

# Rubber Development Department

## Director General's Performance Report 2013



# ***Vision***

*Management of the Rubber Plantation Industry for the Socio-Economic  
Development in Sri Lanka*

## ***Mission***

*Implementation of the legal provisions for the qualitative and quantitative development of the rubber plantation industry, supply of financial subsidies, agricultural inputs and extension services for the cultivation of rubber and the development of the rubber industry.*

## ***Objectives***

- ❖ *Enhance the productivity of existing rubber lands*
- ❖ *Increase the extent of rubber land area*
- ❖ *Reduce the rural poverty through expansion of rubber cultivation to non-traditional areas*
- ❖ *Increase employment opportunities and foreign exchange earnings through encouraging the production of finished products*

## Preface

As per the information of the census on rubber lands conducted by the Rubber Development Department in year 2010, the total estimated extent of rubber land area in year 2013 was 133,668 hectares of which 85,083 hectares were owned by the rubber small holders and 48,585 hectares were owned by the Plantation Companies. The total rubber production in the year amounted to 130,421 MT and it shows a decline of 14.2% when compared to the previous year. 48% of the total rubber production is Sheet rubber and the percentages of the Latex production, Crepe rubber production and Block rubber production are 29%, 16% and 7% respectively. 18% of the total rubber production had been exported and the balance 82% had been used for the local consumption. The total value of the raw rubber exports amounted to Rs.9,194.00 million. Malaysia, European Union, Pakistan and India, Japan, United States of America are main destinations of Sri Lankan raw rubber and the quantity of rubber purchased by these countries is 80% of the total exports. The average price of 01 kg of Sheet rubber in the year 2013 was Rs.376.78 and it was 9% decrease in the price when compared to the previous year.

The measures taken by the Rubber Development Department on the intervention of the Government for enhancement of the rubber industry has caused for the improvement of the rubber production to some extent. Provisions of Rs.849.85 million were allocated to the Rubber Development Department for the year 2013 and, the expenditure incurred was Rs.801.10 million and the progress achieved was 94%. The total plant production in the Government rubber plant nurseries was 2.23 million in the year and the number of plants distributed was 1.76 million.

Accordingly, the year 2013 was a year in which a significant progress gained and the annual targets achieved in the rubber sector through enhancement of the performance of the Rubber Development Department. A rapid development has also been achieved in this year through optimizing the investment of the allocations to increase the rubber production, human and physical resources development, large contribution and commitment and satisfaction of the employees.

Under the programme for expansion of rubber cultivation to non-traditional areas, while contributing to the programme for development of the districts of Monaragala, Hambantota as well as Ampara, Anuradhapura, Polonnaruwa and also the Northern Province under a peaceful environment, initiatives which were taken in the year 2011 had been continued in the year 2013 as well to undertake rubber new planting in the areas of Vavuniya and Nedunkerny in Vavuniya District and the area of Oddusuddan in Mullativu district.

With the purpose of developing the rubber cultivation, under the Divi Neguma National Development Programme, 80,713 rubber plants were supplied for infilling and 21,512 banana plants, 65,887 pineapple plants and 1,272 passion fruit plants were supplied for intercropping in traditional rubber growing areas including the non-traditional areas such as Ampara, Monaragala, Badulla, Hambantota and Vavuniya Districts.

I extend my heartfelt thanks to all, those who assisted me in many ways in the aforesaid exercise.

**R.B. Premadasa**  
**Director General**  
**Rubber Development Department**

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# 1 Introduction

The rubber plantation has made a vigorous contribution to the economy of the country as a major economic plantation crop which contributes to the foreign exchange earnings of Sri Lanka for a several decades. Mainly, the rubber plantation has scattered in fourteen Administrative Districts of Sri Lanka and at present, the rubber plantation has been introduced to the Districts such as Mullaitivu, Vavuniya, Polonnaruwa and Anuradhapura.

## 1.1. Historical Background

The rubber plant is botanically known as “*Havea brasiliensis*”. Natural rubber latex, harvested from this plant which was grown in the rainy forests in Brazil has become a natural raw material, utilized for a large number of products in all over the world at present.

During the British Colonial regime, that is, in 1876, the Englishman called “Henry Wickham” introduced the rubber tree to Sri Lanka by planting the first rubber plant at the Henarathgoda Botanical Garden, Gampaha. The cultivation of rubber which commenced 07 years thereafter, spread throughout the Southern Asia and its production very soon reached greater heights. However, on the contrary, the price of rubber declined, and with a view to stabilize the price level, the British, in 1922 introduced the “Stevenson” procedure. Since this procedure fixed a production quota system and restrictions on rubber new planting, the rubber growers themselves raised their objections and it was suspended in 1928. The immediate increase in supply resulted in decreasing prices and as a result, an agreement titled “International Rubber Regulation Agreement” was signed in 1934 with the concurrence of all countries involved in the rubber industry. For the purpose of implementing the various Sections in that agreement which consisted of conditions similar to the Stevenson Procedure, government institutions were established for controlling of rubber in rubber growing countries. Accordingly, the Rubber Control Department was established in this country by the Ordinance No.06 of 1934. Mr. P. Saravanamuthu was the first Rubber Controller of that Department.

“The Rubber Replanting Subsidy Act No.36 of 1953” was passed for development of the rubber industry. The Rubber Control Act No.11 of 1956 was passed by way of revising the Rubber Control Ordinance No.06 of 1934, making provision for replanting of rubber and

functions of the Rubber Development Department were performed in terms of the said Act and the Rubber Replanting Subsidy Act No.36 of 1953.

The Rubber Control Department was abolished in the year 1994 further expanding the functions of the Rubber Control Department and the Rubber Development Department was established in terms of a Cabinet Decision. Accordingly, except for the duties assigned then, the Rubber Development Department is able to provide a service at a wider range such as extension services, production of plants and distribution of fertilizer which are useful for development of the rubber planting sector.

Further, the Rubber Research Institute providing scientific and technical advices and the Thurusaviya Fund providing marketing and extension services for small holders make the contribution to the Rubber Development Department for development of the rubber industry.

## **1.2. Principal and important legal sources related to the Rubber Development Department**

### **1.2.1. Rubber Replanting Subsidy Act No.36 of 1953**

The activities such as rubber replanting, rubber new planting, intercropping, modernization of rubber factories and system control are carried out under this Act. Further, the Cess has been imposed under Section 7 of this Act.

Legal provisions had been made to charge the export duty in terms of Section 7 of the Rubber Replanting Subsidy Act No.36 of 1953. Accordingly, a sum of 10 cents per each pound of rubber exported had been charged as the export duty.

### **1.2.2. Rubber Control Act No.11 of 1956**

The maintenance of a register indicating the extent cultivated, the owners and the total extent of all rubber small holdings and estates under the provisions of the Rubber Control Act is a statutory duty of the Rubber Development Department. Under the Rubber Control Act, an extent of more than 10 acres (more than 4.04 hectares) cultivated with rubber is

defined as an estate and while an extent of less than 10 acres (less than 4.04 hectares) is defined as a “small holding”.

### **1.2.3. Rubber Replanting Subsidy (Amendment) Act No.20 of 2006**

In terms of the Rubber Replanting Subsidy (Amendment) Act No.20 of 2006, provisions have been made to charge the Cess on raw natural rubber and synthetic rubber consumed locally.

Before the Cess Regulations No.01 of 2007 came into operation, the Cess was charged on the imported and exported natural raw rubber and rubber based products.

As per the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No.1518/18 dated 30<sup>th</sup> August 2008 containing the Cess Regulations on Natural Rubber No.01 of 2007, provisions have been made to charge a Cess of Rs.4/- per 01kg of raw rubber required for natural rubber based products manufactured for the purpose of export or local consumption.

The Director General of this Department has been vested with powers to charge the above Cess directly.

### **1.3. Rubber Development Department**

The Head Office of this Department which comes under the purview of the Ministry of Plantation Industries is situated at No.55/75, Vauxhall Lane, Colombo 2. Administrative and operational activities, collection of Cess and coordination with other institutions are carried out by the Head office. The functions of this Department have been decentralized with a view to provide the people more efficient services such as payment of subsidies, production and distribution of plants, distribution of fertilizer and advisory services which are rendered for development of the rubber cultivation and five Regional Offices have been established accordingly.

1. Office of the Regional Deputy Director, Kegalle  
(For the Districts of Kegalle, Kurunegala, Kandy, Matale and Gampaha)
2. Office of the Regional Deputy Director, Kalutara  
(For the Kalutara District)
3. Office of the Regional Deputy Director, Ratnapura  
(For the Districts of Ratnapura and Colombo)
4. Office of the Regional Deputy Director, Galle  
(For the Districts of Galle, Matara and Hambantota)
5. Office of the Regional Assistant Director, Monaragala  
(For the Districts of Monaragala, Badulla and Ampara)

Further, seven (07) Government plant nurseries have been established to produce high quality budded rubber plants for the cultivation of rubber.

1. Mirigama (Gampaha District)
2. Welikadamulla (Gampaha District)
3. Egal Oya (Kalutara District)
4. Gurugoda (Kalutara District)
5. Karapincha (Ratnapura District)
6. Kumbukkana (Monaragala District)
7. Middeniya (Hambantota District)



