

PERFORMANCE REPORT - 2018



DEPARTMENT OF DEVELOPMENT FINANCE

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1. Organization Structure

1.1 Vision and Mission of the Department

Vision

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

Mission

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

1.2 Introduction

The Department of Development Finance was established on 01st January 2005 with the objective of development of small and medium scale entrepreneurship and revitalizing microfinance sector. The staff of the department consists of 34 members include 13 staff officers in overall. Main activities of the department can be shown under four sectors as follows;

1.2.1 Primary Sector Development

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

1.2.2 Microfinance Sector Development

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

1.2.3 Small and Medium Scale Sector Development

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

1.2.4 Strategic Planning in Development Finance

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

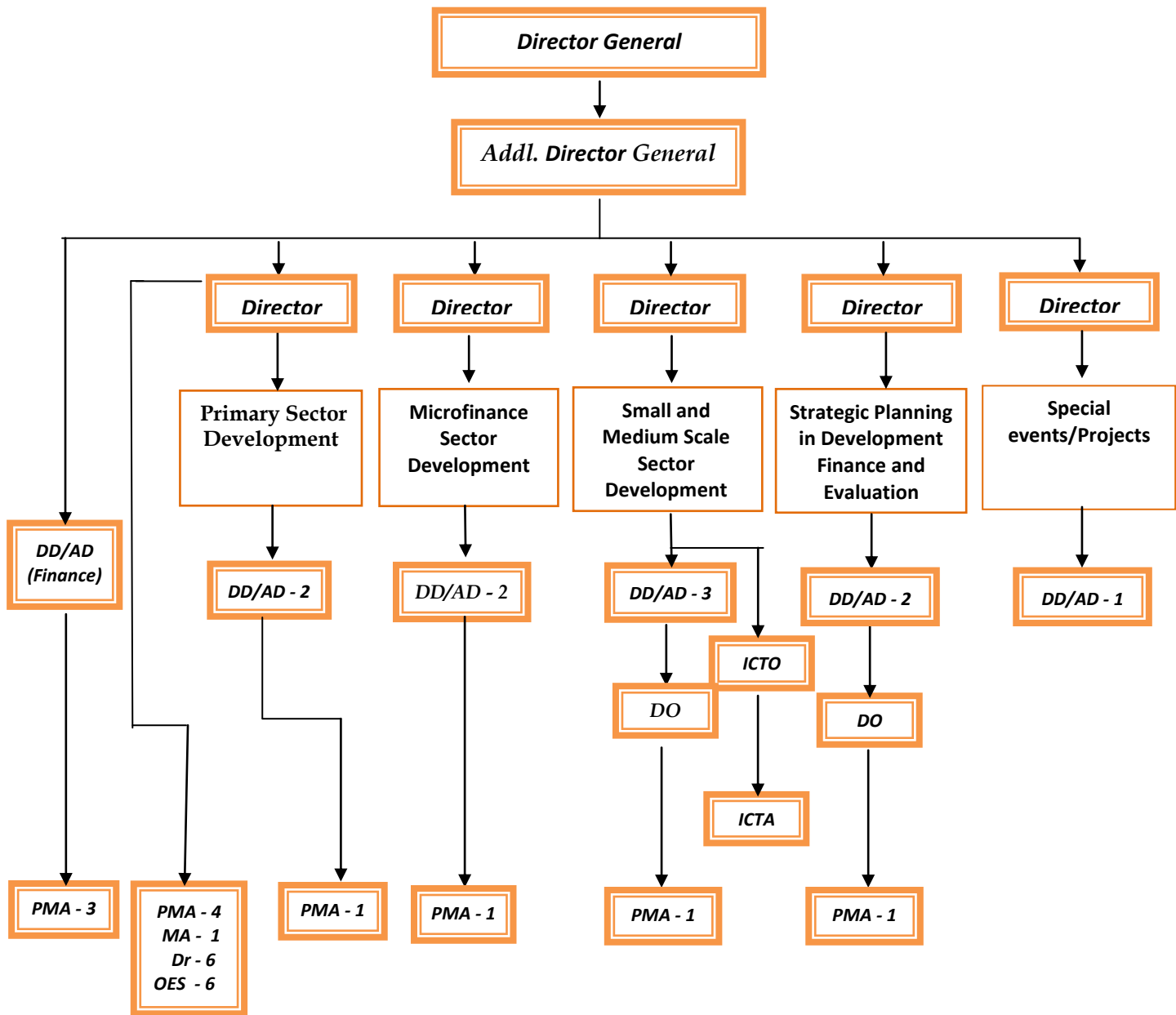
Various Government incentives are provided such as concessionary loans, treasury guarantees and technical support with the intervention of this department to encourage SME entrepreneurs and to recognize new

entrepreneurs who have a potential to make a remarkable contribution to the economic development process.

1.3 Functions of the Department

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

1.4 Organization Chart



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

2. PERFORMANCE DURING 2018

2.1 OVERVIEW

Development Finance plays a vital role in economic development. The behavior of the Development Finance deeply blends with economic growth, generating employment opportunities as well as the social-welfare development. Within the market economy system, private sector has to play a key role to make it a success and the public sector has the responsibility to give directions for the financial system in the country in a manner to achieve macro-economic targets.

In this context, the Government has to facilitate all economically active groups in the country such as entrepreneurs, youths, farmers, etc. who encounter with problems such as access to finance at affordable interest rates, providing collaterals requested by the financial institutions, lack of technology know-how, unavailability of market opportunities for their products. Therefore, the all Governments which came into the power from time to time after the independence of the country implemented several programmes to address those issues separately, but a comprehensive package was not implemented to address all those issues at once.

Accordingly, the Government has introduced two interdependent comprehensive programmes which are known as the “Enterprise Sri Lanka” and “Gamperaliya” to accomplish the country’s medium-term targets such as increasing the per capita income up to USD 5,000 generating one million new jobs, doubling exports, continuous GDP growth greater than 5 percent etc. by strengthening and empowering the SME sector, micro enterprises, self-employees, farmers and young entrepreneurs, who are the driving forces of the economic growth.

2.2 ENTERPRISE SRI LANKA

At present, there are around 230,000 entrepreneurs in Sri Lanka which is about 2.8 percent of the total workforce. In Vietnam and Thailand, currently fast growing developing countries, the index of entrepreneurs is in a high rate such as 19.6 percent and 27.5 percent respectively. Even though, Bangladesh and China have a higher population density, this index is around 11.6 percent and 7.5 percent respectively. Not only that, even in many countries, where there are similar population like Sri Lanka also, maintain at a steady 10 percent rate.

Accordingly, with the expectation of increasing the index of entrepreneurs in Sri Lanka compared to other countries in the region, the ‘Enterprise Sri Lanka’ Programme has been introduced by the present Government. Through this programme, it is expected to develop new 100,000 entrepreneurs and to assist existing entrepreneurs to expand their existing businesses.

Through this programme, it is expected to build entrepreneurs who have the strength to carry Sri Lanka towards an export oriented economy. Accordingly, the Government has introduced twenty two (22) schemes including seventeen (17) interest subsidy loan schemes, three (03) donor funded refinance loan schemes and two (02) non-financial support programmes to provide financial and non-financial facilities with a view to encourage the investors.

The details of the loan schemes such as rate of subsidy, on lending rate, beneficiaries, maximum loan amount, etc. are given in Box 2.1.

Box 2.1 : Financial and Non-Financial Schemes Available under “Enterprise Sri Lanka”	
Name of the Loan Scheme	Description
1. Interest Subsidy Loan Scheme	
1.1 Ran Aswenna	<p><u>Category I</u> Beneficiaries - Small scale farmers and farmers’ organizations, Floriculture farmers, Entrepreneurs in ornamental fish related businesses</p> <p>Maximum Loan Amount (Rs.) - 5,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 50% On-lending Rate - 6.93% Repayment Period - 7 years (including 1 year grace period)</p> <p><u>Category II</u> Beneficiaries - Agro & fish processing individuals who are willing to purchase multiday boats and other boars and equipment related to tourism industry.</p> <p>Maximum Loan Amount (Rs.) - 300,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 50% On-lending Rate - 6.93% Repayment Period - 7 years (including 1 year grace period)</p> <p><u>Category III</u> Beneficiaries - Companies engaged in commercial scale farming</p> <p>Maximum Loan Amount (Rs.) - 750,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 50% On-lending Rate - 6.93% Repayment Period - 7 years (including 1 year grace period)</p>
1.2 Govi Navoda	<p>Beneficiaries - Small scale farmers and farmers’ organizations (for mechanizing the cultivation activities)</p> <p>Maximum Loan Amount (Rs.) - 500,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 75% On-lending Rate - 3.46% Repayment Period - 7 years (including 1 year grace period)</p>
1.3 Riya Shakthi	<p>Beneficiaries - Owners of the school service vans</p> <p>Maximum Loan Amount (Rs.) - 4,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 75% On-lending Rate - 3.46% Repayment Period - 5 years</p>
1.4 ‘City Ride’ Loan Scheme	<p>Beneficiaries - Private bus owners who are willing to purchase a luxury bus/low flow board buses</p>

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

Name of the Loan Scheme	Description
	<p>instead of the existing old bus and transport providers for reputed export oriented companies.</p> <p>Maximum Loan Amount (Rs.) - 10,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 75% On-lending Rate - 3.46% Repayment Period - 5 years</p>
1.5 ‘Mini Taxi’ Loan Scheme	<p>Beneficiaries - Hiring three wheeler owners who are willing to replace their existing three wheelers with a mini taxi car or an electric three wheeler for hiring. Their age should be 35 years or above.</p> <p>Maximum Loan Amount (Rs.) - 2,250,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 75% On-lending Rate - 3.46% Repayment Period - 5 years</p>
1.6 Rivi Bala Savi	<p>Beneficiaries - Households expecting to fixed Solar power panels</p> <p>Maximum Loan Amount (Rs.) - 350,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 50% On-lending Rate - 6.93% Repayment Period - 5 years</p>
1.7 Diri Saviya	<p><u>Category I</u> Beneficiaries - Poultry producers Maximum Loan Amount (Rs.) - 50,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 100% On-lending Rate - 0% Repayment Period - 4 years (including 3 months grace period)</p> <p><u>Category II</u> Beneficiaries - Self-employees Maximum Loan Amount (Rs.) - 1,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 50% On-lending Rate - 6.93% Repayment Period - 7 years (including 1 year grace period)</p> <p><u>Category III</u> Beneficiaries - Entrepreneurs engaged in animal husbandry sectors Maximum Loan Amount (Rs.) - 5,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 50% On-lending Rate - 6.93% Repayment Period - 7 years (including 1 year grace period)</p>
1.8 Jaya Isura	<p><u>Category I</u> Beneficiaries - Small enterprises with an annual turnover between Rs. 10 million to Rs. 250 million and with an employment cadre of 5 to 50 who are</p>

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

Name of the Loan Scheme	Description
	<p>engaged in agriculture, fisheries, ornamental fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, timber based manufacturing industry, apparel, information technology, manufacturing industry and renewable energy sectors</p> <p>Maximum Loan Amount (Rs.) - 100,000,000 (Export) 50,000,000 (Non-Export)</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>On-lending Rate - 6.93%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p> <p><u>Category II</u> Beneficiaries - Medium entrepreneurs with an annual turnover between Rs. 250 million to Rs. 750 million and with an employment cadre of 51 to 300 who are engaged in agriculture, fisheries, ornamental fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, timber based manufacturing industry products, apparel, information technology, manufacturing industry and renewable energy sectors</p> <p>Maximum Loan Amount (Rs.) - 400,000,000 (Export) 200,000,000 (Non-Export)</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 25%</p> <p>On-lending Rate - 10.40%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p>
1.9 Sonduru Piyasa	<p>Beneficiaries - Owners of houses with a floor area of less than 1,500 sq.ft., who expect to expand or complete the house.</p> <p>Maximum Loan Amount (Rs.) - 200,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>On-lending Rate - 6.93%</p> <p>Maximum Repayment Period - 7 years</p>
1.10 Madya Aruna	<p><u>Category I (To purchase media equipment)</u> Beneficiaries - Registered journalists</p> <p>Maximum Loan Amount (Rs.) - 300,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 100%</p> <p>On-lending Rate - 0%</p> <p>Repayment Period - 5 years (including 1 year grace period)</p> <p><u>Category II (To upgrade media equipment)</u> Beneficiaries - Registered journalists</p> <p>Maximum Loan Amount (Rs.) - 150,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>On-lending Rate - 6.93%</p> <p>Repayment Period - 5 years (including 1 year grace period)</p>

