

## **2.3 Comments on Accounts**

### **2.3.1 Accounting Policies**

Following observations are made.

- (a) A sum of Rs. 56,000,000/- had been invested in call deposits by the Board as at 31<sup>st</sup> December 2002. An overdrawn bank balance of Rs. 23,642,462/- had been set off against the call deposits and the net figure of Rs. 32,357,538/- had been shown as a favourable bank balance. Accordingly the call deposits of Rs. 56,000,000/- had not been reflected in the balance sheet.
- (b) Five credit balances totaling Rs. 241,444/- of debtors and twenty two debit balances totaling Rs. 696,991/- of creditors had been set off against the debtors' balances and creditors' balances respectively and net figures shown in the balance sheet.
- (c) Installments and interest on exporters' loans and redemption of shares and dividends on Redeemable Preference Shares had been accounted on cash basis. As a result, recoverability and realisation of these loans and investments shown in balance sheet amounting to Rs. 160,725,844/- cannot be determined.

## **Chairman's Remark**

### **2.3 Comments on Accounts**

#### **2.3.1 Accounting Policies**

- (a) Government Treasury has released Rs. 50 M out of the outstanding Cess during the month of December 2002. Since there were no immediate disbursements we have placed them in Call deposits and assigned to the Bank with instructions to withdraw whenever cash balance in the account goes down. This arrangement was made to reduce the idle cash balance in the current account. Hence the accounting treatment was made accordingly.
- (b) These entries were made after identifying the amounts correctly.
- (c) Due to practical difficulties experienced in previous years we have adopted the policy of Accounting for the dividends and interest on cash basis which we have disclosed under accounting policies which we have consistently applied.

- (d) The Board had invested sum of Rs. 162,582,589/- in Ordinary and Redeemable Preference Shares in 67 export companies. Out of this, investments aggregating Rs. 154,453,460/- or 95 % had not earned any income for more than five years and the realization of investments appears to be doubtful. Therefore, the provision made for diminution in the value of investments amounting to Rs. 105,467,180/- or 65 percent appears to be inadequate. Further, the realisation methods and realizable value had not been disclosed.
- (d) It is not correct to say the investment made in Development Holdings (Pvt) Ltd (DHPL) amounts to Rs. 162.5 Million had not been shown any progress. EDB Investment in DHPL hold 42.2% of the shares. The balance shares are held by NDB. Also it may be noted that the floor area occupied by EDB and other tenants are owned by the DHPL is a valuable appreciating assets. The provision for the investment was made after identifying the correct present position of the company as approved by the Board.
- (e) Out of loans given to 183 exporters totaling Rs. 50,695,788/- balances aggregating Rs. 50,202,470/- or 99 percent had been outstanding for more than five years and the recovery is doubtful. Therefore, the provision made in the accounts for bad and doubtful debts amounting to Rs. 24,502,493/- or 48 percent appears to be inadequate.
- (e) Comments noted. Action will be taken to adjust accordingly.
- (f) Out of the sundry debtors totaling Rs. 6,832,742/- balances aggregating Rs. 4,422,890/- or 65 percent had been outstanding for more than five years. Therefore, the provision made in the accounts for bad and doubtful debts amounting to RS. 734,224/- or 11 percent appears to be inadequate.
- (f) Comments noted. Action will be taken to make an adequate provision.

### **2.3.2. Accounting Deficiencies**

Following accounting deficiencies were observed.

- (a) The PABX machines of the Board costing Rs. 588,825/- had been exchanged for Rs. 150,000/- and a new machine had been installed at a cost of Rs. 995,000/- on an agreement entered in to with the Sri Lanka Telecom Ltd. These transactions had not been reflected in accounts.
- (b) The accumulated depreciation of PABX machine and residential telephones had been understated and overstated by Rs. 462,232/- and Rs. 11,459/- respectively.
- (c) Thirty six recurrent and capital items aggregating Rs. 975,012/- had been inappropriately classified and disclosed in the financial statements.
- (d) Advances due from suppliers aggregating Rs. 2,316,392/- relating to the period from 1996 to 2001 had been written off against the revenue and Prior Year Adjustments Account by Rs. 2,205,260/- and Rs. 111,132/- respectively, without any supporting documents such as purchase orders, invoices and goods received notes etc.

### **2.3.2. Accounting Deficiencies**

- (a) The new PABX machine was installed by the Sri Lanka Telecom. It was not purchased by us. According to the agreement signed we need to maintain minimum balance of Rs. 300,000/- p.m. over 5 year period. Hence no accounting treatment was made as the machine is not owned by us.
- (b) Comments noted.
- (c) Comments noted.
- (d) These items were outstanding in the books even though services have been obtained or goods purchased. Supporting documents or copies were attached to the Journal vouchers where relevant.

### **2.3.3. Unreconciled Control Accounts**

Five control account balances aggregating RS. 11,210,289/- had not been reconciled with the corresponding balances aggregating Rs. 11,195,771/- appearing in the respective subsidiary records.

### **2.3.4 Accounts Receivable and Payable**

Following observations are made.

- (a) Confirmation had not been received in respect of 234 debtors balances totaling Rs. 117,409,892/- representing 42 percent of the value and creditors balances totaling Rs. 17,909,422/- representing 59 percent of the value as at the balance sheet date.
- (b) Advances for services aggregating Rs. 1,779,682/- or 42 percent of the total advances and sundry advances aggregating Rs. 489,033/- or 97 percent of total advances remained unsettled for more than 5 years and one year respectively. Insurance claims receivable amounting to Rs. 404,486/- remained outstanding from 1992 to 1998. These items had been brought forward year after year without any settlement.

### **2.3.3. Unreconciled Control Accounts**

Almost all the control accounts were reconciled as far as possible. Where differences occur action has been taken to rectify the differences.

### **2.3.4 Accounts Receivable and Payable**

- (a) Every year we have sent letters to debtors and creditors requesting them to confirm the balances outstanding. However the response has not been satisfactory.
- (b) The process of settlement of Insurance claims in connection with damage vehicles are slow. Action will be taken to expedite the settlements on insurance claims.

### **2.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.**

Instances of non-compliance observed in audit are given below.

#### **(a) Sri Lanka Export Development Act No. 40 of 1979**

- 2(1) The meetings of the council had not been held since 1992
- 2(b) The National Export Development plan for the period of 1998-2002 had not been approved while the plan for the period of 2003-2008 has not been completed and submitted for the formal approval of relevant Ministry and Cabinet of Ministers.

### **2.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.**

#### **(a) Sri Lanka Export Development Act No. 40 of 1979**

- 2(1) Comments noted.
- 2(b) In keeping with the requirements of the Export Development Act, the National export Development Plan (NEDP) for 1998 - 2002 was approved by the Board of the EDB on 8<sup>th</sup> January 1998 and was forwarded to the line Ministry on 29<sup>th</sup> April 1998 along with a draft Cabinet Memorandum for the concurrence of the Hon. Minister and for onward submission to the Cabinet of Ministers for their approval. No approval was received for the plan from the Ministry despite reminders in April 1998 and July 1998. However, the Chamber of Commerce as well as Exporter Associations picked up the activities contained in the Plan and implemented some of them. The EDB also adopted the activities relevant to the EDB in its annual implementation plan.

12(1) The requirement of setting the limits and procedures to be specified by the appropriate Minister with the concurrence of the Minister of Finance to acquire shares and to make investments by granting loans had not been complied with. The approval had been granted by the Board on 31<sup>st</sup> October 2002 for two investments totaling Rs. 2,650,000/- during the year under review.

12(6) The meeting of Board of Directors were not held for the period of 5 months.

**(b) Finance Act No. 38 of 1971 Section 11 and Public Finance Circular No. PF/PE 9 of 27<sup>th</sup> June 2000**

A sum of Rs. 4,500,000/- had been invested in fixed deposits without obtaining the approval of the appropriate Minister with the concurrence of the Minister of Finance.

**(c) Payment of Gratuity Act**

Surcharges on gratuity payments had been made in two occasions due to delay in release of final payments No. 12 of 1983

12(1) Investment in shares and granting of loans ceased with effect from 1997. However the two investments referred to have been made with the approval of the Board and the Ministry.

12(6) Since there was a change of Government following the general election delays were experienced in appointing the Board of directors. As a result meetings of the Board of directors were not held.

**(b) Finance Act No. 38 of 1971 Section 11 and Public Finance Circular No. PF/PE 9 27<sup>th</sup> June 2000**

The fixed deposits were made by the then Expo Management Unit (under liquidation) and occurred before the circular was introduced.

**(c) Payment of Gratuity Act**

Two employees did not grant their consent to recover dues from their entitlements and disputed the payments. As a result a surcharges had to be paid in terms of the gratuity act.

