

we are all **connected**



Annual Report 2007-2008



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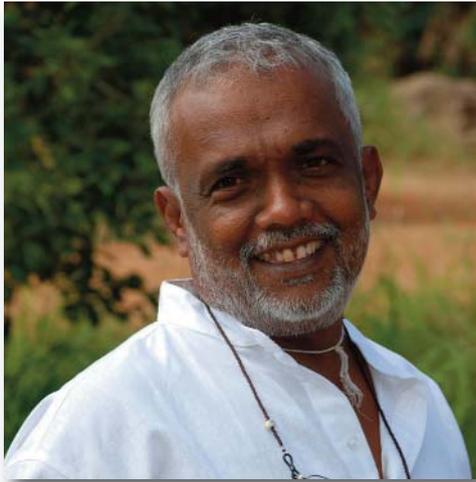


Sewalanka Foundation's mission is to enhance the capacity of rural communities to democratically identify and address their own development needs and to provide services that contribute to the economically viable, socially just and ecologically sustainable development of Sri Lanka.



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Chairman's Message

It has been a stormy and challenging year in Sri Lanka. The skies are gray and heavy. We try to move forward, but the pace is slow. The rain and fog affect our vision and it is difficult to see the horizon. We lean into the wind and wade through flood waters. Our feet get stuck in the mud. The streams and rivers are flowing fast, and full of unknown hazards. It takes time to find a safe passage.

From 2002 to 2006, we had a period of clear skies and stable ground. We were able to see farther ahead and move more quickly. During those years, we were able to shift our focus to long-term development goals: strengthening community organizations throughout the country, ecological health and biodiversity, sustainable livelihoods, and building friendships and understanding across ethnic and religious divides. The communities we work with began to stabilize and we developed new services and institutions, like Sewa Finance and SEDCO, to meet their needs.

We are still walking in the same direction with the same commitment, but the political and economic situation has changed. The ceasefire broke down and once again our country has returned to full-blown war. New risks have emerged and new security restrictions have been imposed. People living in the conflict areas have been displaced. Funds have been restricted due to uncertainty and human rights concerns. Inflation has reached record levels. For most of our fiscal year, Sri Lanka had the highest rate of inflation in South and Southeast Asia. In these stormy conditions, each step takes additional time and energy. Our pace has slowed.

Even dark years have bright spots. It is encouraging to see staff members reaching out their hands to steady each other across difficult terrain, even when they do not share a common language. When someone slips, it is encouraging to see how others turn to help. In a time of

scarcity and potential competition, it is encouraging to see how organizations have improved their coordination and worked together. We cannot move forward in isolation. As development practitioners, we need to see how we complement each other, how we can learn from each other, and how we can support each other through this stormy period. Challenging times remind us how important it is to work together, and that is why the theme for our Annual Report is "We are all connected."

There have been some positive new connections in the past year. Sewalanka began working more closely with several local civil society organizations and developed new links with international practitioners engaged in similar work. Programs at the Islander Center contributed to new relationships between rural youth and between community leaders from different parts of the country. Language barriers and travel restrictions did not prevent religious leaders from strengthening and expanding their networks. In 2007 and 2008, we saw Buddhist monks, Hindu priests, Christian fathers and Muslim moulavi visit each other, assist each other, and organize joint programs together. This sense of human connection give us hope and energy to move forward.

Looking back at this challenging year, it is easy to feel frustrated. Instead of moving quickly towards a long-term goal on the horizon, we are forced to look down and watch every step. The short-term emergencies of a slippery and difficult terrain absorb our energy. Still when we turn around and look at the path we have navigated, we can feel proud. We have passed through many challenges over the past year, but we are still moving forward, holding hands, and reaching out to others.

May the coming year bring sunshine and hope for our country, our partners, and our friends.

Strategic Programs



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Emergency Response, Rehabilitation and Disaster Risk Reduction

Sri Lanka's conflict in the north and east displaced tens of thousands of families this year while heavy rains destroyed the homes and livelihoods of many others. In the face of these tragedies, Sewalanka repeatedly called upon our emergency response and rehabilitation capabilities to support struggling families.

In partnership with the Nippon Foundation, we provided emergency relief to internally displaced people (IDPs) in Batticaloa, and through funding from Novib, delivered two weeks' worth of food essentials such as rice, milk powder, dhal and infant food to 4,750 families living in welfare centres in both Trincomalee and Batticaloa. In December, more than 10,000 people in the region were displaced by floods. In collaboration with Danish Church Aid, we established a program for the long-term recovery of 1,243 returning IDPs, providing concessionary loans to restore homes and rebuild lives.

Sewalanka, along with longstanding partner Welthungerhilfe (WHH) and the European Commission Humanitarian Aid Office (ECHO), worked to increase food security for recently displaced and resettled IDPs in Vavuniya, Mannar, Kilinochchi and Mullaitivu. Dry rations, goats, cattle, poultry and vegetable seeds for home gardens were among the items distributed. Temporary shelters, pre-schools, toilets, restored wells and non-food relief were some of the outputs of



Sewalanka's food security and rehabilitation projects funded by WHH and BMZ in Vavuniya and the north.

In the south, Sewalanka partnered with Oxfam GB to clean 750 wells, provide 120,000 litres of clean water and deliver non-food relief packages to 2,250 families affected by flooding in Kalutara and Galle. We addressed housing needs around the country by erecting temporary shelters in Mannar with support from UNHCR and building permanent houses in Trincomalee, Jaffna and Ampara, funded respectively by ADB, WHH and BMZ, and Solid House Foundation.

Recognizing that preparation can reduce the impact of natural disasters, Sewalanka has been working directly with local communities to strengthen their capacity to respond to an event, mitigate the loss of life and improve their resilience. Two tsunami-affected areas in the Southern and Western provinces were chosen for the pilot. In participatory consultations they have improved their disaster preparedness through training, developing contingency plans, local warning systems and disaster mitigation measures. Together with Action-Aid, Sewalanka is currently expanding this community-level disaster management approach to 40 villages in the Eastern and Southern provinces.

Institutional Capacity Building

Community-based organizations (CBOs) are the foundation of Sewalanka's work. Our approach has evolved based on our experience over the past 15



years. We help communities assess their challenges and opportunities, build their local institutions and improve their access to existing information, services and markets in order to support a process of community-driven social change and development.

In 2006, Sewalanka established a Research and Learning Unit (RLU) to ensure that project activities contribute to our long-term mission, monitor our progress and impact, and integrate best practices and lessons learned. This year, the RLU worked with each of our district offices to monitor the progress of our CBO development activities. The RLU team provided training to local staff on how to assess and categorize CBO progress and established a quarterly evaluation schedule for monitoring these indicators. RLU also developed training modules to improve staff capabilities in such areas as participatory planning, facilitating CBO development, participatory monitoring and evaluation, and proposal writing. By the end of this fiscal year, Sewalanka was working with 610 CBOs.

Strengthening institutional capacity and improving CBO links with government offices and other external actors is a general strategy in all of the communities we support. This year there were several projects that specifically focused on improving links between CBOs and local authorities. For example, with support from Japan Bank for International Cooperation, we brought together government officials and CBOs in the north and east for training in participatory planning approaches. The training resulted in community action plans that the CBOs and governments are implementing together.

Through funding from the World Bank and the Provincial Council, CBOs in Nuwara Eliya and Moneragala were able to work with local authorities to improve and maintain the local water supply and sanitation systems. Links between Fisheries Inspectors and local fishers were improved after Sewalanka began working with Fisheries Cooperative Societies as part of an ICEIDA-funded initiative.

In Trincomalee, Batticaloa, Jaffna and Ampara, we worked with Rural Development Societies and Women's



Development Societies to improve community infrastructure and livelihoods. These projects were funded by ADB. In Vavuniya, Mannar and Anuradhapura, Sewalanka's EU-funded development project strengthened links between CBOs and created new opportunities for sharing and learning.

Many of the CBOs are using internal microfinance schemes to improve the livelihoods of their members. Sewalanka collaborated with the International Development Law Organization to conduct workshops for these CBOs on legal issues that affect microenterprise and microfinance. Armed with this knowledge, they are better equipped to manage their businesses and their loans with success.

Sustainable Agriculture

Sustainable agriculture has become an environmental, health and economic imperative. Sewalanka works with Sri Lanka's poorest communities, many of which rely on farming for their livelihoods. Our sustainable agriculture programs focus on improving household food security, increasing the profitability of small-scale farming and promoting ecologically sustainable production systems.

This year we conducted training workshops at our Kalutara Environmental Center and Islander Center to reduce dependence on harmful pesticides. The participants—area farmers and home gardeners—learned about organic cultivation, advanced horticulture

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Finding Home Again

Yogendran was a fisherman in the small village of Puchcharkerny on Sri Lanka's east coast when he, his wife and their three young daughters were forced to flee their home in 2006. As fighting between the LTTE and the government forces intensified, their village experienced heavy shelling. The family took refuge in a nearby welfare camp but the fighting soon uprooted them again. "We didn't know where to go to save our lives. We wandered aimlessly through the jungle as shells fell all around us," Yogendran recounts.

After two nights in the jungle without food, Yogendran and his wife found others who had been displaced. The stories they heard of children dying from the shelling in the jungle horrified them and they knew they had to find somewhere safe immediately. "Finally we came to Valachchenai and took refuge in a place specially arranged for refugees. Then we were transferred by government bus to IDP welfare centres in Aryampathy," he says.

Soon after Yogendran and his family arrived, Sewalanka assumed responsibility for the welfare centre. "We were provided with cooked meals by SLF Batticaloa and after two weeks we settled into a tent shelter." With support from funding partner Danish Church Aid, Sewalanka provided the residents with dry rations and fuel for two years. We know that social needs are as important as physical ones to help IDPs regain some sense of normalcy so we also recognized cultural customs and erected schools. "We have been able

to cook our own meals and enjoy our own food thanks to items provided by Sewalanka. Our children have been provided with schooling and we were issued with new dresses on our festival occasions, such as April New Year and Thai Pongal," says Yogendran.

After two years in the IDP camp, the family was finally able to return to their home. "It was destroyed. We had to live in huts made out of tents at first. But again, Sewalanka was there to help." Sewalanka staff organized a meeting with the village's residents. "They wanted to know what our needs were. We requested that they provide us with shelter and equipment to restart our previous work."

Sewalanka and DanChurchAid immediately set about building temporary sheds and toilets for the townspeople. We distributed canoes, nets, seed paddy and fertilizer so that community members could resume their livelihoods. As a fisherman, Yogendran received a boat and nets. "Now I am continuing my job earning for my family without difficulties. I can be happy with my family enjoying the income that I get from my present fishing activities," he says.

"I have to thank Sewalanka Foundation for providing us all these facilities from the time we had been in the welfare centre up to the present situation. We are grateful to the organization for rendering a valuable service to raise our living standard."



"We had to live in huts made of tents at first. But again, Sewalanka was there to help."



techniques and integrated pest management. Sewalanka also organized sustainable agriculture demonstrations, workshops and exhibitions in partnership with universities and government officials.

