

Performance Report - 2017



Department of Development Finance

Content

| | Page Numbers |
|--|-------------------------|
| 1. Organization Structure | |
| 1.1 Vision and Mission of the Department | 2 |
| 1.2 Introduction | 3 |
| 1.3 Functions of the Department | 4 |
| 1.4 Organizational Chart | 5 |
| | |
| 2. Performance During 2017 | |
| 2.1 Overview | 6 - 7 |
| 2.2 Enterprise Sri Lanka | 8 - 17 |
| 2.3 Microfinancing | 17 - 19 |
| 2.4 Agriculture | 20 - 27 |
| 2.5 Small Holder | 28 - 29 |
| 2.6 Food Security | 29 - 33 |
| 2.7 Livestock Sector Development | 33 - 35 |
| 2.8 Special Incentives for Targeted Groups | 35 - 37 |
| | |
| 3. Administrations and Financial Performance | |
| 3.1 Administration Sector | 38 - 46 |
| 3.2 Financial Sector | 47 - 48 |
| 3.3 Audit Queries | 49 |

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

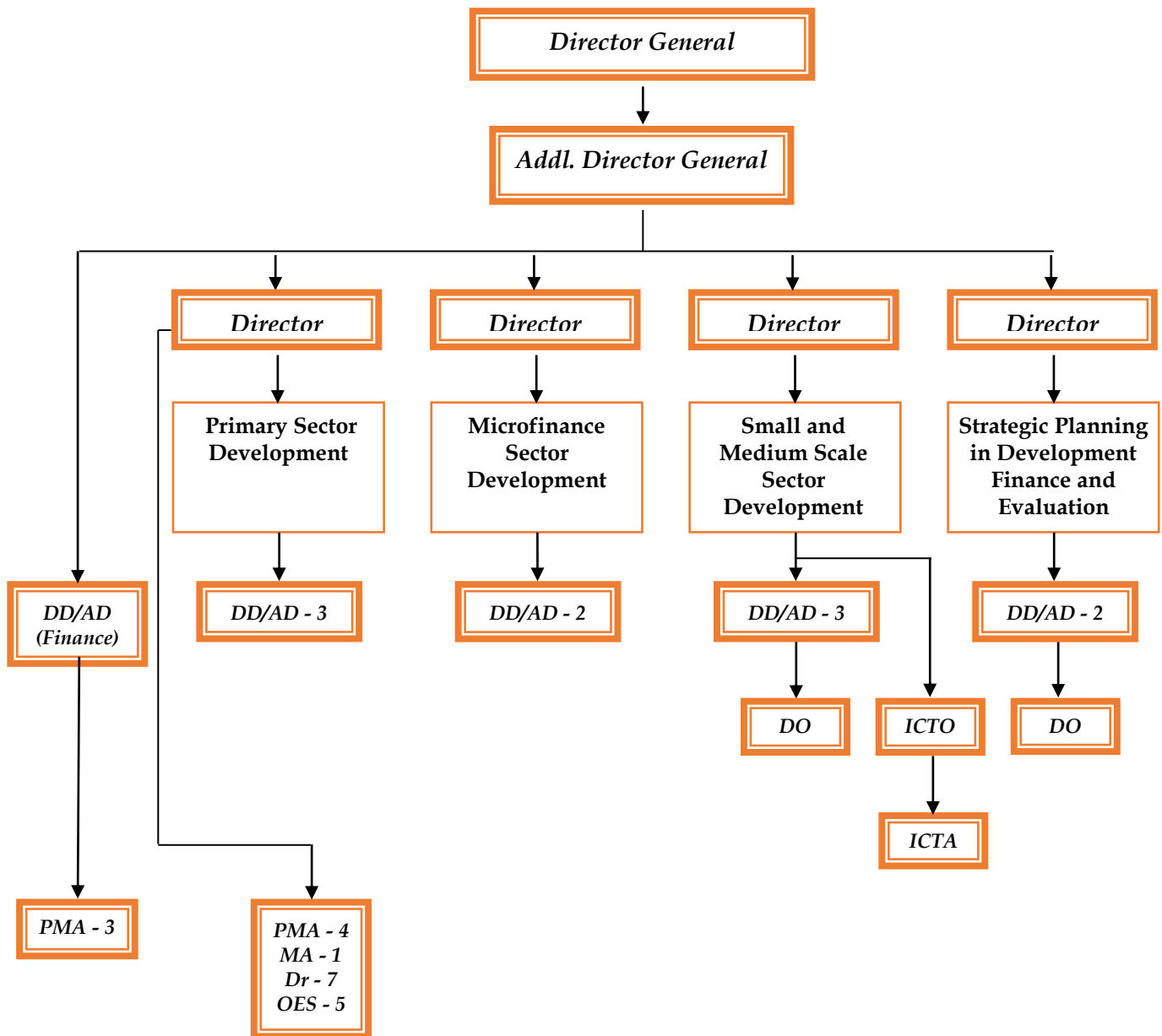
Managing excess crop harvests and balancing the supply and demand side disparities giving concern to the SME category of farmers and other market factors in order to stabilize market prices while ensuring farm gate price for producers.