**(d) Proscription Ordinance No. 22 of 1871**

Steps had not been taken to initiate legal actions against 129 exporters who had defaulted repayment of loans aggregating Rs. 36,727,785/- since 1994.

**(e) Establishments Code**

- (i) Chapter xiv section 4:1

A test check carried out in audit had revealed that payments amounting to Rs. 104,284/- had been paid by way of traveling expenses contrary to the provision in Establishments Code.

- (ii) Chapter xxiv section 7:5,8:5 and The loan scheme of the Board Paragraph 02.

Staff loans aggregating Rs. 920,544/- had been granted contrary to the provisions in Establishment code and the loan scheme of the Board.

**(d) Proscription Ordinance No. 22 of 1871**

Legal action has already been instituted to recover most of the loans. Total number of loans to export projects amounted to 322. Of these 149 have been fully repaid. The balance 173 have defaulted payments. Legal action has been initiated in the case of defaulters. SLEDB has been corresponding with them with a view to recovery, rescheduling of their loans, etc. and legal action will be taken depending on the outcome. Further, these loans were given to Small & Medium Enterprises and most of these enterprises had ceased operations for various reasons. Therefore due to uncertainty of recovery, provision has now been made in the accounts to write-off all bad and doubtful debts that cannot be recovered.

**(e) Establishments Code**

- (i) During this period, the EDB has carried out special events such as local Trade fairs, seminars, work shops etc. On these occasions Staff officers have been requested to work outside office hours, week ends and even public holidays. Special approval has been given to make the payments at Rs. 10/= considering the increases in fuel and other costs.

- (ii) Staff loans are granted in terms of the loan scheme of the EDB. Where defaulters are concerned action have been taken to recover the dues.

**(f) Financial Regulations**

(i) No. 104,110,690,1645 and 1646

Requirements laid down in financial regulation relating to losses on account of vehicle accidents amounting to Rs. 121,230/- rendering of running charts and monthly performance reports of vehicles to the Auditor General, maintenance of log books and records relating to losses. Procurement of services and supplies in respect of restricted suppliers on vehicle repairs had not been complied with.

(ii) No. 380

Proper procedure had not been followed as required by Financial Regulation for the opening of a new bank account at the National Development Bank during the year.

**(g) International Tender Guide Lines  
Chapter 2, and 8**

Competent authority of tenders laid down under section 14,16.1, 16.2,(chapter 2) of International Tender Guide Lines had not been appointed properly by the Board, thereby the offered value of tenders amounting to Rs. 4,069,222/- could not be accepted in audit.

The financial authority delegated for purchase on tenders of the Board had been increased up to Rs. 10,000,000/- during the year under review contrary to International Tender Guide Lines.

**(f) Financial Regulations**

(i) Details of losses on account of vehicle accidents have been entered in a separate register. Log books are not maintained since the sheets provided for entries are not sufficient. Vehicle repairs have been attended to by the Agents or registered garages with due approvals. Spare parts (required for engine repairs) are purchased from the Agents. Running charts and other reports are available for audit.

(ii) Board approval was obtained to open the Bank Account.

**(g) International Tender Guide Lines  
Chapter 2, and 8**

International Tender Guide Lines are not applicable. However, the Tender Board has been delegated financial authority in respect of tenders up to Rs. 1,000,000/- per tender, by the Board.

Financial authority delegated for purchase on tenders by the Board was increased up to Rs. 10,000,000/- as recommended by the Audit and Management Committee which includes the Deputy Secretary to the Treasury of the Ministry of Finance.

Three tenders of staff transport facilities, had not been offered properly.

The Board and relevant parties had not entered into the agreements so far, in respect of three tenders offered on 1 July 2002.

A penalty had not been imposed for days of not providing the vehicles. However, the Board had paid hiring vehicle charges for employees on such days.

Proper procedures had not been adopted in respect of opening of tenders as required by section 104 (chapter 8) of the International Tender Guide Lines.

**(h) Public Administration Circulars**

No. 22/99

Six vehicles had been assigned to the directors without obtaining requisite approval.

The Board had paid a sum of Rs. 3.8 million to four transport companies to provide staff transport facilities for travel between office and residence

The Board has deducted the transport costs incurred by staff members on the days on which the contractors failed to provide transport. Accordingly no extra expenditure has incurred by the Board on such days.

At the opening, of tenders they are scheduled prepared consecutively and are authenticated by the initials of the officers opening them together with the dates on which they were opened. Date stamp is used for the purpose of marking the date. In case of complicated tenders, a summary sheet which contains all data, is prepared and initialed by the officers who were present at the tender opening.

**(h) Public Administration Circulars**

PA Circular No: 22/99 is not applicable. Vehicles had been assigned to the Directors with the approval of the Secretary, Ministry of Policy Planning & Implementation (as per MPPI Circular No: 7/90). Directors have enjoyed this facility since March 1991.

Staff transport facilities provided to the officers in Grades 3 – 7 for travel between officer and residence with the approval of the Board of Directors. The staff have enjoyed this facility from 1991.

**(i) Public Enterprises Departmental Circular**

(i) No. 95 of 14<sup>th</sup> June 1994

The Board had paid a sum of Rs. 1.2 million as transport allowances to its employees without obtaining requisite approval.

Further, decision had been taken by the Board during the year under review, to revise the daily rate of transport allowances from Rs. 35 to Rs. 50 and monthly allowance from Rs. 1,750/- to Rs. 3,500/- for employees in grade 8 to 10 and deputy directors respectively. The additional financial commitment related to this proposal is Rs. 1,635,000/-

(ii) No. 116 of 24<sup>th</sup> January 1997

Six officers of the Board had been released to the Ministry and various departments. A sum of Rs. 409,496/- had paid by the Board as salaries during the year under review.

(iii) No. 118 (a) of 23<sup>rd</sup> May 1997

Staff officers who engage in work during weekends and holidays should be paid an allowance of 1/20 of their monthly salaries, limited to one day per month. A decision had been taken by the Board on 30<sup>th</sup> May 2002 to increase this allowance as five days per month. Further it was observed payments had been made on half days also.

**(i) Public Enterprises Departmental Circular**

(i) Transport allowance to EDB employees is being paid with approval of the Finance & Administration Committee of the Board.

(ii) On the request made by higher authorities, employees of the Board referred to were released to other Ministries.

(iii) On recommendation of the Audit & Management Committee which includes a Treasury representative the board has approved work up to a maximum of 05 days on holidays as and when necessary due to exigencies and essential services with prior approval. This is because EDB being a development organisation has to carry out important work particularly in the provinces. Further officers of particular units like the TV Unit has to attend to publicity & promotional programmes in the provinces on holidays, including requests of the Ministry.

**(j) Public Finance Circular**

(i) PF/PE 14 Paragraph (b) (i)

EDB had assured to maintain the minimum level of monthly call charges of Rs. 300,000/- in value for a PABX system with a capacity of 300 extensions, where as the requirement envisaged was only 200 extensions. It was further observed that the commitment entered into the EDB for 5 year period was contrary to the provision stipulated in Treasury Circular PE/PF/14, which prescribed the units of telephone usage.

Audit tests had revealed that certain officers of the Board had exceeded the monthly limits of telephone charges by Rs. 1,041,882/-.

The proper approval had not been obtained for the mobile telephone provided to the directors of Tradenet.

**(j) Public Finance Circular**

(i) (b)(i) Instructions issued by paragraph (b) (I) of the Treasury Circular No : PD/PE-14 dated 28<sup>th</sup> February 2001 are applicable to monthly charges of direct official telephones supplied to officers in the hierarchy of state institutions from Chairman/Managing Director and other staff officials. There is no any connection between the direct official charges of staff officers and the PABX system referred to in this audit query. PABX system facilitates to provide telephone lines and to connect incoming calls to various Divisions on request. The present monthly charge to Telecom Ltd. for this service exceeds Rs. 300,000/- Hence, commitment to maintain a bill for Rs. 300,000/- per month under the agreement entered into with Sri Lanka Telecom is not an over-estimation but is based on reality.

Further, this PABX system at a value of Rs. 1.5 M has been acquired through the said agreement without making any initial payment. The alternative was to request for additional funds of Rs. 1.5M from the General Treasury, for this purpose.

Maintaining the approved limits for usage of official telephones other than the assigned phones is a difficult task due to the nature of assignments of the board and duties assigned to staff officers. However, every possible action will be taken to minimize expenses.

Approval of the Secretary to the Ministry of Finance & Planning has been obtained on 5<sup>th</sup> February 1999 for this mobile telephone.

(b)(ii) The fuel allocation of an assigned vehicle had been exceeded.

(b)(ii) Action has already been taken on this.

(b)(iii) It has been observed that meetings, seminars and workshops have been conducted as a regular basis by the Board in hotels.

