

**HECTOR KOBBEKADUWA
AGRARIAN RESEARCH AND TRAINING INSTITUTE**



ANNUAL REPORT 2006

HARTI Annual Report English 2006



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

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Research and Training Institute,
114, Wijerama Mawatha,
Colombo 7.

27th June 2007

The Hon. Minister of Agricultural Development,
Ministry of Agricultural Development,
"Govijana Mandiraya",
80/5, Rajamalwatta Avenue,
Battaramulla.

Annual Report and Audited Accounts 2006

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 2006.

- (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 2006

Overview

This Annual Report presents a comprehensive review and serves as a record of the many faceted work undertaken by the Hector Kobbekaduwa Agrarian Research and Training Institute in 2006. Much was accomplished during the year. While we take pride and satisfaction in our achievements, we are also mindful that they were possible only because of the steadfast commitment of the staff and the generous support of the Ministry of Agricultural Development.

The Corporate Plan 2002-2006 sets out a programme of action and provides an assessment of the necessary staff and resources for a broad range of activities. A stable and competent cadre at the currently approved level is a necessary first step in strengthening the capability of the Institute which will not be achieved until a significantly improved remuneration structure is in place. However, the personnel and other resources of the Institute fall far short of what is necessary to provide an acceptable level of service.

Measurement of professional workloads is difficult, because, simply adding up the number of jobs, projects, cases or other units of work handled by a researcher will not necessarily give a clear idea of the amount of professional staff time required to complete that workload. Professional work, by its very nature, has variations from situation to situation faced by professionals. Measuring professional workloads create difficulties in assessing professional efficiency; measures of efficiency depend on valid measures of workload.

The thrust for a market based economy means that goods and services are produced for the people who have enough purchasing power. Structural adjustment programmes exacerbate this because they promote "the market first approach" to consumption. Therefore, in Sri Lanka, where a quarter of the population are still under the poverty line, a market first approach will only serve, for instance, to produce better and more cellular phones than improved public communication systems, more soft drinks than safe drinking water.

In the meantime, we have not yet succeeded in alleviating rural poverty, which still leads to certain kinds of environmental stress. The capacity of many rural communities to survive is based on their traditional practices and knowledge – e.g. how rural farmers rotate the plots or pastures for their animals. To move to sustainable livelihood, massive education, training and awareness programmes are needed.

In Sri Lanka, the price information is not yet exchanged between different wholesale markets. Consequently, it is difficult to identify products which are in short supply at individual markets, while farmers and transporters are unable to deliver products to a market where products can fetch the highest prices. The absence of readily accessible price information means the opportunity for middlemen to maximize their profits by transferring products from one market to another. Consequently, an unnecessary transport cost is incurred. This additional cost arising from the inefficient distribution system is ultimately borne by consumers. The supply of price information to farmers leads to strengthening of their commonly weak price negotiating strength in the distribution process. HARTI disseminates electronically both the daily and weekly food commodity prices. The weekly prices are available in the HARTI web page www.harti.slt.lk. We try to offer clarity in a confusing situation, explaining not only the price trends of major agricultural commodities but the reasons for these trends.

As an organization committed to regional and rural development and as a think tank for policy advocacy, HARTI is striving to redefine its role and mandate in the context of a changing environment for development. Having committed to the strategic role it has to play in poverty alleviation and rural development, HARTI has attempted reorienting itself to new priorities, strategies and needs of the country.

HARTI has played a leading role in development issues by initiating stakeholder consultation forums. We have tried to make HARTI research as action oriented as possible. For instance, a workshop was held to review the ongoing fertilizer distribution programme and design a farmer friendly fertilizer policy by identifying the problems and constraints faced by the farmers and state agencies in implementing this programme. It recommended several actions to improve the implementation of the fertilizer distribution programme.

One of the new initiatives undertaken by the Institute in 2006 was conducting a series of workshops in the area of PRA methodology for agricultural functionaries. The village upliftment programme "*Gama Neguma*" strives to invigorate all villages of the country as micro centres of growth. The planning process of the target villages require the preparation of community action plans by the people, based on participatory methodologies. This training of trainers programme attempted to improve the skills of agricultural functionaries in using participatory techniques, such as RRA/PRA and PCM in community development.

A major aim of the Institute's work has been to bring together the socio-economic research and policy development. It applies scientific and technical analysis in agrarian and poverty issues of rural development. The impacts of different policies are assessed providing insights into strategy options for senior policy makers in government.

I hope the ensuing pages will give the readers a better understanding of the mission and work of the HARTI.

V.K. Nanayakkara
Director

Board of Governors

- | | | |
|-------------------------|---|---|
| Mr. Tissa Warnasuriya | - | Chairman, Board of Governors and
Secretary, Ministry of Agricultural Development |
| Mr. V.K.Nanayakkara | - | Director, HARTI |
| Mr. W.M. Jayathilake | - | Addl. Secretary,
Ministry of Agricultural Development |
| Mr. G.M.R.D. Aponsu | - | Asst. Director, Department of Development
Finance, Ministry of Finance |
| Mrs. Bimba Gunathilake | - | Director, Ministry of Regional Development |
| Mr. C.P.Siriwardena | - | Secretary, Ministry of Rural Industries & Self
Employment Promotion |
| Mrs. Malini Peiris | - | Addl. Secretary, Higher Education Section, Ministry of
Education |
| Mr. M. Weerasinghe | - | Addl. Secretary (Dev.), Ministry of Mahaweli &
River-basin Development |
| Mr. Sam Edirisuriya | - | Addl. Secretary, Ministry of Trade, Commerce &
Consumer Affairs |
| Mr. K.L. de Silva | - | Senior Economist & Head of Agriculture Department,
Central Bank of Sri Lanka |
| Prof. Buddhi Marambe | - | Dean, Faculty of Agriculture, University of Peradeniya |
| Dr. C. Kudagamage | - | Director General of Agriculture |
| Mr. S.D.A.B. Boralassa | - | Land Commissioner General |
| Mr. D.D. Waniganayake | - | Commissioner General of Agrarian Development |
| Mr. B.M.S. Samarasekera | - | Director General of Irrigation |
| Mr. Pote Chumsri | - | Resident Representative, FAO |
| Mrs. R. de Silva | - | Secretary, Board of Governors |

Board of Governors (Changes during the year)

The following changes took place in the composition of the Board of Governors during the year 2006:

Mr. K.P. Indran, Director, Public Enterprises Department ceased to be a member of the Board of Governors.

Mr. G.M.R.D. Aponsu, Asst. Director, Department of Development Finance became a member of the Board of Governors to represent the Ministry of Finance.

Mrs. Indrani Sugathadasa, Addl. Secretary, Ministry of Plantation Industries ceased to be a member of the Board of Governors.

Mrs. W.M.K.R. Balachandra, Senior Asst. Secretary, Ministry of Trade, Commerce & Consumer Affairs ceased to be a member of the Board of Governors.

Mr. Sam Edirisuriya, Addl. Secretary became a member of the Board of Governors to represent the Ministry of Trade & Commerce

Mrs. Bimba Gunathilake, Director, Regional Development became a member of the Board of Governors to represent the Ministry of Regional Development

Prof. Buddhi Marambe, Dean, Faculty of Agriculture became a member of the Board of Governors to represent the Ministry of Higher Education

Mr. K.S.R. de Silva ceased to be a member due to his unforeseen demise while in service.

Mr. B.M.S. Samarasekera became a member of the Board of Governors on his appointment as Director General of Irrigation.

Mr. Lucas Indurugalle ceased to be a member on his leaving the post and his successor Mr.D.D. Waniganayake became a member of the Board of Governors.

Mr. S.J. Pathirana ceased to be a member on his leaving the post and his successor Mr.S.D.A.B. Boralassa became a member of the Board of Governors.

Mr. H.L. Tissera, Commissioner General of Cooperative Development ceased to be a member of the Board of Governors.

AGRICULTURAL POLICY AND PROJECT EVALUATION DIVISION

COMPLETED STUDIES

1. Baseline Survey in Ten Villages Selected to Develop as Models Under "Gama Neguma" programme

Research Team:

Mr. J.K.M.D. Chandrasiri	-	Head of the Division
Mr. R.L.N. Jayatissa	-	Senior Research Officer
Mr. N.P.G. Samantha	-	Research Officer
Mr. W.H.D. Priyadarshana	-	Research Officer
Miss. Sagarika Hitihamu	-	Research Officer
Mrs. S.R. Bandara	-	Senior Research Officer
Mr. N.S. B. Epakanda	-	Research Officer
Mr. Chatura Jayampathi de silva	-	Research Officer
Mr. R.M.G.K.B. Ratnayake	-	Senior Research Officer
Mr. W.H.A. Shantha	-	Research Officer

The "Gama Neguma Programme" which has been initiated by the present government under the "Mahinda Chintana" policy pays a special attention to introduce an integrated village development approach to alleviate rural poverty. The main idea of the *Gama Neguma* concept is to make the village people partners in the preparation as well as the implementation of their village development plans. The vision of this programme is to develop the 'village' as the centre of national development. The mission of this programme is to integrate various development initiatives to develop underdeveloped villages through the enhanced participation of villagers. The objectives of the *Gama Neguma* programme are; (i) Making the village people not only the targets of development, but also the partners of development (ii) Identify the village problems and development potentials by the village people and initiate the development process by themselves as the fore-runners of the development (iii) Preparing the village development programmes for the use of internal as well as external resources more productively under well managed system (iv) Improving the standard of living of the rural people by taking measures to reduce rural poverty.

As the first step of the *Gama Neguma* programme the government has identified 10 villages to develop as models

Objectives of the Survey

The main objective of this pre-project socio-economic survey is to collect and generate data related to present socio-economic conditions of the villages selected as models under the *Gama Neguma* programme in order to evaluate the project interventions in these villages in later stages.

Study Villages

The study covers ten districts where, model villages are located. These districts and villages are as follows: Moneragala – Hata Kotasa Jayaminigama, Badulla – Attambewela Kanugollagama, Puttalam – Kombuwattan, Hambantota – Badigamtota, Kandy – Minipe, Kegalle – Watthegedaragama, Matale – Seerangahawatta, Anuradhapura – Biso Kotuwa Eke Kanuwa, Ratnapura – Kaduhenthanna Henyaye and Nuwara Eliya – Happawara

Studies in ten villages were completed and a separate report was prepared for each village incorporating the present socio-economic condition of the villagers, their problems and potential areas for future development.

