

Ministry of Plantation Industries Rubber Development Department

Performance Report – 2015



Vision

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

Mission

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

Objectives

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

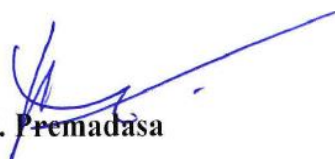
Preface

As per the information of the census on rubber lands conducted by the Rubber Development Department in year 2010, the total estimated extent of rubber land area in year 2015 was 136,582 hectares of which 87,604 hectares were owned by the rubber small holders and 48,978 hectares were owned by the Plantation Companies. The total rubber production in the year amounted to 88,567mt and it shows a decline of 10% when compared to the previous year. 50% of the total rubber production is Sheet rubber and the percentages of the Latex production, Crepe rubber production and Block rubber production are 29%, 13% and 8% respectively. 12% of the total rubber production had been exported and the balance 88% had been used for the local consumption. Japan, Pakistan, Germany, Italy, America, China, India and Malaysia are main destinations of Sri Lankan raw rubber and the quantity of rubber purchased by these countries is 63% of the total exports. The average price of 01kg of Sheet rubber in the year 2015 was Rs.245.93 and it was 14% decrease in the price when compared to the previous year.

The measures taken by the Rubber Development Department on the intervention of the Government for enhancement of the rubber industry has caused for the improvement of the rubber production to some extent. Provisions of Rs.3691.15 million were allocated to the Rubber Development Department for the year 2015 and the expenditure incurred was Rs.3194.26 million and the progress achieved was 87%. The total plant production in the Government rubber plant nurseries was 1.39 million in the year and the number of plants distributed was 1.11 million.

The initiatives which were taken in the year 2011 to initiate rubber new planting in Monaragala, Badulla, Ampara and Hambantota districts under the programme for expansion of rubber cultivation to non-traditional areas, had been continued in the year 2015 as well.


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



R.B. Premadasa
Director General
Rubber Development Department

Thanking

The year 2015 was a unique year in which the full amount of allocations made by the Treasury for the year could be utilized. Through the investment of these funds, the Department was able to reach the highest level in the context of human resource development, enhancement of physical resources and more contribution and commitment and satisfaction of the employees. We extend our heartfelt thanks to all, those who assisted in many ways in the aforesaid exercise.



R.B. Premadasa
Director General
Rubber Development Department

CONTENT

1. Introduction	1
1.1. Historical Background	1-2
1.2. Principal and important legal sources related to Rubber Development Department	2-3
1.3. Rubber Development Department	3-4
1.4. Institutional Structure of the Department	5
1.5. Organizational Structure of the Rubber Development Department	6
1.6. Cadre information of the Department	7
2. Performance - 2015	8
2.1. Rubber Planting Subsidy Programme	8
2.2. Plant Production	9
2.3. Programme for fixing of Rain Guards	9
2.4. Intercropping Programme	9
2.5. Training Programmes	10
2.6. Rubber Planting in non-traditional areas	10
3. Information related to the natural rubber industry - 2015	11
3.1. Extent of lands under rubber	11
3.2. Production and Cost of Production	12-14
3.3. Local consumption of rubber	15
3.4. Export of natural rubber as a raw material	15-17
3.5. Quantities of rubber imported	18
3.6. Rubber prices	19-20
3.7. Rubber Dealers	21
3.8. Rubber replanting / New planting Subsidy Scheme	21-22
3.9. Progress of rubber planting including new planting	22-27
3.10. Payment of subsidies	28
3.11. Rubber plant nurseries and supply of plants	28-30
3.12. Intercropping	31-32
3.13. Popularizing the fixing of rain guards	32-33
3.14. Functions of the Tea, Rubber & Coconut Estates (Control of Fragmentation) Board	33
3.15. International Affairs	34
3.16. Legal matters	34-35
3.17. Special Development Programmes	35
3.18. Consolidated Fund	36
3.19. Cess receipts and the manner of Cess levying	37-38
3.20. Replanting Advisory Board	38

3.21. Internal Audits	39
3.22. Activities carried out by the Publicity Division	40-41
3.23. Activities carried out by the IT Section	41
4. Progress of Regional Offices	42
4.1. Progress of Rubber New planting	42
4.2. Progress of Rubber Replanting	42
4.3. Progress of Intercropping	43
4.4. Fixing of Rain Guards	43
4.5. Training Programme for rubber tappers	44
4.6. Professional Training Programme for rubber tappers	44
4.7. Training Programme for bud grafters	45
5. Rendering services of other institutions	46

1. Introduction

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

1.1. Historical Background

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

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

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

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

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

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

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

1.2.1 Rubber Replanting Subsidy Act No.36 of 1953

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

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

1.2.2 Rubber Control Act No.11 of 1956

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

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

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

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

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

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

1.3 Rubber Development Department

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

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

Further, Eight (08) Government plant nurseries have been established to produce high quality budded rubber plants for the cultivation of rubber.

