

Creating our Future

Building our Nation

NCED - Board Members

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Governor, Central Bank of Sri Lanka

Mr. Mano Tittawella

Member
Senior Advisor to Her Excellency the President

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Member
Professor of Economics, University of Colombo

Mr. Mahesh Amalean

Member
Chairman, MAS Holdings

Mr. Harry Jayawardane

Member
Managing Director, Stassen Group of Companies

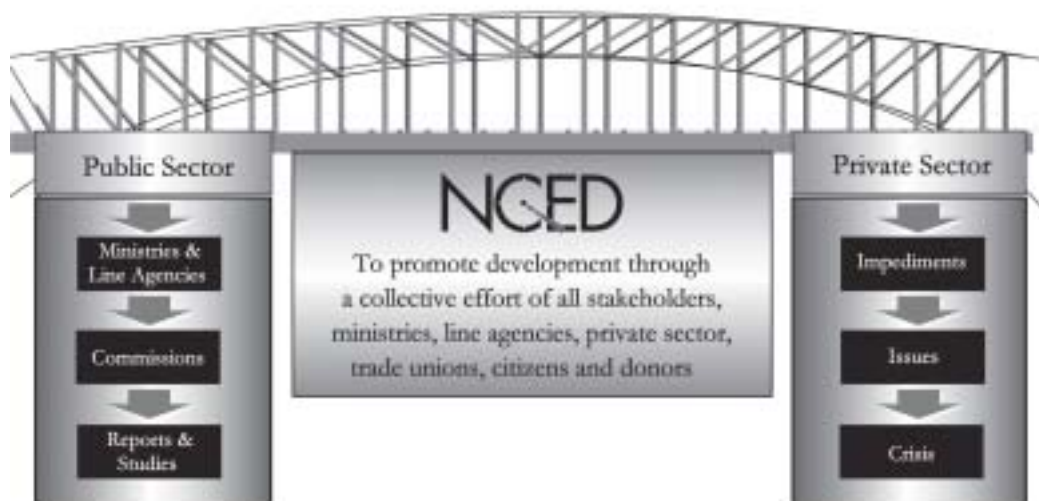
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NCED – A Participatory Approach Towards Development

The Economic Policy Framework

The Economic Policy Framework of the Government is to build the Sri Lankan economy through a proactive participatory process involving both the private and public sectors. The Government is committed to provide necessary infrastructure, promote competition and accelerate growth in a regionally balanced manner. Strategic enterprises will remain to be state owned and will be strengthened through restructuring enabling them to become efficient service providers able to compete with their private sector counterparts. Small and Medium Enterprises will be made stronger to be able to compete in the emerging globalized economic environment. Emphasis is placed on human resource and skills development, good governance, ecological and environmentally sensitive production and manufacturing practices, socially responsible usage of labour and corporate social responsibility, towards achieving sustainable development. The proposed accelerated development in the Northern and Eastern Provinces, rebuilding the Tsunami affected areas and provincial specific development programs would provide an impetus towards a regionally balanced growth.



NCED - The 'Bridge' Between Public and Private Sector Participation

The outcome of private and public sector operations in isolation is shown vertically.

The 'Bridge of Partnership' is built through the NCED, to promote a sustainable development in the country

The Role of the NCED – A Participatory Approach to Development

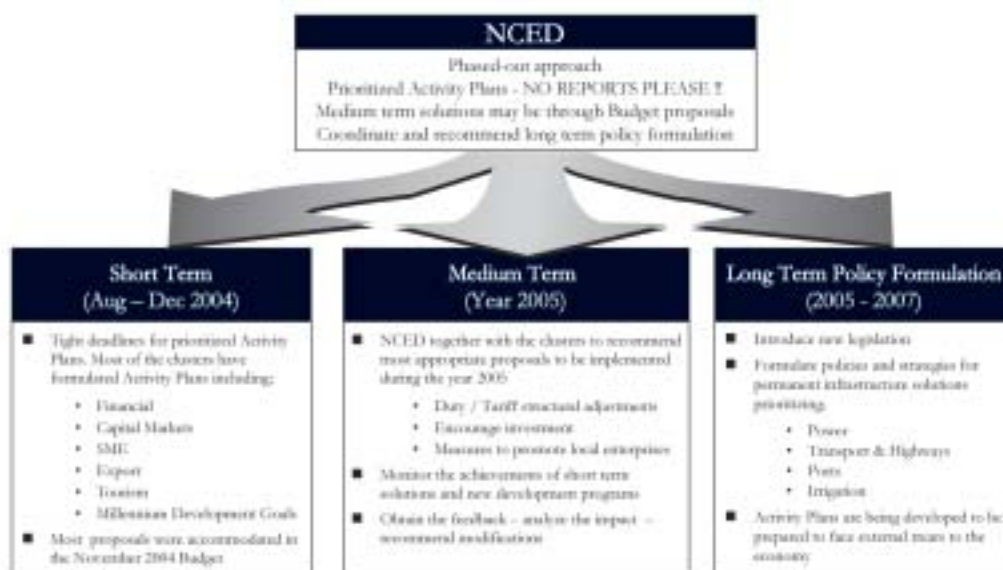
The National Council for Economic Development (NCED) was setup to bring together private and public sector stakeholders to jointly develop national economic policies and plans. NCED promotes local ownership and homegrown policy strategies, to create a Private-Public Partnership model in the sphere of policy formulation and implementation. 22 Cluster Committees have been created, directly engaging over 300 private and public sector domain experts and citizen volunteers who facilitate the policy formulation and execution process of the Government. Clusters vary from activity planning for Export to Employment Creation, Financial Sector Reforms, Education, Taxation, Legal, Trade and Tariff and Millennium Development Goals. NCED is not another bureaucratic structure, but a 'team on a mission', to foster economic growth in the country through a participatory approach.

'Think Tank'	Execution	Secretariat
Team of Expertise	Lead Manager	Lead Coordinator
Research Team	Execution Team	Coordination Team
Support Team	Support Team	Support Team

NCED is not Another Bureaucratic Structure - 'It is a Team on a Mission'

The Road Map

- Translate the Government's economic vision into comprehensive Activity Plans
- Assign responsibilities among line ministries and other Government agencies for the effective implementation of the Activity Plans
- Identify institutional shortcomings, managerial and technical limitations and remove such constraints to ensure the smooth functioning of line ministries and other Government agencies
- Steer projects or tasks which require infusion of momentum to ensure speedy implementation
- Facilitate the coordination of work of line ministries and other Government agencies and remove impediments faced by them including procedural difficulties, procurement related obstacles, funding issues with the Treasury, delays in acquisition of land and obtaining approvals
- Develop a mechanism to monitor the progress of tasks and responsibilities assigned to line ministries and other Government agencies



NCED's Approach Towards Coherent National Development

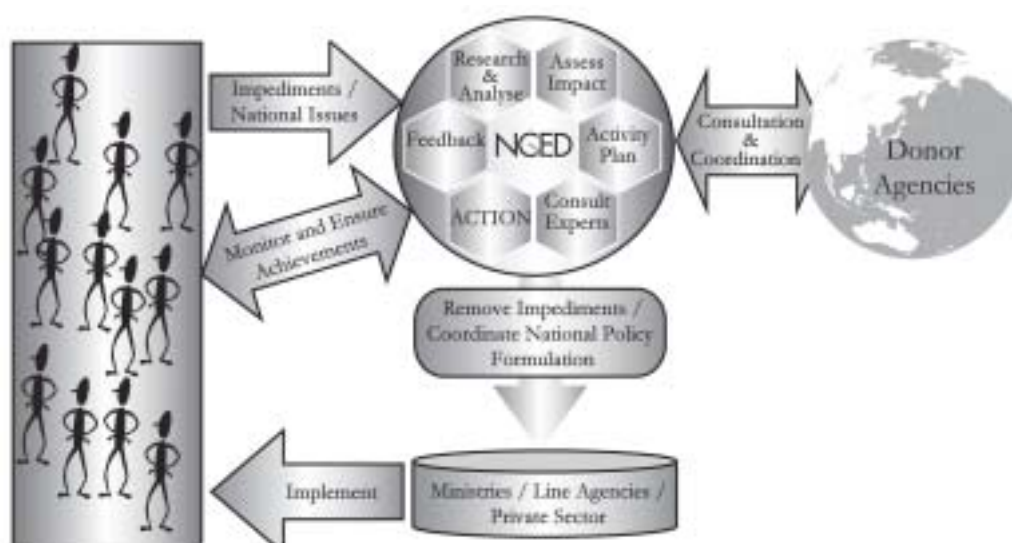
Milestones Achieved

- The overall policy statement of the Government was formulated
- Cluster Committees were appointed to identify impediments and issues that warrant solutions and also to develop new policies aimed at economic development. NCED has created over 20 Clusters, co-chaired by the Secretary to the relevant line ministry or the most senior public official and a relevant domain specialist/representative from the private sector. The Cluster Committee members are those with domain expertise in relevant areas
- Activity Plans were developed through a consultative process involving stakeholder participations
- Clusters are entrusted with the execution of the Activity Plans with short term, medium term and long term target dates
- NCED facilitates as the coordination secretariat between the Government and the Clusters
- Impediments and obstacles have been identified and the process of addressing and removing them has begun in line with the overall national development agenda of the Government
- A monitoring mechanism has been put in place to monitor tasks and responsibilities assigned to line ministries and other Government agencies. They are also reviewed by the Cluster Committees on an ongoing basis
- A relationship building process has commenced with the establishment of an internal contact base at the line ministries and other Government agencies
- A policy dialog forum has been created with the public, through the various SME groups and trade chambers
- The extent of interaction required and the relevant areas have been identified through direct involvement of the NCED

An Analysis

Consultative Process and Ownership

NCED has mobilized over 20 clusters with around 300 domain experts of diverse disciplines, to be engaged in a dialogue towards the development and implementation of policy strategies and Activity Plans. This process has promoted enthusiasm and cooperation between stakeholders and a sense of ownership of the policies formulated and the actions proposed. Policies are being transformed into a joint implementation process by the private sector and the public sector, so as to ensure speedy and best results.



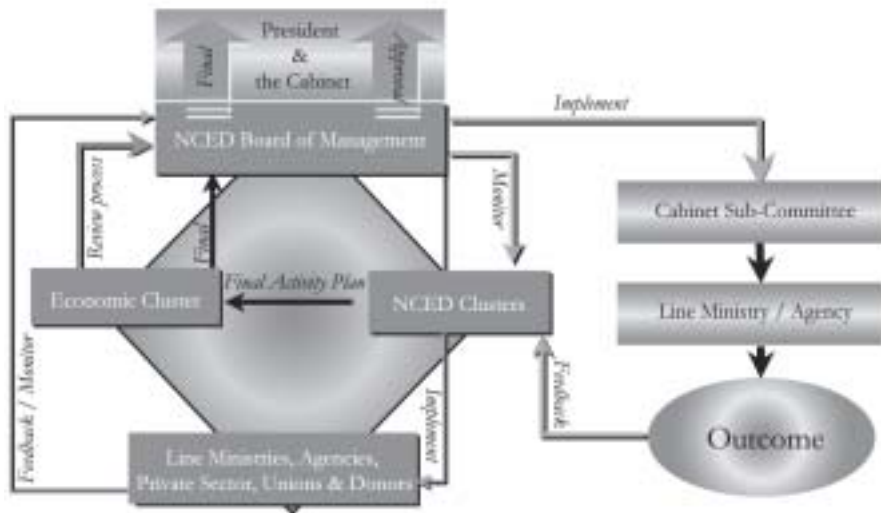
The Overall Business Model - NCED

Empowerment

Through the facilitation role played by the NCED, line ministries and other relevant Government agencies are being empowered successfully, enabling the Government machinery and the private sector to operate in a coordinated environment.

Implementation

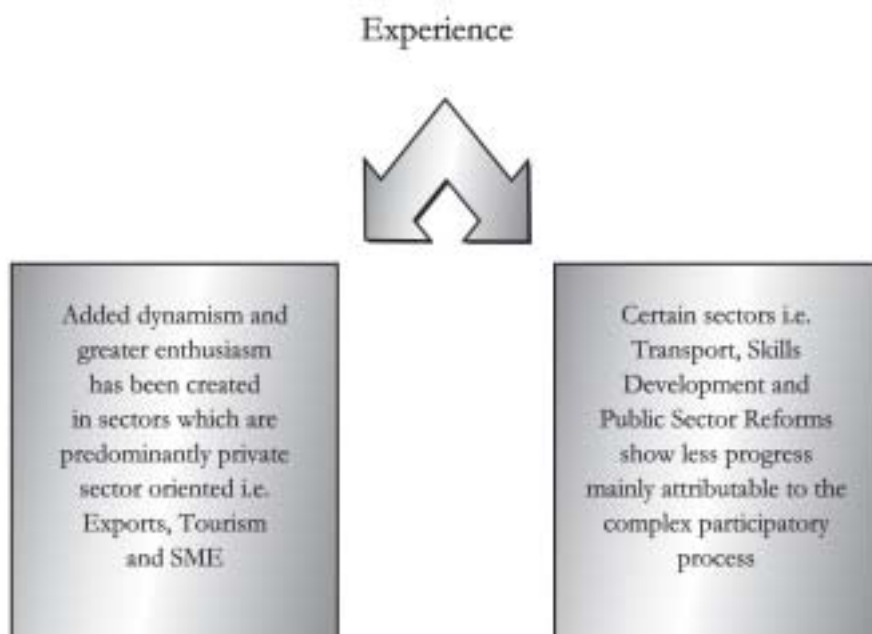
The private sector and the public sector involvement through Cluster Committees have also provided an environment within which mutually acceptable proposals are formulated, making implementation far easier.



The Implementation Process

Experience

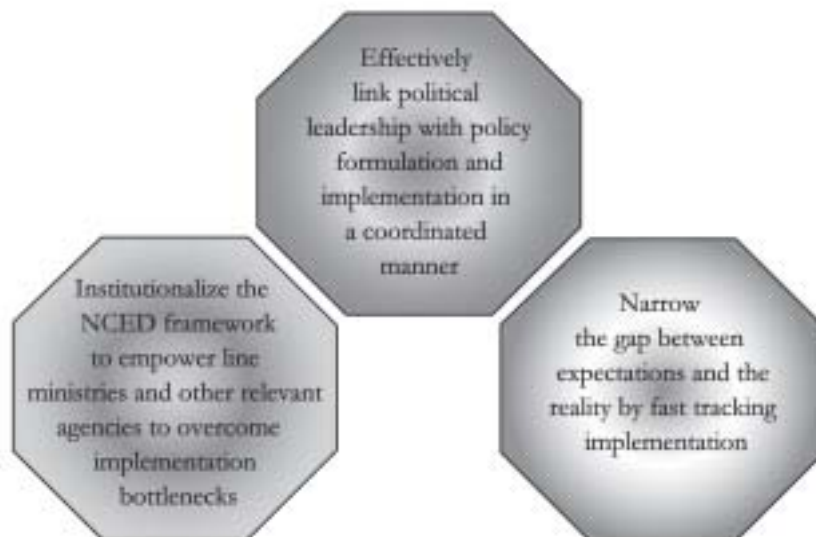
The overall impact of cluster activities has created a greater dynamism and enthusiasm in predominantly private sector oriented areas such as Export, Tourism and SMEs sectors. Although a slow progress is witnessed in sectors such as Transport, Skills Development and Public Sector Reforms, continuous attempts are being made to infuse the dynamism required to make the desired change in these sectors.



Challenge

The challenge is to fast-track implementation with a view to reducing the gap between high expectations and the reality.

Towards Meeting the Challenge



Activity Plans – NCED (the status as of end April 2005)

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1. Financial Sector Cluster
2. Capital Market Cluster
3. Taxation Cluster
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12. Tourism Cluster
13. Public Sector Reforms Cluster
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15. Employment Creation, Skills Development & Labour Relations Cluster
16. Transport Cluster
17. Telecom Cluster
18. Rural Development and Poverty Alleviation Cluster
19. Health Cluster
20. Agriculture Cluster
21. Livestock Cluster

Financial Sector Cluster

Cluster Members

Dr. (Mrs.) Rancee Jayamaha – Co-chairman	Deputy Governor, Central Bank
Mr. S. B. Divaratne – Co-chairman	Deputy Secretary to the Treasury
Mr. Nihal Fonseka	General Manager, DFCC Bank
Mr. Vajira Kulathilaka	Chief Executive Officer, NDB Investment Bank
Ms. Shamalie Gunawardana	Project Director-Legal & Judicial Reform Project, Ministry of Justice and Judicial Reform/World Bank
Mr. S. Seneviratne	Treasurer, HSBC
Mr. N. B. S. B. Balalla	Chairman, NSB
Mr. D. Asoka de Silva	General Manager, People’s Bank
Ms. Shihana Samad	Senior Economist, Ministry of Finance
Mr. S. A. Amarasuriya	Managing Director, Sampath Bank
Mr. Kapila Jayawardena	Country Head/Chief Executive Officer, Citi Bank

Financial Sector - Activity Plan

I - ACTION TO BE TAKEN IMMEDIATELY (JAN- MARCH 2005)

Ref	Issue	Proposed Solution/Action	Responsible Institution	Issues to be resolved	Progress as of end March 2005
1. 1.1	Financial System Stability: Legislative Reforms Legislation on, the Prevention of Money Laundering, to avoid Sri Lanka's financial system being used for money laundering activities and to reduce the potential reputation risk. The following laws need to be enacted: i. Prevention of Money Laundering Act ii. Suppression of Terrorist Financing Act iii. Financial Transactions Reporting Act	Expedite the passing of the legislation	<ul style="list-style-type: none"> • MOF • Legal Draftsman • LJRP • Min.Foreign Affairs • CBSL 	Bills to be finalized by mid 2005.	LD has issued the final drafts of the proposed Prevention of Money Laundering Act and the Financial Transactions Reporting Act. Will be presented to the Parliament after clearance by the Attorney General. Proposed Suppression of Terrorist Financing Act is being submitted to the Parliament.
1.2	Payments and Settlement Systems Law to address delays in payments effected through cheques, bank drafts etc. Except in Colombo and the sub-urban cities, cheques take t+3 to t+10 days to clear, causing inconvenience to the public and the Government.	Enact the Payments and Settlement Systems Transaction Law to reduce the cheque clearing time to t+2 on an all-island basis.	<ul style="list-style-type: none"> •CBSL •MOF •LJRP •Legal Draftsman •Attorney General 	Bill to be presented to the Parliament by mid 2005.	Bill ready to be presented to Parliament
1.3	Banks to discipline "Bad" cheque issuers inter alia to help SMEs to improve their cash flow.	SME Cluster had suggested reintroducing automatic closure of accounts with 3 bounced cheques.	<ul style="list-style-type: none"> • CBSL • Banks 	-	CRIB Act to be amended to provide information on bad cheque issuers.
1.4	The need to educate the public on the status of financial institutions prior to them making investment and /or deposit decisions.	Require all banks and finance companies to obtain a credit rating through a reputed rating agency.	<ul style="list-style-type: none"> • CBSL • Banks 	-	18 LCBS out of 22, 7 LSBS out of 8 and 1 Finance Company out of 27, have already obtained credit ratings. RDBs have also started the process.

Ref	Issue	Proposed Solution/Action	Responsible Institution	Issues to be resolved	Progress as of end March 2005
2.1	Amendments to the Consumer Affairs Authority Act (CAAA) No. 9 of 2003. A Financial Ombudsman Scheme (FOSL) has been established to handle complaints against Banks and Financial Institutions. However, customers have the option of requesting the Consumer Affairs Authority and the FOSL to handle their complaints.	Take away the handling of complaints against Banks and Financial Institutions from the purview of the CAA since the Financial Ombudsman Scheme has been established specifically for this purpose.	<ul style="list-style-type: none"> • MOF • MTCCA 	Amendments to CAAA to be completed by March 2005.	Cabinet approval to be obtained.
2.2	Regulation of deposit taking Multi purpose Cooperative Societies (MPCS) The Cooperative Rural Banks (CRB) serve as the lending arm of the MPCSS and possess a large volume of small deposits. These are unregulated and not audited in a timely manner. Thus they pose a threat to small depositors.	Undertake regulating the MFIs through a regulatory body.	<ul style="list-style-type: none"> • MOF • CBSL • SEC 	Commence work by January 2005.	CBSL is making arrangements to establish a regulatory structure to regulate MFIs.
2.3	Strengthening the Bank Supervision Department (BSD) to ensure financial system stability.	Initiate actions for reorganization of the BSD on the basis of dedicated divisions to handle specialized duties more efficiently and effectively.	<ul style="list-style-type: none"> • CBSL 	Reorganization to be completed by March 2005.	Dedicated divisions have been set up.
3. 3.1	Financial System Stability: Legislative Reforms CBSL has identified that safety nets available for small depositors in a crisis situation is inadequate.	Establish a mandatory deposit insurance scheme.	<ul style="list-style-type: none"> • CBSL • Banks • MOF 	Mandatory Deposit Insurance Scheme (DIS) Law to be passed by September 2005.	Cluster members are studying the initial draft. An IMF Technical Assistance team will be in SL in end May 2005 to discuss any outstanding issues. Thereafter the Bill will be presented to the Parliament.

Ref	Issue	Proposed Solution/Action	Responsible Institution	Issues to be resolved	Progress as of end March 2005
3.2	Mortgages of movable assets other than of vehicles are not registered for search by financial institutions. As such, there is a possibility to mortgage the same asset to different institutions simultaneously.	Enable creating a Central Register for movables, passing Secured Transactions Act. to enhance access to finance by SMEs.	<ul style="list-style-type: none"> • CBSL • SLBA • Banks 	The bill was distributed among banks and cluster members. Awaiting their recommendations and observations.	Proposed Secured Transactions Act being finalized.
3.3 3.3.1	Reduce delays in the legal system Court Cases on loan recovery is delayed due to a large number of commercial cases.	Establish Commercial High Courts in Kandy as an initial step, to overcome delays in commercial litigation.	LJRP Ministry of Justice (MOJ).	Establish within 4 months, once the new Court Complex is opened in Kandy.	The Kandy Court Complex was opened recently. The Commercial High Court is being set-up.
3.3.2	Extensive use of “Parate Executions” and the absence of a restructuring protection process under law, as identified by the SME Cluster.	It is proposed to study the Indian law on sick industries and draft a similar law for Sri Lanka.	<ul style="list-style-type: none"> •CBSL •Banks 	Law to be introduced by end 2005.	Studies are being held to formulate a law to resuscitate sick industries.
3.4 3.4.1	Enhancing Access to Finance Setting up of a SME Bank (Specialized Bank) with Government capital.	Government funds amounting to Rs.5000 million to be used as capital of the bank.	<ul style="list-style-type: none"> • CBSL • SME Cluster • MOF 	To be established by June 2005	The Bank was set-up in December 2004 and has already commenced operations.