2. Study on Recent Trends in Labour Market in Non-Plantation Agriculture with Special Reference to Labour Productivity and Mobility Sector in Sri Lanka:

Research Team:	Dr. G. M. Henegedara - Research Fellow
	Mr. T. Ravichandran - Research Associate
Data Analysis:	Mr. N. N. A. de Silva - Senior Statistical Officer
Study Locations:	Hingurakgoda, Rambukkana, Pallepola, Welimada, Ududumbara and Galenbindunuwewa
Funding Agency:	Sri Lanka Council for Agricultural Research Policy (CARP)
Funds Allocated:	Rs. 556,250.00

The study intended to find out recent changes in labour market in food crop sector of Sri Lanka with special reference to factor mobility, labour migration and the impact of using new technology as labour saving methods. The overall objective of the study was to investigate the new trends of labour market in terms of labour utilization, labour productivity and mobility within the domestic and global economic environment. More broadly, the study also focused to examine demand and supply pattern of labour, productivity, efficiency, wage rates and labour displacements. The study was conducted in four districts covering paddy, vegetables, kurakkan and maize cultivation in irrigated and rain-fed areas.

As revealed by the study, labour absorption to the agriculture has gradually declined indicating that farming has mechanized with labour saving methods. Consequently labour displacements from agriculture have caused to mobilize labour from rural to urban, industrial and service sectors. Labour demand is determined by some specific factors such as experience, gender, knowledge in cultivation, efficiency, honesty, and age but the labour supply depends on the availability of family and shared labour. Thus, wage rates are determined according to the specific qualities and skilled labourers thus 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 higher crop productivity and use of labour saving methods in irrigated areas.

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 a win-win situation.

ON-GOING STUDIES

1. The Effects and Impacts of Devolution of Power on Smallholder Agricultural Sector in Sri Lanka

Research Team:	Miss. M.K.Nadeeka Damayanthi - Research Officer
	Mr.W W.H.D.Priyadarshana - Research Officer
	Mr. V.K.Nanayakkara - Director/HARTI
	Mrs. Susila Lurdu - Research Officer

Objectives of this study are as follows:

- (i) Examine the compatibility of functions/subjects/institutions between central government and Provincial Councils (PC)
- (ii) Review the responsibilities and tasks performed by Provincial Councils
- (iii) Assess the effectiveness of Provincial Councils in solving problems related to irrigation, infrastructure, research and development, extension and land.
- (iv) Study the factors affecting performance of Provincial Councils (eg. gaps in devolved power, processes applied, conflict between the Central government and Provincial Councils, resource constraints including financial and human resources)
- (v) Recommend the policy measures to improve the functions of Provincial Councils.

Three PCs namely, Southern, Uva, and North Western were selected as the study areas of this study.

The report relating to this study is scheduled to be finalized in first part of the year 2007.

Preliminary Findings

- (i) Agricultural extension is a major thrust of the PCs though there is a huge vacuum of extension staff at the local level. It appeared that AIs located at the divisional level endure to fill the gap though this is not sufficient.
- (ii) Generally, the financial resources available to PCs were far from satisfactory, while the transfers from the Financial Commission comes towards the end of the financial year giving little time for using them.
- (iii) There is also unequal distribution of resources, such as training facilities between PCs discouraging the officials at the divisional level.

AGRICULTURAL AND ENVIRONMENTAL RESOURCE MANAGEMENT DIVISION

COMPLETED STUDIES

1. Study of the Milk Cattle Problem in Udawalawe National Park (Stages 1, 2)

Research Team:

Co-ordinator: Dr. M.S. Senanayake - Head of the Division
Co-researcher: Mr. S. Epasinghe - Research Officer

Funding Agency : Uva and Sabaragamuwa Provincial Councils

Objectives of the Study

1. Evaluate the present situation with regard to the problem of dairy cattle in the wildlife reserve;
2. To take necessary actions and measures to protect the wild life reserve and the flora and fauna;
3. Implement remedial measures to circumvent the above problem;
4. Make necessary arrangement to prepare a national level experimental pasture land in Udawalawe area.

Main stages of the action research

Activities designed under this study were completed in two stages and those activities are given below:

Stage 1 (2006)

1. Identified the basic problems of milk-cattle farmers
2. Identified alternative pasture lands
3. A conference was held for the relevant Secretaries of the Ministries and all the relevant district officers
4. Discussed problems aroused an agreement was prepared to be signed by the officials and milk cattle societies when the lands are allocated for grasslands.
5. Awareness programs were conducted for the related government institutes and officers and established a national level action committee.

Stage 2 (2006)

Under the guidance of the National Action Committee, the following activities were completed

1. Identified the existing infrastructure facilities available in the selected grassland area;
2. Identified the new infrastructure facilities need to be constructed;
3. All documents were submitted to the relevant authorities for necessary action. Sabaragamuwa Provincial Council already agreed to provide funds for stage three and four to be implemented in 2007.

2. Economic Viability of Rice Processing at Household Level

Research Team:

Co-ordinator: Mrs. Sharmini Kusum Kumara - Research Associate
Co-researchers: Mrs. P.R. Weerakkody - Senior Research Officer
Mr. S. Epasinghe - Research Officer
Mr. N.S.B. Epakanda - Research Officer

Funding Agency: HARTi

Introduction

The Institute of Post Harvesting Technology (IPHT) developed a technology of processing paddy to overcome the drawbacks of the conventional parboiling/milling. This new technology produced rice of a superior quality, which can be made available to the consumer at a lesser price. The above study tries to determine the extent to which the new technology helps to create self-employment opportunities and increase incomes of families, and also carry out an impact assessment on the use of this technology in the villages.

Findings of the Study

Some of the main findings: Rice processing can be categorized under two different contexts based on the type of raw material used, Own Paddy Processing Units (OPPU), and Purchased Paddy Processing Units (PPPU). Under these two different scenarios, there is no profit for rice processing if all costs are calculated, but if labour and firewood are excluded, there is a profit from processing of paddy. The main profit lies in the value of the labour spent on the enterprise, which would otherwise be idle before the commencement of the rice processing industry.

Processing is largely a labour incentive activity, and the survey shows, over 99% has been family labour of which 62% consists of female family labour. The employment status of entrepreneurs revealed that 50% women were involved in rice processing as a primary source of income, and all these women were previously unemployed.

One of the major constraints faced by the farmers is the fluctuating price of paddy in the market if the farmers have to purchase paddy to process it to rice. This has a large impact on the cost of processing and finally on the profit margin obtained by the farmers. There is a lack of a proper marketing channel for the produced rice.

ON-GOING STUDIES

1. Study of the Milk Cattle Problem in Udawalawe National Park (Stage 3.4)

Research Team:

Co-ordinator: Dr. M.S. Senanayake - Head of the Division
Co-researcher: Mr. S. Epasinghe - Research Officer
Funding Agency: Uva and Sabaragamuwa Provincial Councils

Objectives of the Study

1. Evaluate the present situation with regard to the problem of dairy cattle in the wildlife reserve;
2. To take necessary actions and measures to protect the wild life reserve and the flora and fauna;
3. Implement remedial measures to circumvent the above problem;
4. Make necessary arrangement to prepare a national level experimental pasture land in Udawalawe area.

Two Major Stages of Proposed Action Research.

Stage 1 (2007)

1. Supervision of preparation of pasture lands and related infrastructure facilities.
2. Conduct a baseline socio-economic survey on cattle farmers in the area to study the existing socio-economic conditions for following purposes -

- asses the number of cattle required for the particular pasture lands
 - identification of milk cattle farmers' problems and the situation of the existing extension service
 - establishment of milk cattle farmer committees for maintenance and the future development.
 - Identify the training needs of the above cattle farmer committees.
3. Building up the linkages with the related Veterinary Surgeon's Officers in those pastureland areas
- establish market of a proper extension service
 - instructing for growing pasture lands
 - providing new hybrid varieties of cattle for the farmers

Stage 2 (2007)

1. Providing pasture lands for milk cattle in a proper way
 - handing over the maintenance responsibility to farmer committees and establish their identity
 - organizing awareness programs in the district level for the related government institutes
 - developing linkages with the leading milk purchasing institutes like MILCO
 - establishing small scale industries relating to milk and animal productions
 - providing necessary facilities for Milk Producing Village Project
 - extending the facilities for promotion of eco-tourism industry in the area
2. After the completion of pasture lands, a conference will be organized to hand over all the responsibilities from the HARTI to the related institutes

OTHER ACTIVITIES

1. Proposed Fertilizer Distribution Mechanism [Colombo Commercial Fertilizer Co. Ltd. (CCF)] under Government Subsidy Scheme, Regional and Dealers Stores/District Wise

Research Team: Mr. R.M.G.K.B. Ratnayake - Senior Research Officer

Special paper submitted to the Ministry of Agricultural Development which requested HARTI to study and suggest the suitable programme for proposed fertilizer distribution mechanism and storage facilities. The existing distribution mechanism is mainly handled by the CCF with private traders (dealers). The CCF has emphasized that they cover 40% of the total country requirement for paddy farming. HARTI has prepared this proposed mechanism by considering the given information by the CCF with their knowledge and experience with regard to the paddy farming and fertilizer distribution system (August, 2006).

2. Selection Scheme for the Diploma Course in Agriculture

Research Team: Mrs. P.R. Weerakkody - Senior Research Officer
 Mr. R.M.G.K.B. Ratnayake - Senior Research Officer
 Mr. S. Epasinghe - Research Officer

On the request of the Department of Agriculture (DoA), the HARTI prepared a selection scheme for the two year Agriculture Diploma Course conducted by the Farm Schools of the Department. The existing selection scheme is basically one that selects an equal number of students from each district for the courses conducted in three languages; Sinhales, Tamil and English. The DoA has

emphasized that attention need to be paid to the state of small holder agriculture sector in the districts during the preparation of this scheme. Therefore, HARTI has recommended a suitable selected scheme by considering both the given instructions by the DoA and its own knowledge and experience with regard to the small holder agriculture sector. It includes the following two selection schemes.

- **Scheme A:** Excluding the criterion "Vulnerability for Food Insecurity"
- **Scheme B:** Giving only 10% significance to the criterion "Vulnerability for Food Insecurity"

IRRIGATION WATER MANAGEMENT AND AGRARIAN RELATIONS DIVISION

COMPLETED STUDIES

1. Assessment of Bulk Water Allocation System in the Mahaweli H Area.

Research Team: Mr. M.M.M. Aheeyar	-	Research Associate
Mr. P.C.J. de Silva	-	Research Officer
Mr. W.H.A. Shantha	-	Research Officer

The major objective of this study is to find out the relevance, effectiveness and efficiency of Bulk Water Allocation (BWA) concept in Sri Lanka.

The findings of the study show that BWA has improved the land and water productivities and the cropping intensity. Assurance of water supply at the pre determined quota has provided the reliability and greater assurance of water supply, which motivated the farmers to invest money on other field crops. Farmers have mobilized necessary resources (cash and kind) for the necessary O&M of the infrastructure, but the adequacy of the resources for the long term sustainable maintenance of the system is little lower than the estimated requirement.