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

Name of the Loan Scheme	Description
1.11 ‘My Future’ Loan Scheme	<p>Beneficiaries - GCE Advanced Level qualified students or NVQ level 5 or 6 qualified students who are willing to pursue undergraduate education at non- state universities to complete a 3 years or 4 years degree programme.</p> <p>Maximum Loan Amount (Rs.) - 1,100,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 100%</p> <p>On-lending Rate - 0%</p> <p>Repayment Period - 12 years</p>
1.12 ‘Erambuma’ Credit Scheme	<p>Beneficiaries - Young Graduates and National Vocational Qualifications 5, 6 and 7 Level certificate holders</p> <p>Maximum Loan Amount (Rs.) - 1,500,000</p> <p>Annual Effective Interest Rate - 12%</p> <p>% of the Interest Subsidy - 100%</p> <p>On-lending Rate - 0%</p> <p>Other facility - Fully Government guarantee</p> <p>Repayment Period - 7 years (including 2 years grace period)</p>
1.13 Green Loan	<p><u>Category I</u></p> <p>Beneficiaries - Bio degradable product manufacturers, small scale hoteliers, and organic fertilizer producers. * Three wheeler owners (only for fixing meter and maximum amount is Rs. 20,000)</p> <p>Maximum Loan Amount (Rs.) - 1,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>On-lending Rate - 6.93%</p> <p>Repayment Period - 10 years (including 1 year grace period)</p> <p><u>Category II (Homestay Programme)</u></p> <p>Beneficiaries - Persons who run or willing to run Homestays for tourists</p> <p>Maximum Loan Amount (Rs.) - 5,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - more than 50%</p> <p>On-lending Rate - 6%</p> <p>Repayment Period - 10 years (including 1 year grace period)</p>
1.14 ‘Home Sweet Home’ Loan Scheme	<p>Beneficiaries - Private and public sector waged employees who wish to purchase/construct the first house.</p> <p>* To purchase a house /or an apartment from housing development projects implemented by the National Housing Development Authority (NHDA), the Urban Development Authority (UDA), Land Reform Commission (LRC) or the private sector</p> <p>* To purchase a house from housing projects constructed by the private sector</p> <p>* To purchase a single house/apartment unit</p>

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

Name of the Loan Scheme	Description
	<p align="right">* To build the first house for their own use</p> <p>Maximum Loan Amount (Rs.) - 10,000,000</p> <p>Annual Effective Interest Rate - 13.86% (for the first 15 years)</p> <p>% of the Interest Subsidy - 56.7% (for the first 15 years)</p> <p>On-lending Rate - 6% (first 15 years only)</p> <p>Maximum Repayment Period - 25 years</p>
1.15 ‘Rakawarana’ Loan Scheme	<p>Category I Beneficiaries</p> <p>- Individuals and the institutions who have the capacity to maintain a child day care centers. A staff with NVQ certificate holders should be employed and those centers should be operated in accordance with the national guidelines for child day care centers used by the Ministry of Women and Child Affairs and Dry Zone Development</p> <p>Maximum Loan Amount (Rs.) - 3,500,000 per center</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 75%</p> <p>On-lending Rate - 3.46%</p> <p>Repayment Period - 7 years (including 2 years grace period)</p> <p>Category II Beneficiaries</p> <p>- Private sector investors who are willing to construct or improve elderly care centers. A staff with NVQ certificate holders should be employed and these centers should be operated in accordance with the SLS1506: 2015 standards.</p> <p>Maximum Loan Amount (Rs.) - 10,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 75%</p> <p>On-lending Rate - 3.46%</p> <p>Repayment Period - 7 years (including 2 years grace period)</p>
1.16 ‘Sigithi Pasala’ Loan Scheme	<p>Beneficiaries</p> <p>- Investors who are willing to establish Government registered new pre-schools or refurbish existing pre-schools. A qualified staff should be employed.</p> <p>Maximum Loan Amount (Rs.) - 2,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>On-lending Rate - 6.93%</p> <p>Maximum Repayment Period - 7 years (including 1 year grace period)</p>
1.17 ‘Sihina Maliga’ Loan Scheme	<p>Beneficiaries</p> <p>- Sri Lankan citizens, migrant workers registered under the Foreign Employment Bureau and currently working abroad. The applicants should have remitted money earned in any foreign currency to any bank operating in Sri Lanka. Loan should be for following purposes:</p> <ul style="list-style-type: none"> * Build a new house * Renovate the existing House * Demolish the existing house and put up a new house

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

Name of the Loan Scheme	Description
	<ul style="list-style-type: none"> * Purchase a new house/ or to purchase an apartment from a housing development project. * Purchase a land and put up a house or * Purchase a house and renovate it <p>Maximum Loan Amount (Rs.) - 10,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 75%</p> <p>On-lending Rate - 3.46%</p> <p>Maximum Repayment Period - 15 years (including 2 years grace period)</p>
2. Donor Funded Refinance Loan Scheme	
2.1 Rooftop Solar Power Generation Line of Credit – (RSPGLoC)	<p>Category I</p> <p>Beneficiaries - Households</p> <p>On-lending Rate - 8%</p> <p>Maximum Capacity - 50 kW</p> <p>Repayment Period - 10 years (including 6 months grace period)</p> <p>Category II</p> <p>Beneficiaries - Entrepreneurs</p> <p>On-lending Rate - 8%</p> <p>Maximum Capacity - 50 kW</p> <p>Donor Agency - ADB (USD 50 million for 1st tranche and top-up to USD 200 million based on progress)</p> <p>Repayment Period - 10 years (including 6 months grace period)</p>
2.2 Small and Medium-sized Enterprises Line of Credit Project - SMELoC	<p>Beneficiaries - SME Entrepreneurs</p> <p>Maximum Loan Amount (Rs.) - 50,000,000</p> <p>On-lending Rate - 11 – 14 %</p> <p>Donor Agency - ADB (USD 175 million)</p> <p>Repayment Period - 10 years (including 2 years grace period)</p>
2.3 ‘Pavithra Ganga’ Initiative	<p>Beneficiaries - The companies that already discharge their waste into the Kelani River, lagoons</p> <p>Maximum Loan Amount (Rs.) - 30,000,000</p> <p>On-lending Rate - 6.5%</p> <p>Donor Agency - JICA</p> <p>Repayment Period - 10 years (including 2 years grace period)</p>
3. Financial and non-financial support programs	
3.1 National Credit Guarantee Institution (NCGI)	<p>Beneficiaries - SME Entrepreneurs</p> <p>Maximum Coverage - 1/3 of the loan</p> <p>Annual Premium - 1 - 2 %</p> <p>Donor Agency - ADB (USD 100 million)</p>
3.2 .Supporting for the formation of SME companies	<p>Beneficiaries - Youth, Women, farmers, and people who are willing to establish SME companies</p> <p>Non- Financial Benefits - Technical support to incorporate companies, maintain books and records, negotiations with financial institutions, access to market</p> <p>Financial Benefits - Loan facilities through state banks and minimum 75 percent of loan instalment paid by the Government.</p> <p>Government Subsidies</p> <p>Small & medium sized companies - 75% of the monthly installment</p>

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

Name of the Loan Scheme	Description
	including the loan instalment and the interest - 85% of the monthly installment including the loan instalment and the interest SME companies operated by the differently abled persons - 90% of the monthly installment including the loan instalment and the interest

2.2.1 Interest Subsidy Loan Schemes

The Interest subsidy loan schemes are being implemented by the public and private sector banks utilizing their own funds while the interest component is fully or partly subsidized by the Government. Out of the twenty two (22) interest subsidy loan schemes eight (08) loan schemes were introduced during the year 2017 and the rest were introduced/expanded during the year 2018 and 2019. It is expected that these programmes will help to improve the agriculture, fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, wood based products, apparel, information technology, manufacturing industry and renewable energy sectors in the country targeting youth, women entrepreneurs and the self-employed including small and medium scale entrepreneurs in the country. Accordingly approximately Rs. 54,320 million was disbursed among 27,850 beneficiaries as at 30th April 2019.

TABLE 2.1 : Progress of interest subsidy loan schemes as at 30th April 2019

No.	Loan Scheme	No. of Beneficiaries	Amount Disbursed (Rs. Million)
1	Sonduru Piyasa	11,831	2,352
2	Govi Navoda	2,282	1,744
3	Ran Aswenna	8,824	10,048
4	Riya Shakthi	802	2,372
5	Rivi Bala Savi	1,070	355
6	Jaya Isura	2,200	36,815
7	Madya Aruna	595	226
8	Green Loan	174	298
9	Arambuma	58	79
10	Middle Income Housing Loan	14	31
Total		27,850	54,320

Source: Department of Development Finance

Five new subsidiary loan schemes named “City Ride”, “Mini Taxi”, “Sihina Maliga”, “Rekawarana” and “Singithi Pasala” were also introduced by the Budget 2019 in order to support the areas which are not covered by the existing loan schemes. In addition to that, the “Diri Saviya” loan scheme, which was introduced to support poultry producers, has been expanded to cover areas such as self-employed sector and small scale animal

husbandry sector. Further, the “Arambuma” loan scheme introduced to encourage young graduates for setting up new businesses by providing cash flow based loan at a zero interest rate with a Government guarantee and it was expanded to the National Vocation Qualification (NVQ) 5, 6 and 7 certificate holders.

The Government has already allocated Rs. 6,200 million for the year 2019 to subsidize the loans granted under these subsidized loan schemes and there is a potential to grant around Rs. 76,000 million worth of loans in the year 2019, if the Participatory Financial Institutions utilize the total allocated subsidy amount.

TABLE 2.2 : Potential of interest subsidy loan schemes - 2019

(Rs. Million)			
No.	Loan Scheme	Subsidy Amounts Allocated in 2019 Budget	Maximum Worth of Loans to be Granted in 2019
1	Sonduru Piyasa	1,000	14,430
2	Govi Navoda	50	481
3	Ran Aswenna	900	12,837
4	Riya Shakthi	500	4,807
5	Rivi Bala Savi	100	1,443
6	Jaya Isura	3,000	34,482
7	Diri Saviya	5	72
8	Madya Aruna	25	240
9	Green Loan	20	270
10	Arambuma	50	416
11	Home Sweet Home	250	5,000
12	My Future	200	1,538
13	SME Company Formation	100	125
Total		6,200	76,141

Source: Department of Development Finance

2.2.2 Donor Funded Refinance Loan Schemes

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

The original credit line of USD 100 million of the SMELoC project, which was funded by the Asian Development Bank (ADB), was completed in October 2018 and financially closed in January 2019. Considering the satisfactory performance in utilization of the initial USD 100 million and the upward trend of the demand for SME Credit in the market, ADB granted USD 75 million as an additional allocation 1 with the USD 9.5 million Women Entrepreneur Finance Initiative (We-Fi) Grant which focuses on supporting women entrepreneurs. This USD 9.5 million We-Fi grant has been scheduled to be utilized for supporting women entrepreneurs by blending with credit line. At present, two tranches (USD 25 million each) of the additional USD 75 million were carried out in March, 2018 and September, 2018 and the final allocation (balance USD 25 million) has been scheduled to allocate in March 2019. Also, USD 3.1 million out of the available USD 9.5 million of the We-Fi grant component has been subscribed by PFIs

Accordingly, Rs. 22,769.5 million has been disbursed as loans among the 2,797 beneficiaries and Rs. 486 has been granted to 325 women entrepreneur as we-fi grant as at 30th April 2019 under the SMELoC Project.

TABLE 2.3 : Progress of the SMELoC as at 30th April 2019

(Rs. Million)

Name of PFI	Loan Amount Allocated	Loan Disbursement		% Disbursed	We-Fi Grant Allocated Amount	We – Fi Grant Disbursement		% Disbursed
		No. of Loans	Amount			No. of Loans	Amount	
Bank of Ceylon	2,282.74	498	2,254.70	98.77	107.78	145	105.4	97.78
People’s Bank	1,788.19	206	1,436.72	80.35	18.18	6	14.15	77.82
Regional Development Bank	2,282.74	880	2,186.15	95.77	48.24	75	43.85	90.89
DFCC Bank	2,907.73	214	2,894.93	99.56	68.63	19	66.74	97.24
Sampath Bank	2,268.10	127	2,190.49	96.57	56.74	15	56.74	99.99
Hatton National Bank	2,907.73	221	2,907.73	100	22.81	10	22.81	100
Commercial Bank	2,282.74	153	2,261.73	99.08	80.35	23	76.36	95.02
National Development Bank	4,104.57	341	4,005.54	97.59	77.33	22	73.95	95.62
Seylan Bank	1,134.17	73	1,134.18	100	26.04	10	26.04	100
Nations Trust Bank	1,788.19	84	1,497.33	83.74	18.18	0	0	0
Total	23,746.90	2,797	22,769.50	95.88	524.28	325	486.04	92.70

Source: Department of Development Finance

There is a huge potential in the SME Sector to create employment opportunities since most of the SMEs are labor intensive and still there exists a large gap between supply and demand for SME credit in the financial market.

Considering these facts, the Government further negotiated with the ADB and the ADB agreed to provide USD 75 million as additional allocation II over the period of 2019 – 2021 in addition to the USD 175 million already allocated by the ADB. Accordingly, it has been planned to disburse this USD 75 million additional allocation by three (03) semiannual allocations with the amount of USD 25 million at each allocation through the same PFIs which participated for the 1st and 2nd tranches of the credit line.

Further, It is also important to take appropriate measures to move from fossil fuel to renewable energy sources which are at low cost and environment friendly to manage the future energy crisis since the existing fossil fuel reserves may be enough only for thirty years if the use of fossil fuels continues at the current rate of demand. Fortunately, Sri Lanka has a high potential to promote solar power generation as this country is located in the region known as the “sunbelt” which is the area within 35 degrees of the equator.

Considering these positive factors, the Government negotiated with ADB to obtain a loan in order to promote setting-up of small solar power plants on the rooftop of houses, religious places, hotels, commercial establishments and industries. Accordingly, the ADB has allocated USD 50 million for the RSPGLoC project at the first stage and agreed to top up the funds upto to USD 200 million based on the performance during the 4 year period commencing from 2018. This project is being implemented through ten (10) PFIs i.e. People’s Bank, Bank of Ceylon, Pradeshiya Sanwardana Bank, Commercial Bank of

Ceylon PLC, Sampath Bank PLC, Hatton National Bank PLC, DFCC Bank PLC, National Development Bank PLC, Nation's Trust Bank PLC and Seylan Bank, which are selected by the ADB.