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



Gurugoda Rubber Plant Nursery

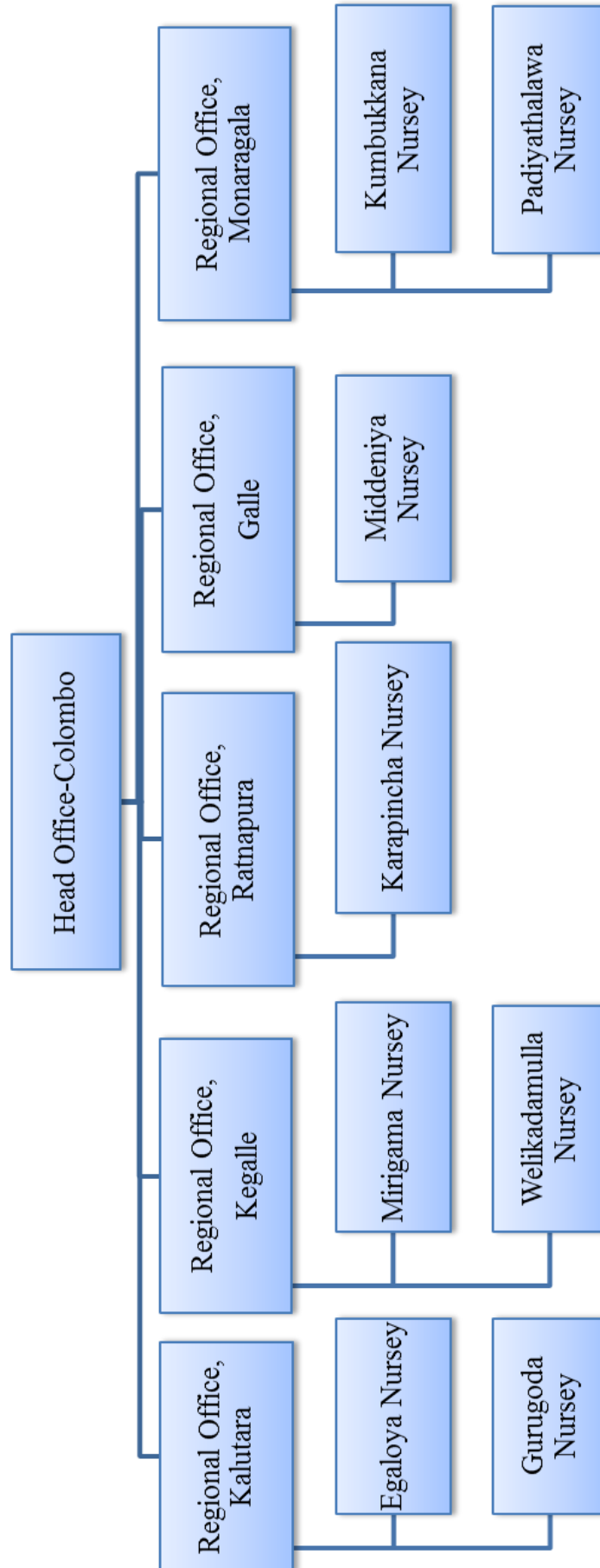


Middeniya Rubber Plant Nursery

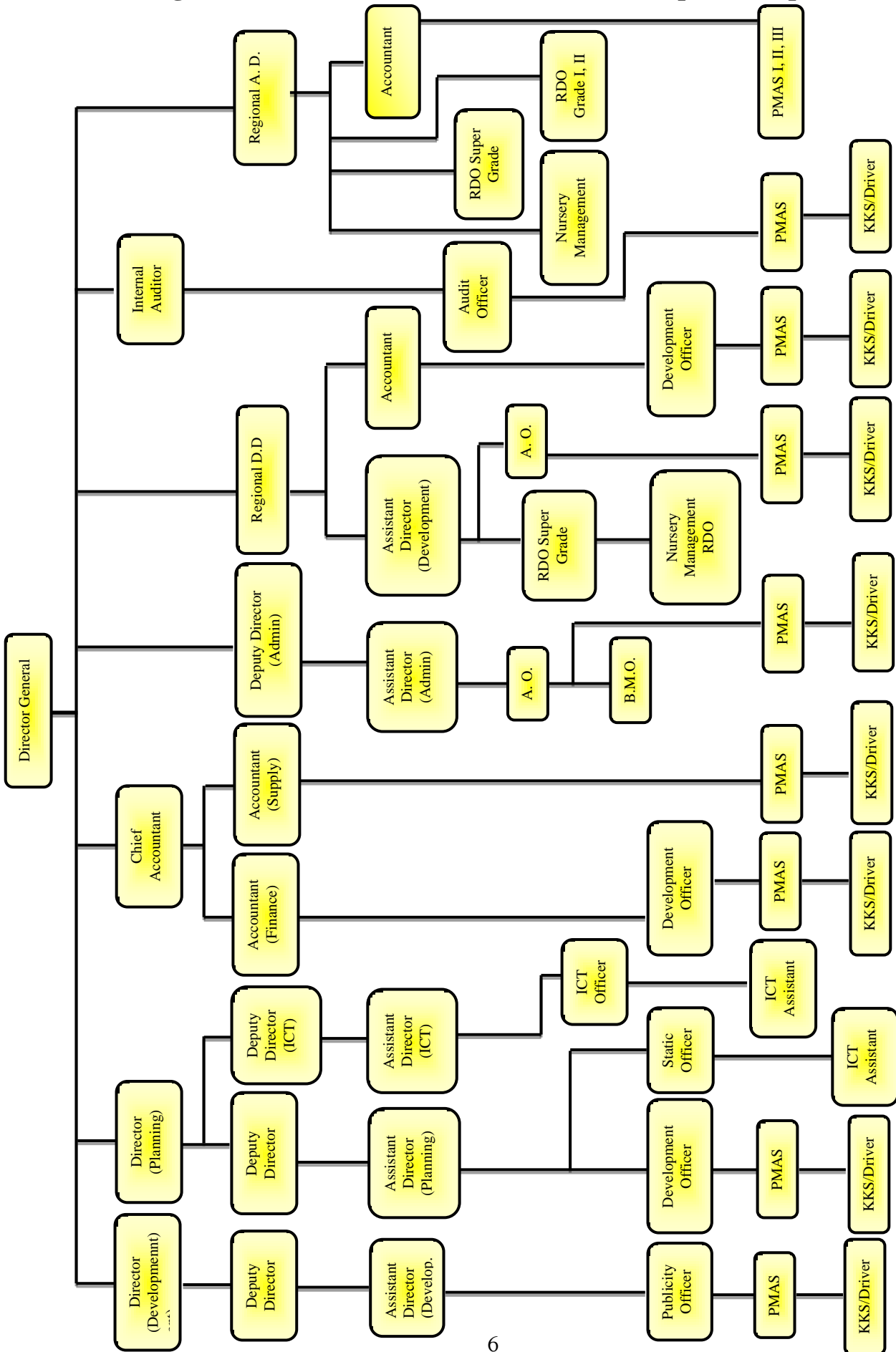


Gurugoda Rubber Plant Nursery

1.4 Institutional Structure of the Department



1.5 Organizational Structure of the Rubber Development Dept



1.6 Cadre Information of the Department

Serial No.	Designation	Approved Cadre	Present Cadre	Vacancies
01	Director General - S.L.A.S.	1	1	-
02	Director - S.L.A.S.	2	1	1
03	Chief Accountant - S.L.Ac.S.	1	1	-
04	Deputy Director - S.L.A.S. Assistant Director - S.L.A.S.	16	16	-
05	Assistant Director - S.L.P.S.	1	1	-
06	Accountant- S.L.Ac.S.	6	4	2
07	Deputy Director - S.L.I.T.S.	1	-	1
08	Assistant Director – Information Technology	2	1	1
09	Internal Auditor	1	1	-
10	Information & Communication Technology Officer - S.L.I.C.T.S.	2	-	2
11	Audit Assistant	1	1	-
12	Administrative Officer	4	3	1
13	Publicity Officer	1	1	-
14	Budget Assistant	1	1	-
15	Development Officer	22	} 23	} 4
16	Development Assistant	5		
17	Nursery Manager	7	6	1
18	Rubber Development Officer : Special (Supra)	12	-	12
19	Buildings Maintenance Officer	1	1	-
20	Public Management Assistant	139	114	25
21	Information and Communication Technology Assistant	5	2	3
22	Clerk	12	12	-
23	Rubber Development Officer	182	163	19
24	Office Employees' Service	28	26	2
25	Driver	36	36	-
26	Lorry Cleaner	8	7	1
		497	422	75

Table i

2. Performance – Year 2015

The following activities were mainly carried out by the Department for development of the rubber industry.

- Rubber Planting Subsidy Programme
- Production of Plants
- Programme for Fixing of Rain Guards
- Intercropping Programme
- Training Programmes

2.1. Rubber Planting Subsidy Programme

In the year 2015, there was a target of 7170 hectares for small holdings in traditional and non-traditional areas under Rubber New Planting Programme and out of the extent, 769 hectares were cultivated. In order to cultivate the extent of 769 hectares, a sum of Rs.189.83 million has been paid as subsidies to the smallholders for rubber new planting in traditional and non-traditional areas.

The target for small holdings under the Rubber Replanting Programme was 2145 hectares of which 614 hectares were cultivated. An extent of 1700 hectares was targeted under the Plantation Companies and 417 hectares were cultivated. Accordingly, the total land extent under rubber replanting was 1031 hectares and the subsidy paid for the purpose amounted to Rs.404.67 million.



Rubber cultivation under tapping - Galle

2.2. Production of Plants

The Rubber Development Department has established 08 rubber plant nurseries and plants are produced and distributed by 07 nurseries. Plant production activities at Padiyathala plant nursery in Ampara District are to be carried out in the year 2017.

2.3. Programme for Fixing of Rain Guards

The target for small holdings under the Programme for Fixing of Rain Guards was 1115 hectares of which 478.58 hectares were fixed with rain guards. The subsidy payment for small holdings amounted to Rs.3.47 million and the Plantation Companies targeted 3570 hectares of which 3778.29 hectares were fixed with rain guards. A sum of Rs.41.51 million was incurred as subsidies.



A rubber land with rain guards

2.4. Intercropping Programme

755 hectares were targeted under the Intercropping Programme to fetch an additional income to the rubber growers with immature rubber cultivation and out of the said extent, 160.66 hectares were cultivated. An amount of Rs.0.98 million has been paid to the rubber smallholders as subsidies for the Intercropping Programme.



Rubber plantation intercropped with Banana



Rubber plantation intercropped with Pineapple

2.5. Training Programmes

As training programmes, training programme for ordinary rubber tappers, training programme for professional rubber tappers and training programme for bud grafters were conducted. The number of persons targeted for ordinary rubber tappers under the tapper training programme was 3080 of which 2660 persons were trained. The expenditure incurred for the training programme for ordinary rubber tappers amounted to Rs.1.95 million. The number of persons targeted for professional rubber tappers was 390 and 343 persons were trained for the purpose in this year. The expenditure incurred for the training programme for professional rubber tappers amounted to Rs.3.60 million. The number of persons targeted for training of bud grafters was 270 of which 207 persons were trained. The expenditure incurred for the training programme for bud grafters amounted to Rs.0.16 million. The target for Field Officer Training of the Rubber Development Officers was 98 of which 66 persons had participated at the training. The expenditure for the purpose was Rs.8.33 million.



Tapper Training programme



A rubber land in a non-traditional area

2.6. Rubber planting in non-traditional areas

Under the programme for expansion of rubber cultivation to non-traditional areas, the total land extent cultivated with rubber in non-traditional areas in the year 2015 was 549.74 hectares as 95.23 hectares in Monaragala, 400.29 hectares in Ampara, 46.71 hectares in Badulla and 7.51 hectares in Hambantota.

3. Information related to the Natural Rubber Industry -2015

A gradual increase in the extent of land under rubber shows in last few years. The estimated total extent of land under rubber in the country in year 2015 has been calculated on the basis of the results of the rubber land Census conducted in year 2010.

3.1 Extent of land under rubber

Extent of land under rubber – Year 2015

	Private Sector (Lands less than 20 hectares) Ha.	Regional Plantation Companies (Lands more than 20 hectares) Ha.	Total (Hectares)
Extent of land reported from the rubber land census conducted in year 2010	79,395	46,250	125,645
Extent of land reported from the rubber land census conducted in year 2011	80,018	48,516	128,534
Extent of land estimated in year 2012	82,170	48,610	130,780
Extent of land estimated in year 2013	85,083	48,585	133,668
Extent of land estimated in year 2014	85,100	49,037	134,137
Extent of land estimated in year 2015	87,604	48,978	136,582

Table ii

64% of the total extent of land under rubber is prevailing as small and medium scale holdings and the remaining 36% extent of land is available as the estates owned by the Plantation Companies. It has been estimated that out of this total extent of land, the immature extent of land is 47,290 hectares and the mature extent of land under tapping is 89,292 hectares and the total production from such cultivations is 88,567 metric tones. It has also been estimated that the average annual yield per hectare under rubber in year 2015 is 992 kg of dried rubber.

3.2. Production and Cost of Production

3.2.1. Rubber Production

The total production of rubber in year 2015 was 88,567 metric tons. It shows a decrease of 10,006 kg when compared to the total production of 98,573 metric tons in the previous year. It is 10% drop as against the previous year. The main reasons for the decrease in the production were the decline in the rubber prices as against the years of 2013, 2014 and the heavy rain prevailed.

Total Rubber Production in the years of 2014 and 2015 (Metric Tons)

Year	Sheet Rubber	Scrap Crepe	Sole Crepe	Latex Crepe	Block Rubber T.S.R.	Latex and Other	Total
2014	48,539	1,022	2,410	11,832	7,615	27,155	98,573
2015	44,392	886	1,939	8,266	7,606	25,478	88,567

Table iii



Production of Sheet rubber



Production of Crepe rubber

District wise Rubber Production in the Year 2015

District	District Production Mt.	District contribution to the National Production %
Kalutara	21,435.07	24.20
Kegalle	26,988.95	30.47
Gampaha	2,841.70	3.21
Kurunegala	2,029.80	2.29
Kandy	1,382.60	1.56
Matale	944.71	1.07
Ratnapura	18,522.42	20.91
Galle	4,611.04	5.21
Matara	3,156.23	3.56
Hambanthota	60.58	0.07
Colombo	4,761.78	5.38
Monaragala	949.92	1.07
Badulla	769.82	0.87
Puttalam	9.04	0.01
Ampara	103.34	0.12
Total	83,805.22	100.00

Table iv

3.2.2. Cost of Production

The average cost of production to produce 01kg of dried rubber in the small holding sector was Rs.170.00 in the year 2015. The cost of production in the previous year was Rs.160.00. The cost of production for Plantation Companies was Rs.285.00 in the year 2015 and it was amounted to Rs.280.00 in the previous year. The cost of production should be high due to the decrease in the yield. The increase in the cost of production from the year 2002 is given in Table v.