2. Workshop on Reviewing the Present Fertilizer Distribution Programme and Designing Farmer Friendly Fertilizer Policy (27 July 2006)

Co-ordinators: Mr. M.A.C. Sidath Bamdara	-	Research Officer
Mrs. G.G.de.L.W. Samarasinghe	-	Research Officer
Mrs. R.P. Vidanapathirana	-	Research Officer
Mrs. D.W.S.D.K. Seneviratne	-	Research Officer

Specific Objectives of the Workshop

- To review the current fertilizer subsidy programme implemented during last *maha* (2005/06) and *yala* season (2007).
- To identify the problems and constraints faced by the implementing agencies and the farmers in implementing this programme
- To discuss the various issues relating to the fertilizer imports and distribution programme
- To formulate a farmer friendly fertilizer policy

Recommendations

1. Fertilizer subsidy should be given to all types of fertilizers and crops. It should be available to purchase from anywhere at anytime at a reasonable price. It will help to minimize various malpractices and misuses of fertilizers.

Current fertilizer subsidy programme is granted only for registered farmers in Paddy Land Register. The farmers who are not eligible for the above category will be benefited if fertilizers are available at a same rate everywhere. In order of successful functioning of this programme, the private sector participation will be useful.

2. It will be worthwhile to pay attention for Integrated Plant Nutrient Management (IPNM). To achieve this it is necessary to encourage the farmers to produce and utilize organic fertilizers. It will be helpful to increase the farmers' income, improve soil structure while minimizing the environmental pollution.

3. The government expenditure for fertilizer subsidy for paddy at the rate of Rs. 350/= will be sufficient to meet the cost of fertilizer subsidy for all crop types at the rate of Rs. 750/=. The gap of Rs. 400/= (Rs. 350/= to Rs. 750/=) which is the amount of subsidy should be given to needy farmers by other means such as, a subsidy for purchasing agricultural equipments, facilities for soil testing, handing over a coupon to purchase organic fertilizers, etc.
4. Encourage the farmers to use recommended fertilizer amounts by the Department of Agriculture and use of micronutrients other than NPK (major nutrients).
5. Issuing of fertilizers should be carried out by the government registered suppliers and co-operatives in addition to Department of Agrarian Development.
6. Some of the imported elements included in micronutrients are subjected to VAT. To promote usage of micronutrients it is important to exclude this VAT component. Eg. 'Zn' for Tea cultivation.
7. With the fertilizer subsidy programme, Social Security Benefit Scheme and Agricultural Crop Insurance Scheme can be introduced.
8. Facilitate local production of phosphorous fertilizers.

ON-GOING STUDIES

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

Research Team: Dr. W.M.G.B. Giragama	-	Head of the Division /Co-ordinator
Mr. A. Samarakoon	-	Senior Research Officer
Mr. H.M.J.K. Herath	-	Research Officer
Mr. M.A.C. Sidath Bandara	-	Research Officer
Ms. G.G.de.L.W. Samarasingha	-	Research Officer
Eng. P. Vitharana (Dept of Agrarian Development)		

Objectives

Objectives are to collect the information relating to water resources in Sri Lanka, present utilization and identify the methods of optimizing water resources for agricultural purposes.

It is to create awareness among the farmers and field level officers on the importance of water resources and its optimum utilization and also to provide better understanding of agricultural water management

Expected Output/Results

Compendium which can be utilized by farmer leaders and the officials involved in the development activities. They can understand research findings of HARTI and most of the other institutions on water collection and utilization.

Expected benefits

This publication can be used as a handbook on water resources for the farmers and field level officers.

MARKETING, FOOD POLICY AND AGRIBUSINESS DIVISION

The Marketing, Food Policy and Agribusiness Division (MFPAD) was established in the Agrarian Research and Training Institute (ARTI) in 1979 to provide market information to the Cost of Living Review Committee, which was conducted at 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 of prices of food to the Armed, Forces, Hospitals and Prison.

COMPLETED STUDIES

1. Regular Work - Food Information and Market Intelligence Project

Research Team:

Co-ordinator: Mrs. C.P.Hathurusinghe - Head of the Division

Co-researchers: Mr. T.Ravichandran - Research Associate

Ms. Roshini Rambukwella - Research Officer

Ms. Ruwini Widanapathirana - Research Officer

Assisted by: Statistical Assistants - 14

Casual Investigators - 18

Estimated Budget - Rs.7,229,948.00

Funded by Treasury - Rs.3,780,000.00

Total Expenditure - Rs.3, 842,080.20

The MFPA Division provides accurate data and information on time to the policy makers. As usual 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 and Kiribathgoda and (Colombo) Pettah wholesale market. In addition, data and information were collected from 23 markets in major food producing districts 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 Assistants and 15 Casual Investigators were used.

The locations covered in year 2006 were Kurunegala, Nikawereatiya, Dambulla, Matale, Anuradhapura, Thambuttegama, Polonnaruwa, Nuwara Eliya, Kandy, Hanguranketha, Badulla, Keppetipola, Ratnapura, Embilipitiya, Hambantota, Tissamaharamaya, Matara, Galle, Kalutara, Moneragala, Dehiattakandiya, Ampara, Puttalam and Marandagahamula.

In addition, wholesale prices of food commodities were collected daily from Pettah, Kandy, Dambulla, Noroichcholai, Marandagahamula and Meegoda markets. These data were disseminated daily through electronic media, to enable producers and traders to be 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 is issued on every Fridays. 52 Weekly Food Commodities Bulletins were issued on time.

Progress for the Year 2006

- 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.

2. Feasibility Study for Establishment of a Dedicated Economic Centre at Marandagahamula

Research Team:

Co-ordinator:	Mrs.C.P.Hathurusinghe	-	Head of the Division
Co-researchers:	Mr. T.Ravichandran	-	Research Associate
	Mr. T.G.Somarathna	-	Research Officer

Objective: To examine the feasibility for establishment of dedicated economic center at Marandagahamula

Estimated Budget: Rs.21,189.00

Funded by: Ministry of Rural Industries and Self-Employment Promotion

The report was submitted in mid June 2006.

Major findings: Both the traders and the consumers in the area urgently need an Economic Centre in Marandagahamula because there are no outlets to purchase their basic needs.

Recommendation: There is a possibility to establish an economic centre to improve the agro-based industries and value addition to the rural produces.

3. Data Base on Rice Milling Industry

Research Team:	Mrs.C.P.Hathurusinghe	-	Head of the Division/Co-ordinator
Assisted by:	Mr. W.A.N. Wijesuriya	-	Statistical Officer
	Mr. Upul A.S. Edussuriya	-	Statistical Assistant
	Mrs. Nirosha Malkanthi	-	Statistical Assistant

Funded by: Treasury Grant

Objective

To prepare a database on rice millers, milling capacities, machineries available to produce quality rice and availability of raw rice mills and parboiling mills.

Secretary, Ministry of Agriculture Development requested to compile the data on rice milling industry in Sri Lanka. Report was submitted to the Secretary, Ministry of Agricultural Development and the Research and Training Committee.

Postal survey was carried out to collect data and information. 1727 rice millers provided data regarding their mills and these were compiled by this Division.

Distribution of Paddy Mills under Different Capacities by Each District

Capacity - Quantity Of Paddy Milled (Kg/Day)

District	>8000		5000 - 7999		2500 - 4999		1000 - 2499		<1000		Not Functioning		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Ampara	55	29.4	11	9.2	8	4.4	4	1.4	9	1.2	3	1.5	90	5.2
Polonnaruwa	27	14.4	19	15.8	40	21.9	30	10.9	28	3.7	13	6.4	157	9.1
Anuradhapura	20	10.7	26	21.7	27	14.8	18	6.5	16	2.1	6	3.0	113	6.5
Hambantota	28	15.0	11	9.2	3	1.6	2	0.7	2	0.3	2	1.0	48	2.8
Kurunegala	4	2.1	6	5.0	15	8.2	10	3.6	2	0.3	-	-	37	2.1
Colombo	-	-	-	-	-	-	2	0.7	8	1.1	2	1.0	12	0.7
Kalutara	1	0.5	1	0.8	2	1.1	10	3.6	22	2.9	9	4.4	45	2.6
Gampaha	3	1.6	2	1.7	23	12.6	50	18.1	46	6.1	16	7.9	140	8.1
Kandy	2	1.1	7	5.8	7	3.8	28	10.1	178	23.5	55	27.1	277	16.0
Matara	18	9.6	3	2.5	9	4.9	13	4.7	80	10.6	18	8.9	141	8.2
Badulla	7	3.7	2	1.7	7	3.8	20	7.2	51	6.7	9	4.4	96	5.6
Ratnapura	8	4.3	15	12.5	5	2.7	12	4.3	100	13.2	23	11.3	163	9.4
Moneragala	3	1.6	6	5.0	13	7.1	24	8.7	57	7.5	4	2.0	107	6.2
Puttalam	2	1.1	5	4.2	14	7.7	22	8.0	20	2.6	12	5.9	75	4.3
Matale	2	1.1	2	1.7	1	0.5	8	2.9	25	3.3	9	4.4	47	2.7
Kegalle	-	-	1	0.8	1	0.5	5	1.8	37	4.9	12	5.9	56	3.2
Galle	2	1.1	3	2.5	7	3.8	14	5.1	36	4.7	6	3.0	68	3.9
Nuwara Eliya	1	0.5	-	-	1	0.5	3	1.1	50	6.6	4	2.0	59	3.4
Batticaloa	4	2.1	-	-	-	-	-	-	-	-	-	-	4	0.2
Mullaitivu	-	-	-	-	-	-	1	0.4	1	0.1	-	-	2	0.1
TOTAL	187	100	120	100	183	100	276	100	758	100	203	100	1727	100

Source: Survey Data /MFPAD-HARTI

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

Research Team: Mrs.C.P.Hathurusinghe - Co-ordinator
Mr.T.G.Somarathna - Co-researcher

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

Estimated Budget: Rs.300, 000

Limitations: The data were collected from relevant Ministries and the information was collected through the Field Staff.

Major Findings

- Prices have declined gradually during the first half of this year. Therefore, the objective was not achieved.
- Open market prices of paddy that prevailed were just above the cost of production.
- According to the available data, 142,097 mt of paddy were purchased. If a farmer can sell 2,000 kgs of paddy, only 71,000 farmers are benefited from this programme. This number is only 4 percent of the total paddy farmers in the country.
- 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.

- The government suggested prices are not workable because the cost of production in the major paddy surplus areas is low compared to the Sri Lanka average. Hence, the open market forces completely ignored the government-purchasing programme. Therefore, this programme is unable to fulfill the major objective of this programme.

