

AUDITED PROJECT FINANCIAL STATEMENTS

Loan number: 2000001447

Period covered: 01 January 2019 to 31 December 2019

Smallholder Tea And Rubber Revitalization Project (STaRR)

Received on 31 July 2020

The Audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those IFAD's Board of Directors, Management or Staff. These documents are made publicly available in accordance with the "IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects (2018)".



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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எனது இல.
My No.

PLA/C/STaRRP/19/03

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

28 July 2020

The Secretary,
Ministry of Plantation Industries and Export Agriculture

Report of the Auditor General on the Financial Statements of the Smallholder Tea and Rubber Revitalization Project for the year ended 31 December 2019

The English version of the above mentioned report along with the copy of the certified financial statement is sent herewith.

02. The Management Report on the affairs of the Project had been issued on 03 July 2020 for the consideration of the Project Management Unit.



W.P.C. Wickramaratne
Auditor General

- Copies to :-
01. Secretary, Ministry of Finance, Economy and Policy Development
 02. Project Director, Smallholder Tea and Rubber Revitalization Project

PM - urgent.
Pl send this report to IFAD early. Is self.
[Signature]





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தேசிய கணக்காய்வு அலுவலகம்

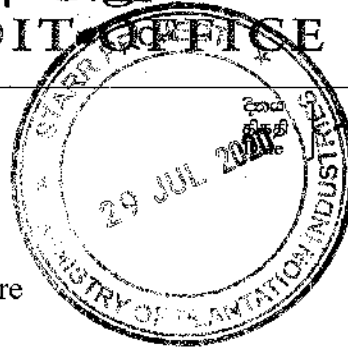
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28 July 2020

The Secretary,
Ministry of Plantation Industries and Export Agriculture

Report of the Auditor General on the Financial Statements of the Smallholder Tea and Rubber Revitalization Project for the year ended 31 December 2019

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Smallholder Tea and Rubber Revitalization Project for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with section 9.03(a) of the Article IX of the Financing Agreement No. 2000001447 dated 26 April 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the International Fund for Agricultural Development.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2019 and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

- As per the withdrawal applications total disbursement for the year under review was Rs. 819,982,081. However, it was erroneously shown as Rs. 820,094,436 in the financial statements. As a result, the expenditure for the year had been overstated by Rs. 112,355.



- The Government contribution and non-current asset shown in the statement of financial position as at 31 December 2019 had been understated by Rs. 913,800, due to erroneous accounting treatment.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs) and the International Fund for Agriculture Development Guidelines on Project Audits. My responsibilities, under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other Information on Performance of the Project

The other information as stated below does not include in the financial statements and my opinion thereon does not cover the other information.

- According to the Budget Estimate for 2019, the allocation amounting to Rs. 300 million under local component and the allocation amounting Rs. 820 million under the foreign component had been made to implement the activities of the Project. However, according to the Action Plan of the Project for 2019, the activities at a cost of Rs. 362.7 million under the local component whilst other activities at a cost of Rs. 939 million under the foreign component only had been planned to implement by the Project during the year under review. Out of the budget allocation a sum of Rs. 298.95 million representing 99.65 per cent under the local component and a sum of Rs. 819.98 million representing 99.99 per cent under the foreign component had been utilized at the end of the year under review.
- Eventhough the Government had allocated a sum of Rs. 1,120 million in the Budget Estimate for the year 2019 under foreign component and government contribution, the Project had prepared an Annual Work Plan and Budget for the year 2019 to carry out project activities valued at Rs. 1,301.7 million (without Beneficiaries and Bank Contributions). Therefore, the Budget and annual work plan had not been prepared properly by considering the funding arrangement for the year 2019.



- The activities of the Project consisted with 03 components to provide financial and technical supports to the Tea Smallholders' Development Authority, Rubber Development Department and provide financial facilities through credit schemes implemented by 04 Participatory Credit Institutions. Therefore, the subsidy schemes are implemented by the Project to support of tea smallholders in Galle, Matara, Ratnapura, Badulla, Kandy and Nuwara-Eliya districts for replanting purposes and rubber smallholders in Ampara and Monaragala districts for new planting purposes. The following observations are made relating to the progress of the above mentioned 03 components.



- According to the Design Completion Report of the Project, it was planned to prepare 5,500 hectares of land by uprooting the existing tea in the selected six districts during the years 2016, 2017, 2018 and 2019. However, no work had been commenced during the year 2016 and only 1,452 hectares of land had been prepared during the years 2017 to 2019. Therefore, the Project had decided to revise the replanting target to 4,500 hectares in the year 2019. However, sufficient works had not been carried out to achieve that target by the end of year 2019. Accordingly, there was a considerable period of delay was observed in implementation of the Project as planned.
- According to the condition of Tea Smallholder Development Authority, Tea should be replanted within two years after upfront payment for land clearance. However, out of 1,037 hectares which upfront payment of Rs. 138 million had been paid, only 610 hectares representing 58 per cent of hectares had been replanted in the year 2019.
- Number of 3,331 beneficiaries who obtained permits to replant tea in a total area of 729.77 hectares in six districts during the period of 2017 to 2018 under the subsidies scheme had not continued their subsidies payments after obtaining upfront payments of Rs. 109,263,440 on various reasons such as delay in land measuring, delay in grass planting, retiring of planters from the scheme and non-compliance with guidelines.

- According to the Annual Work Plan and Budget for the year 2019, Project had selected 110 tea societies out of 200 tea societies to distribute tools kits and equipment value at Rs.220,000 per society to improve their service delivery process, initiate their business activities and encourage to continue the best practice. According to the procurement plan for the year under review, Although the procurement procedure had to be completed in February 2019, it was not completed by end of the year under review. Therefore, the Project was unable to achieve any physical progress on tea societies.



- According to the Design Completion Report of the Project, it was planned to plant 3,000 hectares of Rubber in the selected two districts during the years 2016, 2017, 2018 and 2019. The Project had identified 5,295 hectares of lands at the end of the year under review. However, Permits for planting had been issued only for 2,575 hectares by Rubber Development Department for new planting and only 2,094 hectares of land were planted up to December 2019, due to various reasons such as farmers are retired from the scheme and farmers withdraw to other crops. Accordingly, the Project had not been fully achieved the target as planned.

- The Project had spent a sum of Rs. 42 million during the period of 2018 to 2019 to develop the rubber plant nursery belonging to Rubber Development Department at Paddiyathalawa in the Ampara District with the capacity of supplying 250,000 rubber plants per year. Eventhough the construction of a tank, irrigation system, model farm, bud wood nursery, cut back nursery and road network relating to plantation are scheduled to be completed on December 2018, it was delayed over one year. Therefore, the expected planting capacity could not be able to achieved during the year under review.

- The Project had planned to cultivate 1,014 hectares and 780 hectares of rubber plants in the Ampara and Monaragala districts respectively during the period of 15 September to 15 December 2019. Although arrangements were made to transport 925,704 rubber plants to the

lands from September 2019, 612,775 of plants had only been transported after one month delay. As a result, Project was unable to achieve the balance target of 34 per cent.

- The Project had planted 572.4 hectares of rubber in the Monaragala District during the Maha season 2019 and It was planned to supply 886,075kg of compose fertilizer to the farmers. The following observations are made in this regard.



- Although the distribution of plants was commenced on 12 October 2019 and completed by 15 December 2019, no fertilizer was distributed during the period of plants distribution. Therefore, it was not possible to mix fertilizer with soil when planting.

The compose fertilizer requirement for 572.4 hectares was 886,075 kg. However, only 747,475 kg was provided to the farmers. Further, It was observed that the balance of 138,600 kg fertilizer could not be supplied to 89.5 hectares or 46,200 plants.

- According to the Design Completion Report of the Project, Rs. 422.6 million had been allocated for providing credit facilities to the farmers through the commercial banks for a self-employment or a short term income generating activities to cover the incomes lost until tea plucking and rubber tapping. However, the credit facility was not implemented during the year from 2016 to 2018. Although Project had planned to provide Rs. 20 million credit facilities to the farmers in the annual work plan and budget for 2019, it was not implemented up to 31 December 2019.
- The Project had purchased 10 double cab vehicles on 04 September 2018 to utilize for the operational activities of the Project in 8 districts and Project Head Office. As a result, of one cab which had been allocated to the Nuwara Eliya district had been handed over to the Ministry of Plantation Industries on 21 February 2019, the Project had obtained a vehicle for the use of Nuwara Eliya district on hire basis and paid total hire charges of Rs. 1,126,870 during the year under review.
- An Internal Audit for the year under review had not been carried out by the Ministry of Plantation Industries.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

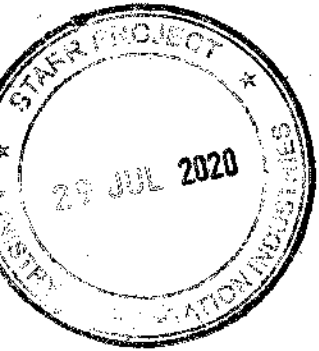
Those charged with governance are responsible for overseeing the Project's financial reporting process.

The Project is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared by the Project.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Requirements of the Donor Agency

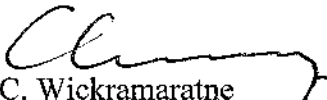
As required by the International Fund for Agricultural Development, I state the followings:

- (a) The basis of opinion and scope and limitation of the audit are as stated above.
- (b) In my opinion:

- except for the effect of the matters described in the Basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Project,



- the funds provided had been utilized for the purposes for which they were provided,
- the opening and closing balances and withdrawals from and replenishments to the Special (Dollar) Account had been truly and fairly disclosed in the books and records maintained by the Project and the balance as at 31 December 2019 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date,
- the Statements of Expenditure submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Financing Agreement,
- the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- the financial covenants laid down in the Financing Agreement had been complied with.