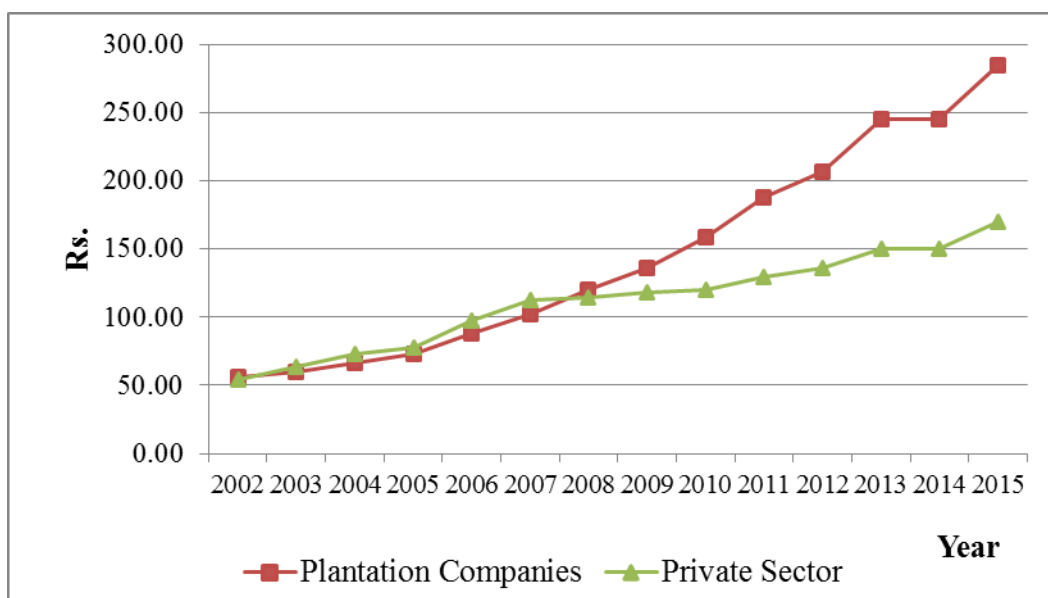
Cost of Production of Rubber 2002 - 2015

(Rs. /1kg.)

Year	Plantation Companies	Small Holding Sector
2002	55.74	54.00
2003	59.76	63.30
2004	65.98	73.37
2005	72.56	77.37
2006	87.65	97.20
2007	102.31	112.69
2008	119.89	114.00
2009	135.83	118.56
2010	158.94	119.83
2011	188.23	129.56
2012	207.00	136.00
2013	245.00	150.00
2014	280.00	160.00
2015	285.00	170.00

Table v

Cost of Production of Rubber 2002 – 2015



3.3 Local Consumption of Rubber

In the past, natural rubber produced in the country was as an important industrial raw material, mainly based on the export and at present, the situation has been changing gradually and a trend towards more utilization of natural rubber for production of local finished products can be seen today. Accordingly, the local consumption of natural rubber was 127300 metric tons in the year 2015. Since the rubber production in this year has decreased as against the previous year, a certain quantity of the rubber bulk in the previous year has been utilized in this year for the local consumption and the export. The quantity of rubber imported in this year is 54376 metric tons. This quantity has also been utilized for the local rubber consumption.

3.4 Export of natural rubber as a raw material

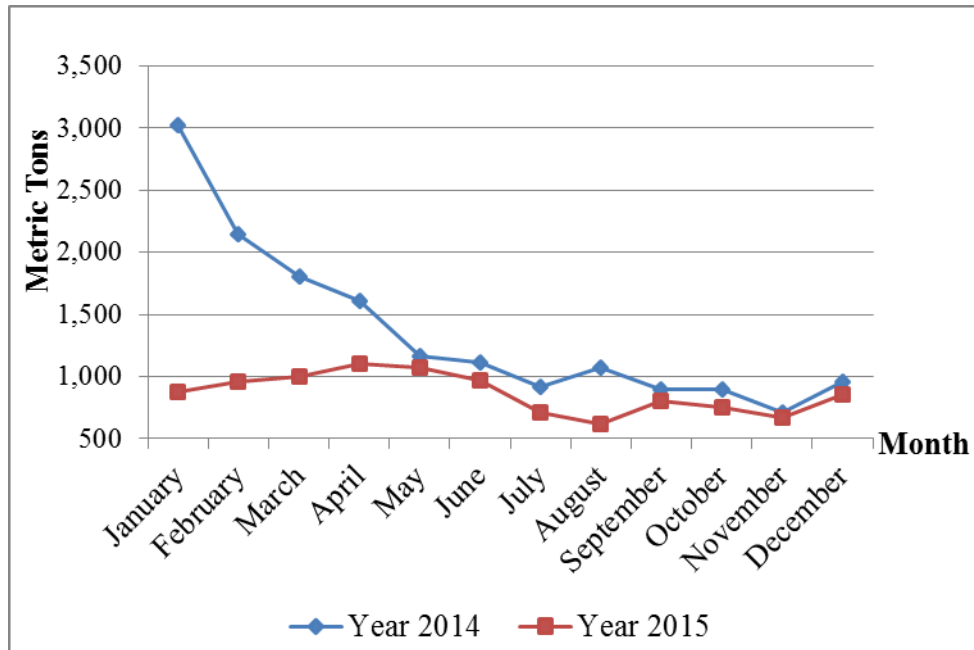
The export of rubber from Sri Lanka has significantly declined in year 2015 as against the year 2014.

Quantities of Rubber Exports from Sri Lanka in 2014 and 2015

Month	Shipment (Metric Tons)	
	Year 2014	Year 2015
January	3,023	875
February	2,141	961
March	1,808	1,001
April	1,613	1,102
May	1,169	1,067
June	1,109	964
July	915	713
August	1,071	621
September	895	803
October	898	751
November	705	665
December	959	850
Total	16,306	10,373

Table vi

Rubber Exports – 2014 & 2015



Quantities of category wise rubber exports from Sri Lanka in 2014 and 2015 are given in the Table below.

Quantities of category wise rubber exports in 2014 & 2015

(Metric Tons)

Year	Sheet Rubber	Sole Crepe	Scrap Crepe	Latex Crepe	Block Rubber (T.S.R.)	Latex and Other	Total
2014	1967	2296	17	9860	913	1253	16306
2015	903	1847	13	6888	417	305	10373

Table vii

The F.O.B. value of rubber categories exported is given in the Table below.

F.O.B. Value of Total Rubber Exports

(Rs. Million)

Year	Sheet Rubber	Sole Crepe	Scrap Crepe	Latex Crepe	Block Rubber (T.S.R.)	Latex and Other	Total
2014	587.3	1234.0	5.4	3313.0	306.1	469.9	5916.1
2015	216.6	926.4	1.4	2135.8	141.8	125.5	3547.6

Table viii

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

F.O.B.Value of Total Rubber Exports

Year	Exports (Metric Tons)	Total Value (Rs. Million)	Value Per Kg. (Rs. Cts.)
2014	16306	5916.12	362.83
2015	10373	3547.90	342.03

Table ix

Rubber is exported mainly by the private sector. A number of 119 registered exporters are in the private sector and all 119 exporters have been registered with this Department for the year 2015 as well.

Major Destinations of Rubber Exports – 2015

(Metric Tons)

Country	Quantity purchased	%
Japan	1636	16
Pakistan	1379	13
Germany	1127	10
Italy	641	6
America	478	5
China	470	5
India	426	4
Malaysia	424	4
South Africa	317	3
Hong Kong	312	3
Spain	87	1
United Kingdom	55	1
Other	3021	29
Total	10373	100

Table x

3.5. Quantities of Rubber Imports – Year 2015

Month	Quantity (Metric Tons)
January	4047
February	3210
March	1563
April	1206
May	3716
June	1470
July	3846
August	9865
September	5700
October	7337
November	5046
December	7370
Total	54,376

Table xi

Quantities of category wise natural rubber imports in 2014 & 2015

(Metric Tons)

Year	Sheet Rubber	Sole Crepe	Scrap Crepe	Latex Crepe	Block Rubber (T.S.R.)	Latex and Other	Total
2014	21743	0	15	0	208	7259.06	29,225.06
2015	38182	0	0	0	892	15302	54,376

Table xii

Total Rubber Imports – 2015

(Metric Tons)

Category	Quantity of Imports (Mt.)	Value of Imports (Rs. Mn.)
Natural Rubber	54376.6	11691.4
Synthetic Rubber	71698.6	15643.8
Reclaimed Rubber	25633.3	2307.0
Scrap Rubber	12470.0	749.9
Compounded Rubber	8297.0	323.6
Semi Processed Rubber	7908.0	995.8
Production of finished products	10227.4	6790.5
Production of finished products (Number)	8362887	12822.0

Table xiii

3.6 Rubber Prices

The rubber prices have been declining since year 2011 as the demand for natural rubber was dropped due to the slow growth in the global Gross National Product (GNP) and rubber prices in the years of 2014 and 2015 are given below.

Average price of category wise rubber products

(Rs. per Kg.)