A number of our projects focused on restoring agricultural capacity within disaster- and conflict-affected communities. In Batticaloa, the Japanese Embassy, FAO and DanChurchAid funded livelihood initiatives to support returnees to establish home gardens, goat rearing, poultry farming and horticulture initiatives. In Jaffna, Sewalanka distributed inputs and seeds to more than 2,000 farmers as part of an FAO-funded initiative to increase food security in the region. In Galle, we also replicated successful activities from a CHF-funded home gardening project in a subsequent project funded by the Salvation Army.

In Ampara, we trained local farmers in organic techniques and opened an organic farm and Sustainable Agricultural Resource Center (SARC). The SARC features storage space, workspace, an organic restaurant and an input production center where compost is manufactured and packaged for sale. As the facility becomes self-sustaining, ownership will transfer to the community.

In Mannar, Sewalanka and Oxfam GB helped CBOs from 12 farming communities form a company for value addition and collective marketing of agricultural

products. In its first year, the company established a rice mill and paddy marketing business that earned Rs. 1 million. Sewalanka has provided business training and advisory services to ensure the successful growth of the company over the next three years.

As a learning organization, we also directed our agriculture activities to staff development. The Sustainable Agriculture team provided support to field staff in each district to incorporate agricultural components into their program plans. Staff participated in horticulture and nursery management training in Thailand in July, and five Sewalanka staff participated in the Multinational Exchange for Sustainable Agriculture (MESA) in the U.S. in May. Through this program, participants worked on U.S. farms for eight months learning best practices in organic farming and marketing.

Coastal and Inland Fisheries

Fishing is the primary income source for many of Sri Lanka's poorest families. But fishing communities face environmental coastal degradation, conflict-related displacement, overfishing and financial inability to obtain or maintain equipment. Through our Coastal and Inland Fisheries program, Sewalanka works with fishing communities, government bodies, educational institutes and international experts to coordinate programs, establish linkages and support fishing communities to

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An Organic Experience



With its narrow body and long legs, the tiny paddy bug looks like a harmless insect. Yet for Sri Lankan farmers this small creature is one of several enemies that damage rice crops each year.

Farmers around the world use powerful industrial pesticides to defend against tiny invaders like the paddy bug. In Sri Lanka, many farmers overuse pesticides thinking “more is better” without realizing that heavy pesticide application can disrupt natural ecological balances and exacerbate pest outbreaks. Most farmers have heard that pesticides are bad for the environment and for their health but they do not think it is possible to farm without them.

For two years, Sewalanka has served as the Sri Lankan global partner in the Multinational Exchange for Sustainable Agriculture program (MESA), in which community workers and agriculture officers spend eight months—a full season—on U.S. organic farms learning everything from the latest farming techniques to how to effectively market the farms’ products.

“At New Morning Farm, I was part of a committed team of interns responsible for managing specific crops on a rotating schedule. I got the opportunity to improve my leadership skills and my technical knowledge,” says MESA graduate and Sewalanka Sustainable Agriculture program coordinator Saranga Lakmuni. “I [attended] daily morning

meetings and weekly two-hour seminars on selected topics such as pest control, soil fertility, machinery, post-harvest techniques, irrigation techniques and marketing,” she adds.

This year, the first MESA returnees began their Home Country Project to share their experiences with local farmers. The project’s purpose is to inform agriculture-based communities about the dangers of conventionally produced foods, raise awareness and motivate farmers to use organic agriculture practices, create consumer demand for organic products, and introduce innovative marketing strategies to support livelihood development.

Ms. Lakmuni explains the Home Country program: “We are focused on 22 community groups in our home districts: the agricultural dry zones of Ampara, Hambantota and Polonnaruwa. Participants include rice growers, conventional farmers, home gardeners, women’s societies and young farmers’ groups. In all, 478 farmers have been involved in the program.”

After identifying demonstration fields, representatives from each farm organization were trained by MESA returnees in new techniques, including selecting seeds, land preparation, seeding and how to farm organically. “Most farmers believed that they had to apply chemical fertilizers and pesticides, so it was difficult

to change their minds. Our experience with MESA was really helpful in convincing them about new options,” says Ms. Lakmuni. “We were not only able to teach them the techniques we learned, but we could explain how organic farming can be done on a large scale. We had real-life examples from our experiences of large-scale farming in the U.S. and the importance of organic foods to a healthy community.”

Already the MESA returnees are seeing positive results from their efforts. Leaders from the farming societies have volunteered to teach the new techniques they’ve learned to other members of their societies. “The attitudes, knowledge and skills of the farmers regarding organic agriculture techniques has really improved,” Ms. Lakmuni observes. “Some farmers have started organic rice farming on a small scale. When we talk with them we understand that they have positive attitudes towards expanding their organic rice cultivation step by step.”

Ms. Lakmuni notes that the project has achieved its main objective of changing the attitudes of the farmers and communities. “Next we have to expand the project island-wide and change the attitude of others. We have also noted that children are actively participating with the gardening, which is a very good trend,” she adds. “It is important to make the future generation aware because it’s much easier to change the attitudes of the younger generation.”



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pursue their livelihood in environmentally sustainable and economically viable ways.

The success of last year's dried fish training program led to expansion of the initiative this year. This time, fishing communities in Negombo received instruction on advanced fish drying techniques from Japanese trainers provided by the Nippon Skilled Volunteers Association. These techniques increase the value and quality of the product while preventing contamination.

The Kalmunai fish processing facility in Ampara has had a successful year. The facility, which opened last year, is part of a fishing complex funded by the Norwegian Government and Novib. The fish are filleted, vacuum packed, flash frozen and sold to a distributor from the site. The complex also features a boatyard. This enterprise, which is managed by SEDCO and local Fisheries Cooperative Societies (FCS), processed approximately 40,000 kilograms of fish this year.

With the Icelandic International Development Agency (ICEIDA) and Sri Lanka's Ministry of Fisheries, Sewalanka is strengthening FCSs in 25 areas across Puttalam, Gampaha, Kalutara, Matara, Trincomalee, Ampara and Batticaloa. We are developing fisheries facilities in each district, providing a communal space for fishers to rest, mend nets, store engines and meet. The sites also include office space for Fisheries Inspectors and FCS leadership, facilitating stronger links between government and local community members.



These buildings will be handed over to the cooperatives to operate and manage. Other plans include building ice plants and cool rooms, establishing collective marketing avenues, dried fish and smoked fish production, aquaculture and seaweed cultivation. ICEIDA and Sewalanka will assist with these plans in 2008/09. In the meantime, Sewalanka is working with the cooperatives to increase their capacities for the handover and is supporting the development of revolving loan funds and assessments of livelihood constraints and opportunities.

Community-Based Tourism

With its tropical climate, pristine beaches, spectacular mountains and wildlife diversity, Sri Lanka provides many attractive destinations for international and national travellers. Sewalanka's Community-Based Tourism program aims to help disadvantaged rural communities tap into the economic benefits of the country's tourism industry without negatively affecting their culture or the local natural environment.

For several years, Sewalanka has been actively working with residents in Arugam Bay to rebuild livelihoods, promote responsible tourism and increase visitor traffic to the area. Together with ICEI, we helped train certified local eco-guides, organized and registered a guide association and began piloting tour packages for the area. We also conducted training workshops for community leaders on sustainable tourism, coastal resource management and conservation and coordinated first aid and safety training through Borderlands for local ecotourism guides. In November, Arugam Bay was named Best Destination at the World Travel Market Responsible Tourism Awards in London, England.

Sewalanka's tourism partnership with HSBC also continued this year. We facilitated two more excursions to the Sinharaja buffer zone for HSBC staff, where we coordinated homestay accommodation and activities that enabled urban Sri Lankans to participate in rural livelihood activities such as kithul and rubber tapping

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Responsible by Design



When the 2004 tsunami hit the coast of Sri Lanka, it devastated the Arugam Bay tourist area and the Eastern district of Ampara. Yet just three years later, Arugam Bay received the Responsible Tourism Best Destination Award from responsibletourism.com. The area was recognized for a number of community-based ecotourism initiatives that have emerged since the tsunami.

Sewalanka assisted with the revival and development of the region. “After the tsunami, we started with relief work, providing boats, nets and basic household goods. But after these needs were addressed, people’s main concerns were bringing back the tourists and rebuilding their livelihoods,” says Harshana Hegodagamage, Tourism Program Coordinator at Sewalanka. “We worked with Italian NGO ICEI to come up with a proper plan and a training guide. We also began training the community on the ecological functions of local mangroves and lagoons.”

The local fishers talked about how loss of the mangroves affected fish catch. They also noticed that areas

with intact mangrove forests were less affected by the tsunami. “After the program, they understood the benefit of the mangroves. They decided to establish a mangrove nursery and use paddle boats instead of engine boats to give tours of the lagoons. During the tours, the guides also talk about the environment and how tourists should treat it during their stay,” says Mr. Hegodagamage.

The ecotourism initiative also helped bring together the three ethnic groups in Arugam Bay. “We identified guides from the three different ethnicities and helped them form the Community-Based Eco Guide Association (CEGA). It is the first eco guide association in Sri Lanka,” he says.

“Sewalanka and ICEI worked with CEGA to market the destination within the country and develop a website to promote Arugam Bay,” says Mr. Hegodagamage. “The work we did in Arugam Bay was a good learning experience. We feel a sense of achievement about the service we provided and what the people accomplished. We hope to adapt this model to promote the Eastern Province as a whole.”

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and tea plucking. Surveys of the participants have been positive and their feedback helped guide further improvements to the program this year.

In December, we coordinated a Sinharaja Guidebook. The book, written and illustrated by Stacey Vigallon and printed and distributed by Lake House Press, provides a comprehensive overview of the region, including climate, history and indigenous plant and animal species. Proceeds from the guidebook benefit Sewalanka programs in the Sinharaja buffer zone communities.

The Local Alternatives Map, created by Ethan Gelber with support from Sewalanka, has become increasingly popular as interest in responsible travel grows. With Sewalanka's support, the communities and small businesses highlighted on the map have formed a network to exchange ideas and improve their facilities and marketing outreach. In March 2008, with financial support from Novib, we coordinated a network meeting with representatives from all over Sri Lanka to strengthen these connections.

Handicrafts and Community Products

The paper-making activities that are central to the Home Employment and Lighting Package (HELP) project continued in the Knuckles mountain region. Paper quality and production efficiencies improved throughout the year and demand for the product is increasing. Revenue from the paper is being used to pay for solar lighting systems installed in the community where the paper is made. Subsequent income will improve the livelihoods of community members involved in the project. Sewalanka continues to seek new markets for this nature-friendly, high-quality product.

After linking terracotta pot makers in Gampaha with a designer last year, Sewalanka secured an order for 54,000 pots with international retailer IKEA. The community delivered the order from August to December of 2007 and then moved on to produce and sell specialty pots that are used across Sri Lanka as part of New Year celebrations.



In the south, with funding from the Transrural Trust, we began a four-year program to improve livelihoods through handicraft activities. Thirty-two women from Galle are involved in the Transrural program, which includes training in modern sewing and finishing techniques, learning how to identify attractive colour and design combinations and how to gauge potential markets. Many short-term development training programs simply impart the skills of a trade. This handicrafts project seeks to take participants to the next critical step by giving them a strong foundation in marketing as well as links to Sri Lankan and international markets. By the end of the program, participants should be regularly filling orders for bags, cushion covers and wall coverings.