Ref	Issue	Proposed Solution/Action	Responsible Institution	Issues to be resolved	Progress as of end March 2005
3.4.2	<p>Utilizing the National Savings Bank (NSB) and Postal Network to expand financial services to the rural sector.</p> <p>At present NSB offers a limited range of financial services and the Postal network presents an untapped opportunity to provide financial services to the rural sector, facilitate migrant remittances and to provide access to modern communication facilities such as internet and e-mail.</p>	<p>Reform the postal network to enhance financial and non-financial services to the rural and SME sectors.</p> <p>Policy decision to be taken to consider projecting an infrastructure building, business proposition to the NSB and a loss reducing strategy for the Postal Department.</p>	<ul style="list-style-type: none"> • NSB • Postal Dept. • Postal & Telecom. Min. • MOF • CBSL 	<p>Expand services offered to the rural areas by end 2005.</p>	<p>The Postal Dept. and the Postal and Telecom Min. are finalizing matters with the NSB and few other commercial banks.</p>
3.4.3	<p>Credit Information Bureau Act (CRIB) – The existing CRIB Act is deemed to be archaic, inter alia it does not permit positive information of customers.</p>	<p>To include provisions in the CRIB Act to enable CRIB to establish a filing office for the registration of charges pertaining to movables</p>	<ul style="list-style-type: none"> •CBSL •CRIB •WB •LJRP 	<p>The CRIB Board has approved the draft law, to be passed by mid 2005.</p> <p>WB has indicated willingness to provide funds to upgrade the CRIB.</p>	<p>The final draft of the CRIB Act is being studied by the cluster members.</p> <p>WB is reviewing the possibility of financing the modernization of the CRIB.</p>

Ref	Issue	Proposed Solution/Action	Responsible Institution	Issues to be resolved	Progress as of End March 2005
	The IT system used by CRIB is outdated and is limited to disseminating only negative information of borrowers.	Action has been initiated to modernize the IT system to be able to provide positive information.	<ul style="list-style-type: none"> • MOF • CBSL 	IT modernization to be completed by end 2005.	User requirements are being obtained to decide on an appropriate IT solution.
3.4.4	Increase of Capital of Banks	Monetary Board has approved the enhancement of capital of licensed commercial banks to Rs. 2,500 Mn, and that of licensed specialized banks to Rs. 1,500 Mn – effective for new bank immediately, for those already existing by 2007	<ul style="list-style-type: none"> • MOF • CBSL 		Banks have been informed by the CBSL.
4.1	Other Legislative Reforms Financial Laws To safeguard the use of financial products	a) Electronic Transactions Act. b) Computer Crimes Law. c) Data Protection Act	<ul style="list-style-type: none"> • MOJ • Ministry of Science and Technology. • LJRP 	Policy paper was presented to the Cabinet in end 2004 Sent for drafting of the bill.	Drafts are being finalized by LD in consultation with ICTA and the MOJ.
4.2	Finance Leasing Act - securitization of Lease receivables, reducing the cost of leasing vehicles for public transport, housing mortgages etc.	Amend the Finance Leasing Act	<ul style="list-style-type: none"> • CBSL • MOF • LJRP 	Prepare the Draft Act by early 2005.	Final draft pending clearance of the AG. Will be submitted to the Parliament shortly.

Ref	Issue	Proposed Solution/Action	Responsible Institution	Issues to be resolved	Progress as of End March 2005
4.3	Corporate Governance Guidelines CBSL has issued Corporate Governance Guidelines to banks and financial institutions to be adopted on a voluntary basis.	Require banks and financial institutions to adopt a few of the core guidelines on a mandatory basis by including them in the new Banking Act.	<ul style="list-style-type: none"> •CBSL •MOF •Attorney General •Legal Draftsman •LJRP 	Provisions to be incorporated in the new Banking Act	New Banking Act is being drafted.

Short Term: September 2004 – March 2005

Medium Term: September 2004 – December 2005

Long Term: January – June 2007

Capital Markets Cluster

Cluster Members

Mr. Nihal Fonseka – Co-chairman	Chief Executive Officer, DFCC Bank
Mr. Sumith Abeysinghe – Co-chairman	Deputy Secretary to the Treasury
Mr. Ajith Devasurendera	Chief Executive Officer/Managing Director, Taprobane Fund Management (Pvt) Ltd.
Mrs. Marina Tharmaratnam	Chief Executive Officer, Union Assurance Ltd.
Mr. Palitha Gunawardena	Director General, Securities Exchange Commission of Sri Lanka
Mr. Eraj Wijesinghe	Chairman, Colombo Stock Exchange
Mr. Hiran Mendis	Director General, Colombo Stock Exchange
Mr. W. A. Wijewardena	Deputy Governor, Central Bank of Sri Lanka
Mr. P. D. K. Fernando	Asst to the Governor, Central Bank of Sri Lanka
Dr. Dayanath Jayasooriya	Senior Partner, Asian Path Finder Legal Consultancy & Drafting Services
Mrs. Chandra Premaratne	Additional Superintendent, Public Debt Dept, Central Bank
Mr. Ajit Gunawardena	Joint Managing Director, John Keells Holdings
Mr. Upali Wickramaratne	Joint Managing Director, Industrial & Commercial Insurance Brokers (Pvt) Ltd.
Mr. S. Jeyararman	Chief Executive Officer, National Asset Management Ltd.
Mr. Asanga Seneviratne	Chief Executive Officer, Asia Capital Ltd.
Mr. M. N. R. Perera	President, Insurance Association of Sri Lanka
Mrs. Manohari Gunawardena	Treasurer, National Development Bank

Capital Markets Cluster – Activity Plan

NCED - Capital Market Cluster - PHASE 1 (Short Term) - JAN TO MAR 2005

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
1	Securitization High cost of finance leases caused by impediments to securitization of finance leases imposed by the Leasing Act.	Amendments to Leasing Act No. 56 of 2000, permitting Lessors to transfer their rights to SPVs.		CBSL forwarded the Bill to the MOF with few amendments	Amendments to Leasing Act No 56 of 2000 Drafting of amendments by the CBSL (completed) Obtaining Cabinet approval by the MOF (completed) Submitting Amendments to the Legal Draftsman (completed). LD to finalize the Bill in consultation with CBSL & MOF Obtain AG's certificate (MOF) Obtain approval of the Parliament	ACTION REQD BY: MOF
2 2.a	Equity Market (i) High transaction costs in trading. (ii) Existing market practices among participants offering negotiated brokerage for large transactions by giving rebates in various forms. (iii) Inability of the CSE to police (ii) above. (iv) A fair return to brokers so that they do not unduly compromise on standards and continue to invest in market development and service quality.	(i) Transaction costs to be determined by market forces. (ii) Change brokerage commission structure to introduce negotiable brokerage commissions.		CSE has to take a policy decision to implement this proposal. DG/SEC agreed to take up this matter with the Board.	The CSE has been directed by the SEC to effect a transition to negotiated brokerage commissions and proposes a further reduction to CSE and CDS fees (SEC/CSE) CSE has informed brokers that brokerage should be negotiable from 1 Nov 2004 on all incremental amounts above Rs 10 m. The brokers have suggested a threshold of Rs 20m and will make formal representations to the SEC shortly for a decision.	ACTION REQD BY: CHAIRMAN SEC

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
2. b	High level systemic risk in settling transactions.	<p>(i) Reduce the settlement cycle by one day by end 2004 and moving towards a maximum T+3 settlement cycle.</p> <p>(ii) Amend Broker Exposure and Liquidity Deposit Computation to reflect current instead of historical exposure.</p>		CSE has to take a policy decision to implement this proposal. DG/SEC agreed to take up this matter with the Board.	<p>CSE has informed brokers of the intent to change the settlement cycle to T+4 for purchases and T+5 for sales from end 2004 but CSBA has objected. CSBA will make representations to SEC shortly for a decision.</p> <p>The CSE to implement an immediate effective monitoring system to prevent brokers using client funds to give credit beyond settlement date to other clients. The CSE will forward amended Broker Exposure Rules to the SEC for implementation by end 2004.</p>	ACTION REQD BY: CHAIRMAN SEC
2.c	Limited Market Reach.	<p>(i) Establishment of CSE Branches.</p> <p>(ii) Expanding internet trading further with all brokers at an affordable cost. .</p>		Contract has been awarded with respect to internet trading.	<p>It is expected to open Branches Jaffna by end 2004 and Kurunagala in the first quarter of 2005.</p> <p>The CSE has awarded the contract to implement Internet Trading. The proposal will be implemented if minimums of 5 Brokers contract to use the system. SEC to continue to provide partial financial support to market expansion activities.</p>	PROGRESS UPDATE BY: DG CSE

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
3	<p>Government Debt and Securities Market</p> <p>(a) High debt level, high debt service cost, high operational risk, lack of coordination and absence of debt policy objectives, conflict between monetary fiscal and debt policy.</p> <p>(b) Difficult to access longer term (>2 yrs) cross border foreign currency commercial borrowing by GOSL and private borrowers.</p>	<p>Setting up of Independent Public Debt Management Office (PDMO) initially for middle office operations with CBSL acting as agent of the GOSL.</p> <p>Obtaining Sovereign Ratings from 2 rating agencies</p>		<p>Cabinet approval has been obtained.</p> <p>A committee has been named and the Committee has to submit a paper by end January, 2005</p>	<p>Obtain Monetary Board Approval for the proposals (completed). Obtain Cabinet approval Appoint a Task force to undertake coordinating work. (completed). Preparation of Agency Agreement. Preparation of an Activity Plan and a time line in consultation with the Commonwealth Secretariat. Recruitment and training of staff.</p> <p>Policy decision has been taken on obtaining Sovereign Rating (MOF) Appoint a Rating Advisor for GOSL (CBSL / MOF)</p>	<p>PROGRESS UPDATE BY: DG, CBSL (WAW)</p> <p>ACTION REQD BY: DG, CBSL (WAW)</p>
4	<p>Corporate Debt</p> <p>Very low volumes of corporate debt instruments and over reliance on banking sector for funding.</p>	<p>(i) Encourage bond market activities by removing anomalies in the taxation of government securities, bank deposits and rated listed corporate debt instruments in the hands of retail, institutional and corporate investors.</p> <p>(ii) Improve efficiency of the corporate debt trading settlement system.</p>			<p>Amend the Inland Revenue Act to equate the tax treatment (both withholding tax and income tax) to issuers and investors vis a vis government securities and bank deposits.</p> <p>Establish consensus on usefulness of corporate bond markets amongst policy makers, governing authorities, investors and corporate treasurers: MOF, SEC, CBSL & CSE</p> <p>Permit the CDS to join the RTGS for settlement of debt trading transactions</p>	<p>ACTION REQD BY: MOF (DST-SA), DG CBSL (WAW), DG (CSE)</p>

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
5	Insurance a) Low level of transparency of Insurance Companies.	Mandate greater disclosure by law.		Regulations have been drafted by IBSL. Drafts to be provided to NCED CMC with timetable for implementation.	<p>Issue and enforce directions to Insurance Companies requiring Publication of quarterly financial statements within 2 months from end of quarter in newspapers annual audited financials within 3 months of year-end.</p> <p>Display last audited balance sheet at place of business.</p> <p>Amendments to RII Act enabling IBSL to have power to issue directives to Insurance Companies. Chief Executive Officer and CFO of insurance companies to certify half yearly to IBSL.</p> <ul style="list-style-type: none"> a) they have complied with all the legal and regulatory provisions of the RII Act; b) they have arranged treaty and facultative reinsurance with approved re-insurers as per guidelines of IBSL, for all risk commitments exceeding retention limits. c) reserving and solvency guidelines have been complied with and total d) reserves have matching admissible asset backing. e) the equity capital meets the set minimum capital requirements as per regulations and are represented by admissible assets. 	ACTION REQD BY: CHAIRMAN, IBSL

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
	<p>b) Weak regulation and enforcement.</p> <p>(c) Very low penetration of life and general insurance products.</p>	<p>(i) Stronger prudential regulation and enforcement. (ii) Regulatory capacity building.</p> <p>(i) Increase accessibility to insurance products.</p> <p>(ii) Increase the attractiveness of insurance as a savings product.</p>			<p>Amend RII Act along the lines of the Banking Act to empower IBSL to regulate and enforce compliance.</p> <p>IBSL to obtain the services of persons experienced in insurance regulation and life and non life actuarial (if necessary, expatriate) to enhance regulatory capability.</p> <p>Amend RII Act to facilitate bank- assurance and appointment of institutional brokers. (IBSL / MOF)</p> <p>Appropriately amend the Inland Revenue Act to eliminate tax impediments that make annuity products impractical. (I RD / MOF)</p>	<p>ACTION REQD BY: CHAIRMAN, IBSL</p> <p>ACTION REQD BY: MRS MT/C0-CHAIR CMC (ANF)/MOF (DST-SA)</p>
6	<p>Pensions / Superannuation</p> <p>a) Pay as you go defined benefits pension schemes are not sustainable.</p> <p>b) Duplicated costs of administering EPF and ETF.</p> <p>c) Unfunded “insurance” benefits offered by ETF.</p>	<p>(i) Set up Superannuation Funds Regulatory Commission,</p> <p>(ii) Amalgamation of ETF & EPF.</p> <p>(iii) Create Reserve for actuarial liabilities of ETF “insurance” benefits and review feasibility of continuing these.</p> <p>(iv) Formalize the introduction of contributory Pension Scheme.</p>		<ul style="list-style-type: none"> Existing laws are being reviewed to make recommendations. PRO has obtained a grant of USD 380000t for capacity building. An Activity Plan has been prepared. 	<p>Strengthen the role of Labor Commissioner on regulating the Approved Provident Funds. If necessary required resources to be provided by setting up a separate unit. Obtain multilateral agency assistance to build capacity (MOF)</p>	

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
	d) Low coverage, low replacement rate, asset and liability mismatch, deficient risk management and poor governance of the current pension systems. e) Acute shortage of skills and professionals in the sector.	(v) Restructuring of occupational pension scheme. (vi) Capacity building.		<ul style="list-style-type: none"> • Draft EPF Amendment Bill for the Contributory Pension Scheme been cleared by the Legal Draftsman's Dept. However, some observations made by the PRO and the EPF Dept. of CBSL to be incorporated to the Draft Bill. • Draft amendment to the EPF Act to allow APPFs to operate is ready. 	<p>Legalize the Contributory Pension Scheme and introduce suitable IT and administrative systems.</p> <p>Make recommendations to the Government to repeal the EPF Special Provision Law to allow existing APPFs to operate and enroll new members.</p> <p>Streamline the collection of EPF & ETF by combining the process as an initial step to the proposed merger of the two institutions.</p>	
	The lack of awareness on Superannuation and retirement is prevalent among all stakeholders including employees, employers, institutions, general public, policy makers and politicians	Conduct Public Awareness Campaigns on retirement planning, rights, responsibilities and financial implications		<ul style="list-style-type: none"> • Activity Plan for awareness building has been prepared by the PRO for approval of government. 	Utilize currently available budgetary allocation of Rs 18 m to launch awareness campaigns aimed at all relevant stakeholders (PRO/MOF)	ACTION REQD BY: MOF, DST-SA
7	Taxation a) Opportunities for tax arbitrage in the current taxation of capital markets transactions inhibits the sustainable development of the market. b) Retrospective changes to taxation and policy reversals is not conducive to market development.	(i) Adopt a uniform tax system with a low rate and broader coverage for equities, government securities, and corporate bonds and other securities /bonds. (ii) Changes to taxation to be announced well in advance and not implemented retrospectively.		<ul style="list-style-type: none"> • Retrospective Taxation for 2002/03 has been removed. • Primary Dealers to forward their submissions to NCED CMC/Tax Cluster. 	<p>Amend the IRA to remove the retrospective effect of taxing of trading profit of the secondary market transactions of government securities.</p> <p>Permit deduction of all costs including financial cost incurred in generating income and also losses incurred on trading from the statutory income for corporate and personal taxation purposes.</p>	ACTION REQD BY: CO-CHAIR CMC (ANF)

PHASE II (Medium Term Reforms) 2005 – 2006

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
1.	Impediments to Securitization transactions.	Formulating and enacting a new Securitization Act.		Signing the Technical Assistance Grant Agreement: SEC & FIRST Initiative (completed)	<p>First Initiative to provide a Consultant to commence the project and work with the SEC counterparts with Stakeholder Committees. (SEC)</p> <p>Formation of the Stakeholder Committee, conducting the feasibility study, Consultations, formulating the Draft Securitization Act, effecting Stakeholder Consultations and Securitization of the Act. (SEC)</p> <p>Preparation of the Cabinet Paper and presentation of Bill to Parliament for approval (MOF / AG / LD)</p>	SEC, MOF, AG/LD
2	Equity Market (a) High transaction cost.	<p>(i) Negotiable Brokerage Commission.</p> <p>(ii) Stock brokers be permitted to undertake supplementary activities.</p>			<p>Progressively Implement a fully negotiable brokerage scheme by end 2006.</p> <p>Regulatory impediments to be relaxed with required safeguards. (CSE / SEC)</p> <p>Review with a view to reduce the CSE/SEC levies. (CSE /SEC)</p>	CSE / SEC / CSBA

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
	(b) High systemic risk in settling transactions	Reduction in settlement cycle			Reducing the settlement cycle by another day by end 2005 and T + 3 for both purchases and sales by end 2006	CSE /SEC / CSBA
	(c) Low market penetration	Expansion of Branch network to cover all provinces			SEC to continue supporting the CSE's Branch opening and other market expansion initiatives	CSE / SEC
	(d) Low market liquidity.	Government owned non-strategic enterprises that are securitization to be effected through listing on the CSE.			PERC to identify and reform the relevant enterprises to enable them to obtain listings SEMA to direct the stronger enterprises under their purview to shift part of their borrowings to listed debt instruments (SEMA / MOF)	EPF/ETF/CBS L/MOF SEMA
		(ii) Government enterprises being managed by SEMA are allowed to raise debt through the Capital Market.			Build capacity in EPF / ETF to undertake market trading in equity and debt and use private sector fund managers to manage a small part of the portfolio. (PRO /CBSL/ ETF / MOF)	
		(iii) Increase market trading activity by long term savings institutions			Increase permissible asset allocation of EPF/ETF to listed equity and debt. Permit investment decisions to make on a portfolio basis rather than an individual security basis. Remove sectoral investment prohibitions applicable to EPF by building effective "Chinese" walls	

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
3	<p>Government debt and securities:</p> <p>(a) High debt level, high debt service cost high operational risk, lack of independence and weak debt management.</p> <p>(b) Absence of widened and diversified government securities market</p> <p>(c) Difficulties in raising long tenor FCY commercial borrowings by GOSL</p>	<p>Set up the independent public debt management office.</p> <p>Allow non residents to invest in government securities up to a small percentage of each issue</p> <p>Obtain Sovereign Rating</p>		Commission two rating agencies to assign Sovereign Ratings.	<p>Capacity building of the proposed Debt Unit at the CBSL.</p> <p>Develop and undertake middle office functions and commercial FCY borrowing establish, data base etc (MOF / CBSL)</p> <p>Review performance of the debt office in 2006 and decide on the setting up of an independent debt office encompassing the front, middle and back offices</p>	
4	Corporate Debt Low level development of Corporate Bond Market	(a) Encourage corporate bond market activities.			Allow any corporate or securitization vehicle to list debt securities subject to the debt issue having a investment grade ratings or meet stringent pre determined listing criteria be allowed to list in the main board:	SEC & CSE, CBSL: CBSL

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
		(b) Improve the bond market infrastructure.			<p>To bring subsidiaries/associate companies/joint ventures of listed companies under the SEC regulatory purview through an amendment to the SEC Act: SEC.</p> <p>Expand the SEC regulatory responsibilities to include the issue of debt securities to the public by all listed as well as unlisted Companies to prevent any distortion: SEC.</p>	
		(c) Facilitate an efficient debt issuance process and to reduce the trading costs while ensuring transparency.			<p>Develop the trading, clearing and settlement systems by linking the clearing and settlement system of the CSE directly with Real Time Gross Settlement (RTGS) system of the & CSE.</p> <p>The CDS to hold a specific settlement account with the CBSL: CBSL & CSE.</p> <p>Appoint CBSL as the settlement bank of the CDS for debt or allow the settlement bank to maintain a dedicated ring fenced settlement account with the CBSL on behalf of the CDS: CBSL.</p> <p>Delivery Vs Payment system to be with T+1 settlement of debt securities: CSE. Amend the Companies Act to remove the requirement of a prospectus for the issuance of commercial paper/debt instrument.</p>	

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
					Review debt rules and amend as necessary to facilitate issuers to offer more focused offering documents: SEC Introduce a system of negotiated debt transaction costs suitable for different user trading levels: SEC and CSE.	
		(d) Expand the scope of primary dealers.			Allow primary dealers to trade rated and exchange traded corporate debt: CBSL. Assist market makers to undertake entire scope of "Repo" activities for rated and exchange traded corporate debt securities and allow them to trade in corporate debt with a minimum capital of Rs.25 million: CBSL. Establish consensus on usefulness of corporate bond markets amongst policy makers, governing authorities, investors and corporate treasurers:	MOF, SEC, CBSL & CSE.
5	Insurance Sector (a) Insufficient supervision of loss Adjustors.	Registration of Loss Adjustors.			Amendment to the RII Act I.	IBSL / MOF / AG / LD
	(b) Absence of Complaint Resolution Mechanism for policy holders.	Introduce an Ombudsman Scheme.			Appointment of an Ombudsman by the industry empowered to make binding rulings on retail insurance disputes. (IBSL)	IBSL

