

# Performance Report - 2016



**Department of Development Finance**

# Content

	<b>Page Numbers</b>
1. Organization Structure	
1.1 Vision and Mission of the Department	2
1.2 Introduction	3
1.3 Functions of the Department	4
1.4 Organizational Chart	5
2. Performance During 2016	
2.1 Overview	6 – 7
2.2 SME Development	7 – 11
2.3 Microfinancing	11 – 13
2.4 Enhancing the Agriculture Sector	13 – 19
2.5 Assistance to the Smallholder Plantation Sector	20 – 23
2.6 Food Security	23 – 28
2.7 Implementing Budget Proposals	28 – 29
2.8 Livestock Sector Development	29 – 33
2.9 Support for the Development Essential Crops	33 – 35
2.10 Special Incentives for Targeted Groups	36 – 37
3. Administrations and Financial Performance	
3.1 Administration Sector	38 – 42
3.2 Financial Sector	43 – 44
3.3 Audit Inquire	45

# 1. Organization Structure

## 1.1 Vision and Mission of the Department

### **Vision**

“To become the key government agency as facilitator for development financing.”

### **Mission**

“Facilitate to formulate appropriate policies and strategies and mobilize financial resources for the development of SMEs, financing primary sectors through necessary intervention with the relevant stakeholders ”

## **1.2 Introduction**

The department of Development Finance was established on 01<sup>st</sup> January 2005 with the objective of development of small and medium scale entrepreneurship and revitalizing microfinance sector. The staff of the department consists of 31 members include 12 staff officers in overall. Main activities of the department can be shown under four sectors as follows;

### **1.2.1 Primary Sector Development**

Directing of, implementing government development subsidy programmes, enhancing primary sector economic development and preparation of policies relevant to emerging sectors.

### **1.2.2 Microfinance Sector Development**

Microfinance, one of the widely accepted instruments for poverty alleviation throughout the world has been used in Sri Lanka spanning for over several decades. Microfinance services in Sri Lanka have a wide geographical outreach but the extent of outreach of private operators including Non-Government Organizations (NGO) and commercial banks in rural areas is rather limited. Microfinance has helped households in middle income groups to increase their income and assets; helped the very poor to increase consumption expenditure; has inculcated savings habits among the poor; has worked as an instrument of consumption smoothing among almost all income groups; and has helped women to increase their social status and improve the economic conditions.

### **1.2.3 Small and Medium Scale Sector Development**

The Small and Medium Enterprise (SME) sector has been identified as an important strategic sector in the overall policy objective of the Government of Sri Lanka and it is seen as a driver of change for inclusive economic growth, regional development, employment generation and poverty reduction. It is properly shown in Sri Lankan economy; as it accounts for more than percent 75 of the total number of enterprises, provides percent 45 of the employment and contributed to percent 52 of the Gross Domestic Production (GDP).

### **1.2.4 Strategic Planning in Development Finance**

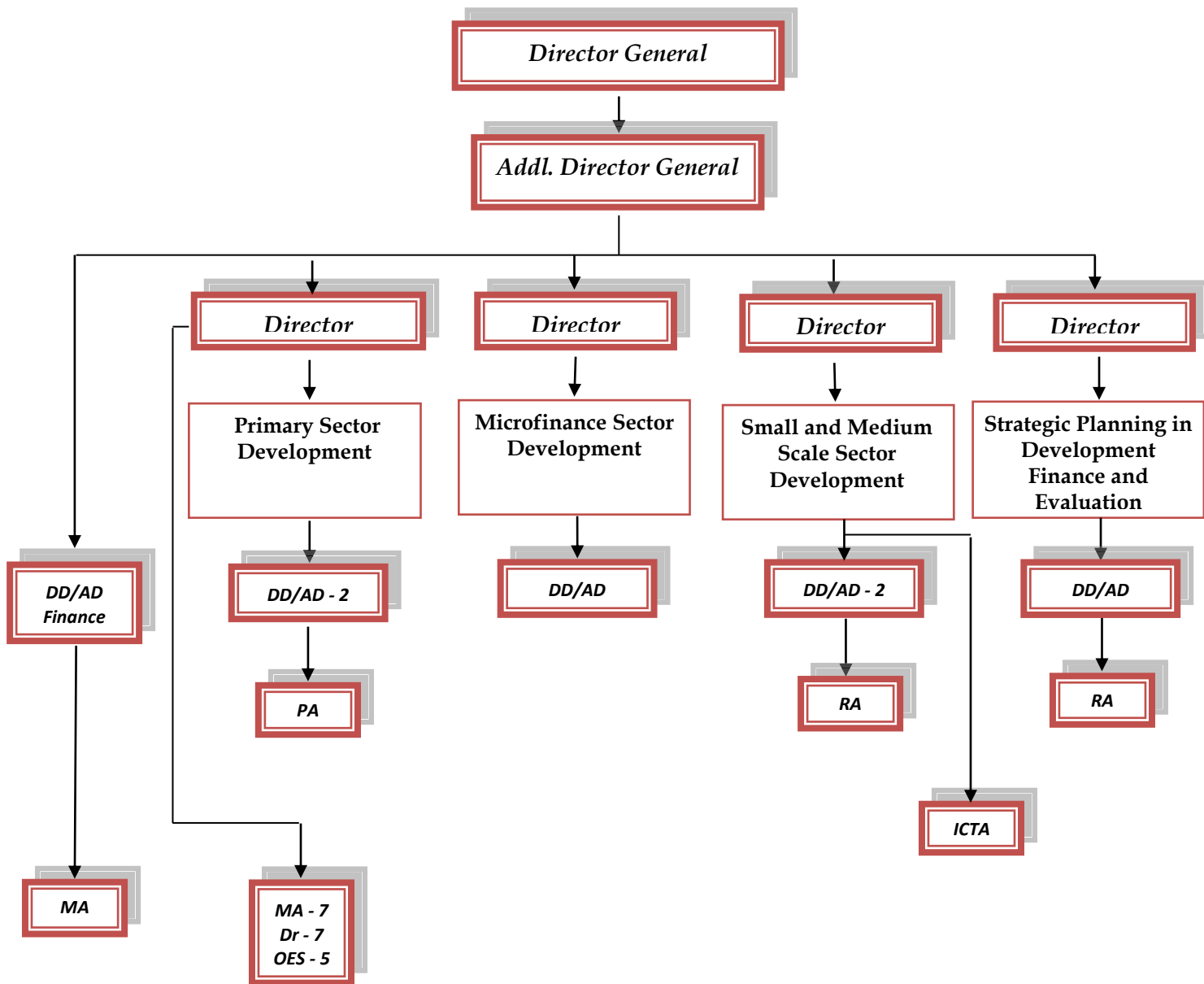
Managing excess crop harvests and balancing the supply and demand side disparities giving concern to the SME category of farmers and other market factors in order to stabilize market prices while ensuring farm gate price for producers.

Various Government incentives are provided such as concessionary loans, treasury guarantees and technical support with the intervention of this department to encourage SME entrepreneurs and to recognize new entrepreneurs who have a potential to make a remarkable contribution to the economic development process.

### **1.3 Functions of the Department**

- Facilitate to formulate appropriate policies, strategies and programmes for the development of Micro, Small and Medium Enterprises (MSMEs) of the economy.
- Review the market data to identify key issues and provide solutions to the smooth growth of the MSMEs finance sectors.
- Review Government Subsidy Schemes to ensure economic development and facilitate to formulate appropriate policies.
- Facilitate in enacting legislations for banking, insurance, MSMEs and financial sector if the market review illustrates the need.
- Facilitate to annual budget preparation process of the Government in respect of MSME sector, banking sector, financial market and other sectors coming under the purview of this department.
- Implement budget proposals and donor funded projects related to MSME sector, primary sector and other sectors.
- Compile all data on MSME's of Industrial, Agriculture and Service sector and analyze to identify the impediments and policy interventions.
- Oversee implementation of Government sponsored financial assistance schemes.
- Arranging local bank financing for development projects in MSME finance sectors in line with the Government policy.

## 1.5 Organization Chart



- DD - Deputy Director
- AD - Assistant Director
- PA - Planning Assistant
- RA - Research Assistant
- ICTA - Information Communication & Technology Assistant
- MA - Management Assistant
- Dr - Driver
- OES - Office Employee Service

## 2. Performance During 2016

### 2.1 Overview

During 2016, the Government of Sri Lanka initiated and continued an extensive number of programmes and schemes that aimed at developing key areas in the industry and service sectors of the economy that would ensure long term growth and sustainability of the country. One of the areas the heavily invested was the SME sector through providing the financial needs. Having identified the SMEs as a key partner in achieving sustainable growth the Government carried out schemes such as the Small and Medium Sized Enterprises Line of Credit, SME Credit Guarantee Scheme, and venture capital for SMEs to address the main issues that the SMEs are facing in access to finance. In order to regulate and formalize the growing microfinance sector of the country, the Government also introduced the Microfinance Act and carried out various micro financing programmes.

Another sector the Government invested heavily was the agriculture sector. The fertilizer subsidy was changed into a fertilizer cash subsidy to curtail the negative effects of chemical fertilizers. The fertilizer cash subsidy scheme was extended from paddy to 5 other field crops as well as to benefit small holder plantation sector. The existing programmes such as the New Comprehensive Rural Credit Scheme (NCRCS) for 33 crops, 'Kethata Aruna Pohora Diriya' crop insurance scheme and the Farmers Pension Scheme were also continued.

The small holder plantation sector experienced an influx of incentives and subsidies during 2016 such as the replanting and new planting subsidy for the smallholder plantation sector, working capital loan schemes for registered tea factory owners and development policies for the local sugar industry.

The Government focused on the issue of food security as well and the Government Paddy Purchasing Programme was continued in 2016 with changes made to the guaranteed prices. Further, rice was imported for local consumption, with a view to mitigate price escalation affecting the cost of living. Stemming from the lower paddy production due to unfavorable weather condition that prevailed in the country, the Maximum Retail Prices (MRP) were introduced for 16 essential food commodities including rice to manage the cost of living. New modern warehouses were constructed in Buttala and Manner in collaboration with the World Bank to provide quality storage facilities for farmer's produce such as paddy, maize, green gram and other grains, which also helped them to get a good prices.

Special loan schemes were introduced for the development of the livestock sector and also the "5 crop strategy" was introduced for maize, soy bean, potatoes, big onions and chillies. The floriculture and horticulture sectors were focused upon as well.

Furthermore, special incentives were provided for targeted groups through incentive schemes such as the special interest rates for senior citizens, self-employment loan schemes for socially re-integrated trainees and special vehicle loan schemes for artists and journalists.

As a result, a substantial growth was achieved in the SME sector resulting in a significant contribution to GDP while managing cost of living at a lower level with ensuring food security in the country.

## 2.2 SME Development

### 2.2.1 SME Financing

The Government of Sri Lanka recognizes SMEs as the backbone of the economy since this sector plays a major role in employment generation, contribution to GDP and ensuring equitable development in the country. Therefore, the Government encouraged financial institutions to reach out to the SME sector by moving beyond the conventional banking in order to enhance the financial facilities available for SMEs to support them in reaching the next level of the business sector. In 2016, approximately Rs. 719 billion was granted by both state and private sector commercial and development banks to fulfill the funding needs of SMEs. The details are in Table 2.1.

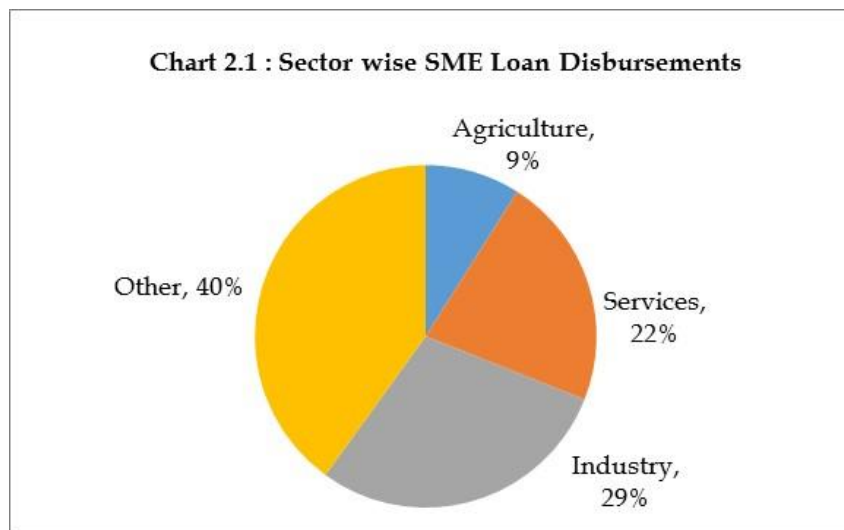
Bank	Agricultural		Services		Industries		Other		Total	
	No. of Loans	Total Loan Amount (Rs. Mn)	No. of Loans	Total Loan Amount (Rs. Mn)	No. of Loans	Total Loan Amount (Rs. Mn)	No. of Loans	Total Loan Amount (Rs. Mn)	No. of Loans	Total Loan Amount (Rs. Mn)
Bank of Ceylon	1,294	6,072	630	1,678	815	3,481	61,182	112,708	63,921	123,939
People's Bank	742	866	226	1,017	369	1,107	1,194	2,551	2,531	5,541
Regional Development Bank	0	0	0	0	23	781	8	185	31	966
Lankaputhra Development Bank	643	190	46	163	103	381	172	113	964	847
Sanasa Development Bank	5,022	4,158	2,481	4,245	14,210	11,176	5,790	4,347	27,503	23,926
National Development Bank PLC	2,328	5,717	513	2,362	24,941	28,551	1,902	3,017	29,684	39,647
DFCC Bank PLC	530	5,062	3,029	17,241	1,622	11,954	2,272	3,829	7,453	38,086
Commercial Bank of Ceylon PLC	3,724	11,763	25,814	169,896	14,284	35,806	14,941	55,449	58,763	272,914
Sampath Bank PLC	371	4,279	218	3,527	1,707	12,064	2,727	18,233	5,023	38,103
Seylan Bank	525	2,516	1,739	16,254	1,532	9,405	856	4,307	4,652	32,482
Hatton National Bank	6,016	11,198	16,715	75,271	4,200	19,694	2,147	6,782	29,078	112,945



Nations Trust Bank PLC	155	2,264	19	78	197	1,090	1,121	5,458	1,492	8,890
Standard Chartered Bank	1	46	46	507	52	500	1	1	100	1,054
Union Bank of Colombo	154	1,157	712	1,331	4,274	17,093	285	491	5,425	20,072
<b>Total</b>	<b>21,505</b>	<b>55,288</b>	<b>52,188</b>	<b>293,570</b>	<b>68,329</b>	<b>153,083</b>	<b>94,598</b>	<b>217,471</b>	<b>236,620</b>	<b>719,412</b>

Source: Respective Banks

In 2016, out of the total SME loans granted by both state and private sector commercial and development banks, 9 percent was to the agriculture sector, 22 percent to the service sector, 29 percent to the industry sector while 40 percent went to all other sectors.