Environmental Sustainability

Sri Lanka is considered a global biodiversity hotspot. The island has a high number of indigenous species and a wide range of natural ecosystems. For Sewalanka, environmental sustainability is a cross-cutting issue that must be considered in all programs, but in some areas of the country high community interest has resulted in initiatives with a specific ecological focus.

Sewalanka has been assisting communities near the Panama and Thirukovil lagoons in Ampara with a mangrove and littoral restoration initiative. This program



was the subject of a short film by project partner Diakonie. The video can be viewed at www.youtube.com under the search name “Schutz vor Tsunamis in Sri Lanka”. The local communities have now established a viable mangrove nursery selling seedlings to restore other lagoons. Ten Sewalanka staff visited the Mangrove Action Project in Thailand in October to exchange knowledge, gain field experience and attend technical presentations with the mangrove restoration network.

With funding from the International Union for Conservation of Nature (IUCN), Sewalanka worked with communities in Anuradhapura to restore the natural habitat around their village tanks. Once home to 31,000 tanks, Sri Lanka only has 13,000 functioning tanks today. In many places, the catchment has been destroyed and the canals are damaged causing run off and soil loss. This pilot program focused on reservoirs, wetlands, non-farm areas within the paddy tracts, border areas and supporting farmers to establish nurseries to raise 27 different kinds of vegetation.

In central Sri Lanka, we assisted IUCN with a forest governance and integrated conservation project in the buffer zone of the Knuckles rainforest reserve. Conservation activities also continued in the Sinharaja buffer zone communities, where we focused on CBO development, children’s programs, agro-ecological tea cultivation and community-based ecotourism promotion. Community initiatives in these regions were the focus of our World Environment Day display, where we exhibited natural products from Sinharaja and promoted our youth bio-monitoring and Knuckles paper-making programs.

We also brought the message of environmental responsibility to IDP camps, where pollution is a significant problem. Sewalanka conducted awareness programs focused on waste reduction and waste management. In June, our environmental work was recognized when a member of the Environment team was awarded a grant by the EarthWatch Institute to do a part-time Masters program in Scotland on mangrove restoration ecology followed by field work in Sri Lanka.

Gender, Youth and Children

Sewalanka strives to promote an equitable society in Sri Lanka. We prioritize the involvement of women, youth and children in the decisions that affect their lives and encourage them to take control of their welfare and wellbeing. We strive for this goal in all our programming to ensure that equity is a cornerstone of our work.

This year, we established gender focal points in each district to ensure that gender dynamics are considered and integrated at the project development stage. We increased women’s leadership among the CBOs we work with and conducted CEFE-standard income generation training programs for female entrepreneurs with support from CHF and CIDA, the European Union, North East Coastal Community Development Project and the North East Community Restoration Development project.

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A Harvest of Happiness



At 42, Muhammed Farook has started life over. This father of five lost his house, his property and all of his family's possessions in 1990 when the conflict in Sri Lanka's northern region forced them out of their village. Mr. Farook and his family returned to their village in 2005 after the ceasefire was brokered between the Sri Lankan government and the LTTE. Although happy to be back home, there were no livelihood opportunities for him in the area except working as an unskilled day labourer.

On the meagre income these jobs provided, Mr. Farook struggled to pay for the day-to-day needs of his family and his children's education. But relief came to the family when they became one of thousands who are benefiting from a new development project in the north.

With funding from the European Union (EU) and in collaboration with Welthungerhilfe (WHH), Sewalanka is working with 30

communities in Vavuniya, Mannar and Anuradhapura to reduce poverty and facilitate participatory development in these former conflict areas.

Mr. Farook received assistance for his livelihood through the WHH/EU Project. With money and materials such as seed onions and fertilizer that were made available through the project, he began cultivating onions on a quarter-acre plot of land. He had not cultivated since his family was displaced and, through Sewalanka, he received training on the latest agricultural techniques. With these skills, he reaped a strong harvest. After setting aside a portion of the stock for his family's needs, he sold the rest for a good price at the market.

"A total of 4,451 target families will benefit by this project," says Kalaatharshani Kugarajah, Sewalanka's Project Manager for this EU development project. The project, which is in its second of three years, takes a holistic

With the sale of his first onion harvest, Farook opened a small-scale grocery store. “Happiness prevails in my family.”



approach to the issues facing villagers in the regions by conducting a range of activities to meet their needs.

“The overall objective is to strengthen civil society in northern Sri Lanka through participatory development processes,” says Ms. Kugarajah. “We are doing social mobilization and strengthening the CBOs. We have been providing investment assistance for the villagers so that they can improve their economic ventures, and we’ve also offered technical trainings and skills development in agricultural and non-farming vocations.”

With the sale of his first harvest, Mr. Farook was able to repay Rs. 5000 to his CBO. The money he had left over went toward opening a small-scale grocery store in his village. He has been managing it profitably since and is even able to put aside some savings each month. He is happy and content now that the education of his children and the day-to-day needs of his family are adequately cared for.

In addition to CBO development and small business financing, this joint project includes community

exchange programs and projects directed at the development of women. Sewalanka has also led restoration activities and clean environment campaigns to improve the villages, which experienced infrastructure damage at the height of the conflict. Our staff facilitate networking and rapport building across CBOs and between CBOs and extension agencies.

One hundred families like Farook’s have received assistance to pursue onion cultivation. Their repayments to their CBOs are being directed toward the CBOs’ credit funds to ensure that financial assistance can be provided to other members in their societies.

Farook hopes to be able to borrow from the fund again to expand his business. “I am confident in life now,” he says. “My children excel in school and are well fed. Happiness prevails in my family.”

This year, a number of projects focused specifically on increasing security, safety and opportunities for children. Working with Welthungerhilfe, we rebuilt two schools in Jaffna. We opened a transit house in Ampara with support from UNICEF, and facilitated the funding, relocation and expansion of the Hari Children's Home in Batticaloa.

Sewalanka staff developed a database of children and youth groups across the island and distributed *Yuti*, a children's magazine produced in Sinhala, Tamil and English, to the group members. In Ambalangoda, we ran a children's camp, which was attended by 110 participants aged 7 to 16. In Kandy, we are conducting alcohol and drug prevention programs focused on youth aged 12 to 16.

In Mannar, our integrated child development program, sponsored by UNICEF, gave children the opportunity to express their opinions and demonstrate their ability to provide input and take decisions on issues that affect them. Save the Children and Sewalanka collaborated to form and strengthen local children's clubs and district-level children's forums. We also coordinated their participation in a national-level Children's Parliament in which they gave their recommendations to government. Other activities that benefited children this year include teacher training, supporting children to create their own publications, distributing sports equipment and organizing sports events.

Community Peace Building

As the conflict between Sri Lanka's government and the LTTE intensified, Sewalanka's commitment to community-level peace and understanding took on greater urgency in 2007/08. Our work focused on youth and clergy, recognizing the influence religious leaders can have in forging a peaceful solution, and the important role today's youth will play in ensuring continued peace tomorrow.

Our newly opened Islander Center was the site of training in conflict sensitivity and mediation for young peace leaders in June, July, September and November.

We gathered together youth from all over the island who work for organisations in the social, peace and civil society sectors to promote greater communication and collaboration across these groups.

Sewalanka began working with an inter-religious group of leading district clergy in early 2006. In 2007, the group grew stronger, began calling themselves Religious Action Alliance (RAA) and developed a strategy for socially engaged spirituality. In May 2007, they traveled to Vaharai to meet with and support IDPs. RAA's activities were covered by Japanese television and newspapers in September following a visit by the Director of Japan's Nippon Foundation, one of Sewalanka's partners.

In February 2008, we organized a visit and lecture series by Ven. Pomnyun Sunim, a Buddhist monk and winner of the Ramon Magasaysay Award, who has played a key role in the Korean peace process. Support from Oxfam Novib also made it possible for us to send 12 clergy and youth leaders to the Third International Conference on Gross National Happiness in Thailand.

We continued to strengthen the "peace teams" of Trincomalee youth with support from the European Union. Sewalanka created a short film that follows the development of a peace team that organized a successful interfaith cricket tournament, regularly engages in community improvement projects,



coordinated transportation and food for internally displaced families from neighbouring villages and facilitated conflict resolution between parents and teachers at the local school.

Finally, Sewalanka's Songs for Change program brought together local songwriters and musicians to produce an album of songs on modern social issues. We plan to release the album in the 2008/09 year.

Psychosocial Wellbeing

Several factors challenge the emotional and psychological wellbeing of individuals and communities in Sri Lanka: the tremendous toll exacted by the 2004 tsunami, the ongoing ethnic conflict and a cultural context in which psychosocial illnesses are widely misunderstood and stigmatized. This year, Sewalanka sought new avenues to empower local groups and communities to understand their own physical, emotional, mental and spiritual wellbeing so that they can take control of their lives.

We received funding from the World Health Organization to deliver two psychosocial and public health interventions in Jaffna, in Sri Lanka's conflict-affected northern region. The programs addressed lack of knowledge about reproductive health and the growing issue of teen pregnancy. Sewalanka published a reproductive health booklet in Tamil and distributed more than 5,000 copies to teachers and students at 135 schools. A complementary mobile exhibition with information on such issues as substance abuse and sex abuse also travelled to the schools. A survey of 92 teachers revealed that they greatly welcomed the initiative, which made difficult topics more comfortable for them. As part of this program the Psychosocial team also coordinated first aid training for 280 youth, providing first aid kits and creating a capacity for them to respond to health issues in an emergency situation.

We coordinated education events for communities on critical health issues throughout the year. In Mannar, we conducted HIV awareness activities with funding from



UNHCR. In provinces across the island, we worked with doctors, government officials and community groups to organize tuberculosis awareness activities under the Global Fund for AIDS, Tuberculosis and Malaria.

Sewalanka continued befriending and mental health awareness projects in Vavuniya and Mannar, and in November we opened six "Our Home" psychosocial support centres with funding from the Force of Nature Aid Foundation. The centres offer a welcoming space for individuals and families. Trained staff can support a range of mental health issues through group activities that enhance participants' psychosocial wellbeing, befriending sessions that promote self-esteem and build personal strength, and referrals to trained mental health professionals when necessary.

SEDCO

Across Sri Lanka, rural communities produce a range of crafts, crops and other marketable products. But without proper market information and market linkages they find it difficult to cover their production costs, let alone provide for their families. Sewalanka's Enterprise Development Company (SEDCO) was created to help these groups identify new market opportunities and to support them to implement changes or make connections that lead to more efficient production and higher value products.

SEDCO formed joint ventures with CBOs to open five companies this year, including a yogurt factory and a fish processing plant. We also established a SEDCO investment fund to identify and provide start-up and operational support to community enterprises. CBOs identified by Sewalanka district offices as having a strong business idea and basic management capacity are encouraged to submit a business plan to the investment fund. If the proposal is accepted, SEDCO becomes an equity stakeholder in the company, supporting all aspects, including strategy, implementation, quality control, market linkages and technical support. This strategy helps to ensure enterprise viability and success.

In April, Sewalanka opened a model farm and retail store in Batticaloa and SEDCO staff provided business planning and marketing support to the farm's volunteers. SEDCO also supported a women's organization in Gampaha to deliver 54,000 terracotta pots to IKEA between August and December. Once the final shipment was delivered, we helped the terracotta producers shift to making New Year pots used across Sri Lanka.