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
	(c) Solvency of insurance companies.	Require annual independent actuarial validation of non-life claims reserves including IBNR, unexpired risk reserves and unearned premium reserves.			Amendment to the RII Act/ Regulatory Directions. (IBSL)	IBSL
6	Pension and Superannuating reforms (a) Lack of legal framework for contributory public sector pension scheme.	Legalize the Contributory Pension Scheme, which was introduced from 01.01.2003			Effect the required Amendments to the EPF Act. Introduce effective and efficient administrative mechanism including database management system.	PRO / CMC / EPF / ETF / MOF
	(b) Increasing burden on the budget on public sector pension scheme. (c) Sub-optimal performance and management of EPF / ETF.	Amalgamation of EPF and ETF.			Awareness building among employees, Govt. organizations and provincial councils. Continuous evaluation of the scheme by estimating future assets and liabilities. (PRO / CMC / CBSL / MOF) Stakeholder review of recommendations of Maxwell Stamp plc and agree on implementation timetable. Commence implementation of accepted proposals. Provide specialized training to a pool of selected staff on management and administration of superannuation funds,	
	(d) Insufficient regulation of Approved Private Provident Funds (APPFs): APPF are not properly regulated and supervised	Establish a Superannuation Benefit Funds Regulatory Commission by an Act of Parliament to regulate and supervise the Superannuation schemes.		Draft Act with the assistance of "FIRST Initiative" Consultants. By end Jan. 2005 for discussion by stakeholders encompassing the following key factors:		

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
	and faced with administration related issues, preface based issues, investment related issues and a lack of member orientation.				<p>Prepare a draft Act with the assistance of “FIRST Initiative” Consultants by end of January 2005 for discussion by stakeholders encompassing the following key factors:</p> <p>Establishment of a regulatory authority covering existing as well as new private sector and public sector funds.</p> <p>Legalize the enrolment of new members to existing APPFs.</p> <p>Collection and enforcement to be undertaken by a central state controlled entity coming under the purview of the regulator.</p> <p>The design and management of funds to be undertaken by approved fund management companies.</p>	(PRO/ CMC / MOF)
					<p>Enhanced corporate governance relating to fund management (No in house funds).</p> <p>Employers and employees to have a choice of funds and the ability to switch funds.</p> <p>Portability of funds until retirement and mid career pay out to be exceptional.</p> <p>Permit self-employed persons to join the schemes</p>	

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
7.	Taxation The taxation of superannuation at 3 points reduces the real return to members of schemes.	Encourage wider participation and greater savings.		Amend the In: Revenue Act; Permit full contribution to superannuation schemes to be a quali: deduction for computing taxable income/ increase the deduct: threshold to 25 per cent of income. Exempt all capital income payout at the point of payout from tax.	The taxation of the fund income at a low rate and normally applicable tax on income derived by an individual by investing the benefits can continue.	IRD / MOF

Taxation Cluster

Cluster Members

Dr. P. B. Jayasundera - Co-chairman	Secretary to the Treasury, Chairman-NCED
Mr. R. P. L. Weerasinghe - Co-chairman	Commissioner General, Department of Inland Revenue
Mr. Sumith Abeysinghe	Deputy Secretary to the Treasury
Ms. Shamalie Gunawardana	Project Director -Legal & Judicial Reform Project, Ministry of Justice and Judicial Reform/World Bank
Ms. Lakmali Nanayakkara	Partner, Ernst & Young
Ms. Premila Perera	Partner, KPMG Ford Rhodes & Company
Ms. H. C. Ratnayake	Partner, Price Waterhouse Coopers
Mr. N. R. Gajendran	Partner, Gajma & Company
Mr. Denzil Rodrigo	Partner, BDO Burah Hathy & Company
Mr. O. M. Weerasooriya	Former Commissioner General, Department of Inland Revenue
Mr. C. P. E. Gunasingham	Tax Consultant
Mr. Nihal Fonseka	Chief Executive Officer, DFCC Bank
Ms. Sriyangani Fernando	Deputy Legal Draftsman, Legal Draftsman's Department
Ms. Dammika Gunathilake	Senior Assessor, Department of Inland Revenue
Mrs. I. K. Balasuriya	Senior Tax Consultant, Ministry of Finance & Planning
Mr. Sarath Jayatillake	Director General, Sri Lanka Customs
Mr. H. R. Tissera	Director-Valuation, Sri Lanka Customs
Mr. P. D. K. Fernando	Director-Policy Planning, Sri Lanka Customs

Taxation Cluster – Activity Plan

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
01. Withdrawal of the Amnesty Law In order to ensure that the tax amnesty will apply only to direct taxes, the 2003 Tax Amnesty Law to be repealed and a new law to be enacted.	Already enacted	Already enacted		
02. Good Governance Measures Implement a Tax Charter and a Code of Conduct.	Implemented	Implemented	To carry out an awareness campaign by through the media	Ms. S.Mahanama Mr. N..Wijedasa
03. A Consultative process to prepare regulations and tax laws Setting up of a Taxation Cluster comprising of tax professionals, private sector representatives officials from the revenue department and other relevant institutions	Already Setup	Already Setup	To facilitate and monitor the progress pertaining to the implementation of tax related proposal of the budget and other concerns and to recommend policies and strategies to ensure effective tax administration	
04. VAT related Issues				
04.01 Proposed four band structure Formulation of a new Four band VAT structure	1 st Jan. 2005	Implemented - VAT Amendment Act No.6 of 2005		Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
04.02Removal of VAT on <ul style="list-style-type: none"> • Import of project related capital goods • Agricultural seeds and plants • Shrimp feed • Leasing of three wheelers • Locally manufactured duty free goods • Financial services (natural and corporate persons) Exemption of VAT on <ul style="list-style-type: none"> • Apparel manufacturers registered with the TQB • Renewable energy sources providing electricity. 	1 st Jan. 2005	Implemented		Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
04.03New Zero Rating of <ul style="list-style-type: none"> • Supplies provided to services provided by garment buying offices registered with the TQB • Local supplies of exportable products to an export company registered with the TQB • Finished goods supplied to BOI registered trading houses for export by a registered manufacturer 	1 st Jan. 2005	Implemented		
05.Ensuring the formulation of a process by the TQB to give effect to 3 above	31 st Dec. 2004	Implemented		Mr.Tully Cooray Ms .I. K. Balasooriya Ms.Dammika Gunathilleke
06.Enhancing the VAT computation formula <ul style="list-style-type: none"> • CIF on goods imported will be enhanced by 5% • Port and airport levy to be made part of the VAT base 	1 st Jan. 2005	Implemented		Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
07.Finance Act Amendments Social Responsibility Levy Imposition of a cess of .25%	1 st Jan. 2005	Implemented - Act No.5 of 2005		Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
08.CESS on share transactions Share Transaction Levy 0.2% CESS on the transaction value on all buying and selling of shares	1 st Jan. 2005	Implemented - Act No.5 of 2005		Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
09.Enactment of Amendments to Fines and Penalties Act The fines and penalties structure in identified legislation to be changed through the enactment of a new act	30 th Jan. 2005	Implemented		Ms.Sharmalie Gunawardana
10.Establishment of dedicated tax courts in Colombo, Gampaha, Kandy, Galle and Anuradhapura to deal with tax recovery cases and offences relating to tax compliance, (with at least two days per week dedicated)	30 th Dec. 2004	Already established	To ensure that regulations are gazetted by the Minister of Justice and Judicial Reform with the concurrence of the honorable Chief Justice.	Mr.Sumith Abeyasinghe Ms.Sharmalie Gunawardana
11.Codification of the Inland Revenue Act / amendments	30 th Mar. 2005	Already codified and sent to members	After meeting on 02-02-2005, having considered any suggestions by the core group members Draft will be submitted to LD for necessary action.	Mr. Herath Mr. Gunadasa

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
12. Tax Ombudsman Appointments of a tax ombudsman to inter-alia facilitate fair and expeditious settlement of taxpayer grievances.	15 th Feb. 2005	Views of Cluster Members being considered. Cabinet Paper is being drafted		Ms. Sharmalie Gunawardana Ms. I. K. Balasooriya
13. Strengthening Tax Administration Establishment of an Appeals Unit under a separate Commissioner to deal with settlements of appeals made by tax payers against assessments sent by assessors	15 th of January 2005	A unit has been set up	The unit is currently understaffed and not in line with the budget recommendations CGIR to take step in the coming months to ensure conformity with the budget proposal.	Mr. R.P.L. Weerasinghe Ms. I. K. Balasooriya
14. Set up an information centre to collect and analyze information on tax evaders and strengthen the surveillance mechanism	15 th of January 2005	There is a unit already in existence of which the scope and activities need to be reorganized to make the unit operationally effective.	Details of telephone bills electricity bills have been requested by this unit from the respective authorities. Credit card details have not been obtained as yet due to concerns raised by the banks	Mr. R.P.L. Weerasinghe Ms. I. K. Balasooriya
15. Appoint a three-member committee of tax commissioners to certify refunds within a week of submission for clearance.	15 th of January 2005	One commissioner has been appointed	Appointing of the remaining staff to man this unit	Mr. R.P.L. Weerasinghe Ms. Balasooriya
16. Port and Aviation Levy Introduction of an Amendments to the Finance Act, <ul style="list-style-type: none"> • to Increase of Port and Aviation levy from 1% to 1.5% with immediate effect • The port and aviation levy applicable for exports will be reduced to 0.25% as an incentive for exports. 	1 st April 2005	Implemented - Act No 5 of 2005		Mr. Sumith Abeysinghe Ms. I. K. Balasooriya Ms. Dammika Gunathilleke Ms. Sharmalie Gunawardana

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>I7.Introduction of an Economic Service Charge Introduction of an amendments to the Finance Act To make the ESC 0.5% pertaining to retail and wholesale businesses.</p> <p>To enable the minister to issue regulations clarifying the definitions in categories of trade, business, profession, or vocation other than areas already defined in the act To enable partners of a partnership business to set off any excess ESC from the partnership against their personal income taxes on their share of profits.</p>	1 st April 2005	Implemented – Act No 5 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
<p>18.Income tax related issue-Restrictions on Deductions. At present if a company does not distribute dividend, action can be taken only if such company is controlled by 5 persons or less. This restriction will be removed in order to tax dividend not distributed by such companies. Irrespective of the number of persons controlling (Directors/Shareholders?) a company, the non-distributed dividends (profits?) to be made taxable. Vat on financial services to be made taxable. Claims on traveling outside Sri Lanka to be restricted to expenses incurred solely in connection with the promotion of export, trade of any article or provision of any services for payment in foreign currency to be made taxable.</p>	1st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
<ul style="list-style-type: none"> • Entertainment expenditure and entertainment allowances paid to executives to be made taxable • 25% of allowances paid on fuel or expenditure incurred on the provision of vehicles to be made taxable. • 50% of advertising expenditure to be made taxable. • Head office expenses or management fees paid to head office will be restricted to 10% of taxable income or actual expenses which ever less is. If there is no taxable income the average of the aggregated taxable income of 03 proceeding years of assessment to be taken. 				

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
19.Introduction of Capital Allowance 100% depreciation to be allowed in the year of purchase, on all locally produced software	1 st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
20.Granted of Income Tax Exemptions Agriculture 5 year tax exemption on income/profit arising from cultivation of land with plants of any description and sale of such unprocessed products Rental Income 7-year tax exemption will be granted to an owner of a residential house on the rental income of that house if the floor area of the house constructed for the renting does not exceed 1500 sq.ft.	1 st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
21.Removal of Income Tax Exemptions Sale of Gold, Gem and Jewellery Removal of exemption on tax on income earned from the sale of gold, gem and jewellery except the income earned from export of gold gem and jewellery	1 st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
22.Removal of retrospective taxation for the year 2002/2003 Removal of liability to pay taxes on Secondary Market Transactions of Treasury Bills for the year 2002/2003	1 st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person												
<p>23. Broad-basing the tax net</p> <ul style="list-style-type: none"> Imposition of a withholding tax of Rs.5, 000 on each motor vehicle imported or newly registered in the case of vehicles other than three wheelers, Lorries, and public transport buses Tax clearance certificate to be made mandatory to be eligible to bid in government tenders. Relating to large transactions, bidders to be required to declare their income tax file number and the VAT number. 	1 st April 2005	Implemented - Finance Act Amendment No 7 of 2005 p 3 A		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana												
<p>24. Introduction of new Tax Slabs</p> <p>Tax slabs to be amended to read as follows</p> <table border="0" data-bbox="142 651 655 833"> <tr> <td>First Rs.300,000</td> <td>At 05.0%</td> </tr> <tr> <td>Next Rs.300,000</td> <td>At 10.0%</td> </tr> <tr> <td>Next Rs.200,000</td> <td>At 15.0%</td> </tr> <tr> <td>Next Rs.200,000</td> <td>At 20.0%</td> </tr> <tr> <td>Next Rs.200,000</td> <td>At 25.0%</td> </tr> <tr> <td>Balance</td> <td>At 30.0%</td> </tr> </table>	First Rs.300,000	At 05.0%	Next Rs.300,000	At 10.0%	Next Rs.200,000	At 15.0%	Next Rs.200,000	At 20.0%	Next Rs.200,000	At 25.0%	Balance	At 30.0%	1 st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
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Next Rs.200,000	At 25.0%															
Balance	At 30.0%															
<p>25. Taxation on Employment Benefits</p> <p>Housing Benefits</p> <p>Rental value permitted for tax benefits to be increased to Rs.180,000 per annum in respect of those earning at least Rs.150,000 per month</p>	1 st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana												

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person						
<p>Taxation on Terminal Benefits</p> <p>The present exemption of Rs.2 million applicable to terminal benefits such as provident fund, ETF etc will be available only if the period of contribution to such fund is more than 20 years. If the period of contribution is less than 20 years the applicable exemption will be limited to Rs. 1 million and the balance will be subject to the following concessionary rates.</p> <table data-bbox="142 516 737 605"> <tr> <td>On the first Rs.500,000</td> <td>At 05.0%</td> </tr> <tr> <td>On the Next Rs.500,000</td> <td>At 10.0%</td> </tr> <tr> <td>Balance</td> <td>At 15.0%</td> </tr> </table> <p>Compensation Paid under VRS or Retrenchment Scheme</p> <p>Limit the tax-free allowance under a VRS/Retrenchment to Rs.2 million this is over and above the concession offered under terminal benefits.</p>	On the first Rs.500,000	At 05.0%	On the Next Rs.500,000	At 10.0%	Balance	At 15.0%				
On the first Rs.500,000	At 05.0%									
On the Next Rs.500,000	At 10.0%									
Balance	At 15.0%									
<p>26.Broadening the Tax Net</p> <p>Any individual having four out of five of the following to file income tax returns</p> <ul data-bbox="178 862 829 1117" style="list-style-type: none"> • Has paid a monthly residential electricity bill exceeding Rs.10,000 (net) • Has incurred monthly credit card bill exceeding Rs.25000 (net) • Has paid a monthly residential telephone bill exceeding Rs.10,000 (net) • Has purchased a air ticket to travel abroad other than official <p>Owns a car</p> <p>Non compliance to file a return will be liable to a penalty of Rs.50,000</p>	1 st April 2005	Implemented - IR Amendment Act No 8 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke						

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>27. Incentives for Honest Tax payers Reward honest tax payers by issuing a gold card with the following benefits</p> <ul style="list-style-type: none"> • Qualify for a lottery conducted by the Department of Inland Revenue • Special treatment from government agencies • Discount prices at national parks, museums, paying wards etc • Special lounge at the airport to facilitate there travel 	1 st April 2005	Cabinet Approval Obtained		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke
<p>28. Wealth Declarations All tax returns to include the wealth declaration on the last day of the year</p>	Mid 2005	Matters being finalized		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke
<p>29. Tax on Public Servants Public servants will be brought under the payee scheme but the income will be assumed to be half of the gross salary of the public servant.</p>	1 st April 2005	Implemented		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke
<p>30. Incentive for foreign currency holders To encourage Sri Lankans who have dual citizenship to come back to Sri Lanka their income from sources outside Sri Lanka will be exempted from taxation in Sri Lanka</p>	1 st April 2005	Implemented		Ms .I. K. Balasooriya Ms.Dammika Gunathilleke

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>31. Betting and Gaming Levy</p> <ul style="list-style-type: none"> • Increase the annual levy from Rs.10,000 per center to Rs.25,000 per center on all betting businesses • The levy on betting business done through agents will be raised to Rs. 1 million • Betting business done with live telecast will be liable to an annual levy of Rs.500,000 per center • The levy on casino centers will be raised from the Rs.12million to Rs.50 ,million per center with effect from January 2005 • Rugino centers will be treated on par with casino centers 	1 st April 2005	Implemented - Act No 9 of 2005		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
<p>32. Amendments to Finance Act</p> <p>Removal of Withholding tax on corporate debt (Debentures/pro notes/ securitized paper. bonds/Commercial Paper)</p> <p>Corporate debt market withholding tax on corporate debt will be removed and only the final tax is retained</p>	1 st April 2005	Implemented		Mr. Sumith Abeysinghe Ms .I. K. Balasooriya Ms.Dammika Gunathilleke Ms.Sharmalie Gunawardana
Other Tax Related Issues				
<p>33. Advance Ruling</p> <p>A legally binding system of issuing advance rulings will be introduced into the tax laws this would render tax administration more efficient and effective while promoting taxpayer confidence in the system</p>	1 st April 2005	Implemented		CGIR Ms.Balasooriya Taxation Cluster
<p>34. Debt Equity Balancing In Financing</p> <p>To discuss the possibility of disallowing a portion of interest expenses when computing taxable income</p>	1 st April 2005	Implemented		Taxation Cluster
<p>35. Transfer Tax On Land</p> <ul style="list-style-type: none"> • To issue regulations in order to exclude the purchase of condominium premises and apartments above a 3rd floor of a building or acquisition of a land which will be developed as a residential housing in excess of 100 units hospitals or large scale infrastructure facilities from this application of this tax 	1 st April 2005	Implemented		Mr.Artygalle Ms.Dayani Silva

Trade & Tariff Cluster

Cluster Members

Mr. Lal de Mel – Co-chairman	Director, National Development Bank
Mr. S. Wirithamulla – Co-chairman	Secretary-Ministry of Trade, Commerce & Consumer Affairs
Mr. S. M. J. Senaratne	Secretary-National Advisory Council for Peace and Reconciliation
Mr. M. P. Wickremasinghe	Chairman, Ceylon Biscuits Ltd.
Dr. Bandula Perera	Managing Director, Samson Rajarata Tiles (Pvt) Ltd.
Mr. Macky Hashim	Immediate Past President, Federation of Chamber of Commerce & Industry of Sri Lanka
Mrs. Sitha Yahampath	Managing Director, Kandygs Handlooms
Dr. (Mrs) D. Weerakoon	Fellow, Institute of Policy Studies
Dr. R. H. S. Samaraturunge	Additional Director General-Department of Fiscal Policy, Ministry of Finance and Planning
Mr. Nimal Samarakkody	Chairman, Ceylon Leather Products
Mr. Kingsley Bernard	President, National Chamber of Exporters
Mr. Asoka Hettigoda	Chairman, Exporters Committee, National Chamber of Commerce of Sri Lanka
Mr. B. S. P. Mendis	Director General, Sri Lanka Standards Institution
Mrs. Menike Chandrasiri	Director-Macro Policy, Ministry of Industry, Tourism & Investment Promotion
Mr. P. D. K. Fernando	Director (Bonding), Department of Customs
Mr. R. K. H. Kaluarachchi	Commissioner-VAT, Department of Inland Revenue
Mr. K. J. Weerasinghe	Director General of Commerce-Department of Commerce, Ministry of Trade, Commerce & Consumer Affairs

Trade & Tariff Cluster – Activity Plan

Proposal	Target Dates	Present Status	Pending Action	Responsible Person
<p>1. Tariff Structure</p> <p>Introduction of a new Four band tariff structure:</p> <ul style="list-style-type: none"> ▪ 0% - raw material ▪ 3% - raw material which has domestic production base ▪ 12 %- intermediate products ▪ 30% - final products 	Implemented	Implemented	Implemented	MOF
<p>2 Measures of Fair Trade (Standards, TBT and SPS Measures)</p>				
<p>2.1 Import inspection and accreditation</p> <p>Development of standards where non-existent and enforcement on a priority basis. Therefore, it is important to devise/strengthen mechanisms for::</p> <p>(a) Import inspection. (b) Conformity assessment and accreditation. (c) Establishment of Accreditation Board.</p>		Ongoing		Action by: MOF, and MST
<p>2.2 Labeling</p> <p>Introduction of compulsory labeling requirements.</p>		Consumer Affairs Authority has been instructed by the Ministry of Commerce and Consumer Affairs to implement the proposal.	Formulate appropriate regulations and implement to regularize the labeling and price marking of goods and commodities sold in the market.	MCCA Sent to CAA for implementation.
<p>2.3 Warranty</p> <p>Implement regulations through Consumer Affairs Authority to insist on warranty periods.</p>		Ongoing	Consumer Affairs Authority has been instructed by the Ministry of Commerce and Consumer Affairs to implement the proposal.	Action by: MCCA Sent to CAA for implementation.

Proposal	Target Dates	Present Status	Pending Action	Responsible Person
2.4 Under Invoicing Strengthening investigation arm of Customs and Inland Revenue and the coordination between them Selective use of Maximum Retail Price (MRP) scheme used in India, labeling requirements and H.S.E standards		Ongoing		Action by: MOF and MCCA
2.5 Anti-Dumping Laws Introduction of Anti-Dumping Law and if necessary other NTB.		Ongoing		Action by: MOF and MCCA Pending.
3. Industry Specific Measures				
3.1 Textiles and Garments Removing VAT on textiles and the duty on input used in the production of textiles.	Implemented	Implemented	Implemented	MOF
3.8 Hi-Tech Industries Provide space at the BIA, Katunayake, to sell locally manufactured/assembled high-tech products. Provide tax concession to those industrialist who make such sales.		Ongoing		Action by: MOF and MPCA.
4. Direction of Future Preferential Trade Relations. Not to reduce Negative List beyond ISFTA and bench mark future FTAs on ISFTA.		Ongoing		MCCA and MOF

Legal Cluster

Cluster Members

His. Lordship Sarath N Silva - Chairman	P.C-Honorable Chief Justice
Hon. K.C. Kamalasebayson	P.C. - as the Attorney General
Hon. Andrew Somawansa	as the President of the Court Appeal
Mr. K.T. Chitrasiri	Judge of the Commercial High Court, Colombo
Ms. M. Wickramasinghe	Secretary, Ministry of Constitutional Affairs and National Integration
Mr. Suhada Gamalath	Secretary, Ministry of Justice and Judicial Reform
Dr. Mrs. Rancee Jayamaha	Deputy Governor, CBSL
Ms. Therese Perera	as the Legal Draftsman
Mr.K.J. Weerasinghe	Director General, Department of Commerce
Mr. Saliya Wickramasooriya	Chairman/Director General, BOI
Mrs. Shamalie Gunawardana	Director, Legal and Judicial Reform Project, Ministry of Justice and Judicial Reform/World Bank
Ms. Sarojini Kadurugamuwa	Director, Legal Department, CBSL
Dr. Joe Silva	Principal, Sri Lankan Law College
Mr. N. Selvakumaran	Dean, Faculty of Law, University of Colombo
Mr. K. Kanagiswaran	P.C.
Mr. Harsha Cabraal -	Attorney - at -Law
Mr. Sanjeeva Jayawardana	Attorney - at -Law
Mr. Deva Rodrigo	Chairman-Ceylon Chamber of Commerce
Mr. Cubby Wijethunga	Director, Corporate Affairs, Nestle Lanka Ltd.
Mr. Nihal Fonseka	Chief Executive Officer, DFCC Bank
Mr. Lakshman De Mel	Former Commissioner of Labour
Mr. Nihal Jayamanne	Member, Law Commission

Overview

The objective of the Legal Cluster is to identify, through dialogue and consultation with stakeholders, the desired changes in the area of law, regulation and administration of justice to promote economic development in the country.

