

Performance Report - 2017



Department of Development Finance

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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 01st January 2005 with the objective of development of small and medium scale entrepreneurship and revitalizing microfinance sector. The staff of the department consists of 34 members include 13 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 instrument 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 of middle income groups to increase their income and assets; has 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 to 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 75 percent of the total number of enterprises, provides 45 percent of the employment and contributed to 52 percent of the Gross Domestic Production (GDP).

1.2.4 Strategic Planning in Development Finance

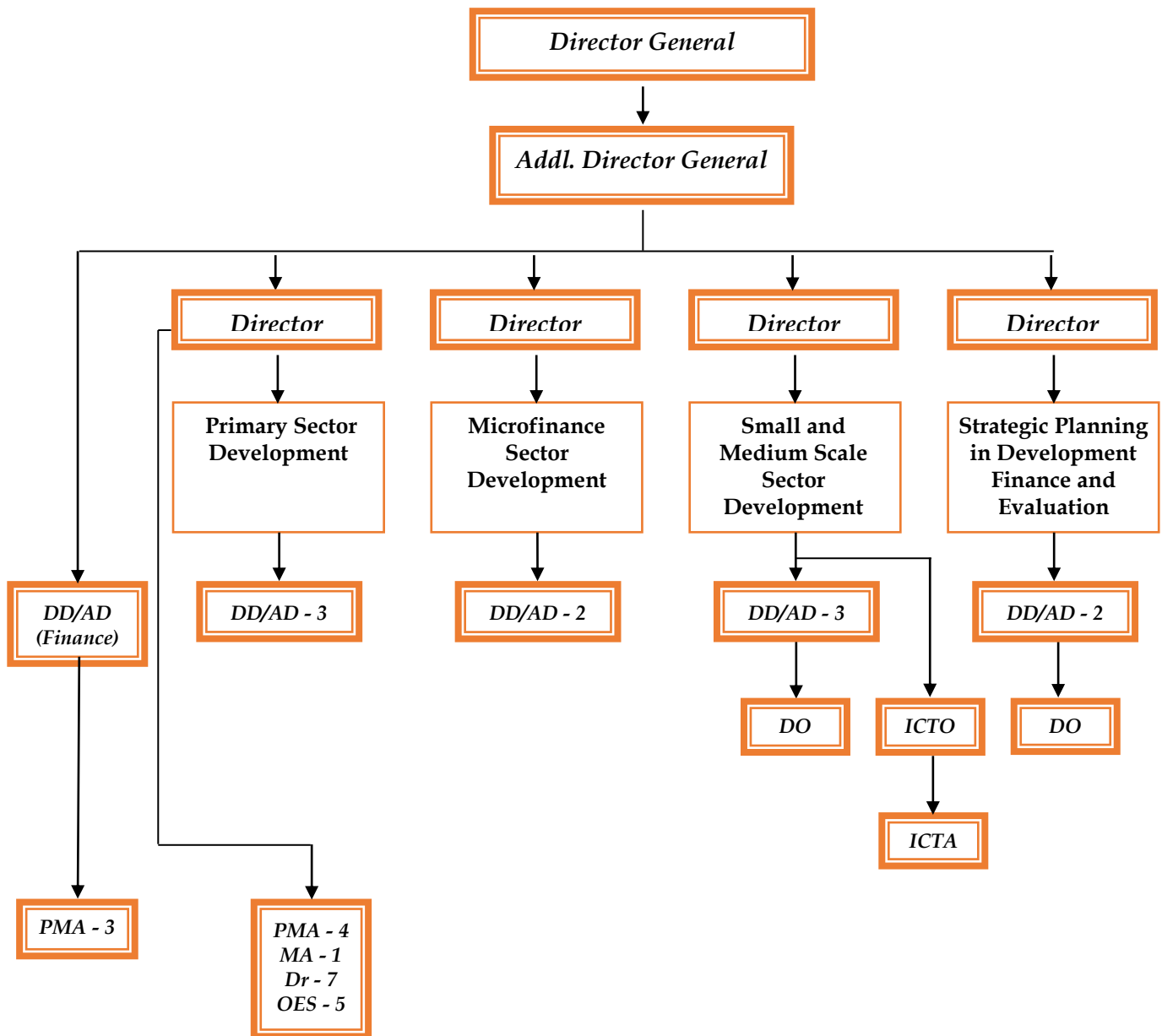
Managing excess crop harvests and balancing the supply and demand side disparities giving concern to the SME category of farmers and other market factors in order to stabilize market prices while ensuring farm gate price for producers.

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
- ICTO - Information Communication & Technology Officer
- DO - Development Officer
- ICTA - Information Communication & Technology Assistant
- PMA - Public Management Assistant
- MA - Management Assistant
- Dr - Driver
- OES - Office Employee Service

2. Performance During 2017

2.1 Overview

The SMEs have been recognized as an important strategic sector for promoting growth and social development of the country in the Blue-Green Development Strategy announced by the Government recently. In year 2017, SMEs have significantly contributed to the economy as a major source of employment and income generation, poverty alleviation, export promotion and regional development. Since the SMEs are less dynamic and the growth and expansion of SMEs are generally constrained by issues relating to the access to finance, various attempts were taken by the successive governments with the assistance of various donor agencies and local funds in order to address the above issues.

Since, the access to finance issue still exists as a major constrain in the SME sector, the Government has introduced a comprehensive package including financial and nonfinancial products to support SMEs under the theme of “Enterprise Sri Lanka”. It is expected to rebuild the “Paradise of Entrepreneurs” by capitalizing on the inborn business skills historically possessed by Sri Lankans. There are 16 tailor-made schemes including eleven interest subsidy loan schemes, three donor funded refinance loan schemes and two financial plus non-financial support programmes under the umbrella of “Enterprise Sri Lanka Credit Programme”.

Accordingly, “Enterprise Sri Lanka” facilitated SMEs by providing credit facilities as well as non-financial technical support for cash flow management, preparation of business plan, maintaining accounts and reports, tax computation, developing markets linkages, buyback arrangements etc. The coverage included all segments in the SME business environment such as farmers, youth, women entrepreneurs, self-employees and other special targeted groups. By implementing the “Enterprise Sri Lanka” Programme, the Government expects to uplift the production economy and achieve the Government’s medium term targets such as per capita income of USD 5,000, one million new jobs, doubling exports, above five present continuous GDP growth rate etc.

The Government has invested heavily in the agriculture sector in 2017. The Government Fertilizer Cash Subsidy Programme, “Kethata Aruna Pohora Diriya” National Crop Insurance Scheme, Farmers Pension Scheme, Paddy Purchasing Programme and Modern Agriculture Warehouse Programme were the major events which continued in 2017, with some expansion for providing maximum benefits to the farmers’ community.

The Fertilizer Cash Subsidy Programme which covers all paddy farmers, smallholders in the plantation sector and small scale farmers who are engaged in cultivation of maize, soybean, potatoes, big onion and chilies continued in 2017.

Under this Cash Subsidy Programme, the cash subsidy amount was directly credited to the respective farmer's bank account in order to provide the maximum benefit to the farmers. Within the new system, the farmers have freedom to apply chemical fertilizer, organic fertilizer or mixed fertilizer and purchased the required quantity of fertilizer from the open market. On the other hand, the new system also leads to mitigate the negative environmental impact of over usage of chemical fertilizer since the farmers are encouraged to move the utilization of organic or mixed fertilizer instead of utilization of full chemical fertilizer.

Due to the unavailability of index based crop insurance scheme to cover the major crops, more than Rs. 5 billion was paid by the Government in 2017 as dry ration and compensation of crop damage caused by the last severe drought.

Therefore, the Government introduced the National Crop Insurance Scheme (NCIS) with an initial insurance cover of Rs. 40,000 per acre for major six crops. Since, the NCIS covers all major crop damages caused by natural disasters and it minimizes the financial burden on the Government and the farmers will be compensated by the real value of their crop damage.

The farmer's pension scheme was also continued in 2017 ensuring life standards of the elderly farmers. The total cost of this contributory pension scheme was born by the Government since the farmers' contribution is negligible amount comparatively.

The Paddy Purchasing Programme was also implemented in 2017 to secure the guaranteed price for paddy farmers. However, Paddy Marketing Board (PMB) was not able to purchase paddy during in 2017 since the entire production was brought by the private sector at a higher price than the guaranteed price announced by the Government due to less harvests in Maha 2016/17 and Yala 2017. Compared to the paddy production of the previous year, 2017 recorded a lower paddy production due to the unfavorable weather condition that prevailed in the country. Therefore, the importation of rice for local consumption was encouraged by the Government with removing the Special Commodity Levy (SCL) imposed on imported rice, thereby to controlling the price increase of rice in local market which directly affects the cost of living.

Furthermore, SCL, Maximum Retail Price (MRP) and import and export CESS were adjusted and also subsidies were provided from time to time in order to protect the local producers as well as maintain a reasonable retail price in the local market. It is also supporting to convert the price gain of world market as Government revenue.

2.2 Enterprise Sri Lanka

Under the theme of “Enterprise Sri Lanka”, the Government aims revitalizing the production economy in order to achieve Governments’ medium-term targets. “Enterprise Sri Lanka Credit Programme” is mainly focused to support the SME sector which has been recognized as the driving force of the economic development. Under this programme that support is provided to the farmers and agro based Companies who are engaged in small scale subsistence agriculture to commercial scale agriculture respectively by infusing low-cost capital for mechanization and adopting the modern agro technologies. Further, the programme also encourages the industrialists and households who are willing to shift from fossil fuel energy to renewable energy in support of environment conditions.

The “Enterprise Sri Lanka” will facilitate not only the established private sector enterprises but also micro enterprises, self-employees and young entrepreneurs. It also facilitates selected certain groups of the society such as van owners running school services to move to 32 seats busses from vans in order to establish more secure school services; low income groups to upgrade and complete their houses; and media personnel correspondents who work under difficult circumstances to purchase necessary equipment. In addition to financial support, non-financial technical support was also provided including technical support to set up companies, preparation of final statements, tax computation, promotion of market opportunities, negotiation with financial institutions etc.

Accordingly, the “Enterprise Sri Lanka” credit programme comprises 16 tailor-made schemes including eleven (11) interest subsidy loan schemes, three (3) donor funded refinance loan schemes and two (2) non-financial supporting programmes in order to support the SMEs, farmers, youth, women entrepreneurs, self-employees and the special groups in the society. The details of the loan schemes such as rate of subsidy, rate of interest, beneficiaries, maximum loan amount etc, are given in Box 2.1.