Suggestions

- Most of the farmers engaged in the paddy sector are small-scale farmers. They are unorganized and face marketing problems individually. Therefore, the government intervention is required to uplift their farm income.
- In the rural areas, co-operative societies are the most suitable marketing entity that can engage in paddy purchasing and also rice and other by products marketing because almost all the members of the co-operative societies are also farmers.
- According to the past experience, the government should intervene into the paddy/rice marketing to achieve the major objectives of government intervention. For that, a stable policy should be designed and implemented by giving financial support, providing infrastructure facilities and planning a system for proper monitoring.
- A good and practical monitoring system is needed to monitor the paddy purchasing activities. If it is so the programme may create and enhance the competitiveness in the market.
- It is advisable to purchase good quality paddy at a reasonable price and sell during the off-season when the small and medium scale millers need paddy.
- In many districts, there is a deficit of rice within the district annually and also there is a deficit in the suburban districts. Therefore a proper regional marketing plan should be designed to minimize the cost of rice.

5. Feasibility Study to Establishment of Economic Centre at Kurunduwatte

Research Team:

Co-ordinator :	Mr. T.A.Dharmarathna	-	Research Associate
Co-researcher:	Mr T.G.Somarathna	-	Research Officer
	Mr. W.A.N.Wijesooriya	-	Statistical Officer

Estimated Budget: Rs.2, 35,865.00

Funded by: Ministry of Rural Industries and Self-Employment Promotion

The report was submitted to the Ministry of Rural Development and Self Employment Promotion in December 2006.

Objective: The major objective of the study is to identify the feasibility of the establishment of a new Economic Centre in the area.

Findings: There are some possibilities to establish an economic centre, regarding the marketing of some export crops and local crops, such as pepper and cloves, and a few up country vegetables.

6. Primary Observation Report for the Proposed Economic Centre in Balangoda

Research Team:

Co-ordinator :	Mr. T.A. Dharmaratne	-	Research Associate
Co-researchers :	Mrs.C.P.Hathurusinghe	-	Head of the Division
	Mr. T.G.Somarathne	-	Research Officer

Estimated Budget: Rs.37, 250.00

Funded by: Ministry of Rural Industries and Self-Employment Promotion

The report was submitted to the Ministry of Rural Industries and Self Employment in December 2006

Objectives: The major objective of the study is to identify the feasibility of the establishment of a new economic centre in the area.

Findings: The study observed, that there were several positive factors for the establishment of new economic centre, in terms of year round vegetable production, problems of marketing agricultural produces and also positive geographical and physical conditions in the area.

7. Evaluation of Agricultural Insurance Scheme in Sri Lanka

Research Team:

Co-ordinator:	Ms. Roshini Rambukwella	-	Research Officer
Co-researchers:	Mr. T.G.Somaratne	-	Research Officer
	Ms. Ruwini Widanapathirana	-	Research Officer

Estimated Budget: Rs.481, 240.00

Funded by: 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)

This study mainly focused on the paddy insurance scheme. Therefore, the major paddy producing districts such as Anuradhapura, Polonnaruwa, Kurunegala and Hambantota were selected for primary data collection. The Multi Random Sampling Technique was used for sample selection. The survey was conducted during January to April 2006 and secondary data were obtained from the AAIB and Ceylinco Insurance Company Ltd.

Conclusion

The paddy insurance scheme of the AAIB, covered 40% of paddy lands during *maha* 1977/78 and it drastically declined to 1% in *maha* 2004/2005. Although the area insured under the private insurance company has shown an increasing trend compared to the AAIB, the total area insured under both insurance schemes covered only 2% of the total cultivated paddy lands.

The farmers had lost confidence in the crop insurance scheme and their voluntary participation was minimal. Most of the farmers are disappointed with the crop insurance scheme due to inadequacy of indemnities and delay in indemnity payments. There is no transparency in loss assessments and indemnity payments and under estimation of crop losses too could cause dissatisfaction among farmers.

About 99% of the insured farmers joined the crop insurance scheme to obtain bank loans. The farmers' awareness about crop insurance scheme is very low and they are not aware of the benefits of the insurance scheme and have a poor opinion of its operation. Inadequate communication with the farmers and insurance officers and cumbersome application procedure also affected negatively the popularity of the insurance scheme among farming community.

The administrative expenses are higher than the indemnity payments in paddy and other insurance schemes. Since all the banks do not consider the crop insurance as a compulsory condition for granting crop loans, the farmer participation for the crop insurance programme will decline further in future.

Malpractices in the operation of the scheme have also negatively affected the development of crop insurance scheme. The paddy insurance scheme does not fulfill the stated objective of stabilizing farm income or indemnifying farm losses adequately degree. The AAIB does not provide insurance cover in high-risk areas due to unsound financial situations. It reveals that the main objective of the scheme was not fulfilled.

Indemnity payments by the private insurance scheme was efficient than that of the AAIB and about 60% of the respondents of private insurance scheme received indemnities within one or two month period. However, this study revealed that the crop insurance scheme did not fulfill the stated objectives of stabilizing the farm income or indemnifying farm losses to a satisfactory extent.

ON-GOING STUDIES

1. Feasibility Study on Establishment of Dedicated Economic Centre at Wariyapola

Research Team:

Co-ordinator :	Mrs.C.P.Hathurusinghe	-	Head of the Division
Co-researchers:	Mr. T.Ravichandran	-	Research Associate
	Mr. T.G.Somarathna	-	Research Officer

Assisted by:

	Mr. W.A.N. Wijesuriya	-	Statistical Officer
	Mr. Upul Aruna Shantha	-	Statistical Assistant

Objective

The major objective was to examine the feasibility for establishment of a dedicated economic centre at Wariyapola.

Estimated Budget: Rs.32637.50

Funded by: Ministry of Rural Industries and Self-Employment Promotion

The final report will be submitted in February 2007.

Recommendation

The present Wariyapola *pola* functions as a wholesale and a retail market on every Sundays. This Sunday *pola* can be opened for another two days per week to attract traders and the farmers as an initial stage of expansion because according to the data the agricultural production has decreased remarkably in the Kurunegala district.

At present, the produce is marketed at the rural *polas* in the district and at the Dambulla market. These rural *polas* are functioning as a rotating system. Most of the agricultural produce arrives at these *polas* from Dambulla and Noroichcholi markets to satisfy the consumer needs.

2. Food Insecurity and Vulnerability Information and Mapping System (FIVIMS)

Project Coordinator:	Dr. W.D. Wickramasinghe	-	Senior Research Officer
Project Period:	From August 2005 to date		
Funding Agency:	FAO		
Fund Allocation :	Rs. 2.2 million		
Focal Agency:	HARTI		

Food Insecurity and Vulnerability Information and Mapping System (FIVIMS) is a national initiative of the Government of Sri Lanka. In 9-12 November 1999, the regional consultation of the "Asia-Pacific Network for Food and Nutrition (APFNA)" held a workshop in Sri Lanka and discussed concrete action on establishment of FIVIMS in countries of the region. As a follow up action of this workshop, Ministry of Agriculture of the Government of Sri Lanka initiated an action to establish National FIVIMS and selected the Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI) as the focal point.

Objectives:

- a) Establishment of an information system that allows on food insecurity and vulnerability analysis at national, regional, divisional and *grama niladari* division levels;
- b) Assist policy makers and planners to effectively formulate policies and strategic operational options to reduce food insecurity and vulnerability at each level; and
- c) Disseminate information on vulnerability assessments and mapping both online and through print media.

Activities:

- a) Establishment of an information system related to food insecurity and vulnerability
- b) Undertaking sub-national level food insecurity and vulnerability assessments
- c) Conducting workshops and meetings to discuss, elaborate and recommend feasible policy options and interventions
- d) Developing a national FIVIMS website
- e) Producing FIVIMS newsletters on a quarterly basis
- f) Compiling a policy and vulnerability analysis report

STATISTICS AND DATA PROCESSING DIVISION

The Statistics and Data Processing Division (SDPD) functions as a National Centre for Information on Agricultural Development (NACIAD) in Sri Lanka. In collaboration with the USAID, the Centre was established in 1979 aiming to contribute to national development by establishing agricultural management information system at the HARTI. The main function of the center is to generate and disseminate agricultural and agrarian information for a wider range of users i.e. researchers, planners, policy makers, undergraduates, farmers and other interested individuals. The Division comprises 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. The publication unit also functions under the supervision of the SDPD.

Data Development Unit

Staff: Data Analysts
Statistical Officer
Data Assistants
Secretary/Steno-Typist

The unit had its full cadre of 2 Data Analysts and 3 Data Assistants throughout the year 2006. Acquiring new data and updating data is the main task of the Data Development Unit.

Data Bank

The Data Bank collects data from primary and secondary sources and maintains a database on agricultural crops, livestock, demography, marketing and other vital statistics. The following data series were updated during the year 2006:

1. Extent cultivated, quantity produced, cost of production, and returns in paddy in 2005
2. Extent cultivated, and quantity produced of legumes, tuber roots, oil seeds, industrial crops, spices, and vegetables in 2005
3. Average producer prices and retail prices of all available crops in 2005
4. Cost of production of all available crops in 2004/05 *maha* and 2005 *yala*
5. Livestock population and production by districts in 2005
6. Mid year population by districts in 2005
7. Imports and exports of all agricultural crops in 2005

Data of research studies undertaken by the Computer Division for processing were added to the data archives at the centre.

Requests for Data

Total number of requests met by the Data Bank during the year 2006 was 144. Out of these 105 requests (73%) were made by the users outside the institute. The balance of 39 (27%) was made by the users within the institute.

Distribution of requests is given below.

	No. of requests	%
University staff/undergraduates/other students	45	31.2
Ministries/Govt. Departments/Semi-govt. organizations	21	14.1
Private companies	19	13.2
Non Govt. Organizations	6	4.2

Banks	3	2.1
International Organizations/Embassies	2	1.4
Private institutes	1	0.7
Journalists	1	0.7
Private individuals	7	4.9
Internal requests	39	27.1
Total	144	100.0

Revenue from Supplying Data

The total revenue generated by providing data to external users in 2006 was Rs. 26,022.76. Estimated cost of providing data free of charge to external and internal users was Rs. 7967.60.

Computer Unit

Staff: Senior Analyst Programmer
Analyst/Programmer
Data Entry Operators
Casual Data Entry Operator

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 four activities. It includes data analysis of studies undertaken by HARTI, data processing and analysis for the data bank, system development and training.

Data Analysis

Data analysis of the following studies were completed during the period:

1. Economic Viability of rice-processing at household level
2. Evaluation of Agricultural Insurance Scheme in Sri Lanka
3. Baseline survey in 10 villages selected to develop as models under 'Gama Neguma Program'
4. Problems in adoption of improved farming practices in rainfed upland farming in drought stricken dry zone areas

As requested by the Agricultural Resource Management Division (ARMD), a selection criterion was prepared for the two year diploma course in agriculture.