## 2.2.2 Small and Medium Enterprises Line of Credit (SMELoC)

Having identified the importance of the SME sector and its issues, the Government recognized the importance of increasing their access to finance as this was a key hindrance to the growth of the sector. Accordingly, a Loan Agreement was signed between the Ministry of Finance (MOF) and the Asian Development Bank (ADB) on 23<sup>rd</sup> February 2016 to obtain a USD 100 million loan from the ADB's Ordinary Capital Resources Fund in order to fulfill the capital requirement of the SME sector at an affordable rate.

Furthermore, based on a comprehensive selection criteria, the ADB selected 10 banks i.e. Peoples' Bank (PB), Bank of Ceylon (BOC), Regional Development Bank (RDB), Commercial Bank of Ceylon PLC (CB), Sampath Bank PLC, Hatton National Bank PLC (HNB), DFCC Bank PLC (DFCC), National Development Bank PLC (NDB), Nations Trust Bank PLC (NTB) and Seylan Bank as eligible Participating Financial Institutions (PFIs) to implement this project.

The SMELoC was initially implemented through an Auction Mechanism and the First Auction was held on 27<sup>th</sup> April 2016 where 9 PFIs participated and NDB won

the entire amount of USD 12.5 million at an interest rate of 6.01 percent per annum.

The Second Auction was held on 28<sup>th</sup> September 2016 and three PFIs were able to obtain funds. The details of the First and Second Auctions are as follows;

<b>Auction</b>	<b>PFI</b>	<b>Bided Interest Rate (%)</b>	<b>Amount Allocated (USD. Mn)</b>
<b>1</b>	NDB Bank	6.01	12.500
	DFCC Bank	11.01	4.166
<b>2</b>	Hatton National Bank	8.60	4.166
	Sampath Bank	8.25	4.166
<b>Total</b>			<b>24.998</b>

Source : Department of Development Finance

The following table indicates the progress of the SMELoC as at 30<sup>th</sup> April 2017.

<b>Name of the Auction</b>	<b>Name of the Bank</b>	<b>Amount Allocated</b>		<b>Refinanced Amount</b>		<b>Progress (%)</b>
		<b>USD Mn</b>	<b>Rs. Mn</b>	<b>No. of Loans</b>	<b>Amount (Rs. Mn)</b>	
1 <sup>st</sup> Auction	NDB	12.5	1,821.83	160	1,821.83	100
<b>Sub Total</b>		<b>12.5</b>	<b>1,821.83</b>	<b>160</b>	<b>1,821.83</b>	<b>100</b>
2 <sup>nd</sup> Auction	HNB	4.166	624.99	47	624.99	100
	DFCC	4.166	624.99	48	624.29	99
	Sampath Bank	4.166	624.99	34	540.91	86
	<b>Sub Total</b>		<b>12.498</b>	<b>1,874.98</b>	<b>129</b>	<b>1,790.19</b>
<b>Grand Total</b>		<b>24.998</b>	<b>3,696.81</b>	<b>289</b>	<b>3,612.02</b>	<b>97</b>

Source: Department of Development Finance

### **2.2.3 GIZ - SME Development Programme**

A Technical Cooperation Agreement between the Federal Republic of Germany and the Government of Sri Lanka was initially signed in 2012, providing a grant amounting to EURO 2.785 million through German International Cooperation (GIZ) for the implementation of the SME Sector Development Programme. The project period was extended up to December 2016 and provided an additional budget of Euro 3.00 million. The programme consists of following three components;

- 1) SME Policy
- 2) Access to Technology
- 3) Access to Finance

According to the progress report, around Rs. 217 million has been spent by the GIZ for SME sector development activities in 2016.

Further, the second phase of the GIZ - SME Development programme commenced from January 2017 which will be implemented up to March 2019. This is called "SME Sector Development in Sri Lanka II" with EURO 3 million.

The goal of the new phase of the SME Programme is to increase the competitiveness, inclusiveness and environmental sustainability of SMEs in the lagging regions. The programme has covered the following four fields:

- 1) Policies and Institutional Framework Conditions
- 2) Access to Finance
- 3) Access to Technology and Markets
- 4) Innovation and Entrepreneurship

#### **2.2.4 The National Credit Guarantee Institution**

Even though the SME sector has been considered as the backbone of the economy, the country still was not able to obtain their maximum contribution to the economy due to their poor performance. One of the main causes behind that is inability to obtain their financial requirements from the formal financial sector at an affordable rate, especially due to lack of collaterals.

Generally, the existing traditional banking system prefers to provide collateral based loans instead of cash flow based loans even though the cash flow based loan is more convenience to the SMEs. Therefore, most of the SMEs fail to obtain credit facilities as they are unable to provide suitable collateral/third party guarantees requested by the banks. Further, it is important to highlight that the SMEs in the North and East constantly face this problem since they cannot produce their land as collateral due to their land titles not properly cleared yet.

Considering these issues, the Government proposed to introduce a National Credit Guarantee Scheme to provide guarantees for the financial facilities obtained by the SMEs from the formal banking sector. Accordingly, initial discussions were conducted with the ADB and they agreed to provide a USD 100 million loan facility to establish the National Credit Guarantee Institution (NCGI). The demand analysis was done with the support of ADB and the NCGI was proposed to be established as a public limited company under the Companies Act of Sri Lanka. In line with this, the Government has allocated Rs. 500 million as the seed capital for the establishment of NCGI through the Budget 2017.

#### **2.2.5 Venture Capital Fund for Small and Medium-sized Enterprises**

The concept of establishing a SMEs oriented Venture Capital Fund (VCF) was introduced through the Budget 2016. Accordingly, the Government requested the ADB to conduct a market analysis in order to design a VCF to provide equity funding options to Sri Lanka's SMEs. As a result, the ADB has conducted a comprehensive market analysis and developed a draft report with the recommendations regarding the implementation of the proposed VCF.

Accordingly, a draft report on establishing a VCF was prepared based on the findings of the market survey and a seminar was conducted to obtain the stakeholders' concerns on the proposed VCF.

In terms of development impact, this VCF could promote a range of policy objectives that the Government of Sri Lanka may have, including:

- Creating a larger number of higher-quality skilled jobs that align the talent base with Sri Lanka's increasingly service-oriented economy
- Expanding youth employment opportunities
- Enabling and incentivizing innovation
- Boosting Sri Lanka's export capacity
- Developing the local capital markets through a catalyzing follow-on equity investment and foreign investment and also expanding SME debt capacity

Accordingly, the Government is working further with ADB to establish this SME oriented VCF with immediate effect.

## **2.3 Microfinancing**

Microfinance played a vibrant role in the economy over the past few years. It is an effective tool to reduce poverty and empower the poor and economically and socially vulnerable segments of society. Microfinance builds financial sectors that are closely interconnected with the local economy by facilitating lending to micro and small enterprises, enabling payment systems and creating new saving opportunities for private households. It contributed to the quantitative growth of other sectors of the economy such as small scale industries, construction and trade.

The microfinance sector in Sri Lanka has gained a considerable level of maturity over the years and as a result, the regulation of Microfinance institutions has become a significant policy issue. Accordingly, the Microfinance Act No. 6 of 2016 was enacted with the objective of providing a regulatory framework to cover microfinance institutions that are not regulated at present. The purpose of the Act is to improve the delivery of financial services to low income peoples and micro enterprises, increase financial inclusion, strengthen the soundness and systems of microfinance institutions, facilitate microfinance institutions to access wider sources of funding, promote consumer protection and promote a safe and stable financial system.

The Microfinance Act came in to effect on 15<sup>th</sup> July 2016 and the Monetary Board of the Central Bank of Sri Lanka (CBSL) has been empowered to issue licenses for applicant companies carrying on microfinance business, issue rules and directions for Licensed Microfinance Companies (LMFCs) and issue guidelines to the Registrar of Voluntary Social Services Organizations for regulation and supervision of Microfinance Non-Governmental Organizations (MNGOs). With

the aim to ensure that the objectives of the Act are achieved, the Department of Supervision of Microfinance Institutions was established at CBSL.

Consistent with the Microfinance Act, the Monetary Board has taken steps to issue two rules under Section 13 of the Act, namely licensing criteria and licensing fee and issued eight directions under Section 11 of the Act on minimum core capital, liquid assets, statutory reserves, deposits, accommodations, fitness and propriety of relevant personnel governing LMFCs, assessment of shareholders and reporting requirements with effect from 27<sup>th</sup> October 2016.

Under Section 28(1) of the Act, the Monetary Board approved a set of principles, standards and guidelines to the Registrar of Voluntary Social Service Organizations in respect to MNGOs. The registrar is required to give effect to the said principals, standards and guidelines by making appropriate rules for governing MNGOs.

The Government plays a key role in providing concessional funding through various agencies in order to alleviate poverty and create financial inclusion for underprivileged citizens in rural and remote areas of the country. Various Government led micro financing programmes targeting low income families were continued in 2016. The progress of micro financing programmes carried out by Government affiliated institutions in 2016 are as follows:

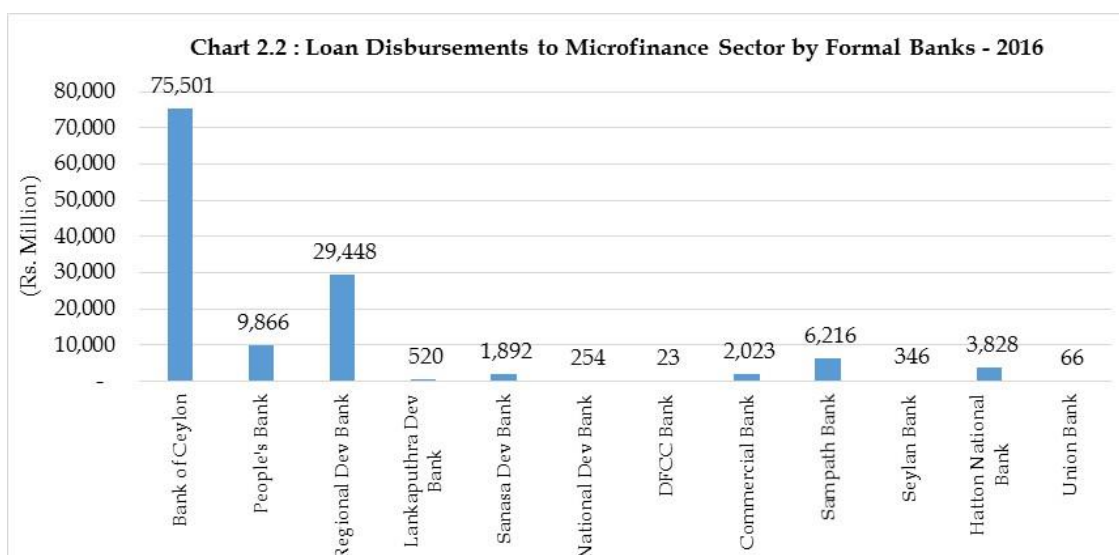
**Table 2.4 : Progress of Major Microfinance Institutions - 2016**

<b>Microfinance Institute</b>	<b>No. of Branches</b>	<b>No. of Depositors</b>	<b>No. of Borrowers</b>	<b>Total Deposits (Rs. Mn)</b>	<b>Total Investment (Rs. Mn)</b>	<b>Total Loan Portfolio (Rs. Mn)</b>
Divineguma Community based Bank	1,074	7,417,540	1,272,504	76,961	68,782	42,982
Co-operative Rural Bank	2,227	9,394,710	548,910	101,225	102,567	49,722
Agrarian Bank	551	521,101	571,384	323	8,302	1,207
Regional Development Bank	268	5,730,651	564,080	43,792	20,926	106,802
Lankaputhra Development Bank	8	63,987	8,848	396	5,361	3,740
<b>Total</b>	<b>4,128</b>	<b>23,127,989</b>	<b>2,965,726</b>	<b>222,697</b>	<b>205,938</b>	<b>204,453</b>

Source: Department of Development Finance

These microfinance institutions provide financial services either through loans or deposit facilities. The outstanding loan portfolio of major microfinance institutions stood at Rs. 204 billion out of which 52 percent (Rs. 106 billion) is held by Regional Development Bank, 24 percent (Rs. 49 billion) is held by the Co-operative Rural Bank and 20 percent (Rs. 42 billion) is held by the Divineguma

Community based Banks. The savings of the indigent reached Rs. 222 billion by the end of 2016, out of which Rs. 205 billion was placed on long and short term investment by these institutions.



In 2016, the banking sector disbursed Rs. 130 billion in loans to the microfinance sector. Of this Rs. 75 billion was disbursed by the BOC providing small loans under NCRCS, Poverty Alleviation Microfinance Project (PAMP) and “Saubhagya” Loan Schemes. RDB and People’s Bank disbursed Rs. 29 billion and Rs. 10 billion respectively in 2016. Compared to state banks, Sampath Bank and HNB were the private banks with significant microfinance portfolios providing access to finance through various microfinance programmes.