Box 2.1 : Financial and Non-Financial Schemes Available under “Enterprise Sri Lanka”

Name of the Loan Scheme	Description
1. Interest Subsidy Loan Scheme	
1.1 Ran Aswenna	<p>Category I</p> <p>Beneficiaries - Small Scale Farmers and Farmer Organizations, Floriculture farmers, Entrepreneurs in ornamental fish related businesses</p> <p>Maximum Loan Amount (Rs.) - 5,000,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p>

Name of the Loan Scheme	Description
	<p>Category II</p> <p>Beneficiaries - Agro Processing Establishments</p> <p>Maximum Loan Amount (Rs.) - 300,000,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p> <p>Category III</p> <p>Beneficiaries - Commercial Scale Farming</p> <p>Maximum Loan Amount (Rs.) - 750,000,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p>
1.2 Govi Navoda	<p>Beneficiaries - Small scale farmers, Farmers' organizations (for mechanizing the cultivation activities)</p> <p>Maximum Loan Amount (Rs.) - 500,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 75%</p> <p>Onlending Rate - 3.38%</p>
1.3 Riya Shakthi	<p>Beneficiaries - Owners of the school service vans</p> <p>Maximum Loan Amount (Rs.) - 4,000,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 75%</p> <p>Onlending Rate - 3.38%</p>
1.4 Rivi Bala Savi	<p>Beneficiaries - Households</p> <p>Maximum Loan Amount (Rs.) - 350,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p>
1.5 Diri Saviya	<p>Beneficiaries - Poultry producers, Self-employees</p> <p>Maximum Loan Amount (Rs.) - 50,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 100%</p> <p>Onlending Rate - 0%</p>
1.6 Jaya Isura	<p>Category I</p> <p>Beneficiaries - Small enterprises with an annual turnover between Rs. 10 million to Rs. 250 million and with an employment cadre of 5 to 50 who are engaged in agriculture, fisheries, ornamental fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, apparel, information technology, manufacturing industry and renewable energy sectors</p> <p>Maximum Loan Amount (Rs.) - 100,000,000 (Export) 50,000,000 (Non-Export)</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p>

Name of the Loan Scheme	Description
	<p><u>Category II</u> Beneficiaries - Medium entrepreneurs with an annual turnover between Rs. 250 million to Rs. 750 million and with an employment cadre of 51 to 300 who are engaged in the same sectors mentioned under the Category I</p> <p>Maximum Loan Amount (Rs.) - 400,000,000 (Export) 200,000,000 (Non-Export)</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 25%</p> <p>On lending Rate - 10.12%</p>
1.7 Sonduru Piyasa	<p>Beneficiaries - Owners of the houses with less than 1,000 sq.ft.</p> <p>Maximum Loan Amount (Rs.) - 200,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p>
1.8 Madya Aruna	<p><u>Category I (To purchase media equipment)</u> Beneficiaries - Registered journalists</p> <p>Maximum Loan Amount (Rs.) - 300,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 100%</p> <p>Onlending Rate - 0%</p> <p><u>Category II (To upgrade media equipment)</u> Beneficiaries - Registered journalists</p> <p>Maximum Loan Amount (Rs.) - 150,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p>
1.9 "Arambama" Credit Scheme	<p>Beneficiaries - Young Graduates</p> <p>Maximum Loan Amount (Rs.) - 1,500,000</p> <p>Annual Effective Interest Rate - 12%</p> <p>% of the Interest Subsidy - 100%</p> <p>Onlending Rate - 0%</p> <p>Other facility - Fully Government guarantee</p>
1.10 Green Loan	<p><u>Category I</u> Beneficiaries - Bio degradable bags and packing material producers, small scale hoteliers, organic fertilizer producers and three wheeler owners.</p> <p>Maximum Loan Amount (Rs.) - 1,000,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.75%</p> <p><u>Category II (Homestay Programme)</u> Beneficiaries - Small scale tourist service providers</p> <p>Maximum Loan Amount (Rs.) - 5,000,000</p> <p>Annual Effective Interest Rate - 13.5%</p> <p>% of the Interest Subsidy - more than 50%</p> <p>Onlending Rate - 6%</p>

Name of the Loan Scheme	Description	
1.11 Middle Income Housing Loan Scheme	Beneficiaries	- Middle income young people who want to buy a modern apartment
	Maximum Loan Amount (Rs.)	- 5,000,000
	Annual Effective Interest Rate	- 12%
	% of the Interest Subsidy	- 40%
	Onlending Rate	- 7% (Subsidy paid for first 5 years only)
2. Donor Funded Refinance Loan Scheme		
2.1 Rooftop Solar Power Generation Project (Funded by Asian Development Bank)	Category I	
	Beneficiaries	- Households
	Maximum Loan Amount (Rs.)	- 7,500,000
	Onlending Rate	- 8%
	Category II	
	Beneficiaries	- Entrepreneurs
	Maximum Loan Amount (Rs.)	- Min. 7,500,000 (No maximum limit)
	Onlending Rate	- 8%
Donor Agency	- ADB (USD 50 million for 1 st tranche and top-up to USD 200 million based on progress)	
2.2 Small and Medium-sized Enterprises Line of Credit Project (SMELoC)	Beneficiaries	- SME Entrepreneurs
	Maximum Loan Amount (Rs.)	- 50,000,000
	Onlending Rate	- 11 - 14 %
	Donor Agency	- ADB (USD 175 million)
2.3 "Pavithra Ganga" Initiative	Beneficiaries	- The companies that already discharge their waste into the Kelani River, lagoons
	Maximum Loan Amount (Rs.)	- 30,000,000
	Onlending Rate	- 6.5%
	Donor Agency	- JICA
3. Financial and non-financial support programs		
3.1 National Credit Guarantee Institution (NCGI)	Beneficiaries	- SME Entrepreneurs
	Maximum Coverage	- 1/3 of the loan
	Annual Premium	- 1 - 2 %
	Donor Agency	- ADB (USD 100 million)
3.2 .Supporting for the formation of SME companies	Beneficiaries	- Youth, Women, farmers, and people who are willing to establish SME companies
	Nun- Financial Benefits	- Technical support to incorporate companies, maintain books and records, negotiations with financial institutions, access to market
	Financial Benefits	- Leasing facilities through state banks and 75 percent of lease cost paid by the Government. Concessionary loans under Enterprise Sri Lanka
	Onlending Rate	- 6.75 %

2.2.1 Interest Subsidy Loan Schemes

Interest subsidy loan schemes are implemented through public and private sector banks by utilizing their own funds while the interest component is provided by

the Government. Out of such 11 interest subsidy loan schemes, 8 loan schemes were introduced in the Budget 2017 and launched with effect from 31st March of 2017. Accordingly Rs. 23,885 million was disbursed among 9,600 beneficiaries as at 31st March 2018. The detailed progress is in Table 2.1.

No.	Loan Scheme	No. of Beneficiaries	Amount Disbursed (Rs. Mn)
1	Sonduru Piyasa	5,862	1,164.70
2	Govi Navoda	498	201.60
3	Ran Aswenna	1,275	3,551.20
4	Riya Shakthi	537	1,554.90
5	Rivi Bala Savi	390	134.60
6	Jaya Isura	714	17,181.50
7	Diri Saviya	2	0.60
8	Madya Aruna	322	96.00
Total		9,600	23,885.10

Source: Department of Development Finance

Two new loan schemes named “Green Loan” and “Arambuma” were introduced in the Budget 2018 in order to support the biodegradable products, small scale hoteliers and young graduates who are willing to start a business. Since, the ban on certain polythene products is implemented with effected from 1st January 2018, a concessionary loan scheme called “Green Loan” was proposed to encourage local entrepreneurs to manufacture packaging materials by using the biodegradable raw materials instead of using polythene and it is expected to minimize the environmental pollution by discouraging the polythene and plastic products. Further, the small scale hoteliers who provide services to tourists and the home owners registered under the Sri Lanka Tourism Development Authority to be in the “Homestay” program by upgrading their homes in accordance with the relevant standards can be accommodated under this loan scheme.

The loan scheme named “Arambuma” was introduced to encourage young graduates to enter into the economic development process by setting up their innovative business ideas as a potential business avenues by providing cash flow based loan at a zero interest rate with a Government guarantee.

The Government has allocated Rs. 5,810 million for 2018 to subsidize the instant component of the loans granted under these interest subsidy loan schemes. Accordingly, there is a potential to grant around Rs. 73,650 million worth of loans in 2018 (Table 2.2) if the participatory banks will utilize the total allocated amount.

No.	Loan Scheme	Subsidy Amounts Allocated in 2018 Budget (Rs. Mn)	Maximum Worth of Loans to be Granted in 2018 (Rs. Mn)
1	Sonduru Piyasa	1,000	14,000
2	Govi Navoda	50	350

3	Ran Aswenna	925	11,000
4	Riya Shakthi	150	1,000
5	Rivi Bala Savi	1,500	22,000
6	Jaya Isura	1,500	13,500
7	Diri Saviya	75	600
8	Madya Aruna	25	150
9	Green Loan	60	850
10	Arambama	25	200
11	Middle income housing scheme	500	10,000
Total		5,810	73,650

Source: Department of Development Finance

2.2.2 Donor Funded Refinance Loan Schemes

The three donor funded loan schemes coming under the “Enterprise Sri Lanka” Programme i.e. Small and Medium Enterprise Line of Credit (SMELoC), Rooftop Solar Power Generation Line of Credit Project (RSPGLoC) and E-Friends RF (Pavithra Ganga).

The SMELoC was initiated in 2016 jointly by the Ministry of Finance and the Asian Development Bank (ADB) where the ADB provided USD 100 million in the first tranche, with the aim of channeling more funds to Sri Lankan SMEs via Participatory Financial Institutions (PFIs). In particular, this credit line provides incentives to increase lending to SMEs that haven’t previously borrowed from a bank, women-led SMEs and SMEs outside of Colombo District.

Almost 100 percent of the entire tranche from ADB has been allocated among the PFIs by end of 2017 and it is expected to be fully disbursed by March 2018. Accordingly, Rs. 14,186.40 million has been disbursed among the 1,611 beneficiaries as at 31st March 2018.

Table 2.3 : Progress of the SMELoC as at 31st March 2018

Name of PFI	Amount Allocated (Rs. Mn)	Disbursement		% Disbursed
		No. of Loans	Amount (Rs. Mn)	
Bank of Ceylon	1,280.32	204	1,201.82	93.9
People’s Bank	1,280.32	117	858.27	67.0
Regional Development Bank	1,280.32	472	1,164.42	90.9
DFCC Bank	1,905.31	152	1,905.31	100.0
Sampath Bank	1,265.69	70	1,183.47	93.5
Hatton National Bank	1,905.31	156	1,905.31	100.0
Commercial Bank	1,280.32	83	1,280.32	100.0
National Development	3,102.15	261	3,007.84	97.0

Bank				
Seylan Bank	639.62	40	639.62	100.0
Nations Trust Bank	1,280.32	56	1,040.02	81.2
Total	15,219.68	1,611	14,186.40	93.21

Source: Department of Development Finance

There is a huge potential in the SME sector to create employment opportunities since most of SMEs are labor intensive and still there exist a large gap between supply and the demand for SME credit in the financial market. A 93 percent of the allocated amount lent to the SMEs and it is estimated that more than 15,000 direct and indirect employment opportunities has been granted under the SMELoC project.

Considering these facts, the Government further negotiated with the ADB and the ADB agreed to provide USD 75 million additional financing for the 2nd phase of the SMELoC Project over the period of 2018 - 2019. Accordingly, it has been planned to disburse this USD 75 million additional allocation by three (03) semiannual allocations with the amount of USD 25 million at each allocation through the same PFIs which participated for the 1st tranche of the credit line.

Sri Lanka depends on coal, petroleum oil and gas for fulfilling the energy needs since the renewable energy sources are in the infant stage in the country. As per the global projections, the use of fossil fuels at the current rate of demand continuously, the existing fossil fuel reserves may be enough only for thirty years. Therefore, it is importing that measure are taken to move from fossil fuel to renewable energy sources which are low cost and environment friendly to manage the future energy crisis. As a country positioned in the region known as the "sunbelt" located within 35 degrees of the equator, there is a huge potential to promote solar power generation in Sri Lanka.

Accordingly, the Government has negotiated with the ADB to obtain a loan to facilitate the Government national programme called "Soorya Bala Sangramaya (Battle for Solar Energy)" in order to promote setting up of small solar power plants on the rooftop of households, religious places, hotels, commercial establishments and industries. The ADB has already agreed to implement the Rooftop Solar Power Generation Line of Credit Project (RSPGLoC) by providing USD 50 million at the first stage and top up the funds up to USD 200 million based on the performance during the 4 year period commencing from 2018.

Within the next four year period, it is expected to invest around Rs. 30,000 million in the solar sector through this loan scheme and it will add around 200 MW solar power to the national grid which is comparatively low cost and environment friendly. On the other hand it will save a considerable amount of foreign exchange due to less oil import bill since the electricity generated by utilizing fossil fuel, will be substituted the solar power generated through this project.

The water pollution is one of the major issues caused by in-proper habits and malpractices of the general public and factory owners in disposing of their waste. Most of factory owners and industrialists dispose their waste violating the environment protection rules directly in to rivers which are being used as drinking water sources and lagoons which are connected with the fisheries industry. Accordingly, the pollution levels in some of our waterways have reached unprecedented levels. As such, “Pavithra Ganga” Project is being implemented with concessionary financial assistance under the E-friends Project with an aim to ensure the zero disposal of waste by industries and tourist hotels into the rivers, lagoons and estuaries in the next five years.

2.2.3 Non-financial Support Programmes

There are two (02) financial plus non-financial support programmes i.e. National Credit Guarantee Institution (NCGI) and Formation of SME Companies.