Data Bank Activities

The Data Bank activities were carried out in three categories such as data appending, data verification and system development. During the year, 107,144 numbers of records were appended to the database under the categories such as cereals, vegetables, cost of production, income, retail and wholesale prices. All past data under cereals, vegetables, tuber roots and industrial crops were checked for duplicates and verified. The Data Bank system was modified to retrieve data in more useful formats.

System Development

The Institute's payroll system was designed and maintained by the Computer Unit. The division is also responsible for uploading and maintaining the HARTI web site.

LIBRARY

Staff : Librarian
Assistant Librarian
Library Assistant - Grade 1
Typist/Office Secretary

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 also to other interested persons and agencies. During the year, the staff borrowed 1,197 books and 349 issues of journals. The number of visitors to the library during the year was 387 and most of them were university students.

Acquisition of Books, Journals and Reports, Maps, CDs

The library acquired 320 books and reports during the year, out of which 230 were direct purchases and the rest 90 items were received either on exchange or on a complimentary basis. A large of 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 21 foreign journals and 28 local journals during the year. The total number of library holdings (books and bound volumes) up to the end of 2006 was 20,695. The expenditure for purchasing of books and journal subscriptions for 2006 was Rs 748,622/=.

Inter-Library Cooperation

The library is a member of the Agricultural Libraries Information Network (AGRINET), which is the focal point of CARP library. The Library continued to participate in AGRINET SDCP Scheme (Selective Dissemination of Content Pages Data Base). During the year, the library has sent 304 content pages of 14 journals to other member libraries and received 21 contents pages of 5 journals. There were 8 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.

The library continued to provide computerized cataloguing data of 100 records of books and journal articles to the National Agricultural Bibliography (NAB) volume 8 (2005) data base maintained at CARP library.

The Library also provided computerized data (books and journal articles) for the following bibliographies as requested by CARP library for the National Committee on Plant Breeding and Biotechnology of CARP.

1. Bibliography on plant breeding and biotechnology related to Sri Lanka
2. Bibliography on indigenous knowledge (foreign and local literature)

Publication Exchange Programme

Library has sent 5 HARTI publications released in 2006 to 10 local libraries and 10 foreign institute libraries.

The electronic records of the library bibliographical database have been increased by 600 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.

PUBLICATION UNIT

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

1. "Pulathisi Navodaya" Exhibition, Polonnaruwa Rajakeeya Madya Maha Vidyalaya, 22 - 27 March 2006.
2. "Viskam Dekma", 2006, Educational and Industrial Exhibition, Horana Takshila Madya Maha Vidyalaya, 08-12 March 2006
3. "Gamin Gamata Janapathi Sathkaraka" Exhibition Debarawewa Rajakeeya College, Tissamaharama, 28 - 31 October 2006.

The following publications were released during the year:

1. Impact of the Cease-fire Agreement on Socio-economic Development in the Villages Adjacent to the Conflict Zone in Sri Lanka
2. The Cost of Production of Rice in Kegalle and Kurunegala Districts of Sri Lanka
3. Application of Biotechnology in Agriculture
4. Paddy Cultivation in Polonnaruwa District
5. Annual Report 2004, Sinhala, English and Tamil
6. Monthly Food Information Bulletin
7. Weekly Food Commodities Bulletin

Further two issues of "Goivijanatha" and two issues of "HARTI Newsletter" were also published by the Unit. The task of editing the "Weekly Food Commodities Bulletin" was also performed by the Unit. Articles for both "Sri Lanka Journal of Agrarian Studies" and "Govikatauthu Adyanaya" have been finalized and ready for printing in the early part of 2007. The staff bio-data titled "Who's Who at HARTI" was also published by the Unit.

COMPLETED STUDIES

1. The Agro-Delivery Entrepreneurship Development Assistance Project (AEDAP): The Rural Agricultural Business Dealers and Agents Promotion Programme in Matale District: 2005-2006

Research Team : Dr. D. Tennakoon - Research Fellow
Mr. R.L.N. Jayathissa - Senior Research Officer
Data Collection : Mr.N.S.W.Nawarathna - Statistical Officer

Funding Agency : Regional Economic Advancement Project (REAP) Matale District
Project Site : Matale District
Funds Allocated : Rs. 1.8 million

The Rural Agricultural Business Dealers and Agents Promotion (RABDA) programme was designed for encouraging private sector partnership in strengthening of input delivery and to procure provision of agro-services to small farmers. The first round of implementation of RABDA programme was initiated in 2002 and completed in 2004. Under the first round implementation, 22 RABDA agents were trained and established in Matale District. Based on the success gained by the first round

implementation, the Regional Economic Advancement Project (REAP), Matale agreed to extend the project for a second round implementation from 2005 to 2006. Under the second round implementation, 20 RABDA agents were trained and established. During the second round implementation the project focused on strengthening of existing RABDA system (established during 2002-2004), and training and upgrading the business entrepreneurship of untrained business dealers of agro-input supply at local level.

The project aimed to improve the access of small farmers to reliable and assured agricultural services and input supplies by introducing local agro-delivery entrepreneurship.

ON GOING STUDIES

1. Problems in Adoption of Improved Farming Practices in Rain fed Upland Farming in Drought Stricken Dry Zone Areas in Sri Lanka

Research Team :	Dr. D. Tennakoon	-	Research Fellow
	Mr. R.L.N. Jayathissa	-	Senior Research Officer
	Mr. W.H.A. Shantha	-	Research Officer
	Mr. H.M.J.K. Herath	-	Research Officer
	Mr. T.G. Somaratna	-	Research Officer
Data Collection :	Mr. N.S.W. Nawaratna	-	Statistical Officer
Funding Agency :	CARP		
Study Locations :	Anuradhapura, Kurunegala, Matale and Moneragala Districts		
Funds Allocated :	Rs. 534,000		

Objectives of the Study

The main objectives of the research study are:

- To study research and technology generation systems adopted in Sri Lanka in the fields of drought management, crop production, rainwater management and knowledge dissemination/extension,
- To study the levels of adoption and practice of new improved techniques in rainfed upland and dry land farming,
- To investigate into the problems in adoption of improved rainfed upland and dry land farming practices among farmers in drought stricken areas, and
- To study the Agricultural Delivery System (AD System) including extension and technology transfer methods applied by the local support service hands in the study locations.

The research project was initiated in June 2005 and will continue until June 2007.

Data collection relating to this study was completed by December 2006, and data tabulation and processing are under way, and final reporting is scheduled to be completed by July 2007.

2. Agricultural Commodity Review - 2005

Research Team:	Dr. G.M. Henegedara	-	Head of the Division
	Dr. M.S. Senanayake	-	Head of the Division (AERM)
	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
	Mr. K.D.S. Ariyasinghe	-	Data Analyst
	Mr. E.N.R. Fernando	-	Data Analyst
	Mr. M.D.L. Senarath	-	Senior Analyst Programmer

Funding Agency: HARTI
Funds Allocated: Rs.110.000

Broadly the study aims to analyze the time series data of main agricultural food commodities by identifying that importance and contribution to food production and food security of the country. It also expects to find out potentials and constraints in growing essential food commodities according to current and future requirements of the country. Specific objectives are:

- (a) To review the extent, production and marketing trends of main food commodities such as paddy, maize and millet (kurakkan), cowpea, green gram, black gram, and soyabean, big onion and red onion, potato, cassava (manioc) sweet potato, gingerly and groundnut.
- (b) To prepare crop profiles for above crops
- (c) To analyze the government policies implemented for promoting production and marketing of above crops
- (d) Disseminate information among policy makers and interested parties.

3. Agricultural Profile – 2005

Project Team:

G.M. Henegedara	-	Head of the Division
Mr. E.N.R. Fernando	-	Data Analyst
Mr. M.D.L. Senarath	-	Senior Analyst Programmer
N.P. Jayanetti	-	Data Assistant

Funding Agency: HARTI
Funds Allocated: Rs.50,000

Agricultural Profile - 2005 was prepared by compiling agrarian and agricultural data such as extent and production of main cereal crops, their cost of production, livestock, export and import data and marketing information. As a statistical bulletin, the report includes extent, production, imports and consumption of main agricultural commodities.

The overall objectives of this exercise was to prepare an easy reference material with respect to the this present situation of agriculture crop sector in Sri Lanka.

The document with latest idea and information would help a wider range of users who are involved in the agricultural development sector that includes;

- (a) Policy makers and project implementers to take correct decisions in their planning purposes.
- (b) Academics and university students to use in their research activities and for the thesis of higher studies.
- (c) Farmers to plan their cultivation activities to get the maximum benefit from farming.
- (d) To fulfill various data requirements of other interested parties, involved in the private and cooperative sectors.

OTHER ACTIVITIES

Public Lecture Series - Coordinator- Dr. G.M. Henegedara

Following eight public lectures were conducted during the period addressing the main socio-economic and development issues of the country;

1. Vulnerability and Social Aspects of Poverty in Rural Sri Lanka by Prof. Kalinga Tudor Silva, Professor, Dept. of Sociology, University of Peradeniya

2. Medium Term Macro Economic Prospects of Sri Lanka by Dr. P.N. Weerasinghe, Deputy Director, Economic Research Dept., Central Bank of Sri Lanka
3. Sustainability of Tea Industry in Sri Lanka by Dr. A.S. Chandrabose, Senior Lecturer, The Open University of Sri Lanka, Nawala, Nugegoda
4. Assessment of Climate Change Impacts and Vulnerability of Coconut Sector in Sri Lanka by Dr. T.S.G. Peiris, Principal Statistician, Coconut Research Institute, Lunuwila
5. Impact of WTO Agricultural Negotiations on Sri Lanka and Our Negotiation Position by Dr. Anura Herath, Senior Agricultural Economist, Dept. of Export Agriculture
6. Validity of Participatory Concepts in Sri Lanka by Mr. Ranasinghe Perera, Team Leader, Vulnerability Program, ITSL, Colombo.
7. Rural Financial Market Issues and Trends by Prof. Mangala De Zoysa, Dept. of Agricultural Economics, University of Ruhuna, Kamburupitiya.
8. Disaster Risk and Challenge for Development by Mrs. Madhavi Ariyabandu, Consultant, UNDP, Colombo.

HUMAN RESOURCES DEVELOPMENT AND INSTITUTIONAL DEVELOPMENT DIVISION

The Human Resources Development and Institutional Development Division (HRD & ID) has been entrusted to undertake three major functions. Firstly, it organizes and coordinates its own regular training programmes and activities based on the national priorities. Secondly, it caters to the outside demand by undertaking training programmes on specific subjects. Thirdly, it provides services of the training experts of the division to the training programmes organized by outside agencies. In addition, the officers of HRD&ID division are involved in research programs organized by other research divisions of the HARTI.

