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**HECTOR KOBBEKADUWA  
AGRARIAN RESEARCH AND TRAINING INSTITUTE**

# **ANNUAL REPORT 2007**

HARTI Annual Report English 2007



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

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# ANNUAL REPORT 2007

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

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

31st July 2008.

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

### **Annual Report and Audited Accounts 2007**

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

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

I remain,

Yours faithfully,

T.M. Abayawickrama  
Chairman  
Board of Governors.

## **Establishment**

The Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI) was established as a statutory body in 1972 under the Agrarian Research and Training Institute Act No. 5 of 1972. At the initial stage the Institute was supported by the UNDP/FAO which provided the expertise and financial assistance. The Institute is administered by a Board of Governors chaired by the Secretary of the Ministry of Agriculture as ex-officio chairman. The Board comprises representatives of key agencies concerned with the development of the agrarian sector in the country. The Director who functions as the Institute's Head and Chief Executive Officer is also a member of the Board.

The objectives mandated on the institute are multiple folds. As a premier socio economic research institute of the country, HARTI is expected to foster, assist, encourage and cooperate in agrarian research undertaken by National and International institutions. Further, the institute is expected to undertake its own research and investigations into agrarian problems with a view to provide policy recommendations. In addition to research, conducting national, regional and international seminars/workshops and training programmes are among the development objectives. Overall, the Institute functions as a centre for collection and dissemination of information on agrarian problems.

To achieve the above objectives the Institute has the following vision, mission and goals:

### **Vision**

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

### **Mission**

To strengthen agrarian and rural sector through conducting socio-economic research and training activities

### **Goals**

- Make policy process more effective through knowledge generation and timely dissemination;
- Increase the capacity of rural development stakeholders through training;
- Design the rural development models through action research;
- Provide the market intelligence for stakeholders in the supply chain;
- Improve the resource management of the institute

Overview

As we look back on the year 2007, the thirty fifth year of existence of the Institute, we are gratified to find a remarkable increase in the research output with a relatively greater contribution to public policy dialogue on agrarian issues. A noteworthy feature in the year 2007 was the rocketing food prices, particularly an unprecedented increase in the price of the staple food of the nation, the rice. To address this national issue, a workshop was conducted with farmers, millers, importers, retailers, consumers and officers from government and non-governmental organizations. The workshop found that declined production, shifting consumers from wheat

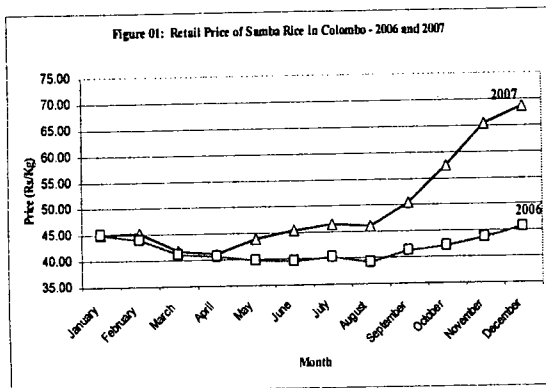
Trends in the Price of Rice

Generally, the rice prices are highest towards the end of the year, when the stocks are lowest throughout the country. Yet, the sharp increase in prices to an unparalleled level from October 2007 as revealed in Figures 01 and 02 triggered a mild shock among all concerned. Several factors led to this dramatic rise in rice prices. Paddy production in 2007 registered a loss of 7% compared to 2006. The decrease in the extent cultivated, 11.15% of *maha* 2006/07 extent and 8.65% decrease in *yala* 2007, accounted for this shortfall. The extent cultivated in Batticaloa district, which accounts for 9% of the produce, decreased by 60% in *Maha* and 82% in *Yala*. Due to erratic rainfall, the extent cultivated in Anuradhapura district declined by 6.8% in *Maha* and 30.9% in *Yala*. In Kurunegala, the decline was 2.1% for *Maha* and 18.1% for *Yala*.

The survey further revealed that the sale of rice has increased by 58% in Colombo.

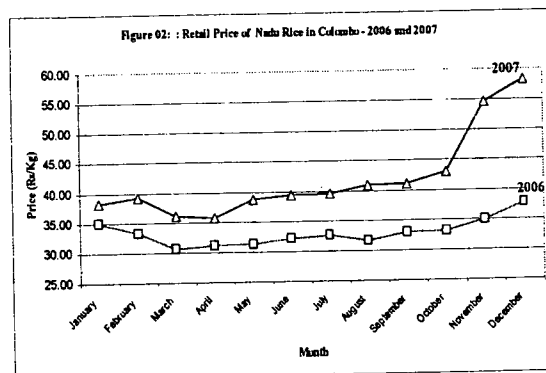
Diversion of stocks of rice as animal feed has also contributed to an increase in the price of rice. Information has been received that paddy stocks have been purchased for this purpose in Hambantota, Polonnaruwa, Ampara and Batticaloa districts. The push to produce biofuels has strained food grain supplies. Generous subsidies for ethanol have lured thousands of farmers, especially in US, away from growing crops for food. The global price increase of maize has contributed to drive up demand for rice grain as a cheaper alternative.

Soaring price of imported rice has also contributed to the increase in the domestic price of rice. During 2007, the price of a metric ton of rice increased in the world market from 275 to 350 US dollars. Consequently, the CIF price of a kg of imported rice went up to Rs. 45/=. Figures 1 and 2 show the price trends of samba and nadu varieties in 2006 and 2007.



Source : HARTI

Increase in the price of wheat flour has also affected the rice market. During the last two years, the price of wheat flour has escalated by 123%. For the first time in Sri Lanka's history, the price of a kilogram of rice exceeded the price of a kilogram of wheat flour in 2007. According to a survey by HARTI, sales of wheat flour have declined by 55% amongst the retail traders around Colombo. The same survey revealed that in the outstations the sale of wheat flour has declined by 90%.



Source : HARTI

The forecast of food prices is grim. For most people food prices are rising faster than earnings. It is in this context that the government's campaign to produce food locally. *Api Wawamu, Rata Nagamu* has to be commended.

flour to rice, use rice as animal feed and high world market prices of rice contributed to an abnormal increase in rice prices and stressed the need to develop a mechanism to monitor the stocks in the country and to maintain buffer stocks either by the government, private sector or farmers.

During the year 2007, the Institute was able to complete nine research studies of which five were initiated by the Institute and the rest commissioned to the Institute in addition to the regular programme of food information and market intelligence that was entrusted to the Institute in 1979 in order to monitor the market operations after the introduction of open market mechanism in the country. The completed research studies fall into the area as of evaluation (5), descriptive (3) and causal (1). Among the completed evaluation studies, the study of impact assessment of the devolution of power on the domestic agricultural sector initiated by the Institute is a new research area. This study found that although agriculture is a devolved subject to the Provincial Councils, they lack human and financial resources for implementing the responsibilities, especially agricultural extension where there are no extension officers belonging to the Provincial Councils at village level. A study of evaluation of agricultural insurance scheme revealed that farmers were not interested in crop insurance and 99 percent of the insured farmers were those who obtained a bank loan because crop insurance is a pre-requisite of the bank. The Institute also evaluated the government paddy purchasing programme of the 2005/06 *maha* season and found that the programme failed to achieve its objectives. Details of the findings of each study are presented under respective division work.

Among descriptive research, the survey of rice milling industry provides a data base for policy formulation towards the development of the rice milling industry, largest agro-based industry in the country. This survey covered 1,727 rice mills in the country. According to the survey, 187 rice mills have the capacity of milling more than 8 mt of paddy per day and 72 percent of them are located in the major paddy producing districts. A study of *pola* markets in Gampaha and Kalutara districts funded by the Western Provincial Council provides profiles for each *pola* in two districts. The profile reveals inadequacy and poor maintenance of infrastructure facilities and warrants the need to pay a special attention to improve the infrastructure and to develop a better management system.

In addition to research, the Institute conducted a series of training programmes titled *Gama Nagumata Sithata Saviya* aimed at enhancing knowledge of the officials of the Provincial Secretary's offices on preparation of agricultural based community action plans. Also, five public lectures were conducted on current socio-economic issues relating to agricultural development. Similarly, ten research reports were published in 2007 in addition to a number of regular publications such as journals, newsletter and bulletins.

The Institute submitted a project proposal to the Food and Agriculture Organization for development of food marketing system in the country. The present food marketing system is characterized by lengthy marketing chain and absence of backward and forward linkages which resulted in high price fluctuation, high transaction cost, huge post harvest losses and poor quality. The proposed project addressed these issues and six strategies were formulated to overcome them: 1) promote public – private partnership, 2) develop the existing market information system, 3) improve physical access to markets, 4) upgrade market places, 5) strengthen institutions, market associations and farmer organizations/companies, and 6) build the farmers' capacity to take farming as a business.

Three senior researchers were invited to present research papers at international seminars/conferences. Researchers also served as visiting lecturers, external supervisors and examiners at undergraduate and postgraduate courses conducted by various universities in the country.

The Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) continued to have close associations with the institution which functions as its link institute in Sri Lanka. A

researcher is currently involved with CIRDAP to review the past rural development initiatives in Sri Lanka with a view to develop a project for rural development.

HARTI functioned as the focal point for implementing the Food Insecurity and Vulnerability Information and Mapping System (FIVIMS), a project funded by the Food and Agriculture Organization. The purpose of the FIVIMS is to establish an information and mapping system on food insecurity and vulnerability at national, provincial, district, divisional and village levels. The FIVIMS Secretariat at HARTI set up under the project organized a national seminar to increase the awareness of the policy makers on project activities.

There is a great demand for HARTI conference facilities and residential accommodation by outsiders. During the year under review, a second conference hall was added into the existing structure of the auditorium, conference hall, lecture room and committee rooms to meet the growing demand. The amount earned by hiring these facilities in 2007 was Rs.9.09 million, an increase of 63 percent compared to the year 2006.