SME sector faces difficulties in access to finance since banking sector heavily rely on collateral-based lending. Yet, many SMEs cannot provide collaterals. These SMEs are left with hard choices; forgo borrowing and the business growth that borrowing could catalyze, turn to money lenders at high rates or pledge collateral that is unrelated to the loan such as residential real estate or gold. In order to overcome these issues, a major initiative that has emerged across many economies is the creation of credit guarantee schemes for SMEs. By absorbing/sharing the associated risk and reducing the dependence on collateral, these schemes encourage Financial Institutions (FIs) to lend more to SMEs at more competitive rates.

Accordingly, the Government proposed to establish a NCGI with the financial assistance of the ADB. An initial discussion was held with the ADB and agreed to provide USD 100 million as seed capital of the proposed NCGI. Simultaneously, the technical assistance was provided by the ADB to conduct the demand analysis and based on the findings, it was recommended to establish the proposed NCGI as a Public Private Partnership (PPP) under the Company Act in order to enhance the sustainability of the proposed NCGI. The Government has also allocated Rs. 500 million as the counterpart funds of the project through the Budget 2018.

During 2018 - 2020, the Government expects to establish new 50 agro and fishery entities, 25 majority women owned entities and 150 youth centric startups. These entities will be established under the Company Act or legally registered corporative societies or farmer organizations. These Companies or other entities should have at least 10 equity shareholders and each shareholder should contribute to the initial capital of the institution. The German International Cooperation (GIZ) has been selected as the consultant for this assignment and they will provide the required technical assistance for the SME Companies which are going to be established under this programme. The Government has also planned to provide a comprehensive financial support package including grants

and the credit through the “Enterprise Sri Lanka Credit Scheme” to these Companies.

2.2.4 Progress of SME Financing

Under the “Enterprise Sri Lanka” Programme, there are fifteen (15) schemes with an aim to support the SME sector in the country by providing financial and nonfinancial facilities at a concessionary rate with the Government intervention. In addition to that, more than sixty (60) loan schemes are being implemented by the all state and private commercial and specialized banks by utilizing their own funds at the market interest rate. Since these all schemes are focusing to support the SME sector, it is decided to promote these all loan schemes under the theme of the “Enterprise Sri Lanka” Programme to develop the uniqueness among the banks. In 2017, approximately Rs. 546,024 million was granted by both state and private banks through all these schemes to fulfill the funding needs of the SMEs.

Table 2.4 : Funds Disbursed by Commercial and Development Banks to SMEs - 2017

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	131	544	745	3,832	1,663	6,724	1,563	1,210	4,102	12,310
People's Bank	979	2,754	297	1,001	984	2,459	2,517	5,982	4,777	12,195
Regional Development Bank	3,552	4,271	174	288	7,560	10,081	11,818	11,697	23,104	26,337
Lankaputhra Development Bank	13	76	29	95	53	231	5	21	100	423
Sanasa Development Bank	116	89	6	4	1,622	1,319	9,131	7,398	10,875	8,810
National Development Bank	305	109	124	46	185	65	392	140	1,006	360
DFCC Bank	309	3,321	1,561	10,929	1,178	8,762	172	654	3,220	23,666
Commercial Bank of Ceylon	6,780	6,955	2,098	9,196	5,782	25,503	38,988	90,227	53,648	131,881
Sampath Bank	312	14,084	218	14,943	551	31,151	1,419	75,618	2,500	135,797
Seylan Bank	595	6,364	670	6,449	1,275	10,112	2,699	12,856	5,239	35,781
Hatton National Bank	3,668	13,590	5,345	28,100	6,741	32,600	12,665	62,100	28,419	136,390
Nations Trust Bank	113	1,213	23	338	348	2,242	952	7,449	1,436	11,242
Standard Chartered Bank	1	46	42	503	46	395	1	2	90	946
Pan Asia Bank	197	594	96	384	1,773	7,934	902	974	2,968	9,886
Total	17,071	54,010	11,428	76,108	29,761	139,578	83,224	276,328	141,484	546,024

Source: Respective Banks

In 2017, out of the total SME sector loans granted by both state and private sector commercial and development banks, 12 percent was for agriculture sector, 21 percent for industry sector, 8 percent for the services sector while 59 percent was for the other sector SME loans.

2.2.5 GIZ - SME Development Programme

A Technical Cooperation Agreement between the Federal Republic of Germany and the Government of Sri Lanka (GOSL) was initially signed in 2012 providing a grant amounting to EURO 2.785 million through GIZ for the implementation of the SME Sector Development Programme. The project period has been extended till 31st December 2018 as the second phase which is called “SME-GIZ Development Programme II” and provided additional budget of Euro 3 million as a German grant and Rs. 20 million has been allocated from the Budget 2018 for the expenses to be borne by the GOSL.

According to the progress report, around Rs. 286 million has been spent by the GIZ for the SME sector development activities in 2017 and Rs. 2 million from the GOSL funds.

The goal of the new phase of the SME Programme is to increase the competitiveness, inclusiveness and environmental sustainability of small and medium-sized enterprises in the Northern and Eastern parts of Sri Lanka, as well as in other secondary growth centres. The programme has four fields of activity;

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

2.3 Microfinancing

Microfinance has made an enormous impact on rural development in the country. In this process the Government plays a key role in building a favorable environment for all poor and underserved people. Many of the countries and development agencies use microfinance as a tool to address the socio-economic revival of the poor. In Sri Lanka, the microfinance sector has been an effective instrument for reduction of poverty of Sri Lankan rural community due to its contribution to the growth of rural sector.

Over the last decades, microfinance has been developed in the form of saving associations, rotating savings clubs, credit associations, funeral or death benefit societies and credit groups or clubs at rural and urban community level. These Microfinance Institutions (MFIs) provide financial services including loans, savings, insurance remittances and non-financial services to low income people who are traditionally neglected by the mainstream financial sector institutions.

The services provided by the MFIs target the needs of individuals, household and small domestic enterprises and boost the income and capabilities of low income groups.

Different authorities are responsible for the supervision of the different types of microfinance institutions and there are large numbers of microfinance institutions that are operating in the country which are not subject to any supervisory/regulatory institutions or framework. However, the outreach and financial performance of the MFIs are varied according to the objectives and weight given to the microfinance sector.

Accordingly, Microfinance Act No. 6 of 2016 came in to effect from 15th July 2016 with the objective of providing a regulatory framework to cover microfinance institutions which are non-regulated. The purpose of the Act is to improve the delivery of financial services to low income people and micro enterprises, increase financial inclusion, strengthen the soundness and systems of microfinance institutions, facilitate microfinance institutions to access wider source of funding, promote consumer protection and promote a safe and stable financial system. The Act empowered Central Bank of Sri Lanka (CBSL) 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 (RVSSOs) for regulation and supervision of Microfinance Non-Governmental Organizations (MNGOs).

During the year 2017, eleven applications have been received by the CBSL requesting microfinance licenses. The Monetary Board of the CBSL has issued a set of principles, standards and guidelines to registrar of RVSSOs to issue rules governing the MNGOs during 2017. Each RVSSO is required to gazette such rules to give effect to the rules, standards and guidelines issued by the CBSL. As per the transitional provision stipulated by the Act, no entity can engage in microfinance business and use the term “Microfinance” in the name of their entity other than a licensed microfinance company or a registered MNGO. The transitional period lapsed on 14th January 2018.

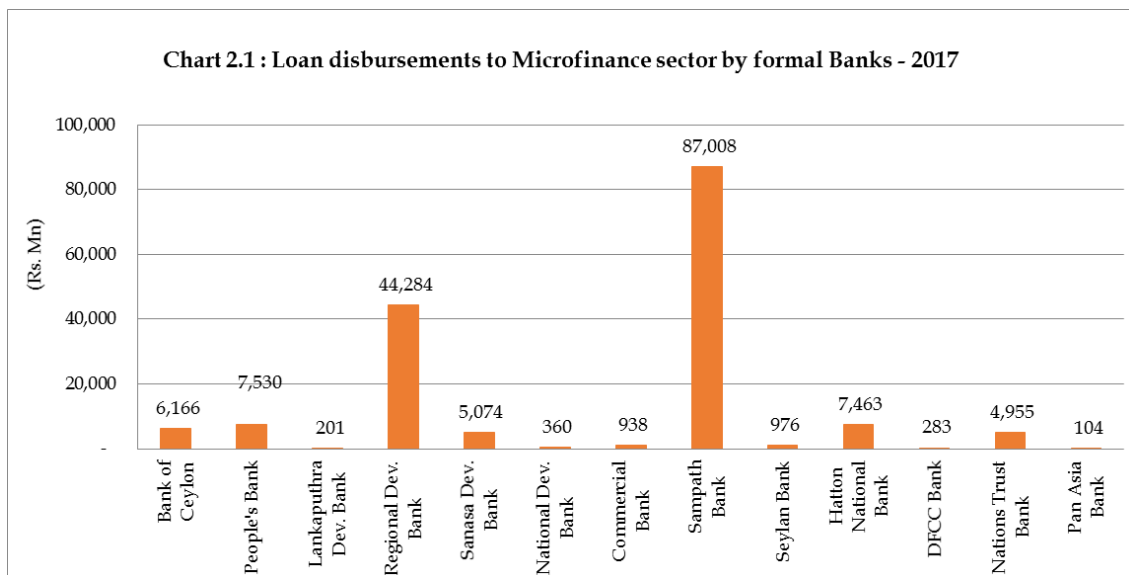
The various government-led microfinance programmes targeting low income families have been implemented during 2017. The progress of microfinancing programmes carried out by the Government affiliated institutions in 2017 is shown in Table 2.5;

Microfinance Institute	No. of Branches	No. of Depositors	No. of Borrowers	Total Deposits (Rs. Mn)	Total Investment (Rs. Mn)	Total Loan Portfolio (Rs. Mn)
Divineguma Community based Bank	1,074	14,060,141	1,314,357	87,407	78,068	54,547

Co-operative Rural Bank	2,258	9,868,445	1,347,237	113,387	111,287	75,281
Agrarian Bank	551	697,977	630,806	680	2,319	1,452
Regional Development Bank	268	6,263,479	576,293	136,582	36,430	128,343
Lankaputhra Development Bank	8	64,530	8,899	375	5,361	3,965
Total	4,151	30,954,572	3,877,592	338,431	228,104	263,588

Source: Department of Development Finance

These microfinance institutions provide financial services through loans and deposit facilities. The outstanding loan portfolio of major Government microfinance institutions by end 2017 stood at Rs. 263 billion out of which 49 percent (Rs. 128 billion) is held by Regional Development Bank, 28 percent (Rs. 75 billion) is held by the Co-operative Rural Bank and 20 percent (Rs. 54 billion) is held by the Divineguma Community based Banks. The savings of the indigent reached Rs. 338 billion by the end of 2017, out of which Rs. 228 billion was placed on long and short term investment by these institutions.



In 2017, the banking sector disbursed Rs. 165 billion in loans to the microfinance sector. Of this Rs. 87 billion was disbursed by the Sampath Bank providing small loans under SMELoC, Jaya Isura, NCRCS and "Saubhagya" Loan Schemes. Regional Development Bank and People's Bank disbursed Rs. 44 billion and Rs. 7 billion respectively in 2017. Compared to state banks, Hatton National Bank, Sanasa Development Bank and Nations Trust Bank were the private banks with significant microfinance portfolios providing access to finance through various microfinance programmes.

2.4 Agriculture

2.4.1 Fertilizer Cash Subsidy for Paddy Farmers

The fertilizer cash subsidy programme was introduced by the Government from 2016 yala season. Accordingly, a cash subsidy of Rs. 25,000/- per hectare per annum was granted to a paddy farmer up to a maximum of two hectares. A small scale paddy farmer who owns two hectares was entitled to receive a cash subsidy of Rs. 50,000/- per annum and received cash subsidy separately for two seasons in each year.