W.P.C. Wickramaratne
Auditor General

SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT

**MINISTRY OF PLANTATION INDUSTRIES AND EXPORT
AGRICULTURE, SRI LANKA**

IFAD Loan Number 2000001447.

PROJECT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019

Prepared in accordance with the Cash Basis of Accounting Method and the Sri Lanka Public
Sector Accounting Standards (SLPSAS)

Colombo
2020 February



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SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT
MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE

IFAD Loan/Grant Number 2000001447

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01. Project Information

01.01. The Project Outline

The Smallholder Tea and Rubber Revitalization (STARR) Project is functioning under the Ministry of Plantation Industries, with the financial assistance from the International Fund for Agricultural Development (IFAD). The Financing Agreement was signed dated 26th April 2016 between the (IFAD) and the Democratic Socialist Republic of Sri Lanka. The Project extends assistance to improve the productivity of the tea smallholder sector and expanding rubber cultivation in non-traditional rubber growing areas while supporting small scale rubber processing.

The lead agency for implementation of the STARR Project is the Ministry of Plantation Industries and Export Agriculture (MPI&EA), Sri Lanka. An autonomous Project Management Unit has been established for the operations of the Project and is located at No. 465, 1st Floor, Zimantra Building, Ganahena, Battaramulla, Sri Lanka.

Table 1 - Summary of the Project details

| | |
|--|---|
| <i>Project Title</i> | Smallholder Tea & Rubber Revitalization (STARR) Project |
| <i>IFAD Project Number</i> | Loan Number: 200001447 |
| <i>Project Duration</i> | 26 th April 2016 to 31 st December 2022 |
| <i>Total project Budget (in USD):</i> | 65.401 US\$ Mn (LKR 8,502.084 Mn) |
| <i>Amount of IFAD Loan (in USD)</i> | 25.764 US\$ Mn (LKR 3,349.284 Mn) |
| <i>Year of implementation</i> | FY 2016 |
| <i>Financial year</i> | 1 st January to 31 December |

01.02 Goals and Development Objectives of the Project

The goals of the Project is to enable poor rural people to improve their food security, increase their income and strengthen their resilience. The development objective of the STARR Project would be a more profitable, productive and resilient economic activities of tea and rubber smallholders in selected districts.



01.03 Project Outcomes

The expected project outcomes would be:

- Smallholders' economic activities in tea and rubber become more productive, profitable and resilient;
- Better organized tea & rubber smallholders able to effectively and sustainably produce and market their products; and
- Tea and rubber smallholders get increased access to credits.

01.04. Project Components

The STARR project has 3 major components which are as follows.

01. Tea Smallholders' Development – Executes mainly by STARR and the Tea Smallholdings Development Authority (TSHDA) as a Technical Service Partner (TSP)
02. Rubber Smallholders' Development – Executes mainly by STARR and Rubber Development Department (RDD) as a Technical Service Partner (TSP); and
03. Inclusive Rural Financing – Executes through commercial and development banks including Bank of Ceylon, People's Bank, Regional Development Bank (RDB), Hatton National Bank (HNB) and Cargill's Bank.

01.05. Project Area

The project area extends in eight neighbouring districts in the Central and the Southern Sri Lanka, including Galle (tea), Matara (tea), Ratnapura (tea and rubber processing), Badulla (tea), Kandy (tea), Nuwara Eliya (tea), Moneragala (rubber) and Ampara (rubber).

These districts have been selected based on their poverty incidence, potential of production of tea and rubber. A total of 144,000 people, or 32,000 households, would be benefited from the Project.



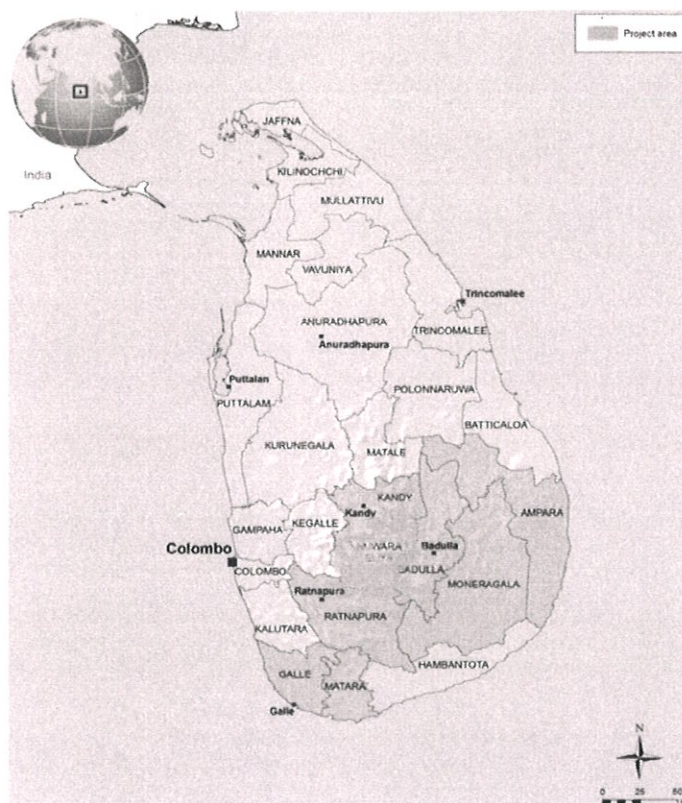


Figure 1: Map of the Project Operating Areas

01.06. Categories of Eligible Expenditure under the Project and sources of finance

As per the Financing Agreement, there are five Categories of Eligible Expenditures to be financed by IFAD loan of USD 25.764 Mn (SDR 18.450)

01. Civil works
02. Equipment & materials,
03. Goods, services and inputs,
04. Capital grants and government subsidies, and
05. Salaries, allowances and operational costs.

Project design contains 5 sources of financing for the Project

01. International fund for Agricultural Development (IFAD)
02. Government of Sri Lanka (GOSL)
03. Beneficiaries
04. Participatory Financing Institution (PFIs)
05. Private Sector



The contribution to the Project by the Government of Sri Lanka consists with, subsidy payment for tea replanting and rubber new planting implemented according to the Government schemes, taxes and other expenditure as defined in the Annual Work Plan and the Budget. The Participatory Financial Institutions (PFIs) are expected to provide LKR 390 million as a line of credit from their own funds. Beneficiaries will make a substantial contribution in terms of their own labour and capital for replanting of tea, cultivation of rubber, inter-crops as well as their contribution to private nurseries, access roads and other necessary infrastructure programmes and rubber processing units provided under the project.

02. Bank Account Details

As required by Section E of the Financing Agreement (FA) signed between GOSL and IFAD, the project has opened up a special currency account in the Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka on 27.09.2016. The account number is

In addition, for smooth financial operations of the Project, two current accounts have been opened at the Bank of Ceylon, No. 75/A, Main Street, Battaramulla. Although the project planned to open Current Accounts at the Bank of Ceylon for the operations of the District Management Units (DPMUs), as per the recommendation made by IFAD during its supervision mission in October 2017, it was decided to handle the financial operations through PMU. Special cash advances and petty cash reimbursements are to DPMUs are transferred through the "Cheque Encashment Facility" obtained from the Bank of Ceylon.

Name of the existing Bank Accounts of the PMU are as follows:

Table 2 – Bank Account Details

| Bank Account Name | Account No. | Authorized Signatories |
|--|-------------|---|
| 1. Secretary Ministry of Plantation Industries, Smallholder Tea and Rubber Revitalization Project – IFAD | | Finance Manager or Project Accountant with either Project Director or the Chief Accountant of MPI |
| 2. Secretary Ministry of Plantation Industries, Smallholder Tea and Rubber Revitalization Project – GOSL | | |



03. The Auditors of the Project

In accordance with the Section G. 35. Of the "Letter to Borrower" dated 31.05.2016, Auditor General of National Audit Office of Sri Lanka has been appointed as the project External Auditors.

The address of the National Audit Office of Sri Lanka is as follows.

National Audit Office of Sri Lanka,
306/72 Polduwa Road,
Battaramulla.

04. Project Management Team

Project is managed by a National Steering Committee (NSC) chaired by the Secretary of the Ministry of Planation Industries and Export Agriculture which provides the overall policy and administrative support, coordination and direction to the Project. In addition, the Project has designated with a staff for the execution of the project headed by the Project Director.

05. Background Information on the Project Financing

The total of the original project cost was US\$ 65.401 million over a six-year period, of which IFAD will be providing a loan equivalent to USD 25.764 million. The Project has five sources of funding which contributes to the total cost of USD 65.401 mn. (LKR 8,502.084 Mn). The details of the initial sources of financiers and proportionate amount of funding and the related % were as follows.

Table 3 - Details of the Sources of Financing of the STARR as per the Original Cost Tables were as follows.

| Funding Source | Amount (LKR Million) | Amount (USD Millions) | % Share |
|-----------------------|---------------------------------|----------------------------------|----------------|
| GOSL | 4,259.01 | 32.76 | 50.09 |
| IFAD | 3,349.28 | 25.76 | 39.39 |
| Banks (PFIs) | 422.62 | 3.25 | 4.97 |
| Beneficiaries | 469.27 | 3.61 | 5.52 |
| Private Sector | 1.89 | 0.02 | 0.02 |
| Total | 8,502.08 | 65.40 | 100.00 |

1. Source: Project Design Report (pg.136)
2. US\$ 1 = LKR 130



According to the recommendations of the Mid Term Review (MTR) of the project, cost tables as per the PDR is re-allocated and reported project management cost based on the Project Implementation Manual (PIM), has been charged to the respective project components. Comparative figures of the project components in the presentation formats were re-arranged accordingly.