Through this project, it is expected to invest around Rs. 35,000 million in the solar sector if the estimated market demand is incurred and to supply around 200 MW solar power to the national grid. On the other hand it will save a considerable amount of foreign exchange due to decrease in importation of crude oil used to generate electricity power.

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

2.2.3 Non-financial Support Programmes

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

Although various Government institutions have implemented the credit guarantee schemes, which were specific to various sectors, by periodically, there is no proper mechanism at national level to offer long term credit guarantees for small and medium scale entrepreneurs. Therefore, the Government has proposed to establish this NCGI as a sustainable solution to the problem of access to finance encounter by the small and medium entrepreneurs, who are unable to obtain funds for their investment needs. Accordingly, the Government proposed to establish a NCGI with the financial assistance of the ADB and the ADB has agreed to provide a USD 100 million loan from its Ordinary Capital Resources as the seed capital required to establish this NCGI. Further, it has been planned to establish this Institute as a Limited Public Company under the Companies Act in Sri Lanka.

During the years 2018 - 2020, the Government expects to establish 50 agro and fishery entities, 25 majority women owned entities and 150 youth centric startups. These entities will be established under the Companies Act or legally registered corporative societies or farmer organizations. The German International Cooperation (GIZ) has been selected as the consultant for this assignment and they have provided the required technical assistance for the SME Companies will be established under this programme. Accordingly, seven (07) societies and one (01) SME company have already been registered and the Government has also planned to provide subsidized loans such as 75 percent of monthly installment including the loan installment and the interest for small and medium sized companies, 85 percent of the monthly installment including the loan installment and the interest for women-led SME companies and 90 percent of the monthly installment including the loan installment and the interest for SME companies operated by differently abled persons through the "Enterprise Sri Lanka" Credit Scheme to these Companies.

2.2.4 Progress of SME Financing

Under the “Enterprise Sri Lanka” Programme, there are twenty two (22) schemes with an aim to support the SME sector in the country by providing financial and nonfinancial facilities at a concessionary rate with Government intervention. In addition to that, more than sixty (60) loan schemes are being implemented by the state and private commercial and specialized banks by utilizing their own funds at the market interest rate. In 2018, approximately Rs. 827,896 million was granted by both state and private banks through these all schemes to fulfill the financial need of the SMEs.

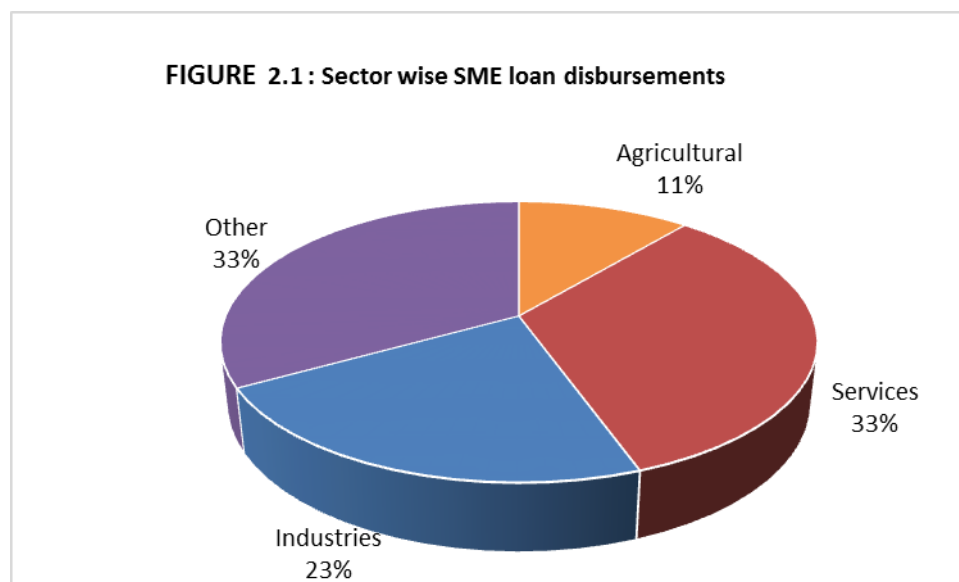
TABLE 2.4 : Funds disbursed by commercial and development banks to SMEs – 2018

Bank	Agricultural		Services		Industries		Other		Total	
	No. of Loans	Total Loan Amount	No. of Loans	Total Loan Amount	No. of Loans	Total Loan Amount	No. of Loans	Total Loan Amount	No. of Loans	Total Loan Amount
Bank of Ceylon	2,196	22,833	1,080	4,689	1,643	7,102	1,006	1,515	5,925	36,139
People's Bank	273	447	263	980	126	737	1,104	4,210	1,766	6,374
Regional Development Bank	3,901	4,309	19	28,372	7,073	9,092	9,807	10,340	20,800	52,113
Lankaputhra Development Bank	12	72	13	28	28	212	3	6	56	318
Sanasa Development Bank	433	1,960	1,081	3,327	0	0	168	305	1,682	5,592
National Development Bank	104	978	93	1,669	289	3,047	514	5,674	1,000	11,368
DFCC Bank	313	3,894	1,298	9,945	1,368	9,802	52	403	3,031	24,044
Commercial Bank of Ceylon	6,632	10,252	5,909	26,181	10,403	46,621	38,826	95,077	61,770	178,133
Sampath Bank	2,423	21,551	5,106	72,406	5,554	49,959	39,283	106,772	52,366	250,688
Seylan Bank	1,798	11,566	4,123	86,302	4,750	21,615	996	3,330	11,667	122,813
Hatton National Bank	1,689	8,115	3,872	22,038	4,153	24,816	9,216	39,134	18,930	94,103
Standard Chartered Bank	2	62	54	262	36	431	1	0	93	755
Pan Asia Bank	55	745	34	700	559	4,552	524	5,203	1,172	11,200
Cargills	68	437	209	2960	571	2771	8	99	856	6,267
Sri Lanka Savings Bank	0	0	0	0	2	85	1	33	3	118
State Mortgage and Investment Bank	69	33	0	0	6	3	65	29	140	65
Amana Bank	1,297	5,125	5,135	15,950	1,215	5,110	417	1,623	8,064	27,808
Total	21,379	92,378	28,289	275,809	37,776	185,955	101,991	273,753	189,321	827,896

Source: Respective Banks

In 2018, out of the total SME sector loans granted by both state and private sector commercial and development banks, 11 percent was for agriculture sector, 23 percent for

industry sector, 33 percent for the services sector while 33 percent was for the other sector SME loans. The Chart 12.1 below shows the composition of SME loans.



Source: Respective Banks in above Table

2.2.5 GIZ – SME Development Programme II

A Technical Cooperation Agreement between the Federal Republic of Germany and the Government of Sri Lanka (GOSL) was initially signed in 2012 providing a grant amounting to EURO 2.785 million through GIZ for the implementation of the SME Sector Development Programme. The project period has been extended till 31st December 2019 as the second phase, which is known as “GIZ - SME Development Programme II”, and an additional budget of EURO 3 million has been provided as a grant. Also Rs. 8 million has been allocated by the Budget 2018 for the expenses to be borne by the GOSL.

According to the progress report, around Rs. 390 million has been spent from the GIZ grant component and Rs. 7 million from the GOSL funds for the SME sector development activities in 2018.

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

- (I) Policies and Institutional Framework Conditions
- (II) Access to Finance
- (III) Access to Technology and Markets
- (IV) Innovation and Entrepreneurship

2.3. GAMPERALIYA – RURAL/ REGIONAL DEVELOPMENT PROGRAMME

The Gamperaliya scheme was launched in 2018, to address critical lacunas in infrastructure needs that have thus far, prevented our villages and cities from becoming the growth centers that they have the potential to be. The main objective of this programme is to build up a village oriented development mechanism to enhance the living condition of the general public and to build up proper infrastructure facilities to support the emerging entrepreneurs.

Although several development programs have been launched to enhance the living condition of people, it is observed that these massive development projects have not touched the grass root levels and those have not directly contributed to upgrade the rural living conditions. To address this serious issue, Gamperaliya has introduced several programs such as renovation of tanks, rural road infrastructure development, small sector bridge development, improving school level janitorial facilities, sports sector infrastructure development, constructing children’s parks, providing electricity for houses, improving and renovation of religious institutes, providing solar power to religious places, and permanent roofing facilities for those who are in need. Developing other social economic infrastructure also come under the purview of this program and improving city drainage system, minor irrigation development schemes, and small scale drinking water schemes also play a major role in this regional development concept.

Implementing mechanism of this scheme is very familiar to general public as District Secretariats and Divisional Secretariats are coordinating the development projects with the collaboration of Ministry of Finance, Ministry of Public Administration and Disaster Management, and Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development and Youth Affairs.

The total value of works completed under Gamperaliya program is Rs. 5,070 Mn. as at 31st December 2018.

TABLE 2.5 Progress of the Gampareliya Programme - 2018

Province	Total Value of The Completed Works (Rs. Million)	No. of Projects Fully Completed
Northern	715.65	973
Southern	474.32	900
Eastern	1,135.01	985
Western	498.93	819
Uva	691.06	906
Central	514.34	931
North Western	615.08	1,241
North Central	88.30	111
Sabaragamuwa	336.88	371
Total	5,069.57	7,237

Sources: Gampareliya Secretariat

2.4. MICROFINANCE

Microfinance sector is the most important model for access to financing which has been popular in rural areas. The microfinance sector in Sri Lanka has shown an incredible growth over the last few years. It has been an effective instrument for reduction of poverty in Sri Lankan rural community due to its contribution to the growth of rural sector. Microfinance build financial sectors that are closely interconnected with the local economy by facilitating lending to micro and small enterprises, enabling payment systems, creating new saving opportunities for private households. It contributed to the quantitative growth of other sectors of the economy such as small scale industry, construction and trade.

The Government plays a key role in providing concessional funding through various agencies in order to alleviate poverty and to create financial inclusion of underprivileged people in rural and remote areas of the country. Various Governments led micro financing programmes targeting the low income families continued in 2018. The progress of micro financing programmes carried out by Government affiliated institutions in 2018 is as follows.

Table 2.6 Progress of micro financing programmes carried out by major microfinance institutions –2018

(Rs.Milion)						
Microfinance Institute	No. of Branches	No of Depositors	No. of Borrowers	Total Deposits	Total Investment	Total Loan Portfolio
Department of Divineguma	1073	14,540,246	8,868,512	113,993	85,942	68,206
Department of Co-operative Development	2,284	9,254,618	1,193,561	140,434	139,030	72,788
Department of Agrarian Development	553	802,454	695,741	827	2,211	2,122
Regional Development Bank	268	6,653,368	915,720	126,193	37,193	135,442
Lankaputhra Development Bank	8	64,511	5,565	298	6,202	3,690
Total	4,186	31,315,197	11,679,099	381,745	270,578	282,248

Source: Department of Development Finance

These microfinance institutions provide financial services either through loans or deposit facilities. The outstanding loan portfolio of major microfinance institutions stood at Rs. 282 billion out of which 47 percent (Rs. 135 billion) is held by Regional Development Bank, 26 percent (Rs. 73 billion) is held by Department of Cooperative Development, and 24 percent (Rs. 68 billion) is held by the Department of Divineguma. The savings of the indigent have reached up to Rs. 381 billion by end 2018, out of which Rs. 270 billion was placed on long term and short term investment.

Micro Finance Institutions provide micro loans through a door to door strategy of high interest rate loans for women seeking economic activities and income generation sources. These loans are provided without collateral and other conditions and it has enticed many rural people, even though they pay a much higher interest. These micro loans are utilized for high risk small agriculture activities, unfeasible economic activities and sometimes for consumption purposes. Due to the long drought prevailing over the last two years in the country, this issue has become a serious crisis with micro finance loan recipients falling into a debt-trap.

Considering the above, in 2018 the government has introduced a debt relief programme to provide debt relief for women who are residents in the drought affected Districts i.e. Trincomalee, Ampara, Batticaloa, Jaffna, Mulaitivu, Kilinochchi, Vavuniya, Mannar, Kurunegala, Puttalam, Anuradhapura, Polonnaruwa during the recent consecutive five cultivation sessions and who have availed themselves of Micro Finance loans from Micro Finance Institutions (MFI) registered with Lanka Micro Finance Practitioners Association (LMFPA) and Finance Companies (FC) registered with the Central Bank of Sri Lanka (CBSL) up to a maximum of Rs. 100,000.

Accordingly, 37 MFIs and FCs have submitted their claims and both the capital and interest components of each of these micro-finance loans were written-off under this relief package. The loss incurred due to writing off the capital to be reimbursed to the FC or MFI within a period of 3 years in equal semi-annual instalments by the General Treasury. The loss incurred by writing off the interest under this scheme should be borne by the respective FCs or MFIs.