The legal, regulatory and administrative procedures followed in our country today are often outdated, time consuming and burdensome in many respects. They are more aligned to lead to adversarial conflict rather than to problem resolution and ignore the economic cost to individuals and to the state.

The process of administration of justice is aligned towards a reactive approach and as such attempts at addressing issues after they have become full blown problems. The approach should be to create an enabling legal and regulatory environment, which will facilitate avoiding or reducing such problems. A closer look at the legal system reveals that in many instances the 2nd generation is saddled with court cases filled by their predecessors consequent to laws delays and the negative impact of depending on the judicial system to solve all problems. As such, it is time that we place more reliance on alternate dispute resolution methods which our rural society even now, places greater reliance on. The objective of the judiciary is the administration of justice, being mindful of the impact of the outcome or possible delays on the economic growth of the country. The knowledge of members of the judiciary need to be further sharpened to be able to effectively determine matters relating to new areas such as the financial sector . New legislation should be introduced to fill lacunas that exist. This should be done after engaging in a consultative process to find out the needs and aspirations of all stakeholders, specially relating to sector specific legislation.

It is time that we revisit such procedures and where necessary make amendments whilst ensuring good governance. Expansion of commercial courts to rural areas, expediting the setting up of Regional Courts of Appeal, minimizing laws delays are key areas that warrant immediate attention. In the regulatory sphere, a subtle balance should be maintained between the need to regulate and the overall impact of regulation on the customer or the public.

Our judicial and legal system has undergone many changes to the positive. The Legal Cluster expects to promote a dialog between domain expertise including the private sector, to be able to identify changes desired in the legal and regulatory areas as well as in the administration of justice, so that a joint effort can be made to go "that extra – mile" required, to make an effective change in all sectors of the economy.

The Legal Cluster has identified the following as some of the key issues that warrant immediate consideration. Specific proposals will be formulated after considering the proposals and views of the cluster members.

	Proposed Measure
1.	Enabling Environment / Reduce Transaction Costs
	<ul style="list-style-type: none"> • Expedite the process to pass the new Companies Act in Parliament, the automation of the Companies Registrar’s Office. • Identify regulatory factors that hinder SME development • Review the overall impact of the existing labour legislation on investment and employment • Promote awareness of the need to appreciate the basis of regulatory measures, prior to making judicial determination on such regulatory orders • Establish separate courts or tribunals with expertise to determine cases relating to financial transactions and instruments of a specialized nature with the right of appeal to the Supreme Court only on substantive questions of law • Examine the need to introduce enabling legislation to adopt treaties between Sri Lanka and other countries
2.	Enhance Confidence
	<ul style="list-style-type: none"> • Identify legal and regulatory measures that can be taken to develop the securities market and foreign investment • Measures to safeguard the interest of all parties for the expeditious enforcement of contracts and for the protection of property rights.
3.	Promote a Consultative Process
	Streamline the process between the Central Bank, the Department of Labour and other relevant institutions on matters relating to payment of EPF

	<ul style="list-style-type: none"> • Ensure timely action against employers defaulting EPF contributions • Set-up a central “charges” register in respect of all moveable property, for the benefit of both the lender and borrower through access to information relating to charges • Introduce measures to make the regulatory process to be accepted by the public as a self-complying mechanism and change the mindset of regulators from an ‘examiner’ to a ‘facilitator’ • Examine as to whether the confrontational attitude prevalent between employers and employees and whether any legal or regulatory provisions have caused this situation <ul style="list-style-type: none"> ▪ Review the process of implementation of ‘Parate Execution’, to ensure that it is used only as a last resort after having explored all possibilities of promoting asset restructuring etc. or set up a special court / tribunal to adjudicate on recovery of loans under mortgages by recognized financial institutions. • Formulate guidelines to be followed in relation to drafting of new legislation or substantive amendments to existing legislation, that would have a sectoral impact, to ensure that stakeholder interests are adequately considered
4.	Minimize Laws Delay
	<ul style="list-style-type: none"> • Take measures to introduce legal provisions which would make mediation mandatory as an alternative to arbitration or litigation in court which is time consuming and expensive • Establish trade-wise panel of arbitrators, and train them in specialized areas, to develop more reliance on the process of mediation • Introduce legislations to make mediations mandatory prior to referring an employee dispute to the Labour Tribunal.

	<ul style="list-style-type: none"> • Implement a mechanism to make domestic inquiries mandatory as a first step in resolving a dispute between an employer and employee • Identify a way which would reduce delays relating to service of summons through the use of private agencies such as courier upon payment of a fixed fee • Require banking and commercial institutions to identify borrowers with reference to their national identity card number at the time of entering into any contract • Require the inclusion of details of the place at which summons can be served on parties, to all agreements ▪ Improve the efficiency at the Office of the Government Printer in respect of publication of laws and regulations to avoid delay • Assess the availability of copies of legislation and ensure that reprints are made of those not available in a systematic manner • Strengthen the Legal Draftsman’s Department through the recruitment and training of human resources including translators and stenographers so that related delays are minimized
5.	Enhance Knowledge
	<ul style="list-style-type: none"> • Take measures to introduce regulatory aspects to the curricula of the law schools include new areas of importance to the curricula in law schools • Continuous training of Judges, Officers of the Attorney General’s Department etc., in new areas of law specially relating to the commercial sector • Develop a streamlined process through which the public could be made aware on proposed legislation or substantive changes to existing legislation through the conduct of awareness programmes / seminars.

Investment Promotion Cluster

Cluster Members

Mr. Harry Jayawardena-Co-chairman	Chairman, Stassen Group of Companies
Mr. Saliya Wickramasuriya-Co-chairman	Chairman/Director General, BOI
Mr. Mahesh Amalean	Chairman, MAS Holdings
Ms. Otara Chandiram	Managing Director, ODEL Ltd.
Mr. Tilak de Zoysa	Chairman, Ceylon Chamber of Commerce

Investment Promotion Cluster – Activity Plan

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1.	Preparation of revised investment policies and BOI act 2005	Draft Policies 30.04 BOI Act 30.05		<ul style="list-style-type: none"> • Draft proposals to be presented to Her Excellency for approval 	
2.	Restructuring of BOI and New BOI structure <ul style="list-style-type: none"> • BOI to re-structure to position itself to deliver on the economic objectives of the GOSL. • Alignment of BOI Project Portfolio with Economic Policy Framework • These measures will strengthen the investment promotion, facilitation and monitoring aspects • Thereby the quality of investments contracted be enhanced 	1.06.2005	<ul style="list-style-type: none"> • Restructuring proposal document has been developed after comprehensive internal review and evaluation 	<ul style="list-style-type: none"> • Review of proposal by cluster member and feedback 	Mahesh Amaleen
3.	Goal 1 - Making Sri Lanka more competitive and attractive place to invest in <ul style="list-style-type: none"> • Regulatory framework of the country should be re-designed so that procedures/processes are more transparent, fast and friendly. • Infrastructure such as water, power, access, waste disposal etc., should be improved. • Lifestyles and social environment need to be improved so that physical and mental health of the people are ensured. • Government policies in major areas such as National Physical Planning, Central Environmental Authority, Labor, Coast Conservation, should be attractive for investing, in the country. 				BOI / Line Ministries

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
4.	<p>Goal II - Branding Sri Lanka</p> <p>Explore the possibility of expanding it into wider range of sectors to brand Sri Lanka as</p> <ul style="list-style-type: none"> • Products with “eco label” – Clean & Green • Ayurveda products and services • Lifestyles (recreation, shopping and night life) • Venue (conventions, exhibitions, cultural) <p>In order to enhance the brand image of the country, the following strategies can be implemented.</p> <ul style="list-style-type: none"> • Improving the quality of the products/services • Making the presence of fortune 500 companies in Sri Lanka a reality. • Targeting at a better rank in the global FDI attraction index. • Uplifting the general lifestyles of the people by improving the good qualities of them such as hospitality and by introducing new activities such as shopping and nightlife. • Establishing an image as a venue for conventions, exhibitions and cultural events • Exploiting the full potential of the larger markets we have as a result of FTAs 				BOI / Line Ministries

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
5.	<p>Goal III - Development of New Growth Sector The following new growth sectors were identified as sectors, where Sri Lanka has a potential to grow and have a competitive advantage.</p> <ul style="list-style-type: none"> • Natural Resources <ul style="list-style-type: none"> - New indigenous products - “Eco Labels” – Clean & Green - Ayurveda – Products & Services - Aquatic resources + Petroleum - Mineral resources - Inland fish • Knowledge Based <ul style="list-style-type: none"> - Bio Technical / Pharmaceuticals - Skill Development (Marine, Medical Services and Automobile/Mechanical) - Creative skills - Educational (filling the gap between the country’s education system and the local /international job market) - e-commerce • Special Economic Zones • Transport <ul style="list-style-type: none"> - Sea - Domestic Air • Theme Park/Tourism <ul style="list-style-type: none"> - Natural - Cultural 				

Apparel Cluster

Cluster Members

Mr. Ashroff Omar –Co-chairman	Chief Executive Officer Brandix Lanka Ltd.
Dr. U. Vidanapathirana – Co-chairman	Secretary, Ministry of Industry & Investment Promotion
Mr. Mahesh Amalean	Chairman, MAS Holdings
Mr. Premal Mendis	Chairman, Vogue Tex (Pvt) Ltd.
Mr. Nihal Seneviratne	Managing Director, Nilano Garments (Pvt) Ltd.
Mr. Ajith Wijesekera	Managing Director, Union Apparels
Mr. Mahesh Hirdramani	Managing Director, Hirdaramani Garments
Mr. Neil Umagiliya	Managing Director, Dial Textiles
Mr. Errol Weerasinghe	Chief Executive Officer, Orix Benodar Ltd.
Mr. Ranjan Casie Chetty	Chairman, Sri Lanka Apparel Exporters Association
Mr. Sydney Gajanayake	Chairman, Sri Lanka National Apparel Exporters Association
Mr. Turney Mohamed	Chairman, Garment Buying Officers Association
Mr. Hemaranjana Fernando	Chairman, Free Trade Zone Association
Mr. A. Sukumaran	Co-chairman, JAAF Committee on Finance
Mr. Anil Hidramani	Chairman, JAAF Committee on Backward Integration Initiatives
Mr. Lyn Fernando	Chairman, JAAF Committee on Labour Initiatives
Mrs. Manel P Rodrigo	Chairman, JAAF Committee on Marketing Initiatives
Mr. M. I. de Silva	Chairman, JAAF Committee on SME Initiatives
Mr. Ajith Dias	Chairman, JAAF Committee on Bilateral / Multilateral Initiatives
Mr. Noel Piyathilake	Chairman, JAAF Committee on EDI / Shipping Initiatives
Mr. Saliya Wickramasuriya	Chairman / Director General, BOI

Apparel Cluster – Activity Plan

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
1.	Due to MFA phase out the apparel exports would be facing serious pressures on margins. Prices have dropped almost 20% to 30% due to competition from other countries like China. Hence it is not possible to absorb additional cost. If the proposed actions are not taken a collapse of the industry is inevitable.	Do not impose ESC on apparel sector. Remove PAL (effective under Finance Act No. 12 of 2002 amended by Act No. 30 of 2002.) Guarantee that there will be no utility cost increases. Ensure active support from relevant agencies such as IR, Customs, BOI, and EDB to assist smooth business operations.	Prior to December 2004	PAL is reduced and implemented.	Conscious decision to be taken to protect this industry, which is facing serious external challenges, by taking high-level political decisions. Relevant agencies to be advised to support industry endeavors.	Ministry of Finance BOI Customs IR Department Political leadership
2.	Revisit THC as the liners are making unconscionable profit at the expense of the shippers.	Industry has analyzed the elements of costs of THC, which are not acceptable because some of these costs are to be borne by the liners and not by exporters.	Extremely urgent.	Ports Authority to be directed by Ministry of Finance to have consultation and to decide on the matter within a given period of time.		Ports Authority
3.	Assistant to SMEs With the abolition of quotas from 2005, SMEs in the apparel sector, which are largely dependant on such quotas, will face an uncertain future due to intense competitive pressures and their inability to meet them for lack of resources to upgrade facilities.	Providing assistance for technology improvement, Infrastructure and access to sources of concessionary finance/ credit guarantee scheme.	Continuous program	Intervention with the banking community to secure concessionary finance and establishing a credit guarantee scheme.	SME Bank Intervention with the banking community to secure concessionary finance and establishing a credit guarantee scheme.	Ministry of Finance

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
4	<p>EU/GSP Additional Tariff Concessions</p> <p>The EU/GSP is the only source of tariff concessions available to Sri Lanka exports to the EU. Presently our apparel products enjoy a GSP general duty concession of 20% and a further 20% for labour compliance making a total of 40% on MFN duty. Even with this concession the average duty on apparel products remain at 7.2%, still higher compared to that applicable countries having special preferential arrangements with the EU. Therefore, there is a need to seek a further reduction of the duty concession based on Sri Lanka's record on labour compliance.</p>	<p>Lobbying at high political level to obtain deeper tariff cuts for apparel products under the EU/GSP Scheme on the basis of Sri Lanka's record on labour compliance.</p>		<p>Ministry of Foreign Affairs and/or Trade to present Sri Lanka's request to the EU authorities and ensure a positive outcome.</p>		<p>Ministries of Foreign Affairs and Trade</p>
6.	<p>SAARC/ASEAN super regional cumulation for EU/GSP benefits</p> <p>The EU/GSP Scheme provides for beneficiary countries within a recognized regional group sourcing inputs from each other to manufacture for export to the EU and claim tariff concessions. The advantage of this regional accumulation is that the requirement of "double transformation" for the purpose of the rules of origin which</p>	<p>Securing agreement of the SAARC and the ASEAN to jointly request the EU for the super regional cumulation facility.</p>		<p>Minister of Foreign Affairs through bilateral contacts with the governments of the countries concerned.</p>	<p>Minister of Foreign Affairs through bilateral contacts with the governments of the countries concerned.</p>	<p>Ministries of Foreign Affairs and Trade</p>

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	
	<p>otherwise apply to individual countries under the scheme is reduced to "single transformation". SAARC and the ASEAN are both recognized regional groups for the purpose. The EU has in principle agreed to combine these two groups in a scheme of super regional accumulation to create a broader sourcing base for inputs to benefit from the GSP.</p>					
7.	<p>Transfer Tax on Property Upto now a company incorporated in Sri Lanka whether it be local, foreign or joint venture acquired the status of a Sri Lankan juridical person and thus not liable to pay transfer tax on land purchases. The proposed transfer tax bill is seeking to change this position and impose a 100% transfer tax on companies having a foreign ownership of 25%. This measure is seen as a negative signal to foreign investors and discourages them from investing in Sri Lanka.</p>	<p>Not implemented this proposal.</p>		<p>NCED to consider the negative implications of the proposal and advise the authorities appropriately on a course of action.</p>		<p>Ministry of Finance</p>

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	
8.	<p>Enhancing competitiveness of Apparel Exports</p> <p>Enhancing the cost competitiveness of the Sri Lanka apparel products through a mechanism to separately administer direct manufacturing costs and overhead costs as direct manufacturing costs only are considered dutiable in the US and the EU.</p>	<p>Permit a company to breakup its activities for this purpose into two entities (Manufacturing and Administration) while retaining the same tax concessions provided by the BOI.</p>		<p>Issues to be clarified and enabling procedures established for this purpose in time for the quota phase out in 2005.</p>		<p>Ministry of Finance BOI</p>

Export Cluster

Cluster Members

Mr. Asoka Hettigoda-Co-chairman	Managing Director, Hettigoda Group
Mr. Brian Angunawela -Co-chairman	Chairman, Export Development Board
Dr. U. Vidanapathirana-Co-chairman	Secretary, Ministry of Industry & Investment Promotion
Mrs. N. S. M. Samaratunga	Deputy Chairperson, Mackwoods Ltd.
Mr. Tisil Cooray	Director, Kalutara District Chamber of Commerce & Industry
Mr. Kingsley Bernard	President, National Chamber of Exporters
Mr. Rasa Weerasingham	Director, Kings Foods Ltd.
Mr. K. A. W. Rupasinghe	Managing Director, Srinco Enterprises (Pvt) Ltd.
Mr. P. M. J. Muhandram	Managing Director, Sri Toys International
Mr. Shakthi Dasan	General Manager, Link Natural Products
Mr. Samantha Kumarasinghe	Managing Director, Multi Chemi International Ltd.
Mr. Gratien Gunawardena	Chairman-Managing Director Exporters Association
Mr. D. Madawela	Deputy General Manager, Hands International
Mr. Sarath de Silva	Chairman, Agri Bio-Tech Ltd.
Mr. Dilip de Silva	President, Floriculture Producers Exporters Association
Mr. Nimal Samarakkody	Chairman, Ceylon Leather Products
Mr. B. Sarada M de Silva	Executive Director, Intercom Ltd.
Mr. S. B. Welivita	General Manager – Finance & Planning, Samson Rubber Industries
Mr. A. S. Refai	Managing Director, Zam Gems (Pvt) Ltd.
Mr. E. M. Wijetilleke	Senior Deputy Secretary General, The National Chamber of Commerce
Mr. Senaka Silva	Chairman / Managing Director, Saraa Os-Leather (Pvt) Ltd.
Mr. T. Sambasivam	Group Consultant, Akbar Brothers

Export Cluster

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
1	Scarcity of lands.	<ul style="list-style-type: none"> Releasing state lands on easy terms for commercial cultivation and other industrial projects. Streamline land-leasing procedures and create “one-stop-shop” to handle requests. 		EDB is in a process of implementing the Model Farm Scheme. Discussion with Mahaveli Authority to acquire land for some Farms	Implementation of Scheme.	Ministry of Lands, Agriculture & Irrigation Ministry of Mahaweli UDA, EDB JEDB
2	Lack of competitiveness due to the use of old technologies, inadequate R&D activities and technical know-how.	<ul style="list-style-type: none"> Encouraging advanced technology in factories including agriculture (Controlled Environment Agriculture and Drip Irrigation) and Industry by removing Duty and VAT on imported capital goods, R&D equipment testing materials and consumables. Granting soft loans, fiscal incentives and grants for factory modernization and importation of machinery. Provide foreign technical expertise to selected companies on cost-share basis with the EDB. Establish industry specific Technology Development Centres and develop future technologies using our raw materials. 	01-01-2005	VAT concession was given for new ventures.	<p>Granting soft loans, fiscal incentives and grants for factory modernization and importation of machinery.</p> <p>Provide foreign technical expertise to selected companies on cost-share basis with the EDB</p> <p>Establish industry specific Technology Development Centres and develop future technologies using our raw materials</p>	Ministry of Finance Ministry of Industries Ministry of Agriculture Customs EDB

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
3.	High cost of Sea freight and Airfreight.	<ul style="list-style-type: none"> Request the national carrier for concessionary rates and some allocation of cargo space for exporters. Reduce expensive ground handling charges. Removal of Terminal Handling charges and Port Levy. 		Discussion Stage.		Ministry Ports and Aviation Sri Lankan Airlines Ministry of Finance
4	Regaining the lost market and developing more exporters.	<ul style="list-style-type: none"> Reintroduction of Export Development Investment Support Scheme (EDISS) to provide incentive payments to exporters on the incremental exports and should be based on the percentage of value addition in Sri Lanka. 	14-02-2005	Implemented		Ministry Small and Medium Industry Ministry of Finance EDB
5.	High Cost of Finance.	<ul style="list-style-type: none"> Rupee and Dollar loans at concessionary terms for SMEs and other facilities channeled through a dedicated bank for the SMEs. 			SME Bank	Ministry of Finance Ministry of Small and Medium Industry
6.	Lack of International product certification institutes with international accreditation.	<ul style="list-style-type: none"> Establish a national certification body with international accreditation for different product sectors. 		In a process of implementing a accreditation agency for the industries.		Ministry of Science and Technology SLSI, ITI Ministry of Science and Technology

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7.	Insufficient access to overseas markets.	<ul style="list-style-type: none"> Government assistance to participate in selected trade fairs and to get co-operation from the Sri Lankan Embassies and trade commissioners overseas to identify potential buyers, organize individual buyer/seller meetings, collect market trends, competitor activities and also to display Sri Lankan products in our foreign missions. Identify specific individuals to focus on our exports and exporting activities. Allocate adequate funds for these officers to gather, organize and promote activities to enhance our export revenue. 	Continuous program	EDB organized access to international trade fairs for the local suppliers.	SME Bank	Ministry of Foreign Affairs Ministry of Trade and Commerce Ministry of Finance
8.	High cost of packing materials used for exports.	<ul style="list-style-type: none"> Reduction/removal of duty on packing materials that are not manufactured locally in sufficient quantities and varieties Revamp the Institute of Packaging to develop new and internationally competitive packing options for various export product sectors. 		TOR was given to implement a data collection unit at NCED to monitor the Tariff Levels.	SME Bank Implementation of Tariff Data Collection Unit.	Ministry of Trade and Commerce Ministry of Small and Medium Industries