Funding Source

As per the Section C of the Financing Agreement the Project Completion date shall be the sixth anniversary of the date of entry into force of the agreement. Accordingly, the project starting date was 26th April 2016 and will be executed throughout the six years with that effect. However due to start-up delay of initial implementation of the project, project closer extended to 30th June 2022.

06. Project Costs -Allocation of Loan Proceeds

The table below shows the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each category and percentage for items to be financed through each category in compliance for the Schedule 2 of the Financing Agreement.

Table 4 – Allocation of Loan Proceeds

| IFAD Budget Category | Loan Amount Allocated (Original) SDR | Loan Amount Re-Allocated (Subject to Approval) SDR |
|--|---|---|
| I. Civil Works | 2,900,000 | 3,418,000 |
| II. Equipment & Materials (Including Vehicles) | 3,010,000 | 2,915,000 |
| III. Goods and Services | 2,520,000 | 3,072,000 |
| IV. Grants | 6,200,000 | 6,970,000 |
| V. Salaries & Allowances other Operating Costs | 1,980,000 | 2,075,000 |
| VI. Unallocated | 1,840,000 | |
| Total | 18,450,000 | 18,450,000 |

Based on the recommendations of IFAD Mid Term review of June 2019 Allocation of loan proceed were re-arranged and send for IFAD No-Objection. Comparison is shown above



07. Summary of Performance

The AWPB and the Procurement Plan for 2019 was prepared and submitted to the IFAD for "No Objection (NO)" on 31.01.2019 and No objection was received on 02.02.2019 the original value of the AWPB for FY 2019 was LKR 2,187 Mn. During the year all disbursements beyond the threshold were made by obtaining required no objections from IFAD. On the recommendations of the Mid Term Review Mission of June 2019, AWPB was amended to the value of 1,438.64 Mn considering the prioritised needs and the capability of the disbursements.

However Budgetary Allocations of sources of financiers of IFAD & GOSL were restricted during the year 2019 by the Department of National Budget as explained below. Though the project was managed to obtain additional allocations of both IFAD LKR 50Mn & GOSL LKR 100 Mn for project activities. Financial progress during 2019 shown below for more explanations.

Table 5 - **Budget Allocations 2019**

| Status of Budgetary Allocations for the Project in 2019 | | | | | | |
|---|-----------|------------|------------|--------|--------|----------|
| Description | 2019 | | | | | |
| | Currency | IFAD | GOSL | BEN | BANKS | TOTAL |
| Original AWPB for 2019 which the No objection obtained from IFAD | Rs. Mn. | 1,226.60 | 715.23 | 114.03 | 132.00 | 2,187.86 |
| | US \$ Mn. | 6.74 | 3.93 | 0.63 | 0.73 | 12.02 |
| Revised AWPB 2019 after MTR which the No objection obtained from IFAD | Rs. Mn. | 939.05 | 362.71 | 116.88 | 20.00 | 1,438.64 |
| | US \$ Mn. | 5.37 | 2.07 | 0.67 | 0.11 | 8.22 |
| Initial Budgetary Allocation for the year from the Department of National Budget | Rs. Mn. | 800.00 | 200.00 | - | - | 1,000.00 |
| | US \$ Mn. | 4.44 | 1.11 | - | - | 5.56 |
| Net Allocation after Rs. 30 Mn Budget Ceiling enforced by the Department of National Budget | Rs. Mn. | 770.00 | 200.00 | - | - | 970.00 |
| | US \$ Mn. | 4.28 | 1.11 | - | - | 5.39 |
| Additional Allocation granted by the Department of National Budget & the dates of granted | | 23.12.2019 | 25.09.2019 | | | |
| | Rs. Mn. | 50.00 | 100.00 | - | - | 150.00 |
| | US \$ Mn. | 0.28 | 0.56 | - | - | 0.83 |
| Total Allocation granted for the year with the Additional Allocation by the Department of National Budget | Rs. Mn. | 820.00 | 300.00 | - | - | 1,120.00 |
| | US \$ Mn. | 4.56 | 1.67 | - | - | 6.22 |
| Total Imprest Received | Rs. Mn. | 820.09 | 298.97 | | | 1,119.06 |
| Total Expenditure for the Year | Rs. Mn. | 820.09 | 298.95 | | | 1,119.04 |
| | US \$ Mn. | 4.56 | 1.66 | | | 6.22 |



Table 6 - Financial Progress by Component 2019

| Component | Budget Allocation 2019 Rs Mn | Expenditure for 2019- up to end of DECEMBER' 19 | % |
|---|---------------------------------|---|-------------|
| Component 1 - TEA SMALLHOLDER DEVELOPMENT | 849.45 | 853.46 | 100% |
| Component 2 - RUBBER SMALLHOLDER DEVELOPMENT | 177.91 | 180.47 | 101% |
| Component 3 - INCLUSIVE RURAL FINANCING | 0.47 | 0.42 | 89% |
| Component 4 - PROJECT MANAGEMENT & MONITORING | 92.18 | 84.69 | 92% |
| | 1,120.00 | 1,119.04 | 100% |

Table 7 - Cumulative Financial Progress by Component as at 31st December 2019

| Component | Total Project Cost (Original) LKR Mn | Cumulative expenditure as at 01.01.2019 LKR MN | Expenditure for the year 2019 LKR MN | Cumulative Expenditure As At 31.12.2019 LKR MN | % of Disbursement to the total project cost by Component to the |
|---|--|---|---|--|---|
| Component 1 - TEA SMALLHOLDER DEVELOPMENT | 5,777.45 | 921.11 | 958.53 | 1,879.64 | 22.11% |
| Component 2 - RUBBER SMALLHOLDER DEVELOPMENT | 1,921.83 | 196.18 | 180.46 | 376.64 | 4.43% |
| Component 3 - INCLUSIVE RURAL FINANCING | 455.23 | 0.29 | 0.42 | 0.71 | 0.01% |
| Component 4 - PROJECT MANAGEMENT & MONITORING | 347.57 | 129.19 | 84.69 | 213.88 | 2.52% |
| TOTAL PROJECT COST | 8,502.08 | 1,246.77 | 1,224.10 | 2,470.87 | 29.06% |

For the activities taken place during the financial year 2019, counterpart financing by the Government of Sri Lanka, IFAD, and Beneficiary and Bank contributions has been applied in accordance with the financing rules Exists in the Cost Tables of the "Project Design Report".

Table 8 - Financial Progress by Financier 2019

| Source of Financier | National Budget Allocation 2019 Rs Mn | Total Expenditure for the year 2019 Rs Mn | % of Achievement |
|--------------------------|--|---|------------------|
| IFAD Loan | 820.00 | 820.09 | 100% |
| GOSL Contribution | 300.00 | 298.95 | 100% |
| Beneficiary Contribution | | - | |
| Banks | | - | |
| Private sector | | | |
| Total | 1,120.00 | 1,119.04 | 100% |



**MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT**

IFAD LOAN NO. 2000001447

| STATEMENT OF FINANCIAL POSITION AS AT | Notes | 31.12.2019 | 31.12.2018 |
|---|-------|----------------------|----------------------|
| | | LKR | LKR |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| INVESTMENT COST ON VEHICLES,EQUIPMENTS AND FURNITURE | 01 | 152,370,798 | 136,008,281 |
| LESS :AMORTIZATION OF NON CURRENT ASSETS | | (152,370,798) | (136,008,281) |
| DEVELOPMENT EXPENDITURE | | | |
| Component 01 | | | |
| TEA SMALLHOLDER DEVELOPMENT | 02 | 1,879,227,760 | 920,691,344 |
| Component 02 | | | |
| RUBBER SMALLHOLDER DEVELOPMENT | 03 | 376,647,613 | 196,181,868 |
| Component 03 | | | |
| INCLUSIVE RURAL FINANCING | 04 | 721,796 | 293,244 |
| Component 04 | | | |
| PROJECT MANAGEMENT AND COORDINATION | 05 | 212,977,017 | 128,284,327 |
| TOTAL DEVELOPMENT EXPENDITURE | | 2,469,574,186 | 1,245,450,783 |
| CURRENT ASSETS | | | |
| CASH & CASH EQUALENTS | 06 | 167,739,181 | 11,340,196 |
| TOTAL ASSETS | | 2,637,313,366 | 1,256,790,979 |
| LIABILITIES | | | |
| SOURCES OF FINANCING | | | |
| INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) LOAN | 07 | 1,970,928,510 | 998,655,950 |
| GOVERNMENT OF SRI LANKA (GOSL) CONTRIBUTION | 08 | 497,548,417 | 198,595,337 |
| BENEFICIARY CONTRIBUTION | 09 | 145,898,662 | 40,822,774 |
| EXCHANGE GAIN | 10 | 20,238,910 | 16,958,703 |
| TOTAL OF SOURCES OF FINANCING | | 2,634,614,499 | 1,255,032,764 |
| CURRENT LIABILITIES | | | |
| CURRENT LIABILITIES ON PERSONAL EMOLUMENTS | 11 | 2,199,168 | 1,668,457 |
| OTHER CURRENT LIABILITIES (CASH ADVANCES PAYABLES) | 12 | 7,460 | 44,759 |
| OTHER PAYABLES | 13 | 492,239 | 45,000 |
| TOTAL CURRENT LIABILITIES | | 2,698,867 | 1,758,216 |
| TOTAL LIABILITIES | | 2,637,313,366 | 1,256,790,979 |

The accounting policies and notes on pages 11 to 23, form an integral part of the financial statements.