Year	Annual average price		
	Sheet Rubber No.1	Scrap Crepe No.1.XBR	Latex Crepe No.1X
2014	285.76	212.75	309.90
2015	245.93	187.74	299.17

Table xiv

Annual Average Price

Monthly Rubber Prices in year 2015
Rupees

Month	Sheet Rubber (RSS)					Latex Crepe					Scrap Crepe					
	1	2	3	4	5	IX	1	2	3	4	1XBR	2XBR	3XBR	4	FB	SKIM
January	304.83	297.25	302.50	259.00	282.00	289.94	283.83	263.71	231.00	205.21	195.83	186.67	180.50	171.64	160.00	154.29
February	275.75	277.17	266.00	246.25	243.00	262.50	258.60	228.43	211.86	199.79	190.25	175.00	156.40	151.93	135.00	122.67
March	244.30	239.00	234.00	232.75	217.75	249.00	240.88	224.50	211.28	186.21	175.83	162.50	151.08	145.67	132.00	109.58
April	219.30	217.20	211.50	208.00	203.33	256.36	250.86	227.94	217.00	177.75	166.00	158.50	154.93	147.29	137.50	89.82
May	233.75	227.00	ඉ.කැන	223.67	ඉ.කැන.	289.43	280.75	268.38	245.88	188.56	170.43	162.88	167.50	155.75	137.33	94.25
June	235.00	230.50	224.00	ඉ.කැන	ඉ.කැන	312.67	305.13	285.89	269.00	218.11	191.44	178.39	179.44	171.56	156.67	117.19
July	243.00	235.77	235.00	221.75	ඉ.කැන	320.00	313.21	295.78	276.22	226.44	207.00	196.50	190.04	179.53	160.75	147.43
August	243.33	231.33	228.00	221.70	ඉ.කැන	307.60	305.40	291.14	270.14	214.00	205.00	194.60	186.15	178.57	162.00	150.04
September	238.83	229.50	223.00	ඉ.කැන	ඉ.කැන	316.01	311.00	301.11	291.33	196.39	189.78	185.93	186.00	179.06	164.13	160.41
October	241.00	237.50	231.50	220.00	ඉ.කැන	341.61	338.00	326.06	313.50	196.81	191.00	188.20	185.64	179.86	169.00	168.17
November	ඉ.කැන	245.67	ඉ.කැන	220.00	ඉ.කැන	336.30	332.14	317.79	304.57	195.14	188.90	188.00	185.00	179.83	174.00	169.98
December	226.17	224.33	196.33	188.50	ඉ.කැන	308.58	336.00	317.50	290.08	185.43	181.40	178.67	179.50	206.64	257.50	176.80
Average	245.93	241.02	235.18	224.16	236.52	299.17	296.32	279.02	260.99	199.16	187.74	179.65	175.18	170.61	162.16	138.38

Table xv

3.7 Rubber Dealers

Holding a permit for rubber trade is a legal requirement and 1166 rubber traders have renewed their permits in the year 2015 and 184 new permits have been issued. Accordingly, 1350 rubber dealers have been registered with the Department in the year 2015. The district wise issuance of the permits is given below.

District	No.of permits renewed	No. of new permits issued
Colombo	50	19
Gampaha	72	08
Kalutara	312	53
Ratnapura	203	23
Kegalle	380	61
Kurunegala	16	01
Kandy	17	-
Matale	05	-
Galle	60	09
Matara	36	10
Hambantota	01	-
Monaragala	13	-
Badulla	01	-
Total	1166	184

Table xvi

3.8 Rubber Replanting/ New planting Subsidy Scheme

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

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

For new planting – Rs.150,000 per hectare

For replanting – Rs.175,000 per hectare

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

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

Table xvii

3.9. Progress of rubber planting including new planting

The functions performed by the Rubber Development Department for the development of rubber are given below. Accordingly, For the purpose of maintaining the rubber industry in Sri Lanka as a strong economic project, economically unproductive rubber plantations have to be removed and re-planted. In order to maintain productive rubber cultivation, at least 3% of the total extent of rubber lands should be replanted annually and the said extent is approximately 4,000 hectares. The estimated extent under rubber replanting / new planting in year 2015 was 11,015 hectares. The extent of lands targeted for replanting in year 2015 was 3,845 hectares of which 2,145 hectares under the Small Holding Sector and 1,700 hectares under the Plantation Companies. The target for new planting under the Small Holding Sector during the year was 7,170 hectares of which 1,970 hectares in traditional areas and 5,200 hectares in non-traditional areas.

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

**Extent of lands replanted under Rubber Replanting Subsidy Scheme
(Smallholders) – Year 2015**

(Hectares)

District	Applications received		Permits issued		Extent under replanting	
	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)
Kalutara	492	328.41	485	323.55	264	151.13
Kegalle	620	419.92	482	325.40	277	184.21
Gampaha	107	60.66	82	49.98	58	38.31
Kurunegala	27	42.40	21	29.04	06	17.60
Kandy	40	30.41	40	30.41	20	12.12
Matale	03	7.49	03	7.49	02	4.85
Ratnapura	234	213.46	231	225.58	119	110.16
Galle	34	31.48	27	22.54	09	6.93
Matara	25	26.85	23	23.42	04	3.67
Monaragala	06	9.29	06	9.29	04	6.15
Colombo	161	147.10	129	114.72	89	78.65
Total	1749	1317.47	1529	1161.42	852	613.78

Table xviii

**Extent of lands new planted under Rubber New Planting Subsidy Scheme
(Smallholders) – Year 2015**

(Hectares)

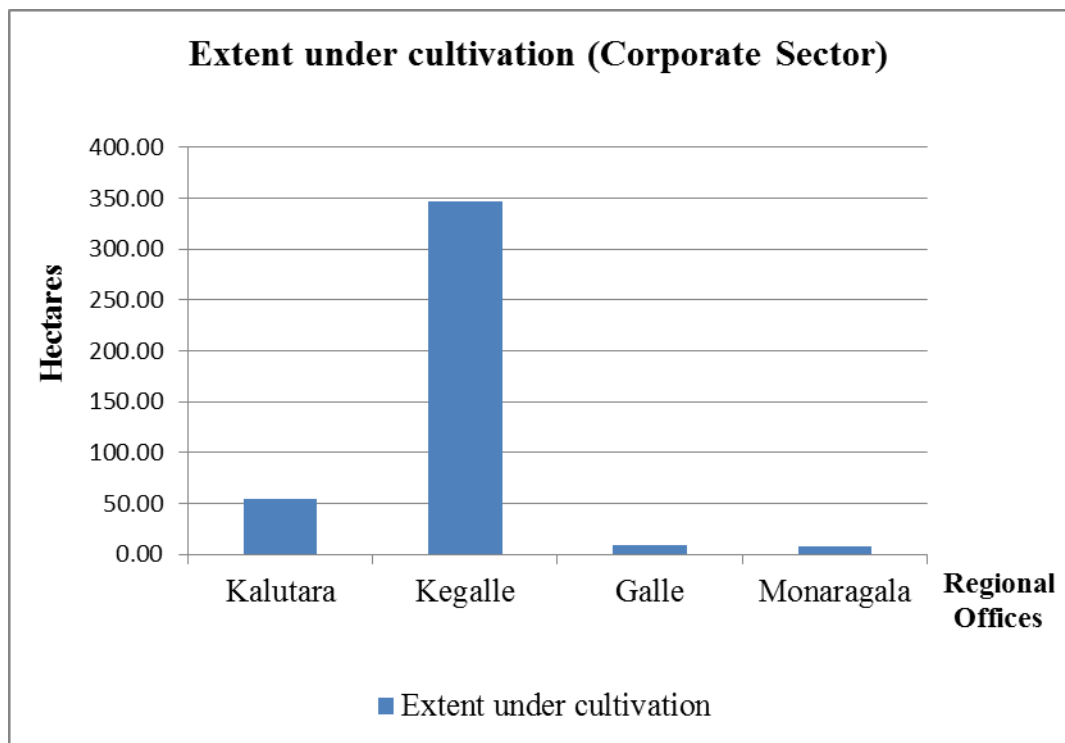
District	Applications received		Permits issued		Extent under new planting	
	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)	No. of Holdings	Extent of lands (Hectares)
Kalutara	143	60.23	137	57.51	73	28.67
Kegalle	366	189.50	288	119.42	168	72.28
Gampaha	52	26.26	34	17.79	31	20.10
Kurunegala	38	19.54	37	18.08	22	12.49
Kandy	25	13.23	24	12.60	10	5.37
Matale	09	8.70	08	08.10	-	-
Ratnapura	107	69.67	130	83.66	77	40.81
Galle	40	20.81	35	18.41	15	5.47
Matara	30	28.43	27	25.06	08	16.08
Hambantota	47	27.59	40	22.64	12	7.51
Colombo	65	58.08	56	52.46	40	18.04
Monaragala	157	96.05	156	95.23	156	95.23
Badulla	31	53.49	29	46.71	29	46.71
Ampara	488	453.29	488	453.29	435	400.29
Total	1598	1124.87	1489	1030.96	1076	769.05

Table xix

**Extent of lands replanted under Rubber Replanting Subsidy Scheme
(Corporate Sector) – Year 2015**

Regional Office	Extent under cultivation (Hectares)
Kalutara	53.90
Kegalle	346.25
Galle	9.22
Monaragala	8.00
Total	417.37

Table xx



Extent of lands under Rubber Replanting 1990-2015

(Hectares)

Year	Smallholding Sector	Plantation Companies	Total
1990	3584	1617	5201
1991	3507	1794	5301
1992	2028	1889	3917
1993	2419	2817	5236
1994	1623	2138	3761
1995	1778	1461	3239
1996	1983	1217	3200
1997	1172	2045	3217
1998	1173	2542	3715
1999	665	3866	4531
2000	770	1853	2623
2001	558	4584	5142
2002	712	2066	2778
2003	565	494	1059
2004	819	1264	2083
2005	1257	2329	3586
2006	1122	2331	3453
2007	993	4199	5192
2008	812	5293	6105
2009	1002	5360	6362
2010	1186	4756	5942
2011	1123	1927	3050
2012	1117	2126	3243
2013	1710	2784	4494
2014	1343	1554	2897
2015	614	2637	3251

Table xxi

Extent of lands under Rubber New planting 1990-2015

(Hectares)

Year	Smallholding Sector	Plantation Companies	Total
1990	1039	258	1297
1991	1602	202	1804
1992	612	302	914
1993	907	135	1042
1994	670	37	707
1995	651	45	696
1996	1208	35	1243
1997	793	21	814
1998	516	17	533
1999	223	48	271
2000	243	34	277
2001	150	14	164
2002	227	7	234
2003	451	7	458
2004	518	5	523
2005	1032	11	1043
2006	1603	297	1900
2007	1701	333	2034
2008	2755	414	3169
2009	1994	275	2269
2010	2857	96	2953
2011	2166	838	3004
2012	2297	1086	3383
2013	2979	912	3891
2014	1428	133	1561
2015	769	221	990

Table xxii

3.10. Payment of Subsidies

During the year 2015 under review, the Department was able to pay subsidies for each such cultivation as follows.