Using the cash subsidy, the paddy farmers were given the freedom to purchase chemical fertilizer or organic fertilizer from either state owned or private sector fertilizer outlets island wide. A maximum retail price of Rs. 2,500/- for a 50 kg bag of fertilizer was announced for the three major fertilizer types used for paddy, namely, Urea, Triple Super Phosphate (TSP) and Muriate of Potash (MOP) in order to facilitate the new policy. This cash subsidy has been credited to the respective paddy farmer's bank account and it has been published online in the website of the Ministry of Agriculture.

During 2016/17 maha season and 2017 yala season, an amount of Rs. 10.3 billion has been granted to paddy farmers under the fertilizer cash subsidy scheme. More details are shown in Table 2.6 below;

Table 2.6 : Progress of the Fertilizer Cash Subsidy Programme for Paddy

District	2016/17 Maha Season			2017 Yala Season			Total		
	No of farmers who received fertilizer	Cultivated extent (Ha)	Cash Subsidy Paid (Rs.)	No. of farmers who received fertilizer	Cultivated extent (Ha)	Cash subsidy paid (Rs.)	No. of farmers who received fertilizer	Cultivated extent (Ha)	Cash subsidy paid (Rs.)
Colombo	4,660	1,753	22,413,750	5,469	816	10,473,750	10,129	2,569	32,887,500
Gampaha	14,025	5,331	70,710,000	7,267	3,118	40,860,000	21,292	8,449	111,570,000
Kalutara	14,096	5,226	65,743,500	14,822	5,920	75,200,500	28,918	11,146	140,944,000
Kandy	26,256	10,968	140,218,750	29,788	9,805	125,035,000	56,044	20,773	265,253,750
Matale	29,965	14,593	185,515,000	22,236	9,543	121,728,750	52,201	24,136	307,243,750
Nuwara Eliya	14,145	5,569	62,492,470	11,587	4,620	58,047,500	25,732	10,189	120,539,970
Galle	11,077	4,324	54,750,750	12,323	5,239	66,603,750	23,400	9,563	121,354,500
Matara	15,934	6,572	85,536,350	29,157	11,248	146,481,250	45,091	17,819	232,017,600
Hambantota	43,057	34,039	301,867,500	33,625	25,541	320,178,750	76,682	59,580	622,046,250
Jaffna	16,295	9,092	121,509,900	6,759	2,744	37,672,500	23,054	11,836	159,182,400
Mannar	14,788	17,286	216,070,000	258	149	1,517,500	15,046	17,435	217,587,500
Vavuniya	17,551	18,273	226,838,250	813	511	6,381,250	18,364	18,784	233,219,500
Mullaitivu	12,851	15,587	194,841,250	1,124	899	11,241,250	13,975	16,487	206,082,500
Kilinochchi	15,337	21,150	264,373,750	2,519	1,620	20,243,750	17,856	22,769	284,617,500
Batticaloa	36,498	44,261	553,256,250	18,582	23,415	292,687,250	55,080	67,675	845,943,500
Ampara	74,630	75,438	942,976,250	46,798	41,148	514,353,750	121,428	116,586	1,457,330,000
Trincomalee	40,729	37,288	466,095,000	21,472	9,864	123,305,000	62,201	47,152	589,400,000
Kurunegala	115,598	40,092	510,102,450	108,201	17,845	228,932,500	223,799	57,937	739,034,950
Puttalam	19,605	15,204	190,403,230	3,259	2,236	28,435,625	22,864	17,440	218,838,855
Anuradhapura	116,561	50,973	637,257,500	35,432	25,057	312,967,500	151,993	76,031	950,225,000
Polonnaruwa	66,717	63,674	709,380,125	57,439	39,160	489,307,750	124,156	102,834	1,198,687,875
Badulla	48,324	25,044	315,187,250	50,574	13,881	177,181,250	98,898	38,924	492,368,500

Monaragala	47,313	30,117	351,599,500	16,533	10,059	125,883,750	63,846	40,176	477,483,250
Ratnapura	19,376	9,382	118,693,750	15,824	7,324	92,730,000	35,200	16,705	211,423,750
Kegalle	11,149	3,142	43,445,000	7,070	1,832	25,616,250	18,219	4,974	69,061,250
Total	846,537	564,377	6,851,277,525	558,931	273,594	3,453,066,125	1,405,468	837,971	10,304,343,650

Source : Ministry of Agriculture

2.4.2 Fertilizer Cash Subsidy for Crops Other than Paddy

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 plantation smallholders and small scale farmers who are engaged in cultivating maize, soybean, potatoes, big onions and chilies. These five crops were selected in line with the Government policy initiative of "Food Production National Programme". The annual fertilizer cash subsidy rates applicable for crops other than paddy are given in Table 2.7 below;

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 Chilies	01	10,000

Source: Ministry of Agriculture and Ministry of Plantation Industries

Around 351,885 plantation sector smallholders have received the cash subsidy during 2017.

Plantation Crop	Beneficiaries	Cultivated Extent (Ha)	Cash Subsidy Paid (Rs. Mn)
Tea	139,211	59,304	886
Rubber	41,819	19,110	95
Coconut	170,855	53,571	480
Total	351,885	131,986	1,461

Source: Ministry of Plantation Industries

Around 89,603 small farmers have received the cash subsidy during 2017 for maize, soybean, potatoes, big onions and chilies.

Province	No. of Farmers who Received Fertilizer	Cultivated Extent (Ha)	Cash Subsidy Paid (Rs.)
Western	-	-	-
Central	2,852	941.63	9,482,000
Southern	452	158.45	1,586,000
North Western	1,613	915.45	9,155,000

North Central	26,022	19,075.00	190,754,000
Uva	37,531	28,040.00	280,600,000
Sabaragamuwa	179	63.00	627,000
Eastern	7,200	5,756.00	56,808,074
Northern	13,754	4,485.00	48,349,000
Total	89,603	59,434.53	597,361,074

Source: Ministry of Agriculture

2.4.3 New Comprehensive Rural Credit Scheme (NCRCS)

In order to enhance the agriculture production and uplift the cultivation, the New Comprehensive Rural Credit Scheme (NCRCS - Sarusara) continued in 2017 in collaboration with the CBSL by providing an interest subsidy for the farmers to cultivate paddy and other subsidiary crops. Under this loan scheme, short term loans were provided by the PFIs out of their own funds, for farmers to cultivate 32 crops including paddy, chilies, onion, pulses, oil seeds, root and tuber, ginger and vegetables. NCRCS contributed significantly towards the reduction of poverty and uplifting the living standards of rural community while enhancing the rural sector production. The credit facility for cultivation is being implemented at a concessionary rate of 7 percent by the PFIs and the General Treasury provide 5 percent of interest subsidy to PFIs.

Table 2.10 : Overall Progress of Cultivation Loans under NCRCS, 2013 - 2017

Details	2013	2014	2015	2016	2017
Loans released (Rs. Mn)	8,189	6,750	7,138	8,009	7,846
Extent of land cultivated (Acres)	279,521	240,921	265,719	274,997	236,139
Number of beneficiaries	96,381	86,143	90,533	87,060	71,397

Source: Regional Development Department, Central Bank of Sri Lanka

During 2017, the Government continued with the provision of an interest subsidy to lending banks and paid Rs. 219 million as interest subsidy for loans granted by PFIs using their own funds. NCRCS has provided an average of Rs. 7,846 million worth loans per year to 71,397 beneficiaries covering the entire country. During the last five years, the number of loans granted under NCRCS varied. However, an average significant number of loans around Rs. 8 billion has been being released under NCRCS. The number of farmers benefited under this scheme was decreased to 71,397 in 2017 from 87,060 in 2016. However, the total loan disbursement decreased from Rs. 8,009 million in 2016 to Rs. 7,845 million in 2017. Compared with 2016, the demand for loans under this programme decreased by 18 percent in 2017. This was mainly due to the adverse weather conditions prevailed during the year 2107.

In terms of loan distribution, the small loans below the maximum loan limit of Rs. 320,000 per acre have been provided mostly to the paddy sector, accounting for 65 percent of the number of loan disbursements in 2017. The extent of land

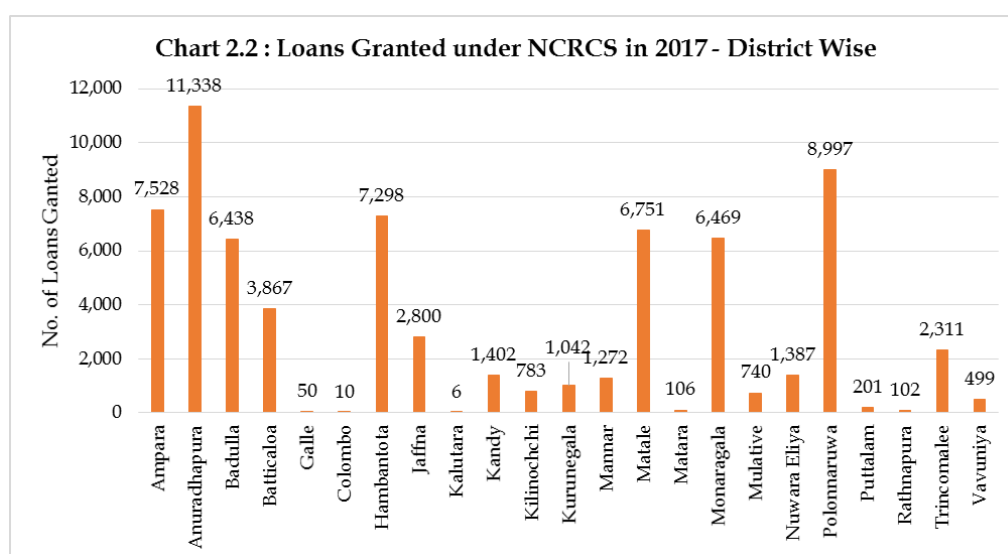
totaling to 236,139 acres have been utilized for crop cultivation of which 76 percent was for paddy in 2017.

Crop	Maximum Loan Limit per Acre (Rs.)	Maximum Land Units (Acres)	No. of Loans Granted	Amount Released (Rs. Mn)	Extend of Land (Acres)
Paddy - Irrigated	30,000	10	46,135	4,743	178,770
Rain fed	32,000	10			
Maize	34,000	10	10,395	1,062	36,497
Potato	252,000	2	3,358	724	3,529
Onion	140,000	2	3,541	556	5,281
Chilies	88,000	2	2,055	155	2,236
Vegetables	31,000 - 119,000	2	4,788	531	7,617
Other - Ginger	70,000	2	1,125	75	2,210
Total			71,397	7,846	236,139

Source: Regional Development Department, Central Bank of Sri Lanka

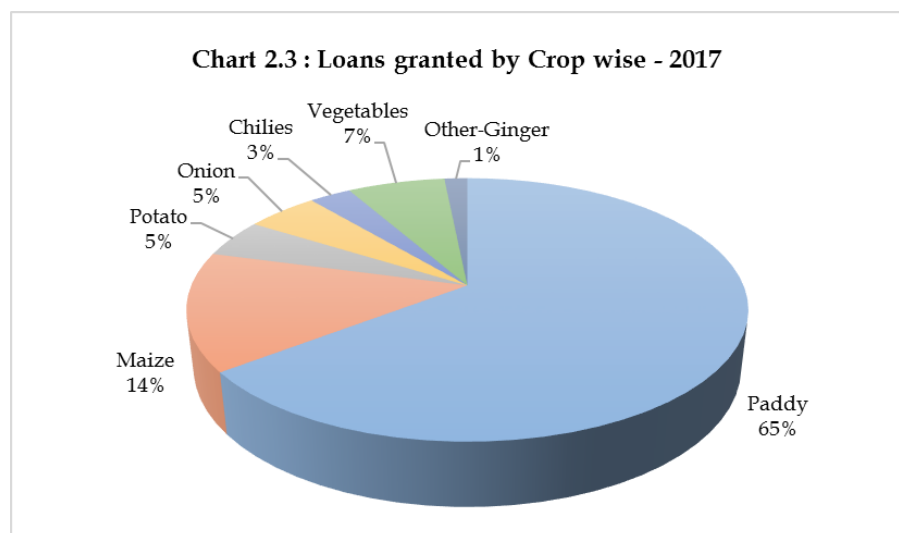
In 2017 the highest loan disbursement of Rs. 977 million was recorded in Ampara District and 7,528 farmers were benefitted (Chart 2.2). Broader access to credit facilities and a peaceful environment encouraged more farming in those areas. Provision of cultivation loans and number of farmers benefitted under this credit scheme are considerably high in Anuradhapura, Polonnaruwa and Hambantota Districts in comparison to other Districts.