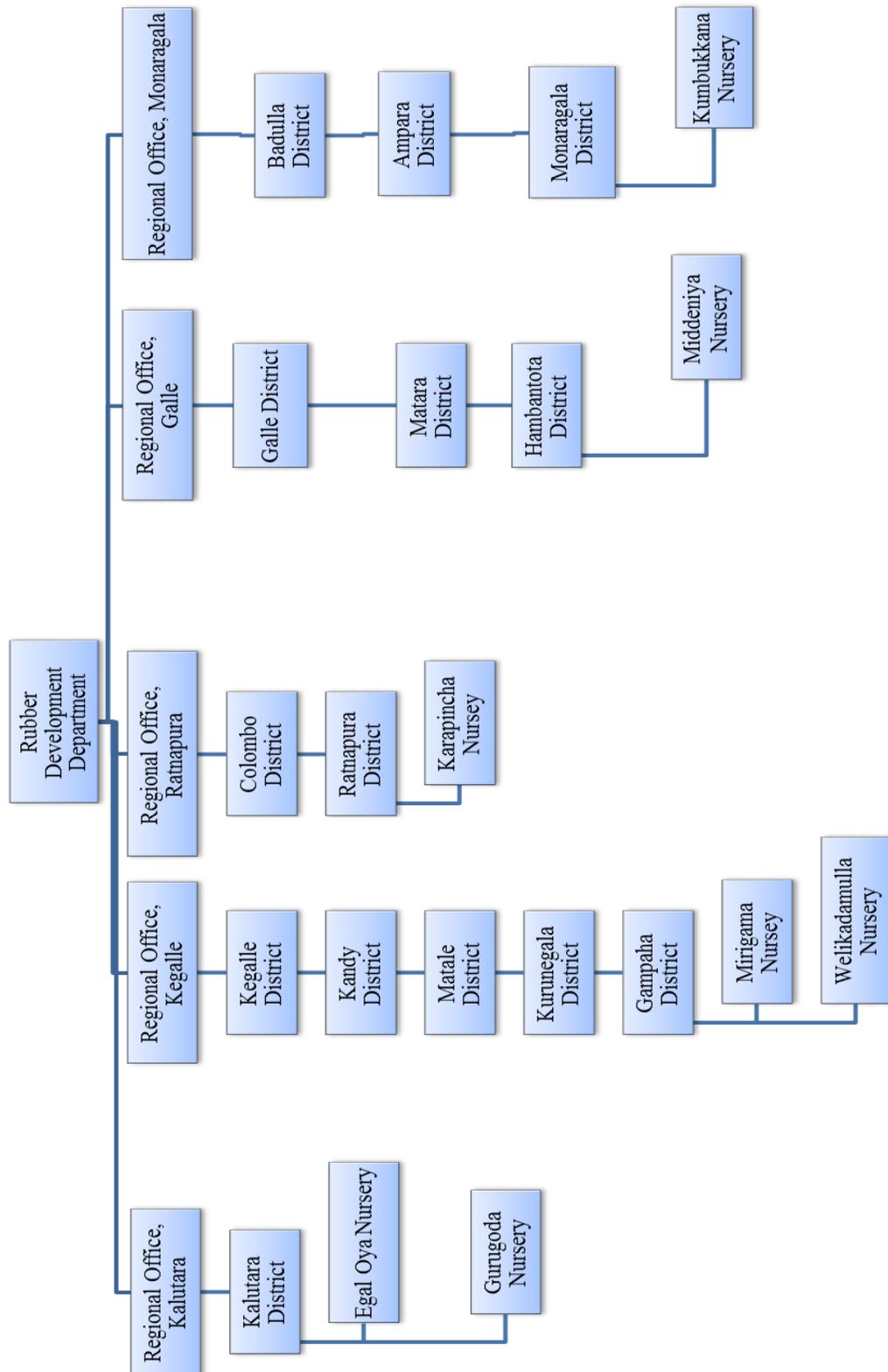
Rubber Plant  
Nursery

Rubber Plant Nursery  
with Sprinkler Irrigation  
System



Rubber Plant  
Nursery

## 1.4. Institutional Structure of the Department



## 1.5. Cadre Information of the Department

Serial No.	Designation	Approved Cadre	Present Cadre
01	Director General - S.L.A.S.	1	1
02	Director - S.L.A.S.	2	2
03	Chief Accountant - S.L.Ac.S.	1	1
04	Deputy Director - S.L.A.S. Assistant Director - S.L.A.S.	16	10
05	Assistant Director - S.L.P.S.	1	1
06	Accountant- S.L.Ac.S.	6	2
07	Asst. Director – Information Technology	2	1
08	Internal Auditor	1	1
09	Administrative Officer	4	3
10	Publicity Officer	1	1
11	Budget Assistant	1	1
12	Development Officer / Graduate Assistant	27	26
13	Nursery Manager	7	7
14	Rubber Development Officer : Special (Supra)	12	-
15	Buildings Maintenance Officer	1	-
16	Public Management Assistant	139	110
17	Information and Communication Technology Assistant	5	2
18	Clerk	17	15
19	Audit Assistant	2	1
20	Rubber Development Officer	182	107
21	Office Employees' Service	28	23
22	Driver	36	31
23	Lorry Cleaner	8	8
24	Watcher	3	1

**Table i**

## 2 Performance – Year 2013

Taking into account of the performance of the Rubber Development Department for the year 2013, it can be considered as a significant year in which annual targets of the rubber sector were achieved through high performance. The following programmes were implemented as special substantial programmes contributed to increase the performance.

- Rubber Planting Subsidy Programme
- Programme for Fixing of Rain Guards
- Intercropping Programme
- Training Programmes
- Divi Neguma National Development Programme

### 2.1. Rubber Planting Subsidy Programme

2717.87 hectares out of the target for 6615 hectares under the Rubber New Planting Programme, 262 hectares through the Special Programme for cultivation of rubber in 5000 hectares in Moneragala District under the foreign funded (IFAD) Project which was implemented in this year as well, were cultivated with rubber. The subsidy payments for new planting of rubber amounted to Rs.167.73 million.

The target for small holdings under the Rubber Replanting Programme was 1961 hectares of which 1710.52 hectares were cultivated. An extent of 1587 hectares was targeted under the Plantation Companies and 1007 hectares were cultivated. Accordingly, the total land extent under rubber replanting was 2717.52 hectares. The subsidy payments under Rubber Replanting Programme amounted to Rs.268.76 million.



**Successful rubber plantation provided with planting subsidies**

## **2.2. Programme for Fixing of Rain Guards**

The target for small holdings under the Programme for Fixing of Rain Guards was 1000 hectares of which 517.01 hectares were fixed with rain guards. The subsidy payment for small holdings amounted to Rs.7.73 million and the Plantation Companies targeted 3000 hectares and an amount of Rs.47.95 million was spent as subsidies for fixing of rain guards in 2708.21 hectares on more interest in the purpose.



**A rubber land with rain guards**

## **2.3. Intercropping Programme**

517 hectares were targeted under the Intercropping Programme to fetch an additional income to the rubber growers with immature rubber cultivation and out of the said extent, 372.89 hectares were cultivated. An amount of Rs.1.08 million was spent as subsidies for the Intercropping Programme.



**Intercropping with rubber**

## **2.4. Training Programmes**

As training programmes, training programme for ordinary rubber tappers, training programme for professional rubber tappers and training programme for bud grafters were conducted. The number of persons targeted for ordinary rubber tappers under the tapper training programme was 2460 of which 2589 persons had completed the training. A progress over the targets was reported due to the reasons such as participation of volunteers at the tapper training programmes and it is a significant event in this year. The expenditure incurred for the training programme for ordinary rubber tappers amounted to Rs.2.00 million. The number of persons targeted for professional rubber tappers was 300 and 303 persons were trained for the purpose in this year. The expenditure incurred for the training programme for professional rubber tappers amounted to Rs.3.02 million. A progress over the target was reported thereat and it is also a significant event in this year. The number of persons targeted for training of bud grafters was 240 of which 230 persons were trained. The expenditure incurred for the training programme for bud grafters amounted to Rs.0.23 million.



**Tapper Training programme**

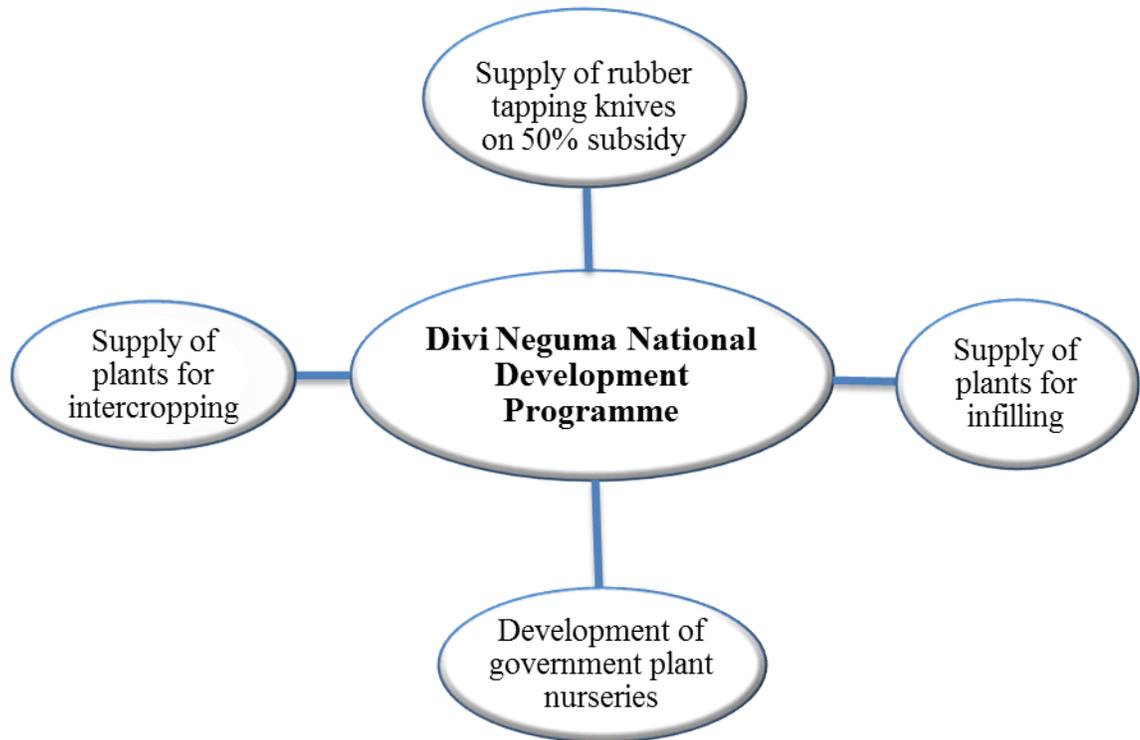
## **2.5. Rubber Planting Programme in non-traditional areas**

Under the programme for expansion of rubber cultivation to non-traditional areas, the total land extent cultivated with rubber in non-traditional areas in the year 2013 is 1172.64 hectares as 558 hectares in Monaragala, 402.93 hectares in Ampara, 129.63 hectares in Badulla, 36.8 hectares in Vavuniya, 3.6 hectares in Anuradhapura, 3.03 hectares in Polonnaruwa and 38.65 hectares in Hambantota.



**A rubber land in a non-traditional area**

## **2.6. Divi Neguma National Development Programme**



2.6.1. A number of 100,000 rubber plants was targeted at infilling under this programme and 80,713 plants were distributed to the rubber planting traditional areas and non-traditional areas such as Vavuniya, Ampara, Badulla, Monaragala and Hambantota districts. An amount of Rs.5.61 million was spent for this purpose in this year.