Payment of Subsidies for Rubber Cultivation

Project	Total Amount Paid (Rs. Million)
Replanting Subsidy 2015 (Smallholder Sector)	173.36
New planting Subsidy 2015 (Smallholder Sector)	189.83
Replanting Subsidy 2015 (Plantation Companies)	231.31
Total	594.50

Table xxiii

3.11 Rubber Plant Nurseries and Supply of Plants

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

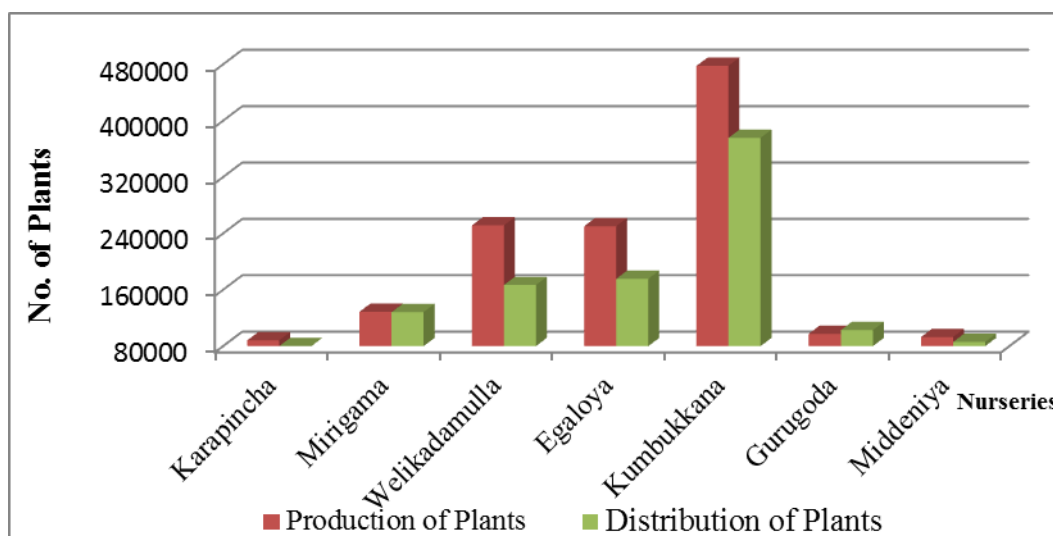
A permit should be obtained from the Department for the establishment of private rubber plant nurseries and commercial rubber plant nurseries. At the preliminary stage, the planting material required for the establishment of high quality budwood nurseries in the said nurseries is provided from the nurseries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

3.11.1. Government Plant Nurseries

Production of plants and issue of plants in the Government Nurseries - 2015

Name of the Nursery	District of the Nursery	Production of Plants	Distribution of Plants
Karapincha	Ratnapura	88113	77419
Mirigama	Gampaha	128809	128244
Welikadamulla	Gampaha	251296	166676
Egaloya	Kalutara	250157	175503
Kumbukkana	Monaragala	477765	375597
Gurugoda	Kalutara	97465	102715
Middeniya	Hambantota	92988	85901
Total		1386593	1112055

Table xxiv



The projected plant production from the nurseries of the Department in the year 2015 was 1.85 million of which the total plant production of the year was 1.39 million plants and only 1.11 million plants could be distributed during the year. The Department has established a new rubber plant nursery at Padiyathalawa in Ampara District. At present, the infrastructure of the nurseries is being developed. It is expected to commence the production of budded rubber plants in this nursery since the coming year 2016.

3.11.2. Private and Commercial Nursery Permits 2015

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

Production of Plants (Private Nurseries) - 2015

Area of Regional Office	No. of Registered Nurseries	Production of Plants	Distribution of Plants
Kegalle	106	1295238	609843
Gampaha	11	57000	14465
Matale	01	10000	10000
Kandy	01	15000	15000
Kalutara	08	185313	36917
Monaragala	01	8000	6000
Galle	10	17561	2650
Matara	03	3750	3500
Ratnapura	17	328020	123720
Colombo	10	112100	13550
Total	168	2,031,982	835,645

Table xxv

3.12. Intercropping

On the recommendation of the Rubber Research Institute of Sri Lanka, the Department continues to pay a subsidy of Rs.4,000.00 per an acre to the small holders who undertake intercropping with rubber. Accordingly, a sum of Rs.0.98 million was paid as subsidies for intercropping in the year 2015.

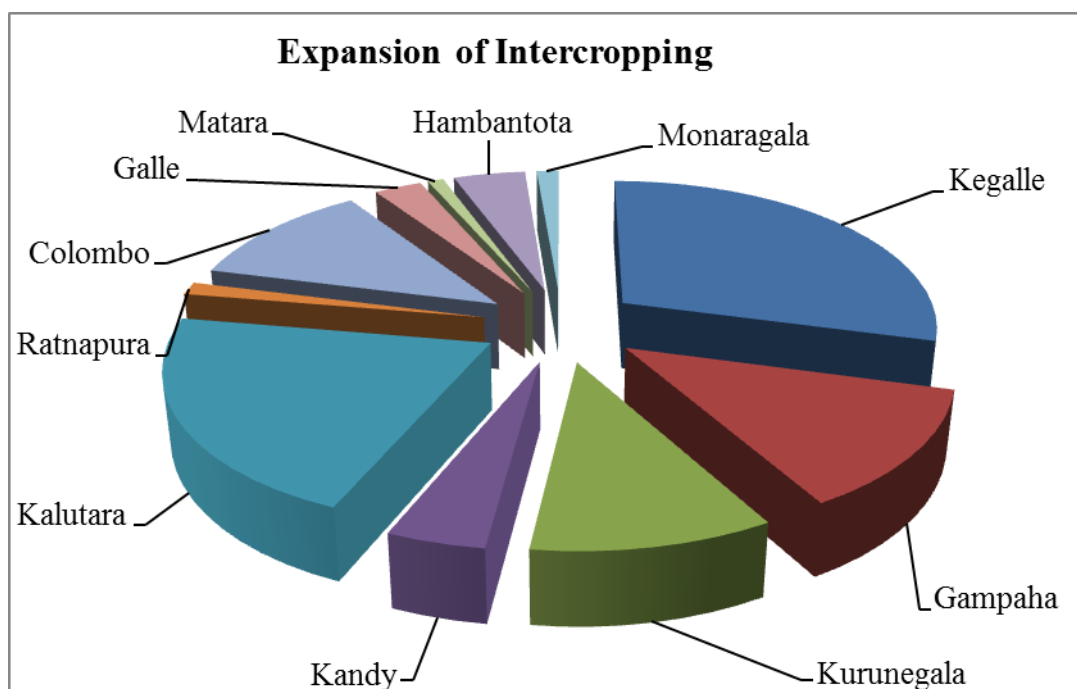


Rubber plantation intercropped with banana

Extent of lands under intercropping in year 2015

District	Extent cultivated (Hectares)
Kegalle	46.90
Gampaha	20.21
Kurunegala	16.55
Kandy	6.78
Kalutara	34.30
Ratnapura	2.17
Colombo	18.58
Galle	4.60
Matara	1.52
Hambantota	6.95
Monaragala	2.10
Total	160.66

Table xxvi



3.13. Popularization of Fixing of Rain Guards

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

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

Fixing of Rain Guards

Sector	Extent of lands under fixing of rain guards (Hectares)	Amount paid as subsidies (Rs. Million)
Small Holdings	478.58	3.47
Plantation Companies	3778.29	41.51
Total	4256.87	44.98

Table xxvii

3.13.1. District Wise Fixing of Rain Guards

District	Plantation Companies (Hectares)	Small Holdings (Hectares)
Ratnapura	-	111.16
Colombo	-	54.92
Kegalle	3085.93	190.91
Gampaha	-	17.50
Kurunegala	529.29	30.10
Kandy	-	4.96
Matale	-	0.30
Galle	44.84	4.60
Matara	-	23.07
Hambantota	-	4.95
Kalutara	118.23	36.11
Total	3778.29	478.58

Table xxviii

3.14. Functions of the Tea, Rubber and Coconut Estates (Control of Fragmentation) Board

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

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

3.15. International Affairs

Sri Lanka is a member of the International Rubber Study Group (IRSG) and the Association of Natural Rubber Producing Countries (ANRPC). A sum of Rs.1,079,194.43 paid to the Association of Natural Rubber Producing Countries and Rs.5,872,869.39 to the International Rubber Study Group by Sri Lanka as membership fees in year 2015.

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

The annual conference of the Association of Natural Rubber Producing Countries (ANRPC) was hosted in Cambodia in last year with the participation of the member countries such as Sri Lanka, India, Cambodia, Thailand, Vietnam, Indonesia, Malaysia and China.

At this conference, Cambodia was selected for the Chairmanship in the next year.

3.16. Legal matters

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

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

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

Charging for unsuccessful cultivations – Year 2015

District	No.of growers recovered	Amount recovered sending final notices (Rs.)	Amount recovered filling cases (Rs.)
Galle	05	63538.00	
Matara	03	4335.00	
Hambantota	03	61330.02	
Kegalle	21	176212.39	90284.50
Colombo	02	28250.00	
Ratnapura	06	12544.93	
Kalutara	50	203855.73	
Total	90	550066.07	90284.50

Table xxix

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

3.17. Special Development Programmes

3.17.1 Expansion of rubber cultivation in Ampara District

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

As the second step thereof, 402.93 hectares were cultivated in the year 2013. As the third step, 256.17 hectares were cultivated in the year 2014. As well, the target for planting in the year 2015 was 3450 hectares and the extent of land cultivated was 400.29 hectares. Accordingly, a total extent of 1196.89 hectares has been cultivated up to now.