Financial statement has been prepared in accordance with the Sri Lanka Public Sector Accounting Standards (SLPSAS) and compliance with GOSL rules/regulations and Guidelines of IFAD with declared to the best of our knowledge and that the above Financial Statement presented true and fare view of the activities of the project.

P. H. S. P. Ranasinghe
Finance Manager
Smallholder Tea and Rubber Revitalization (STARR) Project
Ministry of Plantation Industries
1st Floor, Zimantira Building,
No. 465, Ganahena, Battaramulla

A. J. L. P. Amarasinghe
Project Director
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1st Floor Zimantira Building
No. 465, Ganahena, Battaramulla.

P. S. M. Senadheera
Chief Financial Officer
Ministry of Plantation Industries and Export Agriculture
11th Floor, Sethsiripaya Stage II
Battaramulla.

Ravindra Hewavitharana
Secretary
Ministry of Plantation Industries and Export Agriculture
11th Floor, Sethsiripaya Stage II
- Battaramulla.

MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT

IFAD LOAN NO. 2000001447

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2019

| | | 31.12.2019 |
|---|-----------|---------------------------|
| | | LKR |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| TOTAL CASH OUT FLOWS FOR DEVELOPMENT EXPENDITURE | NOTE 14 - | 1,119,047,515 |
| ADJUSTMENTS FOR CHANGES IN NET CURRENT ASSETS | NOTE 15 | 940,652 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | (1,118,106,863) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| CONTRIBUTION FROM GOVERNMENT OF SRILANKA | | 298,953,080 |
| LOAN FROM INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT | | 972,272,560 |
| EXCHANGE GAIN | | 3,280,208 |
| NET CASHFLOW FROM FINANCING ACTIVITIES | | 1,274,505,848 |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | | 156,398,985 |
| CASH & CASH EQUIVALENTS AS AT 01 ST JANUARY 2019 | | <u>11,340,196</u> |
| CASH & CASH EQUIVALENTS AS AT 31 ST DECEMBER 2019 | | <u><u>167,739,181</u></u> |



MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT

IFAD LOAN NO. 2000001447

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019

| DESCRIPTION | As At 31.12.2019 | As At 31.12.2018 |
|--|----------------------|--------------------|
| | LKR | LKR |
| NOTE 01 INVESTMENT COST ON VEHICLES,EQUIPMENT AND FURNITURE | | |
| MOTOR VEHICLES | 95,490,000 | 85,500,000 |
| MOTOR BICYCLES | 17,432,500 | 17,432,500 |
| COMPUTER EQUIPMENT | 6,514,450 | 5,738,700 |
| OFFICE EQUIPMENT | 12,909,873 | 11,761,609 |
| FURNITURE | 5,923,287 | 4,785,896 |
| GPS EQUIPMENT | 4,374,243 | 4,374,243 |
| GIS SOFTWARE | 1,996,446 | 1,996,446 |
| ACCOUNTING SOFTWARE | 7,730,000 | 4,418,888 |
| TOTAL | 152,370,798 | 136,008,281 |
| NOTE 02 TEA SMALLHOLDER DEVELOPMENT | | |
| IEC CAMPAIGNS FOR TEA SECTOR | 3,346,233 | 1,746,246 |
| TOT FOR FIELD ANIMATORS - TEA | 21,000 | - |
| PRA PROGRAMMES FOR FILED ANIMATORS (ToT) | 1,010,584 | 1,010,584 |
| PRA FOR SOCIETY STRENGTHENING - TEA SECTOR | 1,720,447 | 1,491,192 |
| DIAGNOSTIC STUDY - TEA SECTOR | 2,042,751 | 1,012,717 |
| TRAINING OF TEA SOCIETY MEMBERS ON BUSINESS PLANNING | 1,831,376 | 496,534 |
| TOOLS & EQUIPMENT FOR TEA SOCIETIES | 302,600 | 77,600 |
| SOCIETY DEVELOPMENT PLANNING | 2,352,306 | 1,592,135 |
| TECHNICAL TRAINING | 1,854,055 | 709,338 |
| MARKET INFRASTRUCTURE DEVELOPMENT | 4,981,610 | 4,981,610 |
| UPFRONT PAYMENTS FOR TEA SMALLHOLDERS | 554,621,079 | 346,288,567 |
| GOVERNMENT SUBSIDIES FOR TEA SMALLHOLDERS | 284,753,716 | 76,990,803 |
| SERVICE PAYMENT TO TSHDA | 22,161,108 | 10,302,186 |
| TRAINING MATERIAL DEVELOPMENT | 112,864 | 87,864 |
| EXTENSION SUPPORT FOR TEA GROWERS | 4,273,238 | 2,938,175 |
| TRAINING NURSERY GROWERS - TEA SECTOR | 1,322,212 | 293,027 |
| INFILLING WITH 18 MONTHS PLANTS | 264,800 | - |
| GROWING TEA WITH MECHANIZED HARVESTING | 201,895 | 36,400 |
| PROMOTING 4P MODELS - TOT TRAINING | 66,512 | 66,512 |
| CAPACITY BUILDING ON TECHNICAL SERVICE PROVIDER - TSHDA | 229,853 | 112,014 |
| BUSINESS PLAN DEVELOPMENT | 96,220 | 75,000 |
| PRIVATE SECTOR LINKAGES FOR BUSINESS PLAN IMPLEMENTATION | 136,000 | 42,000 |
| ToT ON BUSINESS PLAN AND TRAINING MODULES | 991,155 | 991,155 |
| EXPOSURE LEARNING VISITS | 558,760 | 48,290 |
| TECHNICAL ASSISTANT OF INFRASTRUCTURE DEVELOPMENT-TEA | 10,829,826 | 2,523,018 |
| DEVELOPMENT OF INFRASTRUCTURE -TEA | 697,373,593 | 262,143,847 |
| CAPACITY BUILDING ON CONTRACT MANAGEMENT | 818,659 | 241,824 |
| DEMAND DRIVEN 4P FOR NEW IGAs | 68,918 | 68,918 |
| TRAINING WORKSHOPS ON BUSINESS PLAN DEVELOPMENT -TEA | 5,383,750 | 5,287,500 |
| INCOME DIVERSIFICATION THROUGH FARMING | 46,440 | - |
| DIRECT PROJECT MANAGEMENT COST - TEA | 189,953,645 | 114,757,589 |
| PROJECT COORDINATION AND MEETINGS | 8,690,178 | 8,666,492 |
| INVESTMENT COST ON VEHICLES, EQUIPMENT & FURNITURE - TEA | 76,810,376 | 75,612,208 |
| TOTAL FOR TEA SMALLHOLDER DEVELOPMENT | 1,879,227,760 | 920,691,344 |
| NOTE 03 RUBBER SMALLHOLDER DEVELOPMENT | | |
| IEC CAMPAIGNS FOR RUBBER SECTOR | 712,949 | 149,570 |
| PRA PROGRAMMES - RUBBER | 205,036 | 205,036 |
| PARTICIPATORY DIAGNOSTIC ANALYSIS | 99,815 | - |
| PRA FOR SOCIETY STRENGTHENING | 246,950 | 246,950 |
| TRAINING FOR SOCIETY MEMBERS ON BUSINESS PLANNING | 393,791 | 317,006 |
| FORMATION OR RESTRUCTURING OF THURUSAVIYA SOCIETIES | 805,837 | - |
| SOCIETY DEVELOPMENT PLANNING | 740,938 | 533,088 |
| DIAGNOSTIC STUDY | 3,500 | 3,500 |
| LAND SURVEYING | 15,509,230 | 4,493,711 |
| UPFRONT PAYMENTS FOR RUBBER | 76,820,096 | 53,639,694 |
| GOVERNMENT SUBSIDIES FOR RUBBER | 34,036,845 | 11,813,590 |
| SERVICE PAYMENT TO RUBBER DEVELOPMENT DEPARTMENT | 5,271,260 | 2,553,136 |
| INTERCROPPING FOR RUBBER GROWERS | 6,200 | - |
| EXTENSION SUPPORT FOR RUBBER GROWERS | 3,336,113 | 285,027 |
| TRAINING MATERIALS DEVELOPMENT | 161,010 | 161,010 |
| TRAINING RUBBER GROWERS | 718,314 | 305,739 |
| SOIL SUITABILITY FOR RUBBER GROWING AREAS/PLOTS | 273,003 | 91,803 |



| | | |
|---|--------------------|--------------------|
| STRENGTHENING PADIYATHALAWA RUBBER NURSERY | 42,137,045 | 32,880,725 |
| CAPACITY BUILDING ON TECHNICAL SERVICE PROVIDERS - RDD | 123,861 | - |
| TRANSPORTATION OF RUBBER PLANTS | 18,885,877 | 10,678,035 |
| RUBBER PLANTS | 49,311,807 | 5,675,797 |
| TOT FOR BUSINESS PLAN DEVELOPMENT & TRAINING MODULES | 342,081 | 127,273 |
| BUSINESS PLAN DEVELOPMENT | 1,208 | 1,208 |
| PRIVATE SECTOR LINKAGES FOR BUSINESS PLAN IMPLEMENTATION | 33,000 | 33,000 |
| EXPOSURE LEARNING VISIT | 491,852 | 221,130 |
| DEMAND FEASIBILITY STUDY FOR RUBBER PROCESSING CENTERS | 64,525 | 59,400 |
| TECHNICAL ASSISTANT OF INFRASTRUCTURE DEVELOPMENT | 1,321,388 | 242,419 |
| DEVELOPMENT OF INFRASTRUCTURE | 29,443,405 | 14,031,746 |
| CONSTRUCTION OF ELEPHANT PROTECTIVE FENCES | 8,912,698 | 35,989 |
| ESTABLISHMENT OF RUBBER PROCESSING UNITS | 867,850 | 867,850 |
| CAPACITY BUILDING ON CONTRACT MANAGEMENT | 218,187 | 4,160 |
| DIRECT PROJECT MANAGEMENT COST - RUBBER | 57,954,285 | 29,982,765 |
| PROJECT COORDINATION AND MEETINGS | 2,288,331 | 2,247,451 |
| INVESTMENT COST ON VEHICLES, EQUIPMENT & FURNITURE - RUBBER | 24,909,329 | 24,294,062 |
| TOTAL FOR RUBBER SMALLHOLDER DEVELOPMENT | 376,647,613 | 196,181,868 |