## 2.4 Enhancing the Agriculture Sector

### 2.4.1 Fertilizer Subsidy to Improve Farmer Productivity

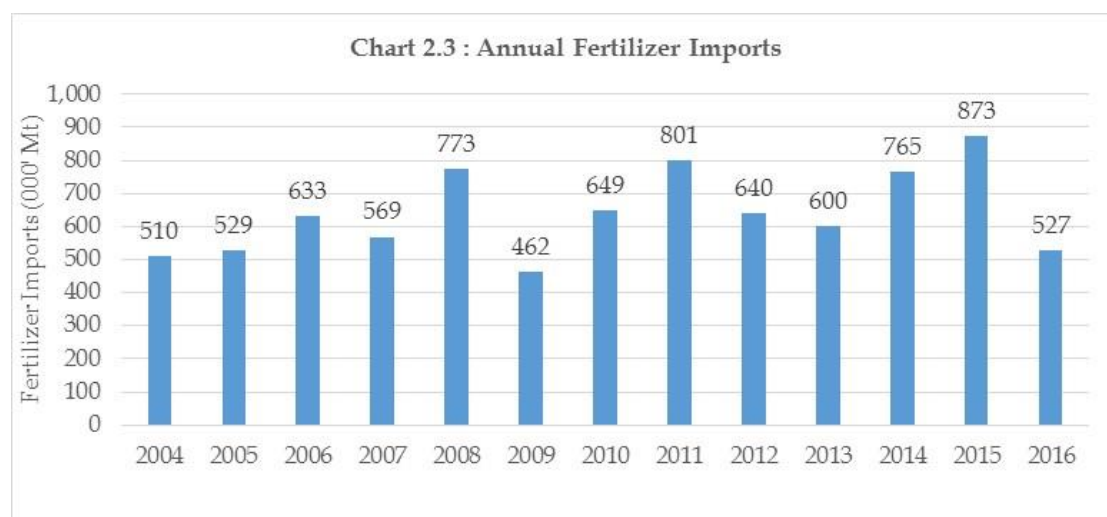
The paddy sector has been given higher priority in the agricultural economy of Sri Lanka. Therefore, the Government has always ensured that the paddy farmer was protected through various incentives such as the fertilizer subsidy, guaranteed price for paddy, interest subsidy for cultivation loans, crop insurance etc. Among such incentives, the fertilizer subsidy is considered the most important incentive as around one million paddy farmers island wide have benefitted from this subsidy.

Maintaining an annual budget of over Rs. 35 billion for fertilizer subsidy, the total expenditure on this programme is around 60 percent of the agriculture budget. During the 2015/16 Maha season, 185,615 Mt of fertilizer was distributed among 910,320 paddy farmers at a subsidized rate of Rs. 350/- per 50 kg bag by the two state owned fertilizer companies through the network of Agrarian Development Centers.

#	District	No of Farmers who Received Fertilizer	Cultivated Extent (Ha)	Distributed Fertilizer Quantity (Mt)			
				Urea	TSP	MOP	Total
1	Colombo	7,682	2,790	262	138	289	689
2	Gampaha	25,978	8,416	911	357	787	2,054
3	Kalutara	27,187	4,314	985	524	1,093	2,602
4	Kandy	29,522	5,035	2,113	2,976	779	5,869
5	Matale	34,322	20,154	3,592	877	1,036	5,504
6	Nuwara Eliya	13,035	4,671	871	229	262	1,362
7	Galle	23,456	9,529	827	503	876	2,206
8	Matara	23,633	9,811	1,320	422	773	2,515
9	Hambantota	50,463	37,600	7,737	1,827	2,020	11,584
10	Kurunegala	156,585	30,695	13,726	3,293	3,598	20,616
11	Puttalam	24,260	22,502	3,590	869	944	5,403
12	Anuradhapura	56,265	50,755	11,632	1,795	1,745	15,172
13	Polonnaruwa	70,598	26,730	13,639	3,194	3,424	20,257
14	Badulla	47,928	25,111	4,929	1,181	1,330	7,440
15	Monaragala	56,974	36,932	6,674	1,550	1,813	10,038
16	Ratnapura	30,418	5,086	2,075	578	908	3,562
17	Kegalle	19,562	5,395	511	270	551	1,332
18	Ampara	76,044	39,145	15,498	3,542	3,823	22,863
19	Trincomalee	37,417	15,891	6,732	1,544	1,740	10,016
20	Batticaloa	32,730	42,193	7,459	1,661	1,960	11,080
21	Vavuniya	14,300	17,277	3,073	830	938	4,842
22	Jaffna	15,127	9,479	1,525	331	414	2,270
23	Mannar	15,998	19,519	4,084	968	1,056	6,108
24	Mullaitivu	11,351	14,213	2,743	637	720	4,099
25	Kilinochchi	9,485	10,257	2,581	2,311	1,241	6,134
<b>Total</b>		<b>910,320</b>	<b>473,501</b>	<b>119,090</b>	<b>32,408</b>	<b>34,117</b>	<b>185,615</b>

Source: Department of Agrarian Development

Almost 90 percent of the cost of fertilizer was borne by the Government under this subsidy scheme and during the last decade, chemical fertilizer imports have increased drastically as a result of providing the subsidy.



This unbearable quantity of imported chemical fertilizer has caused negative impacts such as Chronic Kidney Disease, water impurification and soil contamination, resulting in various social and environmental issues. Moreover, farmers were compelled to overuse or misuse chemical fertilizer while deviating from good agricultural practices. Since chemical fertilizer was provided at a very low rate under this scheme, paddy farmers were discouraged from purchasing organic fertilizer which was relatively expensive compared to this extremely subsidized rate of chemical fertilizer.

At this endeavor, the Government has considered the fertilizer subsidy policy as one of the key policies to be rationalized under the agriculture policy. A different approach was taken to replace the ongoing paddy fertilizer subsidy scheme without deviating from the ultimate objectives of the fertilizer subsidy while mitigating the misuse/overuse of chemical fertilizer which causes negative impacts.

#### 2.4.2 The Fertilizer Cash Subsidy Policy

The fertilizer cash subsidy policy was introduced by the Government allowing the paddy farmer a greater flexibility in selecting the farming inputs instead of providing subsidy in-kind. As a turning point, the Budget 2016 has proposed to implement a cash subsidy with a maximum of Rs. 25,000/- per hectare per annum for a paddy farmer up to a maximum of two hectares. Accordingly, a small scale paddy farmer who owns two hectares has been entitled to receive a cash subsidy of Rs. 50,000/- per annum and they will receive their cash subsidy separately in the Yala and Maha seasons.

This new initiative was implemented from the 2016 Yala season and the paddy farmers were given the freedom to purchase chemical fertilizer or organic fertilizer from state owned or private sector fertilizer outlets island wide. In order to facilitate the new policy, fertilizer companies agreed to keep their MRP for the three major fertilizer types used for paddy, namely, Urea, Triple Super Phosphate (TSP) and Muriate of Potash (MOP) at Rs. 2,500/- per 50 kg bag. This cash subsidy was credited to the respective paddy farmer's bank account and was published online in the website of the Ministry of Agriculture in a transparent manner.

During 2016 Yala season, an amount of Rs. 6,468,572,147.00 has been distributed among 760,347 paddy farmers under the fertilizer cash subsidy scheme.

**Table 2.6 : Progress of Fertilizer Cash Subsidy Scheme - 2016 Yala**

#	District	No. of Farmers who Received Cash Subsidy	Cultivated Extent (Ha)	Cash Subsidy Paid (Rs.)
1	Colombo	3,490	1,378	17,125,600
2	Gampaha	16,864	6,090	80,813,900
3	Kalutara	22,684	9,302	117,545,750
4	Kandy	29,606	11,522	148,184,250



5	Matale	32,292	13,756	178,470,750
6	Nuwara Eliya	11,971	4,823	60,712,400
7	Galle	18,918	8,300	105,621,750
8	Matara	25,220	13,895	177,552,450
9	Hambantota	45,926	35,768	448,741,550
10	Kurunegala	143,883	73,813	940,756,127
11	Puttalam	23,465	18,732	234,804,000
12	Anuradhapura	97,621	89,173	1,109,084,000
13	Polonnaruwa	61,423	60,589	757,331,000
14	Badulla	41,143	20,122	255,162,370
15	Monaragala	24,283	14,616	182,934,050
16	Ratnapura	21,029	10,017	127,290,950
17	Kegalle	17,151	5,036	68,627,000
18	Ampara	57,392	57,639	722,083,500
19	Trincomalee	22,933	21,645	271,375,000
20	Batticaloa	17,607	21,590	269,878,250
21	Vavuniya	3,316	2,615	32,687,500
22	Jaffna	7,208	5,655	70,686,250
23	Mannar	6,611	2,312	28,897,500
24	Mullaitivu	4,709	3,165	39,560,000
25	Kilinochchi	3,602	1,670	22,646,250
<b>Total</b>		<b>760,347</b>	<b>513,223</b>	<b>6,468,572,147</b>

Source: National Fertilizer Secretariat

### 2.4.3 The Fertilizer Cash Subsidy Scheme for Other Crops

As an incentive for small scale farmers to reduce their cost of production and to increase the productivity of crops other than paddy, the Government has launched the fertilizer cash subsidy for smallholder planters and small scale farmers who are engaged in cultivating maize, soybean, potatoes, big onions and chillies. These five crops were selected in line with the Government policy initiative of the "Food Production National Programme". The annual fertilizer cash subsidy rates applicable for crops other than paddy are given in Table 2.7.

**Table 2.7 : Limits of Annual Cash Subsidy for Plantation and Other Crops**

Crop	Maximum Land Area Entitled to Receive the Cash Subsidy (Ha)	Cash Subsidy Payment per Annum (Rs.)
Tea	01	15,000
Rubber	02	5,000
Coconut	02	9,000
Maize, Soybean, Potatoes, Big onions and Chillies	01	10,000

Source: Ministry of Agriculture and Ministry of Plantation Industries

Around 318,032 plantation sector smallholders have received the cash subsidy during 2016.

**Table 2.8 : Progress of Cash Subsidy for Plantation Crops -2016**

Plantation Crop	Beneficiaries	Cultivated Extent (Ha)	Cash Subsidy Paid (Rs. Mn)
Tea	207,176	84,884	1,273
Rubber	38,472	18,220	91
Coconut	72,384	55,245	495
<b>Total</b>	<b>318,032</b>	<b>158,349</b>	<b>1,859</b>

Source: Ministry of Plantation Industries

Around 41,931 small scale farmers have received the cash subsidy during 2016 for maize, soybean, potatoes, big onions and chillies.

**Table 2.9 : Progress of Cash Subsidy for Other Crops - 2016**

#	Province	No. of Farmers who Received Cash Subsidy	Cultivated Extent (Ha)	Cash Subsidy Paid (Rs.)
1	Western	1	0.40	4,000.00
2	Central	3,056	938.03	9,629,000.00
3	Southern	229	121.50	1,215,000.00
4	North Western	4,068	2,707.93	27,077,500.00
5	North Central	5,707	3,692.16	36,941,000.00
6	Uva	14,484	9,285.82	93,221,600.00
7	Sabaragamuwa	96	39.10	391,000.00
8	Eastern	7,682	6,743.70	67,388,000.00
9	Northern	6,608	2,626.92	27,687,000.00
	<b>Total</b>	<b>41,931</b>	<b>26,155.56</b>	<b>263,554,100.00</b>

Source: National Fertilizer Secretariat

#### 2.4.4 New Comprehensive Rural Credit Scheme (NCRCS)

Enhancing the rural sector production and uplifting the living standards of the rural community, the NCRCS was continued during 2016. The continuation of this scheme reflects the willingness of the PFIs as well as the vast requests from farmers, collectors, and agro based industrialists. The loans given for cultivation purposes under the scheme are mostly utilized by small farmers. The credit facility for cultivation is being implemented at a concessionary rate of 7 percent by the PFIs and the General Treasury provides a 5 percent interest subsidy to PFIs. The scheme covers about 33 major crops including paddy, chillies, maize, onion, potato, and vegetables. In 2016, the Treasury provided Rs. 210 million of interest subsidy to PFIs for the cultivation loans they have granted under this scheme.

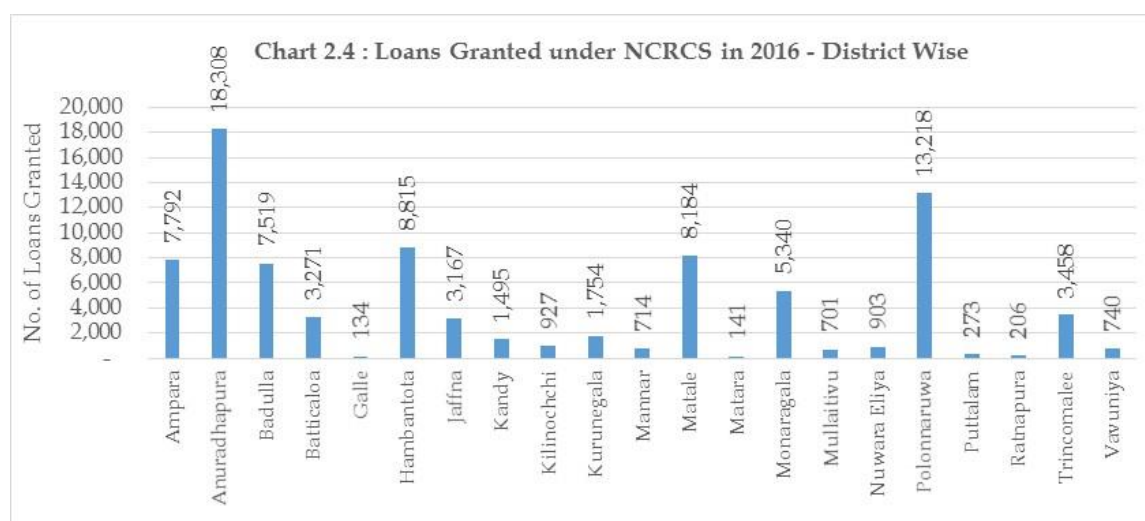
**Table 2.10 : Loan Disbursements under NCRCS - 2016**

Crop	Maximum Loan Limit (Rs.)	Maximum Land Units (Acres)	No. of Loans Granted	Amount Released (Rs. Mn)	Extend of Land (Acres)
Paddy -					
Irrigated	300,000	10	56,884	5,006	201,932
Rain fed	320,000	10			
Maize	340,000	10	8,877	684	27,032

Potato	504,000	2	3,150	526	4,283
Onion	280,000	2	6,335	803	11,309
Chillies	176,000	2	3,728	256	6,760
Vegetables	62,000-238,000	2	4,753	436	12,587
Other-Ginger	140,000	2	3,333	298	11,094
<b>Total</b>			<b>87,060</b>	<b>8,009</b>	<b>274,997</b>