In September, SEDCO staff helped launch and market the *Sinharaja Guidebook*, establishing partnerships with Lake House publishing and other prominent tourist vendors. The book, a collaboration with Stacy Vigallon, provides an overview of the biodiversity, management and history of Sri Lanka's only old-growth rainforest.



SEDCO staff also supported farmers in Ampara by linking them directly with three rice mills and linking the mills with a socially conscious national retailer. These agreements have streamlined the supply chain, which provides the farmers with a guaranteed market, the millers a more stable and higher quantity market and the retailer a direct link to the community and an opportunity to pay producers more money for their product. Today more than 1,500 farmers are involved.

Sewa Finance

The past year was one of important changes and challenges for Sewa Finance as it strived to further its goal of reducing poverty through microfinance loans. As more lenders entered the sector, Sewa Finance benefited from its strong reputation, deep community relationships and first-out-of-the-gate history with CBOs across the island.

The organization marked its one-year anniversary by obtaining ISO 9001:2000 certification. The first microfinance institute in Sri Lanka to obtain ISO quality assurance certification, Sewa Finance adheres to a strict Quality Management System.

Expansion was the focus for year two. This year, Sewa Finance doubled its portfolio to Rs. 165 million and expanded its range of services. Sewa Finance now has 15 offices across 12 Districts from Galle to Vavuniya. During the past year it has worked with more than 450 CBOs to provide loans to nearly 9,000 individuals with an average loan size of Rs. 28,000. Of the borrowers, 75% were women and 25% men, and 80% of borrowers were Sinhala, 15% Tamil and 5% Muslim.

In terms of sectors supported the vast majority of beneficiaries (70%) came from agricultural, fisheries or farming-related activities. The remainder were involved in income generating activities related to service provision or trading.

In addition to its wholesale loans offered through CBOs, Sewa Finance also began a pilot program offering



enterprise loans in Ampara, which directly support individual entrepreneurs within established CBOs to start or strengthen their business ventures. Ninety enterprise loans had been given out by the end of the fiscal year.

In 2007/08, the Sewa Finance program enabled Sewalanka's Polonnaruwa office to develop and deliver social programs without external funding. All of the community development projects originating from the office this year were funded through its Sewa Finance activities.

As we moved into the 2008/09 year, Sewa Finance's focus continued to be on providing excellent service as well as strengthening linkages between the organization and Sewalanka's work in order to serve communities more efficiently.

Islander Center

The Islander Center is a space for people from all ethnicities, religions and regions of Sri Lanka to come together, learn about and from one another and to discuss strategies for social change, peace and development.

Programs began in 2005 out of temporary buildings on an organic farm in Anuradhapura district. Construction of

permanent facilities began later that year with support from Sewalanka's longtime partner Welthungerhilfe.

Since then, the Islander Center has been used for numerous training programs and workshops for CBO leaders from around the country. There are also two three-month Leadership and Sustainable Agriculture courses for rural youth each year. The program includes theoretical and practical training in community development, leadership and communication, as well as sustainable agriculture techniques and natural resource management. As graduates, the youth are stronger leaders and they have a range of skills to facilitate participatory planning and community development in their own villages.

Construction of the permanent facilities at Islander Center – classrooms, a computer centre, a library, male and female dormitories, staff quarters and a guesthouse for visitors – is nearly complete.

In February 2008, the Nippon Foundation provided furniture, computers and other equipment. The Islander Center was officially opened in June 2008 by Mr. Manfred Hochwald of Welthungerhilfe and Mr. Takeju Ogata of the Nippon Foundation.



Net Profits

“Would you like to see us make the rope?” asks Ruvanathi, and in less than a minute she and partner Sithi have unfurled and twisted clumps of coarse coir into a sturdy 10-meter long rope. Coir, the fibrous husk of the coconut, is used to make a range of products in Sri Lanka, including rugs, wall hangings and gunny bags. The rope the women have made will be woven into nets used to prevent soil erosion on mountains.

The two are part of a 34-member women’s group that formed in the southern town of Ambalangoda after the tsunami. Sewalanka brought the community together to form a CBO to assess and prioritize what was needed to start or restart businesses and get the community running again. The women submitted a business plan to Sewalanka with a microfinance loan request for Sewa Finance.

CBOs distribute microfinance loans to their members – usually 10 at a time – according to members’ business plans. The CBO leadership is responsible for ensuring that repayments are made on time and for liaising with Sewalanka and Sewa Finance staff. The Ambalangoda women’s group has had three rounds of bulk loans so far, which helped to purchase equipment and supplies for all of the members. “We buy fibre from coir mills and each family makes rope. Then they bring it here where we make 15 x 2 meter mats that we sell to local traders,” says Sithi of her group’s activities. They make

up to 48 mats a week, earning approximately Rs. 3,400 per mat.

The CBO is divided into small satellite groups of five or six women who meet every week. The whole membership gets together once a month to discuss savings, business challenges and other activities in the community. To join the CBO members have to pay a Rs. 100 fee and then Rs. 25 every month. This contributes to the CBO’s savings. By coming together, they have been able to save and develop a welfare fund that supports families through illness or special needs.

“The CBO has brought unity to the village,” says Sithi. “We now know all the families since they are constantly meeting. Before, if we needed money, we would go to the local money lender. Now we come to the CBO and the interest is small in comparison.”

The group’s coir production has grown into an efficient business, requiring 12 people to operate. During peak times – when they have to meet the demand of international orders – they employ others at an hourly rate. What was once an all-female effort now employs men as well. “Our next priority is marketing – getting rid of the middle man so that we can get more for our products,” says Sithi. Through its new regional marketing centres and SEDCO services, Sewalanka will be able to help them with this goal too.



“The CBO has brought unity to the village. Now we know all the families since we are constantly meeting.”

Project List and Financial Statements



Locations	Project Name	Sources of Funding	Activities
All Island	Bringing New voices into the Sri Lankan Peace Process	Oxfam Novib	Establish psychosocial support centers in six districts
Jaffna	Tsunami Affected Area Rebuilding Project (TAARP) and Northeast Coastal Community Development Project (NECCDEP)	NECCDEP	Infrastructure; livelihoods-social mobilization; CBO strengthening for social empowerment in focal villages
Jaffna	Our Home Project	Force of Nature	Social mobilization; awareness and vocational training; build CBO capacity; construct water and sanitation facilities, and village development secretariat office; provide furniture, electrical supply; rehabilitation of rural access roads
Jaffna	Rebuilding of community based livelihood in tsunami affected villages in Northern Sri Lanka	BMZ/ Welthungerhilfe (GAA)	Distribute fishing net and Kaddumaram; Income Generation Activity grant; CEFE training; computer and sewing training; outboard engine repair, improve infrastructure: fishermen rest room, multipurpose hall, fisheries auction centre; institutional strengthening for social empowerment and mobilization
Jaffna	Construction House for Tsunami-Affected in Jaffna	BMZ/ Welthungerhilfe (GAA)	Construct 37 permanent houses for tsunami-affected families
Jaffna	Rebuilding of Schools in the North	BMZ/ Welthungerhilfe	Construct two school buildings
Jaffna	Hybrid Goat Rearing Project for Women Headed Families	IOM	Supply 180 goats; construct 60 goat sheds; conduct skill development, idea generation and business plan preparation programs
Jaffna	Livelihood for Women-Headed Families	UNHCR/Solidar	Livelihood activities for women-headed families; renovate well and construct cycle shed at Keerimalai
Jaffna	Livelihood Activities for After 11.08.2006 Displaced Youth	UNDP	Livelihood activities; skill development, idea generation and business plan preparation programs
Jaffna	Construction of Toilets for the Displaced Returnees from India	IOM	Construct 46 toilets
Jaffna	Immediate Remedial Intervention for Food Security to the Conflict and Flood-Affected Underprivileged Farmers in Jaffna District - Agricultural Intervention	FAO	Distribute agricultural fertilizers and seeds to 2075 affected farmers
Jaffna	Community-Based Approach to Support Identified Vulnerable Group in Emergency/ Abnormal Environment in Jaffna	WHO	First Aid and disaster management training; distribute First Aid kits to 500 pregnant women from highly vulnerable areas, 7 divisional-level disaster management committees and 150 youth and CBO representatives

Locations	Project Name	Sources of Funding	Activities
Mullaithivu, Kilinochchi	Rebuilding of Community-Based Livelihood in Tsunami-Affected Villages in Northern Sri Lanka	BMZ/ Welthungerhilfe (GAA)	Mobilize the SHG; strengthen CBOs; agricultural and non-agricultural support; fishing inputs and capacity building for the fishermen groups; improve infrastructure
Mullaithivu	Construction House for Tsunami-Affected in Mullaithivu	BMZ/ Welthungerhilfe	Shift to Jaffna due to the conflict situation between LTTE and SLA
Mullaithivu, Killinochchi	Integrated Humanitarian Assistance for Recently Displaced IDPs and Returnees Affected by Conflict in Northern Sri Lanka	ECHO/ Welthungerhilfe	Mobilize the SHG; construct temporary shelter, tube well and temporary toilets
Mullaithivu, Kilinochchi	Food Security for Recent IDPs and for Resettled and Relocated IDPs in Conflict-Affected Areas in North	ECHO/ Welthungerhilfe	Distribute dry rations, home garden package (vegetable seeds), paddy inputs, cash crops inputs, goats, cattle and poultry
Mullaithivu	Rebuilding of Schools in the North	Welthungerhilfe	Shift to Jaffna due to the conflict situation between LTTE and SLA
Mannar	Integrated Rehabilitation and Re-Integration Project	UNDP	Construct permanent multi-purpose complex, community centre and open dug wells
Mannar	Formation of Psychosocial Forum	UNICEF	Establish psychosocial forum of psychosocial organisation workers in Mannar; awareness training for government officers, forum members and CBOs; monthly meetings at district and divisional level.
Mannar	Formation of 50 Children Clubs in Five DS Divisions	UNICEF	Train about rights of the child and sexual abuse towards children; form sports clubs, provide equipment and temporary buildings; leadership training for CBOs
Mannar	Integrated Child Development Project	Save the Children	Social mobilization; awareness programs; psychosocial support; strengthen children's clubs; support for school dropouts; CBO capacity building; advocacy
Mannar	Integrated Community Development Project	NECORD/ ADB	Social mobilization; institutional strengthening; micro credit/income generation activities; youth assistance; women's support services implementation and infrastructure construction
Mannar	Integrated Development and Psychosocial Support in Post-Conflict Environment; and the Psychosocial support program	Helvetas	Train psychosocial staff in befriending and basic communication skills; awareness programs to sensitize communities to psychosocial issues; provide referral services for beneficiaries.
Mannar	Integrated Rural Development Project - Housing Scheme (Thiruketheeswaram 2, Thiruketheeswaram 1 and Saveriayarpuram)	Necord/ ADB	Construct permanent houses.