(b)(iii) In most instances the auditorium of the DHPL Building occupied by the EDB is used whenever it is available. As it is also hired to others by Development Holdings (Pvt) Ltd., and when it is occupied, Hotels are used as an alternative and also depending on the nature and status of the event.

**(k) Management Services Circular No. 15 and No. 16**

The Additional Director General of the Board had retired from service in July 2002 on reaching the age of 60 years had been appointed as a consultant on contractual basis for a further period of one year with effect from 31 July 2002 for a monthly allowance of Rs. 35,000/- with a assigned vehicle.

**(k) Management Services Circular No. 15 and No. 16**

The appointment of the Consultant referred to has been made with the approval of the Board and the Ministry. Assigning of a vehicle was also approved by the Ministry.

**(l) Ministry of Finance and Planning Circular No. MF/6/1/1/96**

Three persons traveled abroad in the year 1998 after obtaining traveling advances aggregating Rs. 188,678/- had not submitted their claims up to the date of this report, although claims on foreign travel should be submitted within 30 days from the date of completion of the journey.

**(l) Ministry of Finance and Planning Circular No. MF/6/1/1/96**

These advances were given to members of Parliament who participated in Trade Fairs conducted by the EDB, at the request of the Ministry. Letters have been sent to them requesting settlements.

### **2.3.6 Transactions not supported by Adequate Authority**

Following observations are made.

- (a) An information system called "Trade Information Centre" had been established in 1996 with an investment of Rs 4.56 Million (in addition to the assigned vehicle). Although the Cabinet Decision dated 9<sup>th</sup> August 1995 stated that this should be operated as a self-financing project by recovering expenses from users of the network, a sum of Rs 10.6 Million had been spent as salaries excluding overhead charges such as rent, security, electricity, water and maintenance of assets during the period 1996 to 2002. Total income received from this source for the same period is Rs. 5.3 Million only.

### **2.3.6 Transactions not supported by Adequate authority.**

- (a) The TradenetSL (e-Commerce arm of the EDB) was established in May 1995 with the key objective of developing a networking infrastructure, building on the existing trade information service computer network for providing a range of information services to the business community. These services include :
  1. Provision of timely business information and advisory services to the Sri Lankan business community.
  2. Promotion of Sri Lankan companies in the Global Market.
  3. Provision of efficient and effective modes of communication for companies in order to speed up their transactions.
  4. Promotion and popularization of e-Commerce services in Sri Lanka. This includes the facilitation of electronic transaction between business to business, business to consumer and business to government.

(b) The bonus of Rs. 2.2 Million at the rate of Rs. 7,500/- or two months gross salary whichever was less paid to employees of the Board during the Year under review had been contrary to the provisions of the Department of Management services Circular No. 17.

**3. Financial and Operating Review**  
**3.1 Performance**

(a) The expenditure on export development and the maintenance cost of the Board during the year under review amounted to Rs. 91,099,577/- and Rs. 186,048,581/- respectively as compared with Rs. 186,679,601/- and Rs. 186,599,418/- respectively in the preceding year.

The income of the Board for the year under review amounted to Rs. 218,000,839/- as compared with Rs. 317,210,427/- for the preceding year.

No investment in equity capital had been made during the year under review as compared with Rs. 1.3 Million invested during the preceding year. Loans granted to exporters during the year under review amounted to Rs. 181,000/- while no loans had been granted during the preceding year.

(b) A negative growth of 2.45% as compared with the preceding year was shown during the year under review.

(b) Ministry approval has been obtained as per the Treasury Circular.

Investment in shares and granting of loans have been ceased to effect since 1997.

(b) Comments noted.

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <p>(c) A gradual increase of the maintenance cost of the overseas Trade Centre in the United Kingdom, Netherlands, Maldives and Japan from Rs. 10.07 million in 1999 to Rs. 19.63 million in 2002 was shown.</p>                                                                                                                                                                                                                                                                  | <p>(c) Overseas Trade Centres in united kingdom. Netherlands and Japan ceased operations in the year 2003 on wards.</p> |
| <p>(d) The exports to the above countries which had been Rs. 56,115 million (US \$ 849 million) had increased to Rs. 81,093 million (US \$ 849 million) during the year 2002. However, the increase is attributable to the fall in the value of the Rupee as the US\$ value of exports in the year 1999 had remained the same in the year 2002.</p>                                                                                                                               | <p>(d) Comments noted.</p>                                                                                              |
| <p>(e) Thirty three fairs had been held abroad during the year 2002 at a cost of Rs. 17.68 million. Out of the orders valued at Rs. 324.49 confirmed at those fairs orders valued at Rs. 8.2 mullion or 03 percent only had been executed. The corresponding figures for the preceding year had been 26 fairs held at a cost of Rs. 9.82 million. Out of orders valued at Rs. 231.17 million confirmed orders valued at Rs. 18.4 million or 8 percent only had been executed.</p> | <p>(e) Comments noted.</p>                                                                                              |
| <p>(f) 115 skills development programmes with 8,040 participants had been held during the year 2002 as compared with 80 programmes held with 3,303 participants during the year 2001.</p>                                                                                                                                                                                                                                                                                         | <p>(f) Comments noted.</p>                                                                                              |

(g) The Corporate Plan of the Board is confirmed to a period of one year. The annual action plan prepared for the year 2002 did not include performance targets to be achieved through Overseas Trade Promotion Centres established in the UK and Japan. Further, there was no information to evaluate performance of those Centres as the Board is not getting regular progress reports from them.

(h) Audit tests carried out in respect of 87 exporters' loan files relating to loans aggregating Rs. 26,228,580/- revealed that some documents, reports and information such as annual accounts, audit reports, quarterly progress reports on export performance, reports on inspections carried out by the Board, and confirmation of balances which should have been obtained by the management were not available in the files.

### **3.2 Transactions of a Contentious Nature**

Following observations are made

(a) The Board approval was granted to waive 25% of the preference dividends due to the Board amounting to Rs. 1,167,746/- as a measure of goodwill as the related company had incurred substantial losses.

(g) Comments noted.

(h) Comments noted.

### **3.2 Transactions of a Contentious Nature**

(a) This was a pioneering project for the production of Shitake Mushrooms for export undertaken in Sri Lanka. EDB Provided seed capital for the project under an export development financing scheme. The project was later abandoned due to technology failures after incurring substantial losses. EDB investment in preference shares was redeemed by the company in spite of the losses. The company requested waiver of 100% of the preference dividend payable to the EDB because of the losses incurred. Strictly in legal terms a preference dividend is payable

only out of profits, although the EDB had laid down a condition that preference dividend was payable to the EDB irrespective of profits. The Board therefore after consideration of the appeals made by the company agreed to a waiver of 25% only of the preference dividend due as a measure of goodwill. The company has already paid to the EDB the balance 75% of the preference dividend of over Rs. 3.5 Mn.

(b) An expenditure of Rs. 0.8 million had been incurred by the Board as private vehicle hiring charges for official duties of the Head Office and Provincial Offices.

(b) As the EDB is short of vehicles and the fleet itself is very old incurring substantial expenditure on repairs it has not been possible to assign vehicles on a permanent basis to the 03 Provincial Offices in Kandy, Kurunegala and Galle. Also it has been more economical to hire vehicles for the Provincial Offices from the respective areas because of the heavy running involved and also because assigning a vehicle from the EDB fleet will entail additional costs of providing accommodation and other facilities for the drivers and also difficulties in having direct control on fuel consumption etc

Hiring charges for private vehicles for official duties at the Head Office are incurred only in instances where Board vehicles are not available for assignments.

### **3.3 Idle and Underutilized Resources**

Following observations are made

- (a) A vehicle costing Rs. 547,939/- had not been used since May 2002, after incurring repair expenses amounting to Rs. 311,416/- in recent past.
- (b) The cash balance at the end of each month in 2002 indicated that there had been always excess cash retained by the Board in the current accounts. The similar situation existed during the previous year too.

### **3.4 Vehicle Utilisation**

The Board had a fleet of 31 vehicles (including two motor cycles) during the year under review. The total running expenses of vehicles and overall average cost per km. For the year under review amounted to Rs. 11,362,802/- and Rs. 25.07 respectively as compared with the corresponding figures of Rs. 11,207,760/- and Rs. 25.65 in the previous year. In addition, a sum of Rs. 826,488/- had been spent by the Board as charges for hire of private vehicles for official purposes.

### **3.3 Idle and Underutilized Resources**

- (a) This vehicle a waiting some spare parts needed to be imported by the agents for repair work. Once the repair is completed it will be put in to service.
- (b) We have made arrangements with the bank to avoid excess cash balances. The excesses arisen due to timing gap of cheques issued and presented to the Bank for payment.