NOTE 04 INCLUSIVE RURAL FINANCING

| | | |
|--|----------------|----------------|
| CAPACITY FACILITATION FOR DISTRICT LEVEL PFIs TEA | 462,952 | 87,645 |
| CAPACITY FACILITATION FOR DISTRICT LEVEL PFIs RUBBER | 32,327 | 32,327 |
| NATIONAL LEVEL AWARENESS PROGRAMME FOR PFIs | 167,975 | 114,730 |
| FACILITATION OF LOANS FOR TEA SMALL HOLDERS | 58,542 | 58,542 |
| | 721,796 | 293,244 |

NOTE 05 PROJECT MANAGEMENT AND COORDINATION

| | | |
|---|--------------------|--------------------|
| SALARIES | 52,497,077 | 28,832,529 |
| EMPLOYEES' PROVIDENT FUND | 6,756,790 | 3,540,153 |
| EMPLOYEES TRUST FUND | 1,485,155 | 869,392 |
| COST OF LIVING ALLOWANCE | 3,537,630 | 816,080 |
| TELEPHONE ALLOWANCE | 442,594 | 167,742 |
| FUEL ALLOWANCE | 610,801 | 295,761 |
| OVERTIME AND HOLIDAY PAY | 4,274,148 | 1,353,590 |
| TEMPORARY LABOR HIRE CHARGES | 1,966,601 | 1,332,021 |
| OFFICE RENT | 19,626,660 | 9,039,632 |
| INTERNET CHARGES | 127,623 | 127,623 |
| WEB HOSTING | 1,728,105 | 631,973 |
| TELEPHONE AND FAX CHARGES | 1,636,711 | 1,139,375 |
| DRINKING WATER | 169,273 | 89,098 |
| STATIONARY & PRINTING EXPENDITURE | 6,576,964 | 4,091,482 |
| GENERAL SUPPLIES | 611,339 | 551,470 |
| OFFICE MAINTENANCE | 7,713,725 | 6,012,172 |
| EQUIPMENT MAINTENANCE | 1,243,363 | 250,845 |
| POSTAGE & COURIER | 814,585 | 459,320 |
| PROJECT COORDINATION | 11,739,814 | 4,640,836 |
| BANK CHARGES | 540,177 | 272,477 |
| CLEANING CHARGES | 1,841,555 | 1,075,052 |
| TRAVELING & VEHICLE HIRE | 896,887 | 690,493 |
| TRANSLATION | 85,844 | 4,344 |
| ADVERTISING PUBLICITY & VISIBILITY EXPENDITURE | 6,605,385 | 4,893,642 |
| INCIDENTAL EXPENSES | 259,723 | 22,015 |
| VEHICLE OPERATING COST | 5,781,504 | 2,205,649 |
| MOTOR BICYCLE OPERATING COST | 3,356,220 | 3,283,568 |
| IFAD MISSION EXPENSES | 2,724,654 | 631,760 |
| INSURANCE | 2,477,759 | 1,801,142 |
| STARTUP WORKSHOP | 146,075 | 146,075 |
| INVESTMENT COST ON VEHICLES, EQUIPMENT & FURNITURE - PMU | 50,651,094 | 36,102,011 |
| BASELINE SURVEY | 6,475,000 | 6,475,000 |
| ANNUAL OUTCOME SURVEY | 207,225 | 207,225 |
| GIS / MIS SOFTWARE & EQUIPMENT TRAINING | 1,998,176 | 1,603,031 |
| TRAINING NEED ASSESSMENT | 104,558 | 104,558 |
| CAPACITY BUILDING ON RBM , GOVERNANCE, MARKETING, IT, FINANCE | 49,356 | 49,356 |
| MANAGEMENT CONSULTANCY | 4,475,834 | 4,475,834 |
| EXPENDITURE ON MID-TERM REVIEW OF THE PROJECT | 734,785 | - |
| SHORT TERM CONSULTANTS | 6,250 | - |
| | 212,977,017 | 128,284,327 |

NOTE 06 CASH & CASH EQUIVALENTS

| | | |
|---|--------------------|-------------------|
| BANK BALANCE - BOC 7040727 (GOSL) | - | - |
| BANK BALANCE - BOC 7040728 (IFAD) | 6,587,482 | 2,386,710 |
| BANK BALANCE - CENTRAL BANK USD Account (73312) | 161,151,699 | 7,598,924 |
| CASH IN HAND | - | 1,354,562 |
| | 167,739,181 | 11,340,196 |



| | | |
|--|----------------------|----------------------|
| PETTY CASH | | |
| PETTY CASH - PMU | - | 49,045 |
| PETTY CASH - KANDY | - | 49,031 |
| PETTY CASH - NUWARA ELIYA | - | 47,407 |
| PETTY CASH - AMPARA | - | 51,725 |
| PETTY CASH - RATNAPURA | - | 14,788 |
| PETTY CASH - GALLE | - | 21,515 |
| PETTY CASH - MATARA | - | 24,028 |
| PETTY CASH - BHADULLA | - | 36,753 |
| PETTY CASH - MONARAGALA | - | 42,940 |
| | - | 337,232 |
| CASH ADVANCES | | |
| ADVANCES - PMU | - | 777,815 |
| ADVANCES - KANDY | - | 83,755 |
| ADVANCES - NUWARA ELIYA | - | 32,770 |
| ADVANCES - AMPARA | - | 37,704 |
| ADVANCES - RATNAPURA | - | 66,539 |
| ADVANCES - GALLE | - | 5,707 |
| ADVANCES - MATARA | - | - |
| ADVANCES - BHADULLA | - | 13,040 |
| ADVANCES - MONARAGALA | - | - |
| TOTAL | - | 1,017,330 |
| TOTAL | - | 1,354,562 |
| NOTE 07 INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) LOAN | | |
| BALANCE AS AT 01.01.2019 | 998,655,950 | |
| ADD : IFAD REPLENISHMENTS (WA 10 - WA 16) | 972,272,560 | |
| | 1,970,928,510 | |
| NOTE 08 GOVERNMENT OF SRI LANKA (GOSL) CONTRIBUTION | | |
| BALANCE AS AT 01.01.2019 | 198,595,337 | |
| ADD : GOSL IMPREST | 298,953,080 | |
| | 497,548,417 | |
| NOTE 09 BENEFICIARY CONTRIBUTION | | |
| BALANCE AS AT 01.01.2019 | 40,822,774 | |
| ADD : CONTRIBUTION DURING THE YEAR | 105,075,888 | |
| | 145,898,662 | |
| NOTE 10 EXCHANGE GAIN | | |
| BALANCE AS AT 01.01.2019 | 16,958,703 | |
| ADD : EXCHANGE GAIN FOR THE YEAR | 3,280,207 | |
| | 20,238,910 | |
| NOTE 11 LIABILITIES RELATED TO PERSONAL EMOLUMENTS | | |
| EPF PAYABLE | 1,565,107 | 1,320,634 |
| ETF PAYABLE | 234,766 | 198,095 |
| PAYE PAYABLE | 26,307 | 15,523 |
| STAMP DUTY PAYABLE | 16,985 | 8,550 |
| WELFARE SOCIETY AND OTHER SALARY DEDUCTIONS | 356,003 | 125,654 |
| | 2,199,168 | 1,668,457 |
| NOTE 12 CASH ADVANCES TO BE REIMBURSED | | |
| ADVANCES - MATARA | - | 44,069 |
| ADVANCES - MONARAGALA | 5,000 | 690 |
| ADVANCES - KANDY | 2,460 | - |
| TOTAL | 7,460 | 44,759 |
| NOTE 13 ACCOUNTS PAYABLES | | |
| VCMP PROJECT | 392,880 | |
| OTHER PAYABLES | 99,359 | 45,000 |
| TOTAL | 492,239 | 45,000 |
| NOTE 14 CASH FLOWS FROM OPERATING ACTIVITIES | | |
| TOTAL DEVELOPMENT EXPENDITURE | - | 1,224,123,403 |
| LESS: ADJUSTMENT FOR IN KIND CONTRIBUTION FROM BENEFICIARIES | - | 105,075,888 |
| CASH OUT FLOWS FOR DEVELOPMENT EXPENDITURE | - | 1,119,047,515 |
| NOTE 15 ADJUSTMENTS FOR CHANGES IN NET CURRENT ASSETS | | |
| INCREASE IN LIABILITIES RELATED TO PERSONAL EMOLUMENTS | 530,712 | |
| OTHER CURRENT LIABILITIES (CASH ADVANCES PAYABLES) | 37,299 | |
| INCREASE IN OTHER PAYABLES | 447,239 | |
| | 940,652 | |



MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT

IFAD LOAN NO. 2000001447

STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURE)
FOR THE YEAR ENDED 31ST DECEMBER 2019

| CATEGORY NO | DESCRIPTION | NOTES | CURRENT PERIOD 2019 | CUMULATIVE AS AT 31.12.2018 | CUMULATIVE AS AT 31.12.2019 |
|-------------|---|---------|------------------------|--------------------------------|--------------------------------|
| | | | LKR | LKR | LKR |
| | Balance B/Fd | | 11,340,196 | | |
| | FINANCING | | | | |
| | IFAD LOAN | | | | |
| | Initial Advance | | - | 303,800,000 | 303,800,000 |
| | Replenishments of Withdrawal Applications | | 972,272,560 | 694,855,950 | 1,667,128,510 |
| | IFAD Direct Payments | | | | |
| | GOVERNMENT CONTRIBUTION | | | | |
| | Government Imprest | | 298,953,080 | 198,595,337 | 497,548,417 |
| | Other Receipts | NOTE-01 | 940,652 | 1,758,216 | 2,698,867 |
| | Exchange Gain | | 3,280,208 | 16,958,703 | 20,238,911 |
| | TOTAL FINANCING | | 1,286,786,696 | 1,215,968,205 | 2,502,754,901 |
| | PROJECT DISBURSEMENTS | | | | |
| | (BY CATEGORY OF EXPENDITURE) | | | | |
| | IFAD LOAN | | | | |
| 1 | Civil Works | | 358,027,374 | 237,273,961 | 595,301,335 |
| 2 | Equipment & Materials (Including Vehicles) | | 6,538,899 | 101,334,149 | 107,873,048 |
| 3 | Goods, Services and Inputs (Including Training & Consultancies) | | 64,474,841 | 68,426,694 | 132,901,535 |
| 4 | Capital Grants and Government Subsidies | | 274,504,954 | 400,174,111 | 674,679,065 |
| 5 | Salaries & Allowances Other Operating Expenses | | 116,548,367 | 198,328,885 | 314,877,252 |
| | TOTAL | | 820,094,436 | 1,005,537,800 | 1,825,632,236 |
| | GOVERNMENT CONTRIBUTION | | | | |
| 1 | Civil Works | | 5,454,357 | - | 5,454,357 |
| 2 | Equipment & Materials (Including Vehicles) | | 6,492,605 | 28,202,277 | 34,694,882 |
| 3 | Goods, Services and Inputs (Including Training & Consultancies) | | 30,530,292 | 29,905,040 | 60,435,332 |
| 4 | Capital Grants and Government Subsidies | | 231,006,843 | 87,840,566 | 318,847,409 |
| 5 | Salaries & Allowances Other Operating Expenses | | 25,468,982 | 53,142,326 | 78,611,308 |
| | TOTAL | | 298,953,079 | 199,090,209 | 498,043,288 |
| | TOTAL PROJECT DISBURSEMENTS | | 1,119,047,515 | 1,204,628,009 | 2,323,675,524 |
| | SURPLUS/(DEFICIT) | | 167,739,181 | 11,340,196 | |

NOTE - OTHER RECEIPTS

INCREASE IN LIABILITIES RELATED TO PERSONAL EMOLUMENTS

530,712

INCREASE IN PAYABLES

409,940

940,652



MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT
 IFAD LOAN NO. 2000001447
 STATEMENT OF RECEIPTS AND PAYMENTS (BY COMPONENT OF DISBURSEMENTS)
 FOR THE YEAR ENDED 31ST DECEMBER 2019

| CATEGORY NO | DESCRIPTION | NOTES | CURRENT PERIOD 2019 | CUMULATIVE AS AT 31.12.2018 | CUMULATIVE AS AT 31.12.2019 |
|-------------|---|---------|----------------------|-----------------------------|-----------------------------|
| | | | LKR | LKR | LKR |
| | Balance B/Fd | | 11,340,196 | | |
| | FINANCING | | | | |
| | IFAD LOAN | | | | |
| | Initial Advance | | - | 303,800,000 | 303,800,000 |
| | Replenishments of Withdrawal Applications | | 972,272,560 | 694,855,950 | 1,667,128,510 |
| | IFAD Direct Payments | | | | |
| | GOVERNMENT CONTRIBUTION | | | | |
| | Government Imprest | | 298,953,080 | 198,595,337 | 497,548,417 |
| | Other Receipts | NOTE-01 | 940,652 | 1,758,216 | 2,698,867 |
| | Exchange Gain | | 3,280,208 | 16,958,703 | 20,238,911 |
| | TOTAL FINANCING | | 1,286,786,696 | 1,215,968,205 | 2,502,754,901 |
| | PROJECT DISBURSEMENTS | | | | |
| | (BY COMPONENT OF EXPENDITURE) | | | | |
| | IFAD LOAN | | | | |
| 1 | Tea Smallholder Development | | 627,264,240 | 781,453,831 | 1,408,718,070 |
| 2 | Rubber Smallholder Development | | 142,395,438 | 150,798,158 | 293,193,596 |
| 3 | Inclusive Rural Financing | | 118,179 | 179,061 | 297,240 |
| 4 | Project Management and Coordination | | 50,316,579 | 59,435,245 | 109,751,824 |
| | TOTAL | | 820,094,436 | 991,866,295 | 1,811,960,731 |
| | GOVERNMENT CONTRIBUTION | | | | |
| 1 | Tea Smallholder Development | | 226,316,106 | 95,247,581 | 321,563,686 |
| 2 | Rubber Smallholder Development | | 38,131,834 | 49,786,272 | 87,918,105 |
| 3 | Inclusive Rural Financing | | 310,373 | 120,198 | 430,571 |
| 4 | Project Management and Coordination | | 34,194,767 | 67,607,664 | 101,802,431 |
| | TOTAL | | 298,953,079 | 212,761,714 | 511,714,794 |
| | TOTAL PROJECT DISBURSEMENTS | | 1,119,047,515 | 1,204,628,010 | 2,323,675,525 |
| | BALANCE C/Fd | | 167,739,181 | 11,340,196 | |

NOTE-0 OTHER RECEIPTS

INCREASE IN LIABILITIES RELATED TO PERSONAL EMOLUMENTS
 INCREASE IN PAYABLES

530,712
 409,940
 940,652



MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT

IFAD LOAN NO. 2000001447

STATEMENT OF COMPARISON OF AWPB ESTIMATES VS ACTUAL SOURCES OF FINANCING AND DISBURSEMENTS (By CATEGORY)

FOR THE YEAR ENDED 31ST DECEMBER 2019

| CATEGORY NO | DESCRIPTION | NOTES | BUDGET ESTIMATES (AS AMENDED) 2019 | ACTUAL DISBURSEMENTS 2019 | VARIANCE |
|-------------|---|---------|------------------------------------|---------------------------|--------------------|
| | | | LKR | LKR | LKR |
| | Balance B/Fd | | | 11,340,196 | 11,340,196 |
| | FINANCING | | | | |
| | IFAD LOAN | | | | |
| | Initial Advance | | | - | |
| | Replenishments of Withdrawal Applications | | 939,053,000 | 972,272,560 | 33,219,560 |
| | IFAD Direct Payments | | | | |
| | GOVERNMENT CONTRIBUTION | | | | |
| | Government Imprest | | 362,711,000 | 298,953,080 | 63,757,920 |
| | Other Receipts | NOTE-01 | - | 940,652 | 940,652 |
| | BENEFICIARY CONTRIBUTION | | | | |
| | Goods, Services, Inputs | | 116,876,000 | 105,075,888 | 11,800,112 |
| | BANK CONTRIBUTION | | | | |
| | Credit | | 20,000,000 | | 20,000,000 |
| | Exchange Gain | | | 3,280,208 | 3,280,208 |
| | TOTAL FINANCING | | 1,438,640,000 | 1,391,862,584 | 46,777,416 |
| | PROJECT DISBURSEMENTS | | | | |
| | (BY CATEGORY OF EXPENDITURE) | | | | |
| | IFAD LOAN | | | | |
| 1 | Civil Works | | 240,826,000 | 358,027,374 | 117,201,374 |
| 2 | Equipment & Materials (Including Vehicles) | | 33,666,000 | 6,538,899 | 27,127,101 |
| 3 | Goods, Services and Inputs (Including Training & Consultancies) | | 86,190,000 | 64,474,841 | 21,715,159 |
| 4 | Capital Grants and Government Subsidies | | 454,119,000 | 274,504,954 | 179,614,046 |
| 5 | Salaries & Allowances Other Operating Expenses | | 124,252,000 | 116,548,367 | 7,703,633 |
| | TOTAL | | 939,053,000 | 820,094,436 | 118,958,564 |
| | GOVERNMENT CONTRIBUTION | | | | |
| 1 | Civil Works | | 2,738,000 | 5,454,357 | 2,716,357 |
| 2 | Equipment & Materials (Including Vehicles) | | 4,345,000 | 6,492,605 | 2,147,605 |
| 3 | Goods, Services and Inputs (Including Training & Consultancies) | | 9,593,000 | 30,530,292 | 20,937,292 |
| 4 | Capital Grants and Government Subsidies | | 309,375,000 | 231,006,843 | 78,368,157 |
| 5 | Salaries & Allowances Other Operating Expenses | | 36,660,000 | 25,468,982 | 11,191,018 |
| | TOTAL | | 362,711,000 | 298,953,079 | 63,757,921 |
| | BENEFICIARY CONTRIBUTION | | | | |
| 1 | Civil Works | | 95,735,000 | 105,075,888 | 9,340,888 |
| 2 | Equipment & Materials (Including Vehicles) | | 6,165,000 | - | 6,165,000 |
| 3 | Goods, Services and Inputs (Including Training & Consultancies) | | 14,976,000 | - | 14,976,000 |
| | | | 116,876,000 | 105,075,888 | 11,800,112 |
| | BANK CONTRIBUTION | | | | |
| 3 | Goods, Services and Inputs (Including Training & Consultancies) | | | | |
| 7 | Credit | | 20,000,000 | - | 20,000,000 |
| | | | 20,000,000 | - | 20,000,000 |
| | TOTAL PROJECT DISBURSEMENTS | | 1,438,640,000 | 1,224,123,403 | 214,516,597 |
| | BALANCE C/Fd | | | 167,739,181 | |

