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 MINISTRY OF AGRICULTURE, LIVESTOCK, LANDS AND IRRIGATION



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 Agriculture Sector Modernization Project

OPERATIONAL MANUAL

Public Unlisted Companies

AGRICULTURE SECTOR
 MODERNIZATION
 PROJECT



Prepared by
 M.Z.M. Farhad Institutional Development Consultant

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Message from Project Director

Sri Lanka takes great pride in its rich heritage, with a written history that spans thousands of years. Its fertile soil, diverse landscapes, and strategic location have long made it an ideal hub for farming.

While agriculture evolved globally, Sri Lanka faced challenges. The industry became less profitable and labour-intensive, compounded by the introduction of an open economy. The fragmentation of cultivable land into small, inefficient plots further compounded the challenges as farming was no longer seen as a reliable career.

Sri Lanka allocates a significant portion of its foreign exchange on importing agricultural commodities. Recognizing the potential of its nutrient-rich soil, the government saw an opportunity to cultivate crops that meet international demand while reducing imports and boosting foreign exchange through exports. To capitalize on this, the government prioritized advanced agricultural technologies. In 2017, the "Agriculture Sector Modernization Project" (ASMP) was launched with the World Bank funding..

The project focused on areas where Sri Lanka had the most potential, such as export-oriented tropical fruits and vegetables. It started pilot project in year 2018 with World bank funding with seven districts (Jaffna, Mulaithevu, Batticaloa, Anuradhapura, Polonnaruwa, Mathale and Monaragala) in five provinces and expanded with the grant of the European Union, in another five districts (Kilinochchi, Vavuniya, Ampara, Kandy, Badulla)

Over the past seven years, the project had transformed the concept of "farming" in Sri Lanka. Once viewed as an unattractive profession, farming had become a thriving opportunity, attracting the new generation. This shift had marked a major change in societal attitudes and had empowered farmers as **agropreneurs**, driving innovation and growth in the agricultural sector.

The project focused to high-demand tropical fruits and vegetables. Small farms were consolidated into larger groups of 300 to 400 entrepreneurs into Agriculture Technology Demonstration Parks (ATDPs) and modern technologies were introduced. The project secured a loan of USD 64 million from the World Bank, along with a grant of USD 25 million from the European Union. To date, the project has generated USD 65 million in foreign exchange earnings, with potential savings of up to USD 3 million domestically.

The project introduced innovative methods for increasing land productivity. Techniques like high-density double-row planting and the "espalier" method allowed agropreneuers to double or even triple their yields. Automated water-controlling systems based on weather station data ensured an effective use of water supply, enhancing productivity reducing use of fertilizer. Solar energy was harnessed to power these systems, reducing reliance on the main electricity supply.

A key initiative of the project was the transition from individual farming to the establishment of farmer companies. Farmers were organized into "Public Unlisted Companies (PUC)," raising the status of farming from a mere livelihood to an esteemed profession. This shift established a structured system, elevating agriculture to a professional level and instilling a sense of pride in the farming community.

Farmers of the Agriculture Technology Demonstration Parks of the Agriculture Sector Modernization Project (ASMP) were organized into Farmer Producer groups and these groups were later registered as Farmer Companies under the Companies Act No 7 of 2007, in the Public Unlisted Company category. There are 59 Farmer Companies already functioning in the ASMP crop clusters.

The Farmer Company model facilitated direct business transactions between local farming organizations and international buyers, creating new global business opportunities

Specialized processing centres for each Farmer Company ensure that crops are processed, graded and packaged according to international standards. This system provides the buyers with access to high-quality products through a structured, well-organized, and accountable framework, ensuring benefits for both agropreneurs and buyers alike.

The concept of Farmer Companies has gained widespread recognition across the country and is rapidly becoming a successful private-sector agricultural business model.

Institutional Development Consultant of the EU component, Mr.M.Z.M Farhad has developed this Operational Manual to provide necessary directions on operational aspects and good governance to enable shareholders (Farmers) in the management of PUCs to undertake best business practices to facilitate sustainable development ensuring the shareholders for long stay with the company.

Dr. Rohan Wijekoon

Project Director

Agriculture Sector Modernization Project

Message from Training and Institutional Specialist

Public Unlisted Company (PUC) Model is introduced by the Agriculture Sector Modernization Project (ASMP – 2) to make a Paradigm shift from traditional approach of grouping farmers for alleviated bargaining power and improving competitive advantage of the Agriculture Sector of the Country.

The history of Farmer Producer Organizations (FPO) in Sri Lanka goes back many decades. There have been several formats of the FPOs established and tried in the country to accomplish goals ranging from managing irrigation systems to rural development initiatives. Few of these FPOs have managed to raise rural smallholder farmers' agribusiness and household incomes. However, the FPOs have been identified as a vehicle to mobilize resources for sustainable rural development. A FPO can be defined as a formal institution which is farmer-based and farmer-controlled, set-up with the objective of serving both individual farmer and farming community's needs. However, few success stories exist for commercially successful farmers owned FPOs in the country so far.