### **3.4 Vehicle Utilisation**

Private hiring charges were paid to provide transport facility to the provincial offices after following the tender procedure.

### **3.5 Cost of Personnel**

The total staff benefits of 296 employees and overall average cost per employee for the year under review amounted to Rs. 84,936,412/- and Rs. 286,947/- respectively during the year under review as compared with Rs. 84,131,185/- and Rs. 276,747/- in the previous year.

### **4 Systems and Controls**

Special attention is needed in respect of the following areas of control.

- (a) Account Receivable and Payable
- (b) Fixed Assets
- (c) Advances
- (d) Maintenance of documents of Exporters Loans and Investments
- (e) Control accounts
- (f) Vehicle Utilization
- (g) Budget
- (h) Accounting

### **3.5 Cost of Personnel**

Comments Noted.

### **4 Systems and Controls**

Action have already been taken to improve the systems & controls in keeping with the observation made.

**PERFORMANCE OF THE SRI LANKA EXPORT  
DEVELOPMENT BOARD (SLEDB)  
FOR THE YEAR 2002**

In its efforts to promote exports during the period under review, the Sri Lanka Export Development Board (SLEDB) channeled its resources towards promoting non-traditional exports through its programmes on entrepreneur development, product adaptation/development, market development, providing trade related information specially through electronic means, granting financial assistance and making policy recommendations on export related issues. The activities and programmes carried out during this period focussed on assisting private sector export oriented enterprises to be competitive in the international market.

**Major activities undertaken to develop and promote exports during the period under review are described below:**

**1. Policy Support**

The EDB continued to monitor the economic environment available to exporters and made several recommendations during this period with a view to create a favourable environment which is conducive to export expansion through private sector participation. In this regard, the EDB closely worked with both private and public sector agencies to identify problems and made recommendations to the authorities concerned to remove such constraints.

- 11 policy papers were prepared and submitted to relevant authorities.
- Two seminars on VAT were conducted.
- A draft gazette notification was prepared to amend the EDB Cess structures on raw hides to be in line with the New International H.S. Classification.

**2. Plan Implementation and Monitoring**

- Preparation of the National Export Development Plan (NEDP) was commenced and a draft set of objectives, strategies and targets were formulated.
- Action plan , corporate plan and performance reports of the EDB for the year 2002 were prepared.
- Export performance indicator for the year 2001 were prepared.
- 100 day action programme for 2002 was prepared and submitted to relevant authorities.
- Monthly export performances for the period January - October 2002 were statistically analysed.

### **3. Product Development and Adaptation**

The Industrial product areas selected for assistance by the EDB at present are industrial products such as electronic products, footwear, printing & stationery, handicrafts, engineering products gems & jewellery, fisheries products, diamonds, leather & leather products, readymade garments, wooden items, handloom & textile products, ceramic and porcelain products and agricultural products such as fruits and vegetables, floriculture, spices, essential oils, organic products, coir products, oil seeds and pulses, seaweeds and cashew. During the period under review a number of programmes for supply development, product development, product adaptation, product specific skill development and quality improvement programmes pertaining to the above product sectors were carried out under the EDB integrated product/market development programmes.

#### **A. Industrial Products**

##### *I. Apparel and Handloom*

- ◆ 4 Mini exhibition were organised by the EDB in New York, Paris, London and Manchester. 44 exporters participated at these exhibitions.
- ◆ Five enterprises were assisted to participate at the Fashion Week exhibition in U.K.
- ◆ 5 inward buying mission from UK, Hongkong and Italy were organised.
- ◆ 8 training programmes were conducted for 240 participants.
- ◆ Technical assistance was provided to 18 factories through the Commonwealth Secretariat.
- ◆ Assistance was extended to the taskforce of the Ministry of industries to prepare a five year strategic plan.

##### *II. Gems & Jewellery*

- ◆ The EDB launched a new programme to promote and develop Sri Lanka as an international hub for Sapphire as a high value international brand.
- ◆ The exhibition titled "Colours of Lanka" to mark 50 years of diplomatic relations with Japan was held in Japan. A collection of about 500 pieces of jewellery designed by a renowned designer with a blend of Sri Lankan culture were exhibited.
- ◆ 19 exporters were assisted to participate at two foreign trade fairs. Orders worth of Rs. 130 Mn were generated as a result. 8 SMEs were also sponsored for participation at 'Facets 2002'.
- ◆ Two inward buying missions from UK and France were organised.
- ◆ Product development assistance such as computer aided designs were provided to several manufacturers/exporters.

##### *III. Rubber Products*

A survey on automobile components was conducted. A report was submitted to ITC, Geneva.

#### *IV. Diamonds*

- ◆ A programme was formulated to develop Sri Lanka's capabilities in processing specialised cuts and larger stones. Release of treasury funds is awaited for commencement of the scheme.
- ◆ In association with the industry a strategy was developed to diversify products and establish contacts for expanding job opportunities.
- ◆ A report on major constraints of the industry was compiled.
- ◆ A country report on diamonds was compiled.

#### *V. Leather Products*

- ◆ Five tanners were assisted to visit 'Inot Leather Fair' and on a study tour and a market exposure programme.
- ◆ Advisory Service was provided to exporters/potential exporters on products and markets.
- ◆ 5 tanners were assisted to participate at the India International Leather Fair.
- ◆ The final report of the taskforce on leather and leather products was presented to the Government for implementation of its proposals.

#### *VI. Footwear*

- ◆ A proposal was submitted to the Ministry of Industries and Ministry of Finance to revise the duty structure on import of finished shoe components.
- ◆ A course of action was formulated to resolve constraints faced by the sector through the Task Force on Footwear Sub Sector.
- ◆ A report on the footwear industry was compiled in association with the Industry and other selected agencies.
- ◆ Major constraints of the industry and appropriate solutions were identified and presented to relevant ministries for necessary action.
- ◆ 8 exporters were assisted to participate at the 'Expo Riva Shoe Fair' in Italy.
- ◆ One training programme was conducted.

#### *VII. Handicrafts*

- ◆ A German Consultant was identified to develop new designs for the handicrafts sector.
- ◆ Participation was organised for 19 enterprises at 2 international trade fairs. Confirmed orders to the value of Rs. 40 Mn were obtained at the fairs. Rs. 28 Mn worth of orders have already been executed.
- ◆ SMEs manufacturing handicrafts were assisted to meet with the Maldivian Buying Mission which visited Sri Lanka.
- ◆ Printing of the product brochure on handicrafts was completed.
- ◆ One training programme was conducted.

### *VIII. Wooden Products*

- ◆ Advisory committee on wooden products was set up.
- ◆ Two workshops were conducted for 28 participants.
- ◆ Co-ordination activities were carried out with the Sri Lanka Standards Institutions to obtain accreditation to issue the FSC Certificate.
- ◆ Participation was organised for 4 enterprises at the Nuremburg Fair . As a result participants were able to obtain confirmed orders worth over Rs. 3 Mn.
- ◆ 5 enterprises were assisted to participate at a CBI conducted seminar in the Netherlands.

### *IX. Electronics*

- ◆ Website of the Sri Lankan Electronic Manufacturers and Exporters Association was launched.
- ◆ Arrangements were made for a CBI expert to visit 6 manufacturing enterprises with a view to assist them to improve their capacity to export to Europe.
- ◆ Six enterprises from the sector were assisted to participate at the CBI conducted EXPRO Seminar in the Netherlands.
- ◆ Arrangements are being made to participate at Electronica 2003 with CBI collaboration.

### *X. Computer Services*

- ◆ Sri Lanka pavilion was organised at the CeBIT 2002 exhibition in Hanover in collaboration with the Sri Lanka Embassy in Germany and the Sri Lanka Software Exporters' Association. The total value of orders placed during and after CeBIT is expected to be around Rs. 80 Mn. Post fair follow-up activities are being carried out.
- ◆ Two workshops were conducted for 24 participants.

### *XI. Printing*

- ◆ Financial assistance was provided to Ingrin Printing Institute. Technical assistance was also provided to upgrade the skills of the staff of Ingrin.

### *XII. Stationary*

- ◆ The technical training programme for 12 participants was successfully completed at the Kumarappa National Handmade Paper Institute in India.

### *XIII. Fisheries Products*

- ◆ A workshop on Tilapia was conducted for 75 participants.

- ◆ Under the programme to develop Tilapia, rearing of Tilapia was commenced by two enterprises with a view to develop this product for the export market.
- ◆ 7 aquarium fish exporters were assisted to participate at Interzoo 2002 Pet Show in Germany.
- ◆ Printing of the brochure on aquarium fish was completed.

