

# **Performance Report - 2015**



**Department of Development Finance**

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## **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 ”

## **Introduction**

The department of Development Finance was established on 01<sup>st</sup> January 2005 with the objective of development of small and medium scale entrepreneurship and revitalizing microfinance sector. The staff of the department consists of 29 members include ten staff officers in overall. Main activities of the department can be shown under four sectors as follows;

### **1. Primary Sector Development :**

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

### **2. Microfinance Sector Development :**

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

### **3. Small and Medium Scale Sector Development :**

The Small and Medium Enterprise 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% of the total number of enterprises, provides 45% of the employment and contributed to 52% of the Gross Domestic Production (GDP).

### **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.

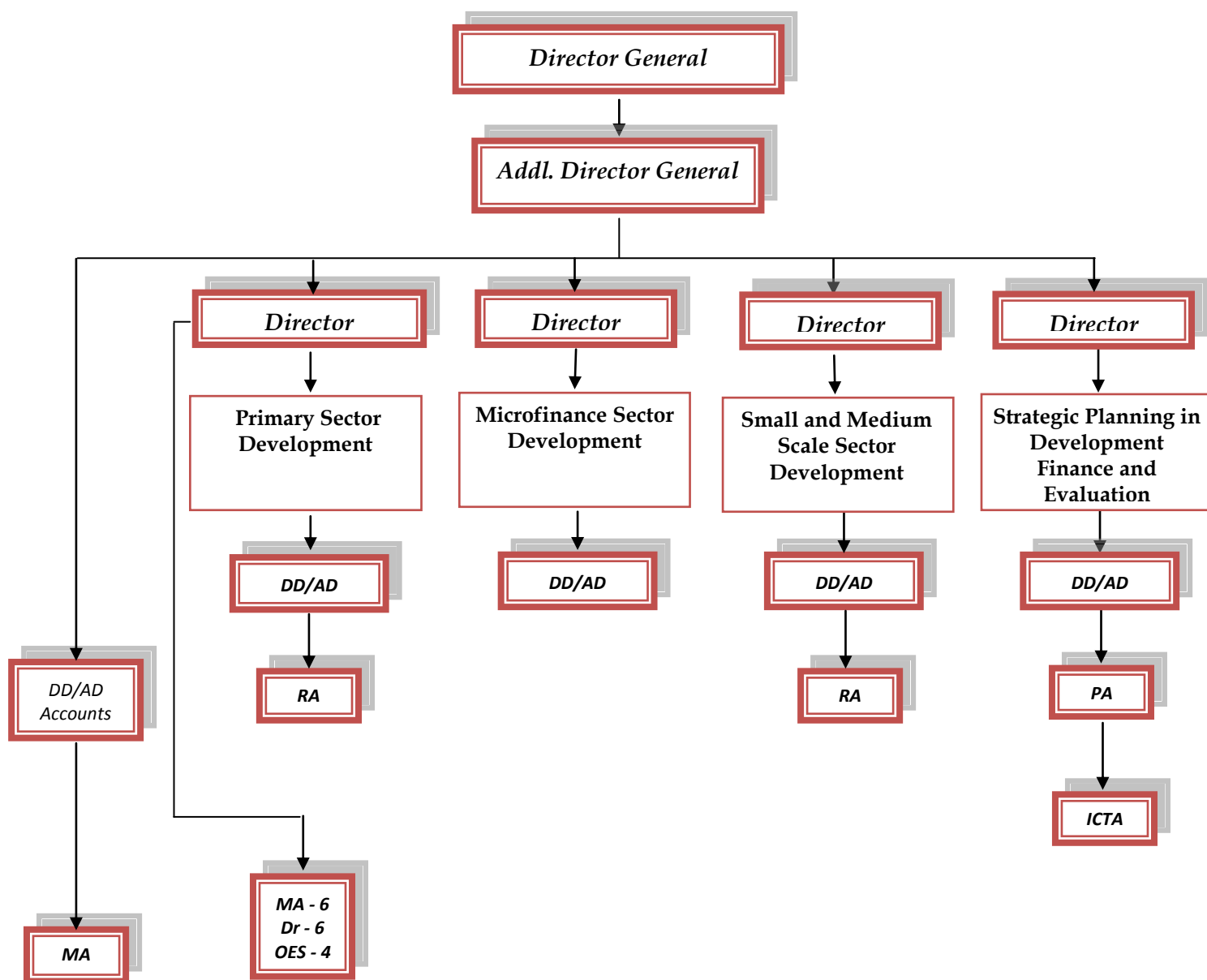
Various Government incentives are provided such as concessionary loans, treasury guarantees and technical support with the intervention of this

department to encourage SME entrepreneurs and to recognize new entrepreneurs who have a potential to make a remarkable contribution to the economic development process.

### **Functions of the Department :**

- Facilitate to formulate appropriate policies, strategies and programs for the development of 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.

## Organization Chart



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

### Sector

FM, PS & AD

MF

SME

SPDF & E

- Financial Market, Primary Sector & Administration

- Microfinance

- Small and Medium Enterprise

- Strategic Planning in Development Finance and Evaluation

## **2. Performance During 2015**

### **2.1 Overview**

Small and Medium Enterprises (SMEs) are regarded as one of the main driving forces for country's economic development process since they generate employment, introduce new business methods and products, reduce poverty and inflation, cause equitable development and solve the balance of payment problem. The SMEs play an important role in promoting inclusive growth in Sri Lanka, contributing to development of all sectors including agriculture, manufacturing and service while accounting for 75 percent of the total number of enterprises, providing 45 percent of the employment and contributing to 52 percent of the Gross Domestic Product (GDP). Given the importance of this sector, Government formulated and published a National Policy Framework for the SME sector in Sri Lanka in 2015, to guide the sector towards achieving the intended goals.

With a long history of providing of microfinance services, the microfinance sector in Sri Lanka has gained a considerable level of maturity over the years. As a result, diverse types of institutions providing microfinance services exist, including state and private sector owned commercial banks, development banks, co-operative societies, Non-Government Organizations (NGOs) and International NGOs (INGOs). There are several microfinance programs run by the Government agencies as well. The Microfinance Act has been formulated and the Bill was tabled at Parliament in 2015 with an objective to regulate and supervise the microfinance sector enabling micro finance institutions to provide their services to the recipients in a common framework.

Out of the various financial assistance schemes implemented by Government during 2015, the policy initiatives taken towards improving agricultural productivity is enormous. Starting from the fertilizer subsidy program to the paddy purchasing program, both input and output incentives have been granted by Government to enhance farmer's profitability and also to establish food security of the country.

This was evidenced by the paddy harvest of 2015 where Government was able to manage the excess paddy production through the Government Paddy Purchasing Program by providing financial assistance through state banks and the Treasury. Hence, by introducing a more transparent mechanism for purchasing paddy, the Paddy Marketing Board was able to purchase a historical amount of paddy during this year.

Furthermore, as in many developing countries, fertilizer subsidy represents a major component of the agricultural policy in Sri Lanka. However, there are questions on the effectiveness and sustainability of the fertilizer subsidy due of concerns around the overuse of subsidized fertilizer. The excessive use of

chemical fertilizer has also raised concerns over soil and water pollution, food safety and consequently leading to issues such as chronic kidney disease. Considering the above, Government has taken a policy decision to revisit the fertilizer subsidy policy by introducing a fertilizer cash grant through the budget 2016 in order to avoid such social and environmental hazards while allowing the greater flexibility for farmer in selecting the farming inputs for ensuring productivity.

## 2.2 SME Development

### 2.2.1 National SME Policy Framework

Government recognizes SMEs as the backbone of the economy in terms of employment generation, contribution to GDP, and supporting equitable development in the country. Given the importance of this sector, the Government formulated and published a National Policy Framework in 2015 for SME sector in Sri Lanka to guide the sector to achieve the intended goals.

The vision of the National SME Policy Framework is to create a significant number of globally competitive, dynamic, innovative, technologically driven, eco-friendly and sustainable SMEs that contribute to the national economic development.

The mission of the National SME Policy Framework is to stimulate growth of SMEs to produce world class products and services that can compete locally and internationally with supportive enabling environment and interventions of technology transfer, entrepreneur culture, skills development, access to finance, market facilitation and research and development.

Furthermore, a comprehensive unique definition for SME sector was introduced through this Policy Framework to define the local SMEs. Hereafter, this definition will be used by policy makers for any policy decisions taken on the Sri Lankan SME sector.

**Table 2.1 > Definition for Sri Lankan SMEs**

Size Sector	Criteria	Medium	Small	Micro
Manufacturing Sector	Annual Turnover	Rs.Mn.251-750	Rs.Mn.16-250	Less than Rs.Mn.15
	No. of Employees	51-300	11-50	Less than 10
Services Sector	Annual Turnover	Rs.mn.251-750	Rs.Mn.16-250	Less than Rs.Mn.15
	No. of Employees	51-200	11-50	Less than 10

*Source: National Policy Framework for SME Development, Ministry of Industry and Commerce*



Moreover, the National SME Policy Framework identifies policy interventions and strategies under six core areas namely enabling environment, modern appropriate technology, entrepreneurial culture and skills development, access to finance, market facilitation and research and development. This policy framework also recognizes the importance of focusing on the regional balance and resource efficiency in developing SMEs in the country.

## 2.2.2 SME Financing

The Government continued to encourage financial institutions to reach out to SMEs by moving beyond traditional banking in order to enhance the availability of financial facilities for SMEs to support them to reach the next level of the industry. In 2015, approximately Rs. 604,590 million was granted by both state and private sector commercial and development banks to fulfill the funding needs of SMEs compared to Rs. 521,385 million in 2014.