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 |
| 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 important 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.

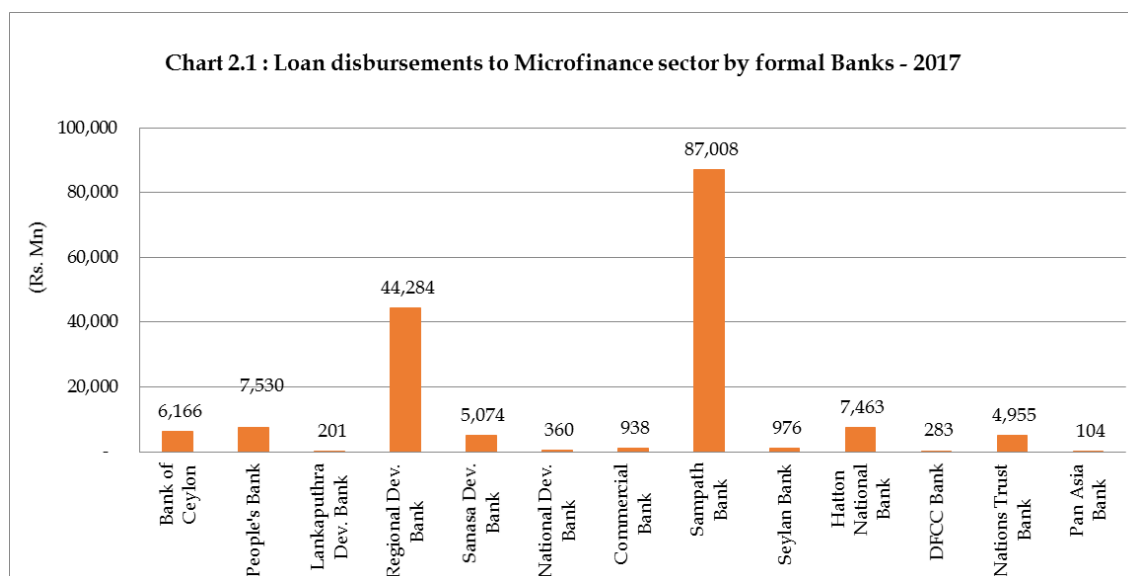
The various government-led microfinance programmes targeting low income families have been implemented during 2017. The progress of microfinancing programmes carried out by the Government affiliated institutions in 2017 is shown in Table 2.5;

