficulties in finding or non-availability of good quality animals is a great problem for farmers in having cows with higher genetic potential. None of the farmers in three study areas had good quality animals from government breeding farms or any other government farms. They have upgraded animals specially through Artificial Insemination (AI) and purchasing animals from other farmers. But, there is a high demand for animals with high milk production from the farmers in each system. Therefore, there should be an efficient mechanism to provide good quality animals to cater the farmers' demand. Specially veterinary offices could be involved in the programme in facilitating farmers to have good quality animals in collaboration with government breeding farms and other government farms.

Even though farmers are keeping genetically upgraded animals, those animals are being severely constrained by the inappropriate feeding manner. Specially scarcity of good quality pasture and fodder, high market price of available concentrate feed and absence or underutilization of available conventional feed resources are the major reasons for poor feeding habit in all study locations.

Non availability of sufficient land lots with assured water supply throughout the year and constraints in having high quality planting materials of pasture and fodder varieties restrict farmers in establishing and maintaining of grassland specially in the Dry Zone areas. Absence of their own land lots for farmers in Estate System is the main problem for unavailability of farmer owned grasslands. Hence, motivation of farmers to maintain grassland with high quality fodder varieties in their homestead specially in the Dry Zone and providing planting materials and other extension services on cultural practices and maintaining of grasslands are essential. To regulate the price hike and high price fluctuation government intervention should be made in production and distribution of cattle feed mixtures and other concentrate feed allowing farmers to access to these food stuffs at affordable price. On the other hand, direction of farmers to make use of available conventional feed resources at the maximum level is essential to cut down the high cost for animal feeds. Specially making farmers aware on producing urea treatment for paddy straw, making hay and silage and feeding tree legumes are the some of activities should be promoted.

Artificial Insemination (AI) is the widely spreaded animal breeding method used by the farmers. Rearing of bulls to be used to natural service is very rarely practiced. Absence of proper AI service in time and higher service charges are the main problems faced by farmers in most areas, specially in coconut triangle and in the Dry Zone Systems. Through keeping their own private AI technicians, two non state sector companies in the Estate System provide efficient service for their farmers.

An efficient follow-up service is not received by the farmers after the AI in most of the areas. Because of inadequate amount of money allocated for fuel and subsistence of veterinary surgeons (VS) proper follow-up service is usually not practiced. To get the services of pregnancy detection (PD) and other follow-up services, farmers have to bring the VS bearing transport cost themselves. Because of high transport cost, farmers are reluctant to get PD and other follow-up services and it may lead to lengthy calving interval and hence this situation causes to reduce the reproduction capacity of the animal.

Proper and in timely AI service and follow-up services are essential to upgrade the animals and use their reproduction capacity at optimum level. Adequate money allocation for VS offices on fuel and subsistence is needed to have a proper service from field officers. Maintenance of its own AI technicians and providing efficient service at affordable charges are more useful for both service delivery agencies and benefited farmers as practiced by two non-state sector companies in the Estate System.

None of non-state sector organization or company have involved in providing acute health care services or a disease surveillance network. Public or government sector involvement in disease curative and preventive services is occurred in each and every system. Farmers in most areas are not satisfied on the government health care services through government veterinaries. In many situations, farmers complain that they are not receiving quality health services for their animals in a timely manner.

Expansion of the health care service from government veterinary officers through allocating sufficient money to increase the mobility of veterinary officers and make farmers aware by conducting awareness programme on disease control and prevention, and keeping the farm hygenity and so on are necessary to maintain a disease free cattle herd.

Low education level constraints farmers in participation in livestock training programmes and other awareness programmes specially in Estate System. It is essential to conduct village level awareness programme and other knowledge in dissemination on proper time schedule allowing estate labourers (dairy farmers) to participate in those programmes. Specially conducting of awareness programmes on cattle shed hygiene and use of available conventional feed sources are immediate necessities in that area.

Less practicing of maintaining formal cattle sheds in each location was quite visible. Specially in the Dry Zone and Coconut Triangle Systems, farmers are giving less priority to maintain a formal cattle sheds. Dairy farmers in the Estate System are very keen on keeping cattle sheds but they do not consider about

the drainage and ventilation systems of the cattle sheds. These situations lead improper hygienic condition in the cattle shed that directly affects the animal health.

Make farmers aware on the importance of the keeping formal cattle sheds in terms of animal health, feeding efficiency, waste management, labour utilization and so on. Provision of technical know-how and financial assistance to put up formal cattle sheds according to the climatic condition prevailing in the different milk production systems.

Huge competition between milk procurement and processing companies to attract and keep dairy farmers in all the locations is clearly observable. Formation of dairy farmers' organizations to collect raw milk and providing services through these organizations is the popular way followed by many of milk collecting agencies and companies. Payments for milk is made according to the price chart formulated by the respective company or agency. Lactometer reading and SNF (Solid Non-Fat) content are the criteria used for formulate that price list. It is essential to introduce a common price list for each and every milk collecting companies all over the country to rectify the price variation among different areas in the country.

OTHER ACTIVITIES

Mr. T.A. Dharmaratne

- 'Proposed Activities to Introduce Buffer Stock Management System for Maintain Food Security in Sri Lanka'. A document submitted to the Ministry of Agriculture, Livestock, Lands and Irrigation.

Dr. M.S. Senanayake

- 'Agriculture Modernization in Sri Lanka' – Paper presented at the Training Center of Hubei Agricultural Official, Wuhan, P.R. china – July 2004.
- 'Farmer Companies and Modernization of Agriculture – A Study on the case of Sri Lanka' – Dissertation Presented at the Huazhong University of Science and Technology, Wuhan, P.R. China – July 2004.
- Participated in a symposium on 'Small Tank Settlement in Sri Lanka' at HARTI – 21st August 2004.
- Participated in a conference on 'Third Biannual Conference on Science and Technology' at BMICH organized by NASTEC– 16th-22nd September 2004.
- 'What is Ailing Farmer companies of Sri Lanka in their Transformation into Successful Business Entities? Overview of Policy Issues' – Paper presented at the 3rd International Conference of the Japan Economic Policy Association, Meiji University, Tokyo, Japan – November, 2004.
- Participated in a national workshop on 'Kitul Industry Development Programme' at the Industrial Technology Institute, Colombo – 14th December 2004.

Mr. R.M.G.K.B. Ratnayake

- Participated in a workshop on 'Food Insecurity and Vulnerability Information and Mapping System' organized by HARTI/FAO – 23rd July 2004.
- Contributed to Preparation of document on the 'Buffer Stock Management for Price Stability and Food Security in Paddy/Rice Markets in Sri Lanka' for Ministry of Agriculture, Livestock, Lands and Irrigation – 15th-30th July 2004.
- Participated in a symposium on 'Small Tank Settlement in Sri Lanka' at HARTI – 21st August 2004.
- Participated in a conference on 'Third Biannual Conference on Science and Technology' at BMICH organized by NASTECH– 16th-22nd September 2004.
- Participated in a workshop on 'Promotion of Bamboo Processing and Utilization in Sri Lanka' organized by Bamboo Association of Sri Lanka at SLASS – 12th October 2004.
- Contributed to translation of the judgment report on 'Water Sharing and Sustainable Development – Second Opinion by Justice Mr. C.G. Weeramantry – 15th-22nd October 2004.
- Participated in the workshop and panel discussion on 'The Utilization of the Phosphate Deposit' organized by the Sri Lanka Professionals Congress at HARTI – 05th November 2004.
- Participated in a Paper presentation on 'Task Force of Food and Nutrition' presented by Mr. K.H.J. Wijedasa – 19th November 2004.

- Participation in a workshop on 'Research and Development: The Need for a New Research Culture' at SLASS organized by NASTEC – 25th November 2004.
- Participated in a workshop on 'An Exposure to Organic Agriculture' organized by Lanka Organic Agricultural Management' – 30th November 2004.

Mr. W.H.A. Shantha and Miss. D.W.S.D.K. Seneviratne

- Participated in a Seminar on 'Recent Developments in Water Resources in Sri Lanka' at SLASS – 19th February, 2004.
- Participated in the Research Seminar on 'Contract Research Programme of CARP' at In-Service Training Institute, Gannoruwa, Peradeniya – 12th March, 2004.
- Participated in the workshop on 'Food Insecurity and Vulnerability Information and Mapping System' organized by HARTI/ FAO – 23rd July, 2004.
- Participated in the workshop and panel discussion on 'The Utilization of the Phosphate Deposit' organized by the Sri Lanka Professionals Congress at HARTI – 05th November 2004.
- Participated in a workshop on 'Sethusamudram Channel Project' at SLAAS – 12th November 2004.
- Participated in a Paper presentation on 'Task Force of Food and Nutrition' presented by Mr. K.H.J. Wijedasa – 19th November 2004.
- Participated in a workshop on 'An Exposure to Organic Agriculture' organized by Lanka Organic Agricultural Management – 30th November 2004.

Mr. W.H.A. Shantha

- Participated in a book launching (Pul-Eliya by Mr. H.D.M. Seneviratne) held at the National Library and Documentation Services Board – 10th February, 2004.
- Served as a Resource Person of a radio programme 'Shasthriya Sangrahalaya' at Sri Lanka Broadcasting Corporation – 30th March, 2004.
- Served as a Resource Person of a radio programme 'Shasthriya Sangrahalaya' at Sri Lanka Broadcasting Corporation – 26th May, 2004.
- Prepared and published an article on 'Livestock Industry in Sri Lanka' in 'Govijanatha', No.01, Vol.7 – October 2004.

Miss. D.W.S.D.K. Seneviratne

- Participated in a video conference on 'Making Services Work for the Poor' at Distance Learning Centre – 22nd June 2004.

IRRIGATION WATER MANAGEMENT AND AGRARIAN RELATIONS DIVISION

Staff:

Dr. W. M. G. B. Giragama	-	Head of the Division
Mr. R. de. S. Ariyabandu	-	Research Fellow
Mr. M. M. M. Aheeyar	-	Research Associate
Mr. H. M. J. K. Herath	-	Research Officer
Mr. P. C. Jayampathy de Silva	-	Research Officer
Mr. M.A.C. Sidath Bandara	-	Research Officer (on study leave)
Ms. G.G.de.L.W.Samarasinghe	-	Research Officer (on study leave)
Mr. D. G. Karunaratne	-	Senior Statistical Officer

COMPLETED STUDIES

1. Sustainable Village Development Programme - Matale District

Research Team : Dr. W.M.G.B. Giragama,
Mr. R.L.N.Jayatissa,
Mr. H.M.J.K.Herath,
Mr. P. C. Jayampathy de Silva,
Mr. M.A.C. Sidath Bandara

According to the study various problems faced by farmers (Digampatha village) were identified. The problems include water scarcity, wild elephant, illicit liquor and scarcity of quality seed. Further, the study noted high production cost and marketing problems for big onion.

To improve home gardens, awareness programmes were conducted and required plants as well as advises granted. At the home garden competition of Central Province, first prize was received by one farmer in Digampatha village. Acquire culture programme done in two tanks. Cashew cultivation with rainwater collection in the ground level tanks done. Several training programmes were conducted on leadership development, big onion cultivation, organic farming, paddy husk use as a fertilizer, dillihot chilly cultivation, community development and livestock development. Constructed four tube wells in the village. Formed several committees on sports, social welfare, tube well maintenance which comprised of men and women. Action committees on sustainable development were appointed/arranged to coordinate all projects. Big onion seed production programme was conducted.

Under the livestock development project conducted several AI clinics and hormone treatments. Project was completed and report was submitted

2. Application of Micro Irrigation Technologies in Sri Lanka: Potentials and Constraints

Research Team: Mr. M.M.M. Aheeyar
Ms. S. Dharmalingam
Ms. G.G.de.L. Samarasinghe

The government of Sri Lanka and various donor agencies have invested considerable sums of money on development of Micro Irrigation (MI) on pilot basis since late 1990s. As the introduction of MI technology to the small farmers has been relatively new, no comprehensive studies have been done with regard to the socio and economic feasibility of these technologies. The major objective of this study was to find out the potentials of promoting micro irrigation systems in Sri Lanka and to identify the existing problems and constraints experienced by small-scale farmers using this new technology. Study locations were selected from DL₁ agro-ecological zone in North Central region and Southern dry zone region. The total sample size is 69.

The economic analysis was conducted for red-onion, big-onion, gherkin and papaya cultivation indicate that, the selected crops provided sufficient return to recover the capital investment cost within one to two years. Papaya cultivation under drip irrigation shows the economic viability of MI systems even at 20% discount rate. The farm size under MI varies from 0.125 to 2 ac with majority of the farmers cultivating 0.25-0.5 acre using MI technology. The source of water for 77% of MI farmers is groundwater. Majority of the MI farmers have not changed their traditional crops with the availability of MI technology.

The major constraint of sprinkler irrigation is non-uniform provision of water as experienced by 52% farmers. The use of low-pressure pumps for MI is causing high cost for fuel due to accelerated pump speed. The mis-conception among farmers of small quantities of water supplied by MI is not sufficient for crop is one of the hindering factors for the promotion of MI. The findings also indicate the non-use of available MI system by 57% of MI owners who owned MI systems by 2002 mainly due to two reasons. Firstly, poor targeting of beneficiaries and secondly, lack of training and awareness on use of MI technology.