NOTE-01

OTHER RECEIPTS

INCREASE IN LIABILITIES RELATED TO PERSONAL EMOLUMENTS

530,712

INCREASE IN PAYABLES

409,940

940,652



**MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT**

IFAD LOAN NO. 2000001447

STATEMENT OF DESIGNATED ACCOUNT

FOR THE PERIOD FROM 17th MAY 2017 TO 31st DECEMBER 2019

Account No

Bank Central Bank of Sri Lanka

Address FINANCE DIVISION, LEVEL 10, JANADHIPATHI MAWATHA, COLOMBO 01

| Date | Description | Notes | USD | LKR |
|-----------|---|-------|-------------------|-------------------------|
| | Opening Balance | | | |
| | Add: | | | |
| | IFAD Replenishments: | | | |
| | Reference | | | |
| 19-May-17 | WA No 01 - Initial Advance | | 2,000,000 | 303,800,000.00 |
| 15-Jun-17 | WA No 02 | | 124,693 | 19,015,738.93 |
| 4-Aug-17 | WA No 03 | | 182,123 | 27,954,858.25 |
| 12-Oct-17 | WA No 04 | | 174,618 | 26,797,823.50 |
| 8-Jan-18 | WA No 05 | | 909,676 | 139,686,899.91 |
| 26-Apr-18 | WA No 06 | | 520,391 | 81,942,222.38 |
| 11-Jun-18 | WA No 07 | | 826,822 | 131,393,833.00 |
| 3-Dec-18 | WA No 08 | | 465,832 | 83,671,082.89 |
| 18-Dec-18 | WA No 09 | | 1,025,282 | 184,393,490.73 |
| 16-Jan-19 | WA No 10 | | 391,593 | 71,356,303.23 |
| 20-Feb-19 | WA No 11 | | 1,512,248 | 271,719,042.79 |
| 24-May-19 | WA No 12 | | 1,058,430 | 187,007,931.85 |
| 30-Jul-19 | WA No 13 | | 633,988 | 111,699,785.10 |
| 15-Oct-19 | WA No 14 | | 401,668 | 72,776,176.41 |
| 31-Oct-19 | WA No 15 | | 948,139 | 172,183,050.85 |
| 26-Nov-19 | WA No 16 | | 473,876 | 85,530,270.09 |
| | Bank Interests | | - | - |
| | Total Receipts | | 11,649,379 | 1,970,928,509.91 |
| | Less: | | | |
| | Deductions | | | |
| | Transfers to Operating Accounts: | | | |
| | Reference | | | |
| 19-May-17 | Local WA-1 | | 321,415 | 49,015,738.70 |
| 27-Jul-17 | Local WA-2 | | 65,115 | 9,999,999.45 |
| 21-Aug-17 | Local WA-3 | | 195,634 | 29,999,999.73 |
| 29-Sep-17 | Local WA-4 | | 326,588 | 49,999,998.71 |
| 8-Nov-17 | Local WA-5 | | 651,741 | 99,999,999.14 |
| 6-Dec-17 | Local WA-6 | | 651,946 | 99,999,998.92 |
| 22-Jan-18 | Local WA-7 | | 649,584 | 99,999,998.61 |
| 6-Apr-18 | Local WA-8 | | 482,243 | 74,999,999.45 |
| 31-May-18 | Local WA-9 | | 506,041 | 79,999,999.56 |
| 15-Oct-18 | Local WA-10 | | 819,155 | 139,999,999.42 |
| 11-Dec-18 | Local WA-11 | | 503,080 | 89,999,998.90 |
| 24-Dec-18 | Local WA-12 | | 1,015,316 | 183,999,998.48 |
| 23-Jan-19 | Local WA-25 | | 428,925 | 77,999,998.52 |
| 22-Feb-19 | Local WA-27 | | 835,383 | 149,999,999.81 |
| 7-May-19 | Local WA-29 | | 563,000 | 99,999,999.61 |
| 17-Jun-19 | Local WA-31 | | 633,695 | 111,999,998.57 |
| 10-Sep-19 | Local WA-33 | | 620,267 | 111,999,999.50 |
| 7-Oct-19 | Local WA-35 | | 551,095 | 99,999,998.24 |
| 7-Nov-19 | Local WA-37 | | 387,700 | 69,999,999.66 |
| 29-Nov-19 | Local WA-39 | | 554,224 | 99,999,999.45 |
| | Total Transfers | | 10,762,146 | 1,830,015,722.43 |
| | Bank Charges | | - | - |
| | Exchange Rate Difference | | | 20,238,911.00 |
| | Closing Balance as at 31/12/2019 | | 887,233 | 161,151,698.70 |



MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT
IFAD LOAN NO. 2000001447
STATEMENT OF SPECIAL ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 31st DECEMBER 2019

Account No
Bank Central Bank of Sri Lanka
Address FINANCE DIVISION, LEVEL 10, JANADHIPATHI MAWATHA, COLOMBO 01

| | | Ref | Rate of Exchange | Date as at | USD | Amount in LKR Equivalent to the Historical Rate of Exchange | Amount in LKR Equivalent to the Closing Rate of Exchange |
|---|--|-----------|------------------|---------------|-----------|---|--|
| 1 | Initial Deposit | | 151.90 | 17.05.2017 | 2,000,000 | 303,800,000 | 363,268,000 |
| 2 | Less amount(s) recovered: | | | | - | - | |
| 3 | Outstanding Amount advanced | | | - | 2,000,000 | 303,800,000 | |
| 4 | Represented by: | | | | | | |
| | Special Account Balance as at 31/12/2019 | | 181.63 | 31.12.2019 | 887,233 | 161,151,699 | 360,922,736 |
| | Operating Account Balance as at 31/12/2019 | | 181.46 | 31.12.2019 | 36,303 | 6,587,482 | |
| | Total Balance at Bank account as at 31/12/2019 | | | 31.12.2019 | 923,536 | 167,739,181 | |
| 5 | Add : Amounts claimed but not yet credited as at 31/12/2019 | | | | | | |
| | WA - 17 | | 181.37 | 26.11.2019 | 71,676 | 12,999,761 | |
| | WA - 18 | | 181.45 | 17.12.2019 | 594,997 | 107,959,929 | |
| | | | | - | 666,673 | 120,959,690 | |
| | Add : Amounts withdrawn not yet claimed, composed of: | | | | | | |
| | WAs Prepared not yet submitted: | | | | | | |
| | WA -19 - Expenditure for the month of December 2019 | | 181.46 | 09.01.2020 | 398,817 | 72,367,893 | |
| 6 | Total amount withdrawn not yet claimed | | 181.44 | | 1,065,490 | 193,327,583 | |
| 7 | Less Interest earned and/or plus Bank charges (if included in the Special Account) | | | | - | - | |
| 8 | Total Special Account Advance as at 31/12/2019 | | 181.53 | 31.12.2019 | 1,989,026 | 361,066,763 | |
| | Difference between Line 3 and line 8 | | | | 10,974 | | |
| | Reason for the Difference | Note - 01 | 181.63 | Approximately | 12,912 | | 2,345,264 |

Note - 01

a. Explain any difference between lines 3 and line 8

When line 3 and 8 is converted to the Closing Rate of Exchange (as at 31.12.2019) difference would be LKR 2,345,264. It approximately equals to the difference between Line 3 and line 8 (i.e US\$ 10,974) of which the exchange rate difference.

b. Indicate if amount in line 6 is eligible for financing by IFAD and provide reasons for not claiming



**MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA & RUBBER REVITALIZATION PROJECT**

IFAD LOAN NO. 2000001447

SOES-WITHDRAWAL APPLICATION STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 2019