| 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

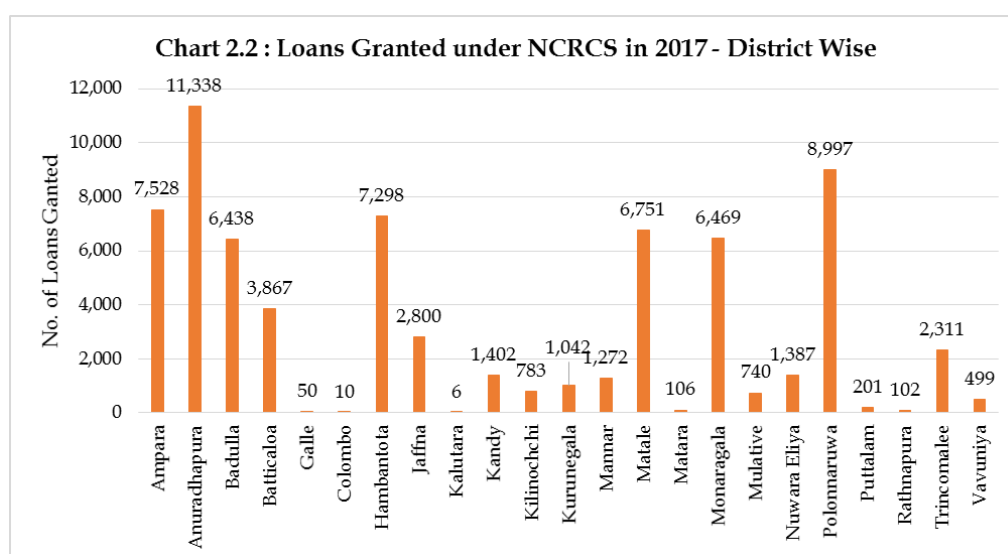
totaling to 236,139 acres have been utilized for crop cultivation of which 76 percent was for paddy in 2017.

| 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

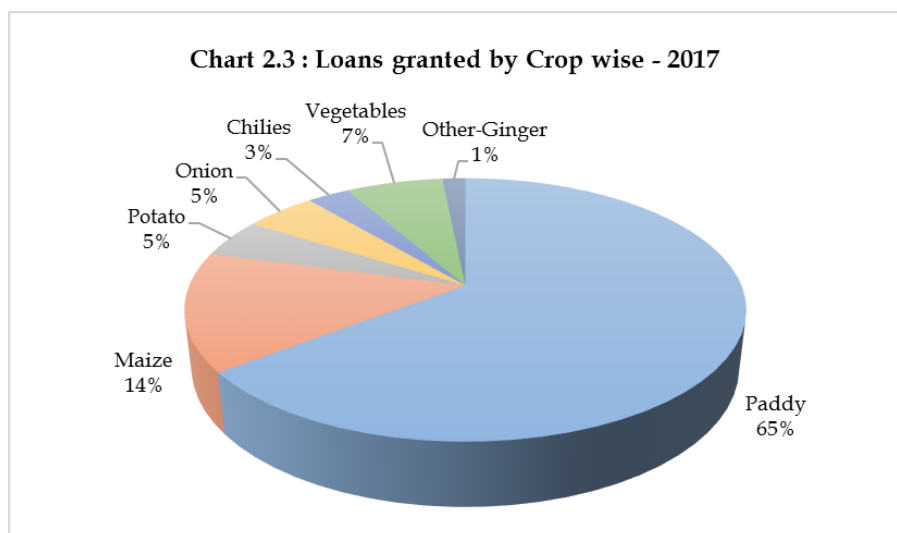
In 2017 the highest loan disbursement of Rs. 977 million was recorded in Ampara District and 7,528 farmers were benefitted (Chart 2.2). Broader access to credit facilities and a peaceful environment encouraged more farming in those areas. Provision of cultivation loans and number of farmers benefitted 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.