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
9.	Non-availability of showroom space in the duty-free (Departure) area of the Airport.	<ul style="list-style-type: none"> To allocate showroom space in the duty-free area of the Airport to display local products of high quality. Sri Lanka Export Development Board and Sri Lanka Standards Institution to establish and guarantee the level of quality Permit Rupee transactions in the Duty-free shops Open a VAT Refund counter at the airport 	30-06-2005	Space allocated for ten shops on discussion with Air Port Authority.	Identify nine local manufactures for the Duty Free Shops. One shop is run by EDB for small exporters.	Ministry of Ports and Aviation Ministry of Finance Customs
10.	Lack of national brand development & brand marketing and the high cost of overseas marketing	<ul style="list-style-type: none"> Select certain key markets and conduct national brand development and marketing/promotional activities to create a competitive advantage for our exporters, e.g. Ceylon Cinnamon, Sri Lanka Tourism etc. Financial assistance for overseas marketing efforts Financial assistance to maintain their own marketing offices 	Continuous program		In a process of implementing brand awareness program for different industries by EDB. SME Bank	Ministry of Trade and Commerce Ministry of Finance Ministry of Small and Medium Industries EDB
11.	Discrimination between BOI and non-BOI exporting companies	<ul style="list-style-type: none"> Create a level playing field for BOI and non-BOI companies and provide benefits for high value-adding exporters. Also consider facilities similar to BOI for all exporters. 	14-02-2005	Launched EDISS	SME Bank	Ministry Industries Ministry of Finance

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
12.	Short supply of the fruits and vegetable for export market.	<ul style="list-style-type: none"> Promotion of usage of high quality seeds and planting materials by removing VAT on importation. Encourage setting up of model farms through financial incentives. 	30-06-2005		In a process of implementing the Model Farm Projects.	Ministry of Agriculture Ministry Finance EDB
	High cost of airfreight, especially from Sri Lanka to Maldives	<ul style="list-style-type: none"> Government assistance to rent, lease or buy a refrigerated vessel where the revenues from the above sector can guarantee the recovery of investment. 		Concept finalized. Discussion with Mahaveli Authority to acquire land for some farms	SME Bank	Ministry of Ports and Aviation Shipping Corporation
13.	Printing and Stationary Sector High cost of papers for production of recycled paper for exports.	<ul style="list-style-type: none"> Give priority to local recycling factories in supplying waste paper from government organizations. Levy a cess for export of waste paper with no value addition from Sri Lanka to discourage low value added exports and improve supply for value-added exporters. 	Continuous program	Discussion Stage.	SME Bank	Ministry of Finance Ministry of Industries EDB
14.	Organic Product Sector Very high post harvest losses and inadequacy refrigeration, canning, dehydration and other processing centres.	<ul style="list-style-type: none"> Financial assistance for the growers to purchase machines and set-up other processing facilities to refrigerate, cane, dehydrate and process in one location thereby minimizing losses or the government to set up such centres in regions. Provide financial assistance to purchase Reefer Trucks. 	30-06-2005	Discussion Stage.	In a process of implementing the Model Farm Projects. SME Bank	Ministry of Agriculture Ministry of Industries EDB

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
15.	Training on proper technology in cinnamon peeling and processing.	<ul style="list-style-type: none"> Government to set up two training centres in Galle and Matara with one modal cinnamon peeling and processing unit. So that peelers and processors could be trained. Growers are willing to fund the projects with limited government assistance. 			SME Bank	Ministry of Agriculture Ministry of Industries MOF, EDB
	Inadequate supply of cinnamon for the export market.	<ul style="list-style-type: none"> Government to identify few villages as model exports promotion villages for cinnamon growing and processing with supply of micro credit for SMEs. 			SME Bank	
16.	Electronic Products Sector Scarcity of raw materials and dependency on imported semi-finished goods.	<ul style="list-style-type: none"> Provide incentives for the industry to have backward linkages for the production of basic raw materials and metal sheets. 		Discussion Stage.	SME Bank	Ministry of Industries
17.	Ceramic Sector Poor technical know how in extracting raw materials that leads to a wastage of about 40% of raw materials.	<ul style="list-style-type: none"> To introduce a job focus course at Katubadda University where part of the cost can be shared by the sector while also providing employment after graduation Strict implementation of quality standards. 		Discussion Stage.	Warranty Regulations are being discussed and Trade and Tariff Cluster will submit proposal to the Trade and Consumer Affairs Ministry in due course.	Ministry of Trade and Commerce Trade and Tariff Cluster.

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
18.	Seafood Sector High cost of shrimp feed	<ul style="list-style-type: none"> Removal of VAT on shrimp feed. 	01-01-2005	VAT removal is Implemented.		Ministry of Industries Ministry of Finance
	Lack of Shrimp Production and environmental hazards	<ul style="list-style-type: none"> To have a separate BOI-type export processing zone for shrimp farming To clean and make the Dutch Canal environmentally friendly and use the same for shrimp farming 		Discussion Stage.		Ministry of Industries Ministry of Finance
19.	Entering the Chinese market for industrial gloves & condoms.	<ul style="list-style-type: none"> A Free Trade Agreement with China initially for above two products. 				Ministry of Trade and Commerce Ministry of Industries
20.	Leather and Leather Products Sector. Difficulty in getting in to new overseas markets. Leather sector issues.	<ul style="list-style-type: none"> Negotiate concessionary access to selected markets like EU & JAPAN and removal of restrictive quotas. Quick solution to the Bata Aththa industrial park. Implement proposals recommended by the Department of Agriculture on improving quality of main raw materials. 		Discussion Stage.	In the process of implementing the agreement with US and EU. SME Bank	Ministry of Trade and Commerce Ministry of Industries Ministry of Agriculture Ministry Finance

Ref	Issue	Proposal	Target Date	Present Status	Action to be taken	Responsible Person
21.	Wooden Toys and Leather Products Sector. Scarcity of local rubber wood, the main raw material.	<ul style="list-style-type: none"> • Imposition of a cess for export of low-value added rubber wood. • Increase the Forest Department . • Licensing fee for the supply of low-value added rubber wood exports. • Supply of rubber wood from JEDB estates to manufacture high value added products on a priority basis. 		CESS on Rubber is implemented.	Increase the Forest Department. Licensing fee for the supply of low-value added rubber wood exports. Supply of rubber wood from JEDB estates to manufacture high value added products on a priority basis.	Ministry of Forestry Ministry of Finance Ministry of Plantations

Plantation Sector Cluster

Cluster Members

Mr. Mahen Dayananda-Co-chairman	Chairman, Colombo Tea Traders Association
Mr. J. Abeywickrama –Co-chairman	Secretary, Ministry of Plantation Industries
Mr. Rohan Fernando	Chairman, Planters Association of Ceylon
Mr. Lalith Ramanayake	Former Chairman, Colombo Brokers Association
Mr. A. L. Weerasinghe	Chairman, Colombo Rubber Traders Association
Mr. Nalin Jayasinghe	Chairman, Coconut Products Traders Association
Mr. Amara Dissanayake	Chairman, Private Tea Factory Owners Association
Mr. Tikiri Kobbekaduwa	Chairman, Tea Small Holdings Development Authority

Plantation Sector Cluster – Activity Plan

Tea Sector

Indicators	Actual 2004	Target 2005	Remarks
Total Tea Production (mn kg)	308	313	
Export of Tea (mn kg)	300	305	
Foreign Export Earnings (US\$ mn)	750	900	
Average Export Price (US\$ per kg)	2.62	2.95	US\$ 2.37 in 2003

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1.1 (a) Stolen/Illegal Tea Take deterrent punitive action through more effective laws. Amend the Tea Control Act, if necessary.	4 th quarter 2005	Draft proposals will be prepared by SLTB.	Support from Chairman/TASL. Steps will be taken to amend Tea Control Act.	SLTB
1.1 (b) Mishandling of refuse tea that tarnish the image of “Sri Lanka Tea”. Establishment and implementation of strict regulations to monitor disposal system of refuse tea in all the factories Police to take action against any individual or company detected with such teas. Preparation of a proposal to set up an instant tea plant which would add value and also utilize low grade tea, which is currently smuggled*.	4 th quarter 2005	Implementation of existing regulations. Assistance to commence an instant tea factory.		SLTB DG/SLTB
1.2 Non-tariff trade barriers in tea trade imposed by the consumer countries. Encourage establishing food factory concepts in all tea factories (e.g. HACCP) as mandatory by 2006.	4 th quarter 2005			SLTB
50% of the factories in the low country and mid country operate below the capacity. Assess factory capacity utilization Develop a national policy on tea factory establishment and maintenance.	4 th quarter 2005			SLTB

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1.3 Low productivity compared to competitors. Maintain 2% replanting rate.	4 th quarter 2005			TSHDA/MPI
Promote modern agronomic practices.	4 th quarter 2005			TRI
Maintain leaf quality standards.	4 th quarter 2005	Joint initiative is required. New factories need SLTB approval.	TRI will forward a report indicating suitable recommendations. SLTB/TRI will take measures to maintain the leaf plucking standards.	SLTB & TRI
Develop a land use policy for tea sector.	4 th quarter 2005			TRI
Develop a monitoring system to update tea land area changes by using Information Technology.	4 th quarter 2005	TSHDA will cover 275,000 holders under the current census.		TSHDA/TRI
Financial and technical assistance to accelerate replanting and infilling program.	4 th quarter 2005			TSHDA/TRI
Develop/promote alternative energy sources such as mini-hydro, dendro-power.	4 th quarter 2005			TRI/SLTB
Energy using techniques in tea processing.	3 rd quarter 2005			TRI/SLTB
A detailed report on COP.	2 nd quarter 2005			TRI

Rubber Sector

Indicators	Actual 2004	Target 2005	Remarks
Total production (mt)	94,741	103,000	
Export of rubber (mt)	40,344	42,361	
Earnings from export of rubber based products (Rs mn)	32.178**		** up to August 2004

Proposal	Target Dates	Present Status	Pending Actions	Responsible Person
2.1 Declining rubber extent - Insufficient raw rubber for value added industries: Promote new planting & replanting under financial assistance Cess on: a) Raw rubber exports &, Rubber products imports b) Amend Replanting Act to impose a Cess on domestic consumption.	4 th quarter 2005	Cess on rubber products imports have been already imposed with effect from 15.10.2004.	Disbursement of cess funds	DG/RDD
Increase in Cess on domestic rubber product consumption & rubber products exports. (Impose Rs 4/= per kg Cess on domestically used raw rubber at the purchasing level).	4 th quarter 2005	Amendments are being drafted by Legal Draftsman.		DG/RDD & MPI
New planting of 20,000 ha in non-traditional areas & 5,000 ha in traditional areas by 2020.	4 th quarter 2005	Target for 2005 is 4,590 ha (Corporate sector 1,530 ha + Smallholders 3,060 ha)	A detailed Activity Plan together with current progress will be required.	DG/RDD
2.2 Extended delays in decision making due to too many state institutions. Amalgamation of institutes in rubber sector.	4 th quarter 2005	Structure of draft Act is being prepared by MPI.		MPI (D/R&C)

Coconut Sector

Indicator	Actual 2004	Target 2005	Remarks
Total Production (mn nuts)	2,590	2,500	
Export Earnings from Coconut Products (Rs mn)	16,470		
Importation of Edible Oil (mt)	162,400		
Importation of Edible Oil - value (Rs mn)	8,041		

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
3.1 Mite infestation reduces the national crop affecting the entire coconut industry 53,720 ha of coconut lands (13% of national extent) were affected by mite. Development of a coconut mite management strategy.	4 th quarter 2005	National Committee on Mite has been appointed. CRI & CCB officials meet every 2 weeks time. 52 new graduates are engaged in mite related work. Current solutions are less practical or cost effective. A scientific application has to be found. As a new strategy a fungi has been tested.	Contact universities & develop technology. Multiplication of predators through private sector. Long lasting scientific solution has not been achieved yet. Current solution is not practical & cost effective (Mixture of engine oil, neem oil). Encourage farmers to improve fertility of the tree to maintain a good crop. Multiplication of predators will be partly carried out by private sector.	CRI
Developing an IPM for mite with emphasis on biological control methods .	4 th quarter 2005			CRI
Island wide mite management programme.	4 th quarter 2005			CRI & CCB
3.2 Loss of high potential coconut lands due to fragmentation Discourage fragmentation of high potential coconut lands. Control through Tea & Rubber Estates (Control & Fragmentation) Board.	4 th quarter 2005	AG has approved Act.	Act to be gazetted and submitted to the parliament.	CCB & MPI (D/R&C)

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>3.3 BOI-approved projects for refining of imported oil has been granted permission to sell 20% of their production locally, flooding the local market with cheap oil, creating an unfavorable competition for local industry</p> <p>Prohibit selling of any product or by-product in the local market. Monitoring the production of Vanaspathi.</p>	4 th quarter 2005	<p>10 projects approved have commenced construction work and one firm started production.</p> <p>Total installed capacity 100,000 mt/annum. 20% (20,000 mt is allowed to market locally).</p>	<p>CDA has requested Ministry of Industries, Tourism & Investment Promotion to refer for views of the relevant government authority and line ministry before grant permission such companies under BOI status.</p> <p>OIL release to local market should be under the normal tariff and duty structure.</p>	CDA
<p>Introduce standard formulas for vegetable oils & check them before releasing to the market .</p> <p>Monitoring the compliance.</p>	4 th quarter 2005	Expansion of CDA lab to international standards.	<p>Analyze the imported vegetable oil at the customs.</p> <p>Quality testing of domestic coconut oil & take action against adulteration.</p>	CDA
<p>3.4 Increased population of senile palms</p> <p>Increase replanting target up to 10,000 to 15, 000 ha/annum (under Cess Funds)</p> <p>An incentive package to encourage adoption of replanting.</p>	4 th quarter 2005			CCB
<p>3.5 Exporting coir as a raw material and degradation of mill-gate fiber quality.</p> <p>Promote small and medium scale entrepreneurs for value addition.</p> <p>Establishment of proposed coir Research & Training Center.</p>	3 rd quarter 2005	CDA has submitted a proposal to the CCI, CDA has proposed CDA as the governing body.	CDA is seeking consensus of CCI to proceed with the proposals.	CDA with CCI
<p>Innovative pricing scheme based on quality</p> <p>Introduction of novel fiber extraction technologies.</p> <p>Declare a grading system and a differential pricing system tied to quality.</p>	4 th quarter 2005	Formulating of fibre standards has been initiated. Based on this, a quality certification system is practiced.		CDA

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>3.6 Problems associated with issuing patents for coconut-based technologies and products. Regularize the patenting procedure Make the industry actors aware about patent procedure Explore possibilities of canceling the already issued patents for innovations evolved by the accumulation of societal knowledge (e.g. geo-textiles)</p>	<p>3rd quarter 2005</p>	<p>CDA has collected details of the patents issued on coconut based technologies and products. CDA discussed with DG, Intellectual Property Office of Sri Lanka.</p>	<p>Legal action will be taken based on the details collected. CDA will discuss with the relevant institutions and submit a paper to the next meeting</p>	<p>CDA</p>

Sugarcane Sector

Indicator	Actual 2004	Target 2005	Remarks
Sugar production (mt)	72,000	82,800	
Foreign exchange savings (US\$ 289.53 mt)* (C&F) * December 2004	US\$ 21 mn	US\$ 24 mn	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
4.1 A deposit of Rs. 200/ litre of alcohol is imposed by excise commissioner before alcohol produced in the country is allowed to be exported. As this law is discriminatory, & prevents exports, the relevant should be immediately revoked. Securing firm export orders by the alcohol manufacturers and requesting the S/ MFP for removal of the deposit compliance.	2 nd quarter 2005	SRI submitted a report. The relevant gazette notification should be amended with the concurrence of Fiscal Policy Division of Treasury.	Cabinet Memorandum is to be submitted.	MPI & SRI
4.2 (a) Absence of a sugar pricing committee; Large margin between wholesale & retail sugar price Announcement of a fair retail price Appointment of a Sugar Pricing Committee in consultation with the Consumer Affairs Authority with all stakeholders.	2 nd quarter 2005		Inter Ministerial discussion is needed. Joint Cabinet Memorandum with justification & mechanism is to be submitted.	MPI/SAS (T&TM) & SRI
4.2 (b) Absence of a bench mark remunerative wholesale sugar price for the domestic producer Wholesale sugar price to be determined by a pricing committee. Ensure a margin of 10% over the cost of production of domestic sugar.	4 th quarter 2005			SRI

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
4.3 Accumulation of locally- produced sugar and alcohol while the same is imported All importers of sugar/alcohol to purchase mandatory quota Monitor & sanction mandatory quota	4 th quarter 2005		SRI is expected to discuss with Sugar Importers Association for sugar quota.	DG, Customs
4.4 Absence of a dynamic national policy - Corporate plan of development & an implementing agency. Adopt the national policy document titled “ Sri Lanka Sugar Sector Development Policy”. Creation of a National Agency for the sugar industry.	4 th quarter 2005	Cabinet Memorandum has been approved.		MPI/SAS (T&TM) & SRI
4.5 Lack of assistance to farmers establishment, expansion and diversification of sugar mills. Provide low-cost funds for farmer assistance. Provide low-cost funds and grant appropriate tax and duty concessions.	4 th quarter 2005	Depends on the above Cabinet memo.		MPI/SAS (T&TM) & SRI
4.6 Lack of a conducive, policy for production of power, alcohol, alcohol blends for use in automobiles and co- generation of power through sugar mills. Adopt a pro-alcohol policy for production of motor fuel from alcohol (Replace MTBA in petrol with alcohol. Blend up to 25% alcohol with petrol). Legislation to blend alcohol with petrol/diesel as done in elsewhere. Introduction of speedy mechanism for processing and approval of power purchase agreements with sugar mills. Preferential tariffs for power purchase prices under green power from sugar mills.	2 nd quarter 2005			MPI/SAS (T&TM) & SRI
4.7 Non operation of Kantale and Hingurana Sugar Factories Speedy disposal to a capable entrepreneur Financial proposals to be invited by PERC	2 nd quarter 2005	Expression of Interests for Hingurana & Kantale Sugar Ltd has been called by PERC.		MPI/SAS (T&TM) & SRI PERC

Small and Medium Enterprises Cluster

Cluster Members

Mr. Chris Dharmakirti –Co-chairman	Board Director, Employees Trust Fund
Mr. N. M. G. Lal Kumara – Co-chairman	Secretary, Ministry of Small & Medium Enterprise Development
Mr. Ranjan Yatawara	Chairman, Hayleys Ltd.
Dr. Chandra Munasinghe	ADB Project Co-ordinator, ADB Project Unit
Dr. Bandula Perera	Former Chairman, Industries Development Board
Mr. Asoka Hettigoda	Chairman, National Chamber of commerce of Sri Lanka
Mr. Daya Gamage	Chairman, Sevanagala Sugar
Mr. Ariyaseela Wickramanayake	Chairman, Master Divers (Pvt) Ltd.
Mr. Tuly Cooray	President, Joint Apparel Association Forum
Mr. Navaz Rajabdeen	Chairman, Rajabdeen Group

Small and Medium Enterprises Cluster – Activity Plan

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
01. Establishment of the SME Bank. (Part II – Section 40)	Jan – Mar	The Bank was launched and Chief Executive Officer was appointed.	Recruitment of staff and start operations.	Min/NED MoF/ CBSL
02. Establishment of National Enterprise Development Authority. (NEDA) (Part II – Section 41) Formulation and pronouncement of national policy on SME development.	Jan – April	The LD has cleared the final draft of the Bill .	Bill to be presented to the Cabinet	Sec. My/ NED
03. Agriculture Floriculture* (Part II - Section 18) Promotion of a scheme to provide technical know how and extension services to SMEs.	Jan – Mar	Included under the Model Farms for Fruit & Vegetable Project.		Add. Sec. (Dev) My/NED EDB Export Cluster
04. Organic Products* (Part II – Section 20) Watershed protected organic export zones in the country and to set up Organic Product Zones. To share cost of organic certification.	Jan – Feb Jan – Feb	- Do -		My/ NED EDB -do-
05. Model Farms for fruits and vegetable* (Part II – Section 27) To establish 34 farms.	Jan – Dec	Project ready to be implemented.		-do-
06. Value added exports. Cinnamon* (Part II – Section 21) To impose cess and setup Cinnamon Development Fund.	Jan – Mar	Export Cluster had meetings with representatives from Cinnamon industry.		Add. Sec. My/NED EDB Export Cluster
07. Craft products* (Part II – Section 47) To setup a large shopping complex cum exhibition centre.	Jan – Dec	Location to be identified.		Add. Sec. My/NED/EDB

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
08. Non traditional items* (Part II – Section 48) To provide showroom space at the airport	Jan – April	Space allocated for ten shops on discussion with Air Port authority.	Identify local manufactures for Nine Duty Free Shops and one shop is to be run by the EDB for small exporters.	Add. Sec. My/NED EDB My/ Aviation Chair/ AAA
09. Industries Foundry (Part II – Section 23) To impose cess and upgrade technical skills.	Jan – April	Gazette notification is issued		My/ NED EDB
10. Gem & Jewellery (Part II – Section 56 & 66) To establish 10 lapidaries. Income earned from export of Gold, Gem and Jewellery will be exempt from Income Tax.	Jan – Dec	Locations identified.	Setup the Lapidaries	Sec. My/ NED Gem & Jew Auth Inland Rev/ Tax cluster
11. Apparels* (Part II – Section 49) Credit Guarantee for technology improvements. Apparel manufacturers who are registered with the Textile. Quota Board be exempted from the payment of VAT. Incentives for productivity Improvement.	April – Dec	Discussion being held with the Treasury. Implemented Implemented		MoF/ SME Bank Inland Revenue, Industry Chambers
12. Accredited Certification (Part II – Section 32) To establish National Accreditation Board for conformity of standards coming under health, safety and environment.	Jan – May	Cabinet approval obtained. Bill is to be presented to the parliament very soon.	Awaiting parliamentary sanction.	My/ NED My/ S & Tech SLSI

*Proposals executed by the NCED - Export & Apparel Clusters.