Source: Regional Development Department, CBSL

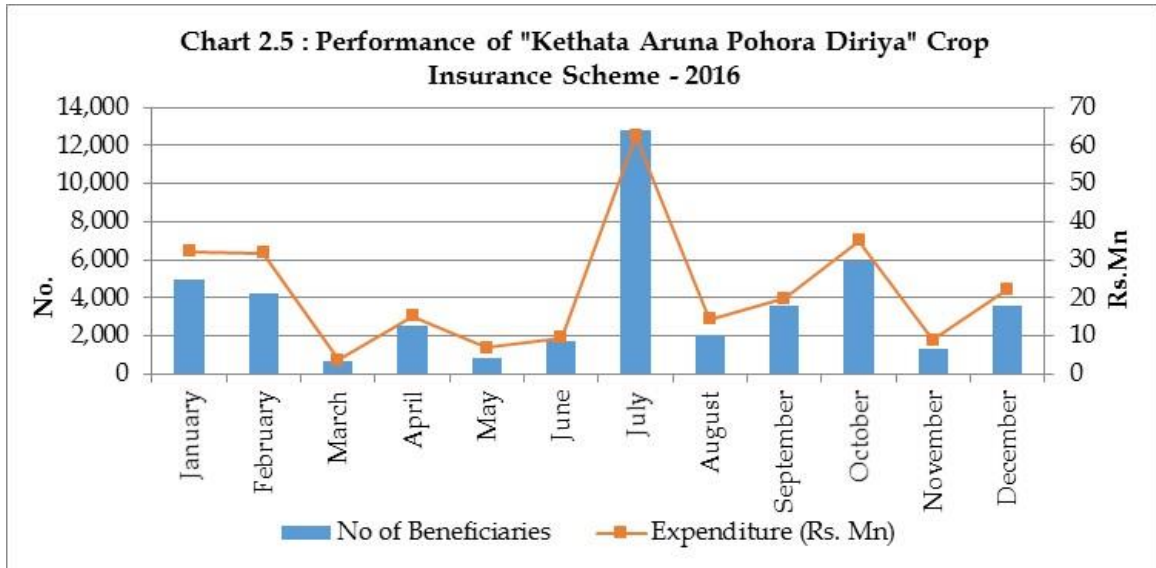
During 2016, the demand for loans under NCRCS increased due to the economic situation and peaceful environment in the country. The number of farmers benefiting under this scheme increased to 87,060 in 2016 from 86,143 in 2014 while the total loan disbursement increased from Rs. 7,138 million in 2015 to Rs. 8,009 million in 2016. In terms of loan distribution, the loans below the maximum loan limit of Rs. 320,000 per acre have been provided mostly to the paddy sector, accounting for 62 percent of the total loan disbursement in 2016. In 2016, the extent of land totaling to 274,997 acres have been utilized for crop cultivation of which 73 percent was for paddy.



Considering the regional distribution of the beneficiaries and loan disbursements, the highest amount of Rs. 1,365 million loan disbursements was recorded in the Anuradhapura District, which was 17 percent of the total loan disbursement of Rs. 8,009 million in 2016. The number of farmers who benefitted under this credit scheme were considerably high in the Polonnaruwa, Hambantota, Matale, Ampara and Baddulla districts in comparison to other Districts.

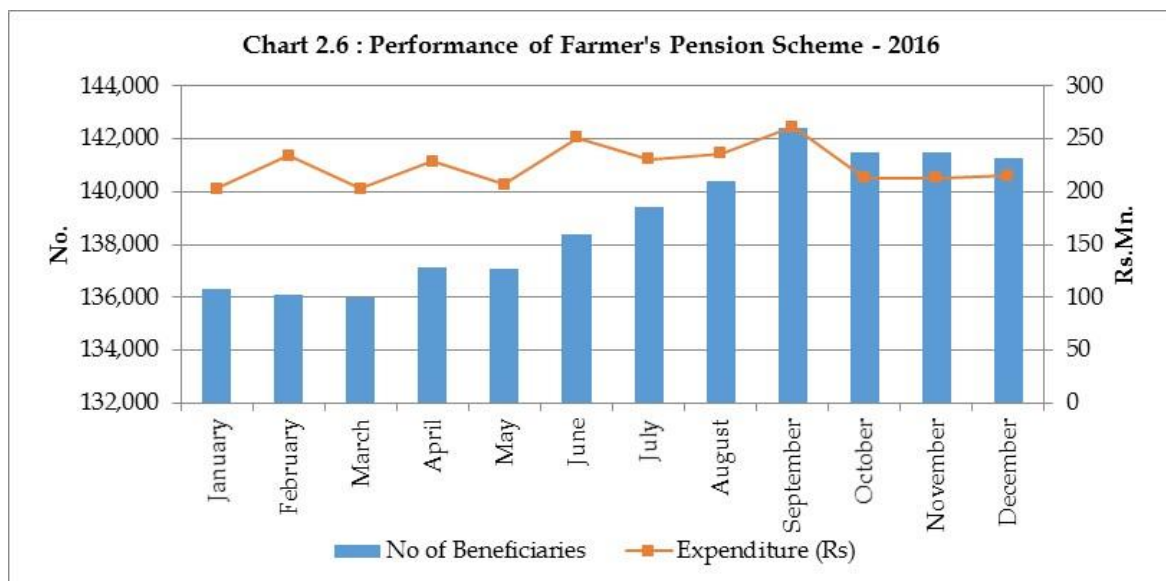
#### 2.4.5 “Kethata Aruna Pohora Diriya” Crop Insurance

The “Kethata Aruna Pohora Diriya” Crop Insurance Scheme which was established to provide relief to farmers for the damage caused to their cultivations from droughts, floods and wild elephants was continued successfully during the year 2016 through the Agricultural and Agrarian Insurance Board (AAIB). In 2016, approximately Rs. 262 million was paid among 44,367 farmers for crop damages.



#### 2.4.6 Social Security for Farmers

The main purpose of the Farmers Pension Scheme is to ensure the wellbeing of the elderly farmers who have contributed their youth for the country's agricultural development. This scheme is implemented through the AAIB. 141,260 elderly farmers benefited under this scheme by the end of 2016 and total of Rs. 2,695 million was distributed among them during the year 2016. Since the Farmers' Pension Fund is not at a level of self-sufficiency, the Treasury provided Rs. 205 million per month to the AAIB to provide the pension on time. Currently, the entitled farmers receive their monthly pension within the first week of each month through the post offices.



## 2.5 Assistance to the Smallholder Plantation Sector

A healthy performance of the plantation sector is very important for the country as it plays a vital role as a major foreign exchange earner. Therefore, all Governments that came to power after the independence took timely actions to facilitate the proper functioning of this sector. Accordingly, 2016 can be identified as one of the years that provided more intensives and subsidies to encourage the smallholder plantation sector.

The plantation sector contributes 1.9 percent to the Gross Domestic Product (GDP) and shares 17.5 percent of total exports. At present, the plantation sector is led by the small holders who have plots of land less than 10 acres in tea and rubber, and less than 5 acres in coconut. Further, this smallholder sector contributes 72 percent to tea, 65 percent to rubber and 82 percent to coconut production.

**Table 2.11 : Performance of Small Holder Plantation Sector, 2010 - 2016**

Year	Tea		Rubber		Coconut	
	Extent (Ha)	Total Production (Kg Mn)	Extent (Ha)	Total Production (Kg Mn)	Extent (Ha)	Total Production (Mn nuts)
2010	204,619	331	125,645	153	394,836	1,900
2011	206,104	328	128,120	158	394,836	2,303
2012	203,020	328	130,780	152	394,836	2,411
2013	202,408	340	133,668	130	394,836	2,061
2014	202,800	338	134,137	99	394,836	2,890
2015	202,800	329	134,906	89	394,836	3,027
2016	202,490	292	133,500	79	440,000	3,098

Source: Ministry of Plantation Industries, Department of Rubber Development, Sri Lanka Tea Board

### 2.5.1 Re-planting and New Planting Subsidy Provided to Smallholder Plantation Sector

In order to encourage the smallholder plantation sector, the Government continuously provides incentives for re-planting and new planting of tea and rubber. Accordingly, subsidies of Rs. 500,000 and Rs. 400,000 per hectare were given for the re-planting and new planting of tea respectively. Further, subsidies of Rs. 175,000 and Rs. 150,000 per hectare were given respectively for the re-planting and new planting of rubber.

The Government has provided around Rs. 905 million as subsidy for re-planting and new planting of tea and rubber for smallholders in 2016. In terms of the number of beneficiaries, 30,965 people received this subsidy and it is indicated that this was a 29.5 percent increase compared to year 2015.

**Table 2.12 : Progress of the Replanting and New Planting Subsidies provided to Tea and Rubber Smallholder Sector**

Year	Re-planting Subsidy				New Planting Subsidy			
	Tea		Rubber		Tea		Rubber	
	No. of Beneficiaries	Subsidy Amount (Rs. Mn)	No. of Beneficiaries	Subsidy Amount (Rs. Mn)	No. of Beneficiaries	Subsidy Amount (Rs. Mn)	No. of Beneficiaries	Subsidy Amount (Rs. Mn)
2012	28,133	226.83	1,702	95.73	3,319	23.2	2,374	125.43
2013	30,955	351.87	2,622	171.31	3,759	42.41	2,938	167.73
2014	16,555	258.09	2,004	219.07	3,381	66.98	2,247	213.47
2015	17,252	420.07	852	173.36	4,732	128.12	1,076	189.83
2016	23,840	484.03	942	192.98	5,363	48.28	820	179.9

Source: Ministry of Plantation Industries

## 2.5.2 Working Capital Loan Scheme for Registered Tea Factory Owners

This loan scheme which was launched in 2015 to support tea factory owners to meet their working capital requirement was further continued during the year 2016. It is implemented by the Sri Lanka Tea Board through the state and private commercial banks on a short term basis under the supervision of the Department of Development Finance.

The applicable interest rate for this loan is 6 percent per annum and the Treasury provides an interest subsidy of 2 percent to PFIs. The Government has allocated Rs. 516 million to settle the interest subsidies for a period of two years (2016 - 2017).

In the year 2016, a total number of 219 working capital loans were granted to tea factory owners and the total amount of those loans is around Rs. 6,959 million. In terms of the number of loans granted, it is indicated that there was a 217 percent significant increase from 69 loans in 2015 to 219 loans in 2016.

In 2016, the Government reimbursed around Rs. 114.4 million among participatory financial institutions as interest subsidy of this loan scheme.

**Table 2.13 : Quarter-wise Progress of the Working Capital Loan Scheme - 2016**

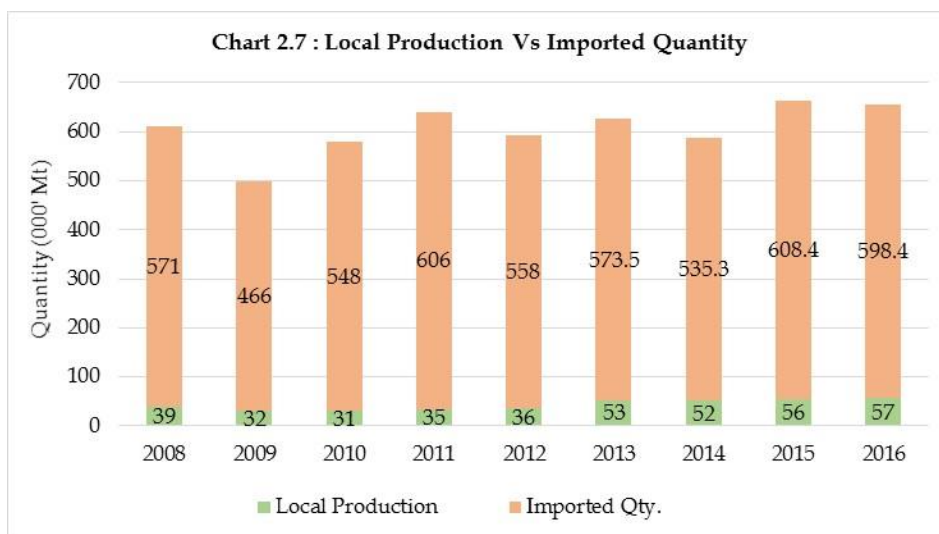
Description	No. of Tea Factories benefitted	Interest Subsidy Paid (Rs. Mn)
Quarter 1	154	24.54
Quarter 2	190	28.00
Quarter 3	213	33.30
Quarter 4	219	28.56

Source: CBSL and Department of Development Finance

## 2.5.3 Development Policy for Sugar Industry in Sri Lanka

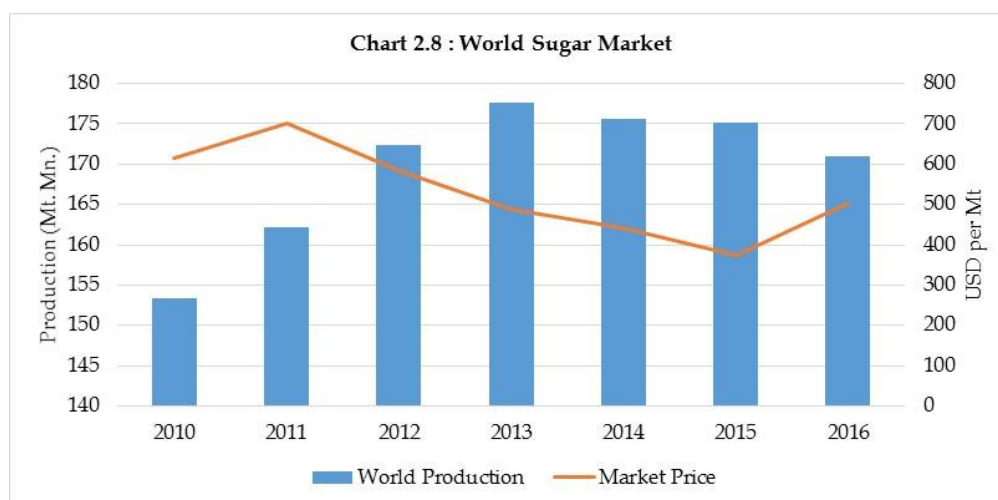
The annual sugar requirement of Sri Lanka (for human consumption, confectionary and other industries) is approximately 720,000 Mt (Monthly around 60,000 Mt) and the current local production of sugar is around 56,000 Mt which is

8 percent of the total annual requirement. Therefore, around 650,000 Mt of sugar, which is 92 percent of the total annual requirement, is being imported and approximately Rs. 35 billion of foreign exchange is flowing out annually for this purpose.