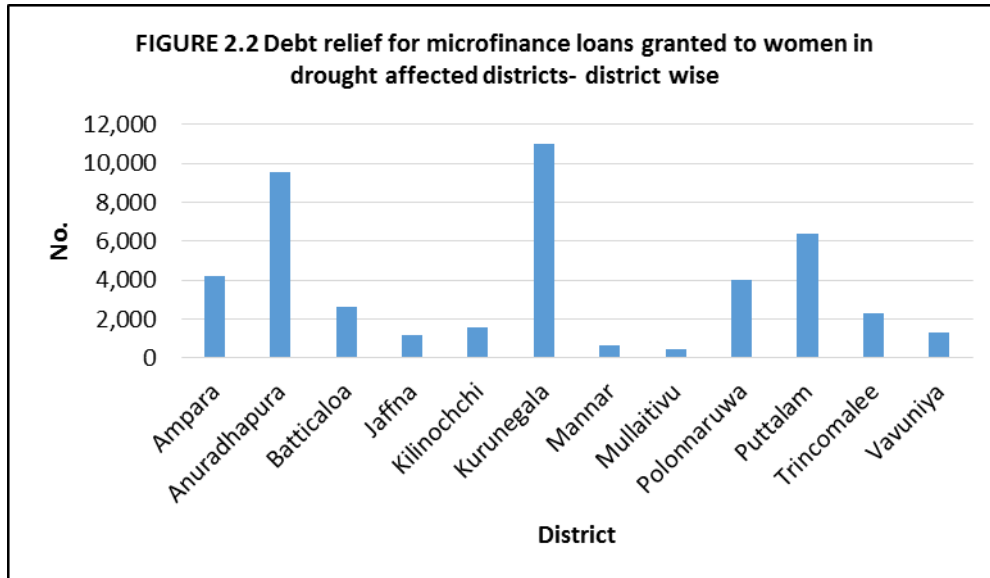
Summary Report of the Debt Relief for Microfinance Loans Granted to Women in Drought Affected Districts including the written off capital and interest amounts are as follows.

TABLE 2.7 Debt relief for microfinance loans granted to women in drought affected districts
(RS. Million)

Institute	Number of Borrowers	Write-off Capital Amount by GOSL	Write-off Interest Amount by FCs/MFIs
Alliance Finance Company PLC	277	6.68	0.89
Arthavida Intermediary Limited	253	3.99	0.58
Agro Micro Investments Ltd	70	4.37	0.85
Arpico Finance Company PLC	151	5.29	0.62
Asia Asset Finance PLC	1,805	49.32	5.88
Berendina Micro Investments Company Limited	236	6.82	0.94
Bimpuh Finance PLC	7,041	180.90	24.02
BRAC Lanka Finance PLC	2,110	87.35	10.44
Central Finance Company PLC	5	0.20	0.02
Commercaill Leasing & Finance PLC	833	26.26	3.26
Commercial Credit and Finance PLC	8,162	215.19	14.81
ECLOF Lanka (Gte) Ltd	148	3.08	0.01
HNB Grameen Finance Limited	5,438	154.97	9.02
Kanrich Finance Limited	2,695	82.51	13.39
Lak Jaya Micro Finance Limited	60	0.74	0.02
Loans And Land Investment (Pvt) Ltd	208	4.28	1.01
LOLC Finance PLC	2,214	101.83	9.61
Mercantile Investments and Finance PLC	28	0.67	0.04
Merchant Bank of Sri Lanka	2,516	74.09	10.22
Muslim Aid Micro Credit (Guarantee) Limited	111	1.79	0.16
Nation Lanka Finance PLC	2,597	56.08	6.58
Peoples Microfinance LTD	650	9.47	1.25
Pragathi Sewa Foundation	194	4.14	1.05
Prosperous Capital & Credit Ltd	46	1.50	0.14
Purewin Credit and Investments LTD	11	0.19	0.05
Rajarata Praja Kendraya	118	3.58	0.52
Sareeram Sri Lanka National Foundation (Inc.)	210	7.11	0.41
Sarvodaya Development Finance	1,970	50.44	6.82
Sejaya Micro Credit Limited	96	1.12	0.21
Sewa Community Credit Limited	86	2.29	0.41
Singer Finance (Lanka) PLC	224	5.48	0.59
South Asia Partnership Sri Lanka	20	0.38	0.02
TKS Finance Limited	969	19.26	2.15
Trade Finance & Investments PLC	193	4.54	0.50
VisionFund Lanka Limited	3,097	73.91	13.96
Y Gro (PVT) LTD	138	2.42	0.40
Young Men's Christian Association of Batticaloa	159	3.51	0.54
Grand Total	45,139	1,255.74	141.41

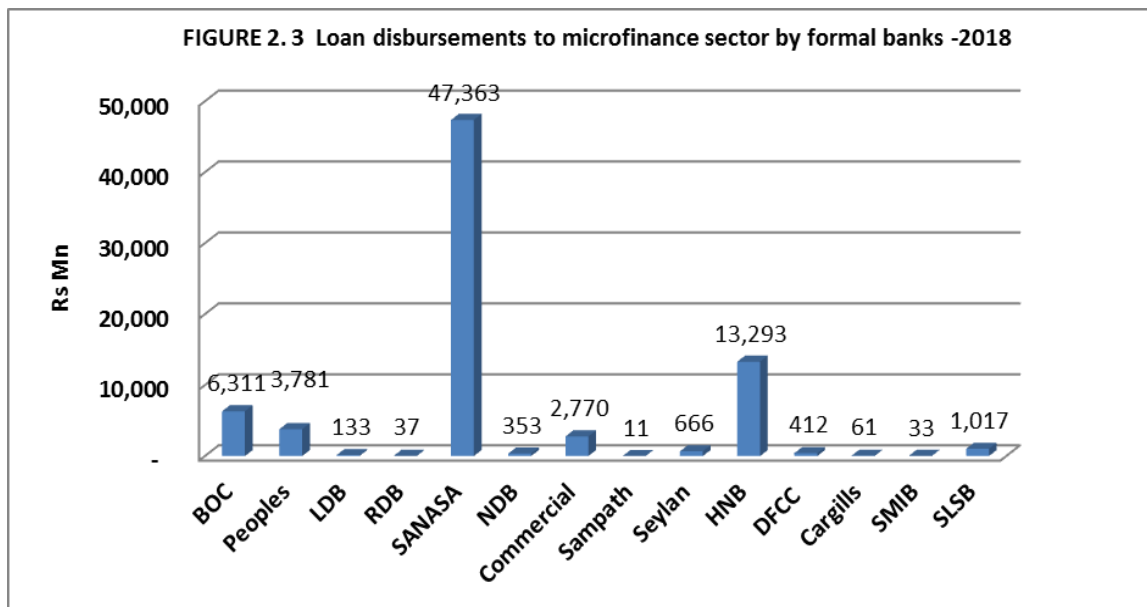
Sources: Department of Development Finance

Considering the regional distribution of the beneficiaries, the highest numbers of 10,999 loans were recorded in Kurunegala District, which is 24 percent of the total loans written off of 45,139 loans. The number of women who benefitted under this debt relief programme are considerably high in Anuradhapura, Puttalam and Ampara districts in comparison with eligible other Districts.



Source: Department of Development Finance

During the year 2018 the CBSL introduced a maximum of 35 percent per annum (effective annual interest rate, inclusive of all other charges) interest rate cap on microfinance loans granted for individuals/ individuals under group lending system by the FCs with the objective of protecting the customers being charged with exorbitant interest rates.



Source: Department of Development Finance

In 2018, the banking sector disbursed Rs. 76 billion in loans to the microfinance sector. Of this Rs. 47 billion was disbursed by the SANASA Bank. HNB and BOC disbursed Rs. 13 billion and Rs. 6 billion respectively in 2018. Compared to state banks, Commercial Bank

and Seylan were the private banks with significant microfinance portfolios providing access to finance through various microfinance programmes.

2.5. SUPPORT TO AGRICULTURAL DEVELOPMENT

2.5.1 Fertilizer Subsidy Programme

2.5.1.1 Fertilizer cash subsidy for paddy farmers

The fertilizer cash subsidy programme which was introduced by the Government in 2016 Yala season was continued until 2017/18 Maha season. Accordingly, a cash subsidy of Rs 25,000/- per hectare per annum was granted to the paddy farmer up to a maximum of two hectares. A small scale paddy farmer who owns two hectares has been entitled to receive a cash subsidy of Rs 50,000/- per annum and they will receive their cash subsidy separately for two seasons in each year.

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

During 2017/18 Maha season, an amount of Rs. 8,002 million has been granted to 882,298 paddy farmers under the fertilizer cash subsidy scheme.

TABLE 2.8 : Progress of the fertilizer cash subsidy programme – 2017/18
Maha season

District	No of farmers who received fertilizer	Cultivated extent (Ha)	Cash subsidy paid (Rs. Million)
Colombo	7,051	2,691	34.47
Gampaha	24,733	9,019	120.32
Kalutara	25,618	10,632	134.74
Kandy	30,511	12,216	156.47
Matale	33,600	18,531	235.05
Nuwara Eliya	13,759	5,543	69.95
Galle	24,719	10,343	131.30
Matara	31,520	13,104	171.46
Hambantota	44,706	34,457	431.97
Jaffna	18,105	9,907	132.49
Mannar	12,470	14,793	184.91
Vavuniya	12,579	14,456	180.70
Mullaitivu	14,247	17,379	217.23
Kilinochchi	17,328	24,979	312.23
Batticaloa	41,554	51,477	643.46
Ampara	76,588	78,941	986.76
Trincomalee	41,573	39,107	488.83
Kurunegala	108,280	45,827	587.30
Puttalam	7,319	5,443	68.64
Anuradhapura	90,325	79,223	990.34
Polonnaruwa	65,789	65,109	813.86
Badulla	49,066	25,328	320.69
Monaragala	46,134	29,629	370.60
Ratnapura	24,497	11,358	143.76
Kegalle	20,227	5,349	74.15
Total	882,298	634,838	8,001.67

Source: Ministry of Agriculture

2.5.1.2 Fertilizer in-kind subsidy for paddy farmers

Due to the high demand for fertilizer in-kind subsidy, the Government decided to provide the three major fertilizer types used for paddy at a subsidized price of Rs. 500/- per 50 Kg bag from 2018 Yala Season. Accordingly, Urea, TSP and MOP are issued at Agrarian Service Centers through the distribution channel of the two state fertilizer companies.

During 2018 Yaha season, a quantity of 110,924 mt has been distributed among 564,882 farmers.

TABLE 2.9 : Fertilizer in-kind subsidy programme - 2018 Yala Season

District	No of farmers who received fertilizer	Cultivated extent (Ha)	Distributed fertilizer quantity (Mt)			
			Urea	TSP	MOP	Total
Colombo	2,800	1,051	99	52	109	259
Gampaha	15,679	2,409	667	250	541	1,458
Kalutara	15,199	6,043	576	303	631	1,510
Kandy	24,469	7,613	1,395	388	4,029	5,811
Matale	18,435	9,333	2,100	440	534	3,074
Nuwara Eliya	10,763	4,175	764	183	213	1,159
Galle	8,266	3,878	323	165	359	847
Matara	24,727	10,014	1,530	462	836	2,828
Hambantota	41,458	33,246	6,881	1,621	1,784	10,286
Kurunegala	115,824	48,402	8,846	2,115	2,435	13,396
Puttalam	13,639	9,607	1,940	466	525	2,931
Anuradhapura	41,013	32,340	6,617	1,565	1,684	9,867
Polonnaruwa	58,894	61,346	12,612	2,950	3,186	18,748
Badulla	29,129	15,863	3,085	725	824	4,633
Monaragala	23,406	13,194	2,628	619	686	3,933
Ratnapura	18,196	8,749	1,555	403	571	2,529
Kegalle	17,574	4,575	430	226	474	1,129
Ampara	43,131	17,541	9,259	2,151	2,343	13,752
Trincomalee	16,884	16,903	3,435	833	914	5,181
Batticaloa	17,477	22,119	4,575	1,078	614	6,267
Vavuniya	631	405	82	20	22	124
Jaffna	3,268	1,342	219	46	60	325
Mannar	1,240	458	97	22	25	144
Mullaitivu	1,744	1,602	328	78	87	493
Kilinochchi	1,036	765	160	37	41	238
Total	564,882	332,971	70,200	17,199	23,525	110,924

Source: Ministry of Agriculture

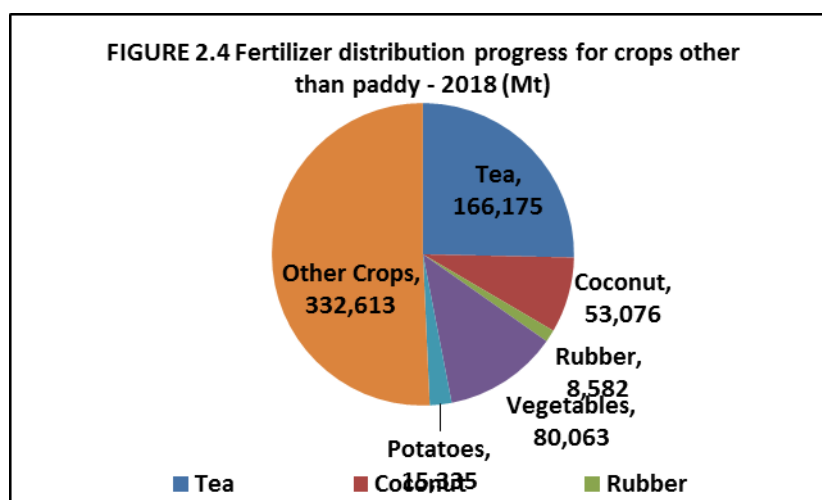
2.5.1.3 Fertilizer subsidy for other crops

As an incentive for farmers to expand their cultivating capacity from one crop to multiple crops and to increase the productivity of crops other than paddy, the fertilizer subsidy for other crops was announced as follows in the year 2018 at the following concessionary prices.