It is noteworthy to mention that, about 13% of MI owners have already sold out their system. The services provided by suppliers were found to be very poor and farmers faced difficulties in obtaining necessary spare parts and technical know how. It is recommended to promote group farming (at least 10 or more acre in a locality) with MI will be a solution to provide affordable after sales services by the suppliers.

3. Impact of Micro-Finance on Micro-Enterprising: A Comparative Analysis of Samurdhi and Non Samurdhi Micro Entrepreneurs in Sri Lanka.

Researcher: M.M.M. Aheeyar

The main objective of this study is to identify incentives, constraints and impediments to micro enterprise development in Sri Lanka with special reference to national Poverty Reduction Strategies and Programmes (PRSP), the SAMURDHI programme in order to provide policy guidelines that would help to refocus the current PRSP's in a more equitable basis.

1. To ascertain the identity of rural micro-entrepreneurs and to analyze the nature of such enterprises in terms of access to and control over the resources of such enterprises.
2. To recognize incentives, constraints and impediments to development of micro-enterprises in specific study locations.
3. To identify any relationships among success/failure of the enterprises, socio-economic and gender-related features of micro-entrepreneurs and government and non-government organizational interventions for micro-enterprise development.
4. To find out the correlation between success/failure of various micro-enterprises (agriculture, animal husbandry, marketing and small industries) and the level of micro-finance provided by Samurdhi.
5. To explore the destiny of unsuccessful micro-entrepreneurs, namely, future survival strategies, eagerness to alternative micro-enterprising, loan repayment, alternative sources of finance, response towards the PRSP, civil society and the family, and the feed back they receive from such institutions.
6. To identify non-monetary role-played by SAMURDHI representatives (animator, manager and other higher level officials) and other non-monetary support further expected from these institutions by micro-entrepreneurs.
7. To assess what factors threaten the long-term sustainability of micro-enterprises and to identify the means of refocusing the current PRSP's in a more equitable basis.

Data collection of the study has been completed and report writing is in progress.

4. Production and Marketing of Big-Onion in Matale and Anuradhapura districts

Research Team: Mr. P. C. J. De Silva
Mr. R. M. R. Bandara
Mr. R. L. N. Jayathissa

The aim of this project was to study the cultivation, production and marketing systems of big onion. The field research was conducted in Dambulla and Kimbissa ASC divisions in Matale district. Galnewa and Thalawa of Mahawelli block areas along with Ethakada and Galenbindunu wewa ASC divisions were the areas studied in Anuradhapura district. It was found that a large number of farmers cultivate big onion in up lands in both districts. The highest average production of big onion was recorded from up land in Matale district. Unavailability of quality seeds is the main problem faced by the big onion farmers. Apart from that lack of water, poor extension service and using too much of inorganic fertilizer were also found as problems which need urgent attention.

Intervention of government to import quality seeds from India as a short-term remedy is recommended while enhancing the production of local big onion seeds which is very much essential to improve the production of big onion in the country. Constructing of agro-wells in a proper manner will reduce the problem of irrigation to a great extent. Apart from that stopping the import of big onion in the local harvesting period will definitely increase the domestic production. Paying attention on the commission charged by the traders at Dambulla Economic Center is also of utmost importance.

5. Marketing of Paddy in Polonnaruwa District

Research Team : Ms. S.W.G.K.Bulankulama
Ms. M.K.N. Damayanthi

The objectives of the study are 1) Estimating excess paddy in Polonnaruwa district

1) Identifying paddy marketing pattern 3) Studying the relationship between paddy producers and buyers
4) Identifying problems faced by paddy farmers, buyers and millers 5) Proposing recommendations to solve for the paddy price reduction in Polonnaruwa. Results show only 29% of farmers store paddy for better price. Only 12% of farmers have paddy storage and others store paddy in their houses. Report is completed.

6. Food Insecurity Vulnerability Information and Mapping System (FIVIMS) Project.

Research Team : Mr. H.M.J.K.Herath
Ms. W.D.Wickramasinghe

The objectives of the project are to;

- Increasing national and international attention to food security issues, So that they receive higher priority on policy formulation.
- Improving the reliability, quality, quantity and timeliness of sub national food security-related data and analysis.
- Facilitating multi-sectoral analyses through better integration of complementary information components.
- Promoting better use of information through better understanding user needs and more effective dissemination.
- Improving users' access to information through networking and sharing.

Food security exists when all people, at all times have physical, social and economic access to sufficient, safe and nutritious food which is needed for an active and healthy life and food insecurity exists when people lack access to sufficient, safe and nutritious food required for normal physical growth and mental development. During the 1996 World Food Summit (WFS) in Rome, it was reported that about 800 million people living in the developing countries were undernourished and 170 million of them were the children below five years old. The WFS resolved to reduce these figures at least by half by the end of 2015, with the long-term goals of eradicating hunger and achieving food security for all.

7. Translation and Printing of Justice C. G. Weeramantry's "Environmental Aspects of Sri Lanka's Ancient Irrigation System"

Team : Mr. Anuruddha Pradeep - Translator
Dr. W.M.G.B. Giragama - Coordinator

The book on Environmental Aspects of Sri Lanka's Ancient Irrigation System by Justice C. G. Weeramantry was translated into Sinhala and printed by the Government Press.

8. Symposium on 'Small Tank Settlements in Sri Lanka' 21st August 2004 at HARTI

Coordinators: Dr. W.M.G.B.Giragama
Mr. M.M.M.Aheeyar

Resource persons and papers presented in this symposium were:

Dr. M.U.A. Tennakoon, Director General, Mahaweli Authority of Sri Lanka
Tanks are not Mono-functional, they are Multi-functional

Eng. G.T. Dharmasena, Director General, Irrigation Department
Global Diversity and Multifunctional Role of Irrigation

Eng. D.D. Prabath Witharana, Department of Agrarian Development
Categorisation of Small Tanks for Rehabilitation

Dr. P.B. Dharmasena, Deputy Director, Department of Agriculture
Small Tank Heritage and Current Problems

Prof. C.M. Madduma Bandara, University of Peradeniya
Tank Cascades in the Dry Zone

Dr. James Handawela
Understanding Rainfall as a Pre-requisite to Tank Rehabilitation

Discussants

Eng. A.D.S. Gunawardena/Director (Special Project) Ministry of Irrigation

Mr. Nanda Abayawickrama/Lanka Jalani

Dr. R. D. Wanigaratne/Consultant, Land Titling Project

Eng. S. Selvaraja/Advisor to Honorable Minister

Proceedings published with an introduction by the Mr. D.G.P. Seneviratne, Director/ HARTI

OTHER ACTIVITIES

- Dr. W.M.G.B.Giragama delivered the Presidential address of Section E1, SLAAS in 60th Annual session on "Effect of Upper Atmosphere on Rainfall" at University of Colombo, on 20th December 2004
- Dr. Giragama presented a paper on "Impact of water resource development on land use and water demand in the Upper Mahaweli Catchment of Sri Lanka" University of Japan, at BMICH, Colombo 19th November 2004
- Dr. Giragama presented a paper on "Impact of climatic variability, land use changes on run off at Peradeniya and Talawakele" Water Professionals Day Symposium, PGIA, Peradeniya, 1st October 2004
- Dr. Giragama presented a paper on "Water for food, people and environment in Upper Mahaweli Basin of Sri Lanka", at Hotel Galadhari, organised by Lanka Jalani on 7th May 2004
- Dr. Giragama participated the International Conference on Sustainable Water Resource Management in the Changing Environment of the Monsoon Region, at BMICH, Colombo 17th -19th November 2004
- Mr. D.G.P. Seneviratne, Director and Dr. Giragama participated in the "Third Biennial Conference on Science and Technology" at BMICH Colombo, organized by NASTEC, 16th-19th September 2004.
- Dr. Giragama participated in the UN sponsored workshop on Capacity Building for Sustainable Development and Climate Change, Organized by Munasinghe Institute for Development, at HARTI, 8-9 June 2004.
- Mr. M.M.M. Aheeyar published a paper on "Micro Irrigation Intervention Among Small Farmers in Sri Lanka: Lessons for the Future", In R.P.De. Silva (ed.) Water Resources Research in Sri Lanka, Symposium Proceedings of the Water Professional's Day, Post Graduate Institute of Agriculture, Peradeniya, 01 October 2004.
- Mr. Aheeyar published an article on "Application of Micro Irrigation" in the 'Lankadeepa' daily Sinhala News paper.
- Mr. Aheeyar edited the Symposium Proceedings on "Small Tank Settlements in Sri Lanka" held in HARTI, August 21 2004.
- Mr. H.M.J.K. Herath and Mrs. W. Wickramasinghe, Coordinated the seminar on "Food Insecurity and Vulnerability Information and Mapping Systems" held at HARTI on 23rd July 2004.

MARKETING, FOOD POLICY AND AGRI-BUSINESS DIVISION

Staff :

Mrs. C.P.Hathurusinghe	-	Head of the Division
Dr. D. Gamage	-	Research Fellow
Mr. T.Ravichandran	-	Research Associate
Mrs. W.D.Wickramasinghe	-	Research officer
Miss Roshini Rambukwell	-	Research officer
Miss Ruwini Widanapathirana	-	Research officer
Mr. L.P. Rupasena	-	Research Fellow (Study Leave)

The Marketing, Food Policy and Agribusiness Division – MFPAD (earlier marketing and Food Policy Division) was established in the Agrarian Research and Training Institute (ARTI) in 1979 by the Act of Parliament to provide market information to the Cost of Living Review Committee, which was conducted by the Ministry of Trade and Commerce and Food. Later on the committee looked into broader aspects of the food sector and it was called National Food Security Committee. This committee was conducted by the Ministry of Food and Marketing Development. This Division provided price and other relevant data to the above mentioned both Committees.

In addition to the above, another committee was formed to evaluate the food procurement by the Government Departments, Security Forces and the CWE. One member of this committee was selected from this Division.

No. of officers engaged in the Division

1. Research Fellow	-	01
2. Research Associates	-	01
3. Research Officers	-	03
4. Statistical Assistants	-	15
5. Casual Investigators	-	18

COMPLETED STUDIES

Progress for the Year 2004

- Weekly Food Commodities Bulletin – Issued for the whole year.
- Weekly Food Prices provided to the relevant authorities – for the whole year.
- Monthly Food Information Bulletin – June/July, August Compiled by Mrs. W.D. Wickramasinghe.
- Provided daily and weekly information to the media.
- Provided price data and other market information to the following government and private sector agencies throughout the year. Data was not provided free of charge to the private sector.

Government Sector Institutions

1. The Presidential Secretariat
2. The Prime Minister's Office
3. Ministry of Agriculture, Livestock, Lands and Irrigation
4. Ministry of Co-operatives
5. Ministry of Consumer Affairs
6. Co-operative Wholesale Establishment
7. Ministry of Finance
8. Central Bank of Sri Lanka
9. Bank of Ceylon and Peoples' Bank
10. Sri Lanka Broadcasting Corporation – Lakhanda, Ruhunu Sewaya, Rajarata Sewaya and other channels
11. Coconut Development Authority
12. Department of Agriculture
13. Department of Fisheries
14. Department of Prisons
15. Sri Lanka Army
16. Sri Lanka Navy
17. Sri Lanka Air Force

Private Sector Agencies

1. Private radio services "Sirasa", "Isira", "Tharu" and "Hiru FM"
2. Private sector television services "Sirasa", "MTV" and "TNL"
3. Seylan Bank
4. Elephant House
5. Private companies and persons
6. University students

Regular Work Programme

1. Food Information and Market Intelligence Project

Coordinator	Mrs. C.P.Hathurusinghe
Research Team	Mr. T.Ravichandran Miss Roshini Rambukwella Miss Ruwini Widanapathirana
Estimated Budget Funded by Treasury	Rs. 3,669,833.33

The MFPAD's main role is to provide accurate market information on time to the National Food Security Committee and to the Cabinet Appointed Tender Board for Food Procurement. To collect market information and relevant data for the selected food categories, 9 retail markets in Colombo and suburbs (Pettah, Thotalanga, Dematagoda, Borella, Wellawatta, Kirulapone, Nugegoda, Kadawatha and Kiribathgoda) and Pettah wholesale market were selected. In addition, data and information were collected from 20 markets in major food producing districts and food consuming districts. To collect above mentioned data and information, 08 Statistical Assistants and 05 Casual Investigators were used. For the data collection in outstations 06 Statistical Assistants and 11 Casual Investigators were used.

Trained Investigators resigned in October to join the Government Service. Since then 23 new graduates were recruited for the vacancies during last week of November.

The locations covered in year 2004 were Kurunegala, Nikaweratiya, Dambulla, Matale, Anuradhapura, Thambuttegama, Polonnaruwa, Kalutara, Nuwara Eliya, Kandy, Hanguranketha, Badulla, Bandarawela, Hambantota, Matara, Moneragala, Ampara, Marandagahamula, Ratnapura. Tissamaharama, Galle and Trincomalee were also covered in December.