**V K Nanayakkara**  
Director  
HARTI

#### **Board of Governors**

Mr. T.M. Abayawickrama	-	Chairman, Board of Governors and Secretary, Ministry of Agricultural, Development and Agrarian Services (from March 2007)
Mr. Tissa Warnasuriya	-	Chairman Board of Governors and Secretary, Ministry of Agricultural, Development and Agrarian Services (until February 2007)
Mr. V.K. Nanayakkara	-	Director, HARTI
Mr. W.M. Jayathilake	-	Addl. Secretary, Ministry of Agricultural Development and Agrarian Services
Mr. N.K.G.K. Nemmawatta	-	Director, Department of Trade Tariff and Investment Promotion, Ministry of Finance
Mrs. Bimba Gunathilake	-	Director, Ministry of Nation Building
Mr. K.D.S. Ruwanchandra	-	Senior Asst Secretary, Ministry of Plantation Industries
Mrs. Malini Peiris	-	Addl. Secretary, Higher Education Section Ministry of Education

- Mr. Wasantha Ekanayake - Addl. Secretary (Mahaweli and Export Agriculture), Ministry of Agricultural Development and Agrarian Services (from September, 2007)
- Mr. Sam Edirisuriya - Addl. Secretary, Ministry of Trade, Commerce and Agrarian Services
- Mr.K.L. de Silva - Senior Economist and Head of Agriculture Department, Central Bank of Sri Lanka
- Prof. Buddhi Marambe - Dean, Faculty of Agriculture, University of Peradeniya
- Dr. C. Kudagama - Director General of Agriculture
- Mr. S.D.A.B. Boralassa - Land Commissioner General
- Mr. D.D. Waniganayake - Commissioner General of Agrarian Development
- Mr. B.M.S. Samarasekera - Director General of Irrigation
- Mr. A.P.G. Kithsiri - Commissioner General of Co-operative Development (from September 2007)
- Mr. Pote Chumsri - Resident Representative, FAO
- Mr. C.P. Siriwardena - Secretary, Ministry Rural Industries and Self-Employment Promotion (from January to August, 2007)
- Mr. M. Weerasinghe - Addl. Secretary (Development), Ministry of Mahaweli River Basin Development (From January to September, 2007)
- Mrs R. de Silva - Secretary, Board of Governors

## AGRICULTURAL POLICY AND PROJECT EVALUATION DIVISION

### COMPLETED STUDIES

#### 1. Impacts of the Devolution of Power on the Domestic Agricultural Sector in Sri Lanka

Miss. M.K.N. Damayanthi - Co-ordinator/Research Officer

The overall objective of the study was to assess the performance of Provincial Councils (PCs) in terms of developing the domestic agricultural sector.

The specific objectives are to:

- i. Examine the compatibility of functions/subjects/institutions between the Centre and the PCs;
- ii. Review the responsibilities and tasks performed by PCs';
- iii. Assess the effectiveness of PCs in solving problems related to agriculture, RandD, extension, land and irrigation;
- iv. Study the factors affecting the performance of PCs';
- v. Identify broad insights and explore practical and theoretical implications and recommend policy measures to improve the future functioning of PCs';

The study was based on three Provincial Councils namely Southern, Uva and North Western. Required data were collected for the study from primary as well as secondary sources. The outputs of three symposia on agriculture, irrigation and land which were organized for this purpose were also used as an additional source of information.

#### The Major Findings of the Study:

- i. Under the 13<sup>th</sup> amendment to the constitution of Sri Lanka, the subjects of agriculture and agrarian services, animal husbandry, lands and irrigation (other than inter-provincial land development and irrigation schemes) are devolved on PCs'. The role of different tiers of government need to be clearly defined. Currently, there are overlapping areas and definitions in constitutional provisions or legislative enactments or in administrative circulars.
- ii. Provinces have adopted the system of democratic decentralization grudgingly. While the pressure for greater autonomy to the provinces has increased, the province is pulling in the opposite direction by retaining or centralizing power at a provincial level to the detriment of a local level.
- iii. Although, agriculture and agrarian services are devolved subjects, PCs have a relatively lean cadre for implementing the responsibilities. The total number of agricultural employees in nine Provincial Councils is less than total number of employees in the central Department of Agriculture.
- iv. Agricultural extension other than in inter-provincial irrigation schemes is a PC subject. However, PCs have no extension officers at village level.
- v. There seems to be a major disconnect between research and extension as a result of devolving the responsibility for extension to the provinces in 1987.
- vi. After the establishment of PCs', three in-service centers were handed over to the PCs. As a result of this transfer, several issues and problems have emerged in the field of training. The problems are as follows:
  - Lack of training opportunities to the extension staff;
  - Under utilized capacities of the training centers;

- Unsatisfactory maintenance of the centers;
- Creation of regional disparities among PCs’.

## 2. Symposia on Impacts of the Devolution of Power on Smallholder Agricultural Sector in Sri Lanka.

### Co-ordinating Team:

Miss. M.K.N. Damayanthi - Co-ordinator/Research Officer  
 Mrs. M.D. Susila Lurdu - Research Officer

### Objectives of the Symposia:

- i. Fill the information and knowledge gap regarding the agricultural development under the Provincial Council System;
- ii. To provide a forum for stakeholders involved in agricultural development at the provincial level to exchange ideas and experience on issues related to provincial level agricultural development;
- iii. Learn from experience to propose power sharing arrangement and further devolution of power to the village level
- iv. To compile a usable workshop report to influence the policy;
- v. To use the outcome of the proceedings for further analysis of HARTI study on “The Impacts of Devolution of Power on Smallholder Agricultural Sector in Sri Lanka”.

Three symposia were held at HARTI, between January 2007 to February 2007. The paper presenters of these symposia were the key officers of the different Provincial Councils such as Provincial Secretaries of Agriculture, Land and Land Development, Irrigation and Animal production, Provincial Directors of Animal Production and Health, Provincial Land Commissioners, etc. The proceedings of each of the three symposia were published as follows:

- i. The symposium proceedings on “Provincial Council System and Agricultural Development” (in Sinhala/April 2007)
- ii. The symposium proceedings on “Land Administration in Provincial Council System” (in Sinhala/May 2007)
- iii. The symposium proceedings on “Administration of the Irrigation in Provincial Council System” (in Sinhala/November, 2007)

## 3. Study on Recent Trends in Labour Market in Food Crop Sector in Sri Lanka

**Research Team:** Dr. G. M. Henegedara - Research Fellow  
**Analysis Data:** Mr. N. N. Ananda Silva - Senior Statistical Officer  
**Study Locations:** Hingurakgoda, Rambukkana, Pallepola, Welimada, Ududumbara and Galenbindunuwewa  
**Funding Agency:** Sri Lanka Council for Agricultural Research Policy (CARP)

The study was completed and submitted to the Sri Lanka Council for Agricultural Research Policy (CARP).

Research findings of the study were mainly related with the change of labour use pattern and its implications on changing cost of production of paddy dominated food crop sector. Accordingly, labour absorption to the non-plantation agriculture has declined indicating that farming has

mechanized with labour saving methods. Consequently labour displacements from agriculture have caused to mobilize labour from rural to urban and industrial and service sectors. Labour demand determines on some specific factors such as experience, gender, knowledge in cultivation, efficiency, honesty, and age but the labour supply depends on availability of family and shared labour. Thus, wage rates determine on above qualities and therefore skilled labourers receive high wage rate than unskilled ones. The labour productivity is relatively higher in irrigated paddy, vegetable and maize growing areas than in rain-fed paddy, vegetable and millet growing areas. This is due to the fact that high productivity and labour saving methods.

Six issues were identified as key factors to be addressed by policy makers. Labour displacements from paddy cultivation, changing labour supply pattern, trend of using new technology and machineries, increasing wage rates, changing cultural and value system linked with farming and increasing labour mobility are the most important factors in this regard. Finally, the study suggests some policy recommendations that need to be addressed by policy makers from macro and micro policy perspectives. Training, capacity building and support services are the most important policy instruments recommended for reaching win-win situation.

#### 4. Pre-feasibility Study of the Proposed Sugar Project at Uwa Wellassa

##### **Research Team:**

Dr. L.P.Rupasena	- Research Fellow
Dr. T.A. Dharmaratna	- Research Fellow
Mr. R.M. G. K. B. Ratnayake	- Research Associate
Dr. W.G. Jayasena	- Deputy Director (Research)

##### **Funding Agency:** Sugarcane Research Institute

At a request from the Sugarcane Research Institute (SRI), a pre-feasibility study of the proposed sugar project commenced in March 2007.

##### **Objectives:**

- i. Study demographic characteristics, education and employment conditions of people in the area demarcated for the project.
- ii. Ascertain land ownership size and cropping patterns.
- iii. Work out competitive profitability of sugar and its competing crops.
- iv. Examine infrastructure facilities available in the command area and
- v. Estimate potential area for sugarcane cultivation.

The study was completed and the draft report was submitted to the SRI. The findings were presented at the Ministry of Supplementary Plantation Crops Development. Following are the major findings of the study:

- i. Nearly 50 percent of the households live below the poverty line in the command area.
- ii. Unemployment in the area amounted to over hundred thousand. Of them, the majority are the youth.
- iii. Major crops grown on high lands are maize, banana, green gram, cowpea and groundnuts. Farmers prefer to cultivate sugarcane due to its tolerance to drought, assured market and time availability for off-farm employment.
- iv. Some 70,000 acres were found as potential lands for sugarcane cultivation.
- v. As regard to infrastructure, roads need to be improved.

Study concluded that lands and labour requirement can be met from the project area.