- A 50 Kg bag of any type of straight fertilizer to be sold at Rs. 1,000/-
- A 50 Kg bag of mixed fertilizer to be sold at Rs. 1,150/-

This programme has increased the accessibility to fertilizer while providing consumers a variety of straight and mixed types with a range of quantities from both private and state owned fertilizer outlets.

In 2018, a total volume of 655,844 mt of fertilizer was distributed for different types of crops other than paddy.



Source: Ministry of Agriculture

2.5.2 Agricultural Loan

2.5.2.1 New comprehensive rural credit scheme (NCRCS)

The enormous demand of farmers, collectors, agro based industrialists as well as the willingness of the Participatory Financial Institutions (PFIs) has resulted in continuation of providing interest subsidy by the Government to lending banks for loans advanced by them out of their own resources under the NCRCS in 2018. Most of the NCRCS loans were utilized by small farmers. The credit facility for cultivation is being implemented at a concessionary rate of 7 percent by the PFIs and the Treasury provides 5 percent of interest subsidy to PFIs. The scheme covers about 33 major crops including paddy, chilli, Maize, Onion, Potato, and Vegetables. In 2018, the Treasury provided Rs.228 million as interest subsidy on loans granted by PFIs using their own funds under NCRCS.

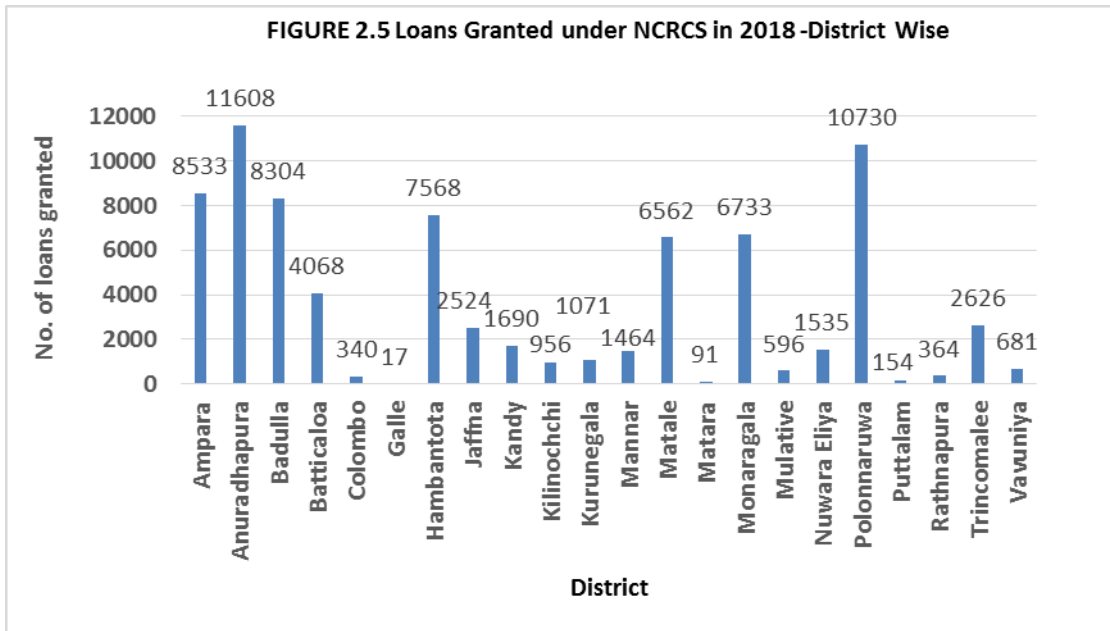
TABLE 2.10 Loan disbursements under NCRCS-2018

Crop	Maximum loan limit per acre (Rs.)	Maximum land units (Acres)	No. of loans granted	Amount Released (Rs. Million)	Extend of Land (Acres)
Paddy			52,394	5,664	211,297
Irrigated	30,000	10			
Rain fed	32,000	10			
Maize	34,000	10	10,748	1,181	40,500
Potato	252,000	2	5,492	1,034	7,078
Onion	140,000	2	4,406	679	7,230
Chilies	88,000	2	1,466	122	2,180
Vegetables	31,000-119,000	2	2,473	235	4,849
Root and Tuber	32,000- 252,000	5	5	0	13
Pulses	19,000- 34,000	5	56	4	178
Oil Seeds	14,000- 31,000	5	39	4	131
Other	70,000	2	1,136	99	2,259

Total	78,215	9,022	275,714
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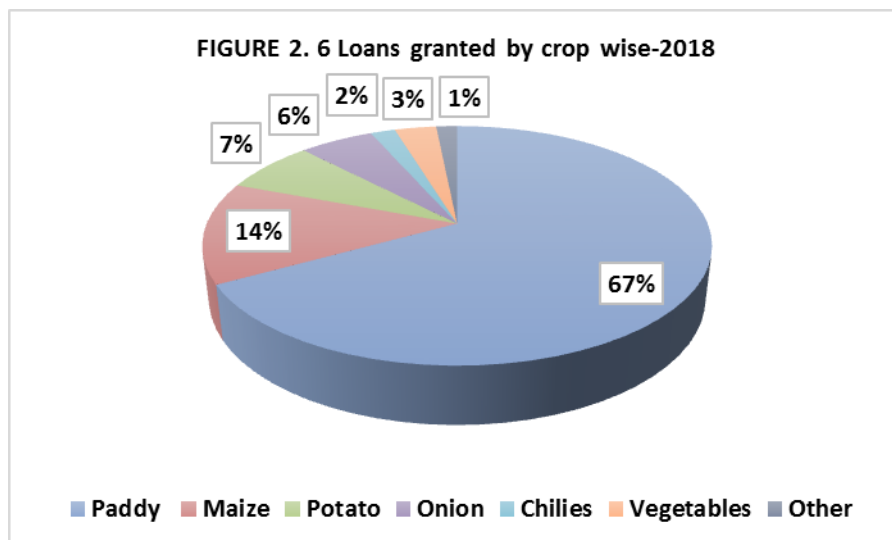
Source: Regional Development Department, Central Bank of Sri Lanka

During 2018, the demand for loans under NCRCS increased due to the economic situation and peaceful environment in the country. The number of farmers benefited under this scheme increased to 78,215 in 2018 from 71,397 in 2017 while the total loan disbursement increased from Rs. 9,022 million in 2018 to Rs. 7,846 million in 2017. In terms of loan distribution, the small loans below the maximum loan limit of Rs. 320,000 have been provided mostly to the paddy sector, accounting for 67 percent of the total loan disbursement in 2018. In 2018, the extent of land totaling to 275,714 acres have been utilized for crop cultivation of which 77 percent was for paddy. In comparison to 2017, the total land utilization was increased by 17 percent in 2018.



Source: Regional Development Department, Central Bank of Sri Lanka

In terms of regional distribution, the highest number of beneficiaries was recorded in the Anuradhapura District, followed by Polonnaruwa, Ampara, Badulla and Hambantota Districts.



2.5.2.2 Dairy development loan scheme

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

TABLE 2.11 Progress of commercial scale dairy development loan scheme

Year	No. of Beneficiaries	Loan Amount	(Rs. Million)
			Subsidy Paid
2013	60	202.2	1.78
2014	608	1010.1	41.93
2015	1,424	1,229.80	80.64
2016	2,667	1,633.49	139.4
2017	1,671	1,648.50	173.24
2018	288	277.9	4.3
Total	6,718	6,001.99	441.29

Source: Regional Development Department, Central Bank of Sri Lanka

Due to reduction of applicable interest rate to the borrowers from 8 percent to 6 percent at the end of 2014 the demand for loans under CSDDL loan scheme has increased considerably during last two years. There were 6,718 dairy farmers who benefitted under this loan scheme and the total loan disbursements at the end of 2018 was Rs. 6,002 million. The Government paid Rs. 441 million to selected PFIs as interest subsidy by December 2018.

2.5.3 Storage Facilities

The Government, with the assistance of the World Bank, has introduced a state-of-the-art technology with an innovative mechanism to assist farmers in selected agricultural Districts by providing them with high quality storage facilities to store their produce such as paddy, maize, soybean, sesame, black gram, pepper, peanut etc. during harvesting period in order to obtain high price later. The main objective of these warehouses is to facilitate farmers to use their produce as collateral to access financial services by an electronic and negotiable warehouse receipt finance mechanism. Constructions of six warehouses have been completed in the Districts of Anuradhapura, Monaragala, Mannar, Ratnapura, Kilinochchi and Polonnaruwa with a total storage capacity of 48,000 mt.

It was reported that 54 farmers have stored their commodities at the Upuldeniya (Anuradhapura) warehouse during 2018 of which 48 farmers have obtained Rs. 5 million short term credit facilities as pledge loans from the Regional Development Bank by using warehouse receipts. In Buttala (Monaragala) warehouse, 56 farmers have stored their produces during the same period and out of which 31 farmers obtained Rs. 2 million short term credit facilities. In Mannar warehouse, 53 farmers have stored their produce during the same period out of which 37 farmers obtained Rs. 2 million short term credit facilities using the warehouse receipt system.

As at 31st December 2018, six types of grain have been stored namely paddy, maize, sesame, soybean, cowpea and black gram at the Upuldeniya warehouse (251 mt). Four types of grains have been stored namely paddy, maize, pepper and peanut at the Buttala Warehouse (155 mt). Different varieties of paddy (477 mt) were stored in the Mannar warehouse. The farmers in each area use the warehouse storage facilities offered to store their produce during the harvesting period and sell once the prices increase and are stabilized.

During 2018, the total value of the stock at the time of storage was valued at Rs. 42 million and the value at the time of selling was Rs. 51 million and therefore farmers directly benefitted by Rs. 6 million. Simultaneously, the total revenue of the above three warehouses amounts to Rs. 3 million.

The construction of three new warehouses in the Districts of Polonnaruwa, Kilinochchi and Ratnapura has been completed and already handed over to the general public and awaiting harvest in the respective Districts.

2.5.4 Compulsory Crop Insurance

“Kethata Aruna Pohora Diriya” Crop Insurance Scheme which was established under the Agricultural and Agrarian Development Board (AAIB) provides its protection only for crop damages of paddy and the actual cost of crop damages was not covered. Accordingly, “Compulsory Crop Insurance Scheme” was introduced in year 2018 by extending the insurance coverage for other commercial crops such as maize, soya bean, big onion, potatoes and chilli and cover the actual loss of the crop damage in order to minimize the financial risk of the Government and compensate farmers without causing difficulties as well.

This insurance scheme provides relief to farmers for damage caused to their cultivations due to droughts, floods and wild elephants and a maximum amount of Rs. 40,000 is paid per acre. Rs. 2,024 million has been paid among 141,888 farmers as compensation for crop damages in cultivated land area of 247,852.5 acers within 2017/2018 maha season and the estimated cost of the crop damage for 2018 yala season is around Rs. 1,567 million.

The flood disaster which occurred in December 2018 in the Northern Province and the crop cultivation was destroyed in Kilinochchi, Mulathive, Jaffna and Mannar districts. Considering it as a national disaster, compensation was immediately paid to farmers who suffered from the flood before ending of the 2018/2019 maha season. Accordingly, Rs.

159 million was paid among 3,085 farmers to compensate for their crop damage occurred due to the flood in the above four districts.

In addition to that, immediate action was taken by the AAIB to compensate for the crop damages caused by caterpillar called “Sena”. Maize cultivation was directly affected by this and it has damaged 408.19 and 1340.83 acers in Ampara and Anuradhapura Districts respectively. Accordingly, Rs. 16 million and Rs. 5 million was paid among 307 and 128 farmers in these districts to compensate for the crop damage as per the instructions given by the Department of Agriculture and Department of Agrarian Development. Compensations are being paid only for the 100 percent damaged or destroyed crops.