**Distribution of rubber plants**

2.6.2. Banana plants, pineapple plants and passion fruit plants were provided free of charge to cultivate as intercropping in immature rubber lands. 21,512 banana plants, 65,887 pineapple plants and 1271 passion fruit plants totaling to 88,670 plants were distributed. The expenditure incurred for the purpose was Rs.1.75 million.

2.6.3. In this year, a number of 3020 persons were targeted at the training under the programme for distribution of tapping knives on 50% subsidies to those who attended the tapper training programmes and tapping knives were distributed among 2,799 persons who completed the training. An amount of Rs.0.81 million was incurred for the purpose.



**Distribution of tapping knives under Divi Neguma Programme**

2.6.4. Under Divi Neguma Programme, the programme for development of government rubber plant nurseries was implemented at first time in the year 2013. In this context, identified development activities of 07 nurseries in five districts were completed successfully. An amount of Rs.2.82 million was spent for the purpose.

### 3 Information related to the natural rubber industry -2013

#### 3.1. Extent of land under rubber

A gradual increase in the extent of land under rubber shows in last few years. The estimated total extent of land under rubber in the country in year 2013 has been calculated on the basis of the results of the rubber land Census conducted in year 2010.

**Extent of land under rubber – Year 2013**

	<b>Private Sector (Lands less than 20 hectares) Ha.</b>	<b>Regional Plantation Companies (Lands more than 20 hectares) Ha.</b>	<b>Total (Hectares)</b>
Extent of land reported from the rubber land census conducted in year 2010	79395	46250	125645
Extent of land estimated in year 2011	80018	48516	128534
Extent of land estimated in year 2012	82170	48610	130780
Extent of land estimated in year 2013	85083	48585	133668

**Table ii**

63.65% of the total extent of land under rubber is prevailing as small and medium scale holdings and the remaining extent of land is available as the estates owned by the Plantation Companies. It has been estimated that out of this extent of land, the immature extent of land is 29098 hectares and the mature extent of land under tapping is 104570 hectares and the total production from such cultivations is 130421 metric tones. It has also been estimated that the average annual yield per hectare under rubber in year 2013 is 1247 kg of dried rubber.

## 3.2. Production and Cost of Production

### 3.2.1. Production

The total production of rubber in year 2013 was 130421 metric tons. It shows a decrease of 14.2% when compared to the total production of 152049 metric tons in the previous year. One of the main reasons for the decrease in the production was the decline in the rubber prices as against the year 2012.

**Total Rubber Production in the year 2013 (Metric Tons)**

Year	Sheet Rubber	Scrap Crepe	Sole Crepe	Latex Crepe	Block Rubber T.S.R.	Latex and Other	Total
2012	59242	1280	1902	36550	8672	44403	152049
2013	62800	2379	2440	15373	9566	37863	130421

**Table iii**



**Production of Crepe rubber**

### 3.2.2. Cost of Production

The average cost of production in the private sector for production of 01kg of dried rubber in the year 2013 was Rs.150.00. It shows an increase of Rs.14.00 when compared to Rs.136.00 which was the cost of production in the previous year. The increase in the cost of production from year 2002 is given in Table iv.

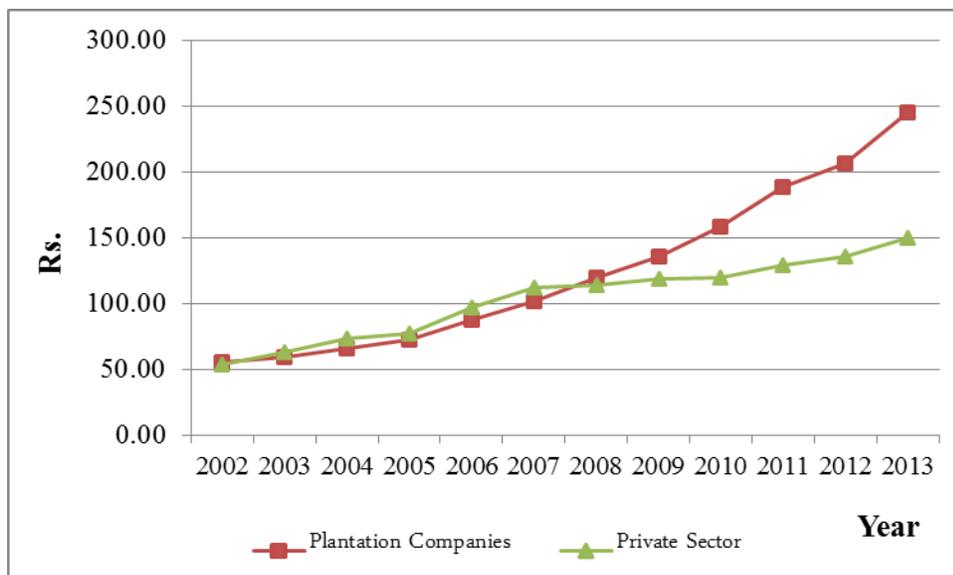
### Cost of Production of Rubber

(Rs. /1kg.)

Year	Plantation Companies	Private Sector
2002	55.74	54.00
2003	59.76	63.30
2004	65.98	73.37
2005	72.56	77.37
2006	87.65	97.20
2007	102.31	112.69
2008	119.89	114.00
2009	135.83	118.56
2010	158.94	119.83
2011	188.23	129.56
2012	207.00	136.00
2013	245.00	150.00

Table iv

### Cost of Production of Rubber 2002 – 2013



### 3.3. Local Consumption of Rubber

In the past natural rubber produced in the country was as an important industrial raw material, mainly based on the export and at present, the situation has been changing gradually and a trend towards more utilization of natural rubber for production of local finished products can be seen today. Accordingly, the local consumption of natural rubber was 107,259 metric tons in the year 2013. This quantity is 82% of the total rubber production which was 130,421 metric tons in year 2013.

### 3.4. Export of natural rubber as a raw material

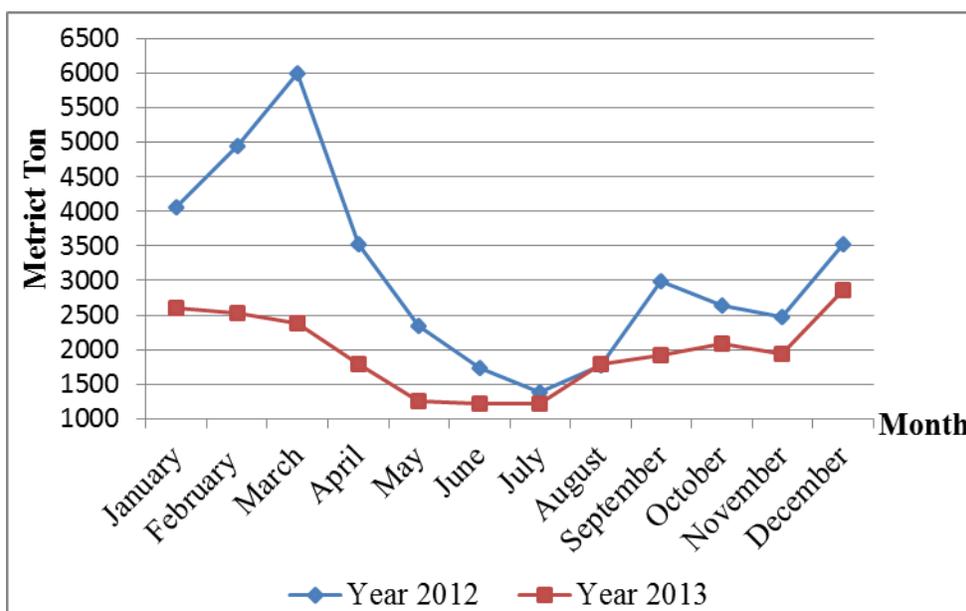
The export of rubber from Sri Lanka has significantly declined in year 2013 as against the year 2012.

**Quantities of Rubber Exports from Sri Lanka in 2012 and 2013**

Month	Shipment (Metric Tons)	
	Year 2012	Year 2013
January	4053	2606
February	4940	2535
March	5994	2373
April	3524	1793
May	2342	1247
June	1731	1225
July	1391	1213
August	1778	1799
September	2988	1912
October	2637	2082
November	2470	1937
December	3529	2864
<b>Total</b>	<b>37377</b>	<b>23586</b>

**Table v**

**Rubber Exports 2012 – 2013**



Quantities of category wise rubber exports from Sri Lanka in 2012 & 2013 are given in the Table below.

### Quantities of category wise rubber exports in 2012 & 2013

(Metric Tons)

Year	Sheet Rubber	Sole Crepe	Scrap Crepe	Latex Crepe	Block Rubber (T.S.R.)	Latex and Other	Total
2012	11235	1401	-	17431	4669	2641	<b>37377</b>
2013	4574	2022	17	13171	2397	1405	<b>23586</b>

**Table vi**

The F.O.B. value of total rubber exports is given in the Table vii.

### F.O.B. Value of Total Rubber Exports

(Rs.million)

Year	Exports (Metric Tons)	Total Value (Rs.million)	Value Per Kg. (Rs.Cts.)
2012	37377	15726'00	421'00
2013	23586	9194'00	390'00

**Table vii**

Rubber is exported mainly by the private sector. A number of 135 registered exporters are in the private sector and all 135 exporters have been registered with this Department for the year 2013 as well.

### Major Rubber purchasing countries – 2013

(Metric Tons)

Country	Quantity purchased	%
Malaysia	4976	21
European Union	4094	17
Pakistan	4652	20
India	2600	11
United States of America	1008	4
Hong Kong	182	1
Japan	1679	7
Other	4395	19
<b>Total</b>	<b>23586</b>	<b>100.0</b>

**Table viii**

### 3.5. Price of Rubber

The price of rubber has been declining since year 2011 due to the slow growth in the global Gross National Product (GNP) and the prices of rubber in 2012 and 2013 are given below.