#### *XIV. Other Industrial Products*

- ◆ As a result of participating in a technical and marketing exposure Programmes conducted in India during the previous year, two enterprises are negotiating to set up joint ventures to manufacture auto spare parts and water pumps for export to India.
- ◆ Participation was organised for 10 exporters at two international trade fairs.
- ◆ 10 non metallic producers were assisted with regard to technical issues through the visit of two Czech experts . This programme was funded by the UNDP.
- ◆ A seminar on plastic injection moulding was conducted.

### **B) Agricultural Products**

#### *I. Fruits & Vegetables*

- ◆ Kiriala was identified as a product with export potential. A programme has been launched in collaboration with the Department of Agriculture (DOA) to cultivate Kiriala in the Galle District for export. Already 9000 kg. have been supplied for exports.
- ◆ Several farmers and exporters were linked for the supply and export of fruits and vegetable.
- ◆ A programme was developed in consultation with the DOA and Samurdhi Authority to grow mangosteen and Avacado for export.
- ◆ Exporters were assisted to ship samples of fruits and vegetables abroad.
- ◆ Programme was launched to promote Kitul juggary in the Middle Eastern Market.
- ◆ 4 enterprises were assisted to participate at a seminar in the Netherlands.
- ◆ 18 seminars/workshops/awareness programmes were conducted for 1656 participants.

#### *II. Floriculture*

- ◆ 12 enterprises were assisted to establish export oriented floriculture projects.
- ◆ 2 news-letters on floriculture were prepared to disseminate information.

- ◆ 6 exporters were assisted to participate in exhibition in the Middle East. Rs. 4.6 Mn worth of orders were received.
- ◆ 6 seminars/workshops on floriculture were conducted for 1290 participants.
- ◆ The services of a Japanese Consultant was obtained to promote dried flower exports.
- ◆ Business meetings were arranged for Sri Lankan enterprises with a South Korean buyer.

### III. *Oil Seeds & Pulses*

- ◆ Cultivation of 1000 acres of sesame through 750 outgrowers was started in Nikaweratiya in the North Western Province in collaboration with the North Western Economic Enterprise Development and Savings Co-operative Society Ltd. (NEEDSCO).
- ◆ 5 awareness programmes were held in Tamankaduwa , Elahera, Hingurakkoda & Nikaweratiya.

### IV. *Spices, Essential Oils and Herbal Preparations and organic products*

- ◆ A task force was set up to prepare a five years plan for the spices and allied products and Ayurvedic products. A draft plan was prepared.
- ◆ Two enterprises in the herbal products sectors were assisted to introduce their products to the Pakistan , U.K. and Korean Markets.
- ◆ A new programme was launched in Paris in collaboration with the Sri Lankan Embassy in Paris and the Perfumery Association. Samples of herbal preparations were sent to France for test marketing.
- ◆ A committee was appointed to develop national standards for organic products.
- ◆ Two workshops were conducted.

### V. *Coir Products*

- ◆ Organised participation of 6 exporters at Domotex 2002 which resulted in receiving orders worth US\$ 300,000.
- ◆ A Chinese delegation which visited Sri Lanka was introduced to an exporter in Marawila which resulted in the exporter obtaining an order for 10 container loads of mattress fiber.

### VI. *Sea Weeds*

- ◆ Trial projects in Kalpitiya, Negombo and Rekawa were commenced to grow seaweeds. Two pilot projects were commenced in Kotagala and Thotagamuwa.
- ◆ Arrangements were made with NARA for testing activities.
- ◆ Co-ordination activities were carried out with the Ministry of Fisheries to conduct a programme in the South.

## VII. *Papain*

- ◆ Assisted in the preparation of a project proposal to the BOI and obtain land for a papain project.

## VIII. *Soya Products*

- ◆ Information on soya product exports is being collected.

## IX. *Cashew*

- ◆ Two workshops on cashew were conducted.
- ◆ An enterprise was assisted to launch a project to export cashew.

## 4. **Market Development**

During the period under review the EDB carried out the following market development activities with the objectives of increasing the market share in existing market and to identify and develop new markets.

### **Market Research and surveys**

Prepared market research reports/profiles on Austria, Argentina, China, Poland and Saudi Arabia and disseminated. Brief reports on Sri Lanka's trade with Canada, Brazil and U.K. completed. Studies on gift market in Italy and export market potential for pepper and pepper products completed. A survey on SME supplying products for the European Union conducted.

### **Seminars/Workshops**

Three seminars on "Exporting to Japan", "Canadian market" and "Exporting to South Africa" was conducted for 111 exporters and potential exporters. A presentation on potential products for the Netherlands market also conducted. Made presentation on subjects related to marketing and export marketing at Mahapola Seminars conducted in Katharagama, Diulapitiya, Kotte, Hikkaduwa and Hasalake. Over 120 SME exporters in Colombo, Kandy and Galle were also assisted by making presentation on subjects relevant to them.

### **Sri Lanka Exhibition, Tokyo, Japan Oct. 01<sup>st</sup> to 4<sup>th</sup> 2002**

Sri Lanka exhibition was held in Tokyo, Japan to coincide with the celebration of 50 year diplomatic relation between Sri Lanka and Japan in collaboration with other organizations and with the financial assistance of JETRO. The Sri Lanka delegation was led by Prof. G.L. Peiris, Minister of Enterprise Development, Industry Policy and Investment Promotion.

Twenty-eight Sri Lankan companies representing tea and herbal teas, coir products, apparel, gems and jewellery, rubber products, IT and software participated at the exhibition. Products of four additional companies were

promoted at the EDB General Stall (foliage plants, ceramic, ornaments, wooden toys and puzzles and herbal products).

Participation in this exhibition resulted in receiving confirmed orders to the value of US\$ 243,252 (Rs. 23.35 Mn) for value added tea, herbal tea, coir products, IT and software, horticulture products, educational toys, garments and gems. Value of orders under negotiation for the same product including rubber products, wooden toys and jewellery amounted to US\$ 306,250 (Rs. 29.40 Mn). On the spot sales of gems and jewellery amounted to US\$ 56,420 (Rs. 5.42 Mn).

IT software companies developed contacts with Japanese companies for software development, out sourcing of programmes and solutions, off show development and for establishment of joint ventures. The total number of trade inquiries received amounted to 542.

### **Multi-product Trade Fairs Overseas**

Organized 48 Sri Lankan companies participation in 10 multi product trade fairs held in Denmark, India, Iraq, Italy, Japan, Nepal, Saudi Arabia and U.K. displaying a wide range of products. In addition, product samples and catalogues of 23 companies were sent to 04 exhibitions held in Germany, Philippines and South Africa.

According to the evaluation carried out value of orders from Baghdad International Trade Fair is estimated at Rs. 20.75 Mn. Value of orders received from other exhibition amounted to Rs. 39.58 Mn. Value of orders under negotiation amounted to Rs. 14.86 Mn. Trade enquiries received by coordinating officers of EDB also disseminated among other exporters. Total number of trade enquiries received amounted to 656. The total cost by EDB for organization of all these 14 trade fairs amounted to Rs. 2.33 Mn (please refer schedule 01 for details).

### **Trade & Investment Promotion Mission to Sri Lanka**

Three trade and investment promotion missions from the Maldives, Pakistan and the Netherlands were organized at a cost of Rs. 0.986 Mn. Business meetings were organized with 145 Sri Lankan companies with the 37 delegates from overseas. These missions resulted in developing contacts for export of a wide range of products and in attracting foreign investors to Sri Lanka. Value of orders executed to Maldivians amounted to Rs. 4.73 Mn. Facilitation of a delegation from China resulted in exporting coir fibre worth of Rs. 2.52 Mn.

### **Trade Promotion Missions to Overseas Countries**

Two export promotion missions were organized to China and Saudi Arabia with the participation of 13 Sri Lankan companies. Meetings were organized with over 60 overseas businessmen for a wide range of products. The follow up meeting with 27 Sri Lankan companies which participated at the contact promotion programme to South Africa was held during the visit of the Chief

Programme Officer, Export and Industrial Development Division,  
Commonwealth Secretariat.

### **Local Trade Fairs**

Assisted organization of Intrad Exhibition 2002 by National Chamber of Commerce of Sri Lanka. 10 SMEs were financially assisted to participate. While the value of confirmed orders received by them for a variety of products amounted Rs. 1.3 Mn., value of orders under negotiation amounted to Rs. 3.29 Mn from both overseas and local buyers. The total number of enquiries received amounted to 38. Also assisted "Pro Food 2003 Exhibition".

### **Scheme to assist Exporters for their Own Export Marketing Efforts**

The EDB scheme of assistance to support small and medium scale exporters' own marketing efforts overseas on market research, participation in trade fairs, sales/contact promotion missions overseas, inward buying missions, participation in workshop and seminars, product development and improvements, airfreight of initial sample orders, preparation of promotional materials, advertising overseas and registration of Sri Lankan brands / trademarks overseas were re-introduced.