Construction Cluster

Cluster Members

Mr. Gratian A Pieris – Co-chairman	Chairman, State Engineering Corporation
Mrs. S. M. Karunaratne – Co-chairman	Secretary, Ministry of Housing & Construction Industry,
Prof. Chithra Wedikkara	Professor, Department of Building – Economics, University of Moratuwa
Mr. Rohan Tudawe	Managing Director, Tudawe Brothers Ltd.
Mr. Ananda Ranasinghe	Consultant
Mr. Gamunu Silva	Chairman, Urban Development Authority
Dr. A. S. B. Wijekoon	Chairman, State Development & Construction Corporation
Prof. Malik Ranasinghe	Senior Lecturer, Dept of Civil Engineering, University of Moratuwa
Col. Nissanka Wijeratne	Managing Director, Link Engineers Ltd.
Mr. Sarath Piyadasa	General Manager, Central Engineering Consultancy Bureau
Mr. P. D. S. Jayaratne	Managing Director, Key Group (Pvt) Ltd.
Mr. Nimal Lokuge	Managing Director Sierra Construction Co. Ltd.
Mr.H. D. Chandrasena	Immediate Past president Sri Lanka Institute of Quantity Surveyors
Mr. Dakshitha Thalagodapitiya	Chief Executive Officer, Chamber of Construction Industry of Sri Lanka
Mr. Rukshan Vidyalkankara	Chairman, Rukshan Vidyalkankara (Pvt) Ltd.
Prof. Lakshman Alwis	Chairman, Institute of Construction, Training & Development (ICTAD)
Mr. Peter Spirig	Managing Director, Holcim (Lanka) Ltd.
Deshamanya H. K. Dharmadasa	Chairman, National Construction Association of Sri Lanka

Construction Cluster – Activity Plan

Ref	Proposal	Target Dates	Present Status	Pending Action	Responsible Person
1.	Academy for Advanced Construction Training (Ref. 34) GOSL will allocate Rs100m Scope of advanced training to be covered by the Academy Structure of the Academy Implementing agency.	31 Mar 2005	Board has been appointed and the first meeting was held.	ICTAD requested to furnish details on progress made to date.	ICTAD
2.	Simplification of Approval Process for new housing projects (Ref. 15) NCED along with Nat'l Housing Development Authority (NHDA) to simplify approval process.	31 May 2005	Meeting organized with the S/Treasury for all authorities involved in the approval process. Sub Committee (UDA, Municipal Council and Private Sector) has been appointed to look at the approval process.	Manual to be developed for the approval process. Sub Committee to recommendation changes for simplification.	M/H&C; NCED
3.	Housing Projects – “Dayata Sevana” (Ref. 13) Target of 300,000 low /middle income housing units Priority: shanty dwellers; plantation community; coastal fishing villages and rural sector Budgetary allocation of Rs 500m Split of 100,000 by Ministry of Housing, 100,000 by UDA and 100,000 by RRR Ministry. Participation of local companies in housing projects. Housing projects by Ministry of Plantations and Fisheries Ministry.		M/H&C has called for EOI for building of 9 blocks Request has been sent to all relevant agencies to provide information on progress made to date and targets for 2005.	Follow up with relevant line ministries to request feedback on requests.	NCED cluster to monitor progress
4.	Housing for Migrant Workers (Ref. 35) <ul style="list-style-type: none"> • Loan up to Rs250k at an interest rate of 5% • Interest subsidy and loan guarantee to be provided by SLFEBU 		At current only 481 individuals have taken up the loan Initial meeting held on 17/2 to discuss current status.	SLFEBU to revert with strategies of increasing the loan subscriptions Meeting to be arranged with the State Banks and SLFEBU to discuss strategies.	SLFEBU; M/H&C

Ref	Proposal	Target Dates	Present Status	Pending Action	Responsible Person
5.	Land Allocation (Ref. 16) <ul style="list-style-type: none"> Allocation of identified land among property developers under BOI incentives for the development of residential houses at affordable prices 		Ministry of Housing has prepared a list of all land that is available.	UDA to recommend suitability of land for development.	M/H&C; UDA
6.	Capital Increase in the Construction Industry Guarantee Fund to Rs500m (Ref. 33) GOSL contribution 250m Declaration of Cess: 0.25% from small contractors, 0.5% from medium contractors and 1% from large contractors based on contract value	Implemented	Cess implemented Meetings have been held with CGF and ICTAD to discuss mechanisms for transfer of funds.	ICTAD to appoint a team for collections and monitoring of CESS.	Director General Fiscal Policy

Proposals In Addition to the Budget

7.	Legislation Construction Industry Policy & Act.	Policy 28/2/05 Act 31/3/05	Progress Report to be submitted at next cluster meeting.	SEC to comment on progress on the development of the Act.	SEC
8.	Rental Housing Stock. Implementation of the Rental Act.			Review status	SEC
9.	Availability of Raw Materials. Initial focus on proposals made by TAFREN/NCED.		Initial assessment of material requirement for 2005-2008 was prepared.	TAFREN is implementing policies to address shortages of Sand, Cement, Timber, Steel and Cement Blocks	SEC
10.	Standardization of Materials ICTAD Quality Control measures inadequate			Review status	ICTAD
11.	Equipment Needs for the Construction Industry <ul style="list-style-type: none"> Necessary heavy equipment not available Management of acquired machinery Safeguard the interests of the importers 		Preliminary list prepared by NCED and submitted to chairman NCED.	Ministry of Housing to compose master list of all materials requests by various agencies. Mechanism of pool system to manage jointly by SEC and private sector was proposed.	SEC
12.	Government debt outstanding to the construction industry. Industry growth restrained due to GOSL debt to the construction industry .			Increase advance payment to 30%. Adoption of ICTAD payment standards for all contracts.	Ministry of Finance

Tourism Cluster

Cluster Members

Mr. Lalith de Mel – Co-chairman	Board Member, Sri Lanka Telecom
Dr. P. Ramanujam – Co-chairman	Secretary, Ministry of Tourism
Mr. Susantha Ratnayake	Jt Managing Director, John Keells Holdings
Mr. Hiran Cooray	Managing Director, Jetwing Hotels Ltd.
Mr. Renton de Alwis	Executive Director, Sustainable Development Consultants
Mr. Rajan Britto	Deputy Chairman, Aitken Spence Group
Mr. Abbas Esufally	Group Director, Hem Tours
Mr. Prema Cooray	Chief Executive Officer, Ceylon Chamber of Commerce
Mr. Udaya Nanayakkara	Chairman, Sri Lanka Tourist Board
Mr. Chandra Mohotti	Chairman, Ceylon Hotel Corporation
Mr. Hari Selvanathan	Deputy Chairman, Carsons Cumberbatch Ltd.
Mr. Malin Hapugoda	Managing Director, Aitken Spence Hotel Management Ltd.
Mr. Praveen Nair	General Manager, Taj Samundra Hotels Ltd.
Mr. Kumar Sharma	Chairman, Hotel Ceylon Continental
Mr. Lakshman Ekanayake	Managing Director, Taj Group of Hotels
Ms. Nayantara Fonseka	Managing Director, Taru Consortium
Mr. Geoffrey Dobbs	

Tourism Cluster

Given the predominance of the Sri Lanka Tourism Industry by the private sector (over 95% of the industry is private sector led). It is key to note that industry initiatives have to be driven by the private sector.

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1.	<p>Tourism Act Defining a clear set of strategies to manage the entire sphere of tourism including developing necessary skills.</p> <p>Institutional restructuring to set up: 1. Tourism Development Authority, 2. Sri Lanka Tourism Marketing Bureau and 3. National Institute of Travel & Tourism.</p>	Present to Parliament end June 2005.	<p>Final act with amendments have been completed.</p> <p>Cabinet approval has been granted on 23rd March.</p>	<p>Creation of an interim organization (similar to NCED and SMEA) pending legislation</p> <p>Act to be presented to parliament</p>	S/MOT
2.	Tourism Promotion Campaign.	To be launched by end of April 2005	<p>Due to the Tsunami aftermath a special program "Bounce Back Sri Lanka" is ongoing.</p> <p>USAID has committed US\$3.5m for marketing plan.</p>	<p>Private sector to develop marketing program with the support of USAID.</p> <p>The Ministry of Tourism to make financial contribution to support the effort.</p>	MOT; SLTB
3.	<p>Restructuring of Hotel School. The Hotel School is in disarray and needs to be revived with long term solution developed.</p>	To begin in June 2005	Has been identified as a separate entity under the Tourism Act	Interim Committee to be appointed to oversee Hotel School pending implementation of new legislation.	S/MOT
4.	<p>Utilization of Key Sites Damaged by the Tsunami The Government to ensure key sites are not lost as a result of Tsunami devastation.</p>		Sri Lankan based Venture Capital Funds have reported lack of liquidity to undertake this project.	<p>To develop mechanism to identify key sites and facilitate utilization of such sites.</p> <p>Proposal has been given to SME Bank to discuss.</p>	NCED to coordinate

Initiatives agreed to be undertaken by the private sector

Ref	Proposal	Target Dates	Present Status	Pending Action	Responsible Person
1	Improving Spend per Tourist The medium term the objective should be to increase spend per tourist from US\$ 65 to US\$ 95 by 2006.	Upto 2006	<ul style="list-style-type: none"> • NCED has requested key Hotels to submit details of progress made to date • Tsunami impact has postponed adjustments for this season. 	Date to be consolidated and summarized.	Key Hotels Groups; NCED to coordinate
2	Facilitate Upgrading of Hotels. Encourage Colombo hoteliers to refurbish the so far closed hotel rooms. Lower category star hotels to upgrade their properties.		<ul style="list-style-type: none"> • NCED has requested key Hotels to submit details of progress made to date. • Hotels have been provided one-year duty waive. (Except for 8 locally manufactured materials). 	Date to be consolidated and summarized.	Key Hotels Groups; NCED to coordinate
3	Community Based Projects 1. 100 Tour Project Providing support to the community to participate in the 100 Tour Project. Issues regarding lack of tour destinations and liability of tour operators need to be addressed.		<ul style="list-style-type: none"> • Legal issues with regard to implementation were discussed. 	Key Hoteliers to develop tours based on the community involvement.	Key Hotels Groups; NCED to coordinate
4	Development of local Tourism To develop opportunities for locals to enjoy attractions while targeting foreign tourists. Address lack of good accommodation at affordable prices for local tourists. Address lack of information Re: accommodation options for local travelers.		<ul style="list-style-type: none"> • The Comfort Cnters at Bibile and Namaluyana have been developed. 	A pilgrim rest project will be developed for Mihintale. Accommodation guide for local travelers to be updated.	

Notes - S/MOT – Secretary Ministry of Tourism, SLTB – Sri Lanka Tourist Board

Public Sector Reforms Cluster

Cluster Members

Dr. Gunapala Nanayakkara – Co-chairman	Director, Post Graduate Institute of Management
Mr. Mahinda Bandusena – Co-chairman	Member, Interim Commission of Administration
Mr. D. Dissanayake - Co-chairman	Secretary, Ministry of Public Administration
Mr. Mano Tittawella	Senior Advisor to Her Excellency the President
Mr. Lalith Weeratunga	Secretary to the Prime Minister
Mr. Tissa Devendra	Chairman, Interim Commission of Administration
Dr. Tara de Mel	Secretary, Ministry of Education
Mr. Nihal Sri Amarasekera	Chairman, Public Enterprise Reform Commission
Mr. Daya Liyanage	Chairman, National Procurement Agency
Mr. S. B. Divaratne	Deputy Secretary to the Treasury, Ministry of Finance
Mr. Sumith Abeysinghe	Deputy Secretary to the Treasury, Ministry of Finance
Mrs. Sujatha Cooray	Director General, External Resources Department, Ministry of Finance
Mr. Asoka Gunawardana	Chairman, Finance Commission

Public Sector Reforms Cluster

Administrative Reforms Committee

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1. Functional Review of government agencies to avoid irrelevant and duplicated functions of government agencies		Participatory exercise under ARC guidelines through all government agencies commencing with workshop for Secretaries etc on 09/10/04. System-wide participatory exercise under guidelines to be issued. Special attention will be given to institutions identified in Econ. Policy Document as well as to Divisional Secretariats.		
2. Ensure that functions which remain after 01 are carried out in most efficient and client friendly ways	Launch at the end of item 01 4 months duration, Items 01 and 02 to be completed by end June 2005.	.	System-wide participatory exercise under guidelines to be issued. Special attention will be given to institutions identified in Econ. Policy Document as well as to Divisional Secretariats. Introduction of ICT in liaison with ICTA. This exercise should end up with writing of (a) manuals of procedure and (b) job descriptions for each position	
3. Determine the proper role and examine the present workload of Ministry Secretaries and Heads of Institutions and implement necessary changes with government approval.				
4. Examine the arrangements for the training of members (induction/in service) of the new Management Assistants Service.			This is considered an urgent requirement. Will be done through expert panel without interference with any other on-going activities.	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>5. Review the Service Minutes of the All Island Staff Level Services and recommend to government any changes necessary to meet present day needs.</p>			<p>A revised SLAS Minute has been submitted by the Ministry of PA to Cabinet for approval. It is proposed that with the approval of the Cabinet, ARC first examines it and makes recommendations to government and that the approved version serves a model for the other services.</p>	
<p>6. Formulate a scheme for a Senior Management Group (SMG) as a field for selection of appointees to high-level posts.</p> <p>To ensure that a pre-selected and trained group of competent officers is available as a pool for a transparent and merit based system of selection to high level posts (such as those of Secretaries) and thus ensure competent leadership in the public service.</p>	<p>Duration 2 months from beginning. To be completed by end of April 2005.</p>		<p>To be undertaken in tandem with item 05.</p>	
<p>7. The general training needs (as distinct from institution-specific) of Staff level Service personnel and the proposed SMG to be studied (in the context of revised service minutes and other perceived modern needs) and any necessary changes to be effected.</p> <p>To ensure that Staff level officers including prospective appointees to high level posts receive a continuous training and knowledge/skill updating which will fit them to their expected roles in a modernized administration.</p>	<p>Duration 4 months. To be complete by September 2005</p>		<p>To be undertaken in tandem with items 05 and 06.</p>	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
8. Formulate and initiate an appropriate programme to continuously upgrade and update the knowledge and skill base of holders of high level office e.g. Secretaries.	Launch of study Immediate 2 months for formulation and launching	Some of the ideas contemplated: a series of weekend seminars or retreats organized on a continuous basis by a suitable agency. Abstracts/summaries of important writings to be circulated occasionally.		
9. Rationalization of meetings. Survey and drafting guidelines. Today it is an observed fact that many senior public officers spend an inordinate amount of time flitting among meetings, which themselves are not conducted properly resulting in wastage of time, effort and money not to speak of sub-optimal decision making.	Duration 4 months.		Launch of survey immediate.	
10. Formulation of practicable performance appraisal schemes. The need for performance appraisal is evident. At present it is doubtful whether any schemes are actually in operation.	Duration 4 months. Schemes to be implemented Jan 2006.	Launch of study November '04. Duration 4 months.	Schemes to be implemented beginning Jan 2006.	
11. Completion of the revision of the Establishments Code (the provisions which do not now fall within the ambit of the PSC) commenced in 2002.			The study to begin immediately.	
12. Compilation and issue of a Manual of Best Office Practices. To serve as a general guide on best office practices, to complement the new revised systems and procedures.				
13. Campaign to improve the physical environment of public offices. To provide productivity enhancing physical environment to employees and a pleasant place for transaction of business to the public.				

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
14. To provide the public a pleasanter service and thereby (in addition to intrinsic value) raise the image of the public service.				
15. Inaugurate a reward scheme for public officers for outstanding good work including useful innovations.		Continue formulation of scheme initiated by 1st ARC and entrusted to Ministry of PA.		
15. Launch study for identifying measures to combat corruption.				

Ministry of Finance Reform Programme Activity Plan

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
01. Visible physical structural change to symbolically impart a message of a process of change complemented with change of personnel and role in order to create a positive first impression.			<p>Change Reception counter to meet current trends.</p> <p>Design a waiting room for visitors.</p> <p>Improve the décor of the lobby with potted greenery, painting etc.</p> <p>Initially 2nd floor lobby too to have plants to add colour and improve the décor.</p> <p>To have two/three receptionists.</p> <p>Security guards to be removed from the reception counter & to be placed outside the reception counter and to issue visitor's pass and to maintain a log of all visitors.</p>	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
02. Re-orient front office staff to give a friendly and courteous service and image enhancement			<p>Lift Operators: Lift operators provided with new uniform to make them feel respected in order to obtain a courteous and efficient service</p> <p>Arrange a training programme to initiate change of attitude</p> <p>Administration to closely monitor their performance Front office staff: The receptionists, security guards and key secretaries of departments who are the first line of contact with visitors to be trained in handling visitors, building public relations, telephone skills, manners, speech, document etc. Resource persons for training- Mr. Upali Samaratne & the British Council</p>	
03. Improve public relations, interpersonal skills, enhancement of management competencies and to instil change in order to facilitate active participation and commitment to change in the process of reform.			<p>Development of Managerial staff: Arrange workshops and seminars to senior and middle managers on enhancement of management skills, enhancement of leadership skills, responsibility and accountability, motivation, delegation and empowerment etc. Resource persons- PIM, British Council and other identified sources.</p>	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>04. To improve effectiveness & productivity and thereby provide a quick and efficient service to both internal and external stakeholders.</p>			<p>Enhancement of writing skills: Arrange workshop at British Council after placement test for middle management and personal assistants. Enhancement of English language skills:</p> <p>Arrange training programme at the British Council for secretaries, stenographers & other staff to increase their competency. Change in manner of delivery of inward mail:</p> <p>To do away with entering of generally addressed inward mail at the Tappol to avoid duplication and delay. These letters to be entered by the respective departments in their inward mail register and handed over to responsible officers.</p> <p>To introduce software package for recording and monitoring of progress of inward mail. Introduction of benchmarks in replying letters.</p> <p>Identify subject officers responsible for replying/attending to letters.</p>	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
			<p>Empower subject officers to acknowledge and reply letters under their signature and to be held accountable. Letters should be referred to higher authority only in case of need.</p> <p>Acknowledgement to be sent within two days of receipt, if not possible to send detail reply.</p> <p>Detail reply to be sent within further three working days, if only an acknowledgement has been sent.</p> <p>Responsible officer in each department to monitor</p> <p>Codification of operating instructions.</p> <p>All operating instructions to be prepared as a compendium for easy reference and to be made available as Operations Manual and an abbreviated version to the public on the Ministry website</p> <p>Circulars of public finance, public enterprises and management services indexed. Missing circulars of public finance identified.</p>	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
05. Human Resource Management and Development to enhance the quality and efficiency of the workforce to maintain the momentum of the change process	On going		<p>Identify suitable persons with professional skills</p> <p>Continue identified seminars/workshops for enhancement of skills and competencies on an on-going basis</p> <p>Consider introducing a Performance Potential Appraisal.</p> <p>Consider reward scheme to achievers.</p>	
06. To create a medium of communication to educate the staff on Ministry activities and progress and success of reform process			Initiate/ reintroduce a newsletter.	
07. Introduce software package for automation and enhancement and improvement in communication			<p>Introduction of Lotus Notes for better communication and monitoring: Arrange a demonstration of Lotus Notes to senior managers for evaluation of the usefulness of the package Maintain and monitor database of inward mails, action taken etc. Facilitate inter-department and interdepartmental communication</p> <p>Maintain a schedule for meetings and appointment of key senior officers to be viewed by authorized personnel.</p>	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
			Maintain a database of circulars issued by respective departments Maintain a database of all departments, including staff strengths, corporate plan etc. Automate the Treasury telephone index etc.	
08. Preparation of a corporate plan and implementation strategies.			Ministry's vision, mission & Corporate plan to be communicated to the Heads of Department Preparation of Departmental Corporate plan, vision and mission Identify strategies, goals and targets and persons responsible to achieve Corporate plan of each department Ministry's Departments' Corporate plans to be displayed on the web.	