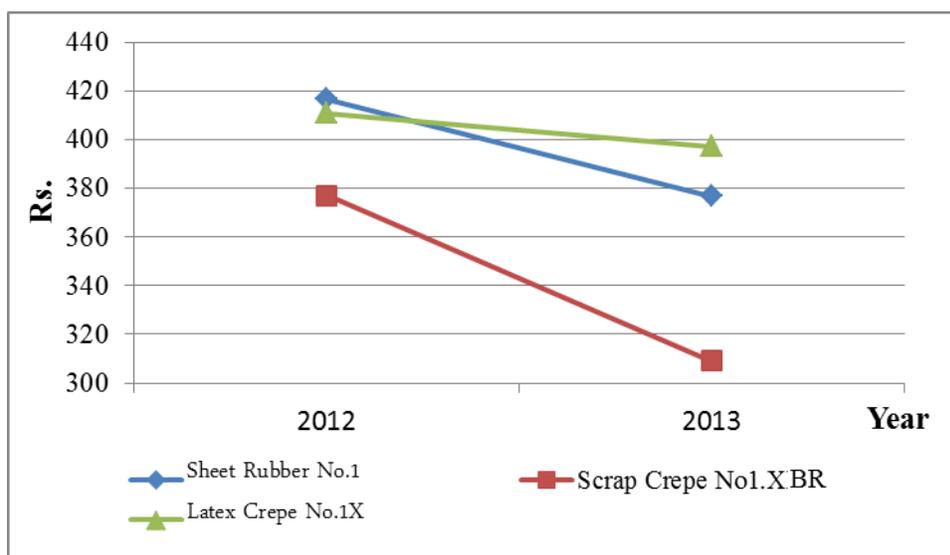
#### Average price of category wise rubber products

(Rs. per Kg.)

Year	Annual average price		
	Sheet Rubber No.1	Scrap Crepe No.1.XBR	Latex Crepe No.1X
2012	416.61	377.09	410.84
2013	376.78	309.04	397.33

Table ix

#### Annual Average Price



### 3.6. Rubber Traders

Holding a permit for rubber trade is a legal requirement and permits were issued to 1189 rubber traders in year 2013. The district wise issuance of permits is given below.

<b>District</b>	<b>No.of permits renewed</b>	<b>No. of permits newly issued</b>
Colombo	54	04
Gampaha	35	02
Kalutara	331	45
Ratnapura	241	16
Kegalle	400	23
Kurunegala	08	-
Kandy	08	01
Matale	03	-
Galle	65	05
Matara	25	-
Monaragala	19	10
<b>Total</b>	<b>1189</b>	<b>106</b>

**Table x**

### 3.7. Rubber Replanting/ New planting Subsidy Scheme

For the purpose of replanting or new planting of rubber under the aforesaid subsidy scheme, a permit should be obtained in terms of Section 07 of the Rubber Replanting Act No.36 of 1953. In terms of this Act, all rubber lands should be registered with the Department. When a rubber plantation in a registered rubber land exceeded 20 years, such land is qualified to receive a permit for replanting under the subsidy scheme.

The amount of subsidy for replanting / new planting which was Rs.125,000 per hectare was increased as follows in the year 2011 in order to further encourage those who engage in the rubber cultivation.

For new planting – Rs.150,000 per hectare

For replanting – Rs.175,000 per hectare

The amount of subsidy will be paid in 08 instalments. The manner, in which the instalments are paid, is given in the Table below.

<b>Instalment</b>	<b>For new planting per hectare (Rupees)</b>	<b>For replanting per hectare (Rupees)</b>
First instalment (1)	6,000.00	8,000.00
Second instalment (2)	36,000.00	43,000.00
Third instalment (3)	12,000.00	15,000.00
Fourth instalment (4)	18,000.00	21,000.00
Fifth instalment (5)	18,000.00	21,000.00
Sixth instalment (6)	18,000.00	21,000.00
Seventh instalment (7)	19,000.00	22,000.00
Eighth instalment (8)	23,000.00	24,000.00
<b>Total</b>	<b>150,000.00</b>	<b>175,000.00</b>

**Table xi**

### **3.8. Implementation of “Mahinda Chintana” Vision for the Future & Medium Term Economic Plan of the government and progress of rubber planting including new planting**

The functions, performed by the Rubber Development Department for the development of rubber under the “Mahinda Chintana” New Awakening in the Plantation Sector Programme, are given below. Accordingly, For the purpose of maintaining the rubber industry in Sri Lanka as a strong economic project, economically unproductive rubber plantations have to be removed and re-planted. In order to maintain productive rubber cultivation, at least 3% of the total extent of rubber lands should be replanted annually and the said extent is approximately 4000 hectares. The estimated extent under rubber replanting / new planting in year 2013 was 10,163 hectares. The extent of lands targeted for replanting in year 2013 was 3,548 hectares of which 1,961 hectares under the Small Holding Sector and 1,587 hectares under the Plantation Companies. The target for new planting under the Small Holding Sector during the year was 6,615 hectares of which 2,320 hectares in traditional areas and 4295 hectares in non-traditional areas.

The number of applications received for cultivation of rubber under replanting and new planting subsidy schemes, the number of permits issued and the actual extent of lands cultivated are given in Table xii and xiii.

**Extent of lands replanted (Smallholders) under the Rubber Replanting Subsidy Scheme – Year 2013**

*(Hectares)*

District	Applications received		Permits issued		Extent under replanting	
	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)
Kalutara	1361	908.34	1282	769.78	862	516.29
Kegalle	1280	780.04	1197	697.95	893	531.10
Gampaha	176	105.83	142	100.73	128	93.74
Kurunegala	52	55.06	33	45.06	25	35.32
Kandy	61	42.93	59	35.69	54	32.19
Matale	11	35.76	06	22.66	-	-
Ratnapura	560	404.91	504	369.83	380	265.73
Galle	103	72.83	92	65.59	66	62.69
Matara	90	77.46	64	66.78	40	38.37
Monaragala	07	12.88	07	12.88	-	10.00
Badulla	01	7.89	1	7.89		
Colombo	229	164.60	220	147.82	174	125.09
<b>Total</b>	<b>3931</b>	<b>2668.53</b>	<b>3607</b>	<b>2342.66</b>	<b>2622</b>	<b>1710.52</b>

**Table xii**

**Extent of lands new planted (Smallholders) under the Rubber New Planting  
Subsidy Scheme – Year 2013**

*(Hectares)*

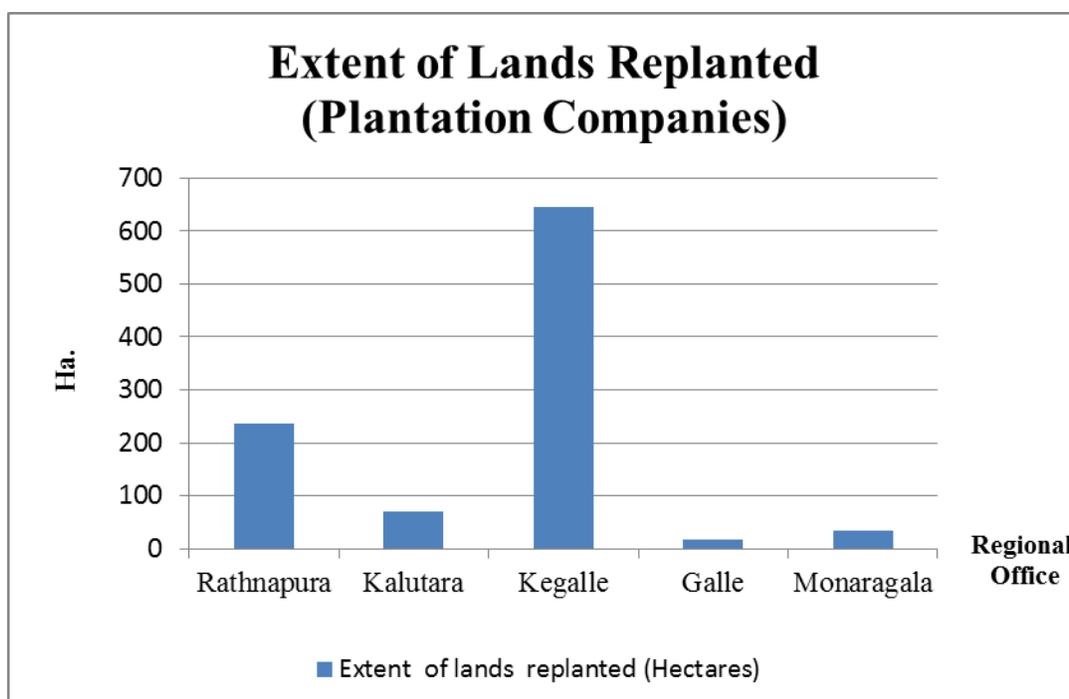
District	Applications received		Permits issued		Extent under new planting	
	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)
Kalutara	881	419.05	854	385.89	585	269.09
Kegalle	1195	632.40	1176	551.56	889	439.30
Gampaha	230	124.19	185	100.03	145	86.11
Kurunegala	205	132.60	200	119.58	120	79.98
Kandy	104	58.08	72	32.90	63	26.57
Matale	36	38.00	26	30.48	17	14.73
Ratnapura	635	438.75	803	525.74	503	339.88
Galle	326	199.37	295	178.95	157	89.48
Matara	348	212.43	295	188.17	188	127.59
Hambantota	149	92.16	139	84.17	72	38.65
Colombo	143	87.21	160	87.32	131	72.50
Monaragala	1426	876.50	1237	766.80	-	558.00
Badulla	287	362.42	232	146.39	-	129.63
Ampara	487	396.12	487	402.93	-	402.93
Vavuniya	149	116.21	142	103.25	63	36.80
Mullaitivu	9	2.83	9	2.83	-	-
Anuradhapura	5	5.26	5	5.26	3	3.60
Polonnaruwa	3	3.47	3	3.47	2	3.03
<b>Total</b>	<b>6618</b>	<b>4197.05</b>	<b>6320</b>	<b>3715.72</b>	<b>2938</b>	<b>2717.87</b>

**Table xiii**

**Extent of Rubber lands replanted (Plantation Companies) under the Rubber Replanting Subsidy Scheme – Year 2013**

<b>Regional Office</b>	<b>Extent of lands replanted (Hectares)</b>
Rathnapura	236.4
Kalutara	71.5
Kegalle	645.6
Galle	18.3
Monaragala	35.2
<b>Total</b>	<b>1007</b>

**Table xiv**



## Extent of lands under Rubber Replanting 1990-2013

(Hectares)

Year	Smallholding Sector	Plantation Companies	Total
1990	3584	1617	5201
1991	3507	1794	5301
1992	2028	1889	3917
1993	2419	2817	5236
1994	1623	2138	3761
1995	1778	1461	3239
1996	1983	1217	3200
1997	1172	2045	3217
1998	1173	2542	3715
1999	665	3866	4531
2000	770	1853	2623
2001	558	4584	5142
2002	712	2066	2778
2003	565	494	1059
2004	819	1264	2083
2005	1257	2329	3586
2006	1122	2331	3453
2007	993	4199	5192
2008	812	5293	6105
2009	1002	5360	6362
2010	1186	4755	5941
2011	1123	1927	3050
2012	1117	1044	2161
2013	1710	1007	2717

Table xv

## Extent of lands under Rubber New planting 1990-2013

(Hectares)

Year	Smallholding Sector	Plantation Companies	Total
1990	1039	258	1297
1991	1602	202	1804
1992	612	302	914
1993	907	135	1042
1994	670	37	707
1995	651	45	696
1996	1208	35	1243
1997	793	21	814
1998	516	17	533
1999	223	48	271
2000	243	34	277
2001	150	14	164
2002	227	7	234
2003	451	7	458
2004	518	5	523
2005	1032	11	1043
2006	1603	297	1900
2007	1701	333	2034
2008	2130	414	2544
2009	1156	275	1431
2010	1317	96	1413
2011	2166	838	3004
2012	2297	179	2476
2013	2979	-	2979

**Table xvi**

### **3.9. Smallholder Plantations Entrepreneurship Development Programme (SPEnDP)**

Planting activities of the special programme for cultivation of rubber in 5000 hectares in Monaragala District were carried out during this year as well. Accordingly, this programme is now in operation in the Divisional Secretaries' Divisions of Bibile, Badalkumbura, Monaragala, Madulla and Medagama. Accordingly, an extent of 262 hectares was cultivated in the year 2013.