Agriculture Sector Modernization Project (ASMP) promote new technologies of farming among rural farmers in order to make them entrepreneur farmers. The ASMP project aims to improve farm productivity not only by improving farming technologies but also intervene by improving their entrepreneurial capacities of the farmers. In this respect each and every beneficiary farmer selected through an interview process has been given or yet to be given Farmer Business School Training (FBS). The training is aiming to impart entrepreneurship knowledge among farmers so that they will be able contribute for AMSP activities and communicate with the business community. Nearly 14,000 farmer beneficiaries are the participated with this projects. The project firmly believes the technologies provided helps farmers to produce relatively high-quality harvest with large quantities and therefore it fetches higher price due to improved quality. If beneficiaries attempt to market their produce individually, they will be trapped on to buyers' market as they do not have bargaining power. Further, project plan to impellent cluster level farmer groups for collective marketing, value addition and input sourcing. In addition to that cluster level processing centers have been established which requires managing those centers with high professionalism. Not only that, organization structure and form of business should be in par with the scale of operation of those centers. Therefore, project decided to move away from conventional dependency society's structure to more commercial oriented form of business which attracts private sector for commercial business operations. So far, there are nearly 58 PUCs are established and majority of the PUCs are standalone whereas few of them still in a struggle to ensure their survival. During this exercise the opportunities and possibilities of external influences in to the PUC management have been minimized due to legal fabric of the PUC structure. The mechanism introduced by the ASMP to provide mentoring and counselling support through appointing business consultants is a new approach to ensure survival of this start up farmers companies. Capacity development of Board of Management and Staff of PUCs happens to reinforce the successful business undertaking of PUCs. Fabulous office infrastructure provided by the project have made a attractive business outlook and introduction of accounting software have strengthened the good governance among the PUCs. More importantly, approach made by the ASMP to establish market linkages have solidified the sustainability of the PUCs.

Finally, ASMP has introduced a novel approach for the rural development of Sri Lanka and I hope the model will be duplicated internationally in near future. My favornt hope is to make this innovative approach may alleviate the poverty of the subsistence level farming systems exists mostly in developing countries and I thank World Bank for giving this opportunity and admire risk taking leadership of the ASMP component 2.

Lakshman Wijewardhana

Training and Institutional Specialist

Agriculture Sector Modernization Project

FOREWORD

The overall project development objectives of the Agriculture Sector Modernization Project (ASMP) implemented by the Ministry of Agriculture and Plantation Industries were to support increasing agriculture productivity, improving market access, and enhancing value addition of smallholder farmers and agribusinesses in the project areas.

The establishment of farmer-producer organizations (FPO) was identified as the mechanism to help smallholder farmers respond better to market opportunities. Such FPOs should be legally established, can undertake businesses, independent in decision-making, and eventually become capable of applying for the matching grant program of the ASMP. Successful FPOs were considered as one of the pillars of success of the ASMP interventions.

In 2018, the ASMP commissioned a consultancy assignment to study the available Farmer Organization models operating in Sri Lanka to identify the most appropriate model to establish FPOs under ASMP. That study found cooperative model is relatively suitable with some limitations in the flexibility of decision-making. Some unfavorable experiences of the cooperative system in Sri Lanka also discouraged using the cooperative model by the ASMP.

As a result, ASMP had to commence a policy research assignment in 2019/ 2020, to identify a suitable business organization model that can be used for establishing FPOs under ASMP. In this study, different organizational models and their legal setup were studied and one of the options available under the Companies Act No. 7 of 2007, for establishing Public Unlisted Companies (PUC) was identified as suitable for establishing FPO/Farmer Companies with the expected characteristics. The findings of this study were further discussed by a committee appointed by the Ministry of Agriculture and it was decided to establish Farmer Companies for ASMP crop clusters, by registering them as Public Unlisted Companies (PUC) under the Department of the Registrar of Companies, Sri Lanka. Accordingly, the establishment of Farmer Companies of the PUC model was started in all 07 project districts. Establishing Farmer Companies of this nature is undertaken for the first time in Sri Lanka by the ASMP.

Both of the above studies were funded by the ASMP funds from the World Bank/IDA loan facility.

In the year 2021/2022, the ASMP was co-financed by the European Union Grant and ASMP was expanded into additional five districts. The same company model was used in establishing Farmer Companies in the additional five districts as well.

The “Internal Operational Manual for PUCs”, developed by the Institutional Development Consultant appointed for the EU-funded districts, is a partial fulfillment of the assignment given to the consultant.

This manual is found to be useful for the successful operation and management of the Farmer Companies (PUCs) as it gives step-by-step guidelines for establishment, operation, management (human resources & finance), monitoring of company activities, and how to assess the performance of farmer companies as well as the shareholder farmers.

The project can effectively use the manual for all 58 Farmer companies established by the project (in 12 districts) to educate shareholders of all farmer companies, by making the manual available for them in local languages. Continued training and education on the operation, management, monitoring and performance evaluation of farmer companies, is essential for the shareholder farmers and the Board of Directors (also shareholder farmers) of the Farmer Companies for the sustainability of these companies.