Under this project, the prices of food commodities were collected daily from Pettah, Kandy, Dambulla and Marandagahamula markets. These data were disseminated daily through electronic media, to enable producers and traders to be aware of commodity prices in main wholesale markets in time. Wholesale and retail prices in Colombo and outstations and also producer prices in outstations were analyzed for the Weekly Food Commodity Bulletin. This bulletin is issued on Fridays. These data and information were provided to the policymakers in time.

2. Analysis of Production and Marketing of selected popular fruits (Banana, mango, pineapple, papaw and passion fruit)

Coordinator	Mr. T.Ravichandran
Co-Researcher	Mrs. C.P.Hathurusinghe
Estimated Budget Funded by CARP	Rs. 248,000.00

Under this study, the researchers tried to identify marketing channels, work out cost of production and cost of marketing, identify problems and constraints affecting different market participants, and describing present government policy framework and institutional set up. Moreover they are expected to review the export market potential and, identify the role of government, private sector, and NGOs in solving the problems stated in the objective.

The study has been completed. The cost of production and marketing was estimated (total cost of production, annual cost of production, cost of production per fruit or kg, activity wise and item wise structure of cost of production were estimated). The labour and fertilizer contributed main share of the cost of production of all selected fruits. The marketing channels were identified. A decade ago, the commission agents in Colombo manning market played an important role in marketing of banana, pineapple, papaw, and mango. However, the emerging trend is that the outside wholesalers directly visiting the producing areas and purchase fruits from the farmer/collector and supplying to retailers in their respective areas. However, the commissioned agents in Colombo manning market still play a main role in mango marketing.

The higher fluctuation of producer price, low producer price during the most part of the year, higher prices of fertilizers, and lack of qualitative planting materials were the main problems reported by the farmers.

The exporters listed following main problems faced by them such as high price fluctuation, inconsistency in supply, lack of suitable quality fruits, absence of proper post harvest handling, high cost of airfreight, inadequate air cargo space, lack of export market information system, lack of trade contact services and lack of packing materials. The processors reported following problems such as high price fluctuation, inconsistency in supply, increasing prices of inputs such as electricity, water, sugar etc, lack of packing materials, expensiveness of achieving of internationally required standards (ISO), lack of testing and certification services competition from imported items in the local market. The fruits export potential and main suppliers in the international fruit market were also discussed. The research and development activities were mainly carried out by the government institutions. The services offered by these institutions are highly supply oriented and not matching the actual needs of the main market participants of the fruit sector.

Therefore it is very important to formulate a policy on promotion of production and marketing with more emphasis to improve the production, yield, post harvest handling, processing and exports. The research and extension services should be demand oriented.

3. Public and Private Sector Interface in Agricultural Development Strategy.

Coordinator : T. Ravichandran
Estimated cost : Rs. 334,100.00
Funded by CARP

For this study, the researcher was intended to review the pattern of private sector investments in agricultural sector, study the various government policies, institutional set-up influence the private sector participation in agricultural sector, examine constraints/problems faced by private sector for involvement in agricultural sector, and ascertain the ways and means to enhance the private sector participation in agricultural sector and to suggest policy recommendation on the basis of findings to enhance the private sector participation in agriculture sector.

The domestic agriculture sector faces many challenges, as the growth of production of most of the agriculture commodities either stagnated or declined. Most of the agriculture commodities unable to face competition from imported one/unable to penetrate into export market, due to high cost of production. In addition most of the agriculture commodities are not conformed to quality related requirements of export markets. Besides the agro based industries are not developed well. Therefore the agriculture sector badly needs technological innovation/promotion of pre and post harvest management, and investment for development of agro-industry. This cannot be done solely by government sector. Therefore, the private sector investments must be attracted to agriculture sector. The private sector involvement would promote better management, investment and technological innovation in agriculture sector. However, the present level of private sector involvement is low in agriculture sector. Therefore, a study was initiated to examine the factors hindering the private sector involvement in agriculture sector and find out avenues for promotion of private sector involvement in this sector. The study has been completed.

The private sector faces several constraints and problems in agriculture sector. These problems are related to government policies, state institutions and their support services/incentives, poor technical and physical infrastructure, unsatisfactory productivity/efficiency levels in the agriculture sector, and other problems eg- lack of readily available lands for large scale cultivation. Though the private sector is a self driving force, it needs a conducive environment for promotion of investment in agriculture sector. The study came up with set of recommendation to improve the private sector participation in agriculture sector.

4. Spatial and Temporal Dynamics of Poverty, Food Insecurity and Vulnerability in the Ruhuna River Basin

Research Team: Dr. D. Gamage (Coordinator)
Dr. W.G Jayasena
Dr. W.M.G.B Giragama
Mr. H.M.J.K Herath

Objectives of the Study

This study was completed by HARTI in collaboration with International Water Management Institute. The general objective of the study was to compile the socio-economic conditions in the Ruhuna River Basin (RRB). The study had two specific objectives.

- To compile and analyze the existing agricultural land use practices and income from agriculture.
- To compile information in such a way that the findings could be used as a baseline survey for measuring and assessing the changes in resource use and livelihood conditions.

Major Findings of the Research Study

Located in the Southern and Uva provinces of Sri Lanka, RRB comprises of three main river basins, namely Kirindi Oya Basin (KOB), Walawe Ganga Basin (WGB) and Menik Ganga Basin (MGB). The river system of RRB is a major source of livelihood as these support agriculture and replenishes the ground water. Land use pattern in RRB consists mainly of human settlements inhabited by about 10 per cent of the country's population.

Though education is increasingly recognized as an important contributing factor in human resource development, the quality of life and reduction of poverty, a sizeable proportion of the sample population (28 per cent) had received only between 1-5 years of school education and 6 per cent had not attended school. A great majority of those discontinued schooling were due to financial difficulties, family responsibilities, lack of parents' interest and leaving school for employment.

91 per cent of the households owned their dwelling units though 30 per cent of them were substandard. About 50 per cent of the households owned a bicycle while between 10 to 15 per cent of the households owned motor cycles. Only a few households in all three river basins owned other means of transport like cars, vans or lorries. About half of the households in KOB and about three-fourth of the households in MGB had the access to publicly provided tap water. However, a large majority of the households in RRB were dependant on wells or tube wells for drinking purposes. It appears that households that depended on unsafe sources for drinking water had declined over the years showing an improvement. However, the distance traveled to fetch water on average at times of drought was 1.01 km. Over three fourth of the households had pit type toilets. Between 18 to 32 per cent of the households did not have electricity. Some 45 per cent of the households located in the MGB and 21 per cent in the WGB had telephone facilities.

It was found that most of the communities had to travel a long distances to access a motorable road, a bus stand or a taxi stand. For this reason, many rural dwellers had to use non-motorable means of transport or walk a long distance to access public transport. In spite of the observed poor access to road transportation, on an average a pupil had to travel 5 km to attend a village school or 12 km to attend a better school in an urban center. On an average, the sample household members traveled 4 km to the nearest grocery shop, 22 km to the village fair and 12 km to the town center. Similarly, on an average a household in RRB had to travel 18 km to a medical practitioner, 31 km to a rural hospital, and 30 km to a Base Hospital.

The land holdings operated by households in each of the river basin were relatively small and ranged from 1.9 to 2.3 acres. Analysis also revealed that a significant proportion (around 38 per cent) of households in the three study areas were operating only a single plot of home garden, lowland or a highland. Some lands, especially paddy lands, by some operators have accessed through various tenure arrangements like leasehold arrangements as well as operator and plot rotation basis. In terms of ownership of sprayers, 14, 16 and 19 per cent of the households in WGB, KOB and MGB respectively owned a sprayer.

The average monthly income of a household between three river basins ranged from Rs. 7,700 to Rs. 8300. Those households earning an income less than Rs. 3,000 per month was 26 per cent in WGB, 22 per cent in KOB and 17 per cent in MGB. These households can be considered as poor. Agriculture contributed to 33 per cent to the household incomes in WGB, 22 per cent in KOB and 17 per cent in MGB. Among the non-agricultural income sources, wage labour, wage employments and self employments were prominent in all of the three river basins by contributing 55 per cent and 65 per cent to the total household incomes. A further breakdown shows that 10 to 17 per cent of the household income came from working as hired labourers, 23 to 32 per cent from salaried employment and 15-23 per cent from self employment.

Policy Implications and Recommendations

Findings in this study have several implications for policy. One major implication is the need to diversify the rural economy so that it can absorb excess labour from agriculture. Diversification includes agricultural diversification. Another major area is rural industrialization. This recommendation is based on the following findings of the study.

- Only a small proportion of the household income was coming from agriculture. This is largely attributed to uneconomic size of land holdings operated and tenure problems. Existing land tenure situation has arisen not only due to natural population growth but also due to migration from elsewhere from the country. The study found that about 37 per cent of the households had migrated to the areas of Ruhuna River Basin (RRB) from elsewhere in the island. This movement is partly assisted by dry zone land settlement policy of the Government. Population growth explains to a large extent the predominance of uneconomic land holdings operated by farmers and complex land tenure arrangements made by them to access agricultural lands. Both the population growth and land tenure situation in RRB shows that continuous pressure is brought on natural resources like the land and water in the river basin areas in Sri Lanka.

- In terms of levels of incomes, there is a significant incidence of poverty in RRB. This is confirmed by using such proxies like the asset ownership like housing conditions. The pressure brought on natural resources could be linked with lack of industrial and service sectors and widespread poverty in rural areas.
- Heavy dependence on non-agricultural incomes is a major feature of the households. The data on sources of income and percentage of agricultural income explain the part time nature of farming in the sample population.

The second major policy implication is the need to develop the rural physical and social infrastructure. Special attention in this regard should be given to road and transport infrastructure development to enable economic development. Most households are located significant distance away from motorable roads, bus stops, bus stands, schools and health care facilities. These show not only aspects of poverty as well as causes of poverty observed in the study.

OTHER ACTIVITIES

Mrs. C.P.Hathurusinghe

1. Participated in the Inter Ministerial Committee on Food Security.
2. Data and Information were provided to the Food Security Committee regarding food crops.
3. Participated in Food Procurement Committee Meetings under the Ministry of Cooperatives and the Presidential Secretariat.
4. Actively participated to the Buffer Stock Programme of Paddy/Rice and provided information and analyzed data to the Ministry of Agriculture, Livestock, Lands and Irrigation.

Mr. T.Ravichandran

Articles published in Magazines and Other Publications

"World production, and export/import situation of banana, papaw, pineapple and mango", Kamanalam magazine, September – December, 2004 issue.

Mrs. W.Wickramasinghe

Activity 1: Food Information Bulletin

Food Information Bulletin was resumed as a series of publication that covers the food situation and market conditions of major food commodities at district level for the reference of policy makers, planners and the international agencies.

Activity 2: Food Insecurity and Vulnerability Information and Mapping System

This FAO funded project is a study that coordinates a number of ministries to achieve the following objectives:

- a. To establish an information system that would enable a continuing and accurate analysis of food insecurity at National, Regional, Divisional and Grama Niladari levels;
- b. To assist policy makers and planners to effectively formulate policies and strategic operational options to reduce food insecurity and vulnerability at each level and location; and
- c. To disseminate information on vulnerability assessments as mapped through the project.

HARTI is the focal point in Sri Lanka for the FIVIMS project.

STATISTICS AND DATA PROCESSING DIVISION

Staff:

Dr. D. Tennakoon	-	Head of the Division
Mr. M.D.L. Senarath	-	Senior Analyst Programmer
Mr. K.D.S. Ariyasinghe	-	Data Analyst
Mr. E.N.R. Fernando	-	Data Analyst
Mr. N.S.W. Nawaratne	-	Statistical Officer
Mr. G.H. Karunaratne	-	Librarian (up to end of August)
Miss. Srimala Katugampola	-	Actg. Librarian (since September)
Mrs. K.Y.P. Weeraratne	-	Asst. Librarian

The Statistics and Data Processing Division (SDP) functions as a National Centre for Information on Agricultural Development (NACIAD) in Sri Lanka. The Centre was established in 1979 with support from USAID. The division (Centre) was planned with a broader objective of collecting and disseminating agricultural and agrarian information for the benefit of national agricultural development. Researchers, planners, policy makers, undergraduates, farmers and other interested individuals were considered as the main users of information. The Division comprises of three units namely Data Development Unit, Computer Unit and Library. The Data Development Unit and the computer unit function jointly to collect and process numerical information while the library serves as the center for bibliographical information.

1. Data Development Unit

Staff:	Data Analysts	2
	Statistical Officer	1
	Data Assistants	3
	Secretary/Steno-Typist	1
	Office Attendant	1

Maintaining the Data Bank at the Information Centre is the main task of the Data Development Unit. The Unit had its full cadre of 2 Data Analysts and 3 Data Assistants throughout the year 2004.

Data Bank

Collecting and restoring of data relating to agrarian situation in Sri Lanka is a routine process of the Data Bank. Development of the Data Bank is a joint responsibility of the Data Development Unit and Computer Unit (DDU and CU). Functions of DDU are twofold as follows:

i. The Bank of Development Indicators:

Collection and processing of data were continued during the year, and indicators selected for the computerized data bank were stored in the Computer Unit. The indicators are secondary statistics and derived indices produced by government and non-government agencies.

ii. Archives of Data Sets Generated through Field Surveys

The regional-base data are derived from the field studies undertaken by the Institute. Data of research studies undertaken by the Institute were processed by computers during the year were added to the data archives at the Centre. In addition, data sets of studies are available in the forms of questionnaires and work sheets.