The manner in which the said extent of 5000 hectares was cultivated is given in the Table below.

<b>Year</b>	<b>Extent of lands cultivated (Hectares)</b>
2008	625
2009	838
2010	1540
2011	709
2012	1113
2013	262
<b>Total</b>	<b>5087</b>

**Table xvii**

### **3.10. Rubber Plant Nurseries and Supply of Plants**

During past period, the planters had drawn a greater interest for cultivation of rubber. As a result, the demand for rubber plants also continued to increase. Therefore, the Department took a special interest in the production of rubber plants. Rubber plant nurseries of the Department as well as private rubber plant nurseries were established for the purpose.

A permit should be obtained from the Department for the establishment of private rubber plant nurseries and commercial rubber plant nurseries. At the preliminary stage, the planting material required for the establishment of high quality budwood nurserie in the said nurseries is provided from the nurseries of the Department.

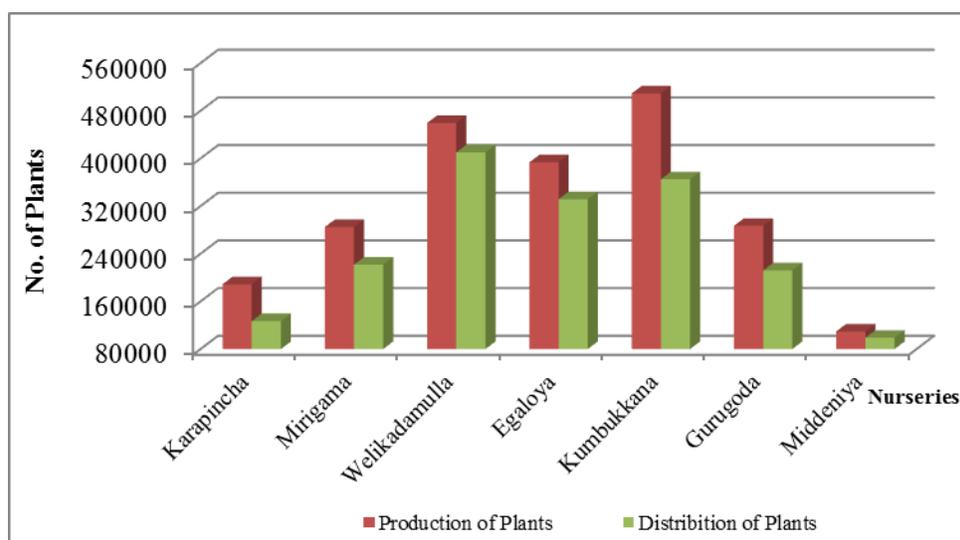
### 3.10.1. Private and Commercial Nursery Permits 2013

One of the main objectives of the Department is to provide high quality budded plants to the planters. The Department carried out several No. of nursery development activities with the purpose of expanding the capacity for production of plants in the nurseries of the Department, improvement of the quality of plants and infrastructure development of the nurseries. The motivation of the private sector nurseries to the production of high quality plants is also a role of the Department. Permits for the nurseries established as recommended are issued by the Department. The private nurseries to which permits were issued are subjected to regular supervision of the Rubber Research Institute and the required instructions are given to maintain the plant nurseries as recommended. The Rubber Development Officers follow up whether the plant nurseries are being maintained as recommended.

#### Production of plants and issue of plants in the Government Nurseries – 2013

Name of the Nursery	District of the Nursery	Production of Plants	Distribution of Plants
Karapincha	Ratnapura	188738	126786
Mirigama	Gampaha	284747	221673
Welikadamulla	Gampaha	459372	410123
Egaloya	Kalutara	393302	331460
Kumbukkana	Monaragala	508919	364843
Gurugoda	Kalutara	286754	211933
Middeniya	Hambantota	109497	98875
<b>Total</b>		<b>2231329</b>	<b>1765693</b>

Table xviii



The projected plant production from the nurseries of the Department in the year 2013 was 2.35 million. The total plant production of the year was 2.23 million and only 1.76 million plants could be distributed during the year.

#### Production of Plants (Private Nurseries)-2013

Area of Regional Office	No. of Registered Nurseries	Distribution of Plants
Kegalle	59	45450
Gampaha	06	3835
Kalutara	02	119900
Monaragala	17	155088
Galle	15	9415
Matara	10	19400
Ratnapura	16	166330
Colombo	08	6500
Badulla	03	-
<b>Total</b>	<b>136</b>	<b>525918</b>

Table xix

RRIC 121 Clone was mostly issued by the nurseries of the Department as well as the nurseries in the private sector and the production of RRISL 203 Clone had been increased as against the previous year.

### 3.11. Intercropping

On the recommendation of the Rubber Research Institute of Sri Lanka, the Department continues to pay a subsidy of Rs.4,000.00 per an acre to the small holders who undertake intercropping with rubber. Accordingly, a sum of Rs.1.08 million was paid as subsidies for intercropping in the year 2013.

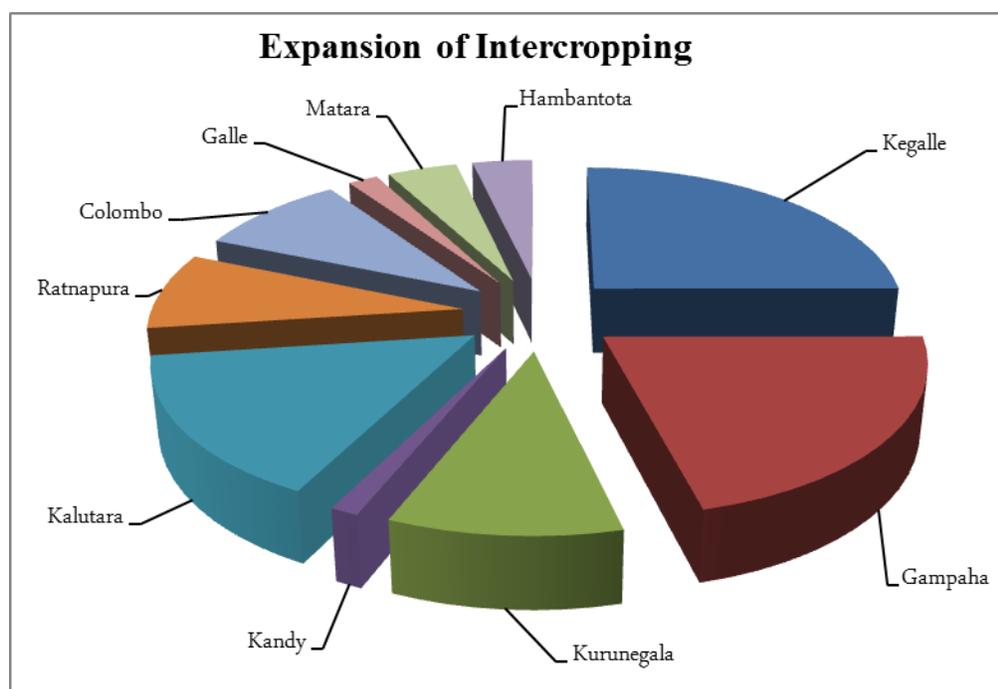


**Intercropping with Rubber**

**Extent of lands under intercropping in year 2013**

<b>District</b>	<b>Extent cultivated (Hectares)</b>
Kegalle	93.09
Gampaha	78.99
Kurunegala	37.68
Kandy	4.63
Kalutara	57.55
Ratnapura	31.12
Colombo	33.76
Galle	6.72
Matara	15.78
Hambantota	13.57
<b>Total</b>	<b>372.89</b>

**Table xx**



### 3.12. Popularizing the Fixing of Rain Guards

This programme was implemented to promote rubber growers to use rain guards for improvement in the productivity of lands under mature rubber cultivations. 50% of the amount of expenditure incurred for fixing of rain guard to a rubber tree that is; a sum of Rs.30 is paid as subsidies to a rubber tree fixed with rain guards successfully.

Subsidies were paid to the rubber small holders and the Plantation Companies under this programme. The progress of the programme is given in the Table below.

**Fixing of Rain Guards**

Sector	Extent of lands under fixing of rain guards (Hectares)	Amount paid as subsidies (Rs. Million)
Small Holdings	517.01	7.73
Plantation Companies	2708.21	47.95
Total	3225.22	55.68

**Table xxi**

### **3.13. Functions of the Tea, Rubber and Coconut Estates (Control of Fragmentation) Board**

Control of Fragmentation Board was established under the Tea and Rubber Estates (Control of Fragmentation) Act No.02 of 1958. Approval of this Board should be obtained for blocking out or selling of any rubber estate of more than 20 hectares or a portion of the estate. In this process, the applications received from the respective organization were scrutinized and recommendations were submitted to the aforesaid Board. The number of recommendations submitted during the year was confined to five.

We rendered the duties assigned in terms of the appointment as a member of the Board of Directors of this Board, made by the Hon. Minister.

### **3.14. International Affairs**

Sri Lanka is a member of the International Rubber Study Group (IRSG) and the Association of Natural Rubber Producing Countries (ANRPC). A sum of Rs.974,727 paid to the Association of Natural Rubber Producing Countries and Rs.5,304,229.38 to the International Rubber Study Group by Sri Lanka as membership fees in year 2013.