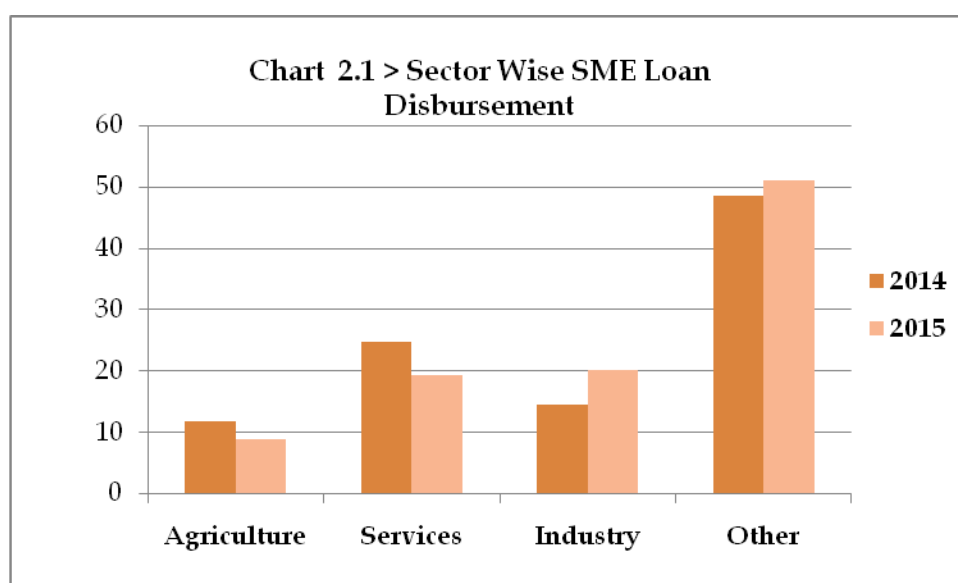
Out of the total SME sector loans granted by commercial and development banks in 2015, agriculture sector accounted for 9 percent, compared to 12 percent in 2014, while industry and services sectors attracted 20 percent and 19 percent respectively, compared to 15 percent and 25 percent in 2014. SME loans to other sectors accounted for 51 percent in 2015, compared to 49 percent in 2014.

**Table 2.2 > Funds Disbursed by Commercial and Development Banks to SMEs – 2015**

Bank	Agriculture		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	937	3,485.00	286	877.00	639	2,230.00	26,724	59,311.00	28,586	65,903.00
People's Bank	340	529.55	396	1,227.40	274	1,029.18	603	1,206.85	1,613	3,992.98
Regional Development Bank	1,176	754.00	89	57.00	1,321	831.00	25,655	18,809.00	28,241	20,451.00
Lankaputhra Development Bank	24	76.90	33	106.04	143	728.67	10	33.50	210	945.11
Sanasa Development Bank	358	234.35	17	10.85	11	16.54	1,029	736.82	1,415	998.55
National Development Bank PLC	1,898	3,446.52	449	2,117.35	12,983	18,444.77	1,186	1,931.56	16,516	25,940.20
DFCC Bank PLC	538	4,924.23	3,415	15,654.73	1,872	13,085.27	2,006	4,331.50	7,831	37,995.73
Commercial Bank of	3,412	14,247.89	10,891	54,938.92	11,677	81,987.62	19,742	109,233.20	45,722	260,407.63

Ceylon PLC										
Sampath Bank PLC	385	2,400.00	850	8,162.00	962	5,653.00	2,907	15,611.00	5,104	31,826.00
Seylan Bank	30	2,225.39	35	1,774.15	60	3,332.16	91	12,467.42	216	19,799.12
Hatton National Bank PLC	6,754	10,499	15,625	63,929	4,391	17,521	1,820	5,184	28,590	97,133
Nations Trust Bank PLC	240	1,880.09	1,984	7,497.56	316	1,207.15	7,079	10,938.93	9,619	21,523.73
Standard Chartered Bank	1	55.00	34	500.00	58	581.00	1	1.00	94	1,137.00
Union Bank of Colombo	186	1,166.67	616	2,441.18	1,539	3,139.73	2,976	9,789.40	5,317	16,536.98
<b>Total</b>	<b>16,279</b>	<b>45,924.59</b>	<b>34,720</b>	<b>159,293.18</b>	<b>36,246</b>	<b>149,787.09</b>	<b>91,829</b>	<b>249,585.18</b>	<b>179,074</b>	<b>604,590.03</b>

Source: Respective Banks



## 2.3 Micro Financing

The microfinance sector of Sri Lanka has shown an incredible growth over the last few years. The financial services offered by different types of micro finance institutions have expanded to support to the needy segments of the society, while new methods have also developed to deliver loans to small borrowers, with little or no collateral. The micro finance services which cover four key areas; savings, credit, micro-insurance and money transfers have supported to enhance income, value of assets and level of consumption of the households. Meanwhile, micro financing encourages savings habit among the poor thereby help increasing social status and improving economic conditions of low income groups.

The National Policy Framework for Small Medium Enterprises (SME) Development published in 2015 placed special emphasis on the micro finance

sector. Accordingly, the category of Micro Enterprises includes all enterprises which employ less than 10 employees and which have annual turnover not exceeding Rs. 15 million for manufacturing and service sectors.

The Micro Finance Regulatory Act was tabled in the parliament in 2015. The Act covers four regulatory layers with powers for national regulatory policy and guidance by the Monetary Board in order to maintain consistency in line with national objectives. Under this Act, a Micro Finance Authority is to be set up to streamline the activities in this sector and a large number of institutions would be broadly classified under four categories based on size of operations and institutional structure.

The role of the Government as a key player has become stronger with the new achievements in this sector in 2015. Various Government-led micro financing programmes targeting the low income families continued in 2015. The progress of micro financing programmes carried out by Government affiliated institutions in 2015 is as follows.

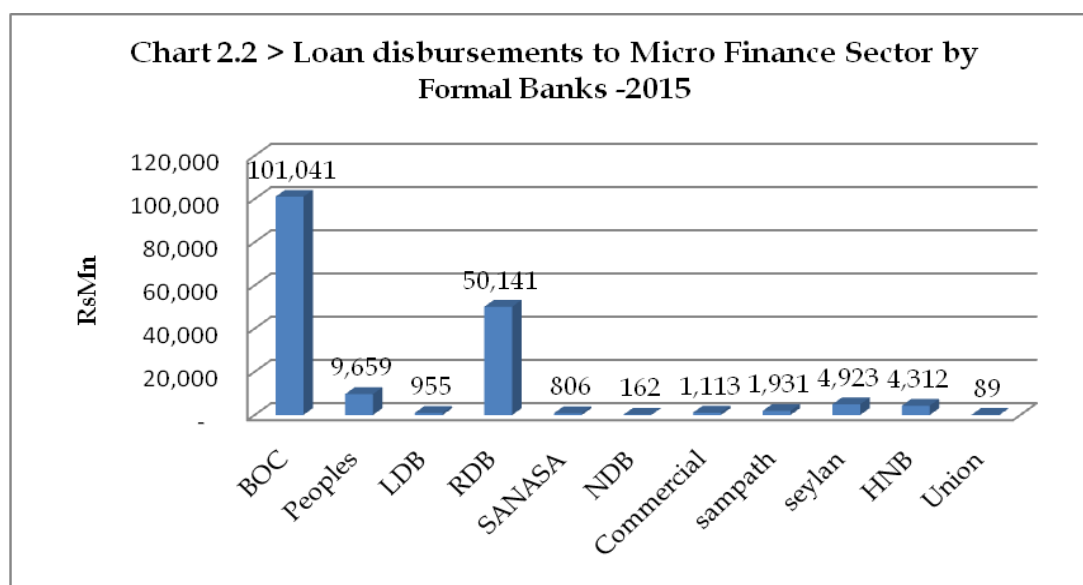
**Table 2.3 > Progress of Major Microfinance Institutions –2015**

<b>Microfinance Institute</b>	<b>No. of Branches</b>	<b>No of Depositors</b>	<b>No. of Borrowers</b>	<b>Total Deposits (Rs. Mn)</b>	<b>Total Investment (Rs. Mn)</b>	<b>Total Loan Portfolio (Rs. Mn)</b>
Department of Divineguma	1074	4,234,029	1,599,058	65,034	63,522	38,320
Department of Co-operative Development	2,210	9,631,080	569,376	94,685	97,747	39,406
Department of Agrarian Development	534	253,370	62,009	350	6,748	976
Regional Development Bank	265	5,676,619	839,664	86,340	16,076	41,276
Lankaputhra Development Bank	8	56,145	8,555	500	5,506	3,371
<b>Total</b>	<b>4091</b>	<b>19,851,243</b>	<b>3,078,662</b>	<b>246,909</b>	<b>189,599</b>	<b>123,349</b>

*Source: Department of Development Finance*

The Government-led micro finance institutions granted a sizable amount of micro loans to needy recipients in the country fulfilling their financial requirements. By end of 2015, the outstanding loan portfolio of major microfinance institutions stood at Rs. 123 billion which is distributed among the agencies as follows: Department of Divineguma, 31 percent (Rs. 38 billion); Department of Cooperative Development, 32 percent (Rs. 39 billion) and the Regional Development Bank, 33 percent (Rs. 41 billion). The compulsory savings of the

poor people reached up to Rs. 217 billion by end 2015, out of which Rs. 156 billion was placed on long term and short term investment.



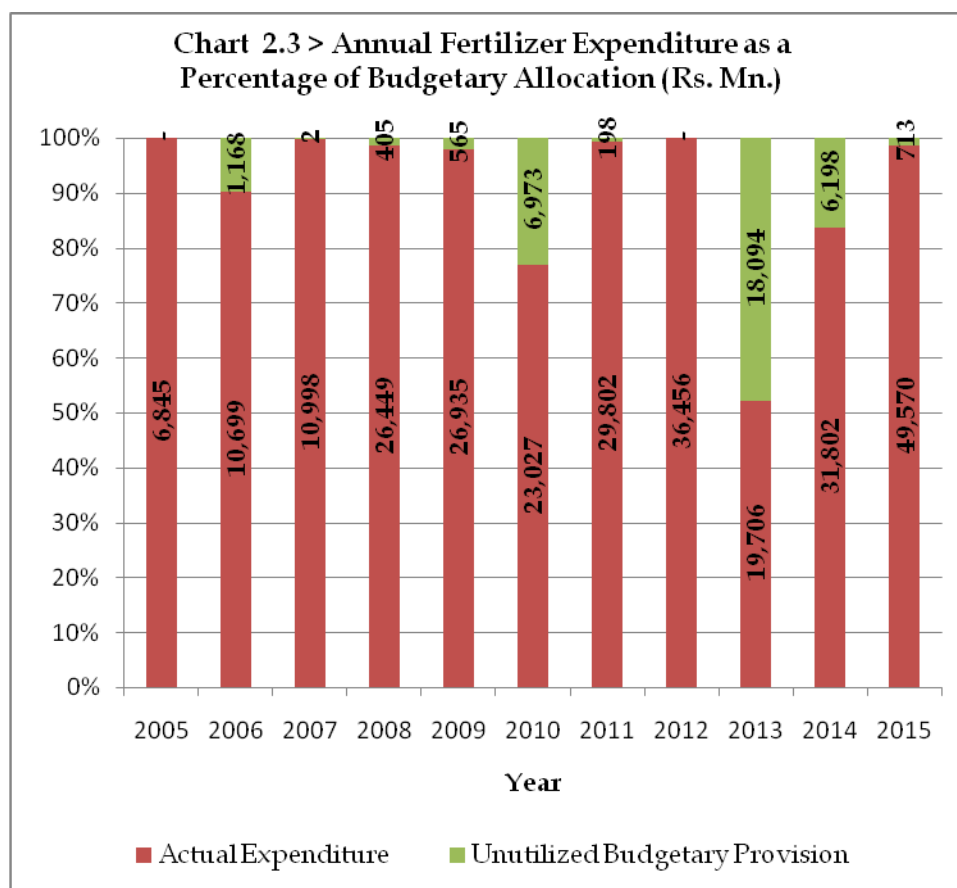
In 2015 banking sector disbursed Rs. 175 billion in loans to the microfinance sector. Of this Rs. 101 billion was by the Bank of Ceylon providing small loans under New Comprehensive Rural Credit Scheme (NCRCS), Poverty Alleviation Micro Finance Project (PAMP) and “Saubhagya” Loan Scheme. Regional Development Bank and People’s Bank disbursed Rs. 50 billion and 10 billion respectively in 2015. Compared with state banks Seylan Bank and Hatton National Bank (HNB) were the private banks with significant microfinance portfolio and have offered loans to the rural areas providing access to finance through various microfinance programs.