The Data Bank collects data from secondary and primary sources and maintains a database for agricultural crops, livestock, demography and vital statistics. The following data series relating to agricultural crops were updated during the year 2004.

1. Extent, Production and average yield of paddy.
2. Extent and production of cereals other than paddy, legumes, tuber roots, oil seeds, industrial crops, spices, vegetables, fruits, plantation crops and other crops.
3. Data pertaining to production of livestock products.
4. Prices and external trade statistics of paddy, rice, other cereals, legumes, tubers, spices, vegetables, fruits, plantation crops, livestock and livestock products and fish.
5. Per capita consumption of above crops.
6. Cost of production and income data of paddy, other cereals, legumes, tubers and oil seeds.

7. Data on fertilizer application, use of agro-chemicals area under improved varieties and method of planting in respect of paddy.
8. Labour statistics (employment data)
9. Climatic data (Rainfall and Temperature)
10. Economic indicators (i.e. GDP, GNP, CCPI and exchange rates)
11. No. of agricultural operators and area under agriculture holdings.

During the period of reference 49,973 records of data were collected 2,188 records of data were entered in to the computer.

The following publications were referred as secondary sources of information:

1. Census of Agriculture – 2002 (Dept. of Census and Statistics)
2. Sri Lanka Labour Force Survey – Quarterly reports – Dept. of Census and Statistics
3. House-hold Income and Expenditure survey – 1980/81, 1995/96 and 2002 – Dept. of Census and Statistics
4. Statistical Abstract – 2002 – Dept. of Census and Statistics
5. Economic and Social Statistics – 2003 – Dept of Census and Statistics
6. Cost of Cultivation of Agricultural Crops - Department of Agriculture
7. Paddy Statistics – 2002/03 *Maha* – 2004 *Maha*
8. External Trade Statistics – 2003 (Dept. of Customs)

Request for Data

Requests for data from the Data Bank have been satisfactory for the reference year. The total No. of requests made to the bank during the year 2004 were 138. Number of requests from users within the institute and outside the institute were 32 and 106 respectively. Distribution of internal requests by divisions is given below.

Division	No:	%
Agricultural and Environmental Resource Management	6	18.7
Marketing Food Policy and Agri-business	1	40.6
Agriculture Policy and Project Evaluation	7	21.9
Irrigation Water Management and Agrarian Relations	4	12.5
Other	2	6.2
Total	32	100

External requests belong to the following categories:

Category	No:	%
Ministries/Govt. Departments/Semi Govt. Organizations	30	(28.3)
Private Companies	22	(20.7)
University Staff/Post Graduate Students/Undergraduates	28	(26.4)
International Organizations	6	(5.7)
Non Govt. Organizations	4	(3.7)
Other Research Institutions	3	(2.8)
Journalists	2	(1.9)
Other Private Individuals	11	(10.4)
Total	106	100

Revenue from supplying data

The total revenue earned by providing information to external users in 2004 was Rs.46,738.95. Estimated cost of providing data free of charge to external users were 293.05. The users of various divisions within the institute were provided information at an estimated cost of Rs. 13,151.94.

2. Computer Unit

Staff:	Senior Analyst Programmer	-	1
	Data Entry Operators	-	2
	Casual Data Entry Operator	-	1

The Computer Unit (CU) of the SDP Division provides the facilities for data processing and analysis. In addition, this unit takes joint responsibility of the data development for the Data Bank. This unit undertakes three main activities:

- i. Data processing and analysis for the Data Bank,
- ii. Data analysis of studies undertaken by HARTI,
- iii. System development.

Data Analysis

Data and information of field surveys are analyzed using software facilities. Following studies were computerized during the year:

1. R 290/4 - Sustainable Village Development Project
2. R 299 - Analysis of Production and Marketing of Selected Popular Fruits
3. R 310 - Feasibility Survey of the Agri.Commodity Collecting and Marketing Centers
4. R 301 - Production and Marketing of B'Onion in Matale and Anuradhapura Districts
5. R 302 - Marketing of Paddy in Polonnaruwa District
6. R 311 - Impact of the Peace Process Recovering Agricultural Development in Boundary Villages to the Conflict Zone
7. R 300 - A Comparative Analysis of Samurdhi and Micro-Entrepreneurs in Sri Lanka
8. R 304 - An Assessment of Performance of Dedicated Economic Centers in Sri Lanka
9. R 306 - Current Status and Future Prospects of Employment Opportunities for 2nd and 3rd Generations in Mahaweli H
10. R 303 - Private Sector Intervention in Livestock Service Delivery System

Computerized Data Base

The computerized data-base is an on-line storage and retrieval system developed to maintain agricultural and socio-economic data collected by approximately sixty organizations in Sri Lanka. A total of 2,188 records were appended to the computerized data bank. Nearly 116 requests were made to the computer unit by internal and external users during the year. Data Bank was able to provide information in graphical forms, and standard table formats.

Computer Unit provides professional service to the Research Divisions of the Institute in computerized data processing systems. Computer unit also provides assistance to other divisions to solve their software and hardware failures. Division was also instrumental in computerizing the Institute's payroll and data formats.

3. Project Unit

A separate Unit called "Project Unit" was established in the SDP Division in 1990 to design and implement surveys and studies to generate data and information based on empirical studies on agriculture resource base, support service mechanism and institutional development for agricultural and rural development in Sri Lanka.

ON - GOING STUDIES

1. Agro-Delivery Entrepreneurship Development Assistance Project (AEDAP) in Matale District – Rural Agricultural Business Dealers and Agents Promotion Programme (RABDAP Programme) Matale District: 2002 – 2004

Research Team:

1. Dr. D. Tennakoon (Coordinator)
2. Mr. R.L.N. Jayathissa
3. Mr. N.S.W. Nawaratne

The present project has centered its focus on strengthening agricultural input delivery system and agricultural produce marketing through building of entrepreneurship skills of prospective/potential procurators in rural areas to be local agro – business dealers and agents. The project was sponsored by the Regional Economic Advancement Project – Matale (REAP).

The proposed system was implemented as a pilot project, which would be applied to other parts of the District depending on the progress achieved by the pilot project. The REAP had put foundation to implement the project with other line agencies, and agreed to commission HARTI to coordinate the project in 2001. The project was implemented during 2002 – 2004.

Objectives of the Project

It was heavily emphasized that project implementation through trained dealers (RABDAs) established at the local level would break the existing laggard mechanism of agro – input delivery, and the new entrepreneurs would be powerful local delivery hands which ramify the benefits of skills he gained and his own strength to the farming community, as he becomes the strong and reliable business legate competing with the organized business environment led by urban centered private dealers.

The project was based on following objectives:

- i) Improve the access of small farmers to reliable and assured agricultural services and input supplies;
- ii) Building of local agro – delivery entrepreneurship, and through this new mechanism to support the decentralization of services and institutions for a closer linkage to farm level;
- iii) Enable the inherent potential skill of small farmers in farm decision making so that the need of small farmers are met by the newly established private dealers and to eliminate existing systems of exploitation: that these dealers will be linked with line agencies to control their operations to ensure that they will not exploit the farmers and the rural economy;
- iv) Improve the training and working conditions of farmers through the newly established rural dealers;
- v) Increase farm adoption rate by using improved inputs, new technology, and result in increased agricultural productivity and the farmer incomes in the project area.

Completion of Report of the Project - 2004

The Project was approved in October 2001, and initiated its implementation in March 2002. The project was initiated on experimentation basis, and progress assessment exercise was done in Nov. and Dec. 2003 and January – March – 2004, and the results of these experiments were presented before a "Regional Workshop" in December 2004.

The "Progress Assessment Workshop" was held at District Farmer Training Centre, Alugolla, Naula from 17-18 December 2004, which carefully reviewed the project completion report presented by HARTI.

The completion report of the RABDA programme includes:

- the business progress and benefits accrued by the dealers,
- the benefits accrue by the farming community in terms of access to inputs, reliable level of supply in time throughout the farming calendar, and quality of inputs,
- the experience of the experimentation on ideal models and motives of the entrepreneurship building, and
- policy implications on strengthening of agriculture delivery system at local level.

It was evident that improved access to reliable and good quality inputs, its reliability in supply over the stages of farm practices, collateral and fair terms of supply (eg: on credit basis), and improved access to advisory services as a result of implementation of the RABDA programme had made a breakthrough at

local level. It was observed that RABDA agents had sufficiently improved their business during 2002 and 2003, and farmers had found that the new strategy for decentralization of AD System has been effective and beneficial more than anticipated, as the implementation period was inadequately short to develop a business in an appropriate business cycle of 6-10 years.

It was revealed from the "Programme Assessment Exercise" that farmers could accrue following benefits from the project:

- i) Improved access to good quality seeds and reliable chemical inputs in time,
- ii) Smooth delivery of agricultural advisory with the provision of inputs at village level,
- iii) Farmers could increase adoption rates of technology and inputs through new dealers and agents,
- iv) Improved access to market source which developed a marketing chain with private sector, and
- v) Uninterrupted access to other services through the contacts built by these new dealers and agents.

The other important areas of the RABDA programme, i.e., seed production and sales programme, organic farming programme, carbonic fertilizer production and sales programme, and agriculture produce marketing programme were not implemented due mainly to the time constraint.

RABDA Association presented a proposal to extend this programme to other areas of the district in 2005. If the programme is to be extended to other areas in the Matale District, the components of the programme have to be revised appropriately to overcome the constraints in experience gained by the RABDA dealers during 2002 and 2003. We suggest to revise the following issues of the RABDA programme.

1. Selection of GN ranges - more weight should be given to far remote and major production areas,
2. Selection of trainees - more priority in selection should be given to those who have previous business experience, have access to assets and contacts with wholesale supplies,
3. Training - more attention should be paid during the preparation period to areas of crop care, agronomy and chemical use in agriculture,
4. Credit - credit is most imperative pre-requisite for entrepreneurs for motivation and business expansion, and
5. Information Network - it is necessary for RABDAs to maintain information exchange system through RABDA Association.

Feasibility Survey on Agricultural Produce Collecting and Marketing Centre at Laggala DS Division in Matale District - 2004

Research Team:

Dr. D. Tennakoon	-	Coordinator
Mr. R.N.L. Jayathissa		
Mr. N.S.W. Nawarathna		

In January 2004, the Regional Economic Advancement Project (REAP)- Matale commissioned HARTI to implement captioned study, and the report of the study was supposed to handover to the REAP at the end of March 2004. The REAP/Matale is being operated in the district of Matale from year 2000 to 2005, and the main objective of the project is raising and sustaining income of poor rural farm families in the district. In order to realize this objective, the development of profitable activities in sector of agriculture has been taken into consideration. One of the main constraints for the crop production is lack of reasonable market at rural level. At the same time poor post harvest-handling practices further affected for having better price due to bad quality.

There are two main agro ecological zones significant in the Laggala DS Division. In the wet areas covering Illukkumbura, Pitawala, Mahalakotuwa and Puwakpitiya vegetables and other field crops are grown during *ya/la* season under rain fed and supplementary irrigation facilities, while during *maha* season mainly paddy is cultivated. In the dry area, maize and paddy are cultivated during *maha* season hardly due to irregular pattern of rainfall.

Farmers of the wet part of the division receive very low prices from out side traders for their crops mainly due to the absence of sufficient agricultural infrastructure facilities like storage and access roads (An access road is being constructed from Puwakpitiya to Kambarawa under the project). Several requests have been made to the REAP project by farmers and other people in the area for establishment of an agricultural commodity-collecting center in a suitable village center in the Laggala DS Division.

Objective of the survey

The main objective of the study was to undertake the feasibility study on the proposal for establishment of an Agricultural Commodity Collecting and Marketing Center at Laggala DS Division and its effectiveness on increasing the market prices for agricultural produce of poor farmers while minimizing the post harvest handling losses.

Scope of Work

The survey was formulated in view to provide a very comprehensive report, including following aspects. During the survey, necessary support and advices were duly received from Divisional Secretary, Assistant Commissioner Agrarian Services Department and Divisional Officer of Illukkumbura. The survey mainly focused on following issues:

- Willingness of the farmers of the area for having a proposed center.
- Seasonal availability of types of vegetables, fruits and other crops with their quantities in the area.
- Current marketing system and profit margins for every commodity in the area.
- Possible profit advantages would have after establishment of a center.
- Identification of a suitable organization to operate and maintain the center with minimum number of staff.
- The service provider shall propose a system of generating funds by the center itself to operate and maintain the center with staff salaries.
- The service provider shall propose a place to establish the center.
- Number of direct and indirect employments generated.

The survey was completed in March 2004, and the final version of the feasibility report was submitted to REAP in March 2004. The report was presented before a panel of REAP Professionals on 25th March 2004. The proposal for establishing "ACMCC" at Illukkumbura, in Laggala DS Division was approved by the panel of professionals presented to the discussion.

LIBRARY

Staff:	Librarian (Actg.)	1
	Assistant Librarian	1
	Library Assistant -Grade I	1

The main objectives of the library is to collect, compile, retrieve and disseminate information related to the agrarian sector for the benefit of HARTI Research Staff and also to other interested persons and agencies. During the year, the staff borrowed 928 books and 276 issues of journals. The number of visitors to the library during the year was 254 and most of them were university students.