Holding of the membership in such organizations enables direct and active participation in the activities of the respective organizations resulting in a situation beneficial to the uplift of the rubber industry reciprocally. In addition, the all required information including the local rubber prices, production and market intelligence, the extent of lands under rubber cultivation, the number of persons employed in the field was reported to the said organizations on time throughout the year. Likewise, the information of other countries was obtained through those organizations and distributed among the relevant persons.

The annual conference of the Association of Natural Rubber Producing Countries (ANRPC) was hosted in Sri Lanka from 08.10.2013 to 12.10.2013 with the participation of the member countries such as Sri Lanka, India, Cambodia, Thailand, Vietnam, Papua New Guinea, Indonesia, Malaysia and China.

It was possible to successfully complete the preparation works of the above conference and the members of all countries participated, including the Director General of the Association of Natural Rubber Producing Countries (ANRPC) commended the arrangements so made.

At this conference, Sri Lanka was selected for the Chairmanship in the next year and the Secretary of the Ministry of Plantation Industries was appointed as the Chairman.

### 3.15. Legal matters

Every applicant who has, under the Rubber Replanting Subsidy Act availed of a permit for replanting rubber and has obtained the subsidy is bound by the rubber replanting subsidy regulations to maintain the plantation in a satisfactory condition and complete the necessary work until all installments of the subsidy are drawn. If the permit holders neglect their plantations, or do not maintain the plantations well until the last installment of the subsidy is drawn, they are ordered to refund the amount of subsidy drawn, to the Department.

As per the provisions in the regulations published in the Gazette of the Democratic Socialist Republic of Sri Lanka in terms of the relevant Act, any rubber land which is assisted under this subsidy scheme can not be alienated without the permission of the Director General of the Rubber Development Department.

Accordingly, permit holders are given sufficient time to complete the planting activities, by extending the valid period of their permits. The permit holders (drawn subsidies), who fail to maintain the rubber plantations successfully so that the objectives of the Rubber Replanting Subsidy Act are achieved, will be informed to refund the subsidy payments already drawn. As a final step, the Department prosecutes against the permit holders who fail to refund the subsidy.

#### Charging for unsuccessful cultivations – Year 2013

District	No.of growers recovered	Amount recovered sending final notices (Rs.)	Amount recovered filling cases (Rs.)
Galle	} 120	669679.49	
Matara			
Hambantota			
Kegalle	77	652389.67	44837.93
Monaragala	-	-	-
Colombo	08	55034.86	-
Ratnapura	26	130450.93	-
Kalutara	71	320803.00	-
<b>Total</b>	<b>302</b>	<b>1828357.95</b>	<b>44837.93</b>

Table xxii

Further, provisions of the Act were implemented in respect of the growers whose cultivations were unsuccessful due to climatic and other reasonable reasons and action was taken to write off the amount of subsidies with approval of the Advisory Board.

### 3.16. Payment of Subsidies

During the year 2013 under review, the Department was able to pay subsidies for each such cultivation as follows.

**Payment of Subsidies for Rubber Cultivation**

<b>Project</b>	<b>Total Amount Paid (Rs. Million)</b>
Replanting Subsidy 2013 (Smallholder Sector)	171.31
New planting Subsidy 2013 (Smallholder Sector)	167.73
Replanting Subsidy 2013 (Plantation Companies)	97.45
<b>Total</b>	<b>436.49</b>

**Table xxiii**

### 3.17. Special Development Programmes

#### 3.17.1. Expansion of rubber cultivation in Ampara District

As per the decision made to expand the rubber cultivation in Ampara District in line with the Budget Proposals 2012, it has been targeted to cultivate rubber in 10,000 hectares. Accordingly, rubber planting programmes were planned this year projecting to reach towards the target by the year 2015. As the initial step, 550 hectares were targeted for rubber cultivation in the year 2012 and 137.5 hectares were cultivated with rubber by the end of the year. The rubber planting programme has been expanded into three Divisional Secretary's Divisions such as Mahaoya, Padiyathalawa and Uhana.

As the second step thereof, 402.93 hectares were cultivated in the year 2013.

### **3.17.2. Expansion of rubber cultivation in Northern Province**

Steps have been taken to expand a programme for cultivation of rubber in 3200 hectares in Vavuniya and Mullaitivu Districts under the programme for expansion of rubber cultivation in Northern Province. Accordingly, in order to render an effective service to the people in the province, office of the Department was opened in the premises of Vavuniya District Secretariat under the patronage of Hon. Minister of Plantation Industries.

At present, permits have been issued for 103.25 hectares in Vavuniya District and 36.8 hectares have been replanted.

Permits have been issued for 2.83 hectares in Mullaitivu District.

### **3.17.3. Divi Neguma National Development Programme-2013**

Functions of the Ministry of Economic Development are expanding the basic infrastructure required for strengthening the rural economy, while developing the livelihood of the low-income families, creating conducive environment for their education, health and social development and encompassing infrastructure enabling to fulfil market requirements of the rural people and to derive maximum national economic benefits.

Accordingly, Divi Neguma National Development Programme which is launched with financial assistance of the Ministry of Economic Development was also implemented in the rubber sector in the year 2013. Under this programme, during this year, the Rubber Development Department implemented the programmes such as distribution of rubber plants free of charge for infilling, providing plants free of charge to cultivate bananas, pineapples, passion fruits as intercropping in the immature rubber lands, distribution of tapping knives on 50% subsidy to those who attended the training programme for Harvest Assistants and providing assistance for enhancement of development activities of the rubber plant nurseries owned by the Department. Rubber plants for infilling were distributed this year in all rubber growing districts including the non-traditional areas such as Monaragala, Ampara, Hambantota, Vavuniya and Badulla districts. The intercropping programme and the programme for distribution of tapping knives were launched covering all rubber growing areas. 07 rubber plant nurseries owned by the Department have been established in 05 districts and assistance was provided for their development activities during this year. It was undertaken this year at the first time under the Divi Neguma

National Development Programme. As a result, it was able to make necessary arrangements to produce and distribute high quality rubber plants with the assistance of this programme. Under the Divi Neguma Programme, an amount of Rs.11 million had been allocated to the Department this year and its progress is given in the Table below.

### Financial and Physical Progress under Divi Neguma Programme

Programme	Financial Progress			Physical Progress		
	Allocation Rs. Mn	Expenditure Rs. Mn	%	Physical Target	Physical Progress	%
Supply of rubber plants for infilling (Plants)	6.00	4.84	81	100,000	80,713	81
Intercropping (Plants)	2.00	1.75	88	96,389	88,670	92
Distribution of Tapping Knives (No. of Knives)	0.91	0.81	89	3,020	2,799	93
Develoment activities of government nurseries	2.09	2.82	135			
Total 2013	11.00	10.22	93	-	-	-
Supply of rubber plants for infilling 2012		0.77				
Total	11.00	10.99	100			

Table xxiv



A factory reinforced by Divi Neguma



Collection of Rubber Bush Products

### 3.18. Consolidated Fund

Object Code	Total provision received (Rs. Million)	Net Expenditure (Rs. Million)
<b>Recurrent Expenditure</b>		
Personal Emoluments	149.30	148.18
Travelling	9.60	9.55
Supplies	7.40	7.23
Maintenance Expenditure	5.48	5.31
Services	15.32	15.09
Development Subsidies	550.00	543.38
Transfers (Subscriptions and property loan interests)	16.75	12.31
<b>Total</b>	<b>753.85</b>	<b>741.05</b>
<b>Capital Expenditure</b>		
Capital Assets Rehabilitation and improvements	17.50	14.15
Acquisition of Capital Assets	4.20	1.30
Capacity building	1.00	0.94
Other Capital Investments (2502)	73.30	43.66
<b>Total</b>	<b>96.00</b>	<b>60.05</b>
<b>Total</b>	<b>849.85</b>	<b>801.10</b>

Table xxv

### 3.19. Cess related matters

#### (1) Registration

No. of registered institutions	144
Total No. of companies to be paid Cess	54
No. of companies that paid Cess	48

**Table xxvi**

#### Cess charged on local consumption

<b>Relevant month</b>	<b>Income (On local consumption) Rs.</b>
January	29515233.83
February	24569435.17
March	25525488.30
April	15692108.95
May	36769749.51
June	14324022.94
July	9420759.37
August	18451376.89
September	19947862.08
October	19151612.94
November	17332740.24
December	34673115.53
<b>Total</b>	<b>265373505.75</b>

**Cess Table - xxvii**

Details of the Cess charged on imports and exports of rubber are given below.

**Cess charged on imports and exports - 2013**

<b>Relevant month</b>	<b>On imports Rs.</b>	<b>On exports Rs.</b>
January	6111377.00	2116020.00
February	3525902.00	4191843.00
March	4804338.00	4338920.00
April	3068400.00	2509232.00
May	5147432.00	5845491.00
June	796834.00	4179090.00
July	128430.00	4581200.00
August	-	4639824.00
September	-	4376800.00
October	-	4660844.00
November	-	4864163.00
December	-	4025762.00
<b>Total</b>	<b>23582713.00</b>	<b>50329189.00</b>

**Cess Table – xxviii**

### **3.20. Replanting Advisory Board**

This Advisory Board has been established in terms of Section 10 of the Rubber Replanting Subsidy Act No.36 of 1953 and Sections 40 and 41 of the Rubber Control Act No.11 of 1956.

The main objective of the establishment of this Advisory Board is to provide advice to the Hon. Minister of Plantation Industries with regard to the matters arising out of the Rubber Replanting Subsidy Act and to advise the Director General on the administration of the Rubber Replanting Subsidy Scheme.