### **ON-GOING STUDIES**

1. Informal Land Transactions in Settlement Schemes in Sri Lanka and Their Impact on Production, Investment and Income of the Settlers
2. Agricultural and Agrarian Transformation in the Small Holder Farming Sector in Sri Lanka: An Empirical Investigation of Existing Situation and Emerging Trends
3. Mid-Term Evaluation of Dairy Village Development Project
4. The study on Constraints and Potentials of Agricultural Production and Research Assistants (ARPAs) in providing Extension Services to the Rural Sector
5. Action Research in Machchagama Village in Ipalogama DSD under *Gamanagama Programme*
6. The State of the Smallholder Farming Sector in Sri Lanka: An Assessment
7. Assessment of Rural Development Initiatives in CIRDAP Member Countries: Opportunities for CIRDAP

**Researcher :** Dr. Dhanawardena Gamage, Research Fellow

Dr. Dhanawardana Gamage was engaged by the Center for Rural Development for Asia and Pacific (CIRDAP) to review the past rural development initiatives, existing rural conditions and performance of government initiatives for rural development in Sri Lanka. CIRDAP's objective is to focus its future strategies, in particular of the processes involved in implementation of rural development policies, programmes and projects in its member countries in relation to the changing context. Compilation of this report commenced after Dr. Gamage participated in a meeting held at CIRDAP in Dhaka on 12.11.207.

### **AGRICULTURAL AND ENVIRONMENTAL RESOURCE MANAGEMENT DIVISION**

#### **ON-GOING STUDIES**

1. Present status and Future Prospects of Kitul Industry in Sabaragamuwa Province
2. Diffusion of Conservation Farming Techniques in Upland Vegetable Farming Systems: Trends and Effects
3. Identification of Location Specific Agro-Processing Industries in Hambantota District
4. Study of the Milk Cattle Problem in Udawalawa National Park (Part 3 and 4)
5. Evaluation of Fertilizer Subsidy Policy in the Small Farming Sector: Special Reference to Current Implementation Programme of Fertiliser Subsidy

## IRRIGATION WATER MANAGEMENT AND AGRARIAN RELATIONS DIVISION

### COMPLETED STUDIES

#### 1. Compendium on Water Resources in Sri Lanka and Optimum Utilization

<b>Research Team :</b> Dr. W.M.G.B. Giragama	-	Coordinator/Head IWAR Division
Mr. S.M.A. Samarakoon	-	Senior Research Officer
Mr. H.M.J.K. Herath	-	Research Officer
Mr. M.A.C.S. Bandara	-	Research Officer
Mrs. G.G.de L.W. Samarasinghe	-	Research Officer
Mr. Prabath Vitharana	-	Enginner, Dept. of Agrarian Development

Final draft publication (Sinhala) with seven chapters completed. The chapters are;

1. Introduction (climate, variation of rainfall, evaporation, temperature and trends, agro ecological zones)
2. Ancient irrigation technology and tank rehabilitation
3. Water resources (surface/ground)
4. Irrigation methods-Gravity irrigation and alternative irrigation systems. Rainwater harvesting
5. Role of water user associations/Farmer Organizations in water management
6. Optimum utilization of water for agriculture
7. Water utilization methods used in China, India, Iran and other countries

### ONGOING STUDIES

1. Allocation of Water among Different Sectors
2. Study of the Small Anicut Systems (*Amunas*) of Sri Lanka
3. Assessment of Runoff Rainwater Harvesting Intervention in Sri Lanka

### MARKETING FOOD POLICY AND AGRIBUSINESS DIVISION

The Marketing, Food Policy and Agribusiness Division – MFPAD (formerly Market Research Unit) was established in the Agrarian Research and Training Institute (ARTI) in 1979 to provide market information to the Cost of Living Review Committee, at the national level. Since then, the Division has provided the relevant data and information to the policy makers, entrepreneurs, traders, farmers and students.

In addition to the above, this Division provides prices to the Food Procurement and Monitoring Unit that was under the Presidential Secretariat to decide the procurement prices of food items purchased by the government institutions (Air Force, Army, Navy, Hospitals and Prison).

#### Regular Work Programme

#### Food Information and Market Intelligence Project

##### Research Team:

Mrs. C.P.Hathurusinghe Coordinator/Head MFPA Division

**Co-Researchers:**

Dr. T.A. Dharmaratne	-	Research Fellow
Ms. Roshini Rambukwella	-	Research Officer
Ms. Ruwini Vidanapathirana	-	Research Officer

**Assisted by:**

Statistical Officers/Assistants	- 14
Casual Investigators	- 18

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

Data collection was done by 06 Statistical Officers, 07 Statistical Assistants and 20 Casual Investigators. For the data collection in outstations, 07 Statistical Officers/Assistants and 15 Casual Investigators were used.

The outside locations covered in year 2007 were Kurunegala, Nikaweratiya, Dambulla, Matale, Anuradhapura, Thambuttegama, Polonnaruwa, Nuwara Eliya, Kandy, Hanguranketha, Badulla, Keppetipola, Ratnapura, Embilipitiya, Hambantota, Tissamaharamaya, Matara, Galle, Kalutara, Moneragala, Dehiattakandiya, Ampara, Puttalam and Marandagamula.

In addition, wholesale prices of food commodities were collected daily from Pettah, Kandy, Dambulla, Noroichholai, Marandagamula and Meegoda markets. These data were disseminated daily through electronic media, to make producers and traders aware of commodity prices in main wholesale markets on time. By analyzing both wholesale and retail prices in Colombo and outstations and also producer prices in major producing areas, the Weekly Food Commodities Bulletin was issued on every Friday.

**Progress for the Year 2007**

- Weekly Food Commodities Bulletin – 52 Bulletins were issued.
- Daily food prices provided to the relevant authorities – for the whole year.
- Provided daily and weekly information to the media on time.
- Provided price data and other market information to the requested government and private sector agencies throughout the year.

**COMPLETED STUDIES****1. Evaluation of Agricultural Insurance Scheme in Sri Lanka****Research Team:**

Ms. Roshini Rambukwella                      Coordinator

**Co-researchers:**

Mr. T.G.Somararatne                      Research Officer

Ms. Ruwini Vidanapathirana              Research Officer

**Estimated Budget Rs.481, 240.00**

**Funding Agency: CARP**

## **Objectives**

The major objective of this study was to evaluate the crop (paddy) insurance scheme implemented by the Agricultural and Agrarian Insurance Board (AAIB).

Other objectives are as follows:

- i. To study the problems and limitations of the present crop insurance schemes implemented by the AAIB;
- ii. To study the organizational structure and the present performance of the AAIB;
- iii. To study farmers' awareness and interest about the Crop Insurance Scheme ;
- iv. To identify the farmers who insured their lands under the crop insurance scheme and reasons for it;
- v. To describe the differences and similarities of the public and private sector agricultural insurance schemes and
- vi. To suggest measures to improve the existing crop insurance scheme for paddy.

This study was completed and research report was published.

## **Findings:**

Most of the farmers are dissatisfied with the crop insurance scheme due to the inadequacy of indemnities compared with the cost of production or amount of crop damage, and the delay in indemnity payments. There is little transparency in loss assessments and indemnity payments. The under-estimation of crop losses too, has caused dissatisfaction among the farmers. Thus, most of the farmers are not interested in crop insurance and they consider it as an extra burden on them.

About 99% of the insured farmers joined the crop insurance scheme to obtain a bank loan because of the banking regulations in some of the banks.

About 59% of the insured farmers in all the four districts were not aware about the crop insurance schemes of both the AAIB and the CICL.

## **2. Feasibility Study on Establishment of Dedicated Economic Centre at Balangoda**

### **Research Team:**

Dr. T.A. Dharmaratne  
Mr. T.G.Somarathne

Co-ordinator  
Co-researcher

### **Objective:**

Study was undertaken at the request made by the Ministry of Rural Industries and Self Employment Promotion. The major objective was to examine the feasibility for establishment of dedicated economic centre at Balangoda.

**Estimated Budget: Rs.37,250.00**

The report suggested that there are some possibilities and potentials to establish a new economic centre for marketing of vegetables, fruits and export agricultural crops such as coffee, pepper and foliage.

The study was completed and the report was submitted to the Ministry of Rural Industries and Self-Employment Promotion in February 2007

### 3. Data Base on Rice Milling Industry

#### Research Team :

Mrs.C.P.Hathurusinghe Co-ordinator

#### Assisted by:

Mr. W.A.N. Wijesuriya Statistical Officer

Mr. Upul A.S. Edussuriya Statistical Assistant

Mrs. Nirosha Malkanthi Statistical Assistant

#### Objective of the Study:

This study was undertaken to prepare a database on rice millers, milling capacities, machineries available to produce quality rice and availability of raw rice mills and parboiled processing mills. Study report was completed and submitted to the relevant policymakers.

#### Findings of the Study :

This compilation is based on voluntary responses of the millers and do not represent the totality.

The survey identified that 26 percent out of total mills located in major paddy producing districts such as Ampara, Polonnaruwa, Anuradhapura, Hambantota and Kurunegala.. According to the survey, 187 millers have the capacity of milling more than 8 mt of paddy per day. 134 mills (72 percent) out of these located in major paddy-processing districts.

Considering the type of paddy processing, 789 mills are raw rice mills and 218 mills are parboiled rice mills. 618 mills process both raw and parboiled rice. In Hambantota district all the mills are raw rice mills. In Ampara district most of the mills are raw rice mills. Most of the parboiled mills and both raw and parboiled rice processing mills are located in Polonnaruwa and Anuradhapura districts.

### 4. Evaluation of Government Paddy Purchasing Programme, *Maha* 2005/2006

#### Research Team :

Mrs.C.P.Hathurusinghe Co-ordinator

Mr.T.G.Somarathna Co-researcher

**Estimated Budget:** Rs.300, 000

#### Objective of the Study

Evaluate the success of government paddy purchasing programme and identify the problems and constraints.

Study report was completed and major findings are given below:

- i. Prices have declined gradually during the first half of this year. Therefore the stabilization objective was not achieved.
- ii. Prevailed open market prices of paddy were just above the cost of production.

- iii. According to the available data, two data sources provide different quantities. For the analysis we used the data provided by the District Secretaries because District Secretaries did the funding management.
- iv. The government suggested prices are not workable because the cost of production in the major paddy surplus areas is low. Hence, the open market forces completely ignored the government-purchasing programme. Therefore, this programme is unable to fulfill the major objective of this programme.