In 2016, an upward trend in the price of sugar was evidenced in the world market. Therefore, the local market price of sugar increased up to Rs. 120 per kg in the middle of the year. Accordingly, the Government imposed the MRP of sugar as Rs. 95/- for kg by reducing the Special Commodity Levy (SCL) in order to maintain a reasonable retail price in the local market.

However, the world market price declined in the latter part of the year and the SCL was adjusted from time to time to convert the world market price gain for Government revenue while maintaining a reasonable MRP.



The local sugar industry has vast potential to contribute to GDP, employment, food and energy security and poverty alleviation. It could also lead to an upliftment of the economic status of the underdeveloped areas of the country since a large amount of foreign exchange flowed out from the country.

Considering the above facts, the “Development Policy for Sugar Industry” was published in 2016 which included seven policy pillars with comprehensive strategies. The pillars were, Institutional Policy, Investment Policy, Production and Land Policy, Pricing Policy, Import Policy, Water Resources and Infrastructure Development Policy and Manpower Development Policy.

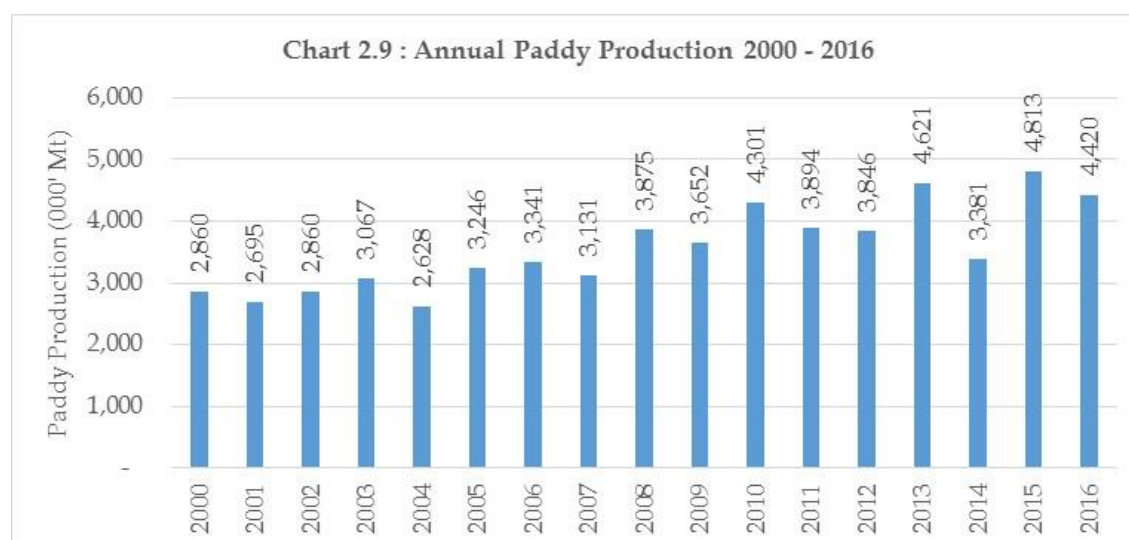
As per the targets set in the policy, through modernizing and expanding the existing sugar mills, establishing sugarcane cultivation and new processing complexes in rural areas which have suitable climate and weather conditions, a self-sufficiency level of 50 percent is expected to be achieved from local sugar consumption by the year 2020.

## 2.6 Food Security

### 2.6.1 Government Paddy Purchase Programme (GPPP)

Food security of Sri Lanka is concentrated around paddy as rice is the staple food of the country. Accordingly, the Government encouraged paddy cultivation in 2016 through providing input subsidies, a guaranteed price for paddy, cultivation loans at concessionary interest rates, technical and extension services as have been done previously.

Annual paddy production of 2016 was reported to be 4.42 million Mt. However, the paddy production of 4.81 million Mt reported in 2015, still remains as the highest production of paddy recorded thus far (Source: Department of Census and Statistics).



The Government Paddy Purchase Programme of 2016 was implemented by the Ministry of Rural Economic Affairs through the Paddy Marketing Board (PMB). The PMB purchased 157,419 Mt of paddy by spending Rs. 6,195 million during 2016. Of that, an amount of Rs. 5,139 million was utilized in Maha 2015/16 and the quantity of paddy purchased was 131,981 Mt. The drought situation which



prevailed in the country during the Yala 2016 season created an adverse impact on domestic production of paddy. Due to the drop in production, maintaining a stable price for paddy became less challenging during Yala 2016. Accordingly, only 25,438 Mt of paddy has been purchased under the GPPP by spending Rs. 1,056 million.

After reviewing the guaranteed price of paddy which prevailed by the end of 2015 Yala season attention was given to several factors including the cost of production, the expected price of rice to the consumer and the need to have a reasonable disposal price to prevent any loss in the paddy disposal stage while discouraging chances of fraud in the GPPP. Accordingly, it was proposed to revise the guaranteed prices to Rs. 50/- per kg of Keeri Samba, Rs. 41/- per kg of Samba and Rs. 38/- per kg of Nadu paddy respectively. These revised prices were enforced in the year 2016 for the GPPP.

Eventually, the Government took precautions to make the GPPP more transparent and to make it free of vulnerabilities. The High Powered Committee (HPC) appointed to find solutions to the problems faced by the PMB, reviewed the conditions applicable on paddy purchase and introduced new measures to smoothen the process of paddy purchase. Accordingly, the PMB registered farmers with them through their website with a view of improving the transparency of the programme while minimizing chances of frauds. On the directives of the HPC, the paddy disposal programme was implemented by the PMB. To avoid delays in paddy disposal, the Committee initiated a method of maintaining a pre-registered list of paddy millers selected according to the Government tender procedure. Accordingly, out of the total stock of 335,890 Mt of paddy that was available at PMB of at 17.02.2016, it was able to dispose an amount of around 254,219 Mt by the end of year 2016. Based on the recommendations of the HPC, for the first time, the PMB was able to dispose the stocks of paddy at a profit in the year 2016.

However, the conditions applicable on paddy purchase, other than the guaranteed price, remained unchanged for the year 2016. Therefore, the Government involvement was not critical as compared to the previous season.

**Table 2.14 : Quantity of Paddy Purchased under Government Paddy Purchasing Programme**

Season	Nadu (Mt)	Samba (Mt)	Total (Mt)	Value (Rs. Mn)
2009/10 Maha	63,850	6,919	70,769	1,995
2010 Yala	83,819	27,910	111,729	3,184
<b>Total</b>	<b>147,669</b>	<b>34,829</b>	<b>182,498</b>	<b>5,179</b>
2010/11 Maha	2,913	556	3,469	98
2011 Yala	58,967	16,205	75,172	2,137
<b>Total</b>	<b>61,880</b>	<b>16,761</b>	<b>78,641</b>	<b>2,235</b>
2011/12 Maha	107,319	8,467	115,786	3,259
2012 Yala	9,936	540	10,476	294
<b>Total</b>	<b>117,255</b>	<b>9,007</b>	<b>126,262</b>	<b>3,553</b>

2012/13 Maha	107,445	31,205	138,650	4,530
2013 Yala	81,834	12,542	94,376	3,058
<b>Total</b>	<b>189,279</b>	<b>43,747</b>	<b>233,026</b>	<b>7,588</b>
2013/14 Maha	3,971	592	4,563	148
2014 Yala	0	0	0	0
<b>Total</b>	<b>3,971</b>	<b>592</b>	<b>4,563</b>	<b>148</b>
2014/15 Maha	126,203	34,366	160,569	7,510
2015 Yala	162,526	12,487	175,013	7,950
<b>Total</b>	<b>288,729</b>	<b>46,853</b>	<b>335,582</b>	<b>15,460</b>
2015/16 Maha	91,785	40,196	131,981	5,139
2016 Yala	11,054	14,384	25,438	1,056
<b>Total</b>	<b>102,839</b>	<b>54,580</b>	<b>157,419</b>	<b>6,195</b>
<b>Grand Total</b>	<b>911,622</b>	<b>206,369</b>	<b>1,117,991</b>	<b>40,358</b>

Source : Paddy Marketing Board

<b>Table 2.15 : Loans Granted to Private Sector for Paddy Purchasing - 2016</b>						
<b>Bank</b>	<b>2015/16 Maha</b>		<b>2016 Yala</b>		<b>Total</b>	
	<b>No. of Loans</b>	<b>Total Loan Amount (Rs. Mn)</b>	<b>No of Loans</b>	<b>Total loan Amount (Rs. Mn)</b>	<b>No of Loans</b>	<b>Total loan Amount (Rs. Mn)</b>
People's Bank	130	1,141.00	106	1,955.00	236	3,096.00
Bank of Ceylon	400	15,524.45	377	11,552.15	777	27,076.60
Regional Development Bank	4	29.70	44	141.25	48	170.95
<b>Total for State Banks</b>	<b>534</b>	<b>16,695.15</b>	<b>527</b>	<b>13,648.40</b>	<b>1061</b>	<b>30,343.55</b>
Commercial Bank of Ceylon PLC	45	137.43	88	1,561.15	133	1,698.58
Sampath Bank	179	2,782.70	186	2,824.20	365	5,606.90
DFCC Bank	21	817.70	16	455.75	37	1,273.45
Seylan Bank	132	325.97	84	490.39	216	816.36
National Development Bank	97	732.36	102	725.23	199	1,457.59
Hatton National Bank	137	1,259.50	117	1,187.20	254	2,446.70
<b>Total of Private Bank</b>	<b>611</b>	<b>6,055.66</b>	<b>593</b>	<b>7,243.92</b>	<b>1204</b>	<b>13,299.58</b>
<b>Grand Total</b>	<b>1145</b>	<b>22,750.81</b>	<b>1120</b>	<b>20,892.32</b>	<b>2265</b>	<b>43,643.13</b>

Source : Respective Banks

Both state banks and private banks assisted the private sector by granting pledge loans to a value of Rs. 43,643 million in 2016. This is an increase of around 27 percent compared to the amount granted in 2015 which was Rs. 34,440 million. Despite the considerably high harvest of the 2015/16 Maha season and the revised Government guaranteed price of paddy, the increased contribution of the private sector eased the process of ensuring a reasonable price to the farmer.

In the year 2016, state banks granted a larger share of 70 percent of total pledge loans to the private sector. The balance 30 percent was given by private banks. Further, the number of loans granted increased from 1,831 in 2015 to 2,265 in year 2016 showing an increased involvement of the private sector paddy buyers.

## 2.6.2 Rice Donation to the World Food Programme

The rice donation to the World Food Programme (WFP) has continued in 2016 as well. The Government of Sri Lanka implemented this according to a budget proposal in 2014. Accordingly, the Government of Sri Lanka agreed to donate 50,000 Mt of rice to the WFP to recognize the WFP assistance to Sri Lanka in the past during difficult situations in the country. Further, it was aimed to graduate Sri Lanka to the status of a commercial supplier of rice to the WFP instead of being a recipient of assistance from WFP.

Hence, the WFP rice donation programme consisted of two sub categories; the local programme and the international programme. 10,000 Mt of rice out of the total rice donation of 50,000 Mt was designated towards the local programme which was named as the “Sri Lankan Humanitarian Solidarity” programme conducted by the WFP. The balance of 40,000 Mt was to be donated to the WFP member countries outside Sri Lanka who sought assistance from the WFP.

Accordingly, by the end of 2016, the Government donated 6,341 Mt of rice to the WFP local programme.

## 2.6.3 Managing Cost of Living

As a remedy for the rising trend in prices of essential food commodities during the mid-year period of 2016, the Government implemented many programmes to reduce cost of living of the general public. Consequently, the Government enforced the Maximum Retail Prices (MRPs) for the following sixteen essential food commodities with effect from 14.07.2016 to ensure affordable prices to the consumer.

**Table 2.16 : Established MRPs for 16 Essential Food Commodities**

#	Product	Maximum Retail Prices (Rs.)	
1	Mysore Dhal	Rs. 169/- per kg	
2	Dried Sprats (Imported - Thailand)	Rs. 495/- per kg	
	Dried Sprats (Imported - Dubai)	Rs. 410/- per kg	
3	Gram	Rs. 260/- per kg	
4	Green Moong	Rs. 220/- per kg	
5	Canned Fish (Imported)	Rs. 140/- per Net weight of 425 g	
		Drained weight of 280g	
		Rs. 70/- per Net weight of 155 g	
6	White Sugar	Drained weight of 105 g	
		Rs. 95/- per kg	
7	Wheat Flour	Rs. 87/- per kg	
8	Full Cream Milk Power - Imported		
		400g	Rs. 325/-
		1Kg	Rs. 810/-
		Full Cream Milk Power - Local	
9	400g	Rs. 295/-	
		1Kg	Rs. 735/-

	Frozen or chilled Broiler Chicken Meat (whole Chicken)	
10	With Skin	Rs. 410/- per kg
	Without Skin	Rs. 810/- per kg
11	Potatoes - Imported	Rs. 120/- per kg
12	B' Onions - Imported	Rs. 78/- per kg
13	Dried Chillies - Neither crushed nor ground	Rs. 385/- per kg
14	Dried Fish - Katta	Rs. 1,100/- per kg
	Dried Fish - Salaya	Rs. 425/- per kg
15	Sustagen 400g	Rs. 1,500/-
16	Maldives Fish	Rs. 1,500/- per kg

Source: Consumer Affairs Authority

Extending the concessions further to the consumers on essential food commodities, the Budget 2017 proposed additional price reductions in support of reducing the cost of living.

Accordingly, the concessionary prices were further reduced. Price of green gram reduced by Rs. 15/- per kg and price of dhal reduced by Rs. 10/- per kg. Price of potato reduced by Rs. 5/- per kg while price of sprats reduced by Rs. 5/- per kg. Price of sugar reduced by Rs. 5/- per kg and price of kerosene oil reduced by Rs. 5/- per liter.