Locations	Project Name	Sources of Funding	Activities
Mannar	Women Development Project	UNDP	Income generation activities; RLF
Mannar	100 Individual Toilets and Renovation of Welfare Centers	UNHCR	Construct 100 toilets; support seed production; paddy processing; capacity building of farmer organisation; paddy store
Mannar	Sustainable Access of Marketing for Paddy Producers	Oxfam	Support seed production; paddy processing and stores; farmer organisations capacity building
Mannar	Resettlement Housing Project	UNHCR	50 temporary shelters
Mannar	Intensified Child Development through Personal and Social Linkages	Save the Children	Build safe house to care for orphans until host families are found
Mannar	Integrated Children's Development	SCISL	Assist 4,250 children and teachers
Mannar	Supply of Water Sanitation Project	UNICEF	Construction, operation and maintenance of water supply and sanitation facilities
Mannar	Housing Scheme	NECORD/ADB	Construct permanent homes for 24 families
Mannar	Dry Zone Agriculture Development Project	CARE	Build capacity of farmers' organizations through funding for seed purchase, training programs, establishing networks with GoSL partners, monitoring and information gathering and establishing resource centre
Mannar	Psychosocial Forum	UNICEF	22 NGOs, training; exchange visit; mapout; develop district plan
Mannar	Children's Club	UNICEF	Capacity building for children's and youth clubs; training program; exchange visit; mapout; promote saving habits; Children's Day celebration; coordinate other children's services and club meetings at village level; encourage home gardens
Mannar	Sustainable Market Access for Paddy Producers	Oxfam	Form and develop farmer company; arrange mill purchase and issue paddy; construct 11 toilets
Mannar, Vavuniya, Kalutara	IEC Programs Conducted on Tuberculosis	GFATM	Awareness program
Mannar	Food Security for Recent IDP and for Resettled and Relocated IDP in Conflict-affected Areas in North	ECHO/Welthungerhilfe	Clear 25 acres of jungle; build 70 semi permanent houses; construct 1-1/2 km road, well, bond and 70 toilets; self-employment; deliver 120 poultry, home garden, relief items
Mannar	Poverty Reduction and Reinforcement of Participatory Development Processes in Rural Communities Resettled In Former Conflict Areas of Northern Sri Lanka	EU/Welthungerhilfe	Provide two-wheel tractor, sprayer, tarpaulin, water pumps, Mili collecting cans; community building; cattle, paddy production; cash drop; fisheries, enterprise inputs; roads; agro well, drinking water, toilets

Locations	Project Name	Sources of Funding	Activities
Mannar	Integrated Humanitarian Assistance for Recently Displaced IDPs and for Returnees Affected by Conflict in Northern Sri Lanka	ECHO/ Welthungerhilfe	Construct semi-permanent shelters, toilets, internal road, tube well
Vavuniya	Poverty Reduction and Reinforcement of Participatory Development Processes in Rural Communities Resettled In Former Conflict Areas of Northern Sri Lanka	European Commission/ Welthungerhilfe	CBO training ,provide instruments, support for income generation activities, improve technical knowledge, ecological, social, health and gender-related activities
Vavuniya	Food Security and Rehabilitation Programme	Welthungerhilfe/BMZ	Construct temporary shelters, pre-schools, toilets; well rehabilitation; agriculture inputs for resettled families; distribute food and non-food items to IDPs
Vavuniya	Food Security for Recent IDP and for Resettled and Relocated IDP in Conflict Affected Areas in North	ECHO/Welthungerhilfe	Dry rations (food package); paddy inputs; home garden; tank renovation; perennial crops
Vavuniya	Integrated Humanitarian Assistance for Recently Displaced IDP and for Returnees Affected by Conflict in Northern Sri Lanka	ECHO/ Welthungerhilfe	Construct semi-permanent shelters, emergency shelters, renovate drinking water wells
Batticaloa	Delivery of Livelihood Recovery and Rehabilitation for Tsunami Affected Families in the Eastern Districts of Batticaloa PHS 1326	Dan Church Aid/FCA	Livelihood reconstruction; construct pre-school, toilets, wells, road; upgrade shelter; distribute perennial crops and school furniture; psychosocial program
Batticaloa	Implementation of Sustainable Livelihood Improvement and Resource Management in the Special Management Areas (NECCDEP 2005, 2006, 2007, TAARP 2005, 2006, 2007)	ADB	Social mobilization; CBO strengthening; infrastructure; livelihood; RLF
Batticaloa, Ampara, Trincomalee, Galle, Hambantota	Our Home Psychosocial Project	Force of Nature	Construct Our Home building; orientation; awareness and skill development programs; mobile campaign; TOT for psychosocial workers; train volunteers
Batticaloa	Livelihood, Rehabilitation & Development PHS 1971	Dan Church Aid/ Danida	Repair children's park, pre-school building and equipment; strengthen the CBO; beekeeping; poultry and fish fingerling rearing; livestock; upland cultivation; provide land master, mini tractor, agro chemicals; build common wells, new road and co-operative building; micro credit
Batticaloa	Livelihood Assistance to Resettled IDPs 2007 PHS 2019	Dan Church Aid	Distribute goats
Batticaloa	Relief and Resettlement of Internally Displaced Persons (IDPs) in Batticaloa 2007 PHS 2054	Dan Church Aid/ Fin Church Aid/ Malteser	Relief; strengthening CBO; distribute canoes, nets, seed paddy, fertilizer, oil; upland cultivation; distribute mini tractor for the fisheries organization; water pump

Locations	Project Name	Sources of Funding	Activities
Batticaloa	Livelihood Development Programme of Resettled People at Puliyanandalady BAT / 47437 / 19	UNDP	Livelihood support to fishermen, tenant farmers; distribute paddy; grant for small business; construct wells and toilets
Batticaloa	Livelihood Development Programme of Resettled People at 5th Colony BAT / 56504 / 02	UNDP	Distribute fishing and livelihood inputs for small business and for agriculture
Batticaloa	Livelihood Assistance to Resettled IDPs PHS 2160	Dan Church Aid/ Danida	Upland crop cultivation; micro credit; distribute chemicals, seeds and sprayer, carpentry and masonry tool sets; goat rearing, poultry farming; micro credit – self-employment
Batticaloa	Improves the Shortage of Water in the Emergency Camps	IOM	Water supply, tank cleaning
Batticaloa	Support for Agriculture Livelihoods of Returnees in the District of Batticaloa	Embassy of Japan	Tank rehabilitation; repair irrigation channel; support for home garden; construct well; distribute Land Master
Ampara	Mangrove Restoration	Diakonia	Mangrove cultivation and CBO capacity building
Ampara	Integrated Community Development Project	Oxfam	Construct seed storage, meeting hall; distribute agriculture equipment; CBO capacity building; promote organic farming technology
Ampara	North East Community Restoration & Development Project (NECORD)	ADB	Construct 3.1 km gravel road, 60 toilets, 4 drinking wells; CBO capacity building; IGA and vocational training; revolving loan
Ampara	Transit House Project	UNICEF	Renovate guard room; construct boundary wall; psychosocial support for abused children
Ampara	Development of Peace in Sri Lanka	Swiss Contact	Vocational training; peace building; career guidance counselling
Ampara	CBO Capacity Project	ICEIDA	CBO development (mobilization)
Ampara	Poultry Project	UNDP	Technical training to poultry farm; construct poultry shed; distribute chicks and feed; model farm; exposure visit; CBO formation
Ampara	Rehabilitation Inspector Eththam	Solid House	PRA and PNA program; construct dome, eco toilets, roads, electricity, water tank; CBO and group formation; savings, bookkeeping and business plan training
Trincomalee	North East Coastal community Development Project Social Mobilization	NECCDEP / ADB	VDP preparation and review; sub-project proposals and implementation; CBO strengthening; social mobilization; gender, general awareness, livelihood, environmental and micro credit support programs

Locations	Project Name	Sources of Funding	Activities
Trincomalee	Establishing a Technical Education Training Center in Trincomalee	Welthungerhilfe	Construct and establish technical education and training center including equipment for fishery, furniture, generator and kitchen utensils
Trincomalee	Community Development Project (NECORD) – Social Mobilization - 2008	NECORD / ADB	Social mobilization; institutional strengthening; youth assistance; environment; revolving fund – IGA; infrastructure; road rehabilitation; construct village development secretariat
Trincomalee	ICEIDA Social Mobilization Project	Iceland Embassy	Fisheries CBO survey; identify major problems; provide support; implement small loan scheme; encourage saving; leadership, bookkeeping and Recovery Finance Management training; establish I/NGO links; monitor/evaluate CBO and building activities; link CBO with SEDCO and MFI; introduce marketing system
Trincomalee, Matara	Disaster Risk Reduction	Action Aid (UK)	Increase community awareness; mitigating and preparedness activities; establish community level early warning system and links with external parties; staff capacity building
Galle	Salvation Army Home Gardening Project	Salvation Army	Home gardening activities; health and sanitation awareness
Galle, Hambantota	TB Awareness Creation	GFATM	TB awareness programs
Galle	Sewa MFI Credit Program	SLF	Provide micro credit with CBO development activities; bookkeeping, leadership and technical training; business development services
Galle	IT Centers Program	Microseed	Provide computer trainings
Matara	Towards Sustainable Livelihoods in Matara	CIDA	Sustainable livelihood development
Matara	SEDCO	SEDCO	Organize Kithul farmers and provide marketing facilities through SEDCO
Matara	ICEIDA Project	Icelandic International Development Agency	Develop infrastructure for fisheries co-operative societies, encourage member savings and mobilization
Matara, Polonnaruwa, Kurunegala, Nuwara Eliya, Anuradhapura	IEC Programs Conducted on Tuberculosis	GFATM	Awareness programs about TB
Anuradhapura	Restoration of Natural Habitats in Village Tank Eco-system in the Dry Zone	IUCN Sri Lanka	Preservation and restoration of traditional tank ecosystem
Anuradhapura	Youth Training Center	GAA	Agriculture and leadership training
Matale	Home Employment & Lighting Project	UNDP	Train community in paper making to pay for solar power systems in village
Matale	PRA Capacity Building Need Assessment	IUCN	Needs assessment

K. S. KARUNADASA & COMPANY
CHARTERED ACCOUNTANTS

No. 6/A, Perera Mawatha,
Madakumbura, Panadura,
Sri Lanka.

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(094) 038-4925648
FAX: (094) 038-2240708

TO THE MEMBERS OF
SEWA LANKA FOUNDATION

Report on the Financial Statements

We have audited the accompanying financial statements of Sewa Lanka Foundation, which comprise the balance sheet as at March 31, 2008, and the statement of financial activities, statement of changes in accumulated fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Accounting Standards and Sri Lanka Statement of Recommended practice for Not-for-Profit Organizations. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Foundation maintained proper accounting records for the year ended March 31, 2008 and the financial statements give a true and fair view of the Foundation's state of affairs as at March 31, 2008 and its surplus and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards and Sri Lanka Statement of Recommended practice for Not-for-Profit Organizations.



Chartered Accountants

No. 6 A, Perera Mawatha,
Panadura.