National Council for Administration

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>1. Formulation of the organisational structure.</p> <p>Presentation of a Bill for the enactment of the NCA in Parliament.</p>		<p>Undertake preparatory work with the view to setting up Permanent Council.</p> <p>Formulation of the draft legal framework to provide the powers and functions required for functioning of the Permanent Council.</p>		
<p>2. Revisit the salary structure and correct anomalies created during the post SC 2000 period.</p>			<p>Review & update the recommendations of SC 2000 taking into account the present conditions.</p> <p>Effect corrective measures to sectors adversely affected by ad hoc salary increases.</p> <p>Make necessary salary adjustments in areas where anomalies exist in (A) SC 2000 recommendations and (B) Post SC 2000 period.</p>	
<p>3. Establishment of a website and promotion of e-government at both provincial and central government levels as a long-term objective.</p>			<p>Action to be taken from Nov 2004 onwards.</p>	
<p>4. Commencement of conflict resolution programmes in specified sectors.</p> <p>To bring stakeholders together adopting modern HRM techniques to create better understanding between interest groups to reach solutions to their problems by mutual agreement.</p>				

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>5. Medium Term Programme Lack of coordination among government institutions.</p> <p>Establish a coordination mechanism to interact with Ministries and Government agencies including Provincial Councils.</p>		<p>Discussing policy issues pertaining to salaries, cadres and structural changes.</p>		
<p>6. Identify managerial and other limitations faced by Government agencies.</p> <p>Conduct discussions with Ministries/Agencies to seek speedy & effective solution to the issues raised. Identify & remove constraints to ensure better delivery of services.</p> <p>Establishment of a mechanism for effective coordination between national institutions and Provincial Councils.</p>		<p>Provide Agencies with necessary expertise and guidance to identify managerial problems effectively. Encourage institutions to overcome obstacles in implementation of reforms/changes within their sphere of competence. Intervene positively wherever possible and follow up issues at policy formulation and implementation levels. Smooth & speedy interaction between Central and Provincial Governments.</p>		
<p>7. Introduction of a fair and equitable remuneration policy which would motivate in enhancing employee performance with a view to give a meaningful expression to a development oriented Public Service maintaining a balance, as far as possible, with private sector wages & prospects.</p>				
<p>8. Develop an appropriate policy for training of public sector personnel at all levels.</p> <p>Coordination and rationalization of training programmes conducted by government & government assisted training institutions.</p>				

National Procurement Agency Activity Plan

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
01. Establishment of National Procurement Agency. (NPA) under the hands of the H.E. the President under Article 33 of the Constitution of the Democratic Socialist Republic of Sri Lanka by suppressing the existing PSB of the MOF.		i. Organizational Structure has been laid down to meet the objectives of the NPA ii. Strategic Plan of the NPA will be developed. iii. Activity Plan contains activities and sub- activities to be carried out from 2004-2008 to meet the Vision, Mission and Objectives of the NPA.	Actions are being taken by the NPA to recruit key staff Develop and Review the Strategic Plan Develop and Review the Activity Plan (NPA shall take actions to incorporate the NPA by an Act of Parliament).	
02. Develop simplified and harmonized guidelines for public procurement. Task Force will be established to review the existing guideline and to propose harmonized guidelines to meet the requirements of all donors and GOSL funds. The experienced public and private sector officials with the representatives of WB/ ADB/ JBIC will be involved in the process.				The Policy and Regulation Directorate of the NPA.
03. Develop Standard Bidding Documents and Standard Request for Proposals by reviewing the existing documents of various donor agencies/ other agencies.				The Policy and Regulation Directorate of the NPA
04. Develop standard specifications for goods and equipment and for selected Civil Woks by reviewing the available information at the initial stage and continue the process.				The Policy and Regulation Directorate of the NPA
05. Develop relevant formats for Procurement Plans based upon Activity Plans of government agencies and develop the National Procurement Plan in line with procurement policy and development priorities				The Monitoring Directorate of the NPA

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
06. Prepare Contractor's Data Base by collecting information and revise the registration process by reviewing the existing procedures for registration of contractors by liaising with relevant agencies/ donor agencies.				The Monitoring Directorate of the NPA
07. Develop rules and procedures for black listing.				The Monitoring Directorate of the NPA
08. Develop Data Book / Analysis of Rates by reviewing existing information and disseminate information to all government agencies, revise the rates once in 5 yrs.				The Monitoring Directorate of the NPA
09. Collect information by calling all public sector agencies and accredit them following criteria / test				The Monitoring Directorate of the NPA
10. Develop web-based information system/ hotlines to disseminate information quickly and issue circular instructions to assist govt. agencies.				The Policy and Regulation Directorate of the NPA
11. The Policy and Regulation Directorate of the NPA.				The Policy and Regulation Directorate of the NPA

PERC Activity Plan

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>1. Re-orientation of PERC to discharge its functions, duties and responsibilities in terms of Section 4 & 5 of the PERC Act.</p> <p>(PERC Act needs minor amendments)</p>		<p>Organisation Structure has been strategically defined to discharge PERC's functions, duties and responsibilities.</p>	<p>To be concurred upon by the Management Services Division of the Ministry of Finance</p>	
<p>2. PERC is inundated with several post-privatisation issues arising out of previous privatisations carried out.</p> <p>(This also includes verifying and co-ordinating payments in respect of previous privatisations, particularly payments in relation to employees, gratuity etc.)</p>		<p>Separate Post-Privatisation Issues Unit has been incorporated into the Organisation Structure to deal with these issues.</p>	<p>PERC conducts Weekly Meetings, together with the attendance of Officials of the Public Enterprises Division of the Treasury and Officials of the Attorney General's Department, where relevant issues are taken up, together with the affected parties, where relevant, for resolution of these issues.</p>	
<p>3. Monitoring of all public enterprises that have been previously privatised by the Commercialisation Division of the Ministry of Finance and subsequently by PERC, taking also into account the sectoral context.</p>		<p>Separate Monitoring Unit has been incorporated into the Organisation Structure to call for relevant information from the privatised enterprises for monitoring/review. Consultants are to be retained to support this activity through the ERTA Project.</p>	<p>ERTA Project to approve identified Consultants and to fund them.</p>	
<p>4. Review, study and examination of identified non-strategic, commercial and non-commercial public enterprises.</p>		<p>The separate Units of PERC incorporated into the Organisation Structure to call for relevant information from these public enterprises, visit them, and to review and examine their performances and activities, for re-orientation to meet contemporary needs or justification of continuity of same.</p>	<p>Co-operation to be extended by all relevant commercial and non-commercial public enterprises, to be co-ordinated with the Director General, Public Enterprises of the Treasury.</p>	

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
5. Divestiture of certain selected commercial public enterprises.		The separate Units of PERC incorporated into the Organisation Structure to call for relevant information from these Commercial Public Enterprises and to formulate requisite strategies for Divestiture.	Co-operation to be extended by concerned commercial public enterprises and requisite decisions to be taken by the concerned Ministries and Cabinet.	
6. Promoting the enactment of requisite legal and regulatory frameworks to ensure the proper functioning of and motivating the private sector; updating to international norms and standards		A separate Unit under a Director Legal is being set-up to pursue this activity in co-ordination with the relevant State Agencies/Projects.	Relevant State Agencies/Projects to take action to formulate requisite Laws and Regulations for approval by Parliament.	
7. Promoting the establishment of an Agency to deal with serious commercial crimes in the contemporary public/private commercial environment and Capital Market.		A separate Unit under a Director Legal is being set-up to pursue this activity in co-ordination with relevant State Agencies. Funding from donor agencies and technical inputs to be explored.	Requisite Statute to be enacted as per Cabinet Approval granted, and a Skilled Multi-Disciplinary Agency to be set-up to investigate and prosecute commercial crimes, as in other developed countries.	
8. To promote rural economic infrastructure, bringing the PSIDC to function as an integral unit under PERC. Proposed ADB Fund for post-privatisation support of privatised enterprises to be also brought under PSIDC. The PSIDC was also requested by the Secretary to the Treasury to act as a Fund Manager for funding of the Plantation Sector Companies.		Rural economic infrastructure projects to be identified to be funded through PSIDC funds, disbursed and collected by Banks, after appraisal of selected Rural Economic Infrastructure Projects. To be developed	Ministry of Finance to re-constitute PSIDC Board as discussed, and empower PERC to proceed with action. To be developed	
9. Sale of Minority Shareholdings in commercial enterprises.		A dedicated Unit of PERC to pursue the disposal of these Minority Shareholdings held by the State.	Co-ordination with Secretary to the Treasury, through Director General, Public Enterprises.	
10 Liquidation/winding up of closed Public Enterprises.		A separate Unit of PERC is to be dedicated to confirm the conclusion of the liquidations carried out, and to progress with the ongoing liquidations.	Co-ordination with relevant state agencies; and the status of progress to be subjected to audit.	

Steering Committee for the Modernization Programme of the Inland Revenue Department Activity Plan

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1. Preparation of the service minutes			Review the present service minutes. Review the present cadre related matters based on new structural changes. Obtain proposals from interested parties. Decide supporting staff required. Design salary structure for each category of staff Absorption of combine service staff . Finalising the service minutes.	
2. Preparation of code of conduct and tax charter		Prepared and published.		
3 Revenue enhancing proposals including improvements in tax administration		Review the present system Identify weaknesses in the present system Obtain and analyse proposals Note: Short term revenue proposals		

Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
<p>4. Public relations strategies</p> <p>Need to enhance public relations</p>	31.07.05		<p>Public awareness programme through electronic media.</p> <p>Public awareness programme through paper notices.</p> <p>Awareness programmes for specific institution/persons</p> <p>Tax payer education programmes.</p> <p>Identification and reorganisation of good tax payers.</p> <p>Awareness programmes for general public</p> <p>Improve office environment.</p> <p>Establish a unit as a module.</p> <p>Find a land for public car park</p>	
<p>5. Improve participation of employees.</p> <p>Lack of participation of employees.</p>	31.07.05	<p>Getting proposals from employees.</p> <p>Group awareness programmes</p> <p>Workshops on changing attitudes.</p> <p>Discussions and evaluations</p>		
<p>6 .Promote consultative process.</p>	31.07.05		<p>Providing technical knowledge.</p> <p>Training programmes on different subjects.</p> <p>Providing special training on IT.</p> <p>Getting international experience.</p> <p>Providing modern communication facilities.</p>	

Education Cluster

Cluster Members

Professor Colvin Goonaratna – Co-chairman	Member, Constitutional Council of Sri Lanka
Dr. Tara de Mel – Co-chairman	Secretary, Ministry of Education
Professor Dayasiri Fernando	Former Dean / Professor of Surgery, University of Sri Jayawardenapura
Professor Sharya Scharenguivel	Professor, Faculty of Law
Mr. Faizal Salieh	Chief Executive Officer, Amana Investments Ltd.
Mr. Chandra Embuldeniya	Former President NCC
Mrs. M. Manuratne	Consultant (Human Resources) Merchant Bank
Mr. Jayantha de Silva	Vice President, South Asia – IFC R&D
Mr. D. K. Rajapakse	Deputy Chairman / Managing Director, DSI Samson Group (Pvt) Ltd.
Mr. Somabandhu Kodikara	Principal, Gateway International School
Mr. Nihal Wadugodapitiya	Chief Executive Officer, Metrof (Pvt) Ltd.

Education Cluster Activity Plan – General Education

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
1.	Students are not career oriented.	Provide career guidance in a systematic manner. Encourage students to have a career ambition from early days in school.	Continuous Program.	In the process of implementing into the curriculum.		MOE, S/Principals
2.	Deterioration of traditional good values such as conduct, ethics, responsibility and accountability of teachers.	Develop confidence and good attitudes through activities Develop team spirit among teachers through periodic exercises More extracurricular activities for all children such as music, drama, photography, art etc. co-curricular. Review the code of ethics developed by NAT. Performance merits to be evaluated by principals Provide incentives to get good teachers to serve in difficult areas. Teachers appearing for interviews on promotions, transfers etc to carry a recommendation from the principal based on performance evaluation Measures to be used are student evaluation of teachers, peer evaluations, extra curricular activities, attendance, etc.	Continuous Program.	In the process of training teachers.	Improve ethical and responsible conducts.	MOE, NAT

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
3.	High absenteeism among teachers. Personal matters and particularly private tuition are reasons.	Develop the proposed code of conduct. Enable encashment of unutilized leave. Consideration of leave utilization for transfers. SDC to raise funds from OBA etc for rewards.	Continuous Program.	In the process of implementing new schemes and educating teachers.	Improve productivity through ethical conduct. Improve productivity through incentives.	MOE, SDC, OBA
4.	Improve governance in schools	Set up SDC. Consider appointing an independent Chairperson and the principal as the Chief Executive to enable greater transparency and accountability. SDC to include head teachers, parents, past pupils, responsible citizens (numbers to be decided) Education Ministry to formulate detail plans to implement SBM. These committees will utilize government funds in the best possible manner. Selection of teachers will be part of the responsibility of the SMT Each school to have an accounts trained clerk for maintaining proper accounts. SMT prepare 1 year operational plan to fit into the long term plans and to oversee the day to day functional activities. SDC to prepare 5 year development plan.	Continuous Program.	In the process of implementing new schemes and educating teachers. In the process of training teachers.	Improve governance Improve financial accountability Improve capacity to raise local funds Improve planning development activities and implementation.	MOE, SDC, SBM, SMT, OBA

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
5.	<p>Various functional activities deteriorating in schools.</p> <p>School maintenance is getting neglected.</p>	<p>Requirements of teachers, administrative staff, and maintenance staff for the long-term development to be identified and recruited.</p> <p>Recruit maintenance officer for each school who is a hands on multipurpose person Outsource some of the services Team spirit in schools can help maintain the school surroundings and buildings in good shape and thus plan exercises for staff to develop team spirit Each regional office to take closer interest in maintenance and should have a proper civil engineer Fund allocation for maintenance should be based on the area to be maintained.</p>	Continuous Program.	<p>In the process of implementing new schemes and educating teachers.</p> <p>In the process of training teachers.</p>	Overcome HR shortages.	MOE, S Principals, OBA
6.	No proper attention is paid to the needs of teachers.	<p>Each school to train counseling officers.</p> <p>Each regional office to have a nodal point accessible to counseling officers. The Ministry of Education to have an Education Ombudsman. Continuous professional development of teachers.</p>	<p>Continuous Program.</p> <p>31-12-2005 (Education Ombudsman)</p>	<p>In the process of training teachers.</p> <p>In the process of implementing new schemes and educating teachers.</p>		MOE

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
7.	Students are not focused on national development needs and priorities.	Conduct training on development needs, social values, ethics, environmental issues, etc., for students Develop peer evaluation standards.	Continuous Program.	In the process of implementing into the curriculum. In the process of educating and training teachers.	Motivation through patriotism.	MOE, S Principals
8.	Quality Assurance	Evolve a format for students to participate in evaluating teachers Evolve a set of self evaluation criteria and implement the scheme Schools to write down their ethos and values and integrate it to the school's system.	Continuous Program.	In the process of educating and training.		MOE
9.	Improving the productivity of education	Rationalize content to bring in more of desired outcomes.	Continuous Program.	Continuous Program.		MOE

Education Cluster Activity Plan- University Reforms

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
1	A large majority of the eligible youth is deprived of Higher Education for no fault of theirs.	Increase intake to conventional universities to 17800 in 2006 from 16255 in 2005 (9.46%). Ensure the degree courses selected are employment generating. Accelerate programs to improve quality.			This will produce a knowledge based, high quality human capital and improve social equity	MOE, UGV, VC
		Broad base secondary education to provide basic exposure in maths, science, commerce, accounting, etc. Make it possible for students taking vocational training to earn transferable credits to other institutions. Establish active, meaningful partnerships on staff/student exchange program with overseas faculties & reputed universities.			Enable more investments into education and give wider opportunities to the youth for education. Students can seek education in courses leading to accounting careers etc.	
		Each university to come up with relevant new degree programs	Implement by 2005/2006.		Ensure that all relevant facilities are available.	
		Each university to prepare a business model with plans for starting/ expanding external degree program with similar curriculum and certification as a self sustained service. Quality assurance council should be established and be functionary in the UGC.	Start implementing in 2005 with adequate staff and facilities.		Overall target to capture at least 40% of eligible candidates by 2006 Each university to offer external degrees to a minimum of 1500	

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
		Design new courses to involve multi disciplines and cutting through department barriers Strengthen facilities Recruit staff Increase intake by at least 5000 in 2006			OUSL has the potential to offer courses to most of the population.	
		Develop a business model for each university All universities to maintain a pluralistic approach Staff development – allocate one slot each for the 14 universities on scholarships			Implement by 2005/2006	
2	Improve quality and relevance of University Education Degree Programmes	Institutional Block Grants per universities. English Rs.8-10m IT Rs.8-10m Social Harmony Rs.8-10m Student Support Services Rs.8-10m Ensure progress according to plans. Make all VCs/Deans accountable for expenditure of IRQUE Funds.			Funds disbursed to universities by Jan 2005	MOE, UGV, VC
		Bring reforms into the curriculum rapidly to keep pace with advances in globally. Change over to 15 week semesters. Focus on PBL, qualitative changes in examinations.			This prepares graduates to face needs of industry etc.	
		Develop a standard process for benchmarking credits or recognizing credits. Provide mechanisms for inter faculty transfer of credits Provide mechanisms for interuniversity transfer of credits.			Enable a larger population to utilize university education by spacing their efforts to earn credit.	

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
		Use IT to facilitate continuous assessment in all disciplines.			Enable all students and staff to evaluate progress of their studies	
		Carry out the Institutional Quality Assurance Process rigorously. Tag performance to fund-allocations.			All VCs to address these issues with deans and faculty staff.	
3	Speed up synchronizing terms.				All universities will fall into a similar calendar and clear many difficulties facing students	MOE, UGV, VC
4	Improve the Quality of Delivery Mechanisms	Define contact hours, tutorial hours, study hours, project and report, personality development, leisure etc. Provide facilities to match student centered activities, PBL. Enable each student to access internet with adequate facilities			Students to feel that their needs of learning are served by bringing greater focus into such activities All students gain competency in the use of Internet	MOE, UGV, VC
		Every student should be given opportunities and training to use Multimedia tools to communicate and present information			All students gain competency in the use of Multimedia.	
		Every degree course to have a number of credit hours for project work and reports, assignment and in-house training through electives.			These are essential skills for a well rounded student.	

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
		Build up new curriculum with placement from one year to six months Set up unit to deal with placement issues and develop strategy Use reputed government and willing private establishments for placements Universities to approach Chambers. (Prof. Dayantha Wijesekera to use NAITA resources)			Placements in industry be it in the private sector or in the public sector improves the students preparedness to meet challenges in real life	
		Class sizes should become smaller Larger classes to have better technology to communicate within classes Tutorials should be confined to maximum 20 and develop future infrastructure according to those numbers.			Smaller classes afford better focus on students needs and interaction	

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
5	Poor level of Research Activities geared for economic development.	Introduce funding models in partnership with private sector. Develop models for the R&D process to cover basic research leading to commercial applications with appropriate partners. Reward academics for outstanding research. Enable publications. Facilitate and encourage IPR. Set up a web portal among academic institutions for staff development, scholarships, funding available etc. To organize a workshop for academic institutions and R&D organizations to evolve a nationally focused program for research with national relevance.			If all universities come together on research agendas there could be plenty of scope for innovative approaches to generate value to the economy. A national program will enable optimization of scarce resource utilization and bring greater value to the national economy.	MOE, UGV, VC
6	Improve the Quality of Undergraduates by improving their soft skills.	Prepare credit earning courses to improve soft skills.			Credits will make sure students learn these essential skills.	MOE, UGV, VC
		Introduce courses on management and entrepreneurial skills through a general education format. Introduce business culture.			This will enhance opportunities for self employment.	
		Introduce private sector mentors for small groups of students. Teach students private sector ethos.			This would improve understanding of the private sector.	
7	Broad basing the Scope of Education.	Introduce broad general education mostly in the first year.			Broad knowledge is essential for a well rounded student.	MOE, UGV, VC

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
		E.g. A new Faculty of Marine and Ocean Resources (for University of Ruhuna) Other courses that will draw on Local Minerals, Engineering and Chemistry.			Our economy can immensely benefit from greater value addition to local resources.	
		Set up a new Faculty with courses on products made out of meat, milk, poultry, goats, sheep, and lamb				
		Set up more courses in universities to teach Fashion Design for the Fashion Industry.			This is a strategy for apparel sector to create more value locally.	
		Prepare graduates to take up jobs in Plantations through such curriculum activities. All these could be assisted through some organization like UNESCO.			Rectify present short comings in fitting graduates into plantations management.	
8	Create avenues for innovative and new degree programme	Uva-Wellassa University. University of the Visual and Performing Arts (with strong technology support). University of Vocational Technology.			University Commencement 2006 with intake from 2005 results.	MOE, UGV, VC
		Set up an independent university for Dual Mode delivery/ multi-mode delivery.			This would reduce the numbers deprived of higher education.	

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
9	Archaic Administration to be reformed urgently.	<p>Introduce good governance principles.</p> <p>Appointment of financial manager according to the each university budget.</p> <p>(VCs and Councils to determine the requirements of bursar)</p> <p>Introduce better General Administration Systems</p> <p>Release funds on time according to plans.</p> <p>Train all involved in administration including academics periodically on refresher courses.</p> <p>Use recognized financial accounting managers and adopt such systems.</p>			This would ensure better results all-round.	MOE,UGV, VC
		<p>Develop Job Descriptions and Performance goals.</p> <p>Conduct regular Performance. Evaluation to engage with accountability for all in the university system.</p>			Better human productivity	
		<p>Develop long term plans to increase accommodation.</p> <p>Improve Accommodation Management.</p>			Students will be better able to concentrate on their education.	
10	Gradually worsening student issues.	<p>Improve on PR Strategy.</p> <p>Involve students in the decision process.</p> <p>Educate students about Anti Ragging Act.</p> <p>Strengthen Mahapola and Bursary Scheme.</p>			Students are the main customer of a university and this will ensure satisfaction.	MOE, UGV, VC

Ref	Issue	Proposal	Target Date	Present Status	Pending Action	Responsible Person
11	Impact due to burning staff issues.	Grant at least 50 Training opportunities per year. Train Administration staff at private sector organizations to improve efficient workflow.			Adopt more advance and upto date financial and administration methods to improve efficient workflow.	
12	Absence of a consistent Strategy to Deliver National Goals.	Conduct workshops for academics to workout components of strategies and review progress. Similarly conduct Workshops for students. Conduct Workshops for corporate and Public Sectors.	Before end of May 2005.		BCE becomes the standard forum to develop, evaluate and adjust education strategy.	