#### 2.6.4 Importation of Rice to ensure Food Security.

A rice shortage was anticipated with the drought situation which prevailed in the country during Yala 2016. Accordingly, the manipulation of the price of rice to create a price hike in the market was observed. Due to this circumstance, the Government intervened to encourage rice importation to meet any shortage which could occur and to stabilize the retail price of rice in the open market throughout the country.

All taxes that were in effect previously on rice imports were removed and only a Special Commodity Levy (SCL of Rs. 15 per kg was imposed on rice imports with effect from 07.01.2017 in order to facilitate importation. All private sector importers were allowed to import rice while the total rice imports were to be limited to a quantity of 250,000 Mt. The SCL of Rs. 15 per kg was reduced to Rs. 5/- per kg with effect from 28.01.2017. Later this concession was extended further till end of May. The MRP of Rs. 80/- per kg of Samba rice, Rs. 72/- per kg of Nadu rice and Rs. 70/- per kg of raw rice was enforced with effect from 08 February 2017. These MRP prices were revised by enforcing a separate MRP for domestic rice at Rs. 90/- per kg of Samba rice, Rs. 80/- per kg of Nadu rice and Rs. 78/- per kg of raw rice with effect from 17.02.2017 while the MRP prices enforced on imported rice remained unchanged. Accordingly, 254,196 Mt of rice has been imported in total by 30.03.2017.

Further, the PMB issued 20, 000 Mt of paddy to the Co-operative Wholesale Establishment (CWE) in lots of 10,000 Mt to be milled and sold through Lanka Sathosa outlets island wide. The Treasury has issued Letters of Comfort to the PMB on behalf of those paddy purchases by CWE.

Accordingly, the Government was able to make rice available in the market at affordable prices without any shortage.

## **2.7 Implementing Budget Proposals**

### **2.7.1 Providing Prominent Shelf Space in Super Markets for SME Sector Products at a Reasonable Price**

The Budget 2016 recognized the difficulty faced by the SME's in marketing their products due to lack of funds for advertising and marketing activities and hence their inability to get their products displayed prominently in super markets. Therefore, the budget 2016 proposed to provide prominent shelf space to such SMEs. Accordingly, SMEs were allowed to get shelf space in super markets such as Cargills and Keells.

### **2.7.2 Budget Proposal on Floriculture Industry**

Floriculture industry has a demanding trend in the world. However, at the moment, Sri Lanka contributes just 0.2 percent to the world requirement. Further, it is apparent that the domestic demand for flowers is also increasing. Therefore, there is a high potential for expansion of the floriculture industry in Sri Lanka, thereby creating opportunities for higher income generation and creation of employment opportunities. Recognizing this potential, the Budget 2017 encouraged the establishment of 2,000 nurseries for which the Government will support by providing a 50 percent interest subsidy. Accordingly, this will be an initiation for creating more opportunities to popularize the floriculture industry in Sri Lanka.

### **2.7.3 Storage Facilities - Construction of Warehouses**

The Government, with the assistance of the World Bank, has introduced a state-of-the-art technology with an innovative mechanism to assist farmers in selected agricultural districts by providing them with quality storage facilities to store their produce such as paddy, maize, soybean, sesame, black gram, pepper and peanut during harvesting period. The main objective of this warehouse is to facilitate farmers to use such produce as collateral to access financial services by developing an electronic and negotiable warehouse receipt finance mechanism. Construction of three warehouses has been initiated in the districts of Anuradhapura, Monaragala and Mannar and these warehouses have a total storage capacity of 24,000 Mt.

It was reported that 150 farmers have stored their commodities at the Upuldeniya warehouse during 2016 and of that, 80 farmers have obtained Rs. 6.6 million short term credit facilities as pledge loans from the Regional Development Bank using the warehouse receipts. In the Buttala warehouse, 34 farmers have stored their produce during the same period and out of that, 14 have obtained Rs. 1.5 million short term credit facilities using the warehouse receipt system.

As at 31<sup>st</sup> December 2016, five types of grains have been stored of the Upuldeniya warehouse namely paddy, maize, sesame, soybean and cowpea of which the majority being paddy (230.60 Mt) followed by soybean (94.90 Mt), maize (68.70 Mt) and sesame (24.90 Mt). The farmers in the area use the storage facility offered to them to store the produce during the harvesting period and sell once the prices have stabilized.

The total value of the stock at the time of storage was valued at Rs. 20,447,750.20 and the value at the time of selling was Rs. 24,923,803.75 and therefore farmers were directly benefitted by Rs. 4,476,053.55. The store charges and cleaning charges for the total stored quantity of grain were Rs. 457,174.54 and Rs. 210,428.30 respectively.

Considering the success of the above system, the Government proposed to construct three new warehouses in the districts of Polonnaruwa, Killinochchi and Ratnapura. Initial construction was commenced in the Killinochchi and Ratnapura warehouses through the 2016 budget and the proposed three warehouses are under construction.

**Table 2.17 : Income Report - Government Grain Warehouse - Upuldeniya - up to 2016 .12.31**

Grain	Quantity (Mt)	Value when stocked (Rs.)	Value when sold (Rs.)	Gross value (Rs.)	Store charges (Rs.)	Polysac charges (Rs.)	Cleaning charges (Rs.)	Net value (Rs.)
Maize	65	2,258,279	3,045,442	787,163	29,432	24,542		733,189
Paddy	231	6,751,718	8,963,171	2,211,453	200,739	117,020		1,893,695
Sesame	25	3,370,370	3,898,703	528,333	148,135	14,025		366,173
Soybean	95	8,067,384	9,016,488	949,104	78,869	95,220	210,428	949,104
<b>Total</b>	<b>415</b>	<b>20,447,750</b>	<b>24,923,804</b>	<b>4,476,054</b>	<b>457,175</b>	<b>250,807</b>	<b>210,428</b>	<b>3,942,161</b>

Source: Government Grain Warehouse - Upuldeniya

## 2.8 Livestock Sector Development

### 2.8.1 Poultry Sector

Poultry industry in Sri Lanka has significantly contributed to fulfill the nutritional requirements of consumers. As a bird flu free country, Sri Lanka maintains a satisfactory level of quality in this industry with the new technological improvements of the livestock sector, market competition and productivity improvements.

According to the available data, chicken production has increased by 104,160 Mt to 173,830 Mt from year 2010 to 2016 respectively.

Year	Chicken Production		Egg Production	
	Estimation (000'Mt)	Actual (000' Mt)	Estimation (Mn)	Actual (Mn)
2010	N/A	104.16	N/A	1,384.80
2011	N/A	116.76	N/A	1,711.22
2012	N/A	137.39	N/A	2,278.72
2013	142.99	144.54	2,077.69	2,074.94
2014	143.37	150.32	2,086.31	2,232.02
2015	160.57	164.45	2,203.00	2,294.08
2016	168.41	173.83	2,187.00	2,204.17

Source: Department of Animal Production and Health

Consumption of chicken as well as eggs have been improved gradually due to increasing buying power, raising availability of poultry products and relatively low prices compared to fish and other protein substitutes in the market.

In order to protect the poultry producers and to provide chicken at a reasonable price in the market, the Government has provided relief to poultry sector by issuing permits to import maize under concessionary duty rates. The control price of chicken has been removed to provide chicken at competitive price at the open market with providing opportunities for poultry industrialists for further expansion and productivity improvement of the industry.

The local maize stockiest have stored around 67,000 Mt of maize expecting higher price during 2016 and the Government has intervened to assure them a reasonable price, while ensuring the supply of these stocks to animal feed industry at an affordable price. Accordingly, this maize stock was purchased at a rate of Rs. 52.50 per kg and was provided to the poultry producers at Rs. 45.00 per kg in order to reduce the cost of production of poultry products. In this regard, the Government paid the balance Rs. 7.50 per kg as a subsidy. Considering the annual maize requirement of the animal feed industry, 70,200 Mt of maize was allowed to import under a SCL of Rs. 10.00 per kg during 2016 in order to fulfill the shortage of the poultry products.

## **2.8.2 Dairy Sector**

The dairy sector has been identified as an emerging sector in the rural economy. It plays an important role in building the rural economy by assisting to ensure food security, reduce unemployment and poverty levels and improve the nutritional standards of rural families. Though the country has a large dairy market, the local dairy production is not sufficient to fulfill the dairy requirement of the country and around 55 percent of the milk and milk products is being imported. On this

back ground, the Government from time to time introduced various policy measures to develop the dairy industry in the country. Policies on promoting commercial dairying, raw milk pricing and trade and tariffs have been adopted in the recent past to increase the availability of locally produced milk and milk products in the domestic market at affordable prices in order to increase the national milk production and save foreign exchange on milk imports.

As proposed by the budget 2016, the price of local milk powder was brought down with the objective of encouraging the production of local milk powder and offering a price relief to consumers. In line with this price reduction, a price subsidy was granted to the local milk powder companies on the recommendation of the Ministry of Rural Economic Affairs. Accordingly, Milco (Pvt) Company Ltd and Pelwatte Dairy Industries Company, two local milk producing companies, have brought down the prices of 400 gram and 1 kg milk powder packets as proposed and the re-imburements in 2016 were as follows.

**Table 2.19 : Grant of Re-imburements to the Local Milk powder Producers in 2016**

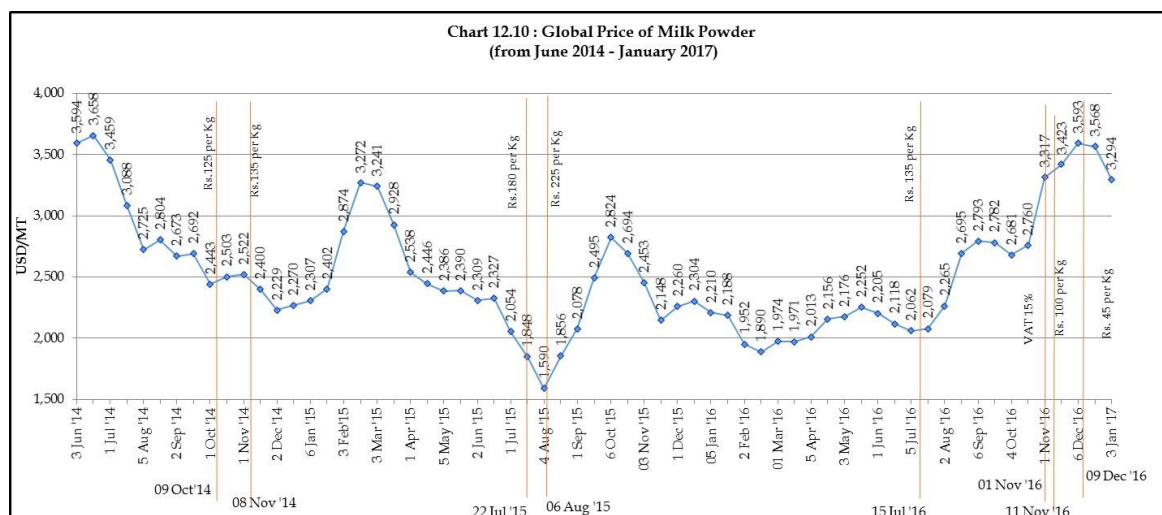
Company	Unit	Market Price	Sale Price Based on Budget	Price Subsidy (Rs. Mn)
Milco (Pvt) Ltd	400 g	Rs. 320	Rs. 295	234,191,350
	1 KG	Rs. 790	Rs. 735	7,172,000
Pelwatte Dairy Industries Company Ltd	400g	Rs. 325	Rs. 295	200,714,670
	1 KG	Rs. 810	Rs. 735	41,079,675

Source: Department of Development Finance

As shown in the above table, the Government spent Rs. 483 million to pay the price subsidy for the local milk powder producers in 2016. In addition, Rs. 650 million has already been allocated for this purpose in 2017.

Compared to local milk powder, imported milk also has a significant impact on the dairy industry of the country as it represent around 55 percent of the domestic dairy requirement. Annually, around 80,000 Mt of milk and milk products have to be imported to the country to fulfill the local demand. Due to the MRP imposed on milk powder by the Government to protect the local milk consumers, milk importers were not allowed to adjust domestic milk powder prices parallely with the global price changes. By understanding the situation faced by the milk importers in the country, steps were taken by the Government to a grant duty waiver to the local milk powder importers considering the fluctuations of the global market price. Accordingly, the applicable duty on milk powder was revised several times in 2016 on the request of milk importers and the last revision was done in December 2016 as shown in Chart 2.10.





According to the available data at the Department of Animal Production and Health, there is a shortage of high yield dairy animals in the country and only around 4 percent of the farms out of 20,000 produce over 20 liters per day which is the economically sustainable production level as a commercial unit. Though 4,500 dairy cows had already been imported to the country, it is not sufficient to cater to the country demand. Considering the need of uplifting the domestic milk production and increase the high yield dairy herd in the country, actions were already taken by the Government to import 5,000 high yield dairy animals from Australia at the initial stage and 15,000 animals on second stage. As the initial cost of a new farm with imported cows is costly and not profit making activity Government expects to assist to Private investors/farmers who are willing to invest in dairy project through a gap financing scheme.

### 2.8.3 Dairy Development Loan Scheme

Commercial Scale Dairy Development Loan Scheme (CSDDL) commenced in 2013 with the objective of establish at least 1,000 mega farms with minimum of 25 cows per farm encouraging medium scale entrepreneurs to engage in commercial scale dairy farming activities related to milk value chain. The scheme facilitated the medium to large scale dairy developers to obtain credit facilities for commercial dairy activities at a rate of 6 percent per annum and 6 percent paid by the Government as an interest subsidy to the selected 13 PFIs. The maximum loan amount disbursed under this loan scheme is Rs. 25 million with the loan repayment period of 5 years inclusive of 6 month grace period. On the request of entrepreneurs the minimum requirement of number of cows per farm reduced up to 7 in 2014 to support to the dairy farming in SMEs sector. The progress of this loan scheme as at 31.12.2016 is shown in Chart 2.11.