TABLE 2.12 : Progress of the compulsory crop insurance scheme 2017/18 Maha season

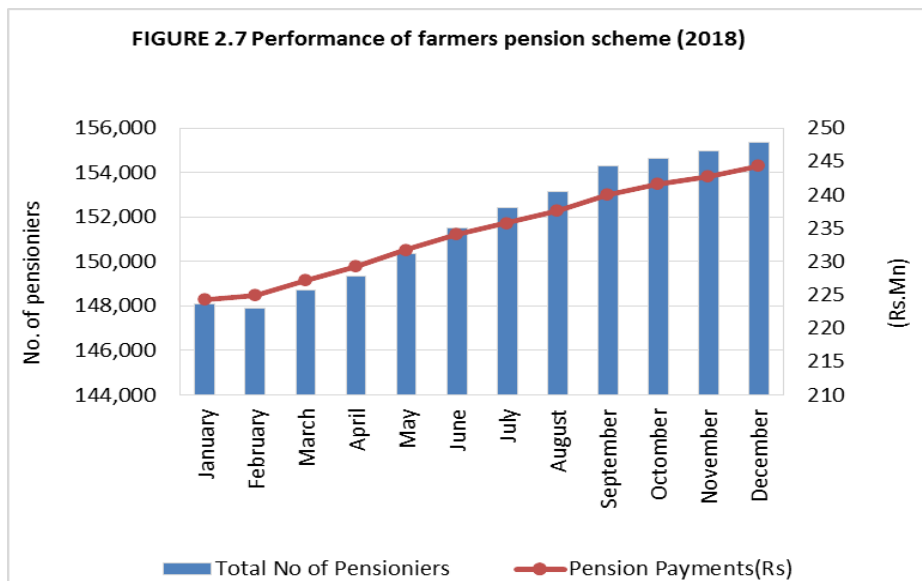
District	No. of Beneficiaries	Expenditure (Rs. Million)
Anuradhapura	19,525	391.13
Monaragala	17,639	281.70
Ampara	18,794	227.33
Batticaloa	19,746	216.37
Vavuniya	5,083	126.58
Mannar	3,644	104.93
Polonnaruwa	2,796	88.46
Mullaithivu	7,424	78.63
Maho	6,750	69.68
Badulla	3,696	69.65
Jaffna	11,251	59.84
Trincomalee	3,738	57.07
Matale	4,721	53.36
Kurunegala	6,309	46.51
Kilinochchi	4,448	43.21
Manampitiya	1,014	35.50
Tambuttegama	1,451	19.58
Puttalam	790	12.62
Kandy	1,302	8.75
Matara	1,215	7.01
Dehiattakandiya	356	6.59
Kegalle	931	5.84
Galle	1,312	5.02
Hambantota	242	5.00
Gampaha	229	1.50
Kalutara	43	0.89
Ratnapura	84	0.42
Nuwaraeliya	33	0.21
Colombo	5	0.08

Source : Agricultural and Agrarian Insurance Board

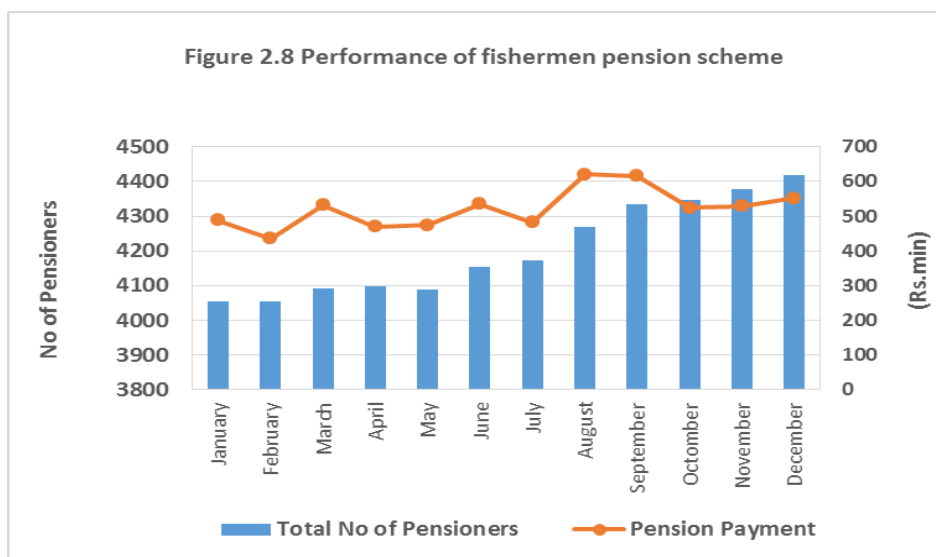
2.5.5 Social Security for Farmers

2.5.5.1 Pension scheme for farmers and fishermen as a social security system

The Agriculture and Agrarian Insurance Board (AAIB) has established a Farmers Pension Scheme to provide a safeguard for elderly farmers who have contributed their youth for the country’s agricultural development. Approximately, 959,254 number of farmers have been registered under the farmer’s pension scheme and Rs. 2,813 million was distributed among 155,339 number of farmers who qualified to enjoy the monthly pension under the scheme in the year 2018. Since the farmer’s contribution of the scheme is not enough to be self-sufficient, the Treasury provided around Rs. 220 million per month for AAIB to provide pension on time. In addition to that, the contributory pension scheme is being implemented by the AAIB to provide pension for fishermen and 69,049 number of fishermen have contributed for this scheme. Approximately, Rs. 63 million was distributed among 4,420 of fishermen under this scheme as their monthly pension and it is being operated as a self – sufficient scheme without any additional cost to the Treasury.



Source: Agriculture and Agrarian Insurance Board



2.6 ASSISTANCE TO PLANTATION SECTOR

2.6.1 Assistance to the Smallholder Plantation Sector

Since, the Plantation sector plays a major role in foreign exchange earnings, all the Governments that came to power after the independence, have taken their maximum effort to facilitate plantation sector by implementing various financial and non-financial supportive schemes. At present, priority is being given for developing the small holder plantation sector which contributes more than 75 percent of the plantation industry. In the year 2018, supportive schemes were continued by the Government for developing additional incentives and benefits to smallholders in order to encourage them.

TABLE 2.13 : Performance of small holder plantation sector, 2011 – 2018

Year	Tea		Rubber		Coconut	
	Extent (Ha)	Total Production (Kg Mn)	Extent (Ha)	Total Production (Kg Mn)	Extent (Ha)	Total Production (Mn nuts)
2011	206,104	328	128,120	158	394,836	2,303
2012	203,020	328	130,780	152	394,836	2,411
2013	202,408	340	133,668	130	394,836	2,061
2014	202,800	338	134,137	99	394,836	2,890
2015	202,800	329	134,906	89	394,836	3,027
2016	202,022	292	136,274	79	440,000	3,098
2017	202,540	308	136,274	83	440,000	2,449
2018	201,137	309	136,875	83	455,430	2,623

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

The smallholder plantation sector which represents more than 75 percent of the plantation industry is currently facing serious issues which negatively affect the sustainability of the sector. The aging cultivation is one of the major issues directly affecting production and profitability of the small holders. To address this issue the Government provides incentives for re-planting and new planting of tea and rubber. Accordingly, a subsidy of Rs. 500,000 per hectare was given by the Government for tea re-planting and new planting. In addition to that Rs. 175,000 and Rs. 150,000 per hectare was also given respectively for the re-planting and new planting of rubber.

The Government has spent around Rs. 662 million to implement this subsidy scheme and approximately 16,562 numbers of beneficiaries have received this subsidy in 2018.

TABLE 2.14 : Progress of the re-planting and new Planting subsidies provided to tea and rubber smallholder sector

(Rs. Million)

Year	Re-Planting Subsidy				New Planting Subsidy			
	Tea		Rubber		Tea		Rubber	
	No. of Beneficiaries	Subsidy Amount	No. of Beneficiaries	Subsidy Amount	No. of Beneficiaries	Subsidy Amount	No. of Beneficiaries	Subsidy Amount
2013	30,955	351.87	2,622	171.31	3,759	42.41	2,938	167.73
2014	16,555	258.09	2,004	219.07	3,381	66.98	2,247	213.47
2015	17,252	420.07	852	173.36	4,732	128.12	1,076	189.83
2016	24,995	531.89	668	337.51	3,759	46.73	942	179.9
2017	20,271	464.33	1,165	346.81	3,416	60.23	657	173.64
2018	9,254	287.3	1114	205.46	5,499	58.79	695	110.55

Source: Ministry of Plantation Industries

The Tea sector plays a significant role in Sri Lanka's economy and it provides livelihood to over 10 percent of Sri Lanka's entire workforce as well as it is the second largest export earner. Tea sector is currently facing critical challenges such as labor scarcity, aging tea bushes and the economic challengers in replanting, changing climate conditions, lack of quality seedlings and decreasing planted extend of Plantation Companies. Considering these critical challenges, the ADB initially agreed to support the tea sector by providing both financial and technical assistance. Accordingly, it is introduced a loan facility with a low interest rate through selected commercial banks for mechanization, replanting, investment in tea nurseries, factory modernization, climate change mitigation and diversification of crops.

2.6.2 Working Capital Loan Scheme for Registered Tea Factory Owners

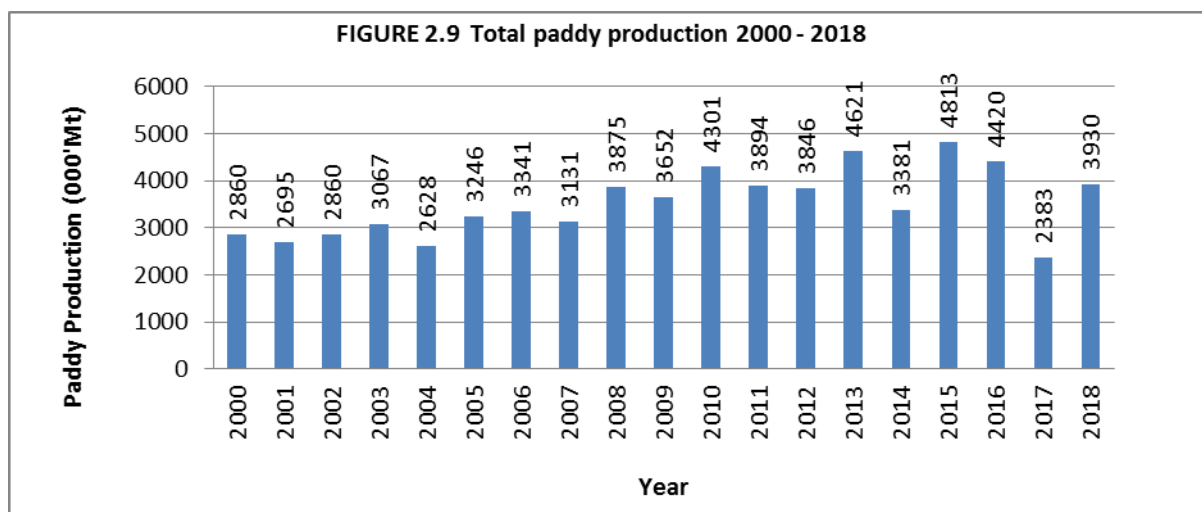
This special loan scheme was introduced in 2015 by the Government to provide financial support to tea factory owners to fulfill their working capital requirement and it was continued in the year 2018. The Sri Lanka Tea Board is implanting this special loan scheme in collaboration with state and private commercial banks under the supervision of the Department of Development Finance.

The applicable interest rate for this loan is 6 percent per annum and the Treasury provides 2 percent as a subsidy to PFIs. Under this scheme, a total number of 222 working capital loans were granted to the tea factory owners and the total amount of such loans is around Rs. 7,025 million. The Government reimbursed around Rs. 24 million to the PFIs as interest subsidy of this loan scheme during the year 2018.

2.7 FOOD SECURITY

2.7.1 Paddy Purchase Programme of the Government

The Government facilitated paddy sector in the past decades by providing various incentives including fertilizer subsidy, quality seed paddy at subsidized prices and ensuring Government Guaranteed price of paddy etc., as paddy production is a major concern in ensuring food security and rice being the staple food of the country. Accordingly, the paddy production in the country increased over the period. However, frequent natural calamities have disturbed this trend in certain years. Annual paddy production which was 3.9 million mt for the year 2018 has resulted in an increase of 72 percent in paddy production compared to the annual paddy production of 2017.



Source: Department of Census and Statistics

As per the details given in chart 7.9, it is apparent that the annual paddy production in 2018 is higher than the paddy production in 2017 which was the lowest recorded annual paddy production since 2000. However, the paddy production in 2018 was lower compared to the paddy production in 2015 and 2016 due to the fact that the paddy sector was adversely affected due to unfavorable climate conditions that prevailed in the country in 2017/18 Maha and 2018 Yala season. Due to the drop in annual paddy production, a high demand was created for paddy from the private sector paddy millers even at high moisture levels that are above the standard moisture content of 14 percent. Therefore, there was no critical need for Government intervention to stabilize the price of paddy in 2018. However, the Paddy Marketing Board purchased 6,687 mt of paddy during the year from paddy farmers.

TABLE 2.15 : Quantity of paddy purchased under government paddy purchasing program

Season	Nadu (Mt)	Samba (Mt)	Total (Mt)	Value (Rs. Million)
2009/10 Maha	63,850	6,919	70,769	1,995
2010 Yala	83,819	27,910	111,729	3,184
Total	147,669	34,829	182,498	5,179
2010/11 Maha	2,913	556	3,469	98
2011 Yala	58,967	16,205	75,172	2,137
Total	61,880	16,761	78,641	2,235
2011/12 Maha	107,319	8,467	115,786	3,259
2012 Yala	9,936	540	10,476	294
Total	117,255	9,007	126,262	3,553
2012/13 Maha	107,445	31,205	138,650	4,530
2013 Yala	81,834	12,542	94,376	3,058
Total	189,279	43,747	233,026	7,588
2013/14 Maha	3971	592	4563	148
2014 Yala	0	0	0	0
Total	3,971	592	4,563	148
2014/15 Maha	126,203	34,366	160,569	7510
2015 Yala	162,526	12,487	175,013	7,950
Total	288,729	46,853	335,582	15,460
2015/16 Maha	91,785	40,196	131,981	5,139
2016 Yala	11,054	14,384	25,438	1,056
Total	102,839	54,580	157,419	6,195
2016/17 Maha	0	0	0	0
2017 Yala	0	0	0	0
Total	0	0	0	0
2017/18 Maha	4,605	0	4,605	175
2018 Yala	2,077	5	2,082	79
Total	6,682	5	6,687	254
Grand Total	918,304	206,374	1,124,678	40,612

Source : Paddy Marketing Board

2.7.2 Private Sector Intervention in Paddy Purchasing During 2018

Reduction in paddy harvest encouraged private sector purchasing with a high competition providing paddy farmers with a higher price than the Government guaranteed price. Government intervention was not much needed for purchase of paddy as a consequence. Bank funding obtained by private sector through both Government and private banks for paddy purchase was a main source of fund. In comparison with the previous year, the total number of loans and the total amount of funds provided by the banks for paddy purchase

have considerably increased. Further, as far as individual banks are concerned out of the three main Government banks, the Bank of Ceylon (BOC) has increased the volume of loans in number and the amount while both People's Bank and the Regional Development Bank have recorded a decrease in both number and amount. Among the private banks and other Financial Institutions, it is apparent that the total number of loans granted has increased though the total amount granted has decreased compared to 2017. Further, the Commercial Bank and the Sampath Bank have increased the number of loans granted compared to the year 2017. However, the DFCC Bank, National Development Bank and the Hatton National Bank have not given any loan this year for purchasing paddy.