Acquisition of Books, Journals, Maps and Reports

The library acquired 732 books and reports during the year out of which 488 were direct purchases and the rest 244 items were received either on exchange or on a complimentary basis. A large number of periodicals, newsletters, annual report from foreign and local institutions were also received on a complimentary or on an exchange basis. The library also subscribed to 38 foreign journals and 15 local journals during the year. The total number of library holdings (books and bound volumes) upto the end of 2004 were 19,700.

Inter Library Cooperation

The library continued to participate in the AGRINET SDCP scheme. During the year the library has sent 240 content pages of journals to other member libraries and received 116 content pages of 11 journals. There were 18 inter-library loan requests for journal articles. During the year lending facilities were also extended to the officials of CARP on inter-library loan basis. During the year lending facilities were also extended to the officials of the Ministry of Agriculture and Lands on inter-library loan basis.

The library continued to provide cataloguing information on new acquisitions to the national agricultural bibliography database maintained at CARP Library. Copies of the printed and electronic versions of this database are now available in the library. During the year, the library continued to provide cataloguing information of 1401 records of books and journal articles to CARP. Facilities have also been continued for research staff to access TEEAL electronic library, which is maintained by CARP Library. During the year, computer facilities has been further extended for the readers.

Other Services

The electronic records of the library bibliographical database have been increased by 655 records of books and journal articles. Apart from the normal lending, reference and photocopy facilities the library continued to provide current awareness services to the Research Staff as well as to the clients outside the institute.

The library has sent 2,500 records of books and journal articles to the National Library and Documentation Services Board for integration into the Union Catalogue.

The library has sent the information on computerized journal articles to the Sri Lanka Science and Technical Libraries Information Network (SLSTIC) data-base maintained at National Science Foundation Library.

PUBLICATION UNIT

Staff:

Mr. K.A.S. Dayananda	-	Head of the Unit (upto September)
Mr. S. Rameswaran	-	Acting Head of the Unit (from September)
Mr. G. Ramanayake	-	Information and Publication Officer
Mrs. S. Rajapaksha	-	Information and Publication Officer
Mr. S.A.C.U. Senanayake	-	Information and Publication Officer
Mrs. M.D. Susila Lurdu	-	Research Officer

After serving the Institute for more than 3 decades, Mr. Dayananda retired from service in September, 2004. Since then Mr. Rameswaran has been appointed as the Acting Head.

The Publication Unit is engaged in editing and publishing of Research Reports, Occasional Reports, Journals, News Letters, Bulletins, Manuals, Brochures and other information materials in all three languages. It also liaison with print and electronic media and carried out public relation programmes.

In addition, the unit performed translation tasks assigned by the Ministry of Agriculture. Further, the unit participated in a few exhibitions to boost the sales of the publications. Also the members of the unit took active part in organizing local and international seminars/workshops/symposiums and publicity activities.

Completed Research Reports

Published Research Reports

1. Agricultural Commodity Prices, 1997 - 2003
2. The Privatization of Extension Services in Non-Plantation Agricultural Sector in Sri Lanka.
3. Contract Farming in Sri Lanka: Potentials and Problems in Market Integration - February 2003.
4. Production and Marketing of Eggs and Poultry Meat in Sri Lanka
5. Small Tank Settlement in Sri Lanka (Workshop Proceedings)

Completed Research Reports to be published

1. Rural Credit for Small Farming Sector: Achievements, Failures and Future Prospects.
2. Participatory Agricultural Resource Managements Lessons from FARM Project
3. Application of Micro Irrigation Technologies in Sri Lanka
4. Farmer Companies of Sri Lanka

Published Journals, Periodicals and Other Reports

1. Kamanalam, September 2003
2. Annual Report 2000 (English)
3. Annual Report 2001 (English)
4. Agriculture Commodities Prices 1997 - 2003
5. Annual Report 2000 (Sinhala)
6. Annual Report 2001 (Sinhala)
7. Production and Marketing of Eggs and Chicken in Sri Lanka (Sinhala)
8. Annual Report 2002 (Sinhala)
9. Annual Report 2002 (Tamil)
10. Annual Report 2002 (English)
11. Govikatayuthu Adyanaya Vol 5 No. 1 2004.
12. Govijanatha 2004 January-October
13. Kamanalam September/December
14. Newsletter - Sustainable Villages Programmes
15. Weekly Food Commodities Bulletin - (Sinhala and English)

HUMAN RESOURCE DEVELOPMENT AND INSTITUTIONAL DEVELOPMENT DIVISION

Staff:

Mr. I. Ranasinghe Perera	-	Head of the Division (Since end of November)
Mr. R. M. R. Bandara	-	Act. Head of the Division (From December)
Mr. P. Piyarathna	-	Senior Research Officer (Released to Ministry-in October)
Mr. N.S.B. Epakanda	-	Statistical Officer

As the national training institute of the country in the agrarian sector, the HRD and ID division functions in three different settings. Firstly, it functions in organizing and coordinating its own regular training programs and activities arranged on the national priorities of the country. Secondly, it caters to the emerging demands of training emanating from contemporary problems and issues. Thirdly, it provides services of training experts of the division to other governmental organizations in planning, conducting and evaluating of their training programs. In addition, the officers of HRD and ID division are involved in action oriented research programs of the agrarian sector where training activities are integral parts in them.

The training programs of the HARTI take the form of short courses, diploma courses, workshops and seminars. Resource persons of these programs are mainly drawn from the training division and other related research divisions of the institute. Based on the requirement, resource persons are also drawn from the universities, other governmental institutions and agencies and NGOs.

Completed Training Programms and Research Studies

1. Training Programme on National Water Resource Policies

Awareness Programme on National Water Resource Policy (Phase 1)

Completed during January, 2004. 122 participants attend two workshops conducted in Kaluthara district

2. Pro-Poor Economic Advancement and Community Empowerment (PEACE)

Project: Awareness and Training Programme

PEACE is a project implemented by the Irrigation Water Management Division (IMD) of the Ministry of Irrigation and Water Management (MIWM) with funding from JBIC in 100 selected irrigation systems in the dry and intermediate zones that include the Northern and Eastern Provinces. The project is planned for implementation in seven years and aimed at achieving higher living standards for targeted groups by rationalization of agricultural production and implementation of a range of community/infrastructural development activities. Implementation of the awareness training programme submitted by HARTI is fairly involved and demanding task as the relevant officials at all levels and training of farmers in a large geographic area have to be completed over period of one and half years.

Project proposal was submitted to the relevant agencies and sought approval. Financial allocation for the training component proposed under the project is Rs. 204 million. However, the Ministry of Agriculture, Livestock, Lands and Irrigation decided to terminate the PEACE project. Hence, HARTI could not implement the proposed training programme.

3. Sustainable Village Development Program.

Research Team: Mr. I. Ranasinghe Perera (Co-ordinator)
Mr. R. M. R. Bandara

The division handled the Mahapotanagama Sustainable Village Development Program in Kurunegala district. The project was an integrated approach of village development composed of agriculture, environment, infrastructure, marketing, institutional building and other divergent socio-economic aspects of rural development. However, the project was closed by order of the Ministry of Agriculture, Livestock, Land and Irrigation during August, 2004.

4. Farmer Companies of Sri Lanka: An Assessment

Research Team: I. Ranasinghe Perera (Co-ordinator)
R.L.N. Jayatissa
R.M.R. Bandara

This research study was a result of a rapid assessment carried out during the month of September, 2004 on the farmer companies of Sri Lanka. From the reported total of 154 farmer companies of the country, 42 farmer companies operated in 17 administrative districts were examined under the study. The sample of

the study was selected using both stratified random sample method and purposive sample method in assuring a reasonable representation of different categories of farmer companies. The study was primarily focused on assessing the sustainability of farmer companies using ten different indicators. The indicators included, institutional strength of the company, the degree of aliveness (whether the company was in active position or not), the degree of external support, share-capital growth, total capital growth, profitability, business expansion, dividend distribution, tax payments and various other socio-economic benefits provided by the farmer companies to the village communities.

Although the companies are believed to be self-sustaining, autonomous, money making organizations in generic sense, the study found little evidence on the farmer companies of this caliber. Except in a few occasions, the study did not observe required behavioural characteristics in operation of successful companies either from the company directors or from the company shareholders. Many company operators did not have required vigour, dynamism or attitudes to drive companies. They lacked, entrepreneurial skills, managerial capabilities, knowledge on investments and courage for meeting challenges. By and large, the characteristics of the farmer companies were much closer to the characteristics of the customary community organizations that were in operation in the past. Behavioural attributes of the farmer company managers were also closer to the leaders of community organizations.

Even if the majority of the farmer companies examined under the study were seemed to be ineffective and immobile, lessons learnt from the effective companies were extremely impressive, important and remarkable both for the advancement of socio-economic conditions of farmers and for the progress of farmer companies. The study recommends the replication of tactics and strategies used by effective farmer companies for this purpose.

The project was completed in December 2004 and currently arrangements are being made to publish the report.

PROGRAMMES FOR NEXT YEAR

Following training programmes will be conducted during year 2005:

- PRA/RRA Training programme for Local Level Planning of Development Activities
- Leadership Training for the Leaders of the Rural Organizations
- Monitoring and Evaluation of the Development Projects and Programmes
- Training on strengthening of Farmer Institutions

These programmes will be depend on availability of funds in the institute.

Final Accounts for the year ended 31st December, 2004
HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE
BALANCE SHEET as at 31st December 2004

	Notes	2004 Rs.	2004 Rs.	2003 Rs.	2003 Rs.
ASSETS					
Non Current Assets					
Property, Plant & Equipments	2	23,060,389.58		21,051,568.91	
Investments - Fixed Deposits	3	4,902,706.28		5,073,583.90	
Treasury Bills		4,372,095.10		4,061,341.86	
Staff Development	4	17,804,452.33		17,568,810.77	
Total			50,139,643.29		47,755,305.44
Current Assets					
Stocks	5	3,040,695.05		1,244,345.19	
Loan Fund		734,387.30		-	
Debtors	6	31,060,052.26		29,432,380.68	
Deposits	7	614,570.00		624,570.00	
Prepayments & Accounts Receivable	8	1,090,829.99		1,372,943.81	
Advance	9	3,216,190.03		929,043.48	
Cash at Bank	10	4,584,007.96		22,957,044.85	
Cash in Hand		10,000.00		10,000.00	
Total			44,350,732.59		56,570,328.01
Total Assets			94,490,375.88		104,325,633.45
EQUITY & LIABILITIES					
Capital & Reserve					
Government Grant-Capital	11	85,795,900.00		80,855,900.00	
Contribution from savings		1,102,372.79		1,102,372.79	
Capital Contribution from Ministry		2,342,835.00		142,835.00	
Project Capital Fund	12	14,757,706.09		14,646,921.09	
Capital Reserve		3,242,284.40		3,242,284.40	
Project General Reserve	13	16,524,437.47		9,926,803.34	
Incentive Fund		137,061.91		137,061.91	
Incentive Fund - Projects		97,410.25		7,725.67	
Training Fund - Projects		396,261.91		396,261.91	
Incentive Fund - Institute share		338,633.99		-	
Net Deficit Carried Forward	14	(54,597,029.70)		(52,516,513.01)	
Total			70,137,874.11		57,941,653.10
LIABILITIES					
Non-Current Liabilities					
Gratuity Provision		16,089,040.90		15,085,245.00	
			16,089,040.90		15,085,245.00
Current Liabilities					
Creditors	15	4,950,989.54		28,887,095.01	
Loan Payable		734,387.30			
Accrued Expenses		2,578,084.03		2,411,640.34	
Total			8,263,460.87		31,298,735.35
Total Equity & Liabilities			94,490,375.88		104,325,633.45

(Signed)
CHAIRMAN

(Signed)
DIRECTOR

(Signed)
ACCOUNTANT

HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE
Income & Expenditure from the year ended 31st December 2004

	Note	2004 Rs.	2003 Rs.
INCOME			
Fund from General Treasury		42,936,000.00	40,575,540.00
Contribution from project savings	16	3,494,227.25	3,871,557.52
Hostel & Conference hall charges		129,807.20	161,557.90
Sale of Publications		1,044,124.23	1,711,324.94
Interest on Investment		568,055.98	621,919.19
Interest on Staff Loans	17	1,004,471.75	1,771,597.85
Recurrent contribution from projects	18	394,911.91	396,957.58
Miscellaneous Income		49,571,598.32	49,110,454.98
EXPENDITURE			
Administration & establishment expenditure	19	53,380,427.36	53,458,077.71
Net income from operations before financing cost		(3,808,829.04)	(4,347,622.73)
Financing cost		21,316.50	54,567.00
Net deficit before taxation		(3,830,145.54)	(4,402,189.73)
Taxation		-	-
Net income after taxation & before extraordinary items		(3,830,145.54)	(4,402,189.73)
Extraordinary items		-	-
Expenditure over Income		(3,830,145.54)	(4,402,189.73)