The training programmes of the HARTI take the form of short courses, workshops and seminars. 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 PROGRAMMES

1. Training of Trainers on Preparation of Community Action Plan ("*Kethata Aruna*" Programme under "*Gamaneguma*" Programme)

Co-ordinator: Mr. R.M.R. Bandara - Head of the Division

HARTI had agreed to undertake the above training programme at the request of the Ministry of Agricultural Development in February and March 2006. The Ministry proposed this training programme to advocate and make officers of the Department of Agriculture aware of the preparation of agriculture based community action plan for sustainable development in rural areas under the *Gamaneguma programme* of the government. The basic theme of the programme was *Kethata Aruna*. The general objectives were 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.

Four day training programmes were conducted to achieve the above mentioned objectives in the In Services Training Centers at Angunakolapelessa, Gannoruwa and Mahaelukpallama (Two programmes at Mahaelukpallama) of the Department of Agriculture.

The outputs of these four programmes were the 100 trained officers of the Department of Agriculture and eight agricultural development model plans prepared for the villages selected for field exercises. The institute also prepared reports based on these agriculture development plans as well as other information gathered during the training programmes. Copies of the reports were sent to the all the participants and the officials of the Ministry of Agricultural Development.

2. Training Course on MS Access and SPSS

Co-ordinator: Mr. R.M.R. Bandara - Head of the Division
Resource Person: Mr. M.D.L. Senerath - Senior Analyst Programmer

The training programme was designed for the HARTI Research staff. The programme started in First week of June 2006 and completed in November 2006. The general objectives were to enhance the working knowledge of participants in designing, creating and organizing structured database and preparing reports on data table created in databases. The course covered most of the common

statistical operations in numerical data handling, especially on the data collected from sample surveys conducted by the HARTI.

Twenty-three (23) HARTI Researchers participated in this programme. The course included three modules; 1) Introduction to Data, Database and Database Management System, 2) MS Access as a Database Management System 3) Data Analysis using SPSS and Practical lessons.

As an output of this course 23 HARTI staff officers were trained on preparing and handling Database Management Systems using MS Access and SPSS computer software.

3. International Training Programme on Information and Communication Technology (ICT) Applications for Rural Development, 14-23 December 2006

Co-ordinator: Mrs. R. de. Silva. - Registrar

In collaboration with the National Institute of Rural Development (NIRD) and the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) the Institute hosted the above international training programme at HARTI.

Twenty six participants from 14 CIRDAP member countries (Afghanistan, Bangladesh, India, Indonesia, Malaysia, Laos, Myanmar, Nepal, Pakistan, Philippines, Thailand, Vietnam, Iran and Sri Lanka) participated in this programme. The Minister of Science & Technology, Hon. Tissa Vitharana was the chief guest at the inauguration ceremony.

The programme included web based monitoring of research and development programmes, e governance, ICT capacity building and empowerment of women, rural governance, Satellite Communication (SATCOM) technology and its application, ICT in land records, ICT in registration, GIS application, ICT application in agriculture etc. In addition to the above activities, field visits were arranged to observe and share the Sri Lankan ICT experience in rural development initiatives. The team visited the Gemidiriya Foundation and Pitakandagama and Uduthulla villages in Ratnapura District to examine their activities in relation to this aspect.

4. A series of Training Programmes for the Community Leaders of Tsunami affected areas under Tsunami reconstruction project of Practical Action (ITDG)

Co-ordinator: Mr. R.M.R. Bandara - Head of the Division

HARTI had agreed to organize and conduct the above training programme on the request of Practical Action (Formerly Intermediate Technology Development Group -ITDG) in June 2006. ITDG proposed this training programme to advocate and make community leaders aware of the appropriate technology for sustainable development in rural areas. The basic content of these series of programmes include environmental sensitivity, gender sensitivity and livelihood planning.

Fifty, (50) one day training programmes were conducted to achieve the above mentioned objectives in the districts of Ampara, Puttalam, Hambantota, Matara, Galle, Kalutar, Gampaha and Colombo for community leaders during September 2006 to and December 2006. The total training budget of Rs.4,590,052.00 had been provided by the ITDG.

The output of the training programmes was the trained 2,500 community leaders in the relevant districts.

5. Workshop on Preparing HARTI Research and Training Agenda for the Next Five Years

Co-ordinator: Mr. R.M.R. Bandara - Head of the Division

After the establishment of new government in 2005, new Agriculture Policy has been formulated. Therefore, HARTI is obliged to develop the Research and Training priorities based on the new Agriculture Policy. Proposed activities under the "Mahinda Chinthana" will be prime concern in conducting Research and Training Programmes of the HARTI. Therefore HARTI had arranged a workshop during January 2006, to draw up road map for the future research and training activities of the institute.

The main objective of the workshop is to develop the research and training calendar of the HARTI for next five years. Participants of the workshop were Director and all Research Staff of the HARTI. After the two day workshop the participants identified the most suitable research and training areas of HARTI and they developed a road map of the HARTI for the next five years. In addition the participants completed "SOWT" analysis for the HARTI.

6. Series of Workshops on 'Strategy for Development Work in Conflict Affected Areas' Research Team

Co-ordinator : Mrs. Sharmini Kusum Kumara - Research Associate
Co-researchers : Mrs. P.R. Weerakkody - Senior Research Officer
Mr. W.H.A. Shantha - Research Officer
Mr. S. Epasinghe - Research Officer

Funding Agency : Practical Action

Introduction

With the intention of furnishing a specific strategic plan for development work in conflict affected areas, four district workshops under the above theme have been held for Ampara, Batticaloa, Mannar and Vavuniya districts during the months from September to December 2006. Each district workshop was represented by the Government Agent of the district, Divisional Secretaries or their representatives, representatives from Local Government, Non Governmental, and International Non Governmental Organizations, Community Based Organizations, and Government Departments and Institutions of the respective districts. Finally outcome of all those four workshops was presented at a National Workshop.

Objective

The main objective of the workshops was to prepare a development strategy for conflict affected areas (for next 5 years).

Conclusions

Being exposed to the theoretical aspects of conflict and development and by taking into account both spatial and temporal variations in external and internal circumstances amidst conflict, the development leaders from two Eastern districts, Batticaloa and Amapara, and two Northern districts, Mannar and Vavuniya, have prioritized development issues and needs and formulated means of development interventions at four separate district workshops. The intention of the people in the district development policies, processes and practices is that it is required to ensure that the district has access to resources both human and physical and favorable environment required to achieve its development goals.

OTHER ACTIVITIES

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 the seminars, workshops and training programmes conducted by the institute are also covered by the division.

During the year, a 20-minute video production on "Udawalawa milk cattle problems" was produced by the division. Audio and visual coverage was extended to a regional training programme sponsored by the Bangladesh based CIRDAP in November and held at the institutes conference hall.

STAFF POSITION AS AT 31ST DECEMBER 2006

	Position as at 31.12.2005	Termination, Resignation During the year	Appoint -ment	Position as at 31.12.2006
Director	01	-	-	01
Deputy Director (Research)	01	-	-	01
Head of Division	06	-	-	06
Research Staff	29	02	-	27
Administrative Staff	05	01	-	04
Senior Staff of Library	02	-	-	02
Data Development Unit	02	-	-	02
Computer Unit	02	-	-	02
Publication Unit	02	-	-	02
Statistical Staff	25	-	-	25
Technical Staff	01	-	-	01
Clerical, Secretarial &				
Parallel Grades	51	02	-	49
Operative & Allied Grades	39	03	-	36
TOTAL	166	08	-	158

STAFF DEVELOPMENT

Post-Graduate Degree Programmes

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

Mr. L.P. Rupasena - Ph.D in Agri-business Management at the University of Agricultural Sciences, India.

- Mr. D.G. Karunaratne - MSc/PGDIP Natural Resources/Sustainable Environmental Management, United Kingdom
- Mr. N.P.G. Samantha - M.Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya (from December 2006)
- Mr. W.H.D. Priyadarshana - M.Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya (from December 2006)
- Ms. D.W.S.D.K. Seneviratne - M.Phil in Agricultural Economics, Post Graduate Institute of Agriculture, University of Peradeniya (from December 2006)

HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE
BALANCE SHEET as at 31st December 2006

ASSETS	Notes	2005		2004	
		Rs.	Rs.	Rs.	Rs.
Non Current Assets					
Property Plant & Equipments	2	26,390,241.68		24,033,876.62	
Investments - Fixed Deposits	3	5,389,096.12		5,311,134.13	
Treasury Bills		4,372,095.10		4,372,095.10	
Staff Development	4	17,953,192.49		17,553,195.07	
			54,104,625.39		51,270,300.92
Current Assets					
Stocks	5	2,919,244.48		2,769,595.64	
Loan fund		2,481,323.64		2,152,342.93	
Debtors	6	30,467,154.13		31,583,190.75	
Deposits	7	612,070.00		662,070.00	
Prepayments & Accounts Receivable	8	258,616.29		251,965.16	
Advance	9	352,035.48		1,900,507.39	
Cash at Bank	10	11,335,674.55		4,042,459.56	
Cash in Hand		10,000.00		10,000.00	
			48,436,118.57		43,372,131.43
Total Assets			102,540,743.96		94,642,432.35
EQUITY & LIABILITIES					
Capital & Reserve					
Government Grant-Capital	11	98,355,900.00		90,855,900.00	
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	14,757,706.09		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	(75,789,105.48)		(66,004,808.88)	
			61,709,800.67		63,994,097.27
LIABILITIES					
Non - Current Liabilities					
Gratuity Provision		27,999,536.69		20,322,465.00	
			27,999,536.69		20,322,465.00
Current Liabilities					
Creditors	15	5,157,980.23		4,637,084.77	
Loan Payable		2,481,323.64		2,155,082.38	
Accrued Expenses		5,192,102.73		3,533,702.93	
			12,831,406.60		10,325,870.08
Total Equity & Liabilities			102,540,743.96		94,642,432.35

(Signed)
.....
CHAIRMAN

(Signed)
.....
DIRECTOR

(Signed)
.....
ACCOUNTANT

HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE
INCOME STATEMENT FOR THE YEAR ENDED 31st December. 2006

	Notes	2005 Rs.	2004 Rs.
INCOME			
Funds from General Treasury		64,140,000.00	52,000,000.00
Hostel & conference hall charges	16	5,561,987.98	4,142,995.80
Sales of publications		184,685.25	150,824.05
Interest on investments		653,234.12	437,682.44
Interest on staff loan		630,455.75	879,524.89
Recurrent contribution from projects	17	2,484,884.70	906,830.19
Miscellaneous income	18	772,122.22	690,576.00
		74,427,370.02	59,208,433.37
EXPENDITURE			
Administration & Establishment expenditure	19	(84,235,168.15)	(70,595,985.72)
Bad Debt under provision		46,501.53	-
Net income from operations before financing cost		(9,761,296.60)	(11,387,552.35)
Financing cost		(23,226.00)	(20,226.83)
Net deficit before taxation		(9,784,296.60)	(11,407,779.18)
Taxation		-	-
Net Income after taxation & before extraordinary items		(9,784,296.60)	(11,407,779.18)
Extraordinary items		-	-
Expenditure over income		(9,784,296.60)	(11,407,779.18)