TABLE 2.16 Comparison of loan granted to private sector for paddy purchasing

Bank	(Rs. Million)							
	2017/18 Maha		2018 Yala		Total (2018)		Total (2017)	
	No. of Loans	Total Loan Amount	No of Loans	Total loan Amount	No of Loans	Total loan Amount	No of Loans	Total loan Amount
People's Bank	81	714	14	443	95	1,157	212	7,100
Bank of Ceylon	336	13,036	194	13,985	530	27,021	460	19,997
RDB	55	246	41	137	96	383	140	584
Total for State Banks	472	13,996	249	14,565	721	28,561	812	27,681
Commercial Bank	465	1,878	561	1,992	1026	3,870	442	1,622
Sampath Bank	76	1,292	49	770	125	2,062	89	1,634
DFCC Bank	55	1,325	37	1,158	92	2,483	36	2,496
Seylan Bank	46	262	40	820	86	1,082	147	879
National Development Bank	3	315	3	414	6	729	25	944
Hatton National Bank	176	1,346	132	1,477	308	2,823	431	4,320
People's Leasing & Finance PLC	2	16	8	16	10	32	-	-
Total of Private Banks and other Financial Institutions	823	6,434	830	6,647	1,653	13,081	1,170	11,895
Grand Total	1,295	20,430	1,079	21,212	2,374	41,642	1,982	39,576

Source : Respective Banks and Financial Institutions

2.7.3 Cost of Living

Natural calamities and drought situations prevailed in the country in the year 2017 and continued in 2018 affecting the economy thereby making an adverse impact on the Cost of Living of the people in the country. Loss in crop harvests of all agricultural produce contributed to a situation with a high demand chased by limited produce. At the same time, most of the South and East Asian Economies also have undergone many natural calamities resulting in the increased prices of imported food commodities. This made a great hit on food security during the year 2017 and this trend continued in the year 2018 as well. As in 2017 the domestic market of rice which is a major concern in food security, has been affected adversely. In addition, potatoes, big onion, dhal, dry fish, chili and other grains became major concerns. As a result the Government continuously monitored and reviewed the supply side, prices and taxes applicable on essential food commodities in order to manage the Cost of Living properly.

In order to ensure an acceptable minimum level of Cost of Living many initiatives were taken by the Cabinet Sub Committee on Cost of Living established in order to take timely decision with a high power on timely basis. Taxes on imported essential food commodities

were removed and Special Commodity Levy (SCL) was kept at minimum level to ensure an affordable retail price to the consumer. Considerable tax reductions made on imports of potatoes, big onion and rice were kept unchanged until the 30th April 2018 considering the high demand expected in festive season. Both for potatoes and big onion the prevailed tax of Rs. 40 per kg was revised to an SCL of Rs. 1 per kg and continued till 30th April 2018. Continuing policy initiatives undertaken in 2017 to reduce cost of living, selected major food commodities were provided up to the end of the April 2018 new year season to the consumer through Private Sector Super Markets and Lanka Sathosa Ltd at their cost price or the landed cost, as a remedial measure to reduce Cost of Living. Under this programme, rice, lentils, sugar, sprats, big onions, potatoes and mackerel were made available for the consumers at reduced prices throughout the country. The Government agreed to reimburse the loss incurred by the private sector Super markets and Lanka Sathosa Ltd in this process through the “Family Budget Unit”, the Special Unit established under the then Ministry of National Policies and Economic Affairs.

2.7.3.1 Importation of rice

Rice market became unstable as a result of long lasted drought conditions accompanied by reduction in paddy production in the country. Price of rice was in an upward trend even in the year 2018, making the consumer price unreasonably high compared to the cost of production. The drought situation persisted for five consecutive cultivation seasons, closed the opportunity to small scale paddy millers to purchase paddy which led to a cartel situation in domestic rice market by a small group of prominent domestic large scale millers thereby resulting in unaffordable prices of rice for the consumers. Under these circumstances, the Government took measures to import rice in order to avoid depending only on domestic rice production. Accordingly, private and public sector importers were encouraged to import rice further by maintaining taxes at its lowest till 30th April 2018 by imposing only an SCL of Rs. 0.25 per kg with a view to reducing the retail price of rice. Accordingly, the total rice import during the year 2018 was 250,139 mt.

2.8 LIVESTOCK SECTOR DEVELOPMENT

2.8.1 Dairy Sector

The dairy industry is one of the most important industries in Sri Lanka that has potential to help develop the economy as well. Milk is known to be a high nutritious liquid food and a much tasted drink. It plays an important role to reduce malnutrition and improve nutrition levels while helping to reduce unemployment and poverty levels of rural families.

In Sri Lanka, most dairy farmers are engaged in dairy industry as an extra income source and it happens in small scale. As a result, in 2018, the domestic milk production has increased by a small proportion. Total milk production in 2018 was 472 million liters and it was a 19 percent increase from the previous year, with approximately 385 million liters supplied by dairy cows.

At present, Sri Lanka is self-sufficient about 45 percent with domestic source of milk products and it is needed to import about 55 percent of milk products to fulfill the domestic requirements. In this back ground, the Government from time to time introduced various policy measures to develop the dairy industry in the country. Policies

on promoting commercial dairying, raw milk pricing and trade and tariffs have been adopted in the recent past to increase the availability of locally produced milk and milk products in the domestic market at affordable prices in order to increase the national milk production and save foreign exchange on milk imports.

The price subsidy for the local milk powder manufacturing companies was continued in 2018 with the objective of encouraging the production of local milk powder and offering a price relief to consumers. Accordingly, Milco (Pvt) Company Ltd and Pelwatte Dairy Industries Company, two local milk producing companies, have brought down the prices of 400 gram and 1 kg milk powder packets as proposed and the re-imbursements in 2018 were as follows.

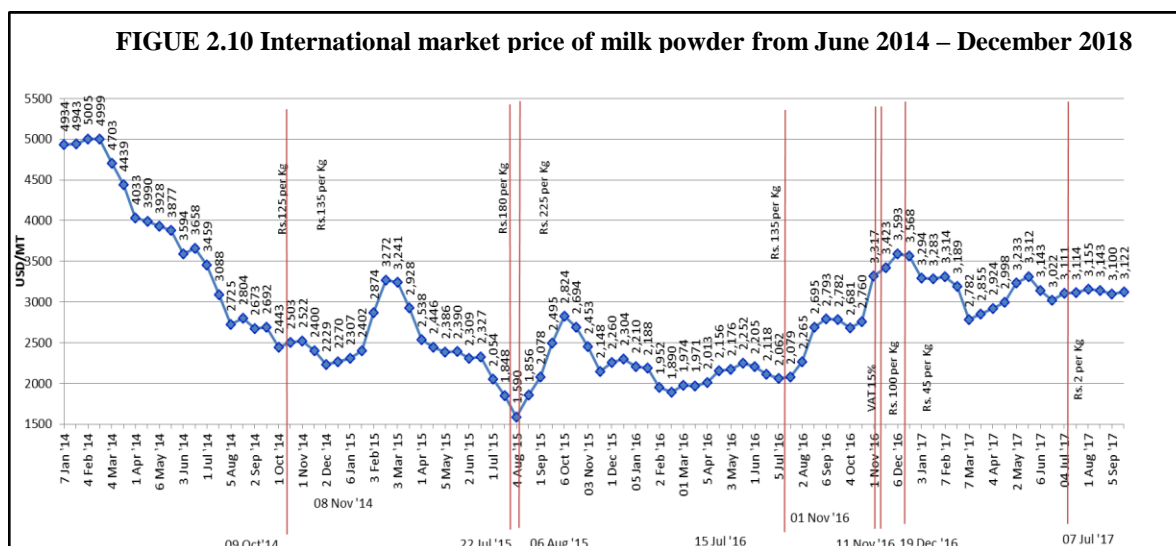
TABLE 2.17 : Grant of price subsidy to the local milk powder producers in 2018

Company	Unit	Market Price (Rs.)	Sale Price Based on Budget (Rs.)	Price Subsidy (Rs. Million)
Milco (Pvt) Ltd	400 g	320	295	186
	1 KG	790	735	90
Pelwatte Dairy Industries Company Ltd	400 g	325	295	138
	1 KG	810	735	73

Source: Department of Development Finance

As shown in the above table, the Government spent Rs. 487 million to pay the price subsidy for the local milk powder producers in 2018. As per the decision taken at the Cost of Living meeting held at 19.06.2018 and it was decided to keep the imported milk powder and local milk powder at the same price without granting the price subsidy.

Compared to local milk powder, imported milk also has a significant impact on the dairy industry of the country as it represents around 55 percent of the domestic dairy requirement. Annually, around 84,000 mt. of milk and milk products have to be imported to the country to fulfill the local demand. Due to the Maximum Retail Price (MRP) imposed on milk powder by the Government to protect the local milk consumers, milk importers were not allowed to adjust domestic milk powder prices parallel with the global price changes. By understanding the situation faced by the milk importers in the country, steps were taken by the Government to a grant duty waiver to the local milk powder importers considering the fluctuations of the global market prices. Accordingly, the applicable duty on milk powder was revised several times in 2018 on the request of milk importers and the last revision was done in October 2018.



Source: Global Dairy Trade

2.8.2 Poultry Sector

Poultry sector has shown a significant development after 1977 with economic reforms in Sri Lanka. Since 1980 the poultry population has grown from 6.3 million to 40.6 million in 2018. Accordingly, the current per capita consumption of chicken is 9.9 kg and current per capita consumption of egg is 135.7 eggs.

TABLE 2.18 Chicken and egg local production information

Year	Chicken Production		No. of Egg Production	
	Estimated (000' Mt)	Actual (000' Mt)	Estimated (Million)	Actual (Million)
2010	N/A	104.16	N/A	1,385
2011	N/A	116.76	N/A	1,711
2012	N/A	137.39	N/A	2,279
2013	N/A	144.54	N/A	2,075
2014	162.50	150.32	2,086	2,232
2015	152.00	164.45	2,203	2,294
2016	168.41	182.69	2,187	2,304
2017	189.02	200.98	2,739	2,856
2018	184.09	214.20	2,992	2,853

Source: Department of Animal Production and Health

Provision of quality animal feed for the development of poultry industry is an indispensable factor. Maize is the major ingredient of animal feed. The Government has implemented many projects to gain self-sufficiency by motivating local farmers to cultivate maize. However the target could not be reached due to the drought that prevailed in the country during recent years and also other reasons. The drought situation recovered in 2018 and 242,935 mt of maize produced cultivating 63,926 ha in 2017/18 Maha Season while 27,106 mt of maize produced cultivating 6,969 ha in 2018 Yala Season.

TABLE 2.19 Maize cultivation

Year	Maha		Yala	
	Extent (ha)	Production (mt)	Extent (ha)	Production (mt)
2015	60,954	230,871	9,017	30,244
2016	57,094	207,075	10,536	36,885
2017	44,515	163,733	8,029	32,011
2018	63,926	242,935	6,969	27,106

Source: Department of Census & Statistics

However, the local maize production is not enough to meet the annual maize requirement for the poultry industry; the shortage of maize had to be imported. Therefore, the Government has granted import permits for the feed millers to import maize under a concessionary rate of SCL Rs. 10/- per Kg to cater the poultry industry. Accordingly, 119,087 mt of maize has been imported during the year 2018 under the concessionary rate spending Rs. 4,937 million. It ensured the opportunity of purchasing maize at a stable price for the poultry sector and the ability of the consumer to obtain a poultry product at a reasonable price in the market.

TABLE 2.20 Maize importation

Year	Quantity (Mt)	Value (Rs. Million)
2015	67,237	2,348
2016	41,946	1,572
2017	179,589	6,628
2018	119,087	4,937

Source: Statistics Division; Sri Lanka Customs

2.9 SPECIAL INCENTIVES FOR TARGETED GROUPS

2.9.1 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 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 Programme and post-supervision programmes to develop their social and economic activities and this also provide a strong

base for these trainees to become good citizens and an economic environment to successfully carry out their livelihood pursuits. 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 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.

The phrase I of this scheme was successfully completed in 2014 by providing concessionary credit facilities through the BOC, PB and Sri Lanka Savings Bank amounting to Rs. 302 million among the 1,799 targeted beneficiaries. The phrase II of this scheme was initiated in 2016 and the expected amount to be disbursed under this phrase II is Rs. 525 million. The progress of stage II of this loan scheme as at 31.12.2018 was as follows.