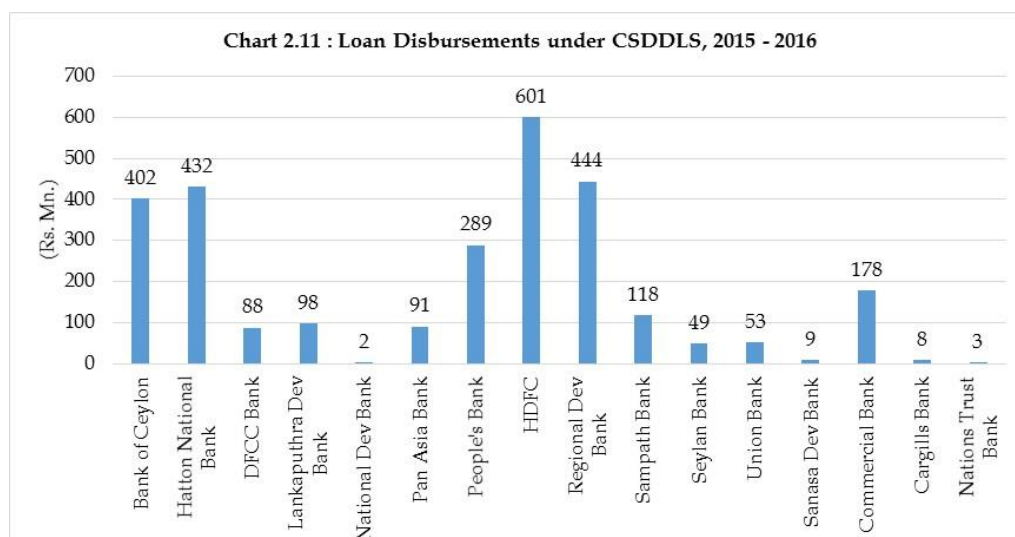
**Table 2.20 : Progress of Commercial Scale Dairy Development Loan Scheme**

Year	No. of Beneficiaries	Loan Amount (Rs. Mn)	Subsidy Paid (Rs. Mn)
2013	60	202.20	1.8
2014	604	950.90	4.9
2015	1,424	1,227.77	80.1
2016	2,667	1,633.49	139.4

<b>Total</b>	<b>4,755</b>	<b>4,014.36</b>	<b>263.2</b>
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Source: CBSL

Due to reduction of applicable interest rate to the borrowers from 8 percent to 6 percent at the end of 2014 the demand for loans under CSDDLs loan scheme has been increased considerably during last two years. There were 4,755 dairy farmers benefitted under this loan scheme and the total loan disbursements exceeded Rs. 4 billion by the end of 2016. The Government has paid Rs. 263 million to the selected PFIs as interest subsidy by December 2016.



In term of loan disbursements, the highest amount of Rs. 601 million loans has been provided by HDFC Bank during 2015 to 2016 and the RDB and HNB disbursed Rs. 444 million and Rs. 432 million respectively. Compared with state banks HNB, Sampath Bank, and Commercial Bank were the private banks with significant amount of loans offered to dairy sector during this time period.

## 2.9 Support for the Development of Essential Crops

According to the Public Investment Programme 2017 - 2020, many initiatives have been proposed by the Government to ensure the food security via means of producing supplementary food crops with increased production and increased productivity while minimizing food imports. Food Production National Programme, establishment and development of agricultural mega zones and strengthening of value chain development are such initiatives to be implemented in the medium term.

At present, many essential field crops are being imported to meet the domestic demand due to inadequate supply in the local market. Among these field crops, maize, soybean, chillies, big onion and potatoes are given high priority as these crops have caused a significant foreign exchange outflow annually and the Government has continued providing many relief to enhance the productivity of those crops such as providing the fertilizer cash subsidy. At the same time, as a facilitator and as a regulator, the Government has ensured a certified price where

necessary and adjusted the tax policy consequently to protect the local farmers who are cultivating such essential crops.

### **2.9.1 Potatoes**

The average annual requirement of potatoes is around 160,000 Mt and the local production is only 50 percent of the total requirement. Potatoes are mainly cultivated in Badulla and Nuwara Eliya Districts. The SCL on potatoes was increased up to Rs. 35/- per kg by the Government on 22.07.2016 when the local potatoes production has reached the market with the objective to protect the local farmers. It is targeted to reduce the potatoes imports to 35 percent by 2018 while increasing the cultivation extent up to 6,500 Ha and productivity up to 20 Mt per Ha.

### **2.9.2 Big Onion**

The average annual requirement of big onions is around 235,000 Mt and the average annual production is approximately 100,000 Mt. Big onions are mainly cultivated in Matale, Anuradhapura, Hambantota and Monaragala Districts. The SCL on big onion was increased up to Rs. 25/- per kg by the Government on 22.07.2016 when the local big onion production has reached the market with the objective to protect the local farmers. By 2018, it is targeted to increase the big onion production up to 148,000 Mt while increasing the cultivation extent up to 7,400 Ha and productivity up to 20 Mt per Ha.

### **2.9.3 Chillies**

The average annual requirement of green chillies is around 30,000 Mt and it is catered by the domestic production. However, out of the annual requirement of dried chillies which is approximately 50,000 Mt, only 20 percent is produced domestically. Chillie is mainly cultivated in Anuradhapura, Puttalam and Monaragala Districts. An SCL of Rs. 125/- per kg was imposed on dried chillies which are crushed and ground and an SCL of Rs. 25/- per kg was imposed on dried chillies which are not crushed and not ground during 2016. It is targeted to reduce chillie imports to 50 percent by 2018 while increasing the cultivation target to 30,000 Ha.

### **2.9.4 Soybean**

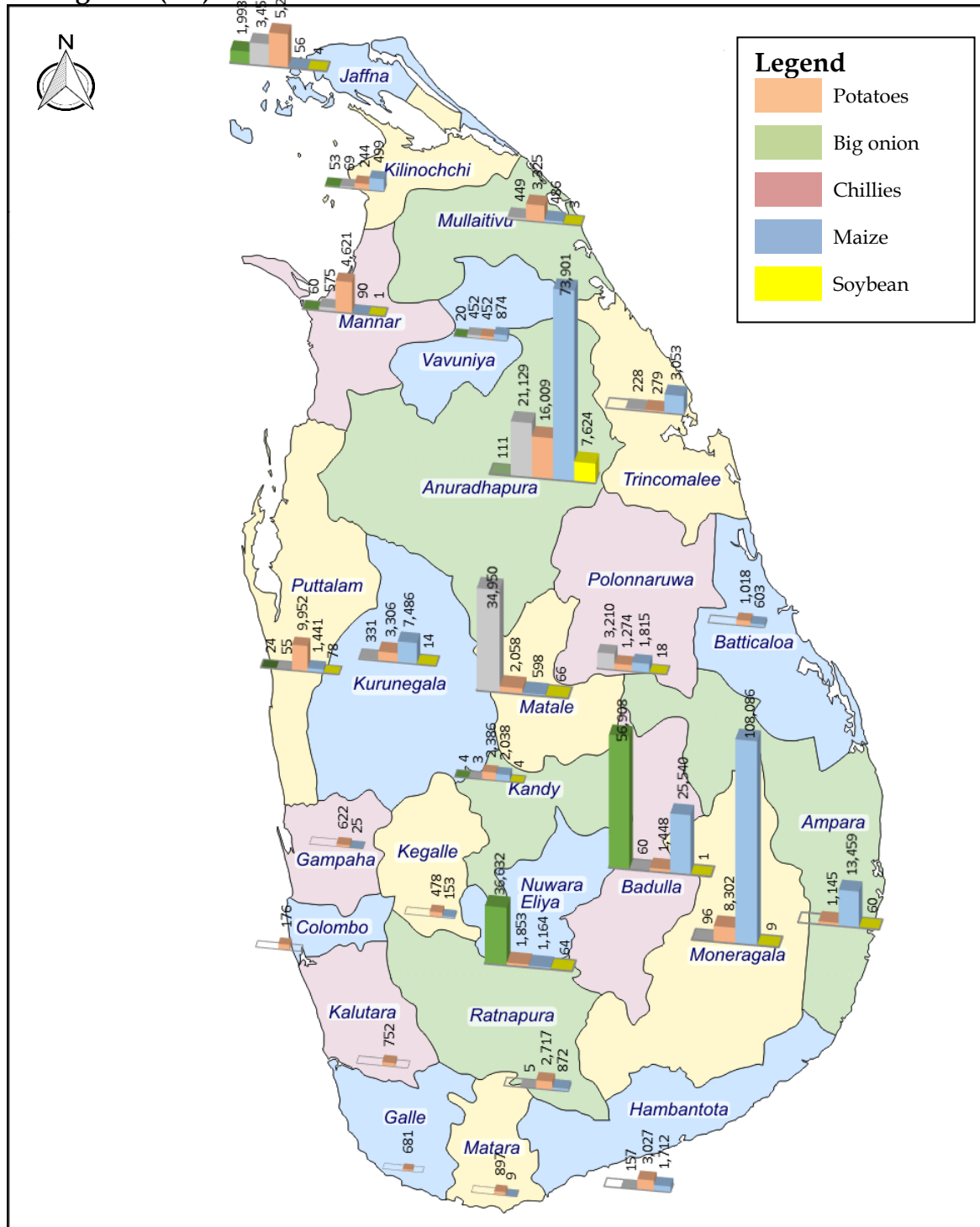
The total annual requirement of soybean is 220,000 Mt and the average annual production is around 22,250 Mt. Therefore, 90 percent of the annual soybean requirement is imported. Soybean is used as a major raw material in manufacturing "Thriposha" and it is usually cultivated in Mahaweli 'H' area, Anuradhapura and Ampara Districts. It has been targeted to reduce the importation of soybean to 70 percent by 2018 while increasing the cultivation target to 42,175 Ha and increasing the productivity target to 2 Mt per Ha.

### **2.9.5 Maize**

Maize is the major raw material used for animal feed manufacturing and at present the annual maize requirement is around 400,000 Mt. It is mainly

cultivated in Anuradhapura, Monaragala, Badulla and Ampara Districts and the domestic production of maize is approximately 250,000 Mt. It has been targeted to be self-sufficient in maize by 2018 while increasing the cultivation target to 110,000 Ha and increasing the productivity target to 5 Mt per Ha.

**Map 2.1 : Production of Maize, Soybean, Potatoes, Big onion and Chillies during 2016 (Mt)**



Source: Department of Census and Statistics

## 2.10 Special Incentives for Targeted Groups

### 2.10.1 Special Interest Rate for Senior Citizens

Senior citizens, who spent their youth to support the country's development, were provided a special interest rate for their fixed deposits with the intension of providing financially stable and secure retirement life. Accordingly, it was proposed to provide 15 percent special interest rate for Senior Citizens' fixed deposits through the Interim Budget 2015. Accordingly, Sri Lankan senior citizens who open a one-year fixed deposit of a total of rupee one million or less at a Licensed Commercial Bank (LCB) or Licensed Specialized Bank (LSB) in an individual basis are eligible to receive this special interest rate of 15 percent per annum. Moreover, the additional interest cost incurred by banks, over and above normal interest rates to implement this scheme, is reimbursed by the Treasury on a quarterly basis.

This scheme was successfully implemented during the year 2016 and the Government received reimbursement claims around Rs. 14,618 million from participatory LCBs and LSBs for the additional interest paid for the senior citizens.

**Table 2.21 : Quarter-wise Progress of the Special Interest Scheme for Senior Citizens - 2016**

Description	Beneficiaries	Reimbursement requests (Rs.)
Quarter 1	401,765	4,590,898,130.52
Quarter 2	421,728	4,445,488,474.77
Quarter 3	423,461	3,061,407,261.56
Quarter 4	431,609	2,520,150,309.17
<b>Total</b>		<b>14,617,944,176.02</b>

Source: Department of Development Finance

Further, the Budget 2017 proposed to continue the scheme during the year 2017 by providing a special interest rate of 15 percent for the one-year rupee fixed deposits up to Rs. 1.5 million in total or less opened in LCBs and LSBs on an individual basis by Sri Lankan senior citizens.

### 2.10.2 Self-Employment Loan Scheme for Socially Re-Integrated Trainees

The phrase I of self-employment loan scheme for socially re-integrated trainees was successfully completed in 2014 by providing concessionary credit facilities through the BOC, PB and Sri Lanka Savings Bank amounting to Rs. 302 million among the 1799 targeted beneficiaries. The Government continued to pay interest subsidies to the selected PFIs and Rs. 46 million has been paid by the end of 2016.

On the Cabinet approval, the phrase II of socially re-integrated trainees' loan scheme was initiated in 2016 and the Tri-party Agreement was signed among MOF, Rehabilitation of Persons, Properties and Industries Authority (REPPA) and relevant PFIs (BOC, PB and RDB) with the objective of provisioning of capital

to improve the income generating avenues for socially re-integrated trainees. The expected amount to be disbursed among the target beneficiaries under the phase II is Rs. 525 million through the banking system.

This loan scheme has given great opportunities to the socially re-integrated youth to commence their livelihood activities successfully. These youth are eligible to participate in Entrepreneurship Development Training Programme and post-supervision programmes to develop their social and economic activities and this also provide a strong base for its trainees to become good citizens and an economic environment to successfully carry out their livelihood pursuits. The loans are provided to eligible rehabilitees up to a maximum Rs. 250,000 with a maximum repayment period of 10 years inclusive of maximum one year grace period, if required to purchase of equipment for the development of agriculture and dairy farming activities, extension services for agricultural activities, animal husbandry, purchase of productive enterprise equipment, domestic industries, fisheries activities, and small business activities.

Under the phase II on-lending rate to the target beneficiaries is 4 percent per annum and interest subsidy at 8 percent is to be paid by the Government to the PFIs.

### 3. Administrations and Financial Performance

#### 3.1 Administration Sector

The Department of Development Finance is being executed under Director General and it consists of 31 numbers of officials including 12 executive officers and 19 other officers. The approved carder of the department is 37 and there were 06 posts which were vacant as at the end of 2016. The information about administration, finance and human resource development of the year 2016 is as follows.