## 2.4 Enhancing Agriculture Sector

### 2.4.1 Fertilizer Subsidy to Improve Farmer Productivity

The fertilizer subsidy is a major welfare scheme implemented to enhance productivity in the agriculture sector. At present, the fertilizer subsidy is provided for paddy as well as other crops enabling the farmers to minimize their cost of production as it provides fertilizer at affordable rates.

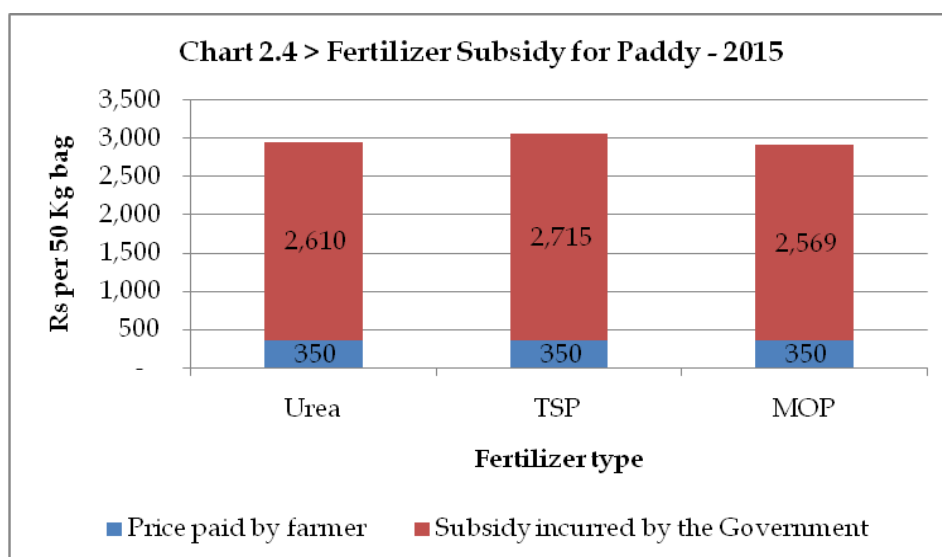
Expenditure incurred on fertilizer subsidy during 2015 increased by 56 percent to Rs. 49,570 million compared to Rs. 31,802 million in 2014. As such, 2015 recorded the highest expenditure thus far on fertilizer subsidy. A major reason for such high expenditure in 2015 is due to the settlement of arrears accrued in previous years. Nearly 99 percent of the budgetary provision for fertilizer subsidy was utilized during 2015.



#### 2.4.1.1 Fertilizer Subsidy for Paddy

Under this programme, three major fertilizer types which are used for paddy in their straight form was made available at a subsidized price of Rs. 350/- per 50 Kg bag each since 2005. Accordingly, Urea, TSP (Triple Super Phosphate) and MOP (Muriate of Potash) were issued at Agrarian Service Centers through a wider distribution network. The entire paddy fertilizer distribution was carried out by the two state fertilizer companies.

The average subsidy granted by the Government on a 50 Kg bag of paddy fertilizer is around 88 percent of the market price.



2015 marked the highest annual paddy production on record. Compared with the years of relatively higher paddy yields, the number of farmers who obtained fertilizer and the quantity of fertilizer issued has been reduced, while the nett extent harvested and the paddy production has increased. The average yield increased by 2.3 percent from 2013 to 2015, against the decrease in average yield by 4.4 percent during 2010 to 2013.

**Table 2.4 > Comparison of Paddy Cultivation Data for High Yielded Years**

Description	No of Farmers Obtained Fertilizer	Fertilizer Quantity Issued (Mt)	Nett Extent Harvested (Ha)	Paddy Production (Mt)	Average Yield (Ha/Mt.)
2009/10 Maha	1,100,543	263,512	573,788	2,629,566	4.6
2010 Yala	785,966	186,556	376,024	1,671,054	4.4
<b>2010 Total</b>	<b>1,886,509</b>	<b>450,068</b>	<b>949,812</b>	<b>4,300,620</b>	<b>4.5</b>
2012/13 Maha	1,044,343	247,078	664,804	2,846,276	4.3
2013 Yala	658,560	113,434	402,534	1,774,452	4.4
<b>2013 Total</b>	<b>1,702,903</b>	<b>360,512</b>	<b>1,067,338</b>	<b>4,620,728</b>	<b>4.3</b>
2014/15 Maha	998,710	197,305	659,283	2,876,987	4.4
2015 Yala	663,106	89,915	429,091	1,942,408	4.5
<b>2015 Total</b>	<b>1,661,816</b>	<b>287,220</b>	<b>1,088,374</b>	<b>4,819,395</b>	<b>4.4</b>

Source : Department of Agrarian Development and Department of Census and Statistics

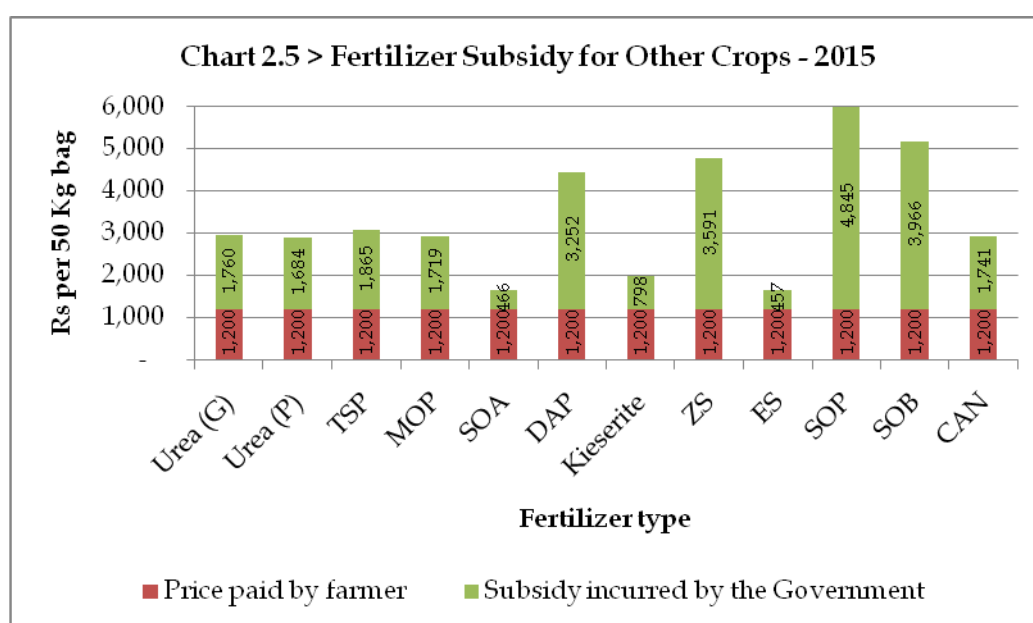
Hence, many researchers have shown that there is no significant correlation between the use of chemical fertilizer and the productivity. Due to the ongoing fertilizer subsidy scheme, an unbearable quantity of fertilizer has been imported to the country and over usage and misuse of fertilizer has caused a wide spread of health issues and environmental issues.

#### 2.4.1.2.Fertilizer Subsidy for Other Crops

The fertilizer subsidy for other crops as announced in 2011 continued at the following concessionary rates.

- A 50 Kg bag of any type of straight fertilizer at a rate of Rs. 1,200/-
- A 50 Kg bag of mixed fertilizer at a rate of Rs. 1,300/-

This subsidy has enabled the farmers to expand their cultivating capacity from one crop to multiple crops and to increase the productivity of crops other than paddy. The subsidy granted by Government as a percentage of the market price on a 50 Kg bag of straight fertilizer remained between 28 - 80 percent.



The state owned fertilizer companies have catered to about 40 percent demand of the fertilizer subsidy for other crops, while the private sector fertilizer suppliers have catered to the remaining 60 percent demand.

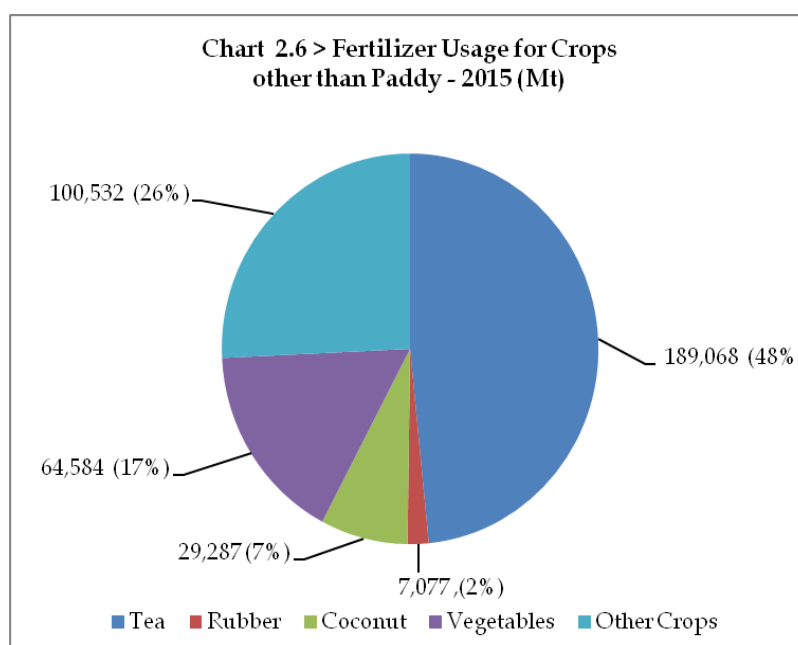
Subsidy commitment by the Government for other crops fertilizer during 2015 increased by 12 percent to Rs. 16,889 million compared to Rs. 15,020 million in 2014. As such, 2015 recorded the highest expenditure thus far on fertilizer subsidy for other crops.