In 2017, on the demand for NCRCS loan scheme by private banks to serve the rural client specially the Rural Agri farmers around the country, approval was granted to Cargills Bank and Public Bank as a PFI under NCRCS.



In terms of crop distribution, the paddy sector further dominates disbursements accounting for 65 percent of total disbursements in 2017 followed by maize and

vegetable which have been promoted as import substitute crops to minimize foreign exchange outflows on imports. (Chart 2.3).



2.4.3.1 Dairy Development Loan Scheme

Commercial Scale Dairy Development Loan Scheme (CSDDL) commenced in 2013 with the objective of establishing at least 1,000 mega farms with a 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 was reduced up to 7 in 2014 to support to the dairy farming in SMEs sector. This has resulted an increase in amount of loan disbursements over the last few years. Compared with the 2014 the amount of loan disbursements has been increased from Rs. 1,389.57 million in 2014 to Rs. 1,645.46 million in 2017. The Government paid Rs. 91.02 million to the selected PFI's as interest subsidy for the year 2017. The progress of this loan scheme as at end December 2017 is shown in Table 2.12.

Year	No. of Beneficiaries	Loan Amount (Rs. Mn)	Subsidy Paid (Rs. Mn)
2013	112	719.62	1.80
2014	846	1,389.57	41.90
2015	1,950	1,616.61	80.10
2016	3,112	2,073.16	134.03
2017	1,671	1,648.46	91.02
Total	7,691	7,447.42	348.85

Source: Regional Development Department, Central Bank of Sri Lanka

In terms of loan disbursements, the highest amount of Rs. 560 million have been provided by the Bank of Ceylon during 2017 and the People's Bank and HDFC Bank disbursed Rs. 208 million and Rs. 147 million respectively. Compared with other banks, Hatton National Bank, Regional Development Bank and Lankaputhra Development Bank also made significant amount of loans to dairy sector during this time period.

2.4.4 Storage Facilities

The Government, with the assistance of the World Bank, has introduced a state-of-the-art technology with an innovative mechanism to assist the farmer productions in the 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 of 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 were completed with a total storage capacity of 24,000 Mt.

It was reported that 252 farmers have stored their commodities at the Upuldeniya (Anuradhapura) warehouse during 2017 and also of that, 36 farmers have obtained Rs. 4.6 million short term credit facilities as pledge loans from the Regional Development Bank using the warehouse receipts. In the Buttala (Monaragala) warehouse, 129 farmers have stored their produces during the same period and out of that 81 farmers have obtained Rs. 12.3 million short term credit facilities and in the Mannar warehouse, 85 farmers have stored their produces during the same period and out of that 58 farmers have obtained Rs. 1.51 million short term credit facilities using the warehouse receipt system.

As at 31st December 2017, six types of grains have been stored of the Upuldeniya warehouse namely paddy, maize, sesame, soybean, cowpea and black gram of which majority being paddy (285.5 Mt), followed by soybean (251.6 Mt), maize (179.11 Mt) and sesame (25.5 Mt). The Mannar warehouse have been stored different variety of paddy (683.5 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 are increased and stabilized.

The total value of the stock at the time of storage was valued at Rs. 33.5 million and the value at the time of selling was Rs. 43.6 million and therefore farmers directly benefitted by Rs. 10.1 million. The store charges and cleaning charges for the total stored quantity of grain were Rs. 1.1 million and Rs. 0.41 million respectively, this becomes a revenue to the warehouses.

Considering the success of the above warehouse receipt system, the Government proposed to construct three new warehouses in the Districts of Polonnaruwa,

Kilinochchi and Ratnapura. The Ratnapura warehouse has been completed and plan to handover to public utilization soon. Similarly the construction of two warehouses constructed in Kilinochchi and Polonnaruwa will be finished near future.

2.4.5 “Kethata Aruna Pohora Diriya” Crop Insurance

The “Kethata Aruna Pohora Diriya” Crop Insurance Scheme, which was established to provide relief to the farmers for the damage caused to their cultivations due to droughts, floods and wild elephants was continued during the year 2017 through the Agricultural and Agrarian Insurance Board (AAIB). In 2017, approximately Rs. 30.71 million was paid among 5,825 farmers to compensate their crop damages.

Due to the heavy drought prevailed during the period from April through August in 2017, the almost half of the crop cultivation was damaged and blocked agricultural and livelihood activities other than families who are employed in Government or private sector or doing businesses. Since the “Kethata Aruna Pohora Diriya” Crop Insurance Scheme was not covered the actual loss of the crop damaged and the loss of livelihood activities, the Dry Ration Relief Programme was implemented by the Government and spent more than Rs. 5.2 billion to compensate the crop damages and reactivated the livelihood activities of the farmer community. The expenditure incurred and the beneficiaries of the both “Kethata Aruna Pohora Diriya” Crop Insurance Scheme and Dry Ration Relief Programme for the year 2017 are as follows;

Table 2.13 : Progress of the “Kethata Aruna Pohora Diriya” Crop Insurance Scheme and the Dry Ration Relief Programme - 2017

Month	“Kethata Aruna Pohora Diriya” Programme		Dry Ration Relief Programme	
	No. of Beneficiaries	Expenditure (Rs. Mn)	No. of Beneficiaries	Expenditure (Rs. Mn)
January	11	0.19	-	-
February	1,177	11.63	-	-
March	233	1.11	-	-
April	-	-	230,050	2,300.50
May	-	-	132,714	1,327.14
June	4,189	16.69	47,246	472.46
July	170	0.67	17,213	172.46
August	45	0.42	86,201	862.01
September	-	-	-	-
October	-	-	9,912	99.12
November	-	-	-	-
December	-	-	-	-
Total	5,825	30.71	523,336	5,233.36

Source : Agricultural and Agrarian Insurance Board

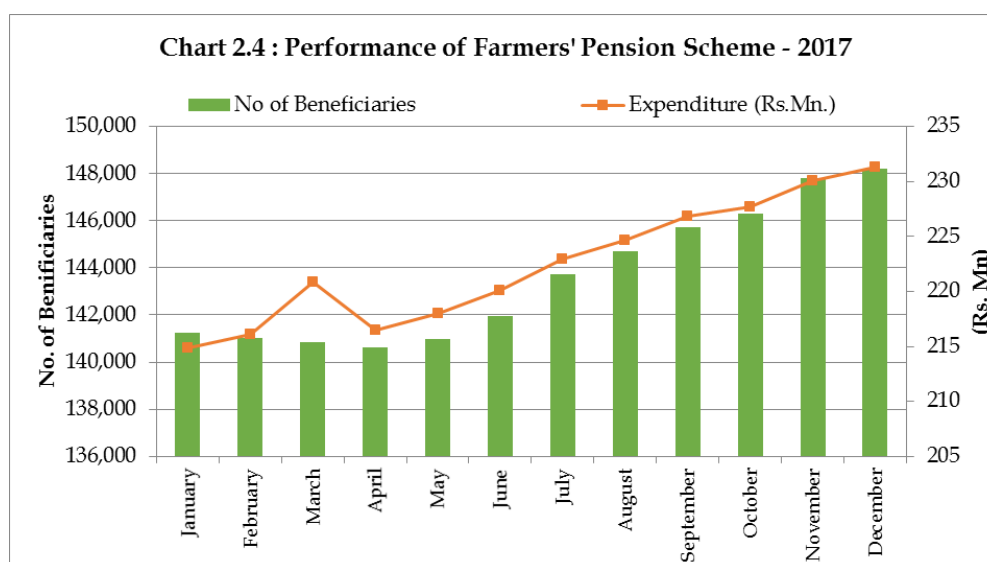
Since the “Kethata Aruna Pohora Diriya” Crop Insurance Scheme covers only the crop damages of paddy and the actual cost of crop damages not being

compensated, there is a demand for an index based crop insurance scheme in order to minimize the financial risk of the Government and be compensated farmers without causing difficulties as well.

Considering these facts, the National Crop Insurance Scheme (NCIS) was announced by the Budget 2018 with an initial insurance cover of Rs. 40,000 per acre for six (06) crops including paddy and other five (05) immerging crops such as maize, soybean, big onion, potato and chilies. Farmers, who are willing to join with this scheme should pay Rs. 1,800 per acre as an insurance premium. However, the Government decided to bear the full amount of premium on behalf of the farmers since the direct levying of this premium from farmers may rise a problematic situation among the farmer community. Approximately, Rs. 3,000 million has been allocated by the Budget 2018 to cover the premium of this insurance scheme. Accordingly, farmers can enjoy the insurance coverage of Rs. 40,000 per acre, which is four (04) times higher than the insurance cover of the previous scheme, in free of charge since the insurance premium is fully borne by the Government. Not only that, this insurance policy also can be used as a collateral to obtain a loan of maximum amount of Rs. 40,000 per acre.

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. 148,201 elderly farmers were being benefited under this scheme by the end of 2017 and total of Rs. 2,670 million was distributed among them during the year 2017. Since the Farmers' Pension Fund is not self-sufficient, the Treasury provided Rs. 205 million per month for 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 office.



2.5 Small Holder

2.5.1 Assistance to the Smallholder Plantation Sector

A healthy performance of the plantation sector is important for the country as it plays a vital role as a major foreign exchange earner. Therefore, all the Governments that came to power after the independence, has taken timely actions to facilitate the proper functioning of this sector. Accordingly, the year 2017 can be identified as one of important years that provided more intensives and subsidies to encourage the smallholder plantation sector.

Table 2.14 : Performance of Small Holder Plantation Sector, 2011 - 2017

Year	Tea		Rubber		Coconut	
	Extent (Ha)	Total Production (Kg Mn)	Extent (Ha)	Total Production (Kg Mn)	Extent (Ha)	Total Production (Mn nuts)
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	202,022	292	136,274	79	440,000	3,098
2017	202,540	308	135,632	83	440,000	2,449

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

2.5.2 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, a subsidy of Rs. 500,000 per hectare was given for the re-planting and new planting of tea. Further, a subsidy of Rs. 175,000 and Rs. 150,000 per hectare was given respectively for the re-planting and new planting of rubber.

The Government has provided around Rs. 1,045 million as subsidy for re-planting and new planting of tea and rubber subsidy for smallholders in 2017. In terms of the number of beneficiaries, 25,509 number of beneficiaries have received this subsidy scheme.

Table 2.15 : Progress of the Re-Planting 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)
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	24,995	531.89	668	337.51	3,759	46.73	942	179.90
2017	20,271	464.33	1,165	346.81	3,416	60.23	657	173.64

Source: Ministry of Plantation Industries

2.5.3 Working Capital Loan Scheme for Registered Tea Factory Owners

This loan scheme which was launched in year 2015 to support the tea factory owners to meet their working capital requirement was further continued during the year 2017. 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 year 2017, total number of 222 working capital loans were granted to the tea factory owners and the total amount of those loans is around Rs. 7,025 million. The Government reimbursed around Rs. 88.1 million among PFIs as interest subsidy of this loan scheme during the year 2017.