3.18. Consolidated Fund

Object Code	Total provision received (Rs.)	Net Expenditure (Rs.)
Recurrent Expenditure		
Salaries & Wages	211,200,000.00	199,641,924.76
Travelling	10,210,000.00	10,034,374.62
Supplies	4,900,000.00	4,636,461.72
Maintenance Expenditure	6,500,000.00	5,582,473.88
Contracted Services	28,700,000.00	26,636,811.17
Fuel	4,000,000.00	3,693,420.23
Subscriptions	4,090,000.00	1,170,648.64
Property loan interests	2,000,000.00	1,656,443.78
Guaranteed Price Subsidies	2,317,750,000.00	2,049,406,988.69
Total	2,589,350,000.00	2,302,459,547.49
Capital Expenditure		
Capital assets rehabilitation and improvements	28,000,000.00	21,610,925.28
Acquisition of capital assets	3,000,000.00	1,612,896.01
Development assistance	1,000,000,000.00	821,326,579.84
Capacity building	1,000,000.00	854,490.00
Other investments	70,000,000.00	46,700,052.35
Total	1,102,000,000.00	892,104,943.48
Grand Total	3,691,350,000.00	3,194,564,490.97

Table xxx

3.19. Cess collections and the method of collection

Cess is levied on the raw rubber purchased locally by the manufacturers who produce rubber based finished products. In terms of the Cess Regulations No.01 of 2007, a Cess of Rs.4/- per kg of raw rubber is levied. This Cess will be paid by Cheques drawn in favour of “Director General, Rubber Development Department”. A monthly purchasing summery (Rcess 4A) indicating the quantity of raw rubber purchased in the relevant month will be obtained from the relevant manufacturer.

(1) Registration

No. of registered institutions 156

Total No. of companies to be paid Cess 56

No. of companies that paid Cess 51

Cess charged on local consumption

Relevant month	Income (On local consumption) Rs. Million
January	13.88
February	8.92
March	12.63
April	7.71
May	16.78
June	8.39
July	17.92
August	21.72
September	9.84
October	15.99
November	17.25
December	18.33
Total	169.36

Table xxxi

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

Cess levied on imports and exports - 2015

Relevant month	On imports Rs. Mn	On exports Rs. Mn.
January	167.90	17.10
February	154.50	17.30
March	139.50	19.00
April	161.50	18.40
May	151.50	18.10
June	204.40	16.10
July	209.20	12.40
August	217.10	10.10
September	199.60	12.80
October	203.00	10.80
November	214.90	10.90
December	233.10	9.60
Total	2256.20	172.60

Table xxxii

3.20. Replanting Advisory Board

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

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

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

3.21. Internal Audits

- Internal Audit – Regional Office, Kegalle.
- Issuing and receiving of stores goods were registered – (Year 2014) Head Office, Colombo.
- Checking of Bank Reconciliations of the Head Office and Regional Offices – (From August to December 2014).
- Checking of purchases - Head Office, Colombo - (From September to December 2014).
- Checking of daily running charts of the vehicles of the Head Office and Regional Offices – (From November 2014 to February 2015) .
- Inquiring about the article on “Receiving rubber subsidies proposed by the interim Budget” published in Divaina Newspaper on 18.05.2015.
- Audit on delay in payment of Rs.526,050.00 to Mr. H.W.C.K. Karunaratne.
- Internal Audit - Regional Office, Ratnapura.
- Internal Audit Second Quarter Report- Year 2015.
- Special investigation into the process of payment of guaranteed price for natural raw rubber was conducted on 23, 24, 25, 26.07.2015.
- Checking of payment vouchers – Head Office (From January to June 2015).
- Checking of Cess collection.
- Special Audit – Isuru Traders.
- Special Audit – Ballapana Stores.
- Special Audit – Shelton Rubber Stores.
- Special Audit – Making payments to Mr. T.P. Manamperi.
- Special Audit – Regional Office, Kegalle.
- Special Audit – Mr. M. Veragala RPS/01/34/36 and RPS/01/34/656
- Internal Audit Third Quarter Report- Year 2015

3.22. Activities carried out by the Publicity Division

Training Programmes

- Conducting 13 training programmes for professional Harvest Assistants.
- Taking action to conduct 154 training programmes for ordinary Harvest Assistants.
- Conducting 09 training programmes for bud grafters in association with the nurseries of the Department.
- Conducting 05 rubber cultivation promotion programmes in Padiyathalawa.
- 64 awareness programmes for rubber farmers were conducted in collaboration with the National Institute of Plantation Management. The said programmes can be divided as follows.
 - I. Diviyata Arunalu Programmes – 26
 - II. Training Programmes for manufacturing of rubber based finished products – 13
 - III. Awareness Programmes on rubber cultivation – 10
 - IV. Awareness Programmes on drug prevention - 15
- 02 awareness programmes for rubber farmers were conducted in collaboration with the Thurusaviya Fund.

Exhibitions

Duration of the Exhibition	Venue of the Exhibition
18.03.2015 – 22.03.2015	Walagedara Maha Vidyalaya
28.07.2015 – 22.08.2015	Labuduwa Government Farm in Galle District
30.09.2015 – 04.10.2015	Pannipitiya Dharmapala Maha Vidyalaya in Colombo District
13.10.2015 – 17.10.2015	Maliyadewa Adarsha Maha Vidyalaya in Kurunegala District
26.12.2015 – 31.12.2015	Samanala Ground in Galle District

- The following courses of action were taken in respect of the payment of guaranteed price for Latex and Sheet Rubber.
 - I. Taking action to telecast a live programme of one hour on Jathika Rupavahini.
 - II. Publishing newspaper advertisements in some newspapers.

III. Printing and distribution of 7,500 posters.

IV. Printing and distribution of 15000 leaflets.

- Action was taken to provide a training to the Rubber Development Officers. (As 21 days for newly recruited Rubber Development Officers and 05 days for other Rubber Development Officers).
- Organizing and conducting one day training programme for all the officers in Regional Office, Galle and the Head Office.

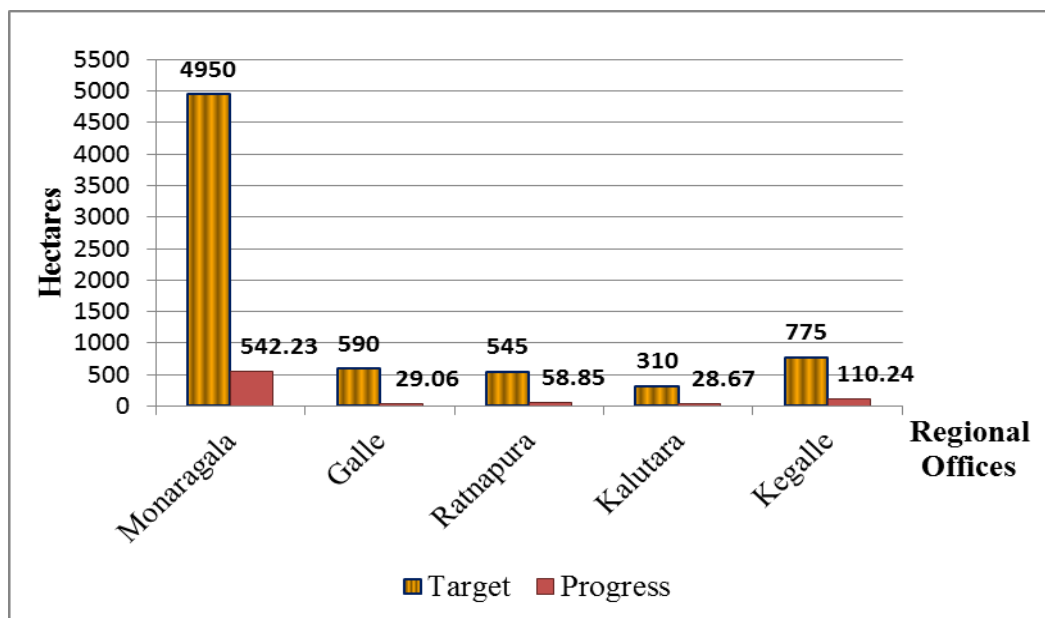
3.23. Activities carried out by the IT Section

- The procurement for software development of the RIMS (Rubber Information Management System) project implemented for development of a Rubber Information Management System for the Rubber Development Department was awarded to the private institution namely Price Water House Coopers Lanka selected by following the advisory services procurement process.
- Purchasing computers, printers and UPS accessories to the Head Office of the Department and Regional Offices.
- Re-networking and restoration of internet connections and LGN connections after shifting the Department to a new premises.
- Providing trainings to the officers in the Regional Offices (Employed in IT Sections) on the requirement and continuing the computer programme for subsidy payments effectively.

4. Progress of Regional Offices

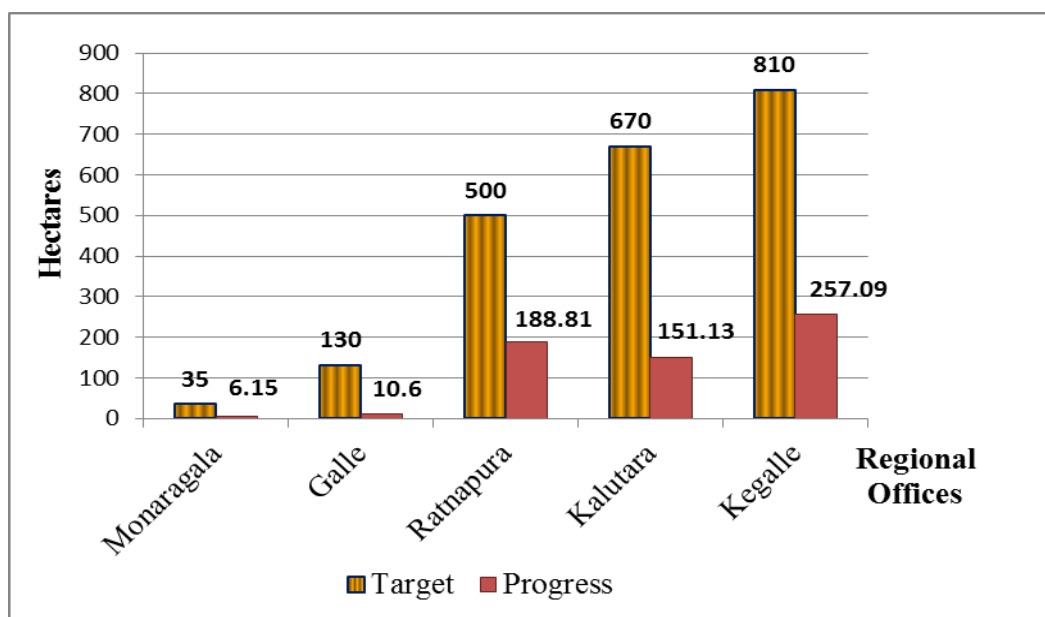
05 Regional Offices have been established to provide services in 14 rubber growing districts in the country and the progress achieved by the said offices in the year 2015 is given below.