TABLE 2.21 : Progress of socially re-integrated trainees loan scheme as at 31.12.2018

District	Number of Loans	(Rs. Million)
		Amount of Loans
Jaffna	86	20.1
Kilinochchi	24	5.7
Mullaithivu	42	9.35
Mannar	16	2.78
Ampara	2	0.35
Trincomalee	13	2.75
Batticaloa	3	0.6
Grand Total	186	41.63

Source: Rehabilitation Authority

In terms of disbursement, 186 beneficiaries have obtained loans in the North and Eastern Provinces by 2018. The highest loan disbursement is recorded in Jaffna District and 86 trainees benefitted. The Government has paid Rs. 11 million to the PFIs as interest subsidy by December 2018.

3. Administrations and Financial Performance

3.1 Administration Sector

The Department of Development Finance is being executed under the Director General and it consists of 41 numbers of officials including 14 staff officers and 27 other officers. The approved carder of the department is 46 and there were 05 posts which were vacant as at the end of 2018. The information about administration, finance and human resource development of the year 2018 is as follows;

3.1.1 Cadre Position

	Position	Approved Cadre	Existing Cadre
01	Director General	01	01
02	Additional Director General	01	01
03	Director	05	04
04	Deputy Director/Assistant Director	10	07
05	Deputy Director/Assistant Director – SLPS III (Super Numeric based)	01	01
06	Information Communication & Technology Officer	01	01
07	Development Officer	02	02
08	Information Communication & Technology Assistant	01	01
09	Public Management Assistant	11	11
10	Management Assistant	01	01
11	Driver	06	06
12	Office Employee Service	06	05
	Total	46	41

Officers who are joined the Department in Year 2018

1. Mrs. H A T Erandi - Assistant Director
2. Ms. H L M Fernando - Public Management Assistant
3. Mrs. P L T N Liyanage - Public Management Assistant
4. Mrs. A Weeraratna - Public Management Assistant
5. Mr. G W Udaya Kumara - Public Management Assistant
6. Mrs. P K D S Prabashini - Public Management Assistant
7. Ms. W M L Chandrakumara - Public Management Assistant
8. Ms. P D P M Dissanayake - Public Management Assistant
9. Ms. P N M Jayasundara - Public Management Assistant
10. Mr. K D Keerthirathna - Driver
11. Mr. D H R S Kumara - Driver
12. Mr. K A N N Kodikara - Driver
13. Mr. B V M Roshantha - Office Employee Service

Officers who are left the Department in Year 2018

1. Mrs. T Hewawasam - Public Management Assistant
2. Mr. G W Udaya Kumara - Public Management Assistant
3. Miss. W M L Chandrakumara - Public Management Assistant
4. Mr. M J P Gunawardena - Driver
5. Mr. S A Keerthesena - Driver
6. Mr. J M D J S Hemantha - Office Employee Service

3.1.2 Staff Information

Table 3.2 : Staff Information as at 31.12.2018				
Name	Designation	Contact Details		
		Telephone	Fax	Email
Mr. A.M.P.M.B. Atapattu	Director General	2484542	2394908	dgdf@dfd.treasury.gov.lk atapattu.ampmb@dfd.treasury.gov.lk
Mr. K.A.S.S.K. Perera	Addl. Director General	2151416	2484955	perera.kassk@dfd.treasury.gov.lk
Mr. K.G.P. Pushpakumara	Director	2484507	2484955	kumara.kgpp@dfd.treasury.gov.lk
Mrs. M.K.D.N. Madampe	Director	2484605	2484955	madampe.mkdn@dfd.treasury.gov.lk
Mr. P.M.K. Hettiarachchi	Director	2484572	2484955	hettiarachchi.pmk@dfd.treasury.gov.lk
Mr. S.H.V. Kumara	Director	2484595	2484955	kumara.shv@dfd.treasury.gov.lk
Mrs. W.L.M.A. Liyanage	Assistant Director	2484594	2484955	liyanage.wlma@dfd.treasury.gov.lk manorigl@yahoo.com
Ms. R.A.D.R. Ranasinghe	Assistant Director	2484596	2484955	ranasinghe.radr@dfd.treasury.gov.lk radranitha@gmail.com
Ms. P.G.P. Rasanjalie	Assistant Director	2484829	2484955	rasanjalie.pgp@dfd.treasury.gov.lk

Name	Designation	Contact Details		
		Telephone	Fax	Email
Ms. J.D. Kotinkaduwa	Assistant Director	2484854	2484955	kotinkaduwa.jd@dfd.treasury.gov.lk dilruksiko@gmail.com
Mr. W.P.S. Wickramage	Assistant Director	2151494	2484955	wickramage.wps@dfd.treasury.gov.lk
Mrs. Dilumi W. Kumaraguru	Assistant Director	2484501	2484955	kumaraguru.dw@dfd.treasury.gov.lk
Ms. H A T Erandi	Assistant Director	2484501	2484955	erandi.hat@dfd.treasury.gov.lk
Ms. D.L.V. Wijeratne	Assistant Director	2337527	2484955	wijeratna.dlv@dfd.treasury.gov.lk
Mr. H.P.S. Shantha	ICT Officer	2484884	2484955	shantha.hps@dfd.treasury.gov.lk
Ms. A.M. Wickramasinghe	Development Officer	2484884	2484955	wickremasinghe.am@dfd.treasury.gov.lk
Ms. P.S.N. Perera	Development Officer	2484884	2484955	perera.psn@dfd.treasury.gov.lk
Ms. J.M.I.A. Geeshani	ICT Assistant	2484884	2484955	geeshani.jmia@dfd.treasury.gov.lk
Mrs. H.A.D.A. Nilanthi	Public Management Assistant	2484862	2484955	nilanthi.hada@dfd.treasury.gov.lk
Mrs. M.G.C. Kaladevi	Public Management Assistant	2484862	2484955	kaladevi.mgc@dfd.treasury.gov.lk
Mr. R.K. Lenora	Public Management Assistant	2484862	2484955	lenora.rk@dfd.treasury.gov.lk
Mrs. B.A.K.S.P. Jayaweera	Public Management Assistant	2484862	2484955	jayaweera.baksp@dfd.treasury.gov.lk
Ms. D.P. Sadunika	Public Management Assistant	2484862	2484955	sandunika.dp@dfd.treasury.gov.lk
Ms. H L M Fernando	Public Management Assistant	2484600	2484955	fernando.hlm@dfd.treasury.gov.lk
Mrs. P L T N Liyanage	Public Management Assistant	2484600	2484955	liyanage.pltn@dfd.treasury.gov.lk
Mrs. A Weerathna	Public Management Assistant	2484600	2484955	
Ms. P D P M Dissanayake	Public Management Assistant	2484600	2484955	dissanayake.pdpm@dfd.treasury.gov.lk
Mrs. P K D S Prabashini	Public Management Assistant	2484862	2484955	prabashini.pkds@dfd.treasury.gov.lk
Ms. P N M Jayasundara	Public Management Assistant	2484600	2484955	
Mr. S.J.A.K.D. Ranasinghe	Management Assistant	2484862	2484955	ranasinghe.sjakd@dfd.treasury.gov.lk

Name	Designation	Contact Details		
		Telephone	Fax	Email
Mr. K D Keerthirathna	Driver	2484855	2484955	-
Mr. Mr. D H R S Kumara	Driver	2484855	2484955	-
Mr. J.M.A.P. Jayakody	Driver	2484862	2484955	-
Mr. H.A.N. Shantha	Driver	2484862	2484955	-
Mr. R.A.T.M. Ranasingha	Driver	2484855	2484955	-
Mr. K A N N Kodikara	Driver	2484855	2484955	-
Mr. B V M Roshantha	Office Employee Service	2484855	2484955	-
Mr. K.C.U. Pemarathna	Office Employee Service	2484855	2484955	-
Mr. A.A. Tharik	Office Employee Service	2484855	2484955	-
Mr. M.R. Jayasinghe	Office Employee Service	2484855	2484955	-
Mr. D.E.K. Palawaththage	Office Employee Service	2484855	2484955	-

3.1.3 Local Training Courses, Study Tours, Seminars and Workshops

Table 3.3 : Local Training Courses, Study Tours & Seminars and Workshops			
Name of the Officer	Name of the Course	Period of the Course	Name of the Institute
Mrs. M K D N Madampe	Diploma in Public Procurement and Contract Administration	One Year	Miloda
Ms. J D Kotinkaduwa	Diploma in Public Procurement and Contract Administration	One Year	Miloda
Miss. A M Wickremasinghe	Workshop on Project Management	26.02.2018	Miloda
Miss. P S N Perera	Workshop on Clerical Skills	19.03.2018-21.03.2018	Skills Development Fund Ltd.
Mrs. M G C Kaladevi	Asset Management	26.02.2018	Skills Development Fund Ltd.
Mr. S J A K D Ranasinghe	Foundation Course on Store Keeping	22.02.2018-22.03.2018	Construction Industry Development Authority
Mr. R K Lenora	Transport Management	25.05.2018-21.09.2018	Construction Industry Development Authority
Ms. P L T N Liyanage	Diploma in English for Executives	20.08.2018-	Miloda
Mrs. B A K S P Jayaweera	Diploma in English for Executives	20.08.2018 - up to now	Miloda
Ms. P K D S Prabashini	Effective Handling of Personal Files	07.08.2018	Skills Development Fund Ltd.
Ms. M S Jayasundara	Training Programme on Skill Development	05.07.2018-13.07.2018	Skills Development Fund Ltd.

Sources: Department of Development Finance

3.1.4 Foreign Training Courses, Study Tours & Seminars

Table 3.4 : Foreign Training Courses, Study Tours & Seminars			
Name of the Officer	Name of the Course	Time Period of the Course	Name of the Country
Mr. P.M.K. Hettiarachchi Director	Small and Medium Size Enterprise Sector Study Visit by The Economic Management Advisory Company	30.06.2018-08.07.2018	Vietnam
Mr. K.G.P. Pushpakumara Director	Seminar on Soyabean Production & Processing Technology & Institutional Capacity Building for Development Countries	30.10.2018-19.11.2018	china
Ms. P G K Rasanjali	Capacity Building Programme on Enhancing the Development of Small Medium Industry	18.07.2018-31.07.2018	Indonesia
Ms. H A T Erandi	Seminar on Trade Promotion of Asian Countries	01.11.2018-16.11.2018	China
Mr. H P S Shantha	2018 Seminar on Promoting information Connectivity for Asia Countries	10.09.2018-30.09.2018	China
Mrs. P S N Perera	Seminar on Paperless Trade and Cross – Border E-commerce for Asia Pacific Countries	07.09.2018-27.09.2018	China
J M I A Geeshani	Seminar on Soya bean Production & Processing Technology & Institutional Capacity Building for Development Countries	30.10.2018-19.11.2018	china

Sources : Department of Development Finance

3.2 Financial Information

With the view to achieving the objectives of the Department a sum of Rs. 15,285,260,000 from which Rs. 870,010,000 for recurrent expenditure and Rs.14,415,250,000 for capital expenditure were provided in the estimates for the year 2018 under Head 243. The actual expenditure incurred during the year under review against this provision was Rs.12,462,642,637 consisting of Rs.618,523,474 and Rs.11,844,119,162 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. 1 and 2 respectively.

Table 3.5 : Utilization of Budget Estimate – 2018		
Item	Estimated Expenditure (Rs.)	Actual Expenditure (Rs)
Recurrent Expenditure	870,010,000	618,523,474
Personal Emoluments	32,365,000	32,072,618
Traveling Expenses	535,000	138,038
Supplies	2,970,000	2,843,965
Maintenance Expenditure	2,580,000	2,476,915
Services	3,790,000	3,641,400
Transfers	827,770,000	577,350,539
Capital Expenditure	14,415,250,000	11,844,119,162
Rehabilitation & Improvements of Capital Assets	1,000,000	234,211
Acquisition of Capital Assets	512,100,000	511,570,375
Capital Transfers	3,340,500,000	1,572,685,279
Capacity Building	1,200,000	1,163,172
Acquisition of Financial Assets	10,554,749,500	9,752,852,106
Other Capital Expenditure	5,700,500	5,614,019
Grand Total	15,285,260,000	12,462,642,637

Sources : Department of Development Finance

Table 3.6 : Public Officers' Advance 'B' Accounts -2018		
Description	Approved Limit (Rs.)	Actual Amount (Rs.)
Maximum Limit of Expenditure	4,000,000	3,374,481.20
Minimum Limit of Receipts	900,000	1,968,609.92
Maximum Limit of Debit Balance	13,000,000	7,682,047.65

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 2018 under review were responded and remedial measures were taken to rectify the weaknesses where necessary.

Table 3.7 : Audit Queries – Auditor General's Department - 2018		
Received Date	Subject	Replied Date to the Auditor General's Department
15.05.2018	Final Accounts - 2017	18.05.2018
19.05.2018	Public Officers' Advance 'B' Account - 2017	24.05.2018
06.06.2018	Carder Review	14.06.2018
30.07.2018	Senior Citizen Interest Subsidy	14.08.2018
31.08.2018	Audit Report - 2017	11.09.2018
06.09.2018	Management Audit Report - 2017	28.08.2018
09.09.2018	Obtaining details for Audit Queries	10.10.2018

Table 3.8 : Audit Queries – Department of Management - 2018		
Received Date	Subject	Replied Date to the Department of Management
14.03.2018	Obtaining details for 1 st Quarter - 2018	16.03.2018
19.06.2018	Obtaining details for 2 nd Quarter - 2018	28.06.2018
05.09.2018	Obtaining details for 3 rd Quarter - 2018	11.09.2018
28.08.2018	Submit Internal Audit Report	12.09.2018
27.11.2018	Obtaining details for Audit Management Committee Meeting - 2018	03.12.2018