## 5. Development of *Pola* Markets (Periodic Markets) in Gampaha and Kalutara Districts

### Research Team:

Mr. T.A. Dharmaratne	-	Co-ordinator /Research Fellow
Mrs. C.P. Hathurusinghe	-	Co-researcher /Head of the Division
Mr. T.G. Somaratne	-	Research Officer
Mrs. Roshini Rambukwella	-	Research Officer

**Estimated Budget:** Rs. 1,840,000.00

This study focused on the *pola* markets that were administrated by Pradeshiya Sabhas under Department of Local Government in Gampaha and Kalutara districts. There are 56 *pola* markets managed by the Pradeshiya Sabha in both districts. The Chief Secretary Office of the Western Provincial Council requested the HARTI to conduct a survey to study on *pola* markets in Gampaha and Kalutara districts.

The financial support was provided by Western Provincial Council and the study was conducted by three researchers of the Marketing, Food Policy and Agribusiness Division of HARTI.

The study has three major components as follows:

1. Preparation of "*pola* Market Development Profiles" for each *pola* market in Gampaha and Kalutara districts. The profile identifies major weaknesses and strengths of available infrastructure facilities and development potentials of markets. The final outcome of the profile is to identify prioritized development activities for each *pola* market. For that the study develops a selection criterion to select *pola* markets which need further development.
2. Conducting a comprehensive socio-economic study on *pola* markets, with the aim of providing basic information to Western Provincial Council for their policy decisions. The study is further useful for the Provincial Council to improve the capacities and capabilities of the *pola* markets.
3. Preparing a "Market Management Plan" for the *pola* markets that are administrated by Pradeshiya Sabhas in these two districts. The management plan is the document for planning and development that provides instruction and guidance to facilitate *pola* participants.

### Findings:

As indicated in some studies as well as in our observation, it is realized that there are a number of physical questions on *pola* markets in connection with the access roads, land extent, security and maintenance, buildings, supplying of water, electricity, telecommunication, toilets, vehicle parking, loading and unloading, surface drainage and maintenance and garbage collection and disposal. Therefore, the immediate action should be taken to the development of *pola* markets, in terms of infrastructure development, with an introduction of better management practices and other necessary facilities.

## **ON GOING STUDIES**

1. The Study on Production and Marketing of Other Field Crops
2. Food Insecurity and Vulnerability Information and Mapping System (FIVIMS)

## **OTHER ACTIVITIES**

1. **Ad-hoc reports submitted to the Ministry of Agriculture and Agrarian Development by the MFPAD on following:**

- Situation Report of Paddy, July, 2007
- Reasons for Price Increase of Paddy and Rice, 2007
- Evaluation of Government Paddy Purchasing Programme, 2000 –2006/07

2. **Concept paper on vegetables and fruit exports – by Dr. L.P. Rupasena**

On a request made by the Ministry of Agricultural Development and Agrarian Services, a concept paper on Vegetables and fruits export was prepared in consultation with the stakeholders in the horticultural sector. This paper describes the present situation, diagnoses the problems and makes recommendations for development of the fruit and vegetable sector. Area under vegetable showed an increasing trend till 2000 and fluctuates since then. Weather is a major contributing factor for this fluctuation. For instance, heavy rains experienced in the latter part of 2006 caused severe damage to vegetable production. A rapid increase in area under fruits was observed during recent past. Sri Lanka exports around 2 percent of vegetable and fruit production but it fluctuates depending on the domestic market prices. Exporters face problems of lack of continuous supply, low quality, high prices, high freight charges and inadequate cargo space. Increase production efficiency by improving productivity through supply of quality inputs and strengthening the provincial extension system; increasing marketing efficiency by developing supply chain through forward and backward linkages; promotion of fruits and vegetables cultivation in green houses; exploration to use sea transportation and establishment of data base to monitor performance are among recommendations.

3. **A proposal for development of food marketing under National Programme for Food Security, by Dr. L.P. Rupasena**

On a request made by the FAO, a proposal was prepared to develop an efficient food marketing system in Sri Lanka. In this paper six strategies are identified: 1) promote public-private partnership, 2) develop a marketing information system, 3) improve physical access to market, 4) upgrade market places, strengthen institutions, market associations and cooperatives, 5) strengthen capacity of farmers to better produce for the market and 6) build the farmers' capacity to take farming as a business. The proposed programme has four major components: 1) market information, 2) market infrastructure, 3) capacity building and 4) export promotion.

4. **Workshop on rice price increase in 2007**

A workshop on rice price increase was organized on 27 November 2007 to ascertain the factors affecting high rice prices. Hon. Minister of Agricultural Development and Agrarian Services and Hon. Minister of Agriculture and Hon Deputy Minister of Agrarian Service were the chief guests at the workshop. Representatives from relevant government agencies, trade associations, farmer organizations and consumer societies participated in the workshop. The workshop found

that low production, shifting consumers from wheat flour to rice, usage of rice as animal feed and high world market prices contributed to the increase in rice prices in the market. Workshop participants stressed the need to develop a mechanism to assess the stocks held by the private traders.

## **5. Food Commodity Prices, 2000 - 2006**

This document comprises of producer prices, wholesale prices and retail prices of major food commodities. The seasonal indices of major food commodities are also available in this document.

## **STATISTICS AND DATA PROCESSING DIVISION**

The main function of the Division is to generate and disseminate agricultural and agrarian information for the wider range of users i.e. researchers, planners, policy makers, undergraduates, farmers and other interested individuals. The Division comprises of four units namely Data Development Unit, Computer Unit, Library and Publication Unit. 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. The Publication Unit also functions under the supervision of the SDPD.

### **1. DATA DEVELOPMENT UNIT**

The Data Bank collects data from primary and secondary sources and maintains a database on agricultural crops, livestock, demography and vital statistics. The following data series were updated during the year 2007.

1. Mid year population and deaths
2. Paddy statistics (extent sown, average yield and production) and data relating to cultural practices of paddy
3. Extent cultivated and production of crops other than paddy
4. Monthly average wholesale prices of agricultural commodities
5. Imports/exports of agricultural commodities
6. Consumption data of food commodities
7. Fertilizer and agri inputs
8. Sectoral contribution of GDP.

Collection of fisheries database commenced during latter part of the year. Following data were extracted from various issues of "Sri Lanka Fisheries Year Book" reports published by Department of Census and Statistics and Institute of Policy Studies:

1. Marine fish production
2. Fish production by subsectors (coastal, off shore and fresh water)
3. Fish production by fisheries districts
4. Fish seed production
5. Production of fishing nets and fishing gears.

### **Requests for Data**

Total number of requests met by the Data Bank during the year 2007 was 127. Out of the total requests, 50 requests were made by the users within the Institute, while the balance 77 was made by external users. Distribution of internal and extension requests by category of users, by divisions is given below:

Category	No. of requests	%
University staff/undergraduates/other students	31	40.3
Private companies/Private Institutes	17	22.1
Ministries/Govt. Departments/Semi-govt. organizations	12	15.6
International organizations/Embassies	5	6.5
Private individuals/Freelance Consultants	7	9.1
Farmer Companies/Farmer Organizations	2	2.6
Journalists	2	2.6
Banks	1	1.3
<b>Total</b>	<b>77</b>	<b>100.0</b>

### Revenue from Supplying of Data

The total revenue generated by providing data to external users in 2007 was Rs. 35,083.30, while the estimated cost of providing data free of charge to external users was Rs. 4,031.78.

## 2. COMPUTER UNIT

The Computer Unit (CU) of the SDP Division provides the facilities for data processing and analysis. The main functions of the unit are related with following activities:

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

### Data Analysis

Data analyses of the following studies were completed during the year:

1. Diffusion of conservation farming techniques in upcountry vegetable farming system, trends and effects.
2. Study on milk cattle problem in Udawalawa National Park.
3. Allocation of water among different sectors in Sri Lanka.

### Data Bank Activities

The Data Bank activities were carried out in three categories such as data appending, data verification and system developments. During the year, the data-retrieving program was modified to produce easy accessible formats. The entire database was checked for verification of cost of production, fertilizer and income data.

### HARTI Website

The HARTI Website, [www.harti.slt.lk](http://www.harti.slt.lk) was improved with a broad intention of disseminating information to wider range of users that included policy makers, traders and farmers. Accordingly, market bulletin is uploaded weekly for the benefit of farmers and traders that expected variation of daily prices of food commodities.

## **Training Programs**

**Coordinator:** M.D.L. Senarath, the Senior Analyst/Programmer

A computer awareness course was designed and conducted as requested by the Registrar of the Institute. This program was conducted for improving computer literacy of clerical staff of HARTI.

### **3. LIBRARY**

The main objective of the library is to collect, compile, retrieve and disseminate information related to the agrarian sector for the benefit of HARTI Research Staff and other interested persons and agencies. During the year, the staff borrowed 1,059 books and 378 issues of journals for their reference requirements. The number of visitors to the library during the year was 169 and most of them were university students.

At present the library's holdings consist of about 21,013 books and about 20,200 issues of journals.

#### **Acquisition of Books, Journals and Reports, Maps, CDs**

The library acquired 319 books and reports during the year, out of which 91 were direct purchases and 203 items were received on a complimentary basis and 25 on exchange of publications programme. A large number of periodicals, newsletters, annual reports from foreign and local institutions were also received on a complimentary or on an exchange basis. The library also subscribed to 22 foreign journals and 42 local journals out of which 171 issues were received during the year.

#### **Library Services**

The library continued to provide cataloguing data of books and journal articles to the National Agricultural Bibliography (NAB) (2006) database maintained at CARP library.

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

Computer facilities have been further extended for the research staff with the establishment of ADSL facility in the library.

Binding of past issues of library journals and maintaining of newspaper articles collection on agriculture, economics etc. continued during the year.

#### **Publication Exchange Programme**

Library has sent 10 HARTI publications released in 2007 to 10 local libraries and 07 foreign institute libraries.

### **4. PUBLICATION UNIT**

The Publication Unit is engaged in editing and publishing of Research Reports, Occasional Papers, Journals, Newsletter, Bulletins, Manuals, Brochures and other information materials in all three languages. It also conducts print and electronic media programs. The unit participated in the following exhibitions during the period concerned.