Table 2.16 : Quarter-wise progress of the Working Capital Loan Scheme - 2017

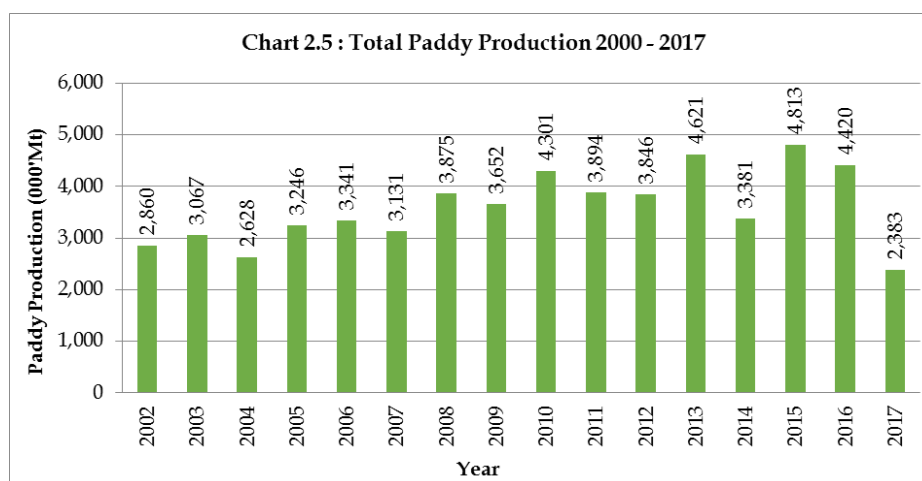
Description	No. of Tea Factories benefitted	Interest Subsidy Paid (Rs. Mn)
Quarter 1	220	26.21
Quarter 2	221	24.15
Quarter 3	220	21.86
Quarter 4	222	15.87

Source : CBSL and Department of Development Finance

2.6 Food Security

2.6.1 Paddy Purchasing Programme

Paddy production is a key factor of concern in ensuring the food security in Sri Lanka as rice is the staple food of the country. However, the whole paddy sector in the country encountered various issues during 2017, due to the drought situation prevailed for three consecutive cultivation seasons 2016/17 Maha, 2017 Yala and 2017/18 Maha. Accordingly, there was a drastic drop in paddy production in drought affected paddy cultivation areas. Annual paddy production which was 4.42 million Mt for the year 2016 has dropped to 2.38 million Mt in 2017 (Chart 2.5).



As per the details given in Chart 2.5 above it is apparent that the annual production of 2017 has been recorded as the lowest annual paddy production since 2000. Accordingly, a high demand was created for paddy from the private sector paddy millers even at high moisture levels that are above the standard moisture content of 14 percent. Therefore, the Government intervention was not required to stabilize the price of paddy in 2017 (Table 2.17).

Table 2.17 : Quantity of Paddy Purchased under Government Paddy Purchasing Program

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
Total	147,669	34,829	182,498	5,179
2010/11 Maha	2,913	556	3,469	98
2011 Yala	58,967	16,205	75,172	2,137
Total	61,880	16,761	78,641	2,235
2011/12 Maha	107,319	8,467	115,786	3,259
2012 Yala	9,936	540	10,476	294
Total	117,255	9,007	126,262	3,553
2012/13 Maha	107,445	31,205	138,650	4,530
2013 Yala	81,834	12,542	94,376	3,058
Total	189,279	43,747	233,026	7,588
2013/14 Maha	3,971	592	4,563	148
2014 Yala	0	0	0	0
Total	3,971	592	4,563	148
2014/15 Maha	126,203	34,366	160,569	7,510
2015 Yala	162,526	12,487	175,013	7,950
Total	288,729	46,853	335,582	15,460
2015/16 Maha	91,785	40,196	131,981	5,139
2016 Yala	11,054	14,384	25,438	1,056
Total	102,839	54,580	157,419	6,195
2016/17 Maha	0	0	0	0
2017 Yala	0	0	0	0
Total	0	0	0	0
Grand Total	911,622	206,369	1,117,991	40,358

Source : Paddy Marketing Board

2.6.2 Private Sector Intervention in Paddy Purchasing During 2017

Reduction in paddy harvest encouraged private sector purchasing with a high competition. There was no need for Government intervention for the purchase of paddy as a consequence. Therefore, the main source of fund was bank funds obtained by private sector through both Government and private banks. In comparison with the last year the total number of loans and the total amount of funds provided by the banks for paddy purchasing have come down. This reflects the reduction in total paddy production. However, as far as individual banks are concerned out of the three main Government banks the Regional Development Bank has increased the volume of loan in number while both People's Bank and the Regional Development Bank have provided increased amount of funds in total for the year. However, the Bank of Ceylon has shown a drastic drop in number of loans as well as the amount of funds provided. Among the private banks, it is apparent that the Commercial Bank and the Hatton National Bank have been more attractive as fund providers for paddy sector (Table 2.18).

Table 2.18 : Comparative View of Loan Granted to Private Sector for Paddy Purchasing - 2017 Against 2016

Bank	2016/17 Maha		2017 Yala		Total (2017)		Total (2016)	
	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)
People's Bank	145	5,976	67	1,124	212	7,100	236	3,096
Bank of Ceylon	182	9,627	278	10,370	460	19,997	777	27,077
Regional Development Bank	68	302	72	282	140	584	48	171
Total for State Banks	395	15,905	417	11,776	812	27,681	1061	30,344
Commercial Bank	117	398	325	1,224	442	1,622	133	1,699
Sampath Bank	60	1,249	29	385	89	1,634	365	5,607
DFCC Bank	18	1,245	18	1,251	36	2,496	37	1,273
Seylan Bank	82	463	65	416	147	879	216	816
National Development Bank	16	464	9	480	25	944	199	1,458
Hatton National Bank	227	2,160	204	2,160	431	4,320	254	2,447
Total of Private Bank	520	5,979	650	5,916	1170	11,895	1,204	13,300
Grand Total	915	21,884	1,067	17,692	1982	39,576	2,265	43,644

Source : Respective Banks

2.6.3 Cost of Living

Natural calamities such as droughts and floods prevailed in the country, affected the economy thereby making an adverse impact on the cost of living of the country. Loss in crop harvests of all agricultural produce contributed to a situation with a high demand chased by limited production. At the same time, most of the South Asian and East Asian economies also have undergone many natural calamities which affected the prices of imported food commodities as well. This made a great hit on cost of food during the year 2017. Mainly, the domestic market of rice and coconut were affected adversely. In addition, potatoes, big onion, dhal, dry fish, other grains, chilies became major concerns. As a result, the Government continuously monitored and reviewed the supply, prices and taxes applicable on essential food commodities.

In order to ensure an acceptable minimum level of cost of living, many initiatives were taken by the Cabinet Sub Committee on Cost of Living established in order to take timely decisions with a high power on timely basis. Taxes on imported essential food commodities were removed to ensure an affordable retail price to the consumer. Considerable tax reductions were made on imports of potatoes, big onion and rice. Both for potatoes and big onion the prevailed tax of Rs. 40/- per kg was revised to a Special Commodity Levy (SCL) of Rs. 1/- per kg.

A food basket was provided to the consumer through Super markets and Lanka Sathosa Ltd as a remedial measure to reduce Cost of Living. This basket included, rice, lentils, sugar, sprats, onion, potato and mackerel. Accordingly, the above food items were distributed to the consumers at the landed cost through the private sector super market chains and Lanka Sathosa outlets all over the country.

Distribution network was further strengthened by using lorries for distributing rice and coconut in weekly fairs and through franchised shops. This program continue till April 2018, considering the festive season. Under extreme conditions, the Government was compelled to impose Maximum Retail Price (MRPs) on certain essential food commodities to protect the consumer. Further, the Government initiated a programme to mill all the paddy stocks owned by the Government in the possession of the Paddy Marketing Board (PMB) through the CWE and sell them at a concessionary rate through the Lanka Sathosa outlet network.

Coconut production dropped drastically creating a scarcity in the market. Coconut price hike was considerable during the year 2017. Retail price per nut went beyond Rs. 100/-. Many initiatives were taken to resolve this situation. Coconut kernel required were imported for coconut kernel based industries thereby making available coconut for the consumption of general consumers. MRP of Rs. 75/- per nut was imposed as the last resort in order to ensure an affordable price for coconut in the market. The "Kapruka" programme was

implemented to distribute coconut to the general public at reasonable prices. Under this programme, lorries were sent from fair to fair thereby giving consumers a chance to buy coconut without any scarcity at affordable prices.

2.6.4 Importation of Rice

Rice market became unstable as a result of long lasted drought conditions accompanied by reduction in paddy production. Price of rice was in an upward trend over the year making the consumer price unreasonably high compared to the cost of production. Drought situation persisted for three consecutive cultivation seasons, hindering the prospects for small scale paddy millers to purchase paddy which led to a cartel situation in domestic rice market by a small group of prominent domestic millers. Under this circumstances, the private sector and public sector importers were encouraged to import rice by removing taxes applicable on rice imports by imposing only an SCL of Rs. 0.25 per kg., with a view to reduce the retail price of rice. Accordingly, the total rice imports during the year 2017 was 747,636 Mt.

2.7 Livestock Sector Development

2.7.1 Poultry Sector

With the country moving into a middle income state the per capita consumption of chicken and eggs has increased to 8.5 kg chicken and 108.4 eggs per year. With the increased demand the poultry industry has also increased their capacities which has also allowed them to penetrate the export market.

Table 2.19 : Chicken and Egg Local Production Information

Year	Chicken Production		No. of Egg Production	
	Estimated (000' Mt)	Actual (000' Mt)	Estimated (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	N/A	144.54	N/A	2,074.94
2014	162.50	150.32	2,086.31	2,232.02
2015	152.00	164.45	2,203.00	2,294.08
2016	168.41	182.69	2,187.00	2,304.06
2017	189.21	196.60	2,739.12	2,856.09

Source: Department of Animal Production and Health

The major ingredient of animal feed is maize where the present total requirement of maize is around 500,000 Mt. Due to the adverse weather conditions the local

production dropped to 171,382 Mt in 2016/2017 Maha season and 26,535 Mt in 2017 Yala season. Accordingly, the Government granted import permits for the feed millers to import maize under a concessionary rate of SCL of Rs. 10/- per kg. to cater to the poultry industry. 182,190 Mt of maize has been imported by the feed millers in 2017 under the concessionary rate.

Table 2.20 : Maize Cultivation

Season	Extent (Ha)	Production (Mt)
2014/15 Maha	60,954	230,871
2015 Yala	9,017	30,244
2015/16 Maha	57,094	207,075
2016 Yala	10,650	36,555
2016/17 Maha	69,206	171,382
2017 Yala	8,504	26,535

Source: Department of Agriculture

Accordingly, the Government granted import permits for the feed millers to import maize under a concessionary rate of SCL of Rs. 10/- per kg. to cater the poultry industry. 182,190 Mt of maize has been imported by the feed millers in 2017 under the concessionary rate.

2.7.2 Dairy Sector

The dairy industry is one of the most important industries in Sri Lanka which has larger potential to develop for them. In Sri Lanka, most of the dairy farmers are engaged in dairy industry as an extra income source and on a small scale. As a result, the domestic milk production has increased marginally over the years. Total milk production in 2017 was 396 million liters and it was a 3 percent increase from the previous year, with approximately 327.6 million liters supplied by dairy cows. This is due to the increase in total milking cows population from 284,400 in 2016 to 296,250 in 2107. However, total milk production is provided only about 40 percent of the domestic requirements of milk, while the rest is imported.

With the demand for dairy increasing annually, a significant gap still exists between consumption and local supply, and there has been are renewed emphasis on enhancing and improving the local dairy industry to be more sustainable and profitable.

The Government has set an ambitious target to achieve self-sufficiency in dairy production by 2020, and it has put forward plans through the “National Food Production Programme”.

Moreover, the Government has implemented some important measures to develop the sector by increasing the farm gate milk price and giving tax concessions to dairy related machineries and equipment.