**Table 2.5 > Progress of Fertilizer Distribution for Other Crops**

Year	Quantity Distributed (Mt)	Subsidy Commitment by the Government (Rs Mn)
2008	170,020	2,067
2009	232,668	3,817
2010	281,679	7,096
2011	335,323	9,706
2012	380,829	11,564
2013	379,866	13,800
2014	407,439	15,020
2015	463,672	16,889

*Source: Department of Development Finance*

During 2015, a total volume of 463,672 Mt. of fertilizer was issued under the fertilizer subsidy for crops other than paddy out of which 390,549 Mt. of fertilizer was used for other crop sector.



### 2.4.1.3 The Fertilizer Cash Subsidy Scheme

Considering the various incentives granted for the agriculture sector and the contribution made by agriculture sector towards GDP, Government has identified that such incentives have yet been unable to achieve the growth targets envisaged over the medium-term. In this context, the fertilizer subsidy programme of providing fertilizer at highly subsidized rates was identified as a key area for rationalization amidst concerns of over usage and mis-use of fertilizer. In addition, several health issues such as chronic kidney disease surfaced in key cultivation areas and environmental concerns raised due to water and soil



contamination. Therefore, the Government decided to revisit the fertilizer subsidy policy to minimize such social and environmental hazards while allowing the farmer a greater flexibility in selecting the farming inputs for better productivity.

It has been proposed by the budget 2016 to implement a cash subsidy instead of fertilizer subsidy with a maximum of Rs. 25,000/- per hectare per annum for a paddy farmer up to a maximum of two hectares. Accordingly, the subsidy in cash per annum for a small scale paddy farmer who owns two hectares is Rs. 50,000/-. The farmer will be given the opportunity to decide on spending the cash grant to purchase chemical fertilizer or organic fertilizer from any fertilizer outlet at open market rates.

#### **2.4.2 New Comprehensive Rural Credit Scheme (NCRCS)**

Government continued with the provision of interest subsidy to lending banks for loans advanced by them out of their own resources under the NCRCS. The continuation of this scheme reflects the willingness of the Participatory Financial Institutions (PFIs) as well as the enormous requests from farmers, collectors, and agro based industrialists. The loans given for cultivation purposes under the Scheme are mostly utilized by small farmers. 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 provides 5 percent of interest subsidy to PFIs. The scheme covers about 33 major crops including Paddy, Chili, Maize, Onion, Potato, and Vegetables.

During 2015, HDFC Bank was included as a PFI under this scheme, thereby increasing the total PFIs to 10 in 2015. The Treasury provided Rs. 275.77 million being the interest subsidy to PFIs for the loans granted under this scheme

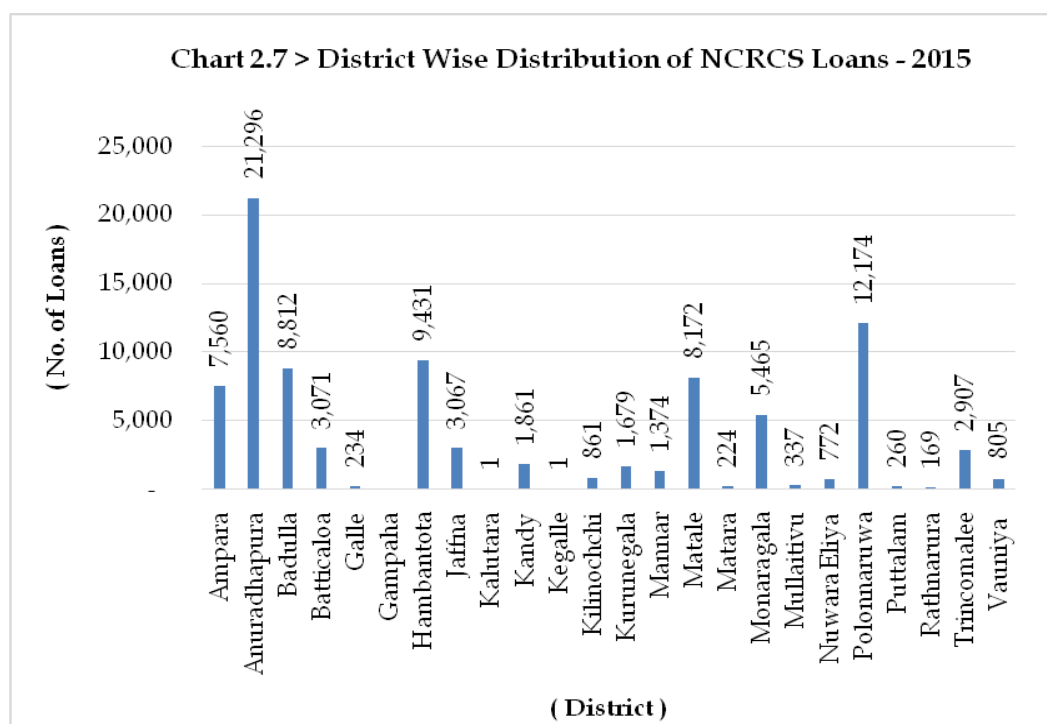
The Warehouse Receipt Financing Scheme which was designed to provide short term credit to small farmer producers was incorporated under this scheme with effect from 6<sup>th</sup> July 2015. Accordingly, credit facilities were granted to small farmer producers who deposit their produce in warehouse and seek short term finance for the cultivation of the short term crops which are eligible under this scheme and the nurseries of those crops by pledging warehouse receipt to the bank as collateral. Farmers are eligible for a credit facility of 50 percent of the current market value of the stored commodities with a repayment period of maximum of 270 days under this scheme.

**Table 2.6 > Loan Disbursements under NCRCS-2015**

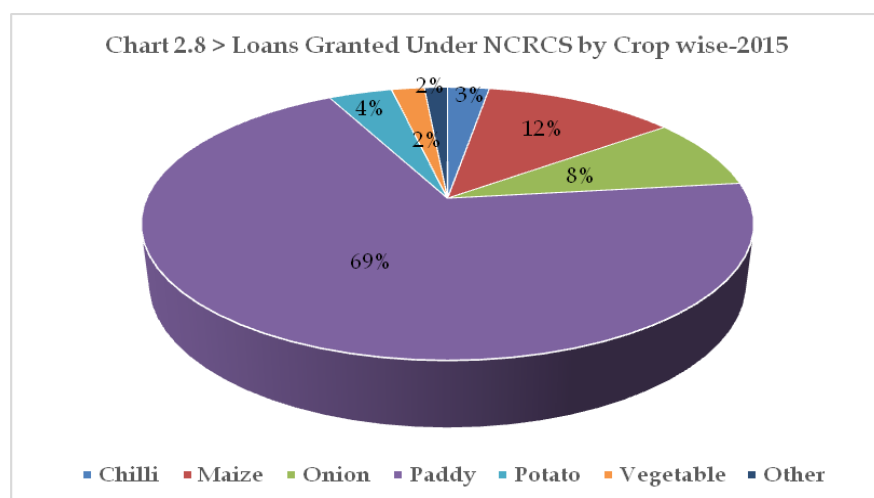
Crop	Maximum Loan Limit (Rs.)	Maximum Land Units(Acres)	No. of Loans	Amount Released (Rs. Mn)	Extend of Land (Acres)
Paddy -Irrigated	250,000	10			
Rain fed	150,000	10	62,742	4,738	214,011
Maize	250,000	10	10,995	632	27,946
Potato	350,000	2	3,634	524	3,938
Onion	190,000	2	7,582	881	11,339
Chilies	130,000	2	2,380	136	3,148
Vegetables	40,000-180,000	2	1,881	154	2,723
Other-Ginger	140,000	2	1,319	71	2,615
<b>Total</b>			<b>90,533</b>	<b>7,138</b>	<b>265,720</b>

Source: Regional Development Department, Central Bank of Sri Lanka

During 2015, the demand for loans under NCRCS increased due to economic situation and peaceful environment in the country. The number of farmers benefited under this scheme increased to 90,533 in 2015 from 86,143 in 2014 while the total loan disbursement increased from Rs. 6,749 million in 2014 to Rs. 7,138 million in 2015. In terms of loan distribution, the small loans below the maximum loan limit of Rs. 250,000 per acre have been provided mostly to the paddy sector, accounting for 69 percent of the total loan disbursement in 2015. In 2015, the extent of land totaling 265,719 acres have been utilized for crop cultivation of which 80 percent was for paddy.



Considering the regional distribution of the beneficiaries and loan disbursements, the highest amount of Rs. 1,363 million loan disbursements was recorded in Anuradhapura District, which was 19 percent of the total loan disbursement of Rs. 7,138 million in 2015. The number of farmers who benefitted under this credit scheme was considerably high in Polonnaruwa, Hambantota, Badulla and Matale districts in comparison to other Districts.



In 2015, the paddy sector continued to dominate the total number of loans granted, accounting for 69 percent of the crop wise distribution followed by Maize and Onion.

### 2.4.3 Relief for Cultivation Loans

The contribution given by the farmers to foster the agriculture based economy is immense. However, the recent past they had to undergo many difficulties since their crops have failed due to factors beyond their control such as floods, droughts, pests, natural calamities, civil commotion etc. On this situation, the farmers were unable to repay their loans obtained from banks to undertake their agricultural activities. By understanding the difficulties faced by the farmers, the interim budget 2015 proposed to write off 50 percent of the capital of cultivation loans granted by the state banks to farmers.