The Committee approved 16 applications to grant financial assistance to the value of Rs. 2.095 Mn. However, non submission of acceptable reports and non implementation of some proposed activities resulted in making recommendations to reimburse only Rs. 1.503 Mn to 11 applicants during the year.

Applicant's participation in six trade fairs in Germany, Maldives, USA, Hong Kong and Japan resulted in executing / receiving confirmed orders for spices, herbs, mineral crafted table lamps, jewellery precious and semi precious stones, tea and lemon grass to the value of Rs. 8.703 Mn. Value of on the spot sale of precious stones and semi precious stones has amounted to Rs. 1.39 Mn. Value of orders under negotiation for mineral crafted table lamps, chenille throws, kitchen towels, napkins, pillows, precious and semi precious stones, white / black pepper, curry leaves has amounted Rs. 4.872 Mn. One jewellery exporter also won the Golden Apple Award for innovation and designing during the fair. Number of trade enquiries received by some participants has amounted to 45. One company is planning to set up a joint venture company in Paris to promote Sri Lanka black / green tea and herbal teas.

Market research and surveys carried out and trial shipment resulted in identifying and exporting potential products overseas (please refer annexed schedule 2 for details).

### **Market Promotion Windows**

As a measure to reap benefits through ISFTA and proposed PSFTA arrangements were made for establishment of two export promotion windows in Karachi and Mumbai by financing necessary equipments for display and air

freighting a wide range of product samples literature and brochures of 39 Sri Lankan companies and videos on export products for display.

### **Trade Agreements**

Attended activities related to the EDB in respect of ISFTA, PSFTA, SAPTA, SAFTA, Bangkok Agreement, BIMST-EC, TIFA between USA and Sri Lanka.

Implementation of ISFTA, solving of exporter problems and undertaking of market promotion activities in India has resulted in increasing Sri Lanka's exports from US\$ 48.6 Mn to US\$ 169.2 Mn in 2002.

Joint Economic Commission/Business Councils/Economic Cooperation Committees

Attended meetings and carried out activities related to the EDB in respect of Joint Economic Commissions with Egypt and Iraq. Attended 25 meetings of Business Councils / Economic Cooperation Committees and carried out the activities related to the EDB.

### **Sri Lanka Centre in Chennai**

The objective of this centre is to promote a selected range of products targeting the middle and upper segments of the Indian market in order to reap the benefits of concessions under the ISFTA.

This center will provide facilities for 12-15 Sri Lankan exporters to display products for order taking, wholesale and retail sale and also to explore long term opportunities including joint venture investment. After making an explanatory visit to Chennai, a prime location has been selected to establish the center. An organization in Chennai has also been selected to undertake a market assessment and recommend strategic approach to enter the targeted market segments of selected products. Application has been made to obtain approval for the center from the Indian government. Advertised inviting proposals for interior designing. Board approval was obtained to incur expenditure for establishment of this Centre in 2003.

### **Export Awards**

Represented EDB at the Task Force appointed by the Ministry of Commerce and Consumer Affairs for development of a Scheme to reward Sri Lankan exporters and importers of Sri Lankan products for their excellence. Carried out activities relevant to the EDB.

### **Trade Enquiries and Provision of Information to Exporters/Importers/Organizations**

Assisted more than 80 Sri Lankan companies by providing necessary information and guidance in their export development and promotional efforts, in respect of a wide range of products / markets.

43 enquiries received from foreign countries were served by providing necessary information and circulating among the Sri Lankan exporters.

Trade related information requested by Sri Lankan Embassies, High Commissions and Overseas Missions in Sri Lanka was also provided.

**Scheme to assist exporters for their own marketing efforts - 11** exporters have been assisted under the scheme so far to an extent of Rs. 1.5 Mn.

**Overseas Trade Promotion Offices : TPO in Male** - Organized an Inward Buying Mission and an Investment Mission to visit Sri Lanka.

3 Maldivian Enterprises were identified for link up with Sri Lankan entities. Assistance was also provided to resolve trade disputes between Maldivian and Sri Lankan businessmen.

Detailed import statistics of Maldives were collected for analysis to identify market opportunities for Sri Lankan products, 3 market reports were prepared and products such as herbal soap, mineral water, tea and building materials are being promoted in Male.

The possibility of promoting educational services and medical services Ayurvedic products, LP Gas and Anthuriums are being examined.

15 trade inquiries were attended to during the period under review.

#### **TPO in the Netherlands**

20 Sri Lankan exporters contacted the TPO in order to promote their products while 15 Dutch/European importers contacted the office to obtain information on Sri Lanka exporters and manufactures. Co-ordination work with regard to Sri Lanka-Netherlands Business Council meetings, Trade Promotion Programmes and skill development programmes organised by the Head Office were carried out.

Discussions were held with 5 Dutch Trade Chambers which resulted in these chambers undertaking to publish Sri Lanka exporters' prospects in Chamber Bulletins and to accommodate visiting Sri Lanka inward missions.

Identification of power supply companies in Netherlands was carried out for the Ceylon Electricity Board.

#### **5. Development of E-commerce**

TradenetSL is the electronic commerce centre of the EDB. This facility not only provide upto date business information to exporters through electronic means but also provide cyber trader services which enable exporters to find and communicate with business partners, finalise contracts, sell their products to international customers via internet and make use of video conferencing

facilities. E-commerce centres have been established in Galle, Matara, Hambantota, Kandy and Kurunegala.

Following activities were carried out for promotion of E-commerce and infrastructure services/cyber trade services, development of IT and electronic commerce services.

- ◆ 14 skills development programmes were conducted for 1695 participants.
- ◆ IT Consultancy Services were provided to organisations.
- ◆ Advisory service was provided to 483 people.
- ◆ E-commerce services such as information searches, creation of web pages, web advertisements, web links, company listings, web mail forwarding were provided to exporters. 376 such services/activities were carried out.
- ◆ The establishment of a B2B portal was commenced to facilitate business to business transactions between Sri Lankan exporters and foreign buyers.

## **6. Trade Information & Dissemination Services**

Under this activity the EDB has channeled its resources towards the provision of multi faceted services to the export sector ranging from computerized data base facilities and advisory services to library facilities. Following activities were carried out during the period under review.

- ◆ 2142 new publications were acquired for the library.
- ◆ Advisory service was provided to 2600 users. 1810 inquiries were also attended to.
- ◆ 28 reports on Market information/statistical research were provided.
- ◆ Data bases were updated and information such as prices were disseminated to external parties.
- ◆ 24 issues of Exponews and 9 issues of Apanayana Puwath were completed.
- ◆ 4 promotional video documentaries were prepared.
- ◆ 3 foreign buyers were assisted to find sellers/exporters.

## **7. Assistance to SMEs under the Regional Export Development Programme**

Keeping in line with the government policy to promote and develop export oriented SMEs, a number of programmes were carried through the EDB's provincial offices.

- ◆ 14 Training programmes/seminar/workshops were conducted for 1470 participants from SMEs.
- ◆ A programme is being conducted to promote ayurvedics services abroad..
- ◆ Advisory/consultancy services were provided to SMEs.
- ◆ A sum of Rs.12,772 Mn was paid to 17 exporters under the Incentive Scheme for Handloom Textile Industry.
- ◆ A sum of Rs. 2,513,454/- was received as loan repayments from projects assisted since 1981.
- ◆ 1863 e-commerce services were provided to SMEs by the Southern Province Office.

- ◆ Publicity was provided to some SME through Dutch Trade Chamber publications.
- ◆ 50 projects were completed under the programme to grow Anthuriums for export.

8. **Establishment of Export Processing Companies (EPCs) For Value Addition to Rural Agricultural Products**

EDB has initiated setting up of Export Processing Companies (EPCs) in the provinces in collaboration with the Ministry of Rural Economy. This programme is aimed at mobilizing rural producers of exportable products through suitable institutional means viz. Export Promotion Village (EPV) companies as viable commercial entities and linking them directly with export houses of such products. The link exporter of each project will establish Export Processing Co. (EPCs) for value addition where the link exporter will be the main investor. The Ministry of Rural Economy and EDB will be joint public sector partners providing seed capital.

The proposed EPCs will engage in value addition activities to primary products cultivated / produced by Export Production Village (EPV) People's companies operating in their respective project areas. The proposed locations of 8 projects are Galgamuwa (processing of fruits & vegetables), Angunakolapalessa (canning of mushrooms), Godakawela (Value added coir products), Monaragala (processing of medicinal herbs), Weerawila, Puttalam and Baticaloa (Eco friendly basket ware and decorative items), Ratgama (Value added coir products) Polonnaruwa (Processing of cereals) and Anuradhapura (Processing of Manioc (Tapioca)

The total capital cost of setting up of the above eight projects is estimated to be Rs. 65 Mn., which will be met by the relevant Export Trading Houses (51%), EPV Peoples' Companies (28%), Ministry of Rural Economy (16%) and the EDB (5%). The Cabinet has already approved implementation of the above programme and funds have been allocated to be release through the Ministry of Rural Economy to implement the first 6 projects.