(Signed)
CHAIRMAN

(Signed)
DIRECTOR

(Signed)
ACCOUNTANT

**HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2004**

Cash Flow From Operating Activities

Net Deficit For The Year		(3,830,145.54)
<u>Adjustments For</u>		
Depreciation	2,723,457.23	
Prior year adjustment	2,038,605.71	
Profit On Sale Of Fixed Assets	95.00	
Write off Scholarship debtors	(289,071.86)	
Investment Income	(1,044,124.23)	
Provision for Gratuity	1,194,524.31	
Payment of Gratuity	(190,728.41)	4,432,757.75
Operating Loss Before Working Capital Changes		602,612.21
<u>Working Capital Changes</u>		
Increase in Stocks	(1,776,349.86)	
Increase in Debtors	(1,627,671.58)	
Increase in Deposits	(10,000.00)	
Decrease in Prepayments & Accounts Receivable	282,113.82	
Increase in Advances	(2,287,146.55)	
Increase in Creditors	(23,936,105.47)	
Increase in Accrued Expenses	166,443.69	(29,168,715.95)
Net Cash From Operating Activities		(28,566,103.74)

Cash Flow From Investing Activities

Purchase Of Property,Plant & Equipment	(4,804,289.66)	
Proceeds from Sale of Equipments	72,011.76	
Interest Received	1,044,124.23	
Staff Development Cost	(235,641.56)	(3,923,795.23)
Net Cash Used In Investing Activities		(32,489,898.97)

Cash Flow From Financing Activities

Government Grant-Capital	4,940,000.00	
Funds Received from Ministry	2,200,000.00	
Project Capital Fund	110,785.00	
Project General Reserve	6,597,634.13	
Incentive Fund from shares	338,633.99	
Incentive Fund - Projects	89,684.58	
Net Cash From Financing Activities		14,276,737.70

Net Increase In Cash & Cash Equivalents (18,213,161.27)

Cash & Cash Equivalents At The Beginning Of Period (Note 01) 32,101,970.61

Cash & Cash Equivalents At The End Of Period (Note 02) 13,888,809.34

Note 01

Cash & Cash Equivalents At The Beginning Of Period

Investments - Fixed Deposits	5,073,583.90
Treasury Bills	4,061,341.86
Cash at Bank	22,957,044.85
Cash in Hand	10,000.00
Total	Rs.32,101,970.61

Note 02

Cash & Cash Equivalents At The End Of Period (Note 01)

Investments - Fixed Deposits	4,902,706.28
Treasury Bills	4,392,095.10
Cash at Bank	4,584,007.96
Cash in Hand	10,000.00
Total	Rs.13,888,809.34

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2004

	Government Grant Capital Rs.	Contribution from Savings Rs.	Capital Contribution from Ministry Rs.	Project Capital Fund Rs.	Capital Reserve Rs.	Project General Reserve Rs.	Incentive Fund Rs.	Incentive Fund Project Rs.	Training Fund Project Rs.	Incentive Fund Institute Share Rs.	Accumulated Revenue Rs.	Total Rs.
Balance as at 01/01/2004	80,855,900.00	1,102,372.79	142,835.00	14,757,706.09	3,242,284.40	9,926,803.34	137,061.91	7,725.67	396,261.91	-	(52,516,513.01)	58,052,438.10
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	2,038,605.71	2,038,605.71
Write-off Scholarship	-	-	-	-	-	-	-	-	-	-	(289,071.86)	(289,071.86)
Damaged Equipment	-	-	-	-	-	-	-	-	-	-	95.00	95.00
Funds received from Treasury	4,940,000.00	-	-	-	-	-	-	-	-	-	-	4,940,000.00
Funds received from Ministry	-	-	2,200,000.00	-	-	-	-	-	-	-	-	2,200,000.00
Project Contributions	-	-	-	-	-	6,597,634.13	-	89,684.58	-	338,633.99	-	7,025,952.70
Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(3,830,145.54)	(3,830,145.54)
Total	85,795,900.00	1,102,372.79	2,342,835.00	14,757,706.09	3,242,284.40	16,524,437.47	137,061.91	97,410.25	396,261.91	338,633.99	(54,597,029.70)	70,137,874.11

Notes to the Financial Statements

For the year ended 31st December 2004

1. Accounting Policies

1.1 General

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

1.2 Valuation of Assets

(i) Property, Plant and Equipment

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

Land	No depreciation
Buildings	2 1/2% 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 which they are expected to be realized. Adequate provision has been made in the accounts for bad and doubtful debts. Provisions 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 realizable 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 - 2004

	Land	Building	Equipment & Furniture	Computer Installation	Motor Vehicles	Book	Welfare Equipment	Total
Net Value as at 31.12.03	1,716,667.00	8,384,743.28	5,521,437.95	1,424,076.45	49.00	4,004,594.23	1.00	21,051,568.91
Cost as at 31.12.03	1,716,667.00	15,129,942.85	23,661,755.04	13,004,847.97	8,293,855.88	6,391,581.37	3,734.55	68,202,384.66
Additions during the year	-	1,126,528.10	1,962,167.67	1,002,585.00	-	713,008.89	-	4,804,289.66
Disposals during the year	-	-	8,385.76	-	-	63,671.00	-	72,056.76
Total Cost as at 31.12.04	1,716,667.00	16,256,470.95	25,615,536.95	14,007,432.97	8,293,855.88	7,040,919.26	3,734.55	72,934,617.56
Acc./Dep. as at 31.12.03	-	6,745,199.57	18,140,317.09	11,580,771.52	8,293,806.88	2,386,987.14	3,733.55	47,150,815.75
Dep for the year 2004	-	252,845.09	1,463,575.00	676,739.49	-	330,297.65	-	2,723,457.23
Dep. for Removed items	-	-	45.00	-	-	-	-	45.00
Acc./Dep. as at 31.12.04	-	6,998,044.66	19,603,847.09	12,257,511.01	8,293,806.88	2,717,284.79	3,733.55	49,874,227.98
Net value as at 31.12.04	1,716,667.00	9,258,426.29	6,011,689.87	1,749,921.96	49.00	4,323,634.47	1.00	23,060,389.58

Notes

3	HARTI Investments - Fixed Deposits		
	Fixed Deposits at State Mortgage & Investment Bank	3,500,000.00	
	Fixed Deposits at State Mortgage & Investment Bank (Housing Loan Scheme)	1,402,706.28	4,902,706.28
4	Staff Development		
	Balance as at 31.12.2003	17,568,810.77	
	Adjustments during the Year	235,641.56	17,804,452.33
5	Closing Stock as at 31.12.2004		
	Stationery & other consumables	667,980.65	
	Publications and Journals	1,953,561.40	
	Sales Center	419,153.00	3,040,695.05
6	Debtors as at 31.12.04		
	Staff Debtors		
	Housing Loan	2,408,658.74	
	Consolidated Loan	14,995,111.73	
	Festival Advance	149,290.02	
	Special Advance (Books)	9,200.00	
	Due from Displace Persons	6,723.32	
	Special Advance (Salary)	1,700.00	
	Special Advance (Flood)	3,740.36	
	Suwa Sampatha	89,162.82	
	Salary Advance	16,676,539.74	16,676,539.74
	Scholarship Debtors	37,884,273.53	
	Other Debtors		
	Receivable from Ministry of Agriculture, Livestock and Land	208,671.36	
	Receivable from Samurdhi Authority	10,000.00	
	Receivable from Dept. of Official Language	27,930.97	
	Sales Centre	77,789.75	
	Hostel & Auditorium/Conference	234,780.00	
	Welfare Society	34,353.56	
	Suspense A/C	4,446.20	
	Miscellaneous Debtors	249,369.75	
	Receivable from R&TO Association	5,508.42	
	Receivable from Inservices Training Institute	6,806.38	
	Canteen Receivable	17,591.03	
	Receivable from Asian Productivity Organization	146,517.57	
	Receivable from - K.N.U. Gunasekara	12,100.00	
		1,035,864.99	
	Advance Against Projects		
	Action Research Project For Developing Vegetables	3,737.00	
	Analysis of Marketing and Vegetable In Sri Lanka	159,975.15	
	Assessment Of Turnover Programme In N.I.R.P. Schemes (R-199)	179,229.29	
	Agriculture Museum (R-237)	323,580.78	
	An Action Reseach Programme On Poverty Alleviation In Sri Lanka (R-239)	51,016.47	
	An Action Reseach On Agricultural Produce Marketing Through Farmer Organisation In Monaragala 'Public Awareness Campaign on proposed Water Resources Policy (R-308)	1,510.50	
	Agricultural Information Center (R 292)	84,617.37	
	An assement of the performance of dedicated Economic Centers in Sri Lanka (R-304)	120,512.61	
	Buffalo Information & Documentation Project (R-194)	8,444.79	
	Current Practices Of Labour Admin.in Agriculture (R A-9)	709.38	
	Community Livestock Care and Production Programme (R-154)	316,594.90	
	Consultancy On Establishment Of Cold Storage Unit (R-183)		
	Complex In Sri Lanka	24,328.81	
	Commercialization Of Agricultural Extension Identification Potentials & And Constraints (R-164)	12,600.00	
	Computerized Data Base System (R-307)	1,394.25	
	Developing M & E In Mechanism For Agrarian Reform & Rural Development (R-146)	41,947.56	
	Farm Size & Efficiency Under Mahaweli System (R-118)	66,268.32	
	Follow Up Action On Livestock As a Component of Rural Development (R-175)	10,062.64	
	Formulation Of An Integrated programme to Strethen the Agricultural Delivery System (R-186)	427,276.42	
	Factors Affecting Soil Erosions in Nuwara Eliya District (R-188)	1,104.63	
	Factors effecting cost of production of milk in Sri Lanka (R-309)	87,906.10	

The Feasibility Survey on "Establishment of and Agricultural Commodity Collecting and Marketing Center at Laggala DS Division in Matale District (R-310)	5,533.10	
FIVIMS Food Security and Vulnerability Information Mapping System	41,962.80	
Rural Agricultural Business Dealers and Agents Promotion Programme Matale District (R 288/1)	31,577.00	
Inland Fisheries (R-97)	116,910.99	
Informal Land Transaction In Irrigated Settlement (R-126)	4,114.12	
Impact of the Peace Proces in Recovring Agricultural development in boundary village (R-311)	64,494.94	
Jack Fruit Tree Plantation Crop Productivity & Utilization Survey in Gampaha District (R-270)	64,985.10	
Kelegama Small Tank Irrigation Project (R-158)	453,890.08	
Kitul Study	1,187.50	
Market Of Eggs And Poultry Meat (R-256)	32,575.34	
Marketing of Paddy In Polonnaruwa District (R-302)	94,742.34	
N.W.P. Water Resources Development Project (R-171) Palvehera	48,872.32	
	136,519.93	
Private Sector Intervention In Live Stock Service Delivery System (Dairy Sub-Sector) Identification of Potentials and Constrains (R-303)	114,384.02	
Public awareness compare on the propose water resource policy (R-308)	112,258.27	
Peace Project (G-07)	1,756.00	
Promoting household food security to development of sustainable agriculture pratice (R-266)	87,352.00	
P G 01	129,924.00	
Research involvement in lower uwa project (R-112)	61,779.85	
Rural industries employment and income enhancement for the working poor (R-129)	27,089.34	
Regional Economies Advancement Project (R-288)	124,843.55	
Socio Economic study on Resources and Communities in Puttalam lagoon (R-157)	1,406.25	
Study of Cost of Production of Green Tea Leaves and Processed Tea	9,261.37	
Sustainable Development Villages (R-290)	92,132.68	
Sustainable Development Villages (R-290-7)	98,028.37	
Sustainable Development Villages (R-290-8)	54,097.67	
Survey of Agrarian Service Center (G-3)	120,904.44	
Study on current status and future prospects of employment opportunities of 2nd and 3rd generation (R-306)	64,969.20	
Study of Farmer Compnies (R-312)	64,219.31	
Training Programme - (T- 109)	1,409.39	
Training Programme - (T-111)	50,153.68	
Training Programme - (T-112)	95,816.87	
Training Programme - (T-115)	57,665.84	
Training Programme - (T-127)	9,699.56	
Training Programme - (T-135)	25,699.61	
Training Programme - (T-143)	12,744.15	
Training Programme - (T-146)	15,071.12	
Training Programme - (T-147)	19,336.40	
Training Programme - (T-148)	151,318.39	
Training Programme - (T-151)	56,771.14	
Training Programme - (T-162)	4,419.53	
Training Programme - (T-171)	2,571.88	
Training Programme - (T-175)	23,258.63	
Training Programme - (T-180)	7,560.59	
Training Programme - (T-185)	41,003.11	
Training Programme - (T-186)	5,454.60	
Training Programme - (T-172)	33.06	
Training Programme - (T-194)	104,461.90	
Training Manual on Farmers Organization Building for Integreated Watershed Management in the Mountainous and Rainfed Areas (R-232)	26,801.54	
Training Programme (T-210)	6.00	
Training programme (T-212)	74,030.31	
CIRDAP workshop (T- 212)	12,520.83	
Environmental Aspects of Sri Lanka's Ancient Irrigation System (T-216)	5,232.97	
	4,987,630.83	43,097,769.35
Less:		
Provision for bad & doubtful debtors	1,759,533.71	
Provision for debtors (Bond)	110,373.69	
Provision for scholarship	10,817,809.69	