1. 'Pulathisi Navodaya' Trade Exhibition and Carnival – Polonnaruwa, March 29-31, 01 April 2007.
2. 'Govisathiya' Exhibition 12 to 16.10.2007 – Mahailuppallama.

The following research reports were released during the year.

1. Impact of Micro-finance on Micro-enterprises: A Comparative Analysis of Samurdhi and Seeds Micro Entrepreneurs in Sri Lanka.
2. පළාත් සභා ක්‍රමය සහ කෘෂිකාර්මික සංවර්ධනය පිළිබඳ විද්වත් වැඩ වාර්තා 2007- ජනවාරි 15-16.
3. පළාත් සභා ක්‍රමය තුළ ඉඩම් විෂයයේ ක්‍රියාකාරිත්වය පිළිබඳ විද්වත් වැඩලුළුවේ වාර්තා 2007 පෙබරවාරි 19
4. Assessment of Bulk Water Allocation Programme in Mahaweli H Area
5. Structure, Conduct and Performance Analysis of Cinnamon, Pepper, Coconut and Tea Market
6. HARTI Agricultural Commodity Review 2005
7. Factors Affecting the Cost of Production of Milk in the Kurunegala District
8. Agricultural Profile, 2006
9. පළාත් සභා ක්‍රමය තුළ වාරිමාර්ග විෂයයේ ක්‍රියාකාරිත්වය පිළිබඳ විද්වත් වැඩලුළුවේ වාර්තා 2007 පෙබරවාරි 20
10. Socio Economic Status of Second/Third Generation Settlers in Mahaweli H Area

Further the following publications were also released during the year:

1. 'Govinajatha', January-March
2. Sri Lanka Journal of Agrarian Studies, Vol. 11, No.1, 2006
3. 'Govikatayuthu Adyanaya' Vol 6, No. 1
4. Annual Report 2005 – Sinhala, Tamil and English
5. Annual Report 2006 – Tamil and English
6. HARTI Newsletter
7. Food Commodities Bulletin
8. Monthly Food Commodities Review

## COMPLETED STUDIES

### 1. Agricultural Commodity Review – 2005

#### Research Team :

Dr. G.M. Henegedara /Coordinator - Head SDP Division  
 Dr. M.S. Senanayake/Research Associate  
 Mr. M.M.M. Aheeyar/Research Associate  
 Dr. (Mrs.) W.D. Wickramasinghe/Senior Research Officer  
 Mr. W.H.A. Shantha/Research Officer  
 Mrs. Ruwini Vidanapathirana /Research Officer

#### Data Analysis

Mr. K.D.S. Ariyasinghe/Data Analyst  
 Mr. E.N.R. Fernando/Data Analyst  
 Mr. M.D.L. Senarath/Senior Analyst Programmer

HARTI Agricultural Commodity Review (2005) is the fourth volume of commodity review bulletin published by the Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI) since 1998. The current volume highlights trends of extent, production, market prices, external trade and per capita consumption of 14 agricultural commodities such as paddy, kurakkan, maize,

green gram, cowpea, black gram, soya bean, big onion, red onion, potato, manioc, sweet potato, gingelly and groundnut.

The study concludes that extent and production of many food commodities have declined in the recent past and consequently imports have increased. For instance, paddy cultivation is turning out to be an inefficient venture due to the high production cost and the negative returns. As shown in the text, the paddy cultivation is profitable only on irrigated areas, where cultivation is done commercially using machinery. It was observed that approximately 50 percent of the total cost of paddy cultivation is on labour and the profitability is conditioned more by labour rates than by the other factors. Accordingly, paddy cultivation is economically viable only in a situation where values of own recourses, mainly family labour are excluded. But, such estimates, sans the value of family labour, do not show the real economic value.

Detailed analyses for each crop indicate cost and returns of production, marketing, external trade, consumption and government policies for promoting domestic agriculture. The findings of the report were discussed and refined at the workshop held at HARTI with the participation of Hon. Minister of Agriculture Hemakumara Nanayakkara and the key subject experts of the respective commodities and data collection.

## **2. Agricultural Profile – 2006**

### **Project Team**

Dr. G.M. Henegedara /Co-ordinator

Mr. E.N.R. Fernando/Data Analyst

### **Data Analysis**

Mr. M.D.L. Senarath/Senior Analyst Programmer

Mrs. N.P. Jayanetti/Data Assistant

Agricultural Profile (2006) is a secondary output of compiling agricultural data published by the Department of Census and Statistics and Department of Agriculture. It was prepared by analyzing main agricultural indicators such as extent, production, cost and returns and export and imports of main agricultural commodities. As a statistical bulletin, it provides the said information on food commodities such as cereals, legumes, tuber roots, oil seeds, vegetables, spices, industrial crops and other crops. The report would help wider range of users involved in the agricultural and agrarian sector as policy makers, traders, farmers, small producers and academicians.

## **OTHER ACTIVITIES**

### **Public Lecture Series – Co-ordinator Dr. G.M. Henegedara**

Five public lectures were conducted during the period addressing the main socio-economic and development issues of the country. It includes:

1. ICT Initiatives for Agriculture and Rural Development in Sri Lanka by Dr. Rohan Wijekoon, Director, Audio Visual Centre, Department of Agriculture, Peradeniya
2. Challenges in Rural Development by Mr. K.D. Peiris, Co-ordinating Secretary, Vinivida NGO Coalition, Puttalam District
3. Growing Other Field Crops in Sri Lanka by Mr. Ranaweera Banda, Deputy Director (Research), Department of Agriculture, Mahalluppalama

4. Good Governance and Community Development by Dr. Vinya Ariyaratne, Executive Director, Sri Lanka Jathika Sarvodaya Shramadana Sangamaya
5. Role of Development Experts in Sri Lanka (Constructive or Destructive: A Sociological Analysis) by Dr. Ranaweera Banda, Senior Lecturer, Department of Sociology, University of Ruhuna

## **HUMAN RESOURCES AND INSTITUTIONAL DEVELOPMENT DIVISION**

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

### **Completed Training Programms**

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

**Co-ordinator:**R.M.R. Bandara - Head/HRID Division (Research Associate)

In view of the importance of preparing community action plans for sustainable development in rural areas under the *Gamaneguma programme* of the government, HARTI conducted a series of training programmes in 2007. The training programmes were aimed to increase awareness of official of the Provincial Secretary’s offices who were directly involved with *Gamaneguma programme* to enhance knowledge on preparation of Agriculture based community action plan. The basic theme of the programme was “*Gama Nagumata sithata saviya*”. The major objective was to enhance the participants’ knowledge on the concepts and methods used in participatory planning and management in addition to development of their skills in using participatory techniques such as RRA/PRA and PCM in rural/community development planning and management.

Two, (02) five day training programmes and one five day training programme were conducted to achieve the above mentioned objective in the Hambantota, Badulla and Puttalam districts. First five day training pogramme was conducted from 13 to 17 August, 2007 at In Service Training Center, Angunakolapalessa. Twenty four government officers, selected by Provincial Secretary’s office in Hambanthota district were participated in the programme. Second five day training pogramme was conducted dring 04 to 08 October, 2007 at the Agrarian Services Training Center, Bandarawela. Twenty seven Government officers from Badulla district participated in the programme. A six day PRA training programme was conducted from 13 to 18 October, 2007 at *Sanhidiyawa Sadaham Nikethanaya* in Chilaw. Twenty six Government officers from Puttalam district participated in the programme.

The three programmes have produced 77 trained officers of the Provincial Secretary’s offices in Hambanthota, Badulla and Puttalm districts on the subjects and prepared six rural/community development model plans by the trainers for villages selected for field exercises. Copies of the reports were sent to the officials of the relevant Provincial Secretary’s offices.

**2. Training Programmes on Social Mobilization for Social Mobilizers of *Wari Pubuduwa* Project implemented by Irrigation Management Division of the Ministry of Irrigation and Water Management**

**Co-ordinator:** Mr. R.M.R. Bandara – Head/HRID Division

*Wari Pubuduwa* Project was launched by Irrigation Management Division (IMD) of the Ministry of Irrigation and Water Management in Kurunegala, Anuradapura, Puttalam and Matale districts. Under the project, some development plans were prepared especially on agriculture development, water management, strengthening farmer organizations, income generation activities and agriculture marketing as a solution for the problems faced by the farmers in the districts who cultivated under irrigation facilities.

One objective of the project was to strengthen the present farmer organization in the districts. Under this, 184 new Social Mobilizers were recruited to the project. During the first step 36 Social Mobilizers were recruited to the project during July 2007 and 31 Social Mobilizers were appointed during September 2007 during the second step.

HARTI provided consultancy services to conduct the above training programme on the request of *Wari Pubuduwa* Project of Irrigation Management Division (IMD) in July 2007. The training programmes were successfully completed by end of 2007 in line with the agreement signed between ARTI and IMD. This training programme is aimed to advocate and make Social Mobilizers aware of the social mobilization activities. The main objectives of the 05 days residential training programmes were 1) Strengthening existing farmer organizations. 2) Making linkages with farmer organizations and other relevant GOs/NGOs and private organizations. 3) Minimize problems and disunity of the members of farmer organizations and 4) Strengthening linkage with farmer organizations and *Wari Pubuduwa* project.

Two, (02) five days social mobilization training programmes were conducted to achieve the above mentioned objectives. First training programme was conducted from July 30 to 03 August, 2007 at Sarvodaya Training Center in Anuradhapura. Thirty six Social Mobilizers were selected from (by) farmer organizations in Anuradapura and Kurunegala districts participated in the programme. Second training programme was conducted from 10 to 14 September, 2007 at Wayamba Training Center in Wariyapola. Thirty one social mobilizers in Anuradapura and Kurunegala districts participated in the programme.

The outputs of these two programmes were the 67 trained Social Mobilizers under the *Wari Pubuduwa* Project in Anuradhapura and Kurunegala districts. Other four social mobilization training programmes have been planned to be conducted during 2008.