9. **Trade Facilitation**

The EDB continued to provide advice and assistance to exporters to solve various operational problems with regard to sea/air freight and entrepot trade.

Nine Exporters' Fora were completed during the period under review. 535 indirect/direct exporters were also registered under the scheme of registration of exporters during this period. 78 exporters/potential exporters were given advice on export procedures, costing and pricing etc. 17 exporters were advised on entrepot trade matters and 39 recommendations for exemption of local government levies were issued.

11 courses on trade related topics were completed.

## 10. **Publicity**

Activities on publicity focussed on strengthening the image of the EDB and Sri Lankan products and services internally and externally.

- ◆ Articles were provided for foreign newspapers.
- ◆ Released 83 articles and 37 news items for publication.
- ◆ 5 advertisements were placed.
- ◆ Co-ordination work with regard to the composite PR programme on the occasion of celebrating the 50<sup>th</sup> year diplomatic relations with Japan was carried out.
- ◆ Three press conferences were organised.

Policy & Planning Division  
ASBD/as  
[27.06.2003]

**TRADE FAIR PARTICIPATION  
( JANUARY - DECEMBER 2002 )**

Trade Fair	Products	No. of Exporters	Country	Value of Confirmed orders (Rs. Mn.)	EDB Expenses (Rs. Mn.)	Remarks
1. Mini Exhibition in U.K. and Paris	Garments	14	U.K.		0.15	50 buyer contacts were established. Value of orders under negotiation equals Rs. 25 Mn.
2. IJT Fair	Gems & Jewellery	9	Japan	80.0	2.1	Participation at this fair has enabled the Sapphire to be declared as the gemstone for the year 2003.
3. Ambiente 2002	Handicrafts	9	Germany	40.0	2.053	
4. Nuremburg Fair	Wooden products	4	Germany	3.0	1.29	
5. CeBIT 2002	Computer Software	10	Germany	40.0	1.8	It is expected that Rs. 80 Mn worth of orders will be generated as a result of participation.
6. Domotex	Coir products	6	Germany	27.0	0.27	45 positive inquiries were received and orders are being negotiated. (Orders worth Rs. 450,000/= have been executed.)
7. Bio Fach	Organic products	5	Germany	14.0	Nil	
8. Foodex Japan 2002	Fruits & vegetables	12	Japan	52.0	0.82	
9. Spring Fair Brimingham	Multi-products (Ceramics, ceramic figurines, handloom textiles, batik garments)	6	U.K.	5.28	0.129	Orders worth US\$ 55,000 were executed.

Trade Fair	Products	No. of Exporters	Country	Value of Confirmed orders (Rs. Mn.)	EDB Expenses (Rs. Mn.)	Remarks
10. Worldbex	Multi products	3	Philippines		0.02	42 positive inquiries were received and orders are being negotiated.
11. Stona 2002	Granite	5	India	0.97	0.123	
12. Stone Expo	Granite	5	Japan	1	0.21	Orders under negotiation are valued at Rs. 3.6 Mn.
13. Agriflor Middle East Exhibition	Floriculture	6	Dubai	4.6	0.452	Orders worth Rs. 2 Mn. have been executed . 150 inquiries are being followed up.
14. Interzoo 2002 Petshow	Aquarium Fish	7	Germany		1.661	Orders worth Rs. 5.2 Mn were received. Orders under negotiation are valued at Rs. 48 Mn.
15. 25 <sup>th</sup> Osaka International Trade Fair	Multi products (coir products, gems & jewellery, tea bags & packets)	5	Japan	4.8	0.29	Orders under negotiation are valued at Rs. 1.6 Mn.
16. Saudi World Trade Fair	Tea products, tea bags, mats & wall hangings, decorative items, porcelain tableware, porcelain figurines, Bone China, decorative lamps, fishing nets, woven photo quality products, promotional calendars.	5	Saudi Arabia	0.98	0.42	Rs. 0.4 Mn worth of trial orders have been executed. Orders under negotiation are valued at Rs. 24.5 Mn. 106 inquiries are being followed up.
17. Basel 2002	Gems & Jewellery	10	Switzerland	40.0	0.6	Orders worth Rs. 18 Mn are under negotiation.
18. Expo Riva Shoe Fair	Footwear	8	Italy			

Trade Fair	Products	No. of Exporters	Country	Value of Confirmed orders (Rs. Mn.)	EDB Expenses (Rs. Mn.)	Remarks
19. JCK 2002	Gems & Jewellery	10	USA			Rs. 50 Mn worth of orders are under negotiation.
20. International Houseware Show 2002	Multiproducts (brushes, terra cotta and ceramic products, furniture, lighting accessories, horticulture products, gift tea, coir mats)	6	Japan	3.9	0.19	Orders under negotiation are valued at Rs. 13.7 Mn.
21. Fashion week exhibition for garments	Garments	5	U.K.			
22. Farmland Fair	Multiproducts (Gems & Jewellery, brushes, toys, coir products, stationery)	07	Denmark	0.96	4.39	
23. Formen Fair	Multiproducts (Coir products, linen, gems & jewellery)	04	Sweden			
24. South Africa International Show	Processed food, tea, rubber, gloves, coir products, spices, water pumps	08	South Africa		Nil	Only product samples were sent
25. Worldbex building exhibition	Granite tiles, floor tiles, rubber mats	03	Phillippines			21 inquiries were received. Only product samples were sent.
26. Tolerance day fair	Herbal & ayurvedic products, tea, porcelainware, herbal wine	7	Germany	-	-	Only samples were sent.
27. MACEF fair	Batik garments, coir products, ordure absorbs	4	Italy	0.48	0.49	Orders worth Rs. 4.03 Mn were under negotiation.
28. Philippine Automotive show	Automotive rubber spares and solid tyres	5	Philippines	-	0.017	Only samples were sent.

Trade Fair	Products	No. of Exporters	Country	Value of Confirmed orders (Rs. Mn.)	EDB Expenses (Rs. Mn.)	Remarks
29. 4 <sup>th</sup> SAARC Trade Fair	Coir products, rubber products, electrical items, ayurvedic products.	4	Nepal		Nil	Orders worth Rs. 0.96 Mn are under negotiation.
30. Environ Shiga	Brushes, mats	01	Japan		Nil	23 inquiries were received.
31. Baghdad International Fair	Tea	08	Iraq		Nil	Orders worth Rs. 2075 Mn are under negotiation.
32. India International Trade Fair	Biscuits, gems & jewellery, healthcare products	03	India	0.18	0.2	3 positive contacts were established.
33. International horticulture fair	Floriculture		Netherlands			Performance being evaluated.
<b>Total</b>		214		319.15	17.675	

**SKILL DEVELOPMENT PROGRAMMES  
(JANUARY - DECEMBER 2002)**

<b>Name of Programme</b>	<b>Venue</b>	<b>No. of Participants</b>	<b>No. of Programmes</b>
1. Workshop on garments		25	1
2. Fashion Forecast Seminar "Fall Winter 2003"	Colombo	75	1
3. Workshop on Design Development	Colombo	20	1
4. Workshop on Wooden Products	Colombo	28	1
5. Workshop on software project management	Colombo	26	1
6. Seminar on Plastic Injection Moulding	Climb	25	1
7. Workshop on Tilapia	Colombo	75	1
8. Course on Import Export Procedures	Colombo	277	7
9. Training Programme on e-commerce	Kandy Bemmulla	145	3
10. Seminar on Mushroom	Galle	42	1
11. Workshop on Packing Fruits and Vegetable for Export	Dambulla	34	1
12. Seminar on Floriculture	Gampaha	150	1
13. Workshop on Forest Garden Products	Colombo	40	1
14. Workshop on constraints and remedies of the cut-flower and foliage plant industry	Matara	100	1
15. Seminar on Orchid Cultivation	Colombo	200	1
16. Seminar on Anthurium Cultivation	Colombo	150	1
17. Awareness Programme on Fruits and Vegetables	Rajangana, Bakamuna, Dehiattakandiya Welimada	302	4
18. Awareness programme on oil seeds and pulse	Thamarankaduwa Elahera Nikaweratiya Lahugala, Ampara	150	6
19. Awareness programme on banana fibre extraction	Polgahawela	10	1
20. Export Awareness course	Belihuloya	10	1