Date : 27th November 2008



K. S. KARUNADASA & CO;
CHARTERED ACCOUNTANTS

Statement of Financial Activities
For the year ended 31st March

	Note	<u>2008</u> Rs.	<u>2007</u> Rs.
Income Received			
Incoming Resources	3.1	1,422,967,206.46	1,863,824,689
Project Expenditure			
Staff	3.2	89,177,391.91	116,509,140
Direct costs		1,151,403,459.94	1,468,257,336
Indirect expenditure		43,538,723.29	89,982,884
Total Project Costs		<u>1,284,119,575.14</u>	<u>1,674,749,360</u>
Net Surplus on Projects	3.3	138,847,631.32	189,075,328
Revenue earned	3.4	1,810,875.32	2,022,221
		140,658,506.64	191,097,550
Administrative expenses		93,739,789.51	82,129,407
Net Surplus on Operating Activities	3.5	46,918,717.13	108,968,142
Finance costs	3.6	6,326,344.04	3,327,242
Net Surplus before tax		40,592,373.09	105,640,901
Income tax expenses	3.7	1,050,967.00	1,139,357
Net Surplus after tax		<u>39,541,406.09</u>	<u>104,501,544</u>

Balance Sheet as at 31st March

	Note	2008 Rs.	2007 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	3.8	365,017,759.69	334,337,086
Investment in Subsidiaries	3.9	93,216,253.34	-
		458,234,013.03	334,337,086
Current Assets			
Receivables, Deposits & Advances	3.10	17,031,523.66	40,874,832
Short Term Deposits	3.11	7,000,000.00	10,000,000
Cash at Bank and in Hand	3.12	192,837,011.58	171,334,057
		216,868,535.24	222,208,889
Current Liabilities			
Creditors	3.13	13,839,800.99	20,273,942
Bank overdrafts	3.14	15,766,002.59	8,530,360
		29,605,803.58	28,804,302
Current Assets less Current Liabilities		187,262,731.66	193,404,587
Total Assets less Current Liabilities		645,496,744.69	527,741,673
FUNDING AND LIABILITIES			
Accumulated Fund			
Unrestricted Funds	3.15	431,639,240.72	313,229,666
Restricted Funds	3.16	198,300,530.58	203,386,274
Total Accumulated Fund		629,939,771.30	516,615,940
Non Current Liabilities			
Deferred Liabilities	3.17	15,556,973.39	11,125,733
Total Non Current Liabilities		15,556,973.39	11,125,733
Total Accumulated Fund and Liabilities		645,496,744.69	527,741,673



These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007


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Finance Officer

The financial statements as appear on pages 02 to 21 were approved by the Board of Directors on 26th November 2008.

Signed on behalf of the Board by

Directors


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Date : 26th November 2008.

K. S. KARUNADASA & CO;
CHARTERED ACCOUNTANTS

Statement of Changes in Accumulated Fund

During the year ended 31st March 2008

	Restricted Fund Rs.	Unrestricted Fund Rs.	Total Rs.
Balance as at 01st April 2006	286,118,226.55	208,728,122.10	494,846,348.65
Funds Transferred to Statement of Financial Activities	(82,731,952.34)	-	(82,731,952.34)
Net Surplus for the year	-	104,501,543.65	104,501,543.65
Balance as at 31st March 2007	<u>203,386,274.21</u>	<u>313,229,665.75</u>	<u>516,615,939.96</u>
Balance as at 01st April 2007	203,386,274.21	313,229,665.75	516,615,939.96
Prior Year Adjustment	-	78,868,169.00	78,868,169.00
Funds Transferred to Statement of Financial Activities	(5,085,743.63)	-	(5,085,743.63)
Net Surplus for the year	-	39,541,406.09	39,541,406.09
Balance as at 31st March 2008	<u>198,300,530.58</u>	<u>431,639,240.84</u>	<u>629,939,771.42</u>



Cash Flow Statement

for the year ended 31st March

	Note	<u>2008</u> Rs.	<u>2007</u> Rs.
Cash flow from project activities			
Incoming Resources		1,219,580,932.25	1,577,706,462
Interest Income Received		1,810,875.32	1,819,999
Cash paid out for project activities		(1,274,968,778.31)	(1,660,438,045)
Administrative expenses		(35,229,224.23)	(22,250,018)
Finance costs		<u>(6,326,344.04)</u>	<u>(3,327,242)</u>
Net cash flow from project activities		(95,132,539.01)	(106,488,843)
Cash flows from investing activities			
Acquisition of property, plant & equipment		<u>(89,191,238.68)</u>	<u>(155,284,862)</u>
Net cash flows used in investing activities		<u>(89,191,238.68)</u>	<u>(155,284,862)</u>
Cash flows from financing activities			
Cash received from donors not used for projects		198,300,531	203,386,274
Income Tax		(1,496,784.64)	-
Proceeds from interest bearing borrowings		10,343,566.49	3,299,728
Re-payment of interest bearing borrowings		<u>(11,556,222.23)</u>	<u>(7,410,377)</u>
Net cash flows used in financing activities		<u>195,591,090.20</u>	<u>199,275,626</u>
Net increase in cash and cash equivalents		11,267,312.51	(62,498,080)
Cash and cash equivalents at beginning of the year	(a)	172,803,696.48	235,301,776
Net change in cash and cash equivalents		<u>184,071,008.99</u>	<u>172,803,696</u>
Cash and cash equivalents at end of the year	(b)	<u>184,071,008.99</u>	<u>172,803,696</u>
		<u>184,071,008.99</u>	<u>172,803,696</u>
Note (a)			
Cash in hand at beginning of the year		1,207,396.62	1,100,187
Balance at bank at beginning of the year		161,596,299.86	209,201,590
Short term deposits at beginning of the year		10,000,000.00	25,000,000
		<u>172,803,696.48</u>	<u>235,301,776</u>
Note (b)			
Cash in hand at end of the year		328,382.18	1,207,397
Balance at bank at end of the year		176,742,626.81	161,596,300
Short term deposits at end of the year		7,000,000.00	10,000,000
		<u>184,071,008.99</u>	<u>172,803,696</u>

Notes to the Financial Statements

For the year ended 31st March

	2008 Rs.	2007 Rs.
(03.1) INCOMING RESOURCES		
Grants - Restricted Fundings		
Brought forward balance	203,386,274.21	286,118,227
Donations	1,414,088,849.60	1,778,115,896
Unspent funds	(198,300,530.58)	(203,386,274)
	<u>1,419,174,593.23</u>	<u>1,860,847,848</u>
Grants - Unrestricted Fundings	3,792,613.23	2,976,840
Funds used for Activities	<u>1,422,967,206.46</u>	<u>1,863,824,689</u>
(03.2) PROJECT EXPENDITURE		
Staff	89,177,391.91	116,509,140
Direct costs	1,151,403,459.94	1,468,257,336
Indirect expenditure	43,538,723.29	89,982,884
	<u>1,284,119,575.14</u>	<u>1,674,749,360</u>
(03.3) Note on Project activity summary is given in page 12 to 17.		
(03.4) REVENUE EARNED FROM OTHER ACTIVITIES		
Interest received on unrestricted funds	1,810,875.32	2,022,221.14
	<u>1,810,875.32</u>	<u>2,022,221.14</u>
(03.5) NET SURPLUS ON OPERATING ACTIVITIES is stated after charging		
Auditors fees	250,000.00	250,000
Defined benefit plan cost - Gratuity	4,431,240.10	6,303,621
Defined contribution cost - E.P.F. & E.T.F.	1,302,018.23	581,425
Staff remuneration - Local	8,680,121.63	6,069,402
Depreciation	58,510,565.28	53,575,769
Rent, Electricity & Water	4,993,293.02	4,733,666
(03.6) FINANCE COST		
Interest expense on short term borrowings	6,326,344.04	3,327,242
	<u>6,326,344.04</u>	<u>3,327,242</u>
(03.7) INCOME TAX EXPENSES		
Total grant received	1,417,881,462.83	1,781,092,736
Deduct : Grants received for exempt activities	1,331,288,636.02	1,688,201,187
Net funding received liable to Tax	<u>86,592,826.81</u>	<u>92,891,550</u>
3% thereof	2,597,784.80	2,786,746
Tax Payable thereof at 30%	<u>779,335.44</u>	<u>836,024</u>
Interest received on unrestricted funds	1,810,875.32	2,022,221
Tax Payable thereof at 15%	<u>271,631.30</u>	<u>303,333</u>
Total Tax Payable	1,050,966.74	1,139,357
Withholding tax paid	-	202,222
Balance Tax payable	<u>1,050,966.74</u>	<u>937,135</u>

Notes to the Financial Statements (contd.)

For the year ended 31st March

2008
Rs.2007
Rs.**(03.8) PROPERTY, PLANT AND EQUIPMENT**

Item	Balance as at 01.04.2007 Rs.	Additions during the year Rs.	Balance as at 31.03.2008 Rs.
At Cost			
Land & Buildings	124,057,967.84	54,388,969.95	178,446,937.79
Plant & Machinery	25,506,666.50	3,727,747.50	29,234,414.00
Motor Vehicles	280,777,790.02	10,684,026.18	291,461,816.20
Furniture & Fittings	4,853,354.46	8,759,657.00	13,613,011.46
Office Equipment	19,456,145.03	2,354,368.25	21,810,513.28
Computer Equipment	7,205,003.75	1,613,293.80	8,818,297.55
Sundry Equipment	734,551.25	7,663,176.00	8,397,727.25
Total	462,591,478.85	89,191,238.68	551,782,717.53

Item	Balance as at 01.04.2007 Rs.	Charged during the year Rs.	Balance as at 31.03.2008 Rs.
Depreciation on Written down value			
Land & Buildings	-	6,202,898.40	6,202,898.40
Plant & Machinery	6,970,913.96	4,633,938.14	11,604,852.10
Motor Vehicles	110,848,062.75	42,482,431.89	153,330,494.64
Furniture & Fittings	2,556,115.06	574,309.86	3,130,424.92
Office Equipment	5,487,934.95	3,492,052.23	8,979,987.18
Computer Equipment	1,962,753.25	1,048,450.10	3,011,203.35
Sundry Equipment	428,612.59	76,484.67	505,097.26
Total	128,254,392.56	58,510,565.28	186,764,957.84

	Cost	Accumulated Depreciation	Net Book Value
Balance as at 31.03.2008	551,782,717.53	186,764,957.84	365,017,759.69

(03.9) INVESTMENT IN SUBSIDIARIES

Sewa Lanka Community Financial Services Limited	84,019,481.00	-
Sewa Lanka Enterprises Development Company (Guarantee) Limited	9,196,772.34	-
	93,216,253.34	-

(03.10) RECEIVABLES AND ADVANCES

Projects fund receivable	453,936.32	5,016,566
Advances	13,931,884.36	33,402,092
Staff loan	2,645,702.98	2,456,175
	17,031,523.66	40,874,832

(03.11) SHORT TERM DEPOSITS

Fixed Deposits	7,000,000.00	10,000,000
	7,000,000.00	10,000,000

(03.12) CASH AT BANK AND IN HAND

Cash at Bank - Restricted funds	192,508,629.40	169,141,208
Cash at Bank - General funds	-	985,452
Cash in Hand	328,382.18	1,207,397
	192,837,011.58	171,334,057

Notes to the Financial Statements (contd.)