Table 2.12 : Progress of Commercial Scale Dairy Development Loan Scheme

| 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

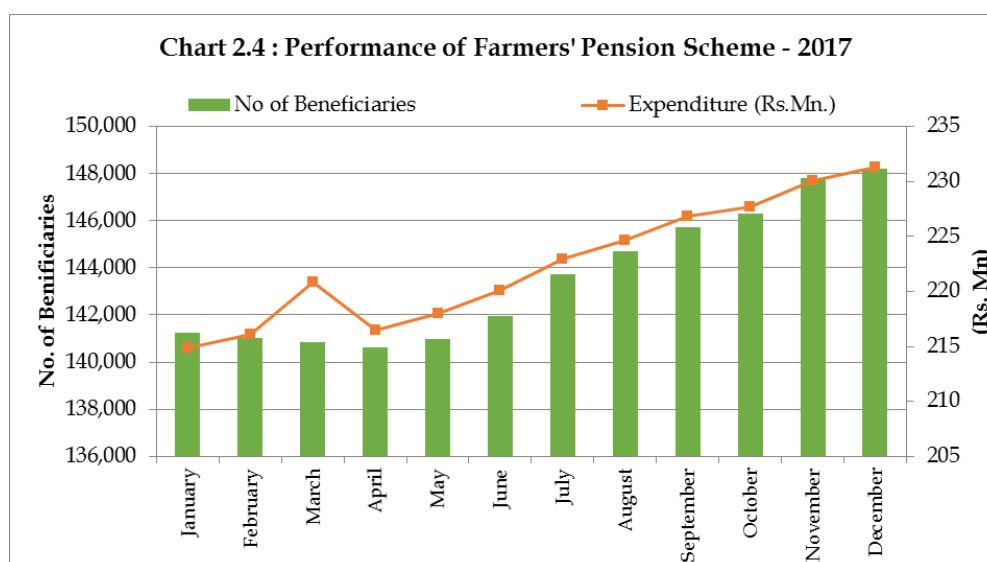
Since the “Kethata Aruna Pohora Diriya” Crop Insurance Scheme covers only the crop damages of paddy and the actual cost of crop damages not being

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.

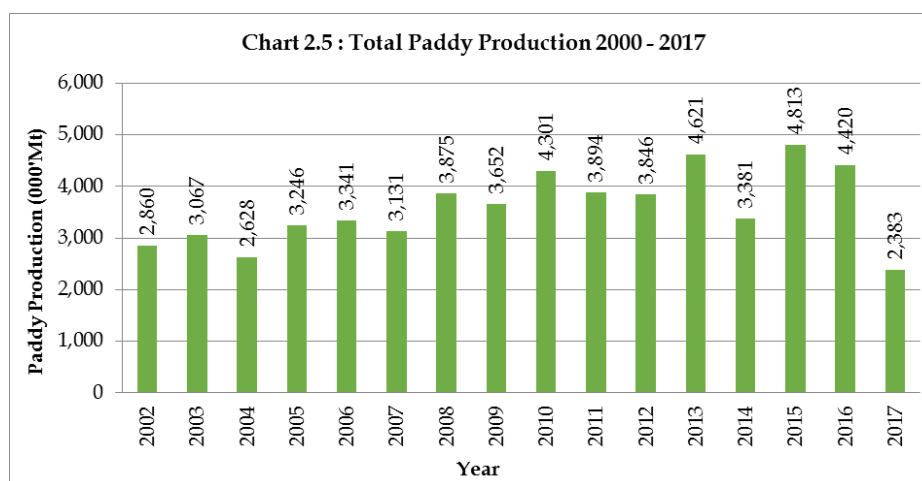
| Description | No. of Tea Factories benefitted | Interest Subsidy Paid (Rs. Mn) |
|-------------|---------------------------------|--------------------------------|
| Quarter 1 | 220 | 26.21 |
| Quarter 2 | 221 | 24.15 |
| Quarter 3 | 220 | 21.86 |
| Quarter 4 | 222 | 15.87 |

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;