**Photography and Audio Visual Activities**

This division also performs photography and audio and visual services to the staff of the institute as well as outsiders. The audio and visual packages are based on the institute research studies and training programs. Under this, seminars, workshops and training programmes conducted by the institute have been covered by the photography and audio visual branch of the division.

**STAFF POSITION AS AT 31<sup>ST</sup> DECEMBER 2007**

	<b>Position as at 31.12.2006</b>	<b>Termination, Resignation During the year</b>	<b>Appointment</b>	<b>Position as at 31.12.2007</b>
Director	01	-	-	01
Deputy Director (Research)	01	-	-	01
Head of Division	06	-	-	06
Research Staff	27	02	-	25
Administrative Staff	04	-	03	07
Senior Staff of Library	02	-	-	02
Data Development Unit	02	-	-	02
Computer Unit	02	-	-	02
Publication Unit	02	01	-	01
Statistical Staff	25	-	-	25
Technical Staff	01	-	-	01
Clerical, Secretarial and Parallel Grades	49	02	04	51
Operative and Allied Grades	36	02	04	38
<b>TOTAL</b>	<b>158</b>	<b>07</b>	<b>11</b>	<b>162</b>

**STAFF DEVELOPMENT**

**Post-Graduate Degree Programmes**

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

- |                            |   |  |
|----------------------------|---|--|
| Mr. N.P.G. Samantha        | - | M.Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya |
| Mr. W.H.D. Priyadarshana   | - | M.Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya |
| Ms. D.W.S.D.K. Seneviratne | - | M.Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya |
| Mr. P.C.J. de Silva        | - | M.Sc in Human Resource Management at the Huazhong University of Science and Technology, China.     |

**Participation at International Training Programmes/Seminars/Workshops/Conferences/Meetings etc.**

Dr. W.M.G.B. Giragama - Research Fellow presented a paper on "Energy Planning for the 21st Century in Sri Lanka" at the International Conference on Economics of Environment, Natural Resource and Energy, Jadavepur University, Kolkata, India, from January 1 to 3, 2007

Dr. W.M.G.B. Giragama – Research Fellow presented a paper on "Participatory Irrigation Management In Kirindi Oya Irrigation and Settlement Project" at the 4th Asian Regional Conference and 10th International Seminar on Participatory Irrigation Management at Teheran, Iran from May 2 to 5, 2007

Mr.M.M.M. Aheeyar – Research Associate presented a paper on "Experiences of Bulk Water Allocation in Large Scale Irrigation Management" at the 4th Asian Regional Conference and 10th International Seminar on Participatory Irrigation Management at Teheran, Iran, from May 2 to 5, 2007

Mr. V.K. Nanayakkara – Director attended the 26<sup>th</sup> Executive Committee and 10<sup>th</sup> Governing Council Meeting of CIRDAP held in Manila, Philippines from 28<sup>th</sup> May to 2<sup>nd</sup> June 2007.

Dr. L.P. Rupasena – Research Fellow attended the convocation at the University of Agriculture Sciences held in India from 9 to 15 June 2007.

Dr. W.D. Wickramasinghe – Senior Research Officer attended the DAAD Alumni Meeting held in Giessen Germany from 5 to 15 June, 2007.

Mr. T.A. Dharmaratne – Research Fellow attended the Regional Training Programme on "Planning Management, Monitoring and Evaluation of Rural Development Projects in Asia – Pacific Region held in Hyderabad, India from 2 to 11 July 2007.

Mr. M.M.M. Aheeyar – Research Associate presented a paper on "Composting of Municipal Solid Wastes in Sri Lanka: Experiences from Colombo Municipality Area", at the International conference on Sustainable Sanitation-Eco Cities and Villages, Dhongsheng, Inner Mongolia, China, August 26 to 29, 2007.

Mr. V.K. Nanayakkara – Director attended 23<sup>rd</sup> Regular Meeting of CIRDAP held in Thailand from 18 to 24 August 2007.

Mr. W.H.A. Shantha – Research Officer attended Training Programme on "Environmental Health with the Emphasis on Food Security held in Thailand from 3 to 21 September 2007.

Mr. R.L.N. Jayatissa – Research Associate attended Training Programme on "Women Empowerment and Development Through Enterprise Promotion" held in Bali, Indonesia from 22 to 31 October 2007.

Mr. T.A. Dharmaratne – Research Fellow attended the Fourth International Conference on Agriculture Statistics Advancing Statistical Integration and Analysis held in China from 22 to 24 October 2007.

Dr. D. Gamage – Research Fellow attended the Country level studies for Reviewing the Past Policies and Programme held in Dhaka, Bangladesh from 12 to 13 November, 2007.

Mr. N.S.B. Epakanda – Research Officer attended the Training Programme on "Advocacy Facilitation Skills for Officials and Good NGOs" held in Nepal from 10 to 19 December 2007.

# HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE

## BALANCE SHEET AS AT 31ST DECEMBER 2007

<b>ASSETS</b>	<b>Notes</b>	<b>2007</b>		<b>2006</b>	
		Rs.	Rs.	Rs.	Rs.
<b>Non Current Assets</b>					
Property Plant & Equipments	2	28,934,899.47		26,390,241.68	
Investments - Fixed Deposits	3	5,769,437.21		5,389,096.12	
Treasury Bills		4,372,095.10		4,372,095.10	
Staff Development	4	18,654,480.34		17,953,192.49	<b>Rs.</b>
			<b>57,730,912.12</b>		<b>54,104,625.39</b>
<b>Current Assets</b>					
Stocks	5	3,330,316.99		2,919,244.48	
Loan Payable		2,689,006.40		2,481,323.64	
Debtors	6	28,619,109.10		30,467,154.13	
Deposits	7	612,070.00		612,070.00	
Prepayments & Accounts Receivable	8	424,128.35		258,616.29	
Advance	9	471,568.86		352,035.48	
Cash at Bank	10	15,711,407.20		11,335,674.55	
Cash in Hand		10,000.00		10,000.00	
			<b>51,867,606.90</b>		<b>48,436,118.57</b>
<b>Total Assets</b>			<b>109,598,519.01</b>		<b>102,540,743.96</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Capital &amp; Reserve</b>					
Government Grant-Capital	11	105,841,900.00		98,355,900.00	
Contribution from savings		1,102,372.79		1,102,372.79	
Capital Contribution from Ministry		2,342,835.00		2,342,835.00	
Project Capital Fund	12	14,886,206.09		14,757,706.09	
Capital Reserve		3,242,284.40		3,242,284.40	
Project General Reserve	13	16,524,437.47		16,524,437.47	
Incentive Fund		137,061.91		137,061.91	
Incentive Fund - Projects		138,210.72		138,210.72	
Training Fund - Projects		396,261.91		396,261.91	
Incentive Fund - Institute share		501,835.86		501,835.86	
Net Deficit Carried Forward	14	(76,599,261.14)		(75,789,105.48)	
			<b>68,514,145.01</b>		<b>61,709,800.67</b>
<b>LIABILITIES</b>					
<b>Non - Current Liabilities</b>					
Gratuity Provision		29,618,437.52		27,999,536.69	
			<b>29,618,437.52</b>		<b>27,999,536.69</b>
<b>Current Liabilities</b>					
Creditors	15	6,577,298.00		5,157,980.23	
Loan Fund		2,689,006.40		2,481,323.64	
Accrued Expenses		2,199,632.09		5,192,102.73	
			<b>11,465,936.49</b>		<b>12,831,406.60</b>
<b>Total Equity &amp; Liabilities</b>			<b>109,598,519.02</b>		<b>102,540,743.96</b>

CHAIRMAN

DIRECTOR

ACCOUNTANT

## HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE

### INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2007

	Notes	2007 Rs.	2006 Rs.
<b>INCOME</b>			
Funds from General Treasury		88,900,000.00	64,140,000.00
Hostel & Conference hall charges	16	9,093,112.10	5,561,987.98
Sales of publications		93,493.29	184,685.25
Interest on investments		741,160.52	653,234.12
Interest on staff loan		794,921.16	630,455.75
Recurrent contribution from projects	17	1,706,925.11	2,484,884.70
Miscellaneous income	18	490,132.12	772,122.22
		<b>101,819,744.30</b>	<b>74,427,370.02</b>
<b>EXPENDITURE</b>			
Administration & Establishment expenditure	19	(102,097,495.61)	(84,235,168.15)
Bad Debt under provision		(504,581.36)	46,501.53
<b>Net income from operations before Financing cost</b>		<b>(782,332.67)</b>	<b>(9,761,296.60)</b>
Financing cost		(27,822.99)	(23,000.00)
<b>Net deficit before Taxation</b>		<b>(810,155.66)</b>	<b>(9,784,296.60)</b>
Taxation			
<b>Net Income after Taxation &amp; before extraordinary items</b>		<b>(810,155.66)</b>	<b>(9,784,296.60)</b>
Extraordinary items			
<b>Expenditure over income</b>		<b>(810,155.66)</b>	<b>(9,784,296.60)</b>

.....  
CHAIRMAN

.....  
DIRECTOR

.....  
ACCOUNTANT

**HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2007**

	Notes	2007	
		Rs.	
<b>Cash flow from operating activities</b>			
Net deficit for the year			(810,155.66)
<b>Adjustment for</b>			
Depreciation		4,023,313.59	
Investment income		(741,160.52)	
Provision for Gratuity		4,445,852.74	
Payment of Gratuity		(2,826,951.91)	4,901,053.90
<b>Operating loss/ Profit before working capital changes</b>			<b>4,090,898.24</b>
<b>Working Capital Changes</b>			
Stocks		(411,072.51)	
Debtors		1,848,045.03	
Prepayment & Account receivable		(165,512.06)	
Advances		(119,533.38)	
Creditors		1,419,317.77	
Accrued expenses		(2,992,470.64)	(421,225.79)
<b>Net cash from operating activities</b>			<b>3,669,672.45</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of property, plant & equipment		(6,567,971.38)	
Investment income		741,160.52	
Staff Development cost		(701,287.85)	
<b>Net cash used in investing activities</b>			<b>(6,528,098.71)</b>
<b>Cash Flow from Financing Activities</b>			
Government Grant capital		7,486,000.00	
Project Capital Fund		128,500.00	
<b>Net cash from financing activities</b>			<b>7,614,500.00</b>
<b>Net Increase in Cash &amp; Cash equivalents</b>			<b>4,756,073.74</b>
<b>Cash &amp; Cash Equivalent at the Beginning of Period</b>	<b>I</b>		<b>21,106,865.77</b>
<b>Cash &amp; Cash Equivalent at the End of Period</b>	<b>II</b>		<b>25,862,939.51</b>