Employment Creation & Skills Development Cluster

Cluster Members

Professor Dayantha S. Wijesekera – Co -chairman	Secretary, Ministry of Skills Development, Vocational & Technical Education
Mr. Leslie Devandra - Co-chairman	General Secretary, Sri Lanka Nidahas Sevaka Sangamaya
Mr. Mahinda Madihahewa	Commissioner General of Labour
Mr. Chandra Mohotti	Chairman, Ceylon Hotels Corporation
Dr. Ajith Madurapperuma	Dean, Faculty of IT, University of Moratuwa
Mr. Harry Sandrasekera	Vice President, Ceylon Workers Congress
Mr. Prema Cooray	CEO, Ceylon Chamber of Commerce
Dr. Vinya Ariyaratne	Executive Director, Sarvodaya Movement
Mrs. Shyamali Ranaraja	Labour Lawyer
Dr. T. A. Piyasiri	Director General, Territory & Vocational Education Commission
Mr. Lionel Pinto	Chairman, Vocational Training Authority of Sri Lanka
Mr. P. W. Seneviratne	Chairman, National Apprentice Industrial Training Authority
Mr. K. H. Kalugampitiya	Director General, National Institute of Technical Education in Sri Lanka
Mr. P. Kodithuwakku	Director General, Department of Technical Education & Training
Mr. Hector Hemachandra	Project Director, Skills Development Project
Professor S. Hettige	Senior Professor, Department of Sociology, University of Colombo
Mr. Nalin Attygalle	Marketing and Management Consultant
Mr. Gamini Wickramasinghe	Chairman, Informatics Group of Companies
Mr M. R. Shah	Ceylon Bank Employees Union
Mr. Franklyn Amarasinghe	former Chairman, Employers Federation of Ceylon
Mr. Gotabaya Dassanayaka	Director General, Employers Federation of Ceylon

Employment Creation & Skills Development Cluster Activity Plan

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1.	Setting up of University of Vocational Technology (Ref. 36) To provide avenues for the following to go up to technology degree level.	Documentation by End June 2005 Implementation commencement in early Sep 2005	Cabinet approval has been granted Implementing agency identified as a part of land in NITE SL premises Funding allocation of Rs 60m from existing funds Rs 40m allocated to upgrade 9 Technical Colleges in each province to be upgraded as Colleges of Technology (COT)	Documentation being prepared (i) Academic Planning, (ii) Physical Planning (iii) Financial Monitoring & planning (iv) Overall Planning & coordinating activities being on line Planning for land development & Identification of Lab / Workshop equipment are made ready.	S/MSD&VT; NITE SL
2.	Skills Development Fund – SDF (Ref. 36) Reorientation of the Tharuna Aruna program into the SDF SDF and “Tharuna Aruna” perform distinct functions at present	Completed	SDF has agreed with the Tharuna Aruna program to work as a Training partner	Determine the difference in functions and the possibility of collaboration of the two entities.	Tharuna Aruna and SDF
3.	Increase Vocational Training Institutes intake to 50,000 (Ref. 36) Intake in 2004 estimated at 54,000 to increase to 70,000 in 2005 13 institutions are currently involved in the training program.	Complete in six months	1,750 personnel (Staff serving in the TEVT institutions, including trainers) are to be trained during the year by NITESL	Training of Trainers Implement more career guidance programs Orientation of technology subjects at secondary school level Explore alternatives to secure Tamil medium trainers Expand and consolidate existing technical teaching programs	NITE SL S/MSD&VT Dir. TVEC Chairman VTA Min. of Education

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
4.	Introduce a unified qualification program to provide upward mobility		National Vocational Qualification System (NVQS) in operation NVQ Awareness programs for TEVT staff at district level are being conducted & 8 Districts have already been covered	NVQ Awareness programs for TEVT staff are being planned to introduce to the rest of districts before ending September 2005.	TVET & NITESL
5.	Graduate Recruitment Program (Ref. 45) Training of 42,000 graduates to be placed within permanent positions	Training jobs to be made permanent by 30 th June.	Line ministry has reviewed scheme of recruitment being developed Transfers were permitted from 07/01/2005 to 07/02/2005 Approval for appointing 45 graduates to NITESL obtained at the Posts was advertised on 04 th April 2005.	Review mechanism to absorb suitable graduates Processing of applications, for Planning the Interview, & Selection and appointments are being on line aiming to complete the whole process before ending May 2005. (for NITESL)	S / MSDVTE & NITESL
6.	Productivity Encashment of unutilized leave (Ref. 123i) Unutilized leave of public servants be permitted to be carried forward with the ability to en-cash at the time of retirement for a lump sum based on the last drawn salary.		Circular from Ministry of Public Administration has been issued. The matter has been referred to Labour Reform Committee under Ministry of Labour & Foreign Employment.	Ministry of Public Administration to amend accordingly Ministry of Finance to consider	Min. of Public Adm.

Additional Proposals

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
7.	<p>Labor Relations Promotion of labour relations at workplace through implementation of effective social dialogue</p> <p>DOL to promote social dialogue at workplaces through the Social Dialogue and Workplace Co-operation Division</p>	<p>01.06.2005</p> <p>01.02.2005</p> <p>01.06.2005</p>		<p>Evolve a clear framework to explain the process and boundaries of social dialogue.</p> <p>Review Legislation to provide supportive environment to launch dialogue and maintain its progress.</p> <p>Set up an Institute of Labour Studies to train and educate social partners in development of strategies and policy skills as well as communication, negotiation and problem.</p>	CGL
8.	<p>Productivity Give effect to the initiatives identified under the private sector and the public sector Productivity Policy</p>	01.06.2005	Committee has been appointed by the Ministry of Public Administration.	Set up a Dispute Settlement Tribunal for the settlement of disputes in the public sector and thereby prevent wildcat strikes.	<p>Add. S/LR & FE</p> <p>D/NPS</p> <p>S/MPA</p> <p>S/MLR & FE</p>
9.	<p>Employment Promotion. Strategies for employment promotion.</p>	01.03.2005	15000 graduates have been trained and posting from 1 st of March to Divisional Secretaries Officers.	<p>Establishment of Employment Centers at Divisional Secretaries in order to (a) undertake HR Planning (b) maintain a comprehensive LMI system (c) organize and conduct employment promotion and generation programs, and (d) create an Employment Service in the M/LR & FE</p> <p>Graduates to be deployed/change the Act.</p>	<p>Add. S/LR & FE</p> <p>Director/Em ployment</p>

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
10.	Social Security. Extend Social Security Coverage to informal sector workers.	01.03.2005	Scheme for self employed people are undertaken.	Review social security legislation in light of the ILO study and prepare Activity Plan.	CL/EPF
11.	Skills Development for Overseas Labor.	01.07.2005		Implementation of recommendations with assistance of the agencies and the line Min.	

Transport Cluster

Cluster Members

Professor Amal Kumarage – Co-chairman	Chairman, National Transport Commission
Dr. D. S. Jayaweera Co-chairman	Secretary, Ministry of Transport
Dr. T. Gunaruwan	Senior Lecturer, University of Colombo
Professor Saman Bandara	Board Member, Sri Lanka Central Transport Board
Mrs. Aneela de Soysa	Partner, Price Water House Coopers
Mr. Asiri Gunasekera	Partner, Earnst & Young
Mr. Rohan Abeywickrema	Board Member, Sri Lanka Central Transport Board
Dr. Lochana Gunaratna	Town Planner, Gunaratne Associates
Mr. Romesh David	Sector Head – Logistics, John Keells Holdings Ltd.
Mr. S. Amarasekera	Secretary, Ministry of Highways
Mr. M. B. S. Fernando	Chairman, Road Development Authority

Transport Cluster Activity Plan

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
1.	<p>User Pay Concept (Ref. 84) Cost Recovery of Road Use Improving public transport through targeted subsidy schemes similar to Singapore, Hong Kong etc Undertake local road improvements such as surfacing, removal of bottlenecks, signalization of intersections, land marking, introduction of one way systems, new road links (less than 200m).</p>	31 March 2005	Cabinet paper on revenue license fees and registration fees have been prepared.	The Cabinet paper is waiting approval from the Treasury. The Guidelines for a Traffic Congestion Fund need to be developed.	S/MOT Mr. Asiri Gunasekera
2.	Introduction of New Bus Services (Ref. 83)	May 2005	Subsidized school bus services scheme underway Routes for new services have been identified.	To introduce/reintroduce four types of bus services especially designed to move passengers from smaller vehicles. These are, (a) New through/short running services, (b) Rail coordinated services and (c) A/c office bus services. Call for RFP to Introduce Park and Ride Services as joint venture (with/without land provided) or by the State.	CTB; NTC
3.	Re-planning of Bus Routes (Ref. 83)			Take measures to improve Passenger satisfaction and safety concerns Concept Paper to be developed.	Chairman NTC

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
4.	Public Service Obligation Agreements (Ref 83) To provide more quantifiable recurrent expenditure Establishment of Transport Regulatory & Planning agency.	April 30, 2005	Committee has been appointed for project implementation. Documentation prepared.	To form a transport sector unified regulatory agency, possibly by expanding the scope of the NTC.	Chairman NTC
5.	Airport Express Link (Ref. 83) Introduce new service to increase railway revenue		Committee appointed. MOU has been signed with the Chinese government	Request Feasibility report from the World Bank	S/MOT
6.	Subsidiary Unit to manage Railway lands (Ref. 84) The land has to be managed on a commercial basis to improve yield	1 st week of April	The UDA, the Railway department and a Commercial bank are to form a JV to execute this task Details being prepared by committee headed from the Presidential Secretariat	NCED to make recommendations of projects for the development of railway land	S/MOT
7.	Congestion Reduction Improving Impact of Traffic Police Reduce Congestion on Major Arteries		Committee formed headed by IGP with representatives from MOT, Municipalities and UDA Parking ban enforced on Galle Road	Review progress made by Committee on congestion Reintroduce the Parking Ban on Major arteries (Colombo, Kandy and major cities on A class roads such as Kegalla, Chilaw, Kurunegala etc). Enforce Gazette on roadside activity and legal parking requirement.	IGP

Ref	Proposal	Target Dates	Present Status	Action to be taken	Responsible Person
	Park & Ride Service		Awaiting approval of Motor Traffic Act from legal draughtsman	Reduce Traffic Inflow to Cities such as Colombo & Kandy. Discuss introduction of congestion tax. To develop material for distribution on energy savings and to make public aware of the need for new methods	
8.	Study of Logistics Chain Improvement to Vegetable Transport		SAID supported study has already been completed.	Reports to be circulated among the members.	S/MOT

NEW PROPOSALS

9.	Monitoring of implementation of Southern Highway.		To be discussed later		
10.	Monitoring of implementation of Colombo Katunayaka Expressway.		To be discussed later		
11.	Restructuring of the CTB		Cabinet Paper has been submitted for VRS and conversion of present companies.	Awaiting Cabinet approval.	

Telecom Cluster

Cluster Members

Mr. Aruna Amarasekera - Co-chairman	Director General, Telecommunication Regulatory Commission of Sri Lanka
Mr. C. Maliyadda - Co-chairman	Secretary, Ministry of Posts & Telecommunications and Udarata Development
Mr. Shuhei Anan	Chief Executive Officer, Sri Lanka Telecom
Mr. Joey Mendoza	Chief Executive Officer, Lanka Bell (Pvt) Ltd.
Dr. Hans Wijayasuriya	Chief Executive Officer, MTN Networks (Pvt) Ltd.
Mr. Lalith de Silva	Chief Executive Officer, Mobitel (Pvt) Ltd.
Mr. Dumindra Ratnayake	Chief Executive Officer, Celltel Lanka (Pvt) Ltd.
Mr. Thiru Kumar Nadarasa	Chief Executive Officer, Lanka Cellular Services (Pvt) Ltd.
Mr. Mahinda Ramasundera	Director (Operations), Suntel Lanka Ltd.
Mr. Rohitha Udalgama	Chief Executive Officer, Lanka Communication Services (Pvt) Ltd.
Mr. Nihal Ratnayake	General Manager, Tritel Services (Pvt) Ltd.
Mr. Dilantha Withanage	Programme Specialist, Information & Communication Technology Agency of Sri Lanka
Mr. Upali Dahanayake	Acting Director General-Dept of National Planning
Mr. Chanaka Jayadeva	State Counsel, Attorney General's Department

Telecom Cluster Activity Plan

Proposals	Target date	Present Status	Action to be taken	Responsible Persons
01. Expansion held up (over 80 percent rural) due to delays in approval of towers (Issue for all mobile and WLL operators) Clear the backlog within a month		Meeting on Tower approval held with the appointed committee.	A paper is to be prepared for Cabinet approval, making TRC the sole authority for approval	UDA, CEA, TRC CIVIL Aviation Dept Ministry of Public Security Law & Order Ministry of Local Government.
02. The issue of interconnection of non PSTN operators with certain PSTN operators To remove artificial barriers.				TRC, Ministry of Telecom, TRC, Treasury.
03. Illegal by pass operation is costing the country nearly Rs. 300 to 500 million a month. Corporation and control by operators Strict enforcement of by pass control code.		Separate forum planned and investigations underway.		TRC, PSTN Operators, POLICE
04. Clear the backlog for fixed telephone lines. Validate the waiting list. Call for proposals from current operators. Facilitate operators for expansion		Action has been initiated to deploy CDMA, in areas currently uncovered.	Resolved.	TRC, Ministry of Telecom & all Operators.
05. Absence of a frequency allocation policy. Design Implement and monitor the policy.				TRC and Ministry of Telecom.
06. Absence of sector specific. anti-competitive legislation. To develop and gazette the anti-competitive rules		Complete the amendments to the Act to incorporate anti-competitive provisions.		TRC and Ministry of Telecom.

Proposals	Target date	Present Status	Action to be taken	Responsible Persons
07. Non-implementation of Calling party payment. (C.P.P.) Finalize and approve a C.P.P. plan				TRC and Ministry of Telecom
08. Unaffordability of internet connectivity required for school ICT education. Consider introduction of a subsidy Seek special concessionary packages from operators.				TRC, Ministry of Education, ICTA, Ministry of Telecom
09.Lack of clarity in International Service Provider Levy legislation Directive empowering TRC to recommend implementation guidelines.			Regulations to be published to TRC and ruling by minister to retain IDAC at current level.	TRC

Rural Development and Poverty Alleviation Cluster

Cluster Members

Mr. A. G. W. Nanayakkara – Co-chairman
Mr. T. Hapangama – Co-chairman
Mr. S. M. Tennakoon
Mr. Susil Siriwardena

Director General, Dept of Census and Statistics
Secretary - Min of Samurdhi and Poverty Alleviation
Chairman, Welfare Benefit Board
Associate Coordinator, SAPNA.

Rural Development and Poverty Alleviation Cluster – Activity Plan

Ref	Issue
1	<p>‘Gamata Thaakshanaya’ Program Establish a computer linked Vidatha resource center in each of the 320 Divisional Secretary areas</p> <p>Establish Science and Technology Societies at village level</p>
2	<p>‘Pubudamu Wellassa’ Program Implement Rs1.2Bn accelerated development program dedicated to Badulla-Monaragala districts, to provide infrastructure facilities</p> <p>Rs 300.0Mn to be allocated under the budget for 2005.</p>
3	<p>‘Rajarata Navodaya’ Program Implement Rs1.6Bn accelerated development program dedicated to Anuradhapura and Polonnaruwa districts, to provide infrastructure facilities and upgrade minor irrigation schemes, feeder roads, basic health facilities and transport.</p> <p>Rs 300.0Mn to be allocated under the budget for 2005.</p>
4	<p>Samurdhi Program “Suwahas Jana Pubuduwa” Promote 100,000 Samurdhi beneficiaries for self-employment and set up micro enterprises</p> <p>To launch 50,000 village development activities.</p>
5	<p>Samurdhi Program “Gami Diriya” Program Form Savings and Investment societies in 143 villages in Badulla, Monaragala, Hambantota, Matara, Galle and Rathnapura.</p>
6	<p>Samurdhi Program ADB assisted Rural Finance Program to expand rural financing activities</p>
7	<p>Samurdhi Program Extend micro financing projects extended through the National Development Trust Fund</p>

Health Cluster

Cluster Members

Prof .A. H. Sheriffdeen – Co-chairman

Mr. F. R. Maligaspe – Co-chairman

Dr. J. B. Peiris

Dr. Kumar Weerasekera

Dr. Charith Fonseka

Prof. Susirith Mendis

Dr. Sarath Samarasiri

Dr. Ranjanees Gamage

Prof. Janaka de Silva

Sec.,Min of Healthcare

Cancer Hospital

Eye Hosital

Dean,Medical Faculty,Karapitiya

National Hospital

Dean, Faculty of Medicine,Ragama

Health Cluster Activity Plan

Ref	Issue
1	Implementation of Plan of Action for Children Health related Targets: <ul style="list-style-type: none"> ▪ Reduction in the infant mortality rate from 12/1,000 live births to 8/1,000 ▪ Reduction in maternal mortality from 42/100,000 to 23/100,000 ▪ Increase access to safe drinking water for 70-80% of the child population by 2008
2	Rehabilitation of hospitals
3	Triplosa Programme
4	Health Sector HR development Programme
5	Health Sector Development Project
6	Rehabilitation of Operating Theatres and ICU's
7	National STD/AIDS Control Programme
8	Global Fund to fight against TB and Malaria
9	Mother and Nutrition Programme
10	Computerization of Drug Distribution System
11	Water Supply and Sewage System for hospitals
12	Development of Blood Bank Project
13	Neuro Trauma Unit at NHSL
14	Community Health Facilities
15	Cultivation of Medical Herbs
16	Ayurvedic Research Institute

Agriculture Cluster

Cluster Members

Mr. Tissa Warnasuriya – Co-chairman	Secretary, Ministry of Agriculture, Land & Irrigation.
Mr. B. R. L. Fernando – Co-chairman	Chairman, CIC Group.
Mr. Brian Angunawela	Chairman, EDB
Mr. R. Zaheed	Director, Hayleys Group.
Mr. Ranjith Dias	President, Coconut Growers Association.
Mr. K. L. de Silva	Senior Economist, Centre for Banking Studies
Mr. S. Ratnasuriya	Chief Manager, Seylan Bank Ltd.
Mr. Sarath de Silva	Chairman, International Food Stuff Company Ltd.
Mr. M. M. Attanayake	Director, Centre for Banking Studies

Agriculture Cluster Activity Plan

Ref	Issue	Responsible persons
1	Agricultural seeds & plants to be made exempt from VAT.	CGIR
2	Development of Floriculture sector Provide necessary technical know-how and extension services to small and medium growers Rs.20Mn to be allocated under the budget	
3	Assistance for Organic Product Exports Declaring areas as Watershed Protected Organic Export Zones & setting-up Organic Product Zones. Rs.10Mn to be allocated to share the cost of Organic Certification under the budget.	
4	Development of Cinnamon Export Industry Setting up a Cinnamon Development Fund. Rs.10Mn to be allocated under the budget. A Cess of Rs.2.50/kg or 0.5% of the value which ever is higher	
5	Development of Value Added Rubber Industry Increasing the replanting subsidy to Rs.100,000/-.	
6	Osu Gammana program Selection of villages and develop them to grow medicinal plants Rs.100Mn to be allocated for under the budget	
7	Reforestation program Launching a re-forestation program. Setting up a Biodiversity and Reforestation Fund (Under the budget Rs. 50Mn is earmark)	

Ref	Issue	Responsible persons
8	<p>Setting up Model Farms for Fruits and Vegetables</p> <p>Development of fruits and vegetable producers and exporters through the development of an out-grower system by making land available to out-growers on lease to set up nucleus farms.</p>	BOI, EDB, Mahaweli Authority
9	<p>Development of Medium Scale Plantation</p> <p>Identify estates of up to 50 acres from lands presently held by JEDB and SPC and offer them for sale to those with credentials for the purpose of growing high yield plantation crops as investments.</p>	Min of Plantation, JEDB, SPC

Livestock Cluster

Cluster Members

Mr. Harry Jayawardena-Co-chairman

Dr. S. L. A. Daniel-Co-chairman

Mr. M. G. Chandrasena

Dr. S. K. R. Amarasekera

Dr. M. H. Haniffa

Dr. J. S. Punjrath

Mr. Shiraz Jeevunjee

Chairman, Stassen Group of Companies

Additional Secretary, Ministry of Agriculture, Livestock, Lands & Irrigation

General Manager, National Livestock Development Board

Lecturer, Department of Animal Production and Health

Former Consultant, Ministry of Agriculture, Livestock, Lands & Irrigation

Managing Director, Cargills Quality Dairies

Managing Director, Noorani Estates (Pvt) Ltd.

Livestock Cluster Activity Plan

Ref	Issue	Proposed Solution	Cost benefit/ impact for the cluster and the economy	Present Status	Pending Action	Responsible persons/ institutions/
1	Lack of private section investments	Waive duty, VAT, and Ports Authority levy on livestock, semen, feeds, feed ingredients, additives, veterinary drugs & surgical instruments, dairy equipment, farm machinery, refrigerated trucks, and electric fence equipment etc.	Stimulates interest and promote investments in livestock sector, enhances production and contributions to economy.	Issue of duty charged on domestic producers importing animal feed, was taken up at Trade & Tariff Cluster meeting	.	Additional Secretary, Min. of Agriculture Secretary, Ministry of finance
2	Superior genetic material deficit	Introduce importer friendly and hassle free procedure to promote importation of proven stock	Emergence of medium and large scale commercial dairy farms contributing to milk production, employment generation and supply of breeding materials.	A permanent Committee has been appointed.	.	Committee headed by Dr.Amarasekera Director General, Dept. of Animal Production & Health
3	Growing animal feed ingredients	Make state lands available on lease to interested private individuals / companies to embark on large scale cultivation of maize, Soya & fodder	Productivity enhancement, employment generation and slash import bill	Initiated by The Mahaweli Authority. Suitable land identified, advertisements carried & applicants called for lease of land.	Evaluate proposals & allocate land for suitable applicants.	Director General, Mahaweli Authority.

Ref	Issue	Proposed Solution	Cost benefit/ impact for the cluster and the economy	Present Status	Pending Action	Responsible persons/ institutions/
4	Absence of resources to meet special needs	Establish Dairy Development Fund.	Ability to meet suddenly arising R & D needs for production and productivity enhancement and counter outbreaks of disease.	Rs.50 million allocated.		Secretary, Ministry of Finance
5	Lack of awareness of the benefits of dairy products	Conduct mass media publicity programs	Enhanced consumption and nutritional improvement	Initiated by both Department & Ministry.		Director General, Dept. of Animal Production & Health.

BUDGET PROPOSALS

Proposal	Target Dates	Present Status	Pending Action	Responsible persons/ institutions/
01. Dairy Industry Increase milk producer price to Rs.20/Lt	1 st Jan 2005	New purchase price of raw milk is Rs.18/- per litre.	To initiate action by providing instructions to Milco (Pvt) Ltd. and other major processors	Ministry of Agriculture, Livestock, Irrigation & Lands Chairman, Milco(Pvt) Ltd
02. Allocate a further Rs. 50 million for the development of Dairy Industry in rural areas.	Feb 2005	To develop a comprehensive plan to induce the development of dairy industry in rural areas.	Utilizing fund for 'Dairy Village' Program.	Additional Secretary (Livestock Development) Provincial Directors of the Animal Production & Health
03. Removal of VAT on animal feed		To take effect after instructions are received from Commissioner of Inland Revenue.		Additional Secretary (livestock Development), Registered Manufacturers
04. Gradual phasing out of the prevailing duty waiver on milk powder to endure remunerative prices to local dairy farmers.	March 2005	To be implemented with the co-operation of the Ministry of Commerce & Consumer Affairs.		Ministry of Finance & Planning, Ministry of Commerce & Consumer Affairs
05. National Dairy Buffalo Development Project		The report in stage of finalization for harvesting the potential of buffaloes for milk production	To find funding when report is finalized.	Livestock Cluster, assisted by Dr.S.K.Ranjhan of India

Budget Proposals	Target Dates	Present Status	Pending Action	Responsible persons/ institutions/
06. Veterinary Pharmaceuticals including Herbal Preparations	March 2005	<p>Involvement of State Pharmaceutical Corporation in importation of veterinary drugs including herbal veterinary preparations</p> <p>Send directive to Chairman SPC. Provide all relevant input & guidance regarding which drugs to import, etc.</p>		Additional Secretary (Livestock Development), Chairman, State Pharmaceuticals Corporation
07. Securing Exotic Dairy Stock	March 2005	<p>Action initiated to acquire superior stock to increase the numbers. Importation/gifts</p>		Additional Secretary (Livestock Development)