By Category of Expenditures in Local Currency

| Notes | Category description | Civil Works | Equipment & Materials (Including Vehicles) | Goods, Services and Inputs (Including Training & Consultancies) | Capital Grants and Gov. Subsidies | Salaries & Allowances other Operating Costs | Total LKR | In USD Equivalent | Rejected from IFAD | Net Reimbursed to DA in LKR |
|-------|---|-------------|--|---|-----------------------------------|---|---------------|-------------------|--------------------|-----------------------------|
| | Cat No | 1 | 2 | 3 | 4 | 5 | | | | |
| | WA No: | | | | | | | | | |
| | 1 - Initial Authorized Allocation | | | | | | | | | |
| | 2 - Expenditure for FY 2016 | | | | 16,015,424 | 3,000,316 | 19,015,740 | 124,693 | - | 19,015,739 |
| | 3 - Expenditure for January - June 2017 | - | - | 378,270 | - | 27,395,413 | 27,773,683 | 182,123 | - | 27,954,858 |
| | 4 - Expenditure for July - August 2017 | - | - | 166,779 | 12,176,342 | 14,436,519 | 26,779,640 | 174,618 | - | 26,797,824 |
| | 5 - September - November 2017 | - | 16,623,664 | 12,637,006 | 91,053,927 | 19,142,933 | 139,457,531 | 909,480 | - | 139,686,900 |
| | 6 - Expenditure for December 2017 | - | 9,622,890 | 3,569,688 | 56,817,924 | 9,818,859 | 79,829,360 | 520,391 | - | 81,942,222 |
| | 7 - Expenditure for January - April 2018 | - | 7,057,716 | 9,255,926 | 80,273,684 | 30,529,669 | 127,116,995 | 826,822 | - | 131,393,833 |
| | 8 - Expenditure for May - July 2018 | - | 3,478,829 | 7,918,533 | 33,055,612 | 29,102,065 | 73,555,039 | 465,832 | - | 83,671,083 |
| | 9 - Expenditure for August - October 2018 | - | 63,085,000 | 9,301,734 | 54,769,767 | 42,559,465 | 169,715,966 | 1,025,282 | - | 184,393,491 |
| | 10 - Expenditure for November 2018 | 28,260,566 | - | 12,386,821 | 18,449,042 | 10,583,799 | 69,680,228 | 391,593 | - | 71,356,303 |
| | 11 - Expenditure for December 2018 | 209,013,395 | 1,466,048 | 13,356,987 | 37,562,389 | 12,132,980 | 273,531,799 | 1,512,248 | - | 271,719,043 |
| | 12 - Expenditure for January - March 2019 | 83,982,339 | 2,120,347 | 9,366,576 | 60,966,387 | 29,053,124 | 185,488,773 | 1,058,430 | - | 187,007,932 |
| | 13 - Expenditure for April - June 2019 | 20,952,511 | 97,611 | 5,281,598 | 60,502,103 | 27,004,181 | 113,838,004 | 633,988 | - | 111,699,785 |
| | 14 - Expenditure for July - August 2019 | 8,221,226 | 249,650 | 7,729,500 | 36,544,219 | 19,378,232 | 72,122,827 | 401,668 | - | 72,776,176 |
| | 15 - Expenditure for September 2019 | 108,708,785 | - | 12,373,850 | 39,885,501 | 9,277,975 | 170,246,111 | 948,139 | - | 172,183,051 |
| | 16 - Expenditure for October 2019 | 47,616,313 | 4,021,292 | 6,968,399 | 16,244,878 | 10,237,665 | 85,088,547 | 473,876 | - | 85,530,270 |
| | 17 - Expenditure for July - August 2019 | - | - | - | 12,870,000 | - | 12,870,000 | 71,676 | - | 12,999,761 |
| | 18 - Expenditure for November 2019 | 64,358,141 | - | 5,557,078 | 26,847,778 | 11,196,932 | 107,959,929 | 594,997 | - | 107,884,693 |
| | Total Value of the WA's already submitted | 571,113,278 | 107,823,048 | 116,248,746 | 654,034,976 | 304,850,124 | 1,754,070,173 | 10,315,855 | - | 1,788,012,964 |
| | WA Pending for Submission: | | | | | | | | | |
| | WA No: 19 - Expenditure for December 2019 | 25,086,067 | 50,000 | 16,878,874 | 20,541,617 | 9,811,335 | 72,367,893 | 398,817 | - | 2,338,028 |
| | TOTAL EXPENDITURE | 596,199,345 | 107,873,048 | 133,127,620 | 674,576,593 | 314,661,459 | 1,826,438,066 | 10,714,672 | - | 1,790,350,992 |



MINISTRY OF PLANTATION INDUSTRIES AND EXPORT AGRICULTURE
SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT
IFAD Loan/Grant Number 2000001447

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019

1. Basis of Preparation of Financial Statements

The Financial Statements of the STARR Project for the year ended 31ST December 2019 has been prepared in accordance with the Sri Lanka Public-Sector Accounting Standards (SLPSAS) and Generally Accepted Accounting Principles. Cash Basis of Financial Reporting and the Cash Basis of Accounting has been adopted to prepare the Financial Statements. Liabilities related to personal emoluments for 2019 were shown to the accruals basis to comply with the mandatory requirements.

2. Receipts and Expenditure Recognition

Receipts from IFAD credit and GOSL contributions were recognized in the Financial Statements when there is a certainty that all the conditions for receipt of such funds have been complied with the Financing Agreement. All contributions from each financier were recognised on the actual receipts. Local Imprests from the Department of Treasury Operations (TOD) and Advances on the Local withdrawal Applications by the Central Bank of Sri Lanka (CBSL) to the operational account of the IFAD funds were recognized as the financial support from each financier. Expenditure is recognized on the actual payments by cash. The Cash basis of Accounting has been adopted for recognition of receipts and payment of Expenditure. Counterpart financing from each sources of financier has been calculated based on the respective percentages shown in the cost tables of the Project Design Report (PDR).

3. Operation of the Special Foreign Currency Bank Account at the Central Bank of Sri Lanka, Account No. (Sub Ledger No. 16)

During the year under concern, the Project received contribution from IFAD amounting to USD 5,491,617 equivalent to Rs. 972,272,560.32 Mn. The Project disbursed the funds from IFAD account time to time and replenished the funds from the Central Bank on submission of the withdrawal settlements.

During the year it has been accrued an exchange gain of Rs. 3,280,208.15 on the Designated Account (DA) and taken to accounts.



4. Operation of the Local Currency Bank accounts at the Bank of Ceylon

- Account No. – Secretary, Ministry of Plantation Industries and Export Agriculture–Smallholder Tea and Rubber Revitalization Project – GOSL
- Account No. – Secretary, Ministry of Plantation Industries and Export Agriculture –Smallholder Tea and Rubber revitalization Project – IFAD

During Financial year of 2019, all expenditure was paid through the above accounts. The Project prepared the accounts based on the financing rules appeared in the PDR. On submission of imprest applications monthly, GOSL funds were obtained. At the end of the financial reporting period, balance appearing in the Current Account No. 7040727 (GOSL funds) was transferred back to the current account of the Ministry of Plantation Industries and Export Agriculture for closing off the transactions for the period under review. In the year of 2019 Rs 16,920.20 has been transferred to the current account of MPI & EA on 31st December 2019.

5. The AWPB in category & sources of Financing of 2019.

The AWPB 2019 valuing LKR 2,187 Mn and subsequently amended amount of LKR 1,438.64 Mn was given No objection by IFAD and the National Steering Committee.

The summary of the AWPB by Categories of expenditure is as follows.

Table 5: Annual Work Plan and Budget 2019

| Ammended Annual Work Plan & Budget - 2019 | | | | | | | |
|--|----------------------|------------------------------------|----------------|----------------|----------------|---------------|------------------|
| IFAD Budget Category | GOSL Budget Category | Expected budget for FY 19 LKR 000' | | | | | TOTAL |
| | | IFAD | Beneficiaries | GOSL | Private Sector | Bank | |
| I. Investment Costs: | | | | | | | |
| A. Civil Works | 2502 | 240,826 | 95,735 | 2,738 | - | - | 339,299 |
| B. Equipment & Materials (Including Vehicles) | 2502 | 33,666 | 6,165 | 4,345 | - | - | 44,175 |
| C. Credit | 2502 | 281 | - | 31 | - | 20,000 | 20,312 |
| D. Goods, Services and Inputs (Including Training & Consultancies) | 2502 | 85,909 | 14,976 | 9,562 | - | - | 110,448 |
| E. Capital Grants and Gov. Subsidies | 2502 | 454,119 | - | 309,376 | - | - | 763,494 |
| II. Recurrent Costs | 2502 | | | | | | |
| F. Salaries & Allowances other Operating Costs | 2502 | 124,252 | - | 36,660 | - | - | 160,912 |
| Grand Total | | 939,053 | 116,876 | 362,711 | | 20,000 | 1,438,640 |

6. Direct Payments

No Direct payments have taken place during the year under consideration.



7. Government Counterpart Funding

During the year LKR 298,970,000 has been received from Ministry of Plantation Industries and Export Agriculture as counterpart funding and the Project has utilized LKR 298,953,079.80. Balance of LKR 16,920.20 has been transferred to the current account of Ministry of Plantation Industries and Export Agriculture. The taxes involved in all the invoices, bills ect. paid during the year have fully being accounted under GOSL contribution.

8. Funds from Other Sources

The value of the in-kind contribution from the beneficiaries towards the project was estimated as Rs 105,075,887.85 and taken to accounts in complying with the financing rule for such activities.

9. Other Receipts

Other receipts contain the increase in liabilities related to personal emoluments of Rs 530,712 followed by the balance retained in Voluntary Carbon Market Project (VCMP) and amounts retained for receipt of insurance claims for bike accidents of field animators.

10. Capital Grants and Subsidies during 2019

The Project has disbursed LKR 208,332,511.71 and LKR 23,180,401.42 as upfront payments to Tea Smallholders and Rubber Small holders respectively during the reporting year. The Government Subsidies for Tea Sector amounted to LKR 207,762,913.75 and rubber sector amounted to LKR 22,223,254.30 during the year.

11. Investment Cost on Vehicles Equipment and Furniture

The Investment Cost on Vehicles Equipment and Furniture during the year were amounted Rs 16,362,517.53 as explained in the Note No 1. These costs were charged to respective components as per the PDR cost tables applying the Financing Rules. Cost of Non - current assets and contribution for such investment is shown separately in the Statement of Financial Position (SOFPP) for better presentation and ensure the existence of such assets.



12. Procurements

Procurement activities were proceeded according to the annual procurement plan of 2019 following the conditions laid down by the Procurement Guide Lines and subsequent Supplimentories.

13. Re-Allocation of Project Management and Coordination Cost based on the PDR

Cumulative expenditure as at 31st December 2019 reported under the component 4 of Project Management and Coordination based on the Project Implementation Manual (PIM) was re-arranged during the year under review. Recommendation for such re-arrangement was granted by the IFAD Mid Term Review in June 2019 and followed by the agreed actions.

Therefore, comparative figures shown in the presentation formats of the Final Accounts under tea and rubber components were re-arranged by charging the direct expenditure on Project Management and Coordination to the respective components.