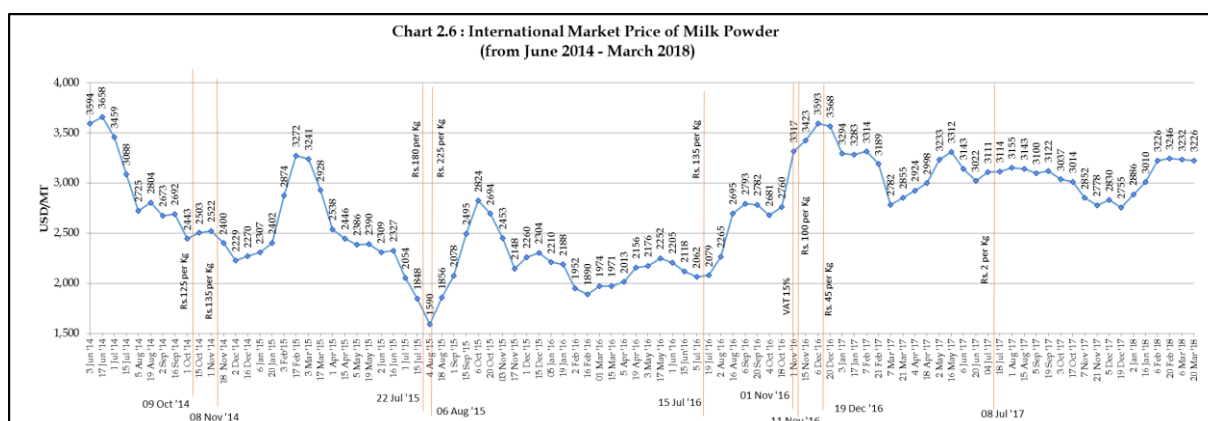
Table 2.21 : Grant of Re-Imbursements to the Local Milk powder Producers in 2017

| 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. Pematilaka - 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 |
| | ITMIS - Internal Audit Training | 27.11.2017 (One day) | Miloda |
| Mrs. M.G.C. Kaladevi Public Management Assistant | 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

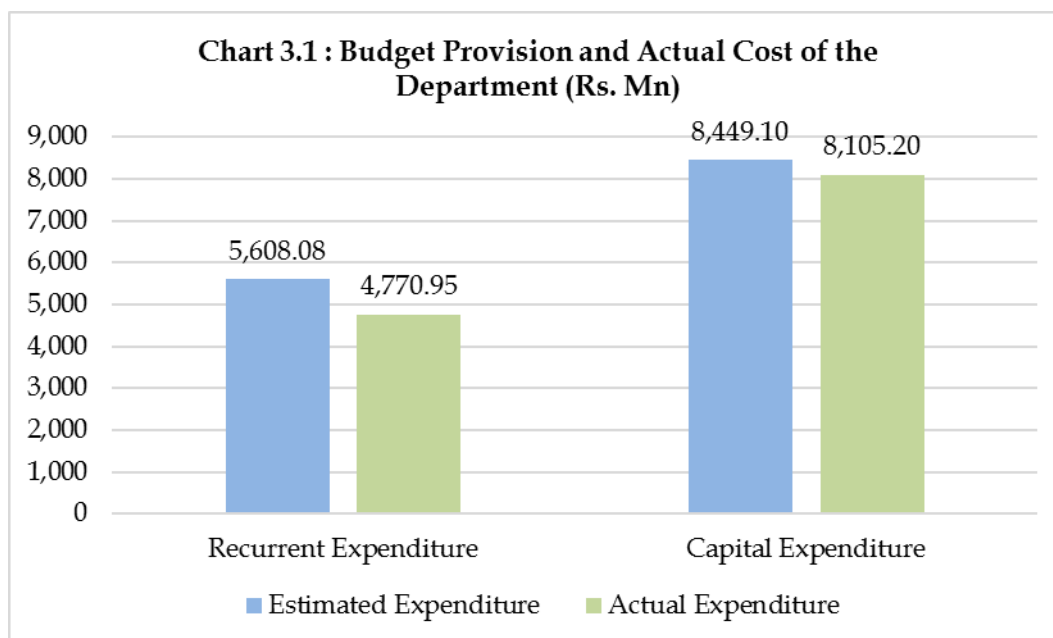


Table 3.6 : Public Officers' Advance 'B' Account - 2017

| 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