**Notes:**

Cash & Cash Equivalent	I	II
	01.01.2007	31.12.2007
Investment - Fixed deposits	5,389,096.12	5,769,437.21
Treasury bills	4,372,095.10	4,372,095.10
Cash at bank	11,335,674.55	15,711,407.20
Cash in hand	10,000.00	10,000.00
<b>Total</b>	<b>21,106,865.77</b>	<b>25,862,939.51</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2007**

	<b>Government Grant Capital</b>	<b>Contribution from Savings</b>	<b>Capital Contribution from Ministry</b>	<b>Project Capital Fund</b>	<b>Capital Reserve</b>	<b>Project General Reserve</b>	<b>Incentive Fund</b>	<b>Incentive Fund - Projects</b>	<b>Training Fund Projects</b>	<b>Incentive Fund - Institute Share</b>	<b>Accumulated Revenue</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Balance as at 01/01/2007	98,355,900.00	1,102,372.79	2,342,835.00	14,757,706.09	3,242,284.40	16,524,437.47	137,061.91	138,210.72	396,261.91	501,835.86	(75,789,105.48)	61,709,800.67
Funds received from Treasury	7,486,000.00	-	-	-	-	-	-	-	-	-	-	7,486,000.00
Project Contributions	-	-	-	128,500.00	-	-	-	-	-	-	-	128,500.00
Income & Expenditure	-	-	-	-	-	-	-	-	-	-	(810,155.66)	(810,155.66)
<b>Total</b>	<b>105,841,900.00</b>	<b>1,102,372.79</b>	<b>2,342,835.00</b>	<b>14,886,206.09</b>	<b>3,242,284.40</b>	<b>16,524,437.47</b>	<b>137,061.91</b>	<b>138,210.72</b>	<b>396,261.91</b>	<b>501,835.86</b>	<b>(76,599,261.14)</b>	<b>68,514,145.01</b>

**Schedule of Depreciation of Assets - 2007**

<b>Particulars</b>	<b>Cost as at 01.01.2007</b>	<b>Additions/ (Disposals) during the year 2007</b>	<b>Total Cost as at 31.12.2007</b>	<b>Acc/Dep as at 01.01.2007</b>	<b>Dep.for the year 2007</b>	<b>Accu/Dep. ended 31.12.2007</b>	<b>Net Value as at 31.12.2007</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Land	1,716,667.00	-	1,716,667.00	-	-	-	1,716,667.00
Buildings	18,321,516.72	2,315,641.45	20,637,158.17	8,021,696.50	515,928.95	8,537,625.45	12,099,532.72
Equipment/Furniture	29,833,007.05	2,002,878.25	31,835,885.30	22,549,139.60	1,846,490.54	24,395,630.14	7,440,255.17
Computer Installation	16,267,676.87	1,305,836.25	17,573,513.12	14,118,317.53	1,199,616.23	15,317,933.76	2,255,579.36
Motor Vehicles	8,293,855.88	267,000.00	8,560,855.88	8,293,806.88	53,400.00	8,347,206.88	213,649.00
Books	8,399,696.37	676,615.43	9,076,311.80	3,459,218.70	407,877.87	3,867,096.57	5,209,215.23
Welfare Equipment	3,734.55	-	3,734.55	3,733.55	-	3,733.55	1.00
<b>Total</b>	<b>82,836,154.44</b>	<b>6,567,971.38</b>	<b>89,404,125.82</b>	<b>56,445,912.76</b>	<b>4,023,313.59</b>	<b>60,469,226.35</b>	<b>28,934,899.47</b>

**3 HARTI Investments - Fixed Deposits**

Fixed Deposits at State Mortgage & Investment Bank	3,500,000.00
Fixed Deposits at SMIB (Housing Loan Scheme)	2,269,437.21
	<b>5,769,437.21</b>

**4 Staff Development**

Balance as at 01/01/07	17,953,192.49
Adjustment during the year	701,287.85
	<b>18,654,480.34</b>

**5 Stocks**

Publication and journals	1,467,412.74
Supply Consumables	1,561,979.25
Sales center	300,925.00
	<b>3,330,316.99</b>

**6 Debtors****Staff Debtors**

Housing Loan	1,911,138.26
Consolidated loan	20,220,057.16
Festival advance	95,510.00
Due from displaced persons	6,723.32
Salary advance	1,590,645.52
scholarship debtors	28,630,016.14
	<b>52,454,090.40</b>

**Other Debtors**

Hostel, Auditorium & Conference	199,020.00
Interest receivable from Treasury bills	161,886.95
Investment income receivable	169,756.54
Miscellaneous Debtors	187,881.75
Receivable from in-services training institute	6,806.38
Receivable from K N U Gunasekara	12,100.00
Receivable from Ministry	124,384.37
Receivable from Resigned employees	247,848.47
Sales center	34,342.00
	<b>1,144,026.46</b>

**Advance Against Project**

Receivable From CIRDAP	174,900.00
R-323 -The Effects & Impact of Devolution of power on Smallholder Agriculture sector in Sri Lanka	8,967.70
R-327- HARTI Agricultural Commodity Review	136,410.47
R-333 - Study on Impact Assessment of Second Perennial Crop Development Project in Sri Lanka	20,897.80
R-335- Study on Food Consumption Patterns to Develop Traditional Food-based Production and Marketing Policies for Nutrition Promotion	1,581.00
R-336 - Study on Water Utilization in Weheragala Project	34,267.78

R-337- An Assessment of Runoff Rainwater Harvesting Intervention in Sri Lanka	260,473.46
R-339 - Evaluation of Fertilizer Subsidy policy in the Small Farming Sector : Special Reference to Current Implimentation Programme of Fertilizer subsidy	350,447.28
R-341- Agricultural and Agrarian Transformation in the Smallholder Farming Sector in Sri Lanka : A Proposal for an Empirical Investigation of Existing Situation and Emerging Trends	1,148,615.02
	<b>2,136,560.51</b>
<b>Total Debtors-Gross</b>	<b>55,734,677.37</b>
<b>Less:</b>	
Provision for bad & Doubtful Debtors	(2,229,387.09)
Provision for debtors (Bond)	(110,373.69)
Provision for scholarship	(24,775,807.49)
	<b>28,619,109.10</b>
<b>7 Deposits</b>	
Fixed - caterer	20,000.00
Fixed - cashier	1,500.00
Sundry - Filix Perera and Sons	147,500.00
Sundry - Sri Lanka Telecom (Internet facility)	3,125.00
Sundry - Post Master General	24,945.00
Sundry - Colombo gas and water Co.	4,750.00
Sundry - Water supply and drainage board	500.00
Sundry - Celltel Lanka Ltd.	3,500.00
Sundry - Ceylon Electricity board	406,250.00
	<b>612,070.00</b>
<b>8 Pre Payments &amp; Accounts Receivable</b>	
Pre Payments	424,128.35
	<b>424,128.35</b>
<b>9 Advances</b>	
Purchase Advance	124,269.86
Other Advance	347,299.00
	<b>471,568.86</b>
<b>10 Cash at Bank</b>	
Bank of Ceylon - A/C No - 2323293	2,049,245.11
Bank of Ceylon - A/C No - 2323292	8,130,283.51
Bank of Ceylon - A/C No - 2323317	4,782,555.46
Bank of Ceylon - A/C No - 2323315	749,323.12
	<b>15,711,407.20</b>
<b>11 Government grant - Capital</b>	
Balance as at 01/01/2007	98,355,900.00
Capital contribution during the year	7,486,000.00
	<b>105,841,900.00</b>

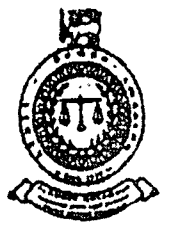
<b>12 Project capital fund</b>	
Balance as at 01/01/2007	14,757,706.09
Additions during the year	128,500.00
	<b>14,886,206.09</b>
<b>13 Project general reserve</b>	
Balance as at 01/01/2007	16,524,437.47
Additions during the year	-
	<b>16,524,437.47</b>
<b>14 Net deficit</b>	
Balance as at 01/01/2007	(75,789,105.48)
Expenditure over income for the year 2007	(810,155.66)
	<b>(76,599,261.14)</b>
<b>15 Creditors</b>	
Tender deposit refundable	117,712.20
Canteen deposit refundable -Upatissa Paranamana	50,000.00
Unpaid expenditure	3,986.31
Employees and restaurant deposit	13,084.50
Other creditors	105,987.52
<b>Creditors against projects</b>	
Book on Rice Production	1,318,838.39
G-13 (R-324) - Economic viability of rice processing at household level Institute Caterer	42,726.80 18,941.40
Payable to Resigned Employees	150,015.00
R - 300 - A comparative analysis of Samurdhi & non Samurdhi	234,996.50
R - 318 - Food Insecurity & Vulnerability information Mapping System in Sri Lanka	291,895.99
R - 322 - Proposal to study the feasibility for establishment of a dedicated economic centre at Wariyapola	26,119.08
R - 332 - Study on improvement of Pola markets in Western province	478,266.61
T - 294 - FIVIMS	217,946.87
R- 334 - Feasibility Study - Proposed Economic centre at Balangoda	25,871.73
R -344 - Socio Economic Survey - Proposed Suger Project	167,552.72
R - 349 - Mid- Term Evaluation of Diary Village Development Project	285,517.23
T - 228 - Workshops on "strategies for development work in conflict affected areas"	1,227,360.49
R-330- Feasibility Study - proposed economic centre at Kurunduwatta	163,945.94
T - 226 - Programs for community based leaders on creating awareness of advocacy messages	774,137.89