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, the price subsidy was continued in 2017 and the re-imbursements for the Milco (Pvt) Company Ltd and Pelwatte Dairy Industries Company in 2017 were as follows;

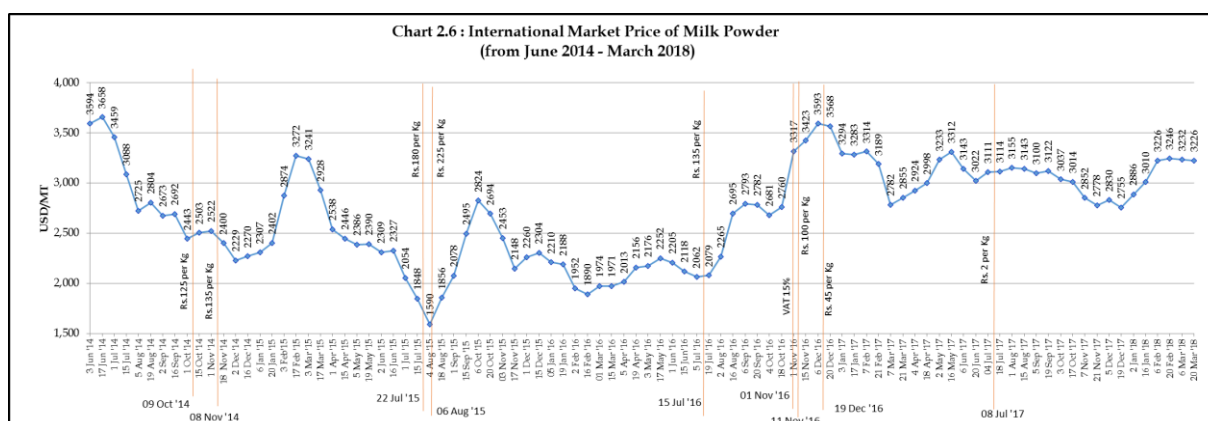
Table 2.21 : Grant of Re-Imbursements to the Local Milk powder Producers in 2017

Company	Unit	Market Price (Rs.)	Sale Price Based on Budget (Rs.)	Price Subsidy (Rs.)
Milco (Pvt) Ltd	400 g	320	295	218,562,500
	1 kg	790	735	37,007,025
Pelwatte Dairy Industries Company Ltd	400g	325	295	192,582,930
	1 kg	810	735	113,159,550
Total				561,312,005

Source: Department of Development Finance

As shown in the above table, the Government spent Rs. 561 million to pay the price subsidy for the local milk powder producers in 2017.

Compared to local milk powder, imported milk also has a significant impact on the dairy industry of the country as it represents around 55 percent of the domestic dairy requirement. During the year 2017, 84,430 Mt of full cream milk powder has been imported to the country to fulfill the local demand. During the year 2017 the world market price has increased rapidly and by understanding the situation faced by the milk importers in the country, steps were taken by the Government to grant duty waiver to the local milk powder importers. Accordingly, the applicable duty on milk powder was revised in 2017 on the request of milk importers and the last revision was done in July 2017 as shown in Chart 2.6.



2.8 Special Incentives for Targeted Groups

2.8.1 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 opened a one-year fixed deposit of a total of rupees one million or less at a Licensed Commercial Bank (LCB) or Licensed Specialized Bank (LSB) on an individual basis were 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, was reimbursed by the Treasury on a quarterly basis.

This scheme was successfully implemented during the year 2017 and the Government received reimbursement claims around Rs. 13,462 million from participatory LCBs and LSBs for the additional interest paid for the senior citizens.

Table 2.22 : Quarter-wise Progress of the Special Interest Scheme for Senior Citizens - 2017

Description	Beneficiaries	Reimbursement Requests (Rs.)
Quarter 1	452,012	4,491,407,234
Quarter 2	499,759	4,052,463,324
Quarter 3	489,810	2,780,088,775
Quarter 4	485,196	2,138,194,231
Total		13,462,153,564

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.

2.8.2 Self-Employment Loan Scheme for Socially Re-Integrated Trainees

Self-Employment Loan Scheme for Socially Re-Integrated Trainees 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.

The phase II of Self-Employment Loan Scheme for Socially Re-Integrated Trainees initiated in 2016 and continued in 2017 by providing concessionary credit facilities through the Bank of Ceylon, People's Bank and Regional Development Bank amounting to Rs. 180 million among the 843 targeted beneficiaries as follows;

Table 2.23 : Progress of Self-Employment Loan Scheme for Socially Re-Integrated Trainees in 2017

District	No. of Loans Granted	Amount Disbursed (Rs. Mn)
Jaffna	326	71.1
Kilinochchi	162	30.4
Mulathivu	113	24.3
Vavuniya	39	8.6
Mannar	43	9.1
Ampara	16	3.3
Trincomalee	76	18.5
Batticaloa	68	15.1
Total	843	180.4

Source : Respective Banks

The disbursement target under the 2nd phase was Rs. 525 million among the Bank of Ceylon, People's Bank and Regional Development Bank with Rs. 250 million, Rs. 200 million and Rs. 75 million respectively. The highest loan disbursement is recorded in Jaffna District and 326 trainees benefitted.

The Government continued to pay interest subsidies to the selected PFIs and Rs. 2.7 million has been paid by the end of 2017 under phase I and II at a subsidized rate of 4 percent to the target beneficiaries and at 8 percent interest subsidy by the Government.

3. Administrations and Financial Performance

3.1 Administration Sector

The Department of Development Finance is being executed under the Director General and it consists of 34 numbers of officials including 13 staff officers and 21 other officers. The approved carder of the department is 41 and there were 07 posts which were vacant as at the end of 2017. The information about administration, finance and human resource development of the year 2017 is as follows;

3.1.1 Cadre Position

Table 3.1 : Cadre Position as at 31.12.2017

	Position	Approved Cadre	Existing Cadre
01	Director General	01	01
02	Additional Director General	01	01
03	Director	04	04
04	Deputy Director/ Assistant Director	10	06
05	Deputy Director/ Assistant Director - SLPS III (Super Numeric based)	01	01
06	Information Communication & Technology Officer	01	01
07	Development Officer	02	02
08	Information Communication & Technology Assistant	01	01
09	Public Management Assistant	07	06
10	Management Assistant	01	01
11	Driver	07	05
12	Office Employee Service	05	05
	Total	41	34

Officers who are joined the Department in Year 2017

1. Mr. K.A.S.S.K. Perera - Additional Director General
2. Ms. P.G.P. Rasanjalie - Assistant Director
3. Ms. P.S.N. Perera - Development Officer
4. Mrs. M.G.C. Kaladevi - Public Management Assistant
5. Mr. H.A.N. Shantha - Driver
6. Mr. R.A.T.M. Ranasinghe - Driver
7. Mr. K.C.U. Pemathilaka - Office Employee Service
8. Mr. A.A. Tharik - Office Employee Service

Officers who are left the Department in Year 2017

1. Mrs. N.A.K. Samaranayaka - Assistant Director
2. Mr. K.S.A. Priyantha - Driver
3. Mr. M.N.L. Premathilaka - Driver
4. Mr. D.A.S. Kanakarathna - Driver
5. Mr. R.M. Kulathunga - Office Employee Service

3.1.2 Staff Information

Table 3.2 : Staff Information as at 31.12.2017

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.A.S.S.K. Perera	Addl. Director General	2151416	2484955	perera.kassk@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.shv@dfd.treasury.gov.lk
Mrs. W.L.M.A. Liyanage	Assistant Director	2484594	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. P.G.P. Rasanjalie	Assistant Director	2484829	2484955	rasanjalie.pgp@dfd.treasury.gov.lk
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
Mrs. Dilumi W. Kumaraguru	Assistant Director	2484501	2484955	kumaraguru.dw@dfd.treasury.gov.lk

Name	Designation	Contact Details		
		Telephone	Fax	Email
Ms. D.L.V. Wijeratne	Assistant Director	2337527	2484955	wijeratna.dlv@dfd.treasury.gov.lk
Mr. H.P.S. Shantha	ICT Officer	2484884	2484955	shantha.hps@dfd.treasury.gov.lk
Ms. A.M. Wickramasinghe	Development Officer	2484884	2484955	wickremasinghe.am@dfd.treasury.gov.lk
Ms. P.S.N. Perera	Development Officer	2484884	2484955	perera.psn@dfd.treasury.gov.lk
Ms. J.M.I.A. Geeshani	ICT Assistant	2484884	2484955	geeshani.jmia@dfd.treasury.gov.lk
Mrs. T. Hewawasam	Public Management Assistant	2484862	2484955	hewawasam.t@dfd.treasury.gov.lk
Mrs. H.A.D.A. Nilanthi	Public Management Assistant	2484862	2484955	nilanthi.hada@dfd.treasury.gov.lk
Mrs. M.G.C. Kaladevi	Public Management Assistant	2484862	2484955	kaladevi.mgc@dfd.treasury.gov.lk
Mr. R.K. Lenora	Public Management Assistant	2484862	2484955	lenora.rk@dfd.treasury.gov.lk
Mrs. B.A.K.S.P. Jayaweera	Public Management Assistant	2484862	2484955	jayaweera.baksp@dfd.treasury.gov.lk
Ms. D.P. Sadunika	Public Management Assistant	2484862	2484955	sadunika.dp@dfd.treasury.gov.lk
Mr. S.J.A.K.D. Ranasinghe	Management Assistant	2484862	2484955	ranasinghe.sjakd@dfd.treasury.gov.lk
Mr. M.P. Gunawardhena	Driver	2484855	2484955	-
Mr. S.A. Keerthisena	Driver	2484855	2484955	-
Mr. J.M.A.P. Jayakody	Driver	2484862	2484955	-
Mr. H.A.N. Shantha	Driver	2484862	2484955	-
Mr. R.A.T.M. Ranasingha	Driver	2484855	2484955	-
Mr. J.M.D.J.S. Hemantha	Office Employee Service	2484855	2484955	-
Mr. K.C.U. Pemarathna	Office Employee Service	2484855	2484955	-
Mr. A.A. Tharik	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

Name of the Officer	Name of the Course	Period of the Course	Name of the Institute
Mr. K.G.P. Pushpakumara Director	ITMIS - IT Fundamental Training	17.05.2017-19.05.2017	Miloda
Mrs. M.K.D.N. Madampe Director	ITMIS - IT Fundamental Training	12.06.2017-14.06.2017	Miloda
	Workshop on the “Role of Audit & Management Committee”	06.07.2017 (One day)	National Human Resources Dev. Council
	Diploma in Public Procurement and Contract Administration	12.06.2017-12.06.2018	Miloda
Mr. P.M.K. Hettiarachchi Director	ITMIS - IT Fundamental Training	12.06.2017-14.06.2017	Miloda
Mr. S.H.V. Kumara Director	ITMIS - IT Fundamental Training	12.06.2017-14.06.2017	Miloda
Mrs. W.L.M.A. Liyanage Assistant Director	ITMIS - IT Fundamental Training	16.01.2017-18.01.2017	Miloda
	Workshop on the “Role of Audit & Management Committee”	06.07.2017 (One day)	National Human Resources Dev. Council
	ITMIS - Internal Audit Training	27.11.2017 (One day)	Miloda
	ITMIS - Asset Management Training	29.11.2017-30.11.2017	Miloda
Ms. R.A.D.R. Ranasinghe Assistant Director	ITMIS - IT Fundamental Training	23.05.2017-25.05.2017	Miloda
Ms. J.D. Kotinkaduwa Assistant Director	ITMIS - IT Fundamental Training	26.05.2017-30.05.2017	Miloda
	Diploma in Public Procurement and Contract Administration	12.06.2017-12.06.2018	Miloda
Mr. W.P.S. Wickramage Assistant Director	ITMIS - IT Fundamental Training	17.05.2017-19.05.2017	Miloda
Mrs. D.W. Kumaraguru Assistant Director	ITMIS - IT Fundamental Training	16.01.2017-18.01.2017	Miloda
Ms. D.L.V. Wijeratne Assistant Director	ITMIS - IT Fundamental Training	31.05.2017-02.06.2017	Miloda