The Director General of the Rubber Development Department is the ex- officio Chairman of this Board and its other members are appointed by the Hon. Minister of Plantation Industries

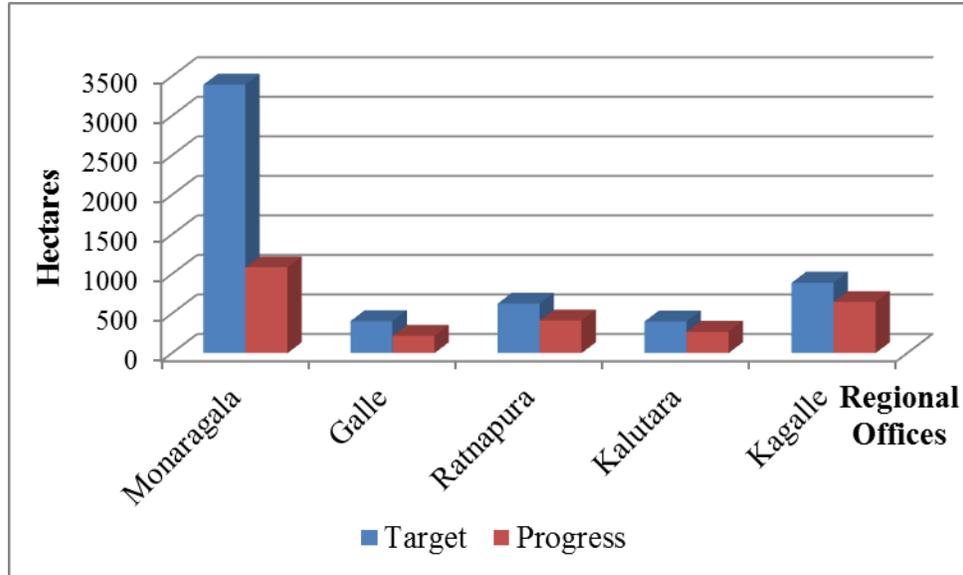
### **3.21. Internal Audits**

- Checking leave of the Head Office.
- Investigating in distribution of plants in the year 2011 - Regional Office, Monaragala.
- Checking computerization of distribution of plants and charging for plants in the year 2011 - Regional Office, Monaragala.
- Internal Audit preliminary and first quarter report.
- Checking of the payment vouchers (Second quarter 2012) Head Office, Colombo.
- Checking of the payment vouchers (Third quarter 2012) Head Office, Colombo.
- Checking of the nursery working account - Mirigama Plant Nursery -2012.
- Checking of the nursery working account - Welikadamulla Plant Nursery - 2012.
- Checking of running charts of the lorries transporting plants - 2012.
- Internal Audit second quarter report - 2013.
- Checking of the payment vouchers (Fourth quarter 2012, Head Office, Colombo).
- Checking of the nursery working account - Gurugoda Plant Nursery - 2012.
- Checking of the nursery working account - Egaloya Plant Nursery – 2012.
- Reviewing progress of the production of plants in the government nurseries in line with the Action Plan 2012.
- Internal Audit third quarter report – 2013.
- Failure to supply plants through the Department to meet the annual planting targets in the year 2012.
- Internal Audit - Regional Office, Monaragala.

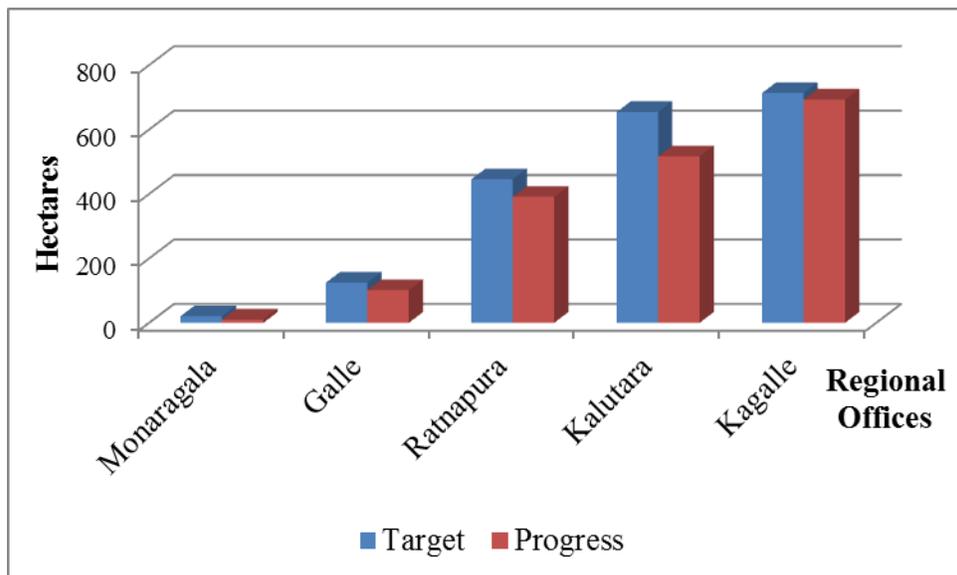
## 4 Progress of Regional Offices

05 Regional Offices have been established to provide services in 14 rubber growing districts in the country and the progress achieved by the said offices is given below.

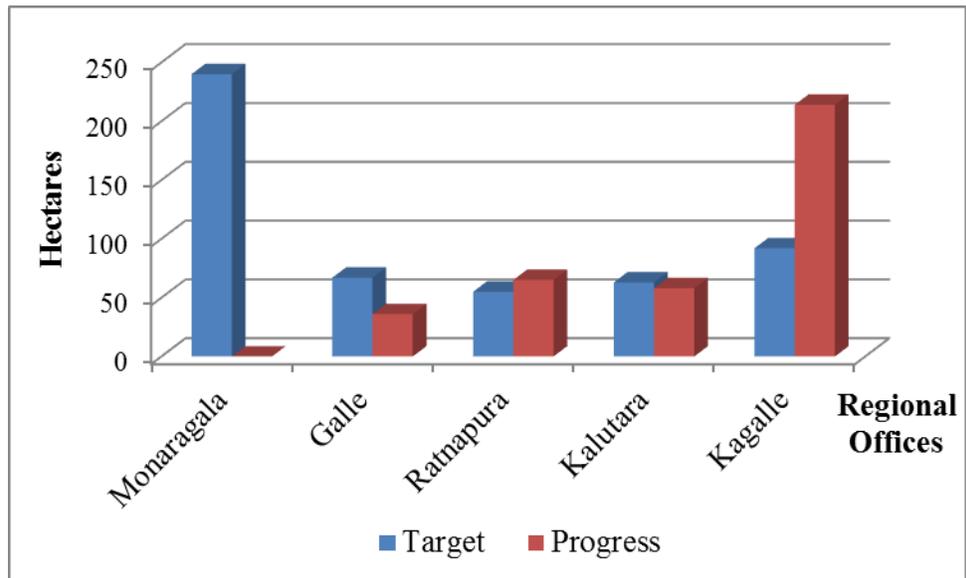
### 4.1. Progress of Rubber New planting