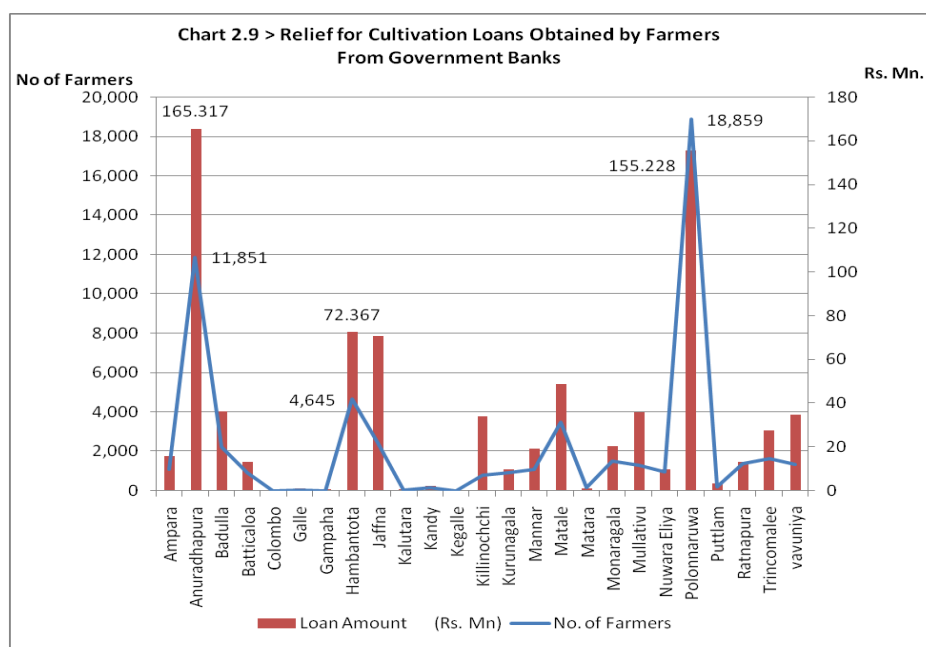
Individual farmers who have obtained cultivation loans for paddy and other field crops under cultivation loan schemes up to a maximum amount of Rs. 100,000 from Government banks and transferred to non-performing category are eligible for the relief package. The banks write off 50 percent of the total outstanding capital of the cultivation loans of non-performing categories and the losses are reimbursed to the banks by the Treasury. Accordingly, Rs. 2,500 million has been allocated by the Government from 2015 budget.

**Table 2.7 > Relief for Cultivation Loans Obtained by Farmers From Government Banks**

Name of the Bank	No. of Loans	Amount written Off (Rs Mn)
Peoples Bank	25,540	234.65
Bank of Ceylon	21,918	374.02
Regional Development Bank	9,506	176.06
Lankaputhra Development Bank	100	1.90
<b>Total</b>	<b>57,064</b>	<b>786.63</b>

*Source: Department of Development Finance*

Under this relief package, Government written off Rs 786 million of the cultivation loans obtained by the farmers from the state banks and 57,064 were benefitted. The highest amount was reimbursed by Government to the Bank of Ceylon which is 48 percent (Rs. 374 Mn.) of the total written off amount. In addition, Rs. 234 million and Rs. 176 million were released to the People's Bank and Regional Development Bank respectively.



In term of relief distribution, the highest beneficiaries were recorded in Polonnaruwa (18,859), Anuradhapura (11,851) and Hambantota (4,645) Districts. Out of the total disburse amount 50 percent were distributed among the beneficiaries in this paddy cultivation districts.

#### **2.4.4 Crop Insurance for Farmers**

The crop insurance scheme named “Kethata Aruna Pohora Diriya” was established to provide relief to farmers for the damages caused to their cultivations by drought, floods and wild elephants. This scheme was initially implemented through the National Insurance Trust Fund (NITF). Furthermore, the extension of this scheme from paddy farmers to all smallholder farmers engaged in all crops was executed in year 2014 and the Agricultural and Agrarian Insurance Board (AAIB) was appointed as the implementing authority of the scheme from December 2014 in order to avoid the unnecessary delays on payments. In 2015, approximately Rs. 1,006 million was collected as the premium and Rs. 1,038 million was paid among 138,062 farmers for crop damages during this year.

#### **2.4.5 Social Security for Farmers**

The Farmers Pension Scheme was able to provide higher benefits to elderly farmers who have spent their youth for country’s agricultural development. 136,421 elderly farmers benefited under this scheme by the end of 2015 and the total of Rs. 2,481.5 million was distributed among them during the year 2015. Since the Farmers’ Pension Fund is not in at a level of self-sufficiency, the General Treasury provided Rs. 180 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.

#### **2.4.6 Incentives to the Plantation Sector**

A healthy performance of the plantation sector is very important for the country as it plays a vital role as a major foreign exchange earner. Government showed its firm commitment during 2015 to provide more incentives and subsidies to encourage the smallholder plantation sector.

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

**Table 2.8 > Performance of Small Holder Plantation Sector, 2010 – 2015**

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

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

In order to encourage the smallholder plantation sector, Government provides incentives for re-planting and new planting of tea and rubber. Accordingly, a subsidy of Rs. 500,000 and Rs. 400,000 per hectare was given respectively 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.

#### **2.4.7 Guaranteed Price for Natural Rubber**

In order to encourage the rubber smallholders, a guaranteed price of Rs. 300 per Kg of natural rubber was provided through the Department of Rubber Development (RDD) with effect from 15<sup>th</sup> November 2014 in line with the 2015 Budget Proposals. At the initial stage, this guaranteed price was provided only to smoked sheet rubber (RSS 1,2,3,4 and 5) and this subsidy was further extended to latex rubber after considering the requests made by the small-scale latex rubber producers.

Furthermore, this guaranteed price was increased up to Rs. 350 per Kg through proposals of the 2015 Interim Budget to further encourage the rubber smallholders and ensure the long term sustainability of the industry. Accordingly, the new scheme was implemented with effect from 1<sup>st</sup> April 2015 and provided a guaranteed price under four categories based on the price prevailed at the local market and the price difference was provided through the RDD to the rubber smallholders who had claimed for this benefit in order to encourage the value added production. The Government spent Rs. 2,317.75 million to implement this scheme during 2015.

**Table 2.9 >Categories Used to Provide Guaranteed Price  
for Natural Rubber**

Category	Guaranteed Price (Rs. per Kg)	Local Market Price on 30.03.2015 (Rs. Per Kg)	Subsidy to be paid (Rs. Per Kg)
RSS 1 & RSS 2	350	210	140
RSS 3	325	200	125
RSS 4 & RSS 5	300	190	110
Latex	300	195	105

*Source: Department of Development Finance*

## 2.4.8 Guaranteed Price for Tea Leaves

Government decided to provide a guaranteed price for green leaves to support the tea smallholders who contribute to about 72 percent of tea industry amidst significant decline in price of green leaves in the market. Accordingly, it was proposed to provide a guaranteed price of Rs. 80 per kg of Green Leaves with effect from April 2015 for about 400,000 tea smallholders who supply green leaves to 712 active tea factories. This guaranteed price scheme which was implemented through the Sri Lanka Tea Board, paid the price difference to tea smallholders when the tea small holder is paid less than Rs. 80/- per kg of green leaves based on the price at the Colombo Tea Auction. By implementing this scheme, the production of tea and annual export income were expected to increase by 30 million Kg and Rs. 9 billion per annum, respectively. Government has spent Rs. 6,738 million to implement this scheme during the year 2015, despite the allocation of Rs. 5,000 million in the interim budget of 2015.

## 2.4.9 Working Capital Loan Scheme for Tea Factory owners

Considering the financial difficulties faced by registered tea factories due to decline in tea prices, Government has decided to implement a loan scheme on a short term basis to assist them to meet their working capital requirements. Accordingly, this scheme is being implemented by the Sri Lanka Tea Board through the state and private sector commercial banks under the supervision of the Ministry of Finance.

The applicable interest rate for this loan is 6 percent per annum and the Government of Sri Lanka will provide an interest subsidy of 2 percent to Participating Financial Institutions (PFIs) only for two years period. After the initial two years, the total interest would be recovered from the tea factory owners. Government has allocated Rs. 258 million per year to implement this scheme for a period of two years. Accordingly, a total of 551 applications were received by the Sri Lanka Tea Board and among those applications, 531 of applications were recommended to grant loan facilities valued approximately Rs. 10,137 million in 2015.

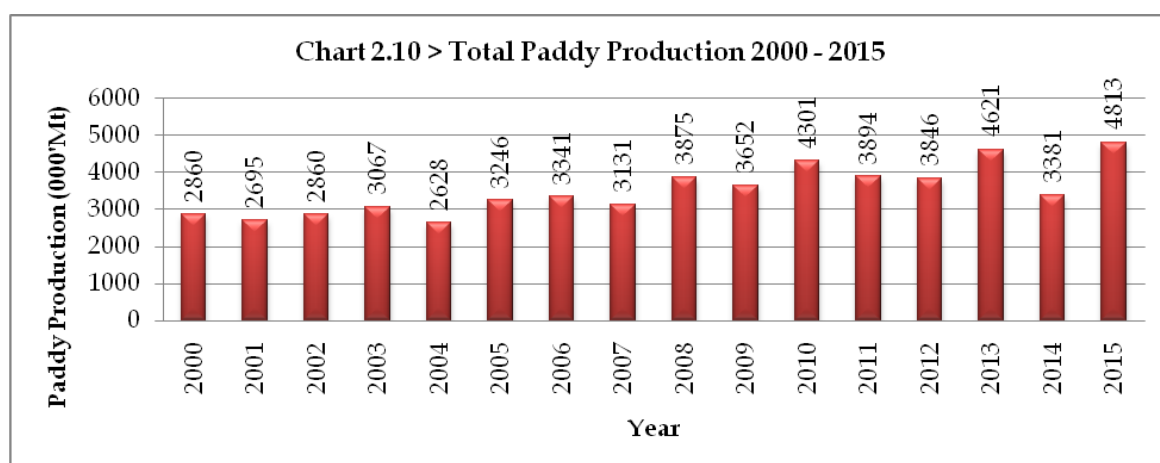


## 2.5 Food Security

### 2.5.1 Paddy Purchase Programme

Paddy plays a major role in ensuring food security of the country. Government encouraged paddy farmers as well as paddy production over the years through providing a fertilizer subsidy, guaranteed prices for paddy, cultivation loans at concessionary interest rates and technical and extension services. Accordingly, paddy production increased gradually except for certain years which experienced supply side disturbances. The highest ever paddy production of 4.8 million Mt was recorded in 2015. This is an increase of around 42 percent compared to the paddy production in 2014. Against this backdrop, maintaining price of paddy at a stable level was a challenge.