4.1 Progress of Rubber New planting

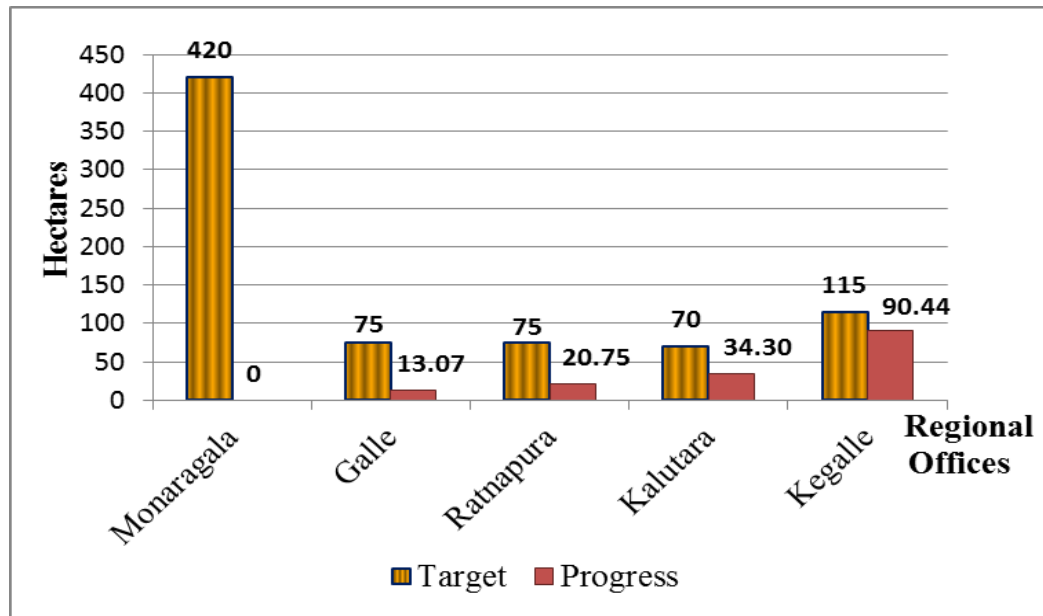


The target for planting in Ampara District was 3000 hectares. It was unable to reach towards the target as the lands of the Department of Forest Conservation and Mahaweli could not be settled.

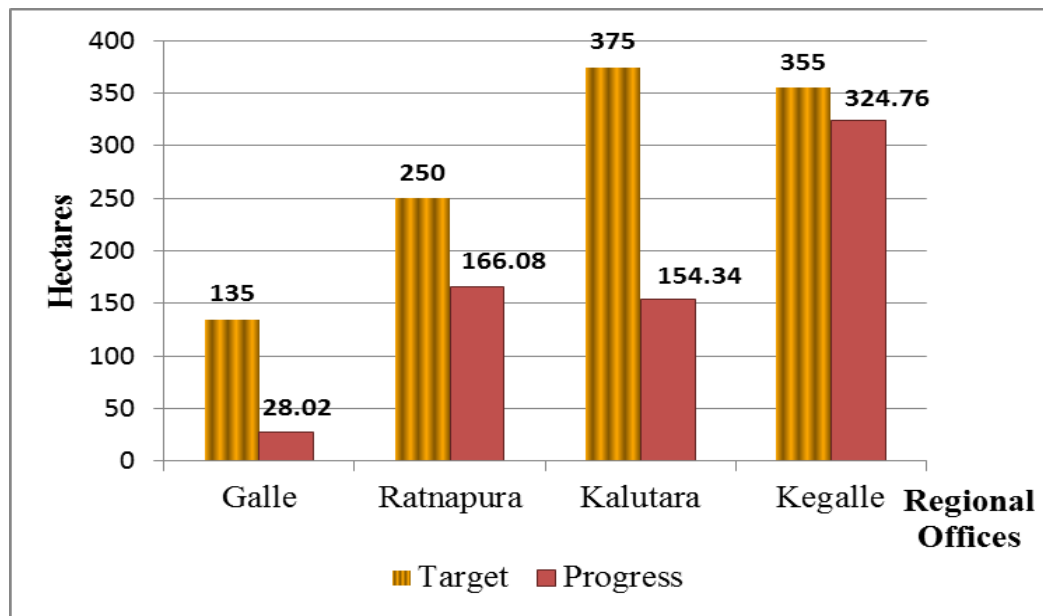
4.2 Progress of Rubber Replanting



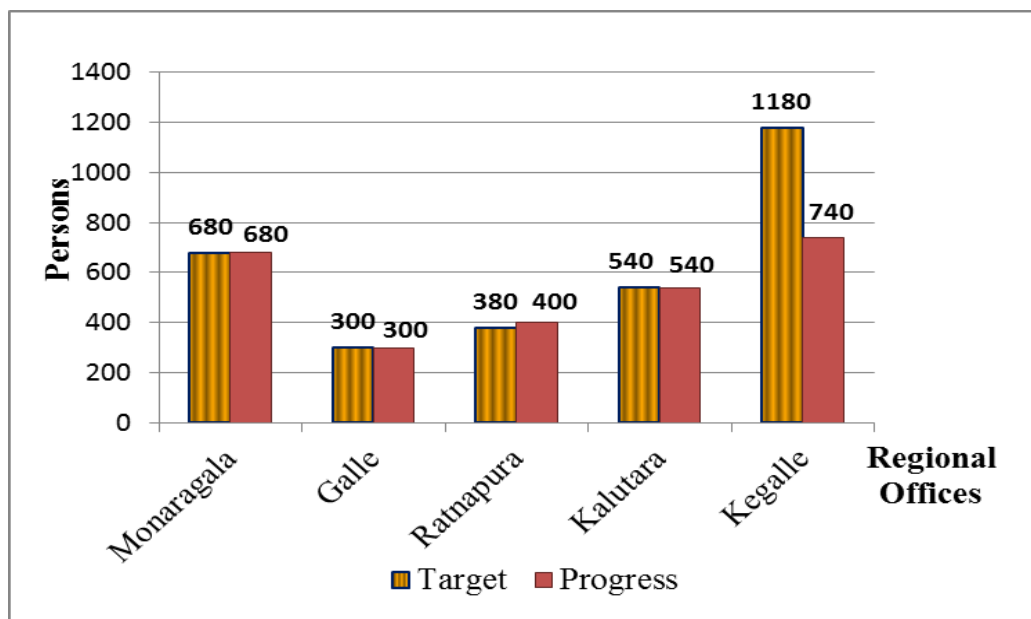
4.3. Progress of Intercropping



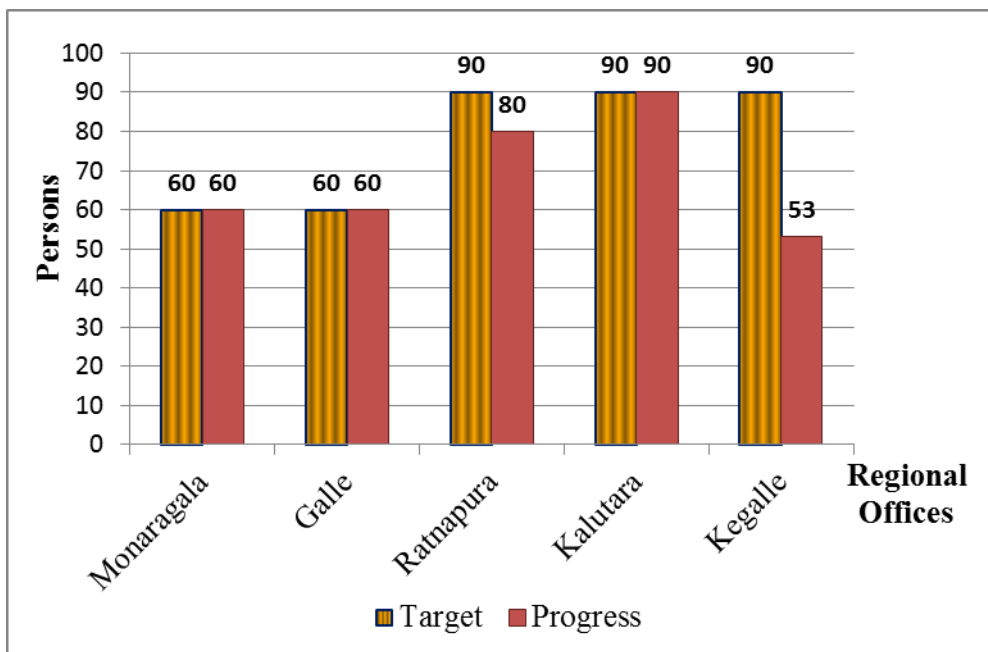
4.4. Fixing of Rain Guards



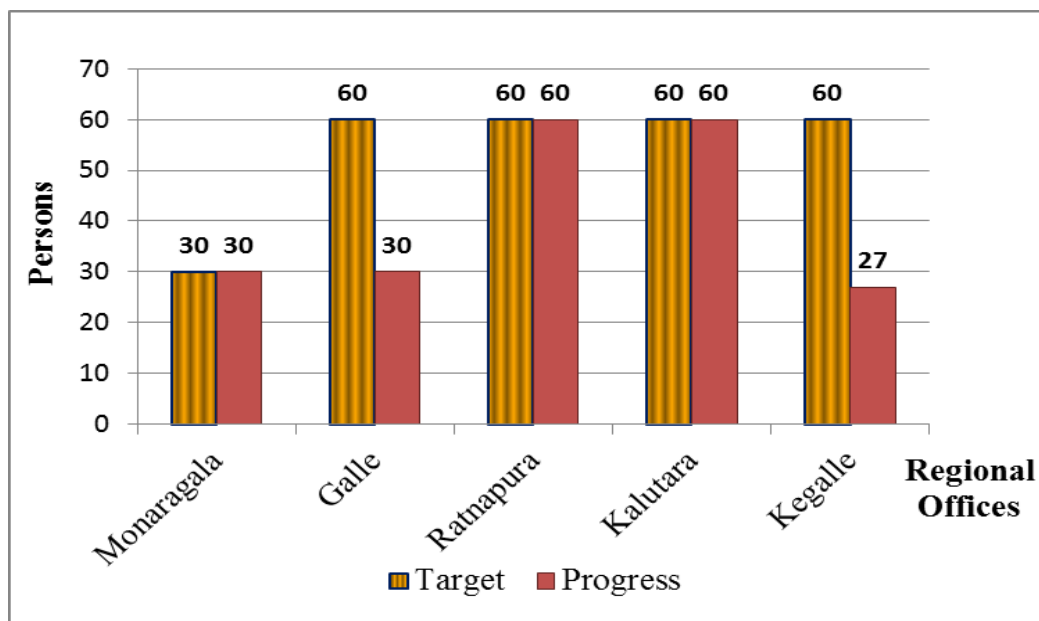
4.5. Training Programme for rubber tappers