For the year ended 31st March

	<u>2008</u> Rs.	<u>2007</u> Rs.
(03.13) CREDITORS		
Accrued Expenses	1,107,878.81	819,937
Income Tax Payable	1,050,967.00	1,496,785
Lease Rental Payable (a, b)	11,680,955.18	12,893,611
Project Expenses Payable	-	5,063,610
	13,839,800.99	20,273,942
 <u>(a). Rental Payable under financing leases</u>		
Amounts falling due within one year	8,917,947.15	6,504,820
Amounts falling due after one year	2,763,008.03	6,388,790
	11,680,955.18	12,893,611
 <u>(b). Rental payable classified under lender</u>		
Central Finance PL Vehicle Leasing	3,522,343.08	6,782,882
HNB Leasing Co. Vehicle Leasing	7,182,558.61	4,834,254
Orient Leasing Vehicle Leasing	355,322.00	1,276,474
Ceylinco Leasing Vehicle Leasing	620,731.49	-
	11,680,955.18	12,893,611
 (03.14) BANK OVERDRAFTS		
Hatton National Bank	12,549,809.61	3,809,550
Nation Trust Bank	49,708.21	14,847
People's Bank	2,339,644.94	3,490,205
Sampath Bank	291,598.62	1,215,758
Commercial Bank	535,241.21	-
	15,766,002.59	8,530,360
 (03.15) UNRESTRICTED FUNDS		
Balance at beginning of the year	313,229,665.63	208,728,122
Prior Year Adjustment (03.15.1)	78,868,169.00	-
Unrestricted surplus in operating activities	39,541,406.09	104,501,544
Balance as at year end	431,639,240.72	313,229,666
 (03.15.1) PRIOR YEAR ADJUSTMENT		
NOVIB Project	50,646,475.00	-
Concern Project	27,200,000.00	-
Other Projects	1,021,694.00	-
	78,868,169.00	-
 (03.16) RESTRICTED FUNDS		
Balance at beginning of the year	203,386,274.21	286,118,227
Additional funds received during the year	1,414,088,849.60	1,778,115,896
Transfer to Statement of Financial Activities	(1,419,174,593.23)	(1,860,847,848)
Balance as at year end	198,300,530.58	203,386,274
 (03.17) DEFERRED LIABILITIES		
<u>Retirement Benefit Obligation - Gratuity</u>		
Balance as at 01.04.2007	11,125,733.29	4,822,113
Add: Provision made during the Year	4,431,240.10	6,303,621
Balance as at 31.03.2008	15,556,973.39	11,125,733

Notes to the Financial Statements (contd.)

For the year ended 31st March

(03.18) CAPITAL EXPENDITURE COMMITMENTS

There were no material capital expenditure commitments as at the Balance Sheet date.

(03.19) CONTINGENT LIABILITIES

There were no known contingent liabilities as at the Balance Sheet date.

(03.20) POST BALANCE SHEET EVENTS

No material events have taken place after the Balance Sheet date which require an adjustment to or a disclosure in the Financial Statements.

(03.21) COMPARATIVE INFORMATION

Comparative figures have been reclassified where necessary in line with the presentation requirements for the current year.

(03.22) DIRECTORS' INTEREST IN CONTRACTS

According to the information made available to us, the Directors of the Foundation were not directly or indirectly interested in contracts with the Foundation during the year ended 31st March 2008.

Summary of Significant Accounting Policies**01. General information**

1.1 Sewa Lanka Foundation is a non governmental organization as per the definition provided in the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (including Non Governmental Organizations).

The Foundation was incorporated on 19th February 1992 under the Companies Act No. 17 of 1982, with the name of Sewa Lanka Foundation (Guarantee) Limited as a development non- Government organization. The company has taken necessary steps to re-register under the New Companies Act No. 7 of 2007.

Among other sectors, Sewa Lanka presently works in social mobilization, institutional capacity building, micro enterprise development, sustainable agriculture and environment conservation, inland fisheries, psychosocial support, peace building, micro finance, health, vocational training and providing shelter and sanitary facilities for the poor.

Sewa Lanka has a decentralized structure, working in 19 districts in the country. At the end of the year there were 825 staff members including volunteers. While district offices are responsible for coordinating with community based organizations and engaging in other internal activities of districts, Colombo based Head office provides coordination with Donors and administrative and financial supervision of the entire organization.

The names of the Members of the Board of

the Foundation are provided on page 43.

1.2 It is domiciled in Sri Lanka. The principle place of activity of the organization is located at No. 432 A, Colombo Road, Boralesgamuwa.

Except for certain activities that will conclude on the realization of their relevant activities in accordance with the relevant terms of reference, the financial statements have been prepared on a going concern basis.

1.3 The notes to the Financial Statements on Page 35 to 39 are an integral part of the financial statements.

1.4 All values presented in the financial statements are in Sri Lankan Rupees unless otherwise indicated.

2. Summary of significant accounting policies**2.1 General Policies****2.1.1 Basis of Preparation**

The balance sheet, statement of financial activities, statement of changes in accumulated fund and the cash flow Statement, together with the Accounting Policies and Notes to the financial statements as at 31st March 2008 and for the year then ended comply with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (including Non Governmental Organizations) issued by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements have been prepared

on a historical basis.

2.1.2 Comparative Information

The Accounting Policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years.

2.1.3 Translation of Foreign Currency

All foreign currency transaction have been converted in to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time that the transaction was effected.

2.1.4 Taxation**a. Current Taxes**

Income tax is provided in accordance with the provisions of the Inland Revenue Act No. 10 of 2006, and is based on the elements of income and expenditure reflected in the statement of financial activities and on the elements of grants received, subject to exemptions.

2.2 Accounting for the receipt and utilization of Funds**2.2.1 Funds**

a. Unrestricted funds. Unrestricted funds are those that are available for use by the organization at the discretion of the board, in furtherance of the general objectives of the organization and which are not designated for any specific purpose.

Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant Donor Agreements or

Summary of Significant Accounting Policies - contd.

with the subsequent approval of the Donor.

b. Restricted Funds. Where grants are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the statement of financial activities account to match with expenses incurred in respect of that identified project. Unutilised funds are held in their respective fund accounts and included under accumulated fund in the balance sheet until such time as they are required.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received such amount is recognized through receivable in the balance sheet.

The activities for which these restricted funds may and are being used are identified in the notes to the financial statements.

c. Other Income. Investment income and other gains realized from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

2.2.2 Grants

Grants are recognized in the financial statements at their fair value. When the grant relates to an expenses it is recognized as income over the period necessary to match it with the costs, which it is intended to compensate for on a systematic basis.

2.3 Valuation of assets and their bases of measurement

2.3.1 Receivables

Receivables are stated at the amounts they are estimate to realize net of provisions for bad and doubtful debts.

2.3.2 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, short term investments, readily convertible to identified amount of cash and which are not subject to any significant risk of change in value.

For purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and bank deposits, net of outstanding bank overdrafts.

2.3.3 Property, Plant and Equipment

a. Cost and Valuation. All items of property, plant and equipment are initially recorded at cost.

Building owned are used for purpose of the organization and is therefore do not fall under the definition of investment property.

b. Restoration costs. Expenditure incurred on repairs or maintenance of property, plant and equipment to restore or maintain the economic benefits to be obtained at original levels of performance is recognized as an

expense as and when incurred.

c. Depreciation. Depreciation is provided for on all assets on the reducing balance method and is calculated on the cost or revalued amount of all property, plant and equipment other than land, in order to write off such amounts less any terminal value over the estimated useful lives of such assets. Depreciation is not provided in the year of purchase while a full year's depreciation is charged in the year of disposal.

The annual rates of depreciation currently being used by the organization are:

Assets	Rate pa.
Land & Building	5%
Plant & Machinery	25%
Motor Vehicles	25%
Computer Equipment	20%
Office Equipment	25%
Furniture & Fittings	25%

2.3.4 Leases

a. Finance Leases. Property, plant and equipment on finance leases, which effectively transfer to the organization substantially all of the risk and benefit incidental to ownership of the lease items, are capitalized and disclosed as Finance Lease at their cash price and depreciated over the period the organization is expected to benefit from the use of the lease assets.

The corresponding principal amount that is payable to the lesser is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest element of the rental obligation pertaining to each financial year is charged to the statement of financial activities over the period of the lease.

2.4 Liabilities and Provisions

2.4.1 Retirement Benefit Obligations

a. Defined Benefit Plan – Gratuity. Retirement Gratuity is a Defined Benefit Plan. The organization is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried in the balance sheet that is based on a half-month's salary as of the last month of the financial year for all employees for each completed year of service commencing from the first year of service. The difference between the provision that is brought forward at the beginning of the year and the provision that is required to be carried forward at the end of the year is adjusted through the statement of financial activities.

This provision is not externally funded. However, in accordance with the payment of Gratuities Act No. 12 of 1983, this liability arises only on the completion of five years of continued service of any employee.

b. Defined Contribution plans. All employees are eligible to contribution to the Employees' Provident Fund and the Employees' trust Fund in accordance with the relevant statute and regulations. The organization contributed a defined percentage of the gross emoluments of the employees to the Employee's Provident Fund and to the Employee's Trust Fund.

2.5 Statement of Financial Activities

2.5.1 Income Recognition

a. Incoming Resources. Income realized from restricted funds is recognized in the statements of financial activities only when there is certainty that all conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the statement of financial activities. Unutilized funds are carried forward as such in the balance sheet.

All other income is recognized when the organization is legally entitled to the use of such funds and the amount can be quantified. This would include income receivable through donations.

b. Revenue. Income earned including interest is recognized on an accrual basis.

2.5.2 Expenditure recognition

Expenses in carrying out the project and other activities of the organization are recognized in the statement of financial activities during the period in which they are incurred. Other expenses incurred in administering and running the organization and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of financial activities.

The organization has adopted the "Function of expense" method to present fairly the element of Organizations activities in its statement of financial activities.

2.6 Segment Information

The organization's internal management and reporting formats are structured and based on activities and services that are similar in nature and where the risk and obligations are similar. The primary segments represent this structure.

The secondary segments are determined on the organizations geographic spread of operations.

The activities of each of the reported activity based segments are reported on pages 40 to 41. Segment information has been prepared in accordance with the accounting policies set out in the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organization (Including Non Government Organization).