The Government Paddy Purchase Program of 2015 was implemented by the Ministry of Rural Economic Affairs (former the Ministry of Food Security) through the Paddy Marketing Board (PMB). The PMB purchased 335,839 Mt of paddy at a cost of Rs. 15, 450 million during 2015. In Maha 2014/15, 160,569 Mt. of paddy has been purchased. The General Treasury has provided Rs. 7, 500 million for this purpose. An amount of Rs. 7,950 million was spent in Yala 2015 by the State Banks: Bank of Ceylon and People's Bank and the quantity purchased was 175,270 Mt. Accordingly, year 2015 marked the highest Government expenditure for paddy purchase under the Government Paddy Purchase Program. In 2015, the Paddy Marketing Board introduced a new method to register farmers with the Paddy Marketing Board in order to improve transparency of the program, while minimizing chances of fraud.



Further, being part of the Interim Budget Proposals 2015, guaranteed price was revised as Rs. 50/- per kilogram of Keeri Samba paddy and other varieties of Samba paddy and Rs. 45/- per kilogram of Nadu paddy and other varieties of paddy, which was an increase of around 20 percent compared to the year 2014. The unit cost of production of paddy was Rs. 18.95 per Kg in irrigated water



regime and it was Rs. 25.57 per Kg in rain-fed water regime, hence, the average production cost was Rs. 22 per Kg. Accordingly, farmers received a profit of around Rs. 25 per Kg of paddy. As the Paddy Marketing Board purchased a maximum of 2,000 Kg of paddy from each, a farmer could have earned a maximum profit of Rs. 50,000. However, this higher purchase price of paddy resulted in some adverse impacts on disposal price of paddy under Government Paddy Purchasing Program. Accordingly, Government's certified price of paddy was revised to comply with market mechanism and in comparison to the cost of production of paddy, ensuring an affordable price to the consumer.

In the review of the existing guaranteed price of paddy, attention was given to several factors including the cost of production, the expected price of rice to the consumer in the market, and the need to have a reasonable disposal price to prevent any loss in paddy disposal while discouraging chances of frauds in Government Paddy Purchasing Program (GPPP). Accordingly, it has been proposed to revise the prices as Rs. 50/- per Kg of Keeri Samba, Rs. 41/- per Kg of Samba and Rs. 38/- per Kg of Nadu paddy respectively. Government expected to purchase 160,000 Mt. of paddy during 2015/16 Maha season at a cost of Rs. 6,240 million from mid-February to mid-April 2016. By 10<sup>th</sup> May 2016, 132,021 Mt. of paddy has been purchased by utilizing Rs. 5,141 million.

**Table 2.10 > Quantity of Paddy Purchased under Government Paddy Purchase 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
<b>Total</b>	<b>147,669</b>	<b>34,829</b>	<b>182,498</b>	<b>5,179</b>
2010/11 Maha	2,913	556	3,469	98
2011 Yala	58,967	16,205	75,172	2,137
<b>Total</b>	<b>61,880</b>	<b>16,761</b>	<b>78,641</b>	<b>2,235</b>
2011/12 Maha	107,319	8,467	115,786	3,259
2012 Yala	9,936	540	10,476	294
<b>Total</b>	<b>117,255</b>	<b>9,007</b>	<b>126,262</b>	<b>3,553</b>
2012/13 Maha	107,445	31,205	138,650	4,530
2013 Yala	81,834	12,542	94,376	3,058
<b>Total</b>	<b>189,279</b>	<b>43,747</b>	<b>233,026</b>	<b>7,588</b>
2013/14 Maha	3971	592	4563	148
2014 Yala	0	0	0	0
<b>Total</b>	<b>3,971</b>	<b>592</b>	<b>4,563</b>	<b>148</b>

2014/15 Maha	126,203	34,366	160,569	7,510
2015 Yala	162,775	12,495	175,270	7,950
<b>Total</b>	<b>288,978</b>	<b>46,861</b>	<b>335,839</b>	<b>15,460</b>
<b>Grand Total</b>	<b>809,032</b>	<b>151,797</b>	<b>960,829</b>	<b>34,163</b>

Source : Paddy Marketing Board

The contribution made by the private sector to the purchase of paddy was considerable. The state banks and the private banks assisted the private sector by granting pledge loans to the value of Rs. 34,440 million in 2015. This is an increase of around 27 percent compared to the amount granted in 2014 which was Rs. 27,225 million. In the year 2015 state banks have granted 71 percent of total pledge loans to the private sector.

**Table 2.11 > Loans Granted to Private Sector for Paddy Purchasing - 2015**

Name of the Bank	2014/15 Maha		2015 Yala		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)
People's Bank	143	1,176.93	87	673.40	230	1,850.33
Bank of Ceylon	348	9,424.89	267	12,830.31	615	22,255.20
RDB	15	34.93	44	187.82	59	222.75
<b>Total for State Banks</b>	<b>506</b>	<b>10,636.75</b>	<b>398</b>	<b>13,691.53</b>	<b>904</b>	<b>24,328.28</b>
Commercial Bank	39	134.85	98	343.32	137	478.17
Sampath Bank	185	1,564.75	138	2,188.16	323	3,752.91
DFCC Bank	25	830.15	28	739.95	53	1,570.10
Seylan Bank	36	186.76	36	199.85	72	386.61
National Development Bank	16	711.20	30	715.20	46	1,426.40
Hatton National Bank	152	1,368.40	144	1,129.60	296	2,498
<b>Total of Private Bank</b>	<b>453</b>	<b>4,796.11</b>	<b>474</b>	<b>5,316.08</b>	<b>927</b>	<b>10,112.19</b>
<b>Grand Total</b>	<b>959</b>	<b>15,432.86</b>	<b>872</b>	<b>19,007.61</b>	<b>1,831</b>	<b>34,440.47</b>

Source : Respective Banks

## 2.5.2 Storage Facilities and Introduction of Warehouse Receipt

The Government, with the assistance of the World Bank introduced a state-of-the-art storage facility for farmers in selected agricultural districts. Accordingly, farmers can make use of this facility for produces such as Paddy, Maize, Soya bean, Sesame, Black gram, Pepper and Peanut during harvesting period. Such

storage facility enables farmers to use the produce as collateral to access financial services by developing a warehouse receipt finance mechanism. Accordingly, the Construction of three warehouses was initiated in the Districts of Anuradhapura, Monaragala and Mannar. Out of these, Anuradhapura and Monaragala warehouses were completed with a total storage capacity of 16,000 Mt. for the above crops. It was reported that out of 49 commodity depositors at the Upuldeniya warehouse which was located at Anuradhapura, 19 have obtained short term credit facilities by pledging the warehouse receipt and out of 08 commodity depositors at the Buttala warehouse which was located at Monaragala, 02 have obtained short term credit facilities by pledging the warehouse receipt as at end of 2015.

First time in Sri Lanka, a warehouse receipt which is acceptable to the financial institutions was introduced in practice with the commencement of operations at Upuldeniya and Buttala warehouses. It was observed that ensuring the quality of the warehouse receipt would be one of the major challenges when it is considered as alternative collateral for bank finance particularly with the small farmers in the rural sector.

Considering the success of the above project, the Government announced to construct three new warehouses in the Districts of Polonnaruwa, Killinochchi and Ratnapura by the budget for 2016.

Apart from the three main warehouse complexes constructed during 2015 under the Warehouse Recipient Financing Project (WHRFP), financial facilities were provided to construct household based warehouses for individual farmers to store Big onion in the districts of Matale, Anuradhapura, Polonnaruwa and Kurunegala. This additional activity was designed to address marketing problems encountered by the Big onion farmers in the above districts during the harvesting period. The total storage capacity of Big onion warehouses was 3,730 Mt. and it has been allocated to 1,535 Mt., 1,425 Mt., 470 Mt. and 300 Mt. in the Districts of Matale, Anuradhapura, Polonnaruwa and Kurunagala respectively as at end 2015.

### **2.5.3 Rice Donation to the World Food Program**

In 2013, with the remarkable harvest which was recorded as the highest ever annual paddy production at that time in Sri Lanka a considerable paddy surplus was created in the country. Accordingly, the Government of Sri Lanka agreed to donate 50,000 Mt. of rice to the World Food Program (WFP) to achieve the following two objectives along with managing the excess harvest.

- I. To graduate Sri Lanka to the status of a donor country of rice to the WFP from the status of a recipient of aids from WFP.
- II. To strengthen our bilateral co-operation with WFP by sharing our development benefits continuously with WFP as to recognize the WFP

assistance to Sri Lanka in the past to feed displaced people affected by internal conflicts, Tsunami and other natural disasters.

As the first initiative of this programme, the Government of Sri Lanka has agreed to donate 10,000 Mt. of rice through “Sri Lankan Humanitarian Solidarity” to the WFP office for local program in Sri Lanka and the balance 40,000 Mt. will be distributed among selected WFP member countries in the world. The amount to be distributed during a particular year is decided based on the amount of excess paddy available after allocating for domestic consumption requirement and also depending on requests made by the WFP.

Accordingly, by the end of 2015, the Government has donated 3,341 Mt. of rice to the WFP under the agreed donation program including a quantity of 292 Mt. of rice supplied during 2015. The quantity of paddy utilized for this purpose is 5,496 Mt. of paddy. The Government incurred a cost of Rs. 232.02 million in total for supplying above mentioned quantity of 3,341 Mt. of rice. By 10<sup>th</sup> May 2016, Sri Lanka has donated 6,341 Mt. of rice to the WFP.

#### **2.5.4 Development of Poultry Sector**

Currently, Sri Lanka’s poultry sector is growing rapidly indicating its increasing share of the GDP and export income. Therefore, the Government remained committed to provide timely support for this sector to resolve issues as they occur. In 2015, Sri Lankan poultry sector was able to produce 164,450 Mt. of chicken meat and 1,899 million of eggs indicating considerable growth of production from the previous year (2014) which was 150,320 Mt. and 1,721 million, respectively. Further, some of the major poultry producers were able to enter into world markets by starting poultry exports to many countries.