4.6. Professional Training Programme for rubber tappers



4.7. Training Programme for bud grafters



Conducting Training Programmes by the Regional Offices

5. Rendering services of other institutions

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

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

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

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

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



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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09 September 2016

Director General
Rubber Development Department

Report of the Auditor General on the Financial Statements of the Rubber Replanting Subsidy Fund for the year ended 31 December 2015

The audit of financial statements of the Rubber Replanting Subsidy Fund for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 6(2) (Cap. 437) of the Rubber Replanting Subsidy Fund Act, No. 36 of 1953. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the balance sheet.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Presentation of Financial Statements

The fixed deposits and investments of the Fund had been transferred to the Rubber Development Department whereas no operation had been carried out and any other income had not been earned during the year under review. Thus, an income and expenditure statement and cash flow statement had not been presented along with the financial statements.

2.2.2 Accounting Deficiencies

A sum of Rs.70,659,526 credited to the Consolidated Fund in a preceding year had been shown as a current asset instead of showing as a deduction from the Fund.

2.2.3 Lack of Evidence for Audit

(a) Non-current Assets

As the Fund was not functioning, the fixed assets belonging to the Fund during the year 2014 had been transferred to the Rubber Development Fund and omitted from accounts in accordance with the recommendation made by the Committee appointed to settle the balances of Fund in terms of the letter dated 04 July 2014 of the Secretary to the Ministry of Plantation Industries. A register of assets was not available at the instance of transfer while no document in support of assets transferred to the Department and takeover of assets had not been made available to audit. Thus, it could not be confirmed that the assets costing Rs.63,438,232 which were eliminated from accounts, had been properly transferred.

(b) Current Assets

- (i) Sufficient information with regard to the balances of 12 Advance Accounts totalling Rs.15,220,514 given to various purposes and brought forward over a period of 18 years and the details on the parties from which those balances should be receivable had not been furnished to audit.
- (ii) A sum of Rs.17,353,015 receivable from the General Treasury and the Sri Lanka Customs have been brought forward as current assets over a period of 18 years without consulting the respective institutions and any evidence had not been furnished to the audit to ensure that those balances were remaining as authentically receivable balances.
- (iii) The investment interests receivable amounting to Rs.102,890 shown in the accounts for a period of 18 years had not been settled even by 31 December 2015.



- (iv) No documentary evidence whatsoever had been furnished to audit on the balances of Rs.3,647,219 and Rs.65,477,579 relating to the two accounts named as Receipts for Group Processing Centers and the Project No.02 respectively.
- (v) Balances of 5 accounts totalling Rs.351,353 of which the reasons for the identification as an asset were not explained and the recovery was completely doubtful, had been brought forward as current assets for over 18 years.

(c) Current Liabilities

- (i) No documents whatsoever had been furnished to audit relating to the sundry deposits of Rs.9,988,530 brought forward in the accounts for over a period of 18 years.
- (ii) Action had not been taken to settle a Medical Aid loan of Rs.57,526 of which information on the receivable parties was not available and brought forward for over a period of 18 years and other Departmental loans of Rs.416,313.
- (iii) Although it was functioned under the same management, action had not been taken for the settlement of a sum of Rs.281,210 and Rs.15,449 payable to Rubber Control Fund and the Rubber Development Department respectively.
- (iv) Although the party and the amount payable had been specifically identified, no action whatsoever had been taken to settle a sum of Rs.22,087 to the Rubber Research Institute.
- (v) Even though any employee had not been deployed since a period of 18 years, an employee gratuity commitment amounting to Rs.90,706 of which the payable party had not been specifically stated had been shown under the current liabilities.
- (vi) Two balances of Rs.119,550 and Rs.4,779,564 named as Sapling Advances and Fertilizers to Matured Cultivations respectively had been brought forward for a period over 18 years, whereas any documents relating to those balances had not been furnished to audit.



- (vii) Although a sum of Rs.3,096,701 specified as receipts of loan not belonging to the Fund had been shown as a current liability, either the reason attributed to that abnormal commitment or the details on the payable party had not been furnished to audit.

3. Financial and Operating Review

3.1 Financial Review

3.1.1 Financial Results

An interest income for the savings deposits of the Fund had been received as at 31 December 2013 and it had been the only source of income of the Fund. All bank deposits of the Fund at the beginning of the preceding year had been credited to the Director General of the Rubber Development Department, thus the Fund had become inoperative. Accordingly, Income and Expenditure Account and the cash flow statement had not been prepared.

3.2 Operating Review

3.2.1 Current Position of the Activities of the Fund

Even though a directive had been given by the Committee on Public Accounts held on 23 July 2009 to wind up the Fund, the Cabinet Memorandum therefor had been presented only on 26 February 2016. According to the Cabinet Decision dated 17 March 2016, a liquidator had been appointed. Statutory drafts required to wind up the activities of the Fund in compliance with the observations of the Ministry of Finance had not been made in consultation with the Legal Draftsman.



5. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General from time to time. Special attention is needed in respect of fixed assets and the settlement of receivable and payable balances.

H.M.Gamini Wijesinghe

Auditor General



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Date }

09 September 2016

Director General,
Rubber Development Department

Report of the Auditor General on the Financial Statements of the Rubber Control Fund for the year ended 31 December 2015

The audit of financial statements of the Rubber Control Fund for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 39(a) (3) of the Rubber Control Act, (Cap. 436) No. 11 of 1956 as amended by the Rubber Control (Amendment) Act No.45 of 1957 .My comments and observations on these financial statements appear in this report.

1.2 Management's Responsibility for Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit, conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).





1.4 **Basis for Disclaimer of Opinion**

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the balance sheet.

2. **Financial Statements**

2.1 **Disclaimer of Opinion**

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 **Comments on Financial Statements.**

2.2.1 **Presentation of Financial Statements**

Fixed deposits and investments belonged to the Fund had been transferred to the Rubber Development Department and an income and expenditure statement and a cash flow statement had not been presented due to not carrying out any operational activity and did not earn any other income in the year under review.

2.2.2 **Accounting Deficiencies**

A sum of Rs.1,864,559 credited to the Consolidated Fund had been shown as a current asset instead of showing as a deduction from the Rubber Control Fund.



2.2.3 Receivable and Payable Balances

The following observations are made.

- (a) Balances of 13 current assets totalling Rs.635,271 had been brought forward without changing in the financial statements for more than 18 years and action had not been taken to settle unsettled advance balances amounting to Rs.287,378 included therein.
- (b) Balances of 05 items of current liabilities totalling Rs.239,784 had been brought forward for more than 18 years and steps had not been taken to settle advances payable amounting to Rs.222,031 including therein.

2.2.4 Lack of Evidence for Audit

The following items could not be satisfactorily vouched or accepted in audit due to non- submission of any evidence indicated against each item.

Item	Value	Evidence not made available
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	Rs.	
(a) Fixed Assets	985,925	Schedules, Board of Survey Reports, Registers of Fixed Assets
(b) Current Assets	635,271	Schedules, Age Analysis, Confirmation of Balances and Books
(c) Current Liabilities	239,784	Schedules, Age Analysis, Confirmation of Balances and Books and records.



3. **Financial Review**

3.1 **Financial Results**

The interest income received for fixed deposits and savings deposits belonging to the Fund as at 31 December 2015 had been the only source of income of the Fund. Receivable interest of Rs.12,957 on 02 fixed deposits amounting to Rs.10,456,639 and the savings deposit amounting to Rs.3,435,797 had been debited to a liquidation account by the end of the preceding year. Accordingly, the debit balance amounting to Rs.13,905,393 existed in the liquidation account as at 01 January 2015 had been debited to Rubber Control Account in the year under review and as such the balance of that Account had been understated by that amount. The income and expenditure account and the cash flow statement for the year under review had not been prepared as there were no operating activities of the Fund furthermore.

3.2 **Operating Review**

3.2.1 **Present Status of Activities of the Fund**

Even though it had been ordered to liquidate the Fund at the Committee on Public Accounts held on 23 July 2009, the cabinet memorandum therefore had been presented only on 26 February 2016. A liquidator had been appointed in terms of the Decision of the Cabinet of Ministers held on 17 March 2016. The necessary constitutional drafts had not been prepared with the concurrence of the legal draftsman to liquidate the functions of the Fund in compliance with the observations of the Ministry of Finance.

3.3 **Budgetary Control**

A Budget for the year under review had not been prepared due to the Fund being inoperative.



4. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General from time to time. Special attention is needed in respect of fixed assets and the settlement of receivable/payable balances.

H.M Gamini Wijesinghe
Auditor General