T-232 - Training Programme	830,930.37
Stamp fee payable	6,140.00
Upatissa - Caterer	25,324.46
	<b>6,577,298.00</b>
<b>16 Auditorium, Conference hall &amp; Hostel charges</b>	
Auditorium & Conference hall charges	5,517,585.60
Hostel charges	3,575,526.50
	<b>9,093,112.10</b>
<b>17 Project income</b>	
Administrative cost	1,706,925.11
	<b>1,706,925.11</b>
<b>18 Miscellaneous income</b>	
Bungalow fees and room rent	58,668.50
Palwehera Room rent	24,400.00
Computer income	33,872.20
Tender fees	7,800.00
Other income	365,391.42
	<b>490,132.12</b>
<b>19 Administration &amp; establishment expenditure</b>	
Permanent staff	47,032,875.24
casual staff	3,911,245.01
EPF	7,500,075.22
ETF	1,505,104.87
Overtime	2,212,346.48
Holiday pay	23,940.36
Other allowance	2,606,221.70
Gratuity	4,445,852.74
Cost of Living Allowance	3,746,828.40
Local subsistence	281,178.44
Local transport	1,004,032.82
Foreign Travel Allowance	166,738.73
Stationery and office requisites	1,459,931.93
Other consumables	928,578.47
Fuel and lubricants	1,038,442.85
Uniforms	33,787.00
Vehicle repairs	2,042,686.95
Plant machinery and equipment repairs	660,882.78
Depreciation	4,023,313.59
Building repairs	915,356.37
Telephone charges	1,662,180.38

Electricity	2,943,822.32
Water bills	247,566.20
Taxes to local authorities	197,460.00
Postal charges	251,629.00
Transport	270,470.00
Legal consultant	110,000.00
Computer consultant	72,000.00
Vehicle adviser	16,000.00
Newspapers	179,973.00
License and insurance	447,474.25
Security charges	1,975,889.37
Cleaning services	340,415.06
Laundry services	183,600.00
Audit fees	200,000.00
Medical Insurance	166,780.94
Canteen charges	7,268.85
Miscellaneous expenses - Research	4,989,110.37
Miscellaneous expenses - Others	568,419.67
Legal charges	893,690.00
Workshop Expenses	20,974.00
Welfare	100,000.00
Advertisement	540,953.75
Interview charges	5,600.00
Board of governors	160,500.00
Entertainment	6,298.50
	<b>102,097,495.61</b>
<b>20 Cash and cash equivalents at the beginning of the period</b>	
Investment - fixed deposits	5,389,096.12
Treasury bills	4,372,095.10
Cash at bank	11,335,674.55
Cash in hand	10,000.00
	<b>21,106,865.77</b>
<b>21 Cash and cash equivalents at the end of the period</b>	
Investment - fixed deposits	5,769,437.21
Treasury bills	4,372,095.10
Cash at bank	15,711,407.20
Cash in hand	10,000.00
	<b>25,862,939.51</b>



**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය } AF/D/HARTI/2007  
 எனது இல }  
 My No. }

මගේ අංකය }  
 உமது இல }  
 Your No. }

දිනය } 24 July 2008.  
 திகதி }  
 Date }

The Chairman,  
 Hector Kobbekaduwa Agrarian Research and Training Institute.

**Report of the Auditor General on the Financial Statements of the Hector Kobbekaduwa Agrarian Research and Training Institute for the year ended 31 December 2007 in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971**

The audit of Financial statements of the Hector Kobbekaduwa Agrarian Research and Training Institute for the year ended 31 December 2007 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971. My comments and observations which I consider should be published with the annual report of the Institute in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued on 07 April 2008.

**1:2 Responsibility of the Management for the Financial Statements**

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

**1.3 Scope of Audit and Basis of Opinion**

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and test were such as to enable as wide an audit coverage as possible within the limitation of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanation which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub sections (3) and (4) of the Section 13 of the Finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

හිදිසේ වතුරලය,  
 කොළඹ 07, ශ්‍රී ලංකාව

சுதந்திர சதுக்கம்,  
 கொழும்பு 07, இலங்கை

INDEPENDENCE SQUARE,  
 COLOMBO 07, SRI LANKA

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 தொலைபேசி } 2691151  
 Telephone. }

ලැසල් අංකය }  
 பக்ஸ் இல } 2697451  
 Fax No. }

ඉලෙක්ට්‍රොනික් තැපෑල }  
 #- மெயில் } oaggov@sltnet.lk  
 E-mail. }

## 2 Financial Statements

### 2:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Hector Kobbekaduwa Agrarian Research and Training Institute had maintained proper accounting records for the year ended 31 December 2007 and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards give a true and fair view of the state of affairs of the Hector Kobbekaduwa Agrarian Research and Training Institute as at 31 December 2007 and the financial results of its operations and cash flows 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, buildings and library books had been depreciated as a single unit.

#### 2.2.2 Accounting Deficiencies

Recurrent expenditure amounting to Rs.2,315,641 incurred on building renovation had been capitalized .

#### 2.2.3 Unidentified Transactions

Unidentified transactions aggregating Rs.3,445,208 were observed in the Financial Statements of the Institute and no details thereof were furnished to audit.

#### 2.2.4 Accounts Receivable

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Balances in Advances and Debtors (without Scholarship Debtors) as at end of the year under review amounted to Rs. 26,846,725 out of which a sum of Rs. 14,420,970 had remained outstanding for over 01 year .

### 2.2.5 Lack of Evidence for Audit

The following items in the accounts could not be satisfactorily vouched in audit due to the absence of detailed schedules.

<u>Item</u>	<u>Value</u>
	Rs.
(a).Land	1,716,667
(b).Buildings	20,637,158
(c).Books	9,076,312
(d).Equipment	3,735
Total	<u>31,433,872</u>

### 2.2.6 Non – compliance with Laws, Rules, Regulations and Management Decisions

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

<u>Reference to Laws, Rules &amp; Regulation etc.</u>	<u>Particulars</u>
(a) Finance Act No. 38 of 1971 Section 13(8)	The steps taken or proposed to be taken with regard to the matters pointed out in the report issued in terms of Section 13(7)(a) of the Finance Act in respect of year 2006 had not been furnished to the Auditor General.
(b) Public Finance Circular No.393 of 06 February 2001	Two Motor cycles had been released for external parties, contrary to the circular instructions.
(c) Treasury Circular No.842 of 19 December 1978	A fixed assets register had not been maintained properly .

(d). Stamp Duty Act

No.12 of 20.04.2006

Stamp duty had not been recovered in respect of a payment of Rs.70,000 .

(e) Financial Regulations  
F.R. 756

Report on verification of assets had not been submitted to the Auditor General for the year 2007.

(i). No .802 (3)

The Institute had not maintained a vehicle register according to the Financial Regulation.

(ii). No .371

Advances totalling Rs.1,662,616 had not been settled for a period ranging from 3 to 20 years.

**3. Financial and Operating Review**

**3.1 Financial Results**

According to the Financial Statements presented, the working of the Institute for the year under review had resulted in a deficit of Rs. 89,710,156 before taking into account the Government contribution for recurrent expenditure as compared with the corresponding deficit of Rs. 73,924,297 for the preceding year. After taking into account the Government contribution of Rs. 88,900,000 for the year under review the deficit was reduced to Rs. 810,156. After taking into account the Government contribution of Rs. 64,140,000 for the preceding year, the deficit for that year was reduced to Rs 9,784,297, thus showing an improvement of Rs. 8,974,141 in the financial results.

### 3.2 Performance

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

	<u>Year</u> <u>2006</u>	<u>Year</u> <u>2007</u>
Number at the beginning of the year	05	06
<u>Add</u>		
Number awarded during the year	13	06
Total	<u>18</u>	<u>12</u>
<u>Less</u>		
Number completed during the year	12	03
Work-in progress as at end of the year	<u>06</u>	<u>09</u>

In this connection following observations are made.

- (b). A sum of US\$ 65,000 had been received in 1992 from Swedish Agency for Research and Economic Co-operation for the Project on Rice production in Sri Lanka .This Project had not been commenced even up to 31 December 2007.
- (c) Personal emoluments amounting to Rs.102,097,495 for the year under review is 78% of the total recurrent expenditure incurred .

### 3.3 Management Efficiencies

- (a) Action had not been taken to obtain the ownership of Palwehera Circuit Bungalow.
- (b) Five motor vehicles, which had been given by the Ministry and still in use, had not been transferred to the name of the Institute.
- (c) Necessary documents relating to mortgaged assets purchased utilizing loans had not been furnished to the Institute.

- (d) Scholarship Debtors balance amounting to Rs.28,630,016 could not be recovered due to delays in taking legal action and decisions thereon for a period ranging from 3 to 18 years.

### 3.4 Uneconomic Transaction

#### Purchase of computers

A Laptop Computer had been purchased at a cost of Rs.245,000 by incurring a loss of Rs.83,000 to the Institute due to the reason of non placing the order to the lowest supplier.

### 3.5 Idle and underutilized Assets

Following idle and underutilized assets were observed.

<u>Asset</u>	<u>Book value</u> <u>Rs.</u>	<u>Idle period</u>	<u>Reasons for Idling</u>
<u>Vehicle</u>			
(a) 05 Motor Vehicles	1,439,952	More than 1 year	Due to heavy repairs
(b) 40 wooden Chairs	20,000	More than 1 year	repairs
(c) 3,763 Annual reports and books	Not Furnished	More than 2 years	-

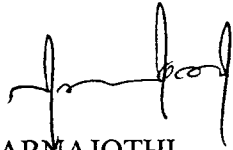
### 3.6 Budgetary Control

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

4. **Systems and Controls**

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

- (a) Payment and Settlement of Advances
- (b) Cash Transfer from Project Accounts
- (c) Vehicle repairs
- (d) Fixed assets from outside parties



S.SWARNAJOTHI  
AUDITOR GENERAL