Maize is one of the major ingredients of the poultry feed as it contributes to over 55 percent of the poultry feed. Therefore, price of the maize highly affects the cost of production of poultry products. The expected local maize harvest of year 2015 has come down due to heavy rains in maize cultivating areas. Furthermore, the estimated maize harvest was 277,336 Mt. and total maize requirement for the animal feed production was around 350,000 Mt. – 400,000 Mt. for the year 2015. Nonavailability of sufficient maize stocks in the local market could negatively affect the animal feed production which is a main input of the poultry industry.

Considering these facts, animal feed millers were allowed to import their two months’ maize requirement. Accordingly, around 53,000 Mt. of maize were imported by animal feed millers from April 2015.

## 2.6 Special Incentives for Targeted Groups

### 2.6.1 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 12 percent special interest rate for senior citizens' fixed deposits in the Budget 2015 presented by the previous Government.

Furthermore, this special interest rate was increased up to 15 percent through the Interim Budget 2015 presented by the current Government. Accordingly, senior citizens who open fixed deposits up to rupee one million in total or less at a Licensed Commercial Bank (LCB) or Licensed Specialized Bank (LSB) in an individual basis are eligible to receive this special interest rate of 15 percent per annum. Moreover, the additional interest cost incurred by banks, over and above normal interest rates to implement this scheme, is reimbursed by the Treasury on quarterly basis.

In 2015, the Government reimbursed around Rs. 3,662 million among participatory LCBs and LSBs for the additional interest paid for the senior citizens.

**Table 2.12 > Quarter-Wise Progress of the Special Interest Scheme for Senior Citizens - 2015**

Description	Beneficiaries	Reimbursement (Rs.)
Quarter 1	91,240	181,864,667.33
Quarter 2	175,782	897,029,886.26
Quarter 3	196,106	1,185,585,616.89
Quarter 4	229,777	1,396,660,535.30
<b>Total</b>		<b>3,661,140,705.78</b>

*Source: Department of Development Finance*

Further, the Budget 2016 proposed to extend the existing Senior Citizens Fixed Deposit Scheme to Licensed Finance Companies registered under Central Bank of Sri Lanka (CBSL) in order to provide more benefits to the senior citizens. Accordingly, a special interest rate of 15 percent would be given to the one-year rupee fixed deposits up to Rs. 1.5 million in total or less opened in Licensed Finance Companies registered under CBSL on an individual basis by Sri Lankan senior citizens above 55 years of age. The Government has allocated Rs. 4,000 million to continue the existing scheme and Rs. 1,500 million to implement this new scheme through Licensed Finance Companies during the year 2016.

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

The self-employment loan scheme for socially re-integrated trainees was implemented from July 2012 through the Bank of Ceylon (BOC), Peoples' Bank (PB) and Sri Lanka Savings Bank (SLSB) to provide credit facilities to the trainees of ex-combatants who were engaged in LTTE activities and had been either surrendered to or arrested by the security forces after the humanitarian operation.

This loan scheme has given great opportunities to the socially re-integrated youth to commence their livelihood activities successfully. These youth are eligible to participate in Entrepreneurship Development Training Program and post-supervision programs 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. Accordingly 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 and to pursue primary/secondary/ higher education and vocational training.

At the first stage the disbursement target was Rs. 300 million among the BOC, PB and SLSB with Rs. 125 million, Rs. 100 million and Rs. 75 million respectively. Under this scheme 8 percent interest subsidy is being given to the participatory institutions by the Treasury. The progress of stage I of this loan scheme as at 31.12.2015 was as follows.

**Table 2.13 > Progress of Socially Re-integrated Trainees Loan Scheme as at 31.12.2015**

District	No of Loans Granted	Amount Disbursed (Rs.)
Jaffna	288	48,336,000
Killinochchi	342	51,984,000
Mullaitivu	430	78,310,000
Vavuniya	307	47,075,000
Mannar	270	48,700,000
Batticaloa	74	11,075,000
Trincomalee	72	14,250,000
Ampara	11	1,750,000
Other Districts	05	1,150,000
<b>Total</b>	<b>1799</b>	<b>302,630,000</b>

*Source: Rehabilitation Authority*

In terms of disbursement, 1,799 beneficiaries have obtained loans in the North and Eastern Provinces by 2015. The highest loan disbursement is recorded in Mullaitivu District and 430 trainees benefitted. The Government has paid Rs. 42 million to the PFIs as interest subsidy by December 2015. Cabinet approval was



granted to allocate Rs 525 million for implementation of the 2<sup>nd</sup> stage of this loan scheme and expect to provide same credit facility to the reintegrated persons into the society by the Department of Prisons within the allocation of the Phase II.

### 2.6.3 Special Vehicle Loan Scheme for Senior Artists and Writers and Journalists

This special loan scheme was introduced in 2012 to Senior Artists, Writers and Journalists who have made an uninterrupted contribution of over 25 years to purchase vehicles. This loan scheme was implemented through the Ministry of Mass Media and Information and the Ministry of Cultural and Arts. Under this scheme senior Artists, Writers and Journalists get an interest free loan with a maximum loan limit of Rs. 1.2 million with a repayment period of 7 years. This was implemented through the Bank of Ceylon (BOC), Peoples' Bank (PB) and National Savings Bank (NSB) and the interest amount of the loans are totally born by the Government. The applicable interest rate varies in between 10 percent to 14 percent depend on the size of the loans. The progress of the loan scheme as at 31.12.2015 was as follows.

**Table 2.14 > Progress of Senior Journalists, Artists and Writers Loan Scheme as 31.12.2015**

	No. of Loans Granted	Amount Disbursed (Rs. Mn)	Subsidy Paid (Rs. Mn)
Ministry of Media and Information	340	395	91
Department of Cultural Affairs	580	676	115
<b>Total</b>	<b>920</b>	<b>1,071</b>	<b>206</b>

*Source: Government Banks*

Ministry of Media and Information and Department of Cultural Affairs play a key role by recommending qualified applicants to obtain the loan under the above category. Accordingly, Rs. 1,071 million of loan facility has granted to purchase vehicles for 920 personals by the end of 2015. Treasury has paid Rs. 206 million as an interest subsidy during the same period.

### 2.6.4 Relief for Pawning Advances

Several special measures have been implemented by the Government to provide relief to the people by reducing the rising cost of living. As a result of the cost of living burden, people had pawned their jewelry which was received from their parents and close relatives as memorials to obtain instant loans in order to fulfill their day to day needs. Most of the people have utilized this money for their day to day consumption and finally they were not been able to settle those loans by the reason of non-reachable high interest rate charges in banks. Therefore, poor

people who have obtained loans from unauthorized sources to settle these pawning advances finally face the loan-trap.

The Government understands this misery of the people who had pawned jewelry on high interest rate and announced to waive off the excess interest for a specific time period from 15<sup>th</sup> March 2015 to 30<sup>th</sup> June 2015 in order to recover pawned Jewelry as a special relief.

Accordingly, people who have obtained a pawning advance up to a maximum amount of Rs. 200,000 from the state owned banks are eligible to enjoy the benefit under this scheme. This scheme was successfully completed and Rs. 94.07 million was distributed among 7 participatory Government banks for providing interest write off facility for 36,011 beneficiaries.

**Table 2.15 > Interest Subsidy Payments for Participatory Government Banks - 2015**

<b>Month</b>	<b>No. of Beneficiaries</b>	<b>Amount (Rs.)</b>
March	5,621	11,553,130.45
April	9,367	21,375,805.49
May	12,971	33,302,688.74
June	8,052	27,833,272.88
<b>Total</b>	<b>36,011</b>	<b>94,064,897.56</b>

*Source: Department of Development Finance*



### 3. Administrations and Financial Performance

#### 3.1 Administration Sector

The Department of Development Finance is being executed under Director General and it consists of 29 numbers of officials including 10 executive officers and 19 other officers. The approved carder of the department is 31 and there were 2 posts which were vacant as at the end of 2015. The information about administration, finance and human resource development of the year 2015 is as follows.

##### 3.1.1 Cadre Position

**Table 3.1 > Cadre Position as at 31.12.2015**

	<b>Position</b>	<b>Approved Cadre</b>	<b>Existing Cadre</b>
01	Director General	01	01
02	Additional Director General	01	00
03	Director	04	04
03	Deputy Director/Assistant Director	04	04
04	Deputy Director/Assistant Director - Accountant	01	01
05	Planning Assistant	01	01
06	Research Assistant	02	01
07	Information Communication & Technology Assistant	01	01
08	Management Assistant	06	06
09	Driver	06	06
10	OES	04	04
	<b>Total</b>	<b>31</b>	<b>29</b>

## Officers who are joined the Department in Year 2015

- |                             |                           |
|-----------------------------|---------------------------|
| 1. Ms. N A K Samaranayake   | - Assistant Director      |
| 2. Mrs. B A K S P Jayaweera | - Management Assistant    |
| 3. Ms. D Pavani Sandunika   | - Management Assistant    |
| 4. Mr. S A Keerthisena      | - Driver                  |
| 5. Mr. W D A Wickremasinghe | - Driver                  |
| 6. Mr. D E K Palawaththage  | - Office Employee Service |

## Officers who are left the Department in Year 2015

- |                               |                           |
|-------------------------------|---------------------------|
| 1. Mrs. P.H.S. Samarawickrama | - Management Assistant    |
| 2. Mr. K.P.I. Chaminda        | - Office Employee Service |
| 3. Mr. K.G.A. Kumarasiri      | - Driver                  |

### 3.1.2 Staff Information

Table 3.2 > Staff Information as at 31.12.2015

Name	Designation	Contact Details		
		Telephone	Fax	Email
Mr. A.M.P.M.B. Atapattu	Director General	2484542	2394908	dgdf@dfd.treasury.gov.lk atapattu@dfd.treasury.gov.lk
Mr. O.M. Jabeer	Director	2484507	2484955	mjabeer@dfd.treasury.gov.lk
Mrs. M.K.D.N. Madampe	Director	2484605	2484955	nilukad@dfd.treasury.gov.lk
Mr. P.M.K. Hettiarachchi	Director	2484572	2484955	manjulap@dfd.treasury.gov.lk
Mr. H.S.V. Kumara	Director	2484595	2484955	hemanthak@dfd.treasury.gov.lk
Mrs. W.L.M.A. Liyanage	Accountant	2484596	2484955	liyanagem@dfd.treasury.gov.lk manorigl@yahoo.com
Ms. R.A.D.R. Ranasinghe	Assistant Director	2484596	2484955	ranithad@dfd.treasury.gov.lk radranitha@gmail.com
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Mrs. T. Hewawasam	Management Assistant	2484862	2484955	-
Mrs. H.A.D.A. Nilanthi	Management Assistant	2484862	2484955	-
Mr. R.K. Lenora	Management Assistant	2484862	2484955	-
Mr. S.S.H.M.W.K. Senevirathne	Management Assistant	2484862	2484955	-
Mrs. B A K S P Jayaweera	Management Assistant	2484862	2484955	-
Ms. D Pawani Sadunika	Management Assistant	2484862	2484955	-
Mr. K.G.A. Kumarasiri	Driver	2484855	2484955	-
Mr. M.N.L. Premathilake	Driver	2484855	2484955	-
Mr. W D A Wickremasinghe	Driver	2484855	2484955	-
Mr. K.D.D. Gunasekara	Driver	2484855	2484955	-