	Advance received against scholarship	160,000.00	(12,847,717.09)
			31,060,052.26
7	Deposits		
	Fixed - Caterer	70,000.00	
	Fixed - Cashier	1,500.00	
	Sundry - Felix Perera & Sons	100,000.00	
	Sundry - Sri Lanka Telecom (Internet facility)	3,125.00	
	Sundry - Post Master General	24,945.00	
	Sundry - Colombo Gas & Water Co.	4,750.00	
	Sundry - Water Supply & Drainage Board	500.00	
	Sundry - Celltel Lanka	3,500.00	
	Sundry - Ceylon Electricity Board	406,250.00	614,570.00
8	Pre Payments and Accounts Receivable		
	Pre Payments	37,670.34	
	Medical facilities receivable	11,007.15	
	Investment income receivable	880,265.55	
	Interest receivable from Treasury bills	161,886.95	1,090,829.99
9	Advances		
	Advance for Purchases	2,936,363.61	
	Advances for Others	279,826.42	3,216,190.03
10	Cash at Bank		
	Bank Of Ceylon - A/c No. - 4530801034	1,296,414.55	
	Bank Of Ceylon - A/c No. - 4530801026	2,038,389.75	
	Bank Of Ceylon - A/c No. - 4530801883	223,648.22	
	Bank Of Ceylon - A/c No. - 4530801808	1,025,555.44	4,584,007.96
11	Govt. Grant Capital		
	Balance as at 31.12.2003	80,855,900.00	
	Capital Contributed during the year	4,940,000.00	85,795,900.00
12	Project Capital Fund		
	Balance as at 31.12.2003	14,646,921.09	
	Additions during the Year	110,785.00	14,757,706.09
13	Project General Reserve		
	Balance as at 31.12.2003	9,926,803.34	
	Additions during the Year	6,597,634.13	16,524,437.47
14	Net Deficit		
	Balance as at 31.12.2003	(52,516,513.01)	
	Adjustment in respect of previous year	2,038,605.71	
	Damaged Equipment	95.00	
	Write-off Scholarship Debtors	(289,071.86)	
	Expenditure over income for the year 2004	(3,830,145.54)	(54,597,029.70)
15	Creditors		
	Stamp Fees Payable	6,150.00	
	External Resources Department	60,446.00	
	Janashakthi Insurance	1,698.92	
	Tender Deposits Refundable	89,067.20	
	Unpaid Expenditure	240,579.23	
	Provision for Audit Fees	133,767.00	
	Employees and Restaurant Deposits	13,084.50	
	Retention	7,756.50	
	National Defence Fund	2,717.00	
	Department of Elections	41,120.01	
	Other Creditors	491,753.60	
	Creditors Against Projects		
	Assessing the Spatial and Temporal Dynamics of Poverty Food		
	Insecurity and Vulnerability in Ruhunu Benchmark Basin Area	198,723.01	
	Analysis of Production & Marketing of Selected Popular Fruits (R-299)	145,998.15	
	A Comparative Analysis of Samurdhi and Non		
	Samurdhi Micro-Entrepreneurs in Sri Lanka (R-300)	240,055.00	
	Book On Rice Production	1,786,642.22	
	Contract farm in Sri Lanka : Potential and Problems		
	in market Integration (R-269)	43,494.00	
	FIVIMS (R-294)	217,946.87	
	Food Price Structure in selected countries in South Asia (R-297)	16,235.82	
	Process documentation research study for the SCOR project (R-187)	50,006.71	
	Public and Private sector interface in Agricultural		
	development strategy (R-298)	9,702.60	

	Production and Marketing of big onion in Matale and A'pura District (R-301)	30,172.20	
	Present trends and future prospects (R-305)	30,591.21	
	Sustainable Development Villages (R-290-1)	119,733.78	
	Sustainable Development Villages (R 290-2)	67,351.35	
	Sustainable Development Villages (R 290-3)	10,992.19	
	Sustainable Development Villages (R 290-4)	38,509.29	
	Sustainable Development Villages (R 290-5)	350,573.26	
	Sustainable Development Villages (R 290-6)	6,608.21	
	Sustainable Development Villages (R 290-9)	66,318.58	
	Sustainable Development Villages (R 290-10)	110,052.38	
	Training Programme (T-209)	1,948.90	
	Workshop on FIVIMS (T-213)	2,554.45	
	Workshop on FIVIMS (T-214)	9,140.90	
	Workshop for Samurdhi Managers on poverty elevation (R-291)	107,222.69	
	Water Resources Policy Awareness Programme (R-295)	202,275.81	4,950,989.54
16	Auditorium & Conference hall and Hostel charges		
	Auditorium & Conference hall charges	2,284,220.00	
	Hostel Income	1,210,007.25	3,494,227.25
17	Project's Income		
	Administrative Cost	256,916.10	
	Contribution From Projects	747,555.65	1,004,471.75
18	Miscellaneous Income		
	Bungalow fees & Room rent	51,308.88	
	Computer Income	47,419.45	
	Tender fees	13,950.00	
	Other Income	282,233.58	394,911.91
19	Administration and establishment expenditure		
	Permanent staff salaries	22,505,348.19	
	Casual staff salaries	1,680,181.41	
	EPF	3,637,302.50	
	ETF	720,442.12	
	Overtime	701,494.02	
	Holiday pay	9,402.35	
	Tea allowance	326,235.00	
	Other allowance	5,577,317.66	
	Gratuity	1,701,925.76	
	Local subsistence	237,968.60	
	Local transport	393,927.35	
	Foreign travelling	-	
	Stationery and office requisites	1,322,352.60	
	Fuel and lubricants	497,995.62	
	Uniforms	-	
	Vehicle repairs	1,033,007.13	
	Plant, machinery and equipment repairs	3,384,978.83	
	Building repairs	3,237.50	
	Telephone charges	1,392,847.15	
	Electricity and water bills	2,127,499.57	
	Taxes to local authorities	200,200.00	
	Postal charges	159,438.50	
	Transport	169,160.00	
	Legal consultant	125,200.00	
	Computer consultant	60,000.00	
	Vehicle adviser	8,000.00	
	Newspapers	182,021.00	
	License and insurance	646,012.71	
	Security charges	789,585.08	
	Cleaning services	195,239.91	
	Laundry services	180,723.06	
	Audit fees	76,608.00	
	Medical Insurance	284,245.12	
	Canteen charges	49,174.00	
	Miscellaneous expenses - Research	403,649.75	
	Miscellaneous expenses - Others	2,198,698.62	
	Legal charges	67,935.00	
	Welfare	60,000.00	
	Advertisement	138,255.75	
	Interview charges	12,000.00	
	Board of governors	114,800.00	
	Entertainment	6,017.50	53,380,427.36

Expenditure Statements 2004

Account	Details	11	12	13	14	21
101	Salaries- Permanent	3,648,832.76	1,090,108.65	-	949,561.69	2,399,849.90
102	Salaries -Casual	-	63,893.00	-	28,835.80	24,750.00
103	EPF	533,627.55	168,282.48	-	147,490.00	360,033.80
104	ETF	104,009.98	33,656.49	-	29,498.00	72,006.76
201	Overtime	134,375.84	28,121.67	-	94,385.39	16,789.86
202	Holiday Pay	5,639.25	2,525.00	-	-	-
301	Tea Allowance	-	-	-	-	-
302	10% Allowance	817,835.99	332,227.91	-	330,419.00	459,566.69
303	Gratuity	270,715.92	81,992.83	-	84,165.84	218,845.74
401	Local Subsistance	9,716.50	-	-	12,847.00	12,583.10
402	Local Transport	155,186.50	9,261.10	-	20,265.60	11,354.60
403	Foreign Travel	-	-	-	-	-
501	Stationery and office requisites	168,499.35	78,802.62	-	67,713.74	28,656.50
502	Fuel and Lubricant	-	-	-	497,995.62	-
503	Uniforms	-	-	-	-	-
601	Vehicle Repairs	-	-	-	1,033,007.13	-
602	Plant, Machinery and Equipment	272,340.92	239,444.12	-	-	195,541.62
603	Building Repairs	-	-	-	-	-
701	Telecommunication	831,166.07	25,498.95	-	-	38,063.57
702	Electricity & Water	-	-	-	-	-
703	Rates & taxes to local authorities	200,200.00	-	-	-	-
801	Postal Charges	105,082.00	-	-	-	-
802	Transport	-	-	-	-	-
803	Legal Consultant	125,200.00	-	-	-	-
804	Computer Consultant	60,000.00	-	-	-	-
805	Vehicle Advisor	-	-	-	8,000.00	-
806	Newspapers	42,348.00	-	-	5,955.00	12,280.50
807	License & Insurance	91,699.28	-	-	554,313.43	-
808	Security Charges	-	-	789,585.08	-	-
809	Cleaning Service	191,989.91	-	-	-	-
810	Laundry Service	-	-	-	-	-
811	Audit Fees	76,608.00	-	-	-	-
812	Medical Insurance	-	-	-	-	-
813	Canteen Charges	49,174.00	-	-	-	-
814	Miscellaneous Expenses - Research	-	-	-	-	12,137.00
815	Miscellaneous Expenses - Other	477,903.22	93,038.53	-	79,006.42	204,429.85
816	Legal Charges	67,935.00	-	-	-	-
817	Welfare	-	-	-	-	-
818	Bank Charges	-	21,316.50	-	-	-
819	Advertisement	138,255.75	-	-	-	-
820	Interview Charges	12,000.00	-	-	-	-
821	Board of Governors	114,800.00	-	-	-	-
822	Entertainment	6,017.50	-	-	-	-
		8,711,159.29	2,268,169.85	789,585.08	3,943,459.66	4,066,889.49

Expenditure Statements 2004

Account	Details	22	23	24	25	31
101	Salaries- Permanent	2,085,941.06	1,661,716.52	4,085,964.64	508,859.20	1,101,185.95
102	Salaries -Casual	-	5,022.50	1,190,663.00	62,169.00	-
103	EPF	310,123.32	247,854.18	787,029.82	89,459.88	164,949.32
104	ETF	62,024.66	49,570.84	157,406.33	17,892.00	32,989.87
201	Overtime	16,945.05	5,585.88	22,693.63	47,965.20	21,792.56
202	Holiday Pay	311.60	-	-	-	-
301	Tea Allowance	-	-	-	-	-
302	10% Allowance	404,914.04	317,553.75	1,284,623.49	103,883.38	210,672.50
303	Gratuity	158,559.49	80,066.03	251,290.84	45,943.80	114,245.46
401	Local Subsistance	7,625.00	8,480.00	153,347.00	10,697.50	8,610.00
402	Local Transport	14,522.50	13,727.00	48,703.55	60,236.00	11,678.80
403	Foreign	-	-	-	-	-
501	Stationery and office requisites	38,423.74	34,378.40	59,156.83	28,343.00	25,391.25
502	Fuel and Lubricant	-	-	-	-	-
503	Uniforms	-	-	-	-	-
601	Vehicle Repairs	-	-	-	-	-
602	Plant, Machinery and Equipment	163,516.62	185,954.12	333,366.07	183,764.80	163,104.12
603	Building Repairs	-	-	-	-	-
701	Telecommunication	39,702.10	53,161.11	151,677.17	59,747.62	46,334.88
702	Electricity & Water	-	-	-	-	-
703	Rates & taxes to local authorities	-	-	-	-	-
801	Postal Charges	-	-	54,356.50	-	-
802	Transport	-	-	-	-	-
803	Legal Consultant	-	-	-	-	-
804	Computer Consultant	-	-	-	-	-
805	Vehicle Advisor	-	-	-	-	-
806	Newspapers	12,280.50	12,280.50	12,280.50	12,281.00	12,280.50
807	License & Insurance	-	-	-	-	-
808	Security	-	-	-	-	-
809	Cleaning Service	-	-	-	-	-
810	Laundry Service	-	-	-	-	-
811	Audit Fees	-	-	-	-	-
812	Medical Insurance	-	-	-	-	-
813	Canteen Charges	-	-	-	-	-
814	Miscellaneous Expenses - Research	15,143,75.00	7,968,00.00	360,347,00.00	4,964,00.00	2,595.00
815	Miscellaneous Expenses - Other	184,027.62	114,219.52	209,120.00	41,562.19	110,659.00
816	Legal Charges	-	-	-	-	-
817	Welfare	-	-	-	-	-
818	Bank Charges	-	-	-	-	-
819	Advertisement	-	-	-	-	-
820	Interview Charges	-	-	-	-	-
821	Board of Governors	-	-	-	-	-
822	Entertainment	-	-	-	-	-
		3,514,061.05	2,797,538.35	9,162,026.37	1,277,768.57	2,026,489.21