(Signed)

CHAIRMAN

(Signed)

DIRECTOR

(Signed)

ACCOUNTANT

HECTOR KOBBEKADUWA AGRARIAN RESEARCH & TRAINING INSTITUTE
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st December 2006

	Notes	2005 Rs.	
Cash flow from operating activities			
Net deficit for the year			(9,784,296.60)
Adjustment for:			
Depreciation		3,383,935.67	
Investment income		(653,234.12)	
Provision for gratuity		8,677,405.90	
Payment of gratuity		(1,000,334.21)	10,407,773.24
Operating loss before working capital changes			(623,476.64)
Working Capital Changes			
		(149,648.84)	
Debtors		1,116,036.62	
Deposits		50,000.00	
Prepayment & Account receivable		(6,651.13)	
Advances		1,548,471.91	
Creditors		518,156.01	
Accrued expenses		1,658,399.80	4,734,764.37
Net cash from operating activities			5,358,241.01
Cash Flow from Investing Activities			
Purchase of property, plant & equipment		(5,740,300.73)	
Fixed Deposits		(77,961.99)	
Investment income		653,234.12	
Staff Development cost		(399,997.42)	
Net cash used in investing activities			(5,565,026.02)
Cash Flow from Financing Activities			
Government Grant capital		7,500,000.00	
Project Capital Fund			
Incentive Fund - Institute share		-	
Net cash from financing activities			7,500,000.00
Net Increase in Cash & Cash equivalents			7,293,214.99
Cash & Cash Equivalent at the Beginning of Period	I		13,735,688.79
Cash & Cash Equivalent at the End of Period	II		21,028,903.78

Notes:

Cash & Cash Equivalent	1	11
	01.01.2006	31.12.2005
Investment - Fixed deposits	5,311,134.13	5,311,134.13
Treasury bills	4,372,095.10	4,372,095.10
Cash at bank	4,042,459.56	11,335,674.55
Cash in hand	10,000.00	10,000.00
Total	13,735,688.79	21,028,903.78

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2006

	Government Grant Capital	Contribution from Savings	Capital Contribution from Ministry	Project Capital Fund	Capital Reserve	Project General Reserve	Incentive Fund	Incentive Fund - Projects	Training Fund Projects	Incentive Fund - Institute Share	Accumulated Revenue	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01/01/2006	90,855,900.00	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	(66,004,808.88)	63,994,097.27
Funds received from Treasury	7,500,000.00	-	-	-	-	-	-	-	-	7,500,000.00	-	-
Project Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Income & Expenditure	-	-	-	-	-	-	-	-	-	-	(9,784,296.60)	(9,784,296.60)
Total	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

Notes to the Financial Statements For the year ended 31st December 2006

1. Accounting Policies

1.1 General

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

1.2. Valuation of Assets

(i) Property, Plant & Equipment

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

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

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

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

(ii) Debtors

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

(iii) Stocks

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

1.3. Gratuity

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

1.4. Income and Expenditure Account

The income over expenditure (expenditure over income) is stated after;

- a. Providing bad and doubtful debts and all expected future expenses in day - to- day operation of the Institute and maintaining the property plants and equipment in a state of efficiency.
- b. Charging all expenses incurred in the year.

Schedule of Depreciation of Assets - 2006

Particulars	Cost as at 01.01.2006	Adjustments for previous years	Additions/ (Disposals) during the year 2006 Rs.	Total Cost as at 31.12.2006 Rs.	Acc./Dep as at 01.01.2006 Rs.	Dep.for the year 2006 Rs.	Accu/Dep. ended 31.12.2006 Rs.	Net Value 31.12.2006 Rs.
Land	1,716,667.00	-	-	1,716,667.00	-	-	-	1,716,667.00
Buildings	16,481,889.52	-	1,839,627.20	18,321,516.72	7,563,658.58	458,037.92	8,021,696.50	10,299,820.22
Equipment/Furniture	28,270,305.15	(291,100.00)	1,853,801.90	29,833,007.05	21,135,653.80	1,413,485.80	22,549,139.60	7,283,867.45
Computer Installation	14,571,509.47	287,500.00	1,408,667.40	16,267,676.87	12,985,661.55	1,132,655.98	14,118,317.53	2,149,359.34
Motor Vehicles	8,293,855.88	-	-	8,293,855.88	8,293,806.88	-	8,293,806.88	49.00
Books	7,757,892.14	-	641,804.23	8,399,696.37	3,079,462.73	379,755.97	3,459,218.70	4,940,477.67
Welfare Equipment	3,734.55	-	-	3,734.55	3,733.55	-	3,733.55	1.00
Projects	-	3,600.00	-	3,600.00	-	-	-	-
Total	77,095,853.71	-	5,743,900.73	82,836,154.44	53,061,977.09	3,383,935.67	56,445,912.76	26,390,241.68

Notes

31.12.2006

3 HARTI Investments - Fixed Deposits

Fixed Deposits at State Mortgage & Investment Bank	3,500,000.00
Fixed Deposits at SMIB (Housing Loan Scheme)	<u>1,889,096.12</u>
	<u>5,389,096.12</u>

4 Staff Development

Balance as at 01/01/06	17,553,195.07
Adjustment during the year	<u>399,997.42</u>
	<u>17,953,192.49</u>

5 Stocks

Publication and journals	775,154.40
Supply Consumables	1,709,926.08
Sales center	<u>434,164.00</u>
	<u>2,919,244.48</u>

6 Debtors**Staff Debtors**

Housing Loan	2,193,043.15
Consolidated loan	16,366,825.45
Festival advance	102,710.00
Due from displaced persons	6,723.32
Salary advance	1,669,916.20
scholarship debtors	<u>16,708,897.35</u>
	<u>37,048,115.47</u>

Other Debtors

CIRDAP - Ministry Receivable	409,715.35
Hostel, Auditorium & Conference	229,835.00
Interest receivable from Treasury bills	161,886.95
Investment income receivable	880,265.55
Janashakthi Insurance	4,837.68
Medical facilities receivable	218.81
Miscellaneous Debtors	256,811.24
Receivable from in-services training institute	6,806.38
Receivable from K N U Gunasekara	12,100.00
Receivable from Ministry	297,941.97
Receivable from Resigned employees	102,339.82
Sales center	50,923.75
Welfare Society	<u>37,797.31</u>
	<u>2,451,479.81</u>

Advance Against Project

R-288/1-A - Agri Delivery Entrepreneurship Development Assistance Project	160,976.25
R-237 - Agriculture Museum	323,580.78
R-239 - An action research program on poverty alleviation In Sri Lanka	51,016.47
Analyses of marketing vegetables in Sri Lanka	159,975.15
R-199 - Assessment of turn over programme in NIRP schemes	179,229.29
G - 18 - Kitul Project	16,987.51
G - 2 - Study of cost of production of green tea leaves and processed tea	9,261.37
R-97 - Inland Fisheries	116,910.99
R-256 - Marketing of Eggs and Poultry Meat	32,575.34
R-171 - N.W.P Water Resources Development Project	48,872.32
R-330 - Feasibility Study - proposed economic centre at Kurunduwatta	33,588.76
R-331 - The state of enforcement of the regulation and procedures enacted by the Ministry of Agriculture in relation to the control of felling of trees of fulfilling food requirement	8,681.23
R 112 - Research involvement in lower Uva project	61,779.85
R 118 - Farm size and efficiency under Mahaweli system	66,268.32
R 129 - Rural industries employment and income enhancement for the working poor	27,089.34
R 146 - Developing M & E in mechanism for agrarian reform & rural development	41,947.56
R 175 - Follow up action on livestock as a component of rural development	10,062.64
R 183 - Consultancy on the establishment of cold storage unit complex in Sri Lanka	24,328.81
R 186 - Formulation of an integrated programme to strengthen the agriculture delivery system	427,276.42
R 194 - Buffalo information and documentation project	8,444.79
R 232 - Training manual on farmers organization building for integrated water shed management	26,801.54
R 264 - Commercialization of agricultural extension identification potentials and constraints	12,600.00
R 266 - Promoting household food security to development of sustainable agriculture practice	87,352.00
R 270 - Jack fruit tree plantation, crop productivity and utilization survey in Gampaha district	64,985.10
Receivable From N S F	49,100.00

Receivable From CIRDAP	173,694.59
R-288 - Regional Economic Advancement Project	124,843.55
R - 312 - Study of Farmer Companies	71,421.81
T - 226 - Programs for community based leaders on creating awareness of advocacy messages	448,513.29
T - 228 - Workshops on "strategies for development work in conflict affected areas"	752,382.89
	<u>3,620,547.96</u>
Total Debtors-Gross	<u>43,120,143.24</u>
Less:	
Provision for bad & Doubtful Debtors	(1,724,805.73)
Provision for debtors (Bond)	(110,373.69)
Provision for scholarship	(10,817,809.69)
	<u>30,467,154.13</u>
7 Deposits	
Fixed - caterer	20,000.00
Fixed - cashier	1,500.00
Sundry - Filix Perera and Sons	147,500.00
Sundry - Sri Lanka Telecom (Internet facility)	3,125.00
Sundry - Post Master General	24,945.00
Sundry - Colombo gas and water Co.	4,750.00
Sundry - Water supply and drainage board	500.00
Sundry - Celltel Lanka Ltd.	3,500.00
Sundry - Ceylon Electricity board	406,250.00
	<u>612,070.00</u>
8 Pre Payments & Accounts Receivable	
Pre Payments	258,616.29
	<u>258,616.29</u>
9 Advances	
Advance for purchases	61,378.01
Advance for others	290,657.47
	<u>352,035.48</u>
10 Cash at Bank	
Bank of Ceylon - A/C No - 2323293	4,494,885.62
Bank of Ceylon - A/C No - 2323292	3,921,695.76
Bank of Ceylon - A/C No - 2323317	1,243,802.51
Bank of Ceylon - A/C No - 2323315	1,675,290.66
	<u>11,335,674.55</u>
11 Government grant - Capital	
Balance as at 01/01/2006	90,855,900.00
Capital contribution during the year	7,500,000.00
	<u>98,355,900.00</u>
12 Project capital fund	
Balance as at 01/01/2006	14,757,706.09
Additions during the year	-
	<u>14,757,706.09</u>
13 Project general reserve	
Balance as at 01/01/2006	16,524,437.47
Additions during the year	-
	<u>16,524,437.47</u>
14 Net deficit	
Balance as at 01/01/2006	(66,004,808.88)
Expenditure over income for the year 2006	(9,784,296.60)
	<u>(75,789,105.48)</u>
15 Creditors	
Tender deposit refundable	93,067.20
Unpaid expenditure	9,302.24
Employees and restaurant deposits	13,084.50
Other creditors	545,758.00
Creditors against projects	
R 300 - A comparative analysis of Samurdhi & non Samurdhi	234,998.50
R 292 - Agricultural Information Center	4,801.11
Book on Rice Production	1,782,451.82
Election department	77,704.41
R - 318 - FIVIMS	890,765.79
T - 294 - FIVIMS	217,946.87
G - 15 - Training of Trainers programme on preparing village development plans	2,120.83
G-13 (R-324) - Economic viability of rice processing at household level	31,382.80