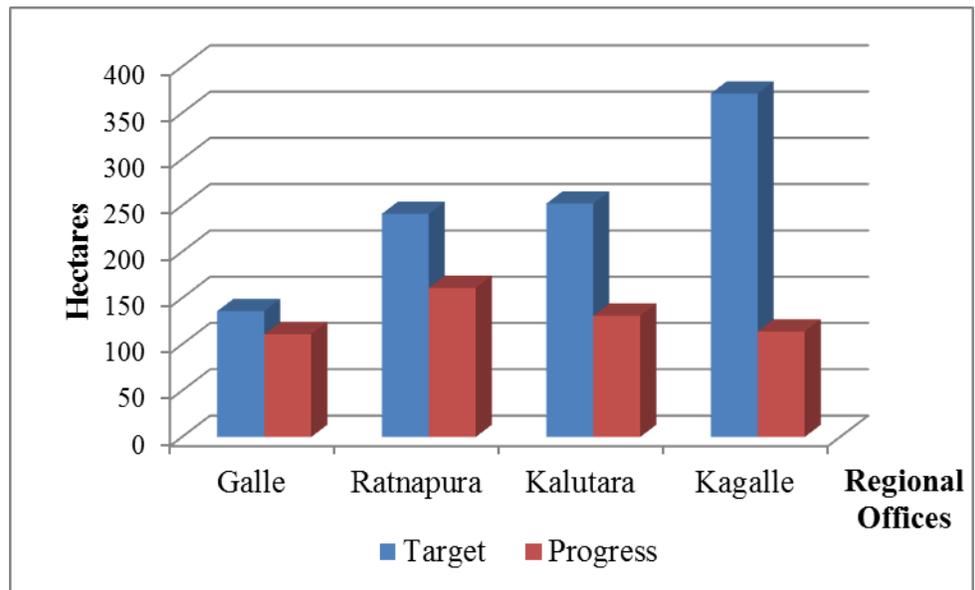
### 4.2. Progress of Rubber Replanting



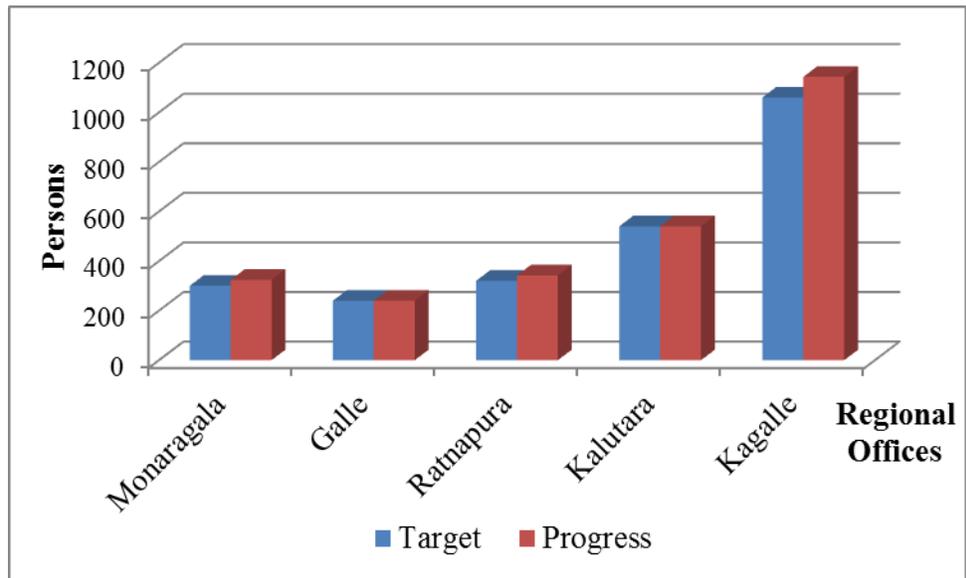
### 4.3. Progress of Intercropping



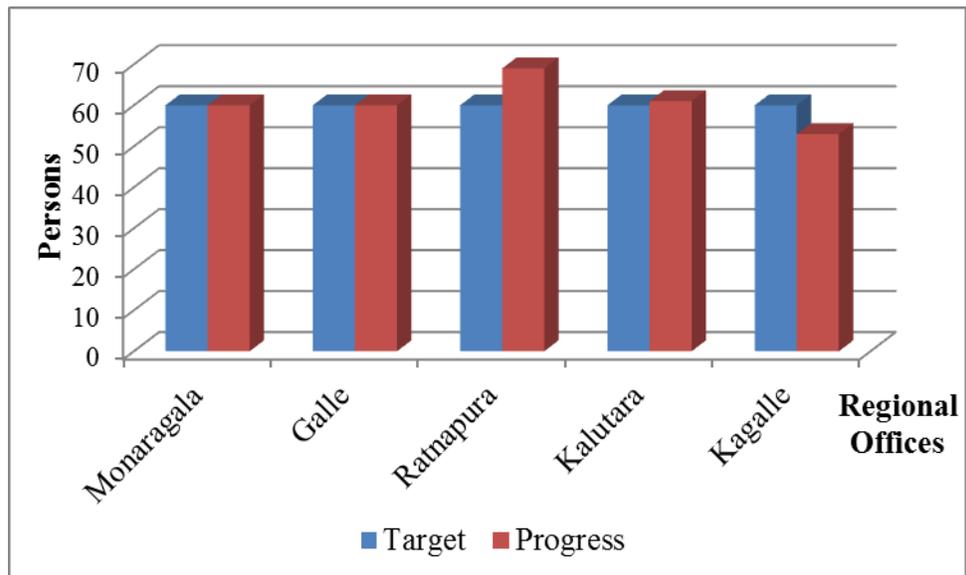
### 4.4. Fixing of Rain Guards



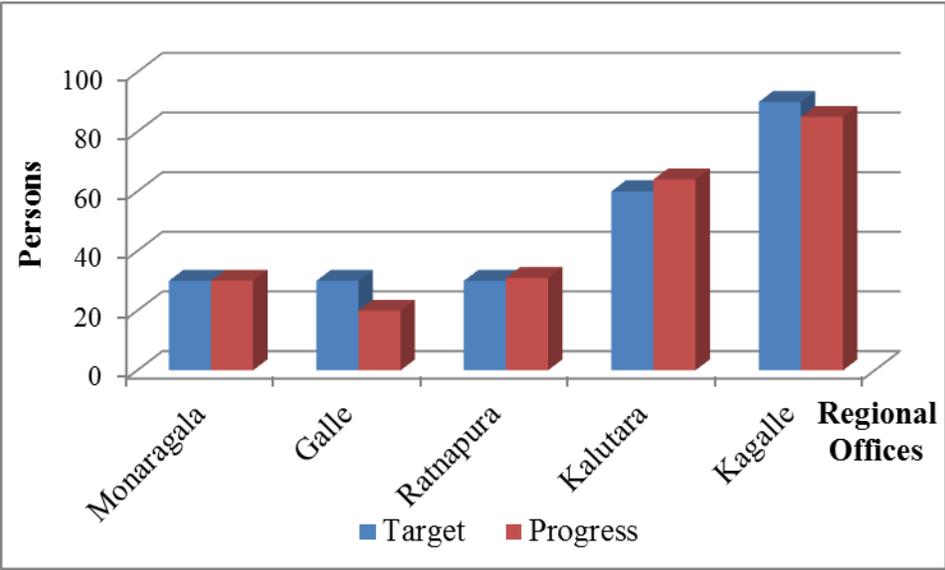
#### 4.5. Training Programme for rubber tappers



#### 4.6. Professional Training Programme for rubber tappers



**4.7. Training Programme for bud grafters**



**Conducting Training Programmes by the Regional Offices**

## **5 Rendering services of other institutions**

In terms of the appointments made by the Hon. Minister of Plantation Industries, while holding the membership of the Board of Directors in the institutions indicated hereunder, the duties assigned were performed.

- 1) Rubber Research Institute of Sri Lanka
- 2) Thurusaviya Fund
- 3) Sri Lanka Rubber Manufacturing and Export Corporation
- 4) Tea, Rubber and Coconut Estates (Control of Fragmentation) Board

The functions performed here included participation in the Board Meetings, submission of views and suggestions, assistance in arriving at decisions, expression of required consents and approvals, investigation into the activities and contribution to the implementation of programmes in those institutions.

In addition, the Department provided services, information and assistance sufficiently to the all Ministries, Departments, other government institutions, private institutions and personnel on their requests. School exhibitions, support lectures and information assistance and providing of statistics, clarifications and technical advices required to institutions and personnel are significant among them.

The services and information were provided with the assistance of the Head Office, Regional Offices, Field Officers and Nursery Managers.



විගණකාධිපති දෙපාර්තමේන්තුව  
கணக்காய்வாளர் தலைமை அறிபுதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය } AF2/J/RRSF/  
எனது இல. } 1/13/FA  
My No. }

මබේ අංකය }  
உமது இல. }  
Your No. }

දිනය } 27 August 2014  
திகதி }

Director General,  
Department of Rubber Development



**Report of the Auditor General on the Financial Statements of the Rubber Replanting Subsidy Fund for the year ended 31 December 2013**

The audit of financial statements of the Rubber Replanting Subsidy Fund for the year ended 31 December 2013, comprising the balance sheet as at 31 December 2013 and the income and expenditure account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 6(2) (Cap. 437) of the Rubber Replanting Subsidy Fund Act No. 36 of 1953. My comments and observations on above financial statements appear in this report.

**1.2 Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### 1.3 Auditor's Responsibility

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### 1.4 Basis for Adverse Opinion

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Had the matters described in paragraph 2.2 of this report being adjusted, many elements in the accompanying financial statements would have been materially affected.



## 2. Financial Statements

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### 2.1 Adverse Opinion

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In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the Rubber Replanting Subsidy Fund as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### 2.2 Comments on Financial Statements

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#### 2.2.1 Accounting Deficiencies

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The following observations are made.

- (a) Fixed assets valued at Rs.63,438,233 belonging to Rubber Replanting Subsidy Fund had not been physically identified and the provision for depreciation amounting to Rs.827,880 had been made in the year under review for these assets not utilized for operating activities.
- (b) Interest Income on fixed deposits had been overstated by Rs.110,849 due to non-consideration of computation errors and withholding tax deductions.
- (c) Over provisions of Rs.1,061,126 had been made for audit fees without considering the pre payments.
- (d) Rs.70,659,527 credited to the Consolidated Fund had been shown as a current asset instead of a deduction from Rubber Replanting Subsidy Fund.



## 2.2.2 Lack of evidence for Audit

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The following items could not be satisfactorily vouched or accepted in audit due to non-submission of any evidence for confirmation.

Item	Value
	Rs.
Fixed Assets	63,438,233
Current Assets	157,595,843
Current Liabilities	18,868,118
Recoverable Advances	15,220,514

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.84,522 as against the deficit of Rs.383,580 for the preceding year, thus indicating an improvement of Rs.468,102 in the financial results as compared with the preceding year.

### 3.2 Performance

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#### 3.2.1 Going Concern of the Fund

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The letter No. PF/FD/04/47 dated 21 October 2011 addressed to the Director General of Department of Rubber Development by the Department of Public Finance had informed that action should be taken to liquidate the Fund not in operation in accordance with the provisions in the relevant Act, and settle the assets and liabilities appearing in the audited accounts prepared as at 31 December 2010 and to obtain the approval of the Cabinet of Ministers for the liquidation of the Fund through a Cabinet Paper. Nevertheless action had not been taken accordingly even up to 23 June 2014.

#### 4. Systems and Controls

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Special attention is needed in respect of following areas of systems and controls

- (a) Accounting
- (b) Settlement of Advances
- (c) Control over Debtors / Creditors
- (d) Fixed Assets Control

H.A.S. Samaraweera

Auditor General



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்

**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல.  
My No.

AF2/J/RCF/1/13/FA

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

22 August 2014

Director General,  
Rubber Development Department.

Report of the Auditor General on the Financial Statements of the Rubber Control Fund for the year ended 31 December 2013.

The audit of financial statements of the Rubber Control Fund for the year ended 31 December 2013, comprising the balance sheet as at 31 December 2013 and the income and expenditure account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 39(a) (3) of the Rubber Control Act No.11 of 1956 (Cap. 456) as amended by the Rubber Control (Amendment) Act, No. 45 of 1952. My comments and observations on above financial statements appear in this report.

## 1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

## 1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810) Sri Lanka Auditing Standards consistent with. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**1.4 Basis for Adverse Opinion**  
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Had the matters described in paragraph 2.2 of this report being adjusted, many elements in the accompanying financial statements would have been materially affected.

**2. Financial Statements**  
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**2.1 Adverse Opinion**  
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In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the Rubber Control Fund as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**2.2 Comments on Financial Statements**  
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**2.2.1 Accounting Deficiencies**  
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The following observations are made.

- (a) Seven items of fixed assets valued at Rs.985,925 had been accounted as Fixed Assets which are not physically available and annual provision for depreciation had been made for furniture, office equipment electric equipment and welfare society equipment out of that valued at Rs.84,350.
- (b) Interest income Rs. 805,000 on fixed deposits received during the year under review had been credited to collection account of General Treasury without being brought to account.



- (c) Over provisions of Rs.120,000 had been made for audit fees without considering the prepayments made.
- (d) A sum of Rs.1,864,559 credited to the Consolidated Fund had been shown as a current asset instead of being shown as a deduction from the Rubber Control Fund.

**2.2.2 Lack of Evidence for Audit**  
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The following items could not be satisfactorily vouched or accepted in audit due to non-submission of any evidence for in support of the items.

Item	Value
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	Rs.
(a) Fixed Assets	985,925
(b) Current Assets	635,272
(C) Current Liabilities	239,784

**3. Financial Review**  
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**3.1 Financial Results**  
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According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.497.051 as compared with the surplus of Rs.463,652 for the preceding year, thus indicating an improvement of Rs.33,399 in the financial results as compared with the preceding year.

**3.2 Performance**  
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Instructions had been given by the letter No.PF/FD/04/46 dated 21 October 2011 of the Department of Public Finance addressed to the Director General of the Department of Rubber Development, that action should be taken in terms of the provisions in the relevant Act, to liquidate the Fund defunct at present by obtaining the approval of the Cabinet of Ministers through a Cabinet Memorandum after the settlement of the assets and liabilities shown in audited account for the year ended 31 December 2010. But action thereon had not been taken even up to 23 June 2014.



**4. Systems and Controls**  
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Special attention is needed in respect of following areas of systems and controls.

- (a) Accounting
- (b) Fixed Assets
- (c) Receivable and Payable Accounts

H.A.S.Samaraweera  
Auditor General