##### 3.1.1 Cadre Position

**Table 3.1 : Cadre Position as at 31.12.2016**

	<b>Position</b>	<b>Approved Cadre</b>	<b>Existing Cadre</b>
01	Director General	01	01
02	Additional Director General	01	00
03	Director	04	04
03	Deputy Director/ Assistant Director	06	06
04	Deputy Director/ Assistant Director - Finance	01	01
05	Planning Assistant	01	01
06	Research Assistant	02	01
07	Information Communication & Technology Assistant	01	01
08	Management Assistant	08	06
09	Driver	07	06
10	Office Employee Service	05	04
	<b>Total</b>	<b>37</b>	<b>31</b>

## Officers who are joined the Department in Year 2016

1. Mr. K.G.P. Pushpakumara - Director
2. Mr. W.P.S. Wickramage - Assistant Director
3. Ms. D.L.V. Wijeratne - Assistant Director
4. Mr. S.J.A.K.D. Ranasinghe - Management Assistant
5. Mr. K.S.A. Priyantha - Driver
6. Mr. J.M.A.P. Jayakody - Driver
7. Mr. D.A.S. Kanakarathne - Driver

## Officers who are left the Department in Year 2016

1. Mr. O.M. Jabeer - Director
2. Mr. S.S.H.W.K. Senewirathne - Management Assistant
3. Mr. K.D.D. Gunasekara - Driver
4. Mr. P.H.C.S.D. Silva - Driver
5. Mr. W.D.A. Wickremasinghe - Driver
6. Mr. K.S.A. Priyantha - Driver

### 3.1.2 Staff Information

Table 3.2 : Staff Information as at 31.12.2016

Name	Designation	Contact Details		
		Telephone	Fax	Email
Mr. A.M.P.M.B. Atapattu	Director General	2484542	2394908	dgdf@dfd.treasury.gov.lk atapattu.ampmb@dfd.treasury.gov.lk
Mr. K.G.P. Pushpakumara	Director	2484507	2484955	kumara.kgpp@dfd.treasury.gov.lk
Mrs. M.K.D.N. Madampe	Director	2484605	2484955	madampe.mkdn@dfd.treasury.gov.lk
Mr. P.M.K. Hettiarachchi	Director	2484572	2484955	hettiarachchi.pmk@dfd.treasury.gov.lk
Mr. S.H.V. Kumara	Director	2484595	2484955	kumara.hsv@dfd.treasury.gov.lk
Mrs. W.L.M.A. Liyanage	Assistant Director - Finance	2484596	2484955	liyanage.wlma@dfd.treasury.gov.lk manorigl@yahoo.com
Ms. R.A.D.R. Ranasinghe	Assistant Director	2484596	2484955	ranasinghe.radr@dfd.treasury.gov.lk radranitha@gmail.com
Ms. J.D. Kotinkaduwa	Assistant Director	2484854	2484955	kotinkaduwa.jd@dfd.treasury.gov.lk dilruksiko@gmail.com
Mr. W.P.S. Wickramage	Assistant Director	2151494	2484955	wickramage.wps@dfd.treasury.gov.lk
Ms. Dilumi W. Kumaraguru	Assistant Director	2484501	2484955	kumaraguru.dw@dfd.treasury.gov.lk
Mrs. N.A.K. Samaranayaka	Assistant Director	2484501	2484955	samaranayaka.nak@dfd.treasury.gov.lk
Ms. D.L.V. Wijeratne	Assistant Director	2337527	2484955	wijeratna.dlv@dfd.treasury.gov.lk



Name	Designation	Contact Details		
		Telephone	Fax	Email
Mr. H.P.S. Shantha	Planning Assistant	2484884	2484955	shantha.hps@dfd.treasury.gov.lk
Ms. A.M. Wickramasinghe	Research Assistant	2484884	2484955	wickremasinghe.am@dfd.treasury.gov.lk
Ms. J.M.I.A. Geeshani	ICT Assistant	2484884	2484955	geeshani.jmia@dfd.treasury.gov.lk
Mrs. T. Hewawasam	Management Assistant	2484862	2484955	hewawasam.t@dfd.treasury.gov.lk
Mrs. H.A.D.A. Nilanthi	Management Assistant	2484862	2484955	nilanthi.hada@dfd.treasury.gov.lk
Mr. R.K. Lenora	Management Assistant	2484862	2484955	lenora.rk@dfd.treasury.gov.lk
Mrs. B.A.K.S.P. Jayaweera	Management Assistant	2484862	2484955	jayaweera.baksp@dfd.treasury.gov.lk
Ms. D.P. Sadunika	Management Assistant	2484862	2484955	sandunika.dp@dfd.treasury.gov.lk
Mr. S.J.A.K.D. Ranasinghe	Management Assistant	2484862	2484955	ranasinghe.sjakd@dfd.treasury.gov.lk
Mr. M.N.L. Premathilake	Driver	2484855	2484955	-
Mr. M.P. Gunawardhena	Driver	2484855	2484955	-
Mr. S.A. Keerthisena	Driver	2484855	2484955	-
Mr. J.M.A.P. Jayakody	Driver	2484862	2484955	-
Mr. D.A.S. Kanakarathne	Driver	2484862	2484955	-
Mr. R.M. Kulathunga	Office Employee Service	2484855	2484955	-
Mr. J.M.D.J.S. Hemantha	Office Employee Service	2484855	2484955	-
Mr. M.R. Jayasinghe	Office Employee Service	2484855	2484955	-
Mr. D.E.K. Palawaththage	Office Employee Service	2484855	2484955	-

### 3.1.3 Local Training Courses, Study Tours, Seminars and Workshops

**Table 3.3 : Local Training Courses, Study Tours & Seminars and Workshops**

<b>Name of the Officer</b>	<b>Name of the Course</b>	<b>Period of the Course</b>	<b>Name of the Institute</b>
Ms. R.A.D.R. Ranasinghe Assistant Director	Introduction to Financial Market	13.05.2016	Academy of Financial Studies
Mr. W.P.S. Wickramage Assistant Director	Strengthen Low Income Families through Women in Rural Area On Site	14.12.2016- 16.12.2016	Korea International Cooperation Agency
Mrs. H.A.D.A. Nilanthi Management Assistant	Financial Regulations in Public Sector	21.11.2016- 22.11.2016	Academy of Financial Studies
	Windows Based Application Package	28.11.2016- 30.11.2016	Academy of Financial Studies
	Cadre Management	21.12.2016	Academy of Financial Studies
Ms. D.P. Sadunika Management Assistant	Financial Regulations in Public Sector	21.11.2016- 22.11.2016	Academy of Financial Studies
	Asset Management	22.12.2016- 23.12.2016	Academy of Financial Studies
Ms. R.A.D.R. Ranasinghe Management Assistant	Financial Regulations in Public Sector	21.11.2016- 22.11.2016	Academy of Financial Studies
	Internal Audit	26.12.2016	Academy of Financial Studies
Mr. J.M.D.J.S. Hemantha Office Employee Service	Roles and Responsibilities of Office Assistant	16.06.2016- 17.06.2016	National Institute of Labour Studies

Sources : Department of Development Finance

### 3.1.4 Foreign Training Courses, Study Tours & Seminars

**Table 3.4 : Foreign Training Courses, Study Tours & Seminars**

<b>Name of the Officer</b>	<b>Name of the Course</b>	<b>Time Period of the Course</b>	<b>Name of the Country</b>
Mr. A.M.P.M.B. Atapattu Director General	Delegation to Study Cold Storage Facilities for Vegetables and Fruits	02.03.2016-05.03.2016	Thailand
		06.03.2016-13.03.2016	Israel
Mr. O.M. Jabeer Director	Asia Pacific Public Procurement Network	10.10.2016-11.10.2016	South Korea
	Microfinance for SME's Development	25.04.2016-06.05.2016	China
Mrs. W.L.M.A. Liyanage Assistant Director	Macroeconomic Policies	11.07.2016-18.07.2016	Hong Kong
Ms. J.D. Kotinkaduwa Assistant Director	Macroeconomic Policies	30.07.2016-06.08.2016	Hong Kong
Ms. Dilumi W. Kumaraguru Assistant Director	Macroeconomic Policies	11.07.2016-18.07.2016	Hong Kong
Mrs. N.A.K. Samaranayaka Assistant Director	Macroeconomic Policies	30.07.2016-06.08.2016	Hong Kong
Ms. D.L.V. Wijeratna Assistant Director	SME Development in Emerging Asia: Integration to the Global Value China	02.11.2016-03.11.2016	China
Ms. J.M.I.A. Geeshani ICT Assistant	Master's Degree Programme in ICT Convergence	10.08.2015-21.12.2016	South Korea

Sources : Department of Development Finance

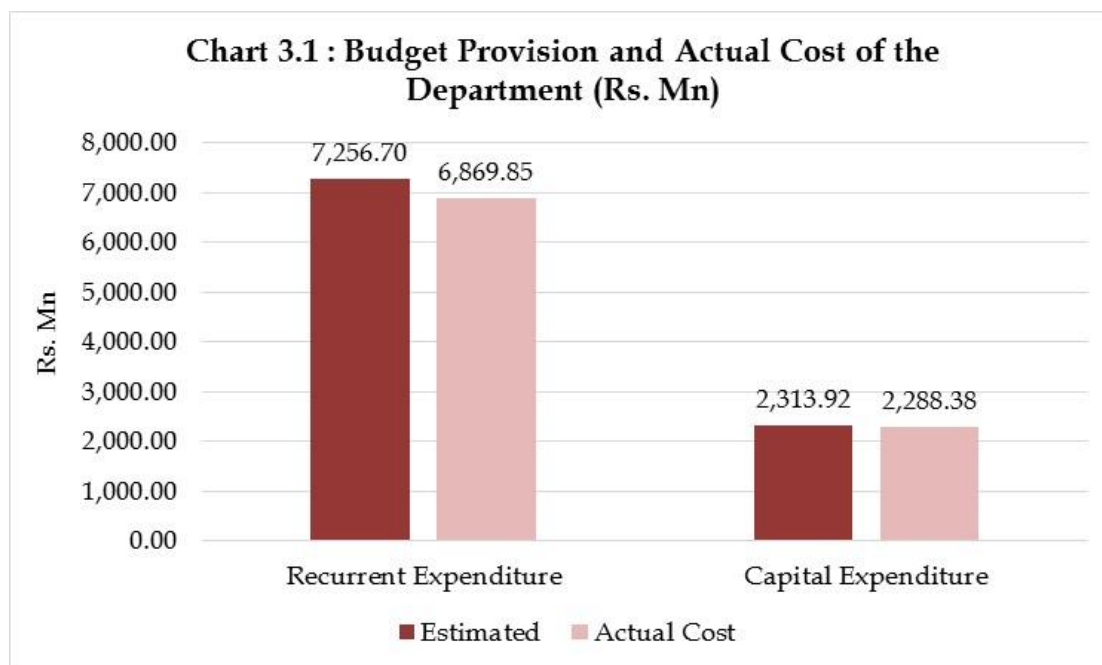
## 3.2 Financial Information

With the view to achieving the objectives of the Department, a sum of Rs. 9,570,621,114 from which Rs. 7,256,703,110 for recurrent expenditure and Rs. 2,313,918,004 for capital expenditure were provided in the estimates for the year 2016 under Head 243. The actual expenditure incurred during the year under review against this provision was Rs. 9,158,236,090 consisting of Rs. 6,869,851,545 and Rs. 2,288,384,544 as recurrent and capital expenditure respectively. The appropriation of the budget provisions and the Public Officers Advance 'B' Account are shown in the Table No. 3.5 and 3.6 respectively.

**Table 3.5 :Utilization of Budget Estimate - 2016**

<b>Item</b>	<b>Estimated (Rs.)</b>	<b>Actual Cost (Rs.)</b>
<b>Recurrent Expenditure</b>	<b>7,256,703,110</b>	<b>6,869,851,545</b>
Personal Emoluments	21,200,000	21,026,447
Traveling Expenses	1,850,000	1,651,878
Supplies	3,032,000	2,149,482
Maintenance Expenditure	2,006,500	1,442,508
Services	2,600,000	2,243,792
Development Subsidies (Interest Subsidies)	7,225,554,610	6,840,948,437.63
Other Transfers	460,000	389,000
<b>Capital Expenditure</b>	<b>2,313,918,004</b>	<b>2,288,384,544</b>
Acquisition of Capital Assets	1,633,000	1,245,629
Capacity Building	300,000	258,890
Other Capital Expenditure	800,000	542,821
Small and Medium Enterprise Development Facility Project (GOSL/WB)	1,000,000	675,620
Promotion of SME Sector (GOSL/GTZ)	224,000,000	219,002,073
Global Food Crisis Response Programme (GOSL/WB)	1,825,872,500	1,825,805,771
Construction of Three Warehouses	260,312,504	240,853,740
<b>Grand Total</b>	<b>9,570,621,114</b>	<b>9,158,236,090</b>

Sources : Department of Development Finance



**Table 3.6 : Public Officers' Advance 'B' Account - 2016**

#	Description	Approved Limit (Rs.)	Actual Amount (Rs.)
1	Maximum Limit of Expenditure	2,500,000	2,203,419
2	Minimum Limit of Receipts	700,000	1,178,853
3	Maximum Limit of Debit Balance	10,000,000	5,282,915

Sources : Department of Development Finance

### 3.3 Audit Queries

Audit queries raised by the Auditor General's Department and the Department of Management Audit during the year 2016 under review were responded and remedial measures were taken to rectify the weakness where necessary.

**Table 3.7 : Audit Queries - Department of Auditor General's - 2016**

Order	Received Date	Subject	Replied Date to Department of Auditor General's
1	17.02.2016	Warehouse Receipts Financing Project	01.03.2016
2	02.05.2016	Appropriation Account - 2015	08.05.2016
3	07.06.2016	Report of the Auditor General on the Financial Statements of the Warehouse Receipts Financing Project for the year ended 31 <sup>st</sup> December 2015	20.06.2016
4	29.08.2016	Performance Report	01.09.2016
5	25.10.2016	Annual Action Plan	02.11.2016
6	03.11.2016	Auditor General's Report for 2015	08.11.2016

Sources : Department of Development Finance

**Table 3.8 : Audit Queries - Department of Management Audit - 2016**

Order	Received Date	Subject	Replied Date to Department of Management Audit
1	14.03.2016	Management Audit Report - 4 <sup>th</sup> Quarter 2015	28.03.2016
2	05.05.2016	Management Audit Report - 1 <sup>st</sup> Quarter 2016	17.05.2016
3	27.07.2016	Management Audit Report - 2 <sup>nd</sup> Quarter 2016	03.08.2016
4	21.10.2016	Management Audit Report - 3 <sup>rd</sup> Quarter 2016	01.11.2016

Sources : Department of Development Finance