Name of Programme	Venue	No. of Participants	No. of Programmes
21. Workshop on pack house operation	Colombo	36	1
22. Course on Operational Aspects of International Trade	Colombo	156	4
23. Seminar on Import & Export Procedures	Southern Province & Central Province	61	2
24. Workshop on e-commerce	Southern Province	250	2
25. Seminar on awareness on the Japanese Market	Kurunegala	58	1
26. Workshop on the Canadian Market	Colombo	21	1
27. Workshop on Export Promotion of Floriculture Products	Digana	600	1
28. Workshop on Fruits and vegetables	Galigamuwa	300	1
29. Workshop on the necessity of National standards in organic production	Colombo	60	1
30. World Vision farmer Awareness Programme	Galenbindunuwewa	40	1
31. Awareness Seminar on Floriculture products	Gampaha	50	1
32. Seminar on Handicrafts	Galle	96	1
33. Seminar on e-commerce	Kandy Koggala Buttala, Hambantota	150	4
34. Workshop on exporting to South Africa		30	1
35. Workshop on FSC Certification for the wooden products industry	Colombo		2
36. Workshop on e-export packaging	Kandy	33	1
37. Awareness seminar on patch work and lace based products	Galle	25	1
38. Workshop on food processing		30	1
39. Workshop on cashew			2
40. Seminar on fruits and vegetable for Mahaweli Executives	Colombo	50	1
41. Seminar on dried flowers	Colombo	90	1
42. Workshop on emerging markets and technology trends in the ICT sector	Colombo	30	1
43. Workshop on design development under 'Colours Lanka'	Colombo	50	1
44. Mahapola Seminar	Ampare Hikkaduwa Kotte	1337	5

Name of Programme	Venue	No. of Participants	No. of Programmes
	Kataragama Divulapitiya		
45. Workshop on efficient progress management in the garment industry	Colombo	50	1
46. Awareness Programme on White Sesame	Hingurakkgoda Nikawarapitiya	125	2
47. Seminar on fruits & vegetables	Ampara	400	1
48. Course on Jewellery Design	Galle	22	1
49. Seminar on establishment of an EPV at Rajanganaya	Galgamuwa, Solepura, Ethatuwewa,	460	3
50. Seminar on packaging	Galle	50	1
51. Workshop on establishing standard values using standard data management in the garment industry		50	1
52. Seminar on coir/coconut products	Waikkala	25	1
53. Awareness programme on Avacado	Yatinuwara Danture	400	4
54. Seminar on fruits and vegetable	Meegoda	60	1
55. Workshop on computer services	Colombo		1
56. Workshop on SDB Management (garments)	Colombo	50	1
57. Workshop on export marketing	Kandy	82	2
58. Course on Gems & jewellery	Galle	23	1
59. Seminar on e-commerce	Galle	28	1
60. Workshop on agriprojects	Embilipitiya	19	1
61. Course on gems identification	Galle	33	1
62. Workshop on ISO awareness	Kandy		1
63. Course on import export procedures	Colombo	66	2
64. Developing marketing skills in the apparel sector	Colombo	100	1
65. SAARC Regional seminar (garments)	Colombo	40	1
66. Workshop on Handicrafts	Colombo		1
67. Workshop on skills development in the footwear sector	Colombo		1

Name of Programme	Venue	No. of Participants	No. of Programmes
68. Seminar on world apparel market exhibition	Colombo	50	1
69. Course on Jewellery export and pricing	Galle		1
70. Awareness programme for supply expansion of fruits and vegetables	Badulla, Lunugala, Passara, Kandaketiya Sorاناتota Haliela Ella	506	7
71. Market promotion awareness programme of fruits & vegetables	Kandy	30	1
<b>Total</b>		8040	115



# SRI LANKA EXPORT DEVELOPMENT BOARD

No.42, Navam Mawatha, Colombo 2.

## BALANCE SHEET AS AT 31ST DECEMBER 2002

	<u>NOTE</u>	<b>2002</b>		<b>2001</b>
		<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>
<b><u>ASSETS</u></b>				
<b>Non - Current Assets</b>				
Property,Plant and Equipment	<b>1</b>	33,127,939.69		36,518,203
Investments	<b>2</b>	245,909,986.92		249,867,652
<b>CURRENT ASSETS</b>				
Stocks	<b>3</b>	1,906,858.09		1,829,284
Debtors and Receivables	<b>4</b>	201,483,399.51		223,736,610
Cash and Cash Equivalents	<b>5</b>	58,079,944.54		35,183,642
		<b>261,470,202.14</b>		<b>260,749,536</b>
		<b>540,508,128.75</b>		<b>547,135,391</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
Government Contribution		7,904,002.00		7,904,002
UNDP Contribution		2,110,282.00		2,110,282
ITC Contribution		12,716.35		12,717
Export Promotion Secretariat		202,677.32		202,677
		<b>10,229,677.67</b>		<b>10,229,678</b>
<b>RESERVES</b>				
Excess of Income over Expenditure		<b>460,923,398.75</b>		<b>477,057,889</b>
<b>CURRENT LIABILITIES</b>				
Creditors and Accrued charges	<b>6</b>	39,599,084.37		31,006,349
Provision for Gratuity		24,447,257.96		23,513,108
		<b>64,046,342.33</b>		<b>54,519,457</b>
Net Assets-Expo Unit		<b>5,308,710.00</b>		<b>5,328,367</b>
		<b>540,508,128.75</b>		<b>547,135,391</b>

**R. Sivaratnam**  
Chairman

**M.K.G Mendis**  
Director Finance

14.02.2003

## SRI LANKA EXPORT DEVELOPMENT BOARD

### STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 31ST DECEMBER 2002

		2002	2001
	Notes	Current Year	Previous Year
		Rs. Cts.	Rs.
Government Grant		50,000,000.00	85,000,000
Cess Income		209,798,946.50	224,376,448
Interest	7	780,615.77	888,678
Sundry Income	8	1,808,312.76	1,649,861
Dividends		438,646.13	-
Seminar & Course Fees	9	2,559,483.91	2,378,835
Loan Interest	10	2,554,351.16	2,594,626
Sale of Books	11	268,690.50	307,579
Stall Rent Income		-	14,400
Profit & Loss on Sales of Shares		(1,146,657.87)	-
Profit on Sale of Fixed Assets		938,450.00	-
		<b>268,000,838.86</b>	<b>317,210,427</b>

#### **ADMINISTRATIVE EXPENSES**

Personnel Emoluments	12	74,520,642.79	73,823,671
EPF,ETF & Pensions	13	10,415,769.69	10,307,514
Travelling Local		475,590.35	451,574
Supplies Requisites		2,250,834.74	2,304,758
Other Services	14	11,790,958.60	9,967,524
Scholarship Training & Other Foreign Travel	15	1,644,299.17	1,214,356
Repairs & Maintenance of office equipment	16	1,551,662.64	1,040,873
Rent		64,664,019.75	65,636,545
Fuel & Lubricants	17	2,709,090.05	2,381,691
Repairs & Maintenance of Motor Vehicles	18	3,015,244.85	2,908,711
Private Hiring Charges		826,487.98	817,866
Communication & Subscription	19	6,491,213.06	7,360,289
Provision For Depreciation		5,692,767.03	8,384,044
		<b>186,048,580.70</b>	<b>186,599,418</b>

#### **EXPORT DEVELOPMENT EXPENSES**

		<b>2002</b>	<b>2001</b>
		<b>Current Year</b>	<b>Previous Year</b>
		<b>Rs. Cts.</b>	<b>Rs.</b>
Subsidies & Incentives	<b>20</b>	4,258,435.37	125,008,684
Training & Advisory Services	<b>21</b>	-	1,209,706
Market Development & Trade Facilitation	<b>22</b>	2,381,494.70	28,174,524
Product Development, IT & E-Commerce Services	<b>23</b>	600,079.17	15,610,379
Export Agriculture, & Trade Information	<b>24</b>	4,613,008.60	10,473,990
Research & Special Studies	<b>25</b>	15,217,411.12	3,009,693
Integrated Supply & Market Development	<b>26</b>	14,070,471.17	5,192,625
Market Development & Promotion Activities	<b>27</b>	29,799,727.71	-
Regional Export Development	<b>28</b>	3,508,520.76	-
Financial Incentives	<b>29</b>	16,396,352.70	-
Policy & Planning	<b>30</b>	129,518.57	-
Publicity	<b>31</b>	124,557.03	-
		<b>91,099,576.90</b>	<b>188,679,601</b>
<b>TOTAL EXPENDITURE</b>		<b>277,148,157.60</b>	<b>375,279,018</b>
<b>NET INCOME</b>		<b>(9,147,318.74)</b>	<b>(58,068,591)</b>
<b>Less Prior Year Adjustment</b>		<b>(6,987,171.55)</b>	<b>182,889</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>(16,134,490.29)</b>	<b>(57,885,702)</b>