Expenditure Statements 2004

Account	Details	32	41	42	43	51
101	Salaries-Permanent	1,538,443.90	780,221.39	396,663.31	1,419,241.16	-
102	Salaries-Casual	-	-	1,535.00	23,964.00	-
103	EPF	259,574.46	109,941.83	61,189.89	216,476.10	-
104	ETF	51,823.37	22,012.86	12,237.99	43,295.22	-
201	Overtime	14,245.13	12,201.96	-	7,106.34	-
202	Holiday Pay	926.50	-	-	-	-
301	Tea Allowance	-	-	-	-	326,235.00
302	10% Allowance	360,017.88	163,367.00	116,008.26	266,043.98	25,050.00
303	Gratuity	143,953.59	53,074.78	15,516.74	134,175.51	-
401	Local Subsistence	690.00	-	-	13,372.50	-
402	Local Transport	7,329.70	1,813.00	-	8,835.60	26,455.00
403	Foreign	-	-	-	-	-
501	Stationery and office requisites	229,884.32	23,425.96	15,389.00	31,490.73	839.00
502	Fuel and Lubricant	-	-	-	-	-
503	Uniforms	-	-	-	-	-
601	Vehicle Repairs	-	-	-	-	-
602	Plant Machinery and Equipment	171,869.80	498,989.28	153,966.63	190,954.13	-
603	Building Repairs	-	-	-	-	-
701	Telecommunication	-	22,536.55	569.25	124,389.88	-
702	Electricity & Water	-	-	-	-	-
703	Rates & taxes to local authorities	-	-	-	-	-
801	Postal Charges	-	-	-	-	-
802	Transport	-	-	-	-	169,160.00
803	Legal Consultant	-	-	-	-	-
804	Computer Consultant	-	-	-	-	-
805	Vehicle Advisor	-	-	-	-	-
806	Newspapers	12,280.50	12,280.50	-	12,280.50	-
807	License & Insurance	-	-	-	-	-
808	Security	-	-	-	-	-
809	Cleaning Service	-	-	-	-	-
810	Laundry Service	-	-	-	-	-
811	Audit Fees	-	-	-	-	-
812	Medical Insurance	-	-	-	-	284,245.12
813	Canteen Charges	-	-	-	-	-
814	Miscellaneous Expenses - Research	-	-	-	495.00	-
815	Miscellaneous Expenses - Other	422,566.43	50,720.31	37,859.00	105,929.53	13,454.00
816	Legal Charges	-	-	-	-	-
817	Welfare	-	-	-	-	60,000.00
818	Bank Charges	-	-	-	-	-
819	Advertisement	-	-	-	-	-
820	Interview Charges	-	-	-	-	-
821	Board of Governors	-	-	-	-	-
822	Entertainment	-	-	-	-	-
		3,213,605.58	1,750,585.42	810,935.07	2,598,050.18	905,438.12

Expenditure Statements 2004

Account	Details	61	71	72	Total
101	Salaries-Permanent	496,277.50	251,877.40	90,603.16	22,505,348.19
102	Salaries-Casual	255,886.67	23,462.44	-	1,680,181.41
103	EPF	106,131.21	40,648.10	34,490.56	3,637,302.50
104	ETF	21,226.27	8,129.64	2,661.84	720,442.12
201	Overtime	162,441.32	91,060.77	25,783.42	701,494.02
202	Holiday Pay	-	-	-	9,402.35
301	Tea Allowance	-	-	-	326,235.00
302	10% Allowance	276,636.29	86,400.00	22,097.50	5,577,317.66
303	Gratuity	27,556.12	21,823.07	-	1,701,925.76
401	Local Subsistence	-	-	-	237,968.60
402	Local Transport	3,877.60	680.80	-	393,927.35
403	Foreign	-	-	-	-
501	Sationery and office requisites	371,446.92	119,286.99	1,224.25	1,322,352.60
502	Fuel and Lubricant	-	-	-	497,995.62
503	Uniforms	-	-	-	-
601	Vehicle Repairs	-	-	-	1,033,007.13
602	Plant Machinery and Equipment	431,733.26	99,986.67	100,446.67	3,384,978.83
603	Building Repairs	3,237.50	-	-	3,237.50
701	Telecommunication	-	-	-	1,392,847.15
702	Electricity & Water	2,127,499.57	-	-	2,127,499.57
703	Rates & taxes to local authorities	-	-	-	200,200.00
801	Postal Charges	-	-	-	159,438.50
802	Transport	-	-	-	169,160.00
803	Legal Consultant	-	-	-	125,200.00
804	Computer Consultant	-	-	-	60,000.00
805	Vehicle Advisor	-	-	-	8,000.00
806	Newspapers	-	23,193.00	-	182,021.00
807	License & Insurance	-	-	-	646,012.71
808	Security	-	-	-	789,585.08
809	Cleaning Service	-	3,250.00	-	195,239.91
810	Laundry Service	-	175,495.00	5,228.06	180,723.06
811	Audit Fees	-	-	-	76,608.00
812	Medical Insurance	-	-	-	284,245.12
813	Canteen Charges	-	-	-	49,174.00
814	Miscellaneous Expenses - Research	-	-	-	403,649.75
815	Miscellaneous Expenses - Other	27,615.00	9,253.00	17,335.00	2,198,698.62
816	Legal Charges	-	-	-	67,935.00
817	Welfare	-	-	-	60,000.00
818	Bank Charges	-	-	-	21,316.50
819	Advertisement	-	-	-	138,255.75
820	Interview Charges	-	-	-	12,000.00
821	Board of Governors	-	-	-	114,800.00
822	Entertainment	-	-	-	6,017.50
		4,311,565.23	954,546.88	299,870.46	53,401,743.86

AUDITOR-GENERAL'S DEPARTMENT

AF/D/HARTI/2004

25 May 2005.

The Chairman
Hector Kobbekaduwa Agrarian Research and Training Institute.

Report of the Auditor General on the Accounts of the Hector Kobbekaduwa Agrarian Research and Training Institute for the year ended 31 December 2004 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971

The audit of accounts of the Hector Kobbekaduwa Agrarian Research and Training Institute for the year ended 31 December 2004 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 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 will be sent in due course.

1:2 Scope of Audit

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and the 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, methods and practices to obtain a reasonable assurance as to whether the financial statements are free of material misstatements. The audit included the examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgements made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 gives discretionary powers to the Auditor General to determine the scope and extent of the audit.

2 Accounts

2.1 Audit Opinion

Except for the effects on the financial statements of the matters referred to in paragraph 2.2 of my report, I am of opinion so far as appears from my examination and to the best of my information and according to the explanation given to me, the financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards and the stated accounting policies as set out in notes (from Note No.1.1 to 1.4) to the financial statements and give a true and fair view of the financial position of the Institute as at 31 December 2004 and the financial results and cash flow for the year then ended.

2.2 Comments on Accounts

2:2:1 Accounting Policies

Although the fixed assets should be separately identified and depreciated, all the assets excluding vehicles had been depreciated considering as unit.

2:2:2 Accounting Deficiencies and Unreconciled Control Accounts

Deficiencies observed in audit are given below.

- (a) Creditors amounting to Rs.6,665,789 in respect of prior years had been transferred to the Project General Reserve account without settling those creditors.
- (b) Maintenance expenses of the Palwehera circuit bungalow amounting to Rs.136,519 had been shown as a debtor. Accordingly, maintenance expenses and the deficit for the year under review had been understated by a similar amount.
- (c) Depreciation of Rs.852,466 had been understated due to error in calculation, thus resulting in an understatement of the deficit by Rs.852,466.
- (d) Balances in 03 control accounts as at the end of the year under review aggregated to Rs.29,898,608 whilst the balances in the corresponding subsidiary records aggregated to Rs.29,936,079 thus showing an unreconciled difference of Rs.37,471.

2:2:3 Lack of Evidence for Audit

The following items in the accounts could not be satisfactorily vouched or accepted in audit due to the reasons stated against each item.

	Item	Value	Evidence no made available
(a)	Fixed Assets Current Assets	62,924,095 1,463,869	} Detailed Schedules
(b)	Sundry debtors Sundry Creditors	20,464,364 734,370	
(c)	Fixed assets	72,934,617	Physical verification reports

2.2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Several instances of non-compliance with the provisions in the following laws, rules, regulations etc. observed in audit were pointed out to the notice of the Chairman of the Institute.

- (a) Finance Act No.38 of 1971 Sections 8(2), 11 and 13(8)
- (b) Sri Lanka Accounting and Auditing Standard Act. No.15 of 1995, Accounting Standards No. 08, 16 and 18
- (c) Financial Regulations Nos.103(1)(c), 380,756 and 757
- (d) Establishments Code of the Democratic Socialist Republic of Sri Lanka Section 12:2:6 of Chapter VII, Section 9.2 of Chapter VIII and Section 7.3 of Chapter XII
- (e) Treasury Circular No. 842 of 19 December 1978
- (f) Public Finance Circulars
 - (i) No.24 of 14 October 1997
 - (ii) No.PLF/PE/05 of 11 January 2000
 - (iii) No.PF/PE/07 of 15 March 2000
 - (iv) No.393 of 06 February 2001
 - (v) No.PF/PE/14 of 28 February 2001
- (g) Fiscal Policy and Economic Affairs Circular No.01/2002 of 17 July 2002.
- (h) Public Administration Circular No. 95 of 04 June 1994 and No. 380 of 19 January 2000
- (i) Public Administration Circular No.41/90 of 10 October 1990.
- (j) Office Orders No.102 and 112

2.2.5 Accounts Receivable

Advances totalling Rs.339,660 had not been settled during the period ranging from 01 to 15 years.

2.2.6 Overpayments

A sum of Rs.9,228,150 had been paid as salaries for the employees in terms of the Public Administration Circular No.2/97/(iii) of 12 November 1997 by making the salary revision on the basis of an irrelevant circular. However, the correct Public Administration circular for the revision of salaries is No.2/97 of 15 January 1997.

3. Financial and Operating Review

3.1 Financial Results

According to the accounts presented, the financial result for the year under review was a deficit of Rs. 46,766,145 before taking into account the Government contribution for recurrent expenditure as compared with the corresponding deficit of Rs.44,977,729 for the preceding year. After taking into account the Government contribution of Rs.42,936,000 for the year under review the deficit was reduced to Rs.3,830,145. After taking into account the Government contribution of Rs.40,575,540 for the preceding year, the deficit for that year was reduced to Rs.4,402,189, thus showing an improvement of Rs.572,044 in the financial results.

3.2 Performances

Data relating to the progress on the contract researches are given in the following table.

	2004	2003
Number at the beginning of the year	13	15
Add		
Number awarded during the year	04	12
	<u>17</u>	<u>27</u>
Less		
Number completed during the year	07	12
Number permanently suspended during the year	03	-
Number temporarily suspended due to financial limitations during the year	-	<u>02</u>
Work in progress as at end of the year	<u>07</u>	<u>13</u>
	===	===

In this connection following observations are made.

- (a) Institute had not prepared an action plan to implement the new research projects for the year under review. It was observed that only one new research project had been commenced up to 31 December 2004 for the year under review, incurring an expenditure of Rs.120,372. Another outstanding three research projects had been in progress during the year under review by incurring an expenditure of Rs.63,588.
- (b) Action had not been taken to make use the external agencies about their willingness to undertake contract research proposals.
- (c) 08 outstanding research projects had not been finalized on due dates, by the Institute as at 31 December 2004.
- (d) Final research reports in respect of 03 completed research had not been submitted up to 31 December 2004. The period of delays varied from five months to three years.
- (e) Although conducting, coordinating and supporting of the training programs are the main functions of the Institute, it had not conducted any single training programme as intended by providing money for 22 programmes, according to action plan of training programmes for the year 2004.
- (f) Although a sum of Rs.2 million had been received in 1992 from "Swedish Agency for Research and Economic Co-operation in the Developing Countries" for the project on "Rice Production in Sri Lanka", this project had not been commenced even up to 31 December 2004 and it had not been included even in the progress reports for the year 2004. However, a sum of Rs.823,334 had been incurred under this project to meet expenses of the postgraduate training programmes without being informed to the "Swedish Agency for Research and Economic Co-operation in the Developing Countries".
- (g) Fourteen, half yearly progress reports relating to ten researchers had not been submitted to the Financing Institutes, as required in terms of the contract research agreements.
- (h) Seven contract researches financed by outside institutes had been still in progress but proper approval had not been obtained for the extension of the time period required.

3:3 Uneconomic Transactions

A sum of Rs.19,095 had been incurred for a paper advertisement for calling applications to fill certain vacancies. It was observed that relevant interviews had already been held even before this advertisement published. However, the said vacancies had not yet been filled up to the date of this report.

3.4 Utilizations of Assets

No action had been taken to obtain the ownership of Palwehera circuit bungalow and 05 motor vehicles, which had been transferred by the Land Ministry to the use of the Institute.

3:5 Idle and Underutilized assets

04 motor vehicles and 09 motor cycles valued at Rs.775,068 had not been utilized during the year under review.

3.6 Unauthorized Transactions

A sum of Rs.711,478 had been contributed to a medical insurance scheme for employees by the Institute since 2002. However, approval from the General Treasury had not been obtained in this regard.

3.7 Personnel Management

Fourteen research officers had been recruited deviating from the approved recruitment procedure and without obtaining the approval of the Director General of Management Services of the General Treasury for deviation in terms of Sections 3.1 and 2.7.1 of Chapter II of the Establishments Code and had been made permanent without considering the conditions in the appointment letter and Establishment Code.

4. Systems and Controls

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

- (a) Settlement of Advances
- (b) Transfer of Fixed Assets from out side parties.
- (c) Maintenance of Vehicles and Relevant Records.
- (d) Cash transfer from project accounts.
- (e) Activities of Research and Training Committee.

(Signed)
(S.C. MAYADUNNE)
AUDITOR GENERAL.