Name	Designation	Contact Details		
		Telephone	Fax	Email
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Mr. K.D.D. Gunasekara	Driver	2484855	2484955	-
Mr. M P Gunawardhena	Driver	2484855	2484955	-
Mr. S.A. Keerthisena	Driver	2484855	2484955	-
Mr. P.H.C.S. de Silva	Driver	2484855	2484955	
Mr. R.M. Kulathunga	OES	2484855	2484955	-
Mr. K.P.I. Chaminda	OES	2484855	2484955	-
Mr. J.M.D.J.S. Hemantha	OES	2484855	2484955	-
Mr. M.R. Jayasinghe	OES	2484855	2484955	-
Mr. D E K Palawaththa	OES	2484855	2484955	-

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

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

<b>Name of the Officer</b>	<b>Name of the Course</b>	<b>Period of the Course</b>	<b>Name of the Institute</b>
Ms. M K D N Madampe - Director	Tanning Programme on E-governance	23.11.2015	Miloda
Ms. D W Kumaraguru Assistant Director	Tanning Programme on E-governance	23.11.2015	Miloda
Ms. N A K Samaranayaka Assistant Director	Tanning Programme on E-governance	23.11.2015	Miloda
Mr. H P S Shantha Planning Assistant	Tanning Programme on E-governance	23.11.2015	Miloda
Ms. T Hewawasam Management Assistant	Advance Analysis Tools in Excel	28.09.2015	SLIDA
Mr. H P S Shantha Planning Assistant	Computer Hardware	10.08.2015-11.08.2015	Miloda
Mr. R K Lenora	Computer Hardware	10.08.2015-13.08.2015	Miloda
Mr. S S H M W K Senewirathna	Computer Hardware	10.08.2015-12.08.2015	Miloda
Mr. P H C S de Silva Driver	Development of knowledge & Attitudes of Drivers	26.06.2015-27.06.2015	Nipunatha Piyasa

### 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	Third International Conference on Financing for Development - 2 <sup>nd</sup> Round	13.04.2015-17.04.2015	USA
	Third International Conference on Financing for Development	15.06.2015-19.06.2015	USA
	Third International Conference on Financing for Development	13.07.2015-16.07.2015	Ethiopia
	Driving Government Performance - Leadership Tanning	20.09.2015-25.09.2015	USA
	Study Tour in Policy and Leadership for Senior Public Sector Executive.	27.11.2015-07.12.2015	Australia
Mr. O.M. Jabeer Director	Enabling Private Sector Growth and Attracting FDIs.	10.05.2015-17.05.2015	Singapore
	Seminar on Top Level Design of OLD-Age Insurance Reform	21.08.2015-03.09.2015	China
Mr. S.H.V. Kumara Director	Economic Development Strategy	09.09.2015-24.09.2015	Korea
Ms. M K D N Madampe Director	71 <sup>st</sup> Session of the Economic and Social Commission for Asia and the Pacific	24.05.2015-30.05.2015	Thailand
	Regional Economic and Financial Monitoring Executive Programme.	04.10.2015-10.10.2015	Korea
Mr. P M K Hettiarachchi Director	SME ASEAN Conference	25.05.2015-29.05.2015	Malaysia
Ms. R.A.D.R. Ranasinghe Assistant Director	Tanning Programme on Regional Development Cooperation Policy	11.10.2015-02.11.2015	Korea
Ms. J.D. Kotinkaduwa Assistant Director	Seminar on Economic Globalization and Made-in China for Developing Countries	18.05.2015-11.06.2015	China
Ms. Dilumi W. Kumaraguru Assistant Director	Seminar on Small and Medium Enterprises Development of Inland Region for Developing Countries.	14.10.2015-05.11.2015	China

<b>Name of the Officer</b>	<b>Name of the Course</b>	<b>Time Period of the Course</b>	<b>Name of the Country</b>
Mr. H.P.S. Shantha Planning Assistant	Seminar on Export Oriented Economy for Developing Countries	15.10.2015-07.11.2015	China
Ms. A M Wickremasinghe Research Assistant	Seminar on Strategy of Free Trade Zone for Developing Countries	29.06.2015-23.07.2015	China
Ms. J.M.I.A. Geeshani ICT Assistant	Master's Degree Programme in ICT Convergence	10.08.2015-23.12.2016	Korea

### 3.2 Financial Information

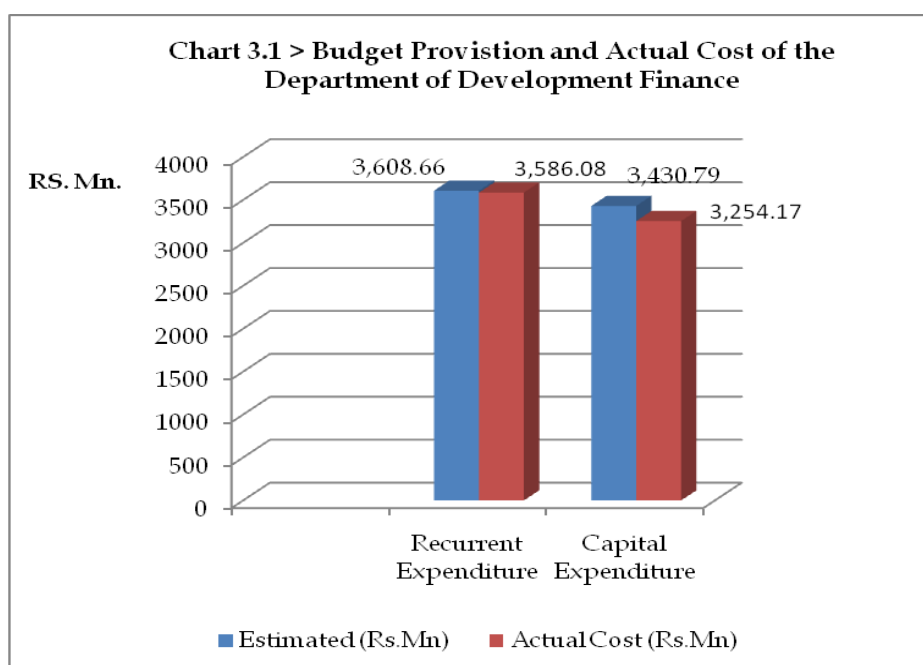
With the view to achieving the objectives of the Department, a sum of Rs. 7,039,446,160 from which Rs. 3,608,656,160 for recurrent expenditure and Rs. 3,430,790,000 for capital expenditure were provided in the estimates for the year 2015 under Head 243. The actual expenditure incurred during the year under review against this provision was Rs. 6,840,253,313 consisting of Rs. 3,586,083,725 and Rs. 3,254,169,587 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 – 2015**

Item	Estimated (Rs.)	Actual Cost (Rs.)
<b><u>Recurrent Expenditure</u></b>	<b>3,608,656,160</b>	<b>3,586,083,725</b>
Personal Emoluments	17,985,000	17,694,995
Traveling Expenses	1,578,000	1,514,383
Supplies	1,726,040	1,655,140
Maintenance Expenditure	1,405,000	1,365,462
Services	2,201,500	2,124,127
Development Subsidies (Interest Subsidies)	3,577,410,160	3,555,392,605
Other Transfers	6,350,460	6,337,013
<b><u>Capital Expenditure</u></b>	<b>3,430,790,000</b>	<b>3,254,169,587</b>
Acquisition of Capital Assets	415,000	406,888
Capacity Building	1,450,000	1,449,075
Other Capital Expenditure	267,000,000	241,299,529
Small and Medium Enterprise Development Facility Project (WB)	2,410,000,000	2,341,356,882
Promotion of SME Sector (GTZ)	274,925,000	248,037,401
Global Food Crisis Response Programme (GOSL/WB)	477,000,000	421,619,811
<b>Grand Total</b>	<b>7,039,446,160</b>	<b>6,840,253,313</b>

Sources : Department of Development Finance





**Table 3.6 > Public Officers' Advance 'B' Account - 2015**

#	Description	Approved Limit	Actual Amount (Rs.)
1	Maximum Limit of Expenditure	9,000,000	4,313,184
2	Maximum Limit of Receipts	655,000	1,150,948
3	Maximum Limit of Debit balance	2,655,000	1,779,338

*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 under review were responded and remedial measures were taken to rectify the weakness where necessary.

**Table 3.7 > Audit Queries - Department of Management Audit - 2015**

Order	Received Date	Subject	Replied date to Department of Management Audit
01.	07.05.20015	Management Audit Report - 1 <sup>st</sup> Quarter	12.05.2015
02.	04.08.2015	Management Audit Report - 2 <sup>nd</sup> Quarter	23.08.2015
03.	07.10.2015	Management Audit Report - 3 <sup>rd</sup> Quarter	13.10.2015
04.	30.10.2015	Management Audit Report - 3 <sup>rd</sup> Quarter	13.11.2015
05.	14.03.2016	Management Audit Report - 4 <sup>th</sup> Quarter	28.03.2016

*Sources : Department of Development Finance*

**Table 3.8 > Audit Queries - Auditor General's Department - 2015**

Order	Received Date	Subject	Replied date to Department of Management Audit
01.	28.04.2015	Appropriation Account - 2014	05.05.2015
02.	20.07.2015	Vehicle Management - 2014	09.08.2015
03.	29.07.2015	Performance Appraisal - 2014	11.08.2015
04.	01.09.2015	Management Audit Report of the Auditor General - 2014	09.09.2015
05.	01.09.2015	Auditor General's Report - 2014	04.09.2015
06.	17.02.2016	Warehouse Receipts Financing Project	01.03.2016

*Sources : Department of Development Finance*