Project Activity Summary

Identified Project	Transferred from Restricted Funds Note 3.1		Received during the year from unrestricted funds and other sources Rs.	Total amount expended Note 3.2			Net Surplus / Deficit on project Rs.
	Organisation	Amount Rs.		Staff cost Rs.	Direct project cost Rs.	Indirect project cost Rs.	
Community Health - Vavuniya	OXFAM	3,522,490.69	-	876,850.00	2,489,567.33	155,057.84	1,015.52
Psychosocial - Vavuniya	Helvetas	248,566.53	-	-	-	1,184,185.63	(935,619.10)
Livelihood Development - Batticaloa	UNDP	2,788,043.89	-	333,000.00	2,451,660.00	-	3,383.89
Housing - Mannar	- d o -	495,345.43	1,195,332.06	-	1,690,677.49	-	0.00
Infrastructure Development - Vavuniya	German Agro Action	103,320,570.04	12,500.00	7,608,630.00	87,766,752.00	8,051,536.50	(93,848.46)
Project Monitoring - GAA	- d o -	2,061,008.92	-	217,365.00	1,700,411.17	-	143,232.75
GAA School Project	- d o -	-	-	-	-	136,760.00	(136,760.00)
Relief & Rehabilitation - Vavuniya	- d o -	22,565,365.62	230,815.60	2,318,372.50	19,579,923.25	858,938.23	38,947.24
Skill Development - Vavuniya	- d o -	17,469,477.45	-	3,021,643.00	5,373,485.00	1,766,999.45	7,307,350.00
Infrastructure Development - Kilinochchi	- d o -	131,672,364.40	-	6,282,503.04	121,307,136.75	4,082,724.61	(0.00)
160 Permanent House Project - Kilinochchi	- d o -	2,097,395.28	-	-	-	-	2,097,395.28
Emergency Relief Project - Head Office	- d o -	24,968,148.50	-	-	12,028,760.75	-	12,939,387.75
Appeal Fund Project - Ampara	- d o -	3,802,439.11	-	-	-	-	3,802,439.11
Child Rehabilitation - Mannar	Save the Children	2,030,116.37	28,525.00	69,000.00	1,868,391.00	122,432.17	(1,181.80)
Infrastructure Development - Trincomalee	North East Provincial Council	7,472,891.92	-	-	7,225,226.05	240,572.87	7,093.00
North - East Community Re-storage - Mannar	- d o -	15,143,830.61	86,615.00	-	14,584,378.00	1,096,480.07	(450,412.46)
North - East Community Re-storage - Jaffna	- d o -	2,787,786.11	-	-	1,789,957.02	-	997,829.09
The Grant Assistance for Grassroot Human - Security Project - Batticaloa	Japanese Embassy	2,144,950.11	-	-	2,398,460.00	68,537.70	(322,047.59)
Empowering the Poorest of the Poor Women & Young Girls In South, North & East	-	4,507,416.16	-	-	3,985,780.61	8,850.00	512,785.55
Vocational Training - Ampara	Swiss Contact	1,185,444.38	-	378,680.00	686,717.00	106,379.45	13,667.93
Vocational Training - Ampara	Swiss Contact	1,910,036.68	-	-	1,906,342.00	-	3,694.68
Housing - Ampara	Solid House	54,602,067.49	-	3,380,429.50	55,490,528.72	281,221.26	(4,550,111.99)
Infrastructure Development - Ampara	- d o -	7,156,739.49	-	-	7,226,944.75	-	(70,205.26)
Vocational Training - Galle	Peace Boat	2,760,248.49	-	1,224,096.14	769,453.92	28,389.71	738,308.72
Housing - Trincomalee	CESVI	40,486,964.10	-	1,559,020.00	38,129,088.69	838,242.41	(39,387.00)
Community Health - Trincomalee	Mercy Corps	508,477.62	-	-	-	544,291.90	(35,814.28)
Infrastructure Development - Trincomalee	North East Provincial Council	43,022,188.68	-	2,529,400.00	39,543,223.09	2,418,717.14	(1,469,151.55)
Rehabilitation - Ampara	DCA	7,624,385.25	-	580,000.00	2,086,874.75	257,149.70	4,957,510.50
Agriculture - Ampara	Diakonia	9,735,985.87	-	3,088,539.00	6,627,792.24	82,207.96	(237,495.07)
Agriculture - Ampara	UUSC	3,329,913.86	-	-	3,433,649.90	-	(185,944.00)
General Administration	-	31,052,560.00	-	-	-	-	31,052,560.00
Infrastructure Development - Batticaloa	North East Provincial Council	16,026,921.81	-	170,000.00	8,087,179.20	410,000.00	7,359,742.61
Infrastructure Development - Batticaloa	- d o -	64,115,491.01	-	3,940,000.00	59,602,969.51	506,805.00	65,716.50
Infrastructure Development - Jaffna	- d o -	3,102,518.29	-	2,033,888.00	1,064,245.94	-	4,384.35
Livelihood Development - Kandy	HELP	6,872,482.45	-	-	5,666,278.66	296,224.34	909,979.45
Agriculture - Jaffna	FIDR	86,218.53	-	40,000.00	-	9,776.75	36,441.78
Community Health - Jaffna	WHO	4,776,308.13	-	660,000.00	4,093,635.00	-	22,673.13
Community Health - Jaffna	WHO	8,557,142.37	1,101,432.63	2,108,835.00	7,533,717.52	-	16,022.48
Livelihood Development-Southern Province	CHF-CIDA	80,282,072.34	-	9,192,367.00	65,883,263.18	5,062,717.07	143,725.09
Psychosocial	Force of Nature	18,742,721.29	-	5,799,300.00	2,893,243.99	955,067.34	9,095,109.96
Relief - Hambantota	UNDP	1,104,230.40	1,099,891.00	325,775.00	1,728,734.50	-	149,611.90
Agriculture - Anuradapura	IUCN	1,863,161.17	-	532,500.00	1,244,066.63	69,026.56	17,567.98

Project Activity Summary

Identified Project	Transferred from Restricted Funds Note 3.1		Received during the year from unrestricted funds and other sources Rs.	Total amount expended Note 3.2			Net Surplus/ Deficit on project Rs.
	Organisation	Amount Rs.		Staff cost Rs.	Direct project cost Rs.	Indirect project cost Rs.	
Legal Assistance - Galle, Matara	IDLO	4,444,857.17	-	4,441,015.36	-	3,841.81	
Relief - Kilinochchi	German Agro Action	3,415,382.98	-	506,109.88	84,414.01	0.00	
Infrastructure Development - Kilinochchi	German Agro Action	89,960,857.21	-	1,395,391.11	2,821,849.84	653,431.34	
Community Health - Vavuniya	IOM	412,858.45	6,274.93	92,000.00	1,816.80	1,916.58	
Infrastructure Development - Vavuniya	German Agro Action	56,483,599.68	-	1,281,100.00	1,530,257.80	689,607.98	
Rehabilitation - Batticaloa	DCA	196,362,906.67	-	4,681,250.00	1,620,008.23	(79,634.91)	
Vocational Training - Ampara	ICEI	9,275,200.00	-	180,000.00	910,668.46	14,663.29	
Vocational Training	Dry Fish	949,442.91	10,000.00	150,000.00	717,909.50	10,000.00	
Agriculture - Ampara	FAO	1,024,850.00	5,000.00	15,000.00	980,454.50	4,456.50	
Relief - Ampara	OXFAM-RLF	11,103,892.80	-	2,449,067.00	11,092,000.00	11,892.80	
Community Health - Ampara	OXFAM	7,066,137.39	-	162,000.00	4,379,115.50	11,807.08	
Infrastructure Development - Batticaloa	Embassy of Japan	162,750.58	-	-	-	750.58	
Community Health - Nuwaraeliya	IOM	190,700.00	-	-	190,700.00	-	
Child Rehabilitation - Batticaloa	Harri Home	1,707,844.92	-	-	-	1,707,844.92	
Vocational Training - Galle	Salvation Army	1,607,232.93	-	855,000.00	645,700.00	2,106.93	
Training Center - Anuradapura	German Agro Action	40,296,236.65	-	231,572.65	2,644,195.50	37,420,468.50	
Relief - Batticaloa	OXFAM-NOVIB	38,864,641.08	-	-	38,847,882.48	16,758.60	
Community Health -							
Galle, Matara & Nuwaraeliya	GFATM	1,771,038.97	-	305,600.00	1,450,587.71	14,851.26	
Vocational training - Galle	Transrural Trust	672,649.88	-	114,750.00	555,047.00	2,852.88	
Community Mobilization -							
Batticaloa, Trincomalee, Jaffna	ICIDA	4,579,078.28	-	1,964,350.00	2,310,054.90	9,265.11	
Relief - Batticaloa, Vavuniya	NIPPON Foundation	23,628,960.00	-	-	362,848.00	23,266,112.00	
Relief - Batticaloa, Vavuniya	NIPPON Foundation	33,817,793.62	-	-	33,807,125.00	10,668.62	
Peace and Reconciliation	NOVIB	8,701,346.70	-	1,577,390.00	6,773,301.00	(0.00)	
GAA Administration - New	German Agro Action	343,517.48	-	96,430.00	229,785.52	(0.00)	
Agriculture - Jaffna	FAO	599,500.00	2,000.00	252,000.00	271,943.75	1,281.81	
Agriculture - Jaffna	CIDA	2,150,000.00	-	-	2,149,800.00	200.00	
Agriculture - Jaffna	IOM	1,147,600.00	-	138,000.00	39,300.00	970,300.00	
Skill Development - Jaffna	UNDP	895,667.00	-	-	567,630.00	37.00	
Skill Development - Jaffna	SOLIDAR	1,766,836.00	5,000.00	-	1,738,293.80	3,019.20	
Infrastructure Development - Jaffna	German Agro Action	60,273,507.98	-	3,621,534.00	54,282,087.35	745,119.00	
Housing - Jaffna	German Agro Action	7,157,188.09	-	425,603.50	6,703,621.00	(0.00)	
Relief - Kilinochchi	German Agro Action	7,403,217.17	-	5,209,208.24	1,650,365.90	5,655.79	
Community Health - Mannar	OXFAM	7,068,358.30	-	-	6,562,178.30	-	
Infrastructure Development - Mannar	UNHCR	19,207,261.66	-	1,546,279.85	17,349,061.00	(578,615.19)	
Relief - Trincomalee	EU Peace	294,547.40	-	115,050.00	177,022.40	2,475.00	
Peace - Trincomalee	Japanese Embassy	2,256,832.67	-	279,000.00	1,967,150.00	(0.00)	
Relief & Rehabilitation - Vavuniya	German Agro Action	10,847,838.11	-	2,773,512.50	6,334,488.00	5,529.67	
Agriculture - Vavuniya	FAO	977,689.47	3,697.66	366,000.00	592,943.10	3,234.03	
Vocational training - Vavuniya	SOLIDAR	1,418,186.19	-	99,000.00	1,288,108.25	3,186.19	
Vocational Training - Vavuniya	SOLIDAR	864,100.00	5,529.35	25,000.00	831,000.00	2,949.27	
		1,419,174,593.23	3,792,613.23	89,177,391.91	1,151,403,459.94	43,538,723.29	138,847,631.32

Our Partners



- Action Aid (UK)
- Asian Development Bank (ADB)
- Canadian Hunger Foundation (CHF)
- Care International
- Canadian International Development Agency (CIDA)
- Danish Church Aid
- Danida
- Diakonia
- European Commission Humanitarian Aid Office (ECHO)
- Embassy of Japan
- European Commission (EC)
- European Union (EU)
- Food and Agriculture Organisation (FAO)
- Finnish Church Aid (FCA)
- Force of Nature
- German Ministry for Economic Cooperation and Development (BMZ)
- Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)
- Helvetas
- Icelandic International Development Agency
- International Organization for Migration (IOM)
- International Union for Conservation of Nature (IUCN)
- Malteser
- Microseed
- North East Coastal Community Development Project (NECCDEP)
- North East Community Restoration Development (NECORD)
- Oxfam
- Oxfam Novib
- Salvation Army
- Save the Children
- Solid House
- Swiss Contact
- Transrural Trust
- United Nations Development Program (UNDP)
- United Nations High Commissioner for Refugees (UNHCR)
- United Nations Children's Fund (UNICEF)
- Voluntary Services Overseas (VSO)
- Welthungerhilfe (WHH - formerly German Agro Action)
- World Health Organisation (WHO)



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