Institute Caterer	18,941.40
Payable to Resigned Employees	174,401.89
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	368,000.00
R 187 Process documentation research study for the SCOR project	50,006.71
R 269 Contract farm in Sri Lanka potential and problems market in intervention	43,464.00
R 297 Food price structure in selected countries in south Asia	16,235.82
R- 321 - Study on milk cattle problem in Udawalawa National park	32,677.84
R- 326 - Baseline survey in ten villages selected to develop as models under "Gama Neguma" programme	81.00
R-295 - Water resource management policy	160,544.81
R - 290 - Sustainable Development Villages	191,666.12
T - 225 - Training course in MS ACCESS/SPSS	24,500.00
R - 291 - Training on Samurdhi Managers	107,222.69
T - 223 - Conducting training programmes for leaders of community based organizations	213.00
Upatissa - Caterer	40,521.80
	<u>5,157,980.23</u>
16 Auditorium, Conference hall & Hostel charges	
Auditorium & Conference hall charges	3,276,341.00
Hostel charges	2,285,646.98
	<u>5,561,987.98</u>
17 Project income	
Administrative cost	
Contribution from projects	2,484,884.70
	<u>2,484,884.70</u>
18 Miscellaneous income	
Bungalow fees and room rent	36,033.00
Palwehera Room rent	16,800.00
Computer income	26,442.76
Tender fees	1,500.00
Other income	691,346.46
	<u>772,122.22</u>
19 Administration & establishment expenditure	
Permanent staff	34,982,489.55
casual staff	2,959,023.82
EPF	4,661,271.27
ETF	941,121.94
Overtime	1,265,259.06
Holiday pay	14,267.90
Tea allowance	352,920.00
Other allowance	5,903,482.90
Gratuity	8,677,405.90
Cost of Living Allowance	2,512,216.93
Local subsistence	296,735.58
Local transport	223,341.75
Stationery and office requisites	337,750.33
Other consumables	499,645.18
Fuel and lubricants	882,029.71
Uniforms	32,033.64
Vehicle repairs	2,021,085.75
Plant machinery and equipment repairs	714,039.60
Depreciation	3,383,935.67
Building repairs	437,709.47
Telephone charges	1,631,018.59
Electricity	2,746,458.72
Water bills	265,810.62
Taxes to local authorities	197,460.00
Postal charges	226,233.50
Transport	174,250.00
Legal consultant	110,000.00
Computer consultant	66,000.00
Vehicle advisor	22,000.00
Newspapers	131,444.67
License and insurance	410,093.14
Security charges	1,015,341.47
Cleaning services	259,332.88
Laundry services	233,160.00
Audit fees	106,000.00
Medical Insurance	175,328.81
Canteen charges	136,700.00

Miscellaneous expenses - Research	3,392,335.93
Miscellaneous expenses - Others	1,265,040.33
Legal charges	223,375.60
Welfare	100,000.00
Advertisement	44,188.75
Interview charges	4,800.00
Board of governors	176,000.00
Entertainment	21,152.00
Withholding Tax/Stamp duty	3,877.19
	<u>84,235,168.15</u>

20 Cash and cash equivalents at the beginning of the period

Investment - fixed deposits	5,311,134.13
Treasury bills	4,372,095.10
Cash at bank	4,042,459.56
Cash in hand	10,000.00
	<u>13,735,688.79</u>

21 Cash and cash equivalents at the end of the period

Investment - fixed deposits	5,311,134.13
Treasury bills	4,372,095.10
Cash at bank	11,335,674.55
Cash in hand	10,000.00
	<u>21,028,903.78</u>

AUDITOR-GENERAL'S DEPARTMENT

AF/D/HARTI/2006

27 June 2007.

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 2006 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 2006 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 furnished to the Chairman of the Institute 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 Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of my 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 books of account for the year ended 31 December 2006 and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements which are in agreement with the said books have been prepared and presented in accordance with Sri Lanka Accounting Standards and the stated accounting policies and notes (from Note No.1 to 21) to the financial statements and give a true and fair view of the financial position of the Institute as at 31 December 2006 and the financial results of its operation and cash flow for the year then ended.

2:2 Comments on Financial Statements

2:2:1 Accounting Standard

Although the fixed assets should be separately identified and depreciated in terms of Sri Lanka Accounting Standard No. 18, all the assets excluding vehicles had been depreciated as a single unit.

2:2:2 Accounting Deficiencies

Accounting Deficiencies observed in audit are given below.

- (a) Closing stocks representing stationery, periodicals, Sales centre stocks, etc. had been understated by Rs.400,027 due to the inclusive of book balances without making necessary adjustments against the physical balances thus resulting in an over-statement of the accumulated deficit by Rs.400,027.
- (b) Scholarship debtors had been understated by Rs.10,765.916.

2:2:3 Unidentified Transaction

Unidentified transaction comprising debit balances aggregating Rs.22,698 were observed in the financial statements of the Institute for the year under review without any details.

2:2:4 Lack of Evidence for Audit

The following items in the accounts could not be satisfactorily vouched or accepted in audit due to the absence of evidence indicated against each item.

Item	Value (Rs)	Evidence not made available
(a) Fixed Assets	72,825,631	Detailed Schedules and Age Analysis
(b) Sundry Debtors	17,039,097	} Age Analysis and confirmation of balances
Sundry Creditors	555,060	
(c) Sundry income	691,346	} Detailed Schedules
Salary Advances	1,669,916	
Miscellaneous Expenditure		
Research	3,392,336	
Miscellaneous Expenditure		
Others	1,265,040	
(d) Purchasing Advances	1,096,993	Goods Received Notes

2:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Following instances of non-compliance were observed in audit.

Reference to Laws, Rules, Regulations etc.	Particulars
(a) Finance Act No.38 of 1971 Sections 13 (8)	The steps 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 years 2004 and 2005 had not been furnished to Auditor General.
(b) Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 SLAS No. 18	Detailed schedules relating to fixed assets and depreciation thereon had not been furnished along with the financial statements.
(c) Public Enterprise Circular No.380 of 19 January 2000	A sum of Rs.627,698 being incentive, had been paid to the employees without obtaining the requisite approval.
(d) Public Administration Circular No.22/99 of 08 October 1999	An Officer of the institute had been obtained official vehicle facility without requisite approval.

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|-----|---|---|
| (e) | Public Finance Circular
No. 393 of 06 Feb. 2001 | Two Motor cycles had been released for external parties, contrary to the circular instructions. |
| (f) | Treasury Circular
No.842 of 19 Dec. 1978 | A fixed assets register had not been maintained properly. |
| (g) | Financial Regulation
F.R. 756 | Report on verification of assets had not been submitted to the Auditor General for the year 2006. |
| (h) | Establishment Code and Office Order
Section 14.2 of Chapter XXII Office Order No.1545 | The Institute had granted study leave with pay to 6 officers on probation for Postgraduate studies. |

2:2:6 Transactions not Supported by Adequate Authority

A sum of Rs. 10,864,348 had been paid to employees in lieu of Medical Leave since 1994 without obtaining the Treasury approval.

2:2:7 Accounts Receivable and Payable

(a) Receivables

- (i) Balances in the Advances and Debtors (without Scholarship Debtors) as at end of the year under review aggregated Rs.5,319,868. Out of which a sum of Rs.3,587,577 had remained outstanding for over 04 years.
- (ii) Staff loans amounting to Rs.1,135,411 had not been recovered from the officers who left the service.
- (iii) Balance in Scholarship Debtors as at end of the year under review aggregated to Rs.16,708,897. Out of which a sum Rs.16,088,897 had remained outstanding for over 04 years.

(b) Payables

- (i) Liabilities amounting to Rs.5,192,103 had not been settled in respect of external parties and institutes.
- (ii) Creditors amounting to Rs.569,140 had not been settled in respect of projects.

3. Financial and Operating Review

3:1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a deficit of Rs. 73,924,297 before taking into account the Government contribution for recurrent expenditure as compared with the corresponding deficit of Rs.63,407,779 for the preceding year. After taking into account the Government contribution of Rs.64,140,000 for the year under review the deficit was reduced to Rs.9,784,297. After taking into account the Government contribution of Rs.52,000,000 for the preceding year, the deficit for that year was reduced to Rs.11,407,779 thus showing a deterioration of Rs.1,623,482 in the financial results.

3:2 Performance

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

	Year 2006	Year 2005
Number at the beginning of the year	05	07
Add		
Number awarded during the year	13	15
	<u>18</u>	<u>22</u>

Less

Number completed during the year	12	17
Number to be completed at end of the year	<u>06</u>	<u>05</u>
	====	====

In this connection following observations are made.

- (i) 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 2006. However, a sum of Rs.434,231 spent from this fund to a postgraduate programme had been refunded later.
- (ii) Out of 8 planned project proposals submitted to the funding agencies in 2006, only 2 proposals had been accepted and granted funds.
- (iii) 6 Training programmes proposed to be conducted during the year 2006 had not been carried out according to the action plan for 2006.
- (b) The annual progress of the Research and Publication Division had not reached its targets when compared to actuals.

Number of targeted publications for 2006	40
Number of actual publications made	<u>15</u>
Shortfall	<u>25</u>
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3:3 Idle and Underutilized Assets

Following idle and under-utilized assets were observed.

Asset	Book value (Rs)	Idle period	Reason for Idling
Vehicle			
(a) 04 Motor Vehicles	730,068	More than 3 years	Due to heavy repairs
(b) 21 Motor cycles	1,525,900	More than 3 years	Due to heavy repairs
(c) Annual reports and books	428,625	More than 4 years	Due to unsales

3:4 Management Inefficiencies

Following observations are made.

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

4. Systems and Controls

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

- (a) Payment and Settlement of advances.
- (b) Cash Transfer from research projects.
- (c) Vehicle repairs.

(Signed)

(P. A. PEMATHILAKE)
AUDITOR GENERAL.