Name of the Officer	Name of the Course	Period of the Course	Name of the Institute
Mr. H.P.S. Shantha ICT Officer	ITMIS - IT Fundamental Training	19.01.2017- 23.01.2017	Miloda
Ms. A.M. Wickramasinghe Development Officer	ITMIS - IT Fundamental Training	19.01.2017- 23.01.2017	Miloda
Ms. P.S.N. Perera Development Officer	ITMIS - IT Fundamental Training	05.06.2017- 07.06.2017	Miloda
	Certificate in English	26.09.2017- 28.11.2017	Miloda
Ms. J.M.I.A. Geeshani ICT Assistant	ITMIS - IT Fundamental Training	09.01.2017- 11.01.2017	Miloda
Mrs. T. Hewawasam Public Management Assistant	ITMIS - IT Fundamental Training	01.02.2017- 03.02.2017	Miloda
	ITMIS - Internal Audit Training	27.11.2017 (One day)	Miloda
	ITMIS - Asset Management Training	29.11.2017- 30.11.2017	Miloda
Mrs. H.A.D.A. Nilanthi Public Management Assistant	File Management & General Office Admin Training	27.03.2017- 29.03.2017	Miloda
	ITMIS - Cadre Management Training	28.04.2017 (One day)	Miloda
	ITMIS - IT Fundamental Training	23.05.2017- 25.05.2017	Miloda
	Training on Effective Handling of Personal Files	16.05.2017 (One Day)	National Institute for Labour Studies
	Training on Public Finance & Accounting Skills	16.08.2017- 17.08.2017	Miloda
Mrs. M.G.C. Kaladevi Public Management Assistant	ITMIS - Internal Audit Training	27.11.2017 (One day)	Miloda
	ITMIS - Asset Management Training	29.11.2017- 30.11.2017	Miloda
	ITMIS - IT Fundamental Training	05.06.2017- 07.06.2017	Miloda
	Training on Role & Responsibility of Leave Officer in Charge	16.03.2017 (One day)	National Institute for Labour Studies
	Course on Store Keeping	07.09.2017- 05.10.2017	Construction Equipment Training Centre
	ITMIS - Asset Management Training	29.11.2017- 30.11.2017	Miloda

Name of the Officer	Name of the Course	Period of the Course	Name of the Institute
Mr. R.K. Lenora Public Management Assistant	ITMIS - IT Fundamental Training	16.01.2017- 18.01.2017	Miloda
	Training on Administration - Vehicle & Machinery	28.03.2017- 29.03.2017	National Institute for Labour Studies
	Training on Preparation of Bid Documents & Tender Procedures	11.10.2017- 13.10.2017	Miloda
Mrs. B.A.K.S.P. Jayaweera Public Management Assistant	Training on File Management & General Office Admin	27.03.2017- 29.03.2017	Miloda
	ITMIS - IT Fundamental Training	26.05.2017- 30.05.2017	Miloda
	Training on Public Finance & Accounting Skills	16.08.2017- 17.08.2017	Miloda
Ms. D.P. Sadunika Public Management Assistant	Training on File Management & General Office Admin	27.03.2017- 29.03.2017	Miloda
	ITMIS - IT Fundamental Training	31.05.2017- 02.06.2017	Miloda
	ITMIS - Internal Audit Training	27.11.2017 (One day)	Miloda
	ITMIS - Asset Management Training	29.11.2017- 30.11.2017	Miloda
Mr. S.J.A.K.D. Ranasinghe Management Assistant	Training on File Management & General Office Admin	27.03.2017- 29.03.2017	Miloda
	ITMIS - IT Fundamental Training	05.06.2017- 07.06.2017	Miloda
	Training on Public Finance & Accounting Skills	16.08.2017- 17.08.2017	Miloda
	Certificate in English	26.09.2017- 28.11.2017	Miloda
	ITMIS - Internal Audit Training	27.11.2017 (One day)	Miloda
	ITMIS - Asset Management Training	29.11.2017- 30.11.2017	Miloda
Mr. D.A.S. Kanakarathna Driver	Skills Development Programme for Drivers	23.05.2017- 24.05.2017	National Institute for Labour Studies
Mr. J.M.A.P. Jayakody Driver	Scientific Economical and Safe driving Training for Drivers	21.09.2017 (One day)	Construction Equipment Training Centre

Name of the Officer	Name of the Course	Period of the Course	Name of the Institute
Mr. R.A.T.M. Ranasingha Driver	Scientific Economical and Safe driving Training for Drivers	21.09.2017 (One day)	Construction Equipment Training Centre
Mr. A.A. Tharik OES	Workshop on Office Assistants' Role for Organizational Efficiency	25.08.2017 (One day)	Construction Equipment Training Centre
Mr. M.R. Jayasinghe OES	Workshop on Office Assistants' Role for Organizational Efficiency	25.08.2017 (One day)	Construction Equipment Training Centre
Mr. D.E.K. Palawaththage OES	Training on Professional Development of OES towards a Quality Work Environment	26.05.2017 (One day)	National Institute for 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

Name of the Officer	Name of the Course	Time Period of the Course	Name of the Country
Mr. A.M.P.M.B. Atapattu Director General	Delegation for Implementation of the Development Policy for sugar Industry in Sri Lanka	11.02.2017-18.02.2017	Australia
	Delegation for the first Joint Coordination Committee Meeting on the USD 200 million Credit Line Facility from Pakistan	07.05.2017-10.05.2017	Pakistan
	Delegation for Impartation of Rice	09.07.2017-13.07.2017	Pakistan & Myanmar
Mr. K.A.S.S.K. Perera Addl. Director General	Workshop on Integrating SMEs in to Global Value Chains; Risks, Challenges and Opportunities	12.09.2017-17.09.2017	Mongolia
Mr. K.G.P. Pushpakumara Director	Capacity Building Training Programme for Class I Officers of the SLAS	21.10.2017-27.10.2017	Malaysia
Mrs. M.K.D.N. Madampe Director	Executive Training Programme on Strategic Human Resource Management	12.02.2017-19.02.2017	Singapore
	Capacity Building Training Programme for Class I Officers of the SLAS	23.07.2017-29.07.2017	Malaysia
Mr. P.M.K. Hettiarachchi Director	Delegation for Implementation of the Development Policy for sugar Industry in Sri Lanka	11.02.2017-18.02.2017	Australia
	Executive Training Programme on Negotiation and Conflict Resolution	19.02.2017-26.02.2017	Singapore
Mr. S.H.V. Kumara Director	Executive Training Programme on Strengthening the Public Policy Making Process	18.03.2017-27.03.2017	Australia
Mrs. W.L.M.A. Liyanage Assistant Director	Training on Macroeconomic Management for Effective Governance and Sustainable Inclusive Economic Growth	18.11.2017-17.12.2017	Australia
Ms. R.A.D.R. Ranasinghe Assistant Director	Executive Training Programmes on Public Sector Leadership and Decision Making	22.01.2017-29.01.2017	Singapore
Mr. W.P.S. Wickramage Assistant Director	Seminar on Capacity Building of Small and Medium Sized Enterprises for Developing Countries	15.03.2017-06.04.2017	China

Name of the Officer	Name of the Course	Time Period of the Course	Name of the Country
Mrs. D.W. Kumaraguru Assistant Director	Masters of Business Administration	13.08.2017-31.10.2019	Japan
Ms. D.L.V. Wijeratna Assistant Director	Executive Training Programmes on Public Sector Leadership and Decision Making	22.01.2017-29.01.2017	Singapore
Mr. H.P.S. Shantha ICT Officer	ICT Research Conference 2017 for the 4 th Asia Privacy Bridge Forum: Privacy by Design Across Border	07.11.2017-11.11.2017	South Korea
Ms. A.M. Wickremasinghe Development Officer	Seminar on Capacity Building of Small and Medium Sized Enterprises for Developing Countries	15.03.2017-06.04.2017	China

Sources : Department of Development Finance

3.2 Financial Information

With the view to achieving the objectives of the Department, a sum of Rs. 14,057,177,050 from which Rs. 5,608,078,050 for recurrent expenditure and Rs. 8,449,099,000 for capital expenditure were provided in the estimates for the year 2017 under Head 243. The actual expenditure incurred during the year under review against this provision was Rs. 12,876,143,324 consisting of Rs. 4,770,946,489 and Rs. 8,105,196,835 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 - 2017

Item	Estimated Expenditure (Rs.)	Actual Expenditure (Rs.)
Recurrent Expenditure	5,608,078,050	4,770,946,489
Personal Emoluments	26,400,000	26,122,408
Traveling Expenses	4,150,000	3,959,058
Supplies	3,149,075	2,593,359
Maintenance Expenditure	3,154,410	2,935,490
Services	20,432,000	18,807,687
Development Subsidies (Interest Subsidies)	5,550,792,565	4,716,528,487
Capital Expenditure	8,449,099,000	8,105,196,835
Acquisition of Capital Assets	2,620,000	2,277,552
Capacity Building	1,000,000	936,161
Promotion of SME Sector (GTZ)	305,804,481	287,738,665
Small & Medium Enterprise Credit Line (ADB)	7,640,479,000	7,498,406,525
Construction of Three Warehouses	499,195,519	315,837,932
Grand Total	14,057,177,050	12,876,143,324
Sources : Department of Development Finance		

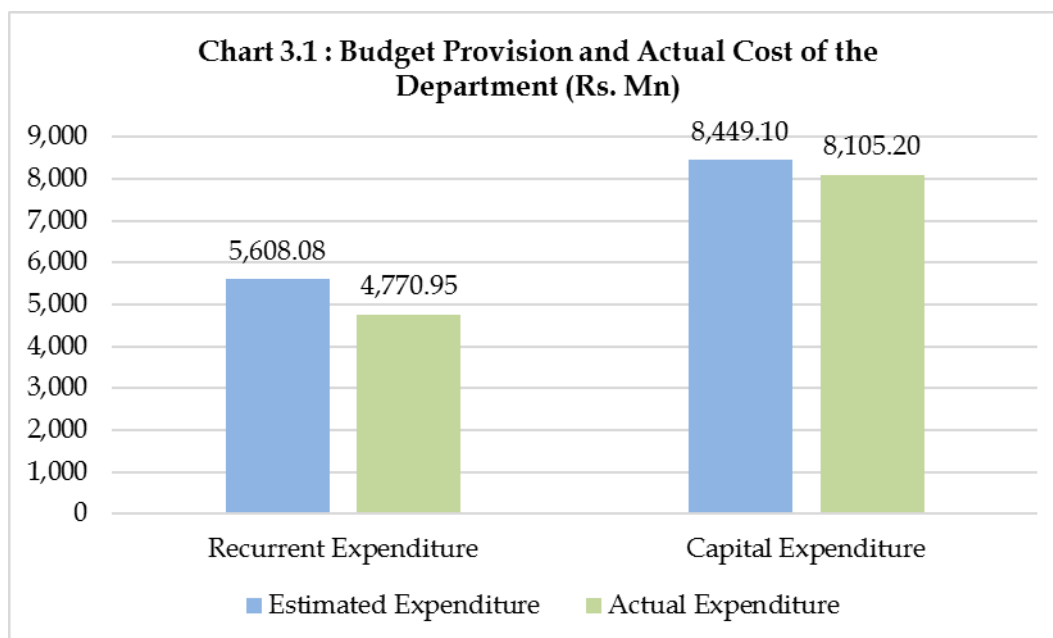


Table 3.6 : Public Officers' Advance 'B' Account - 2017

Description	Approved Limit (Rs.)	Actual Amount (Rs.)
Maximum Limit of Expenditure	3,500,000	2,669,746.80
Minimum Limit of Receipts	850,000	1,784,712.43
Maximum Limit of Debit Balance	13,000,000	6,167,949.37

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 2017 under review were responded and remedial measures were taken to rectify the weaknesses where necessary.

Table 3.7 : Audit Queries - Auditor General's Department - 2017

Received Date	Subject	Replied Date to the Auditor General's Department
19.05.2017	Granting price subsidy for local milk powder manufactures as per the budget proposals 2016.	16.06.2017
23.05.2017	Appropriation Account - 2015	29.05.2017
13.06.2017	Carder Review - 2016	16.06.2017
12.07.2017	Head 243 - Auditor General's Report for the year 2016 in terms of Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka on Department of Development Finance	18.07.2017
12.07.2017	Head 243 - Management Audit Report of the Department of Development Finance - 2016	08.08.2017

Sources : Department of Development Finance

Table 3.8 : Audit Queries - Department of Management Audit - 2017

Received Date	Subject	Replied Date to the Department of Management Audit
09.01.2017	Initial Internal Audit Report	27.01.2017
28.02.2017	Management Audit Report - 4 th Quarter 2015	31.03.2017
23.06.2017	Management Audit Report - 1 st Quarter 2016	04.07.2017
12.10.2017	Collecting Information for the Third Audit and Management Committee Meeting of 2017	16.10.2017
20.10.2017	Management Audit Report - 2 nd Quarter 2016	02.11.2017

Sources : Department of Development Finance