Asoka Jayakody

Policy Specialist

Agriculture Sector Modernization Project

Abbreviations

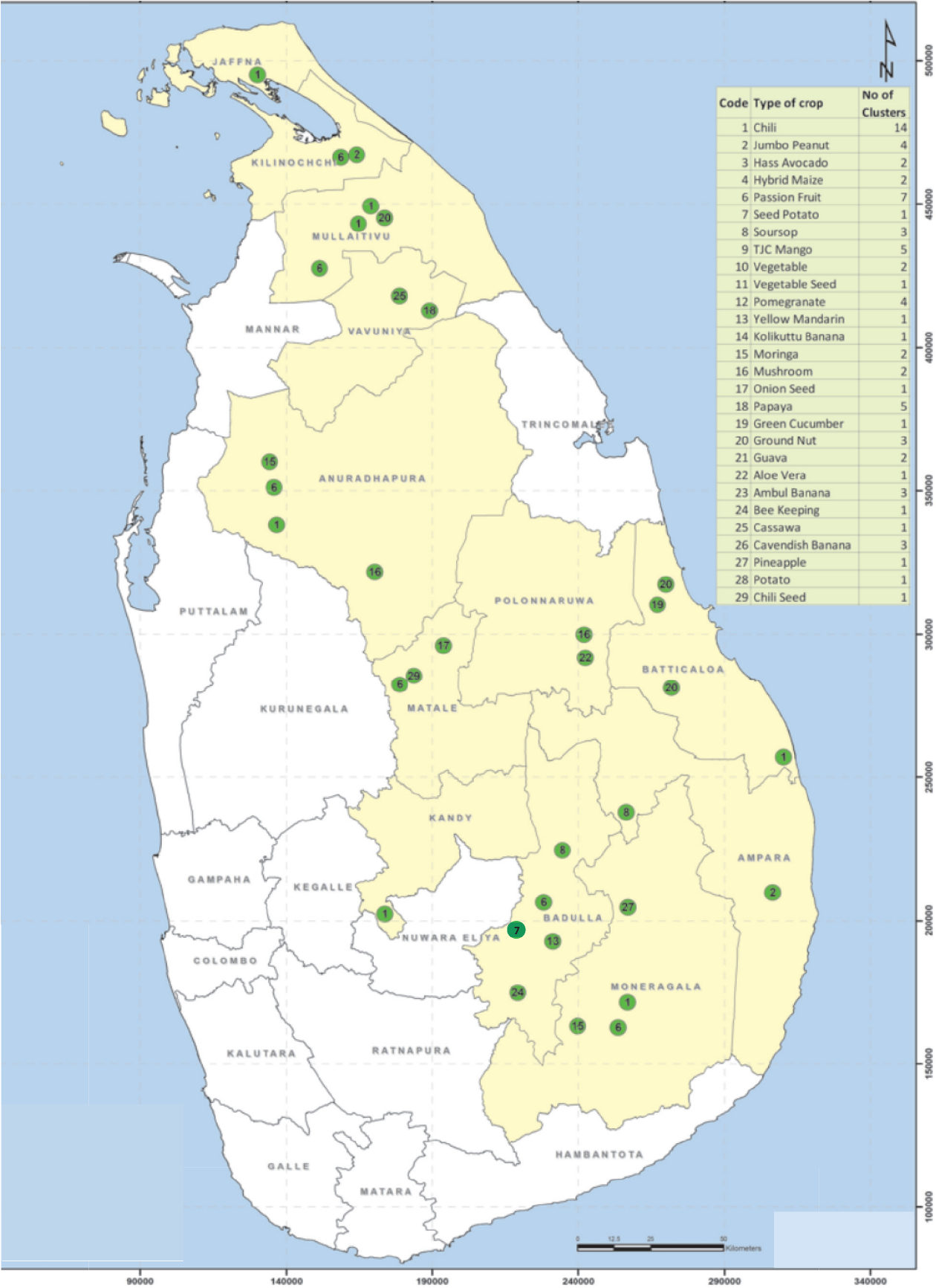
AI- Agriculture Instructor
AOA- Articles of Association
ASMP – Agriculture sector Modernization Program
BOD – Board of directors
BR – Business Registration
DOA –Department of Agriculture
Do AD – Department of Agrarian Development
DS – District secretariat
DSD – Divisional Secretariat
EC – Executive Committee
EDB – Export Development Board
EPF - Employees Provident Fund
ETF – Employees Trust Fund
EU – European Union
FPO – Farmer Producer Organization
GAP – Good Agricultural Practices
GN – Grama Niladari
GOSL – Government of Sri Lanka
IDB – Industrial Development Board
ITI – Industrial Technology Institute
MoA- Ministry of Agriculture
MASL – Mahaweli Authority of Sri Lanka
MOU- Memorandum of Understanding
NEDA – National Enterprise Development Authority
PDOA –Provincial Department of Agriculture
PMU- Project Monitoring Unit
PPMU – Provincial Project Monitoring Unit
PUC- Public Unlisted Company
ROC – Registrar of Companies
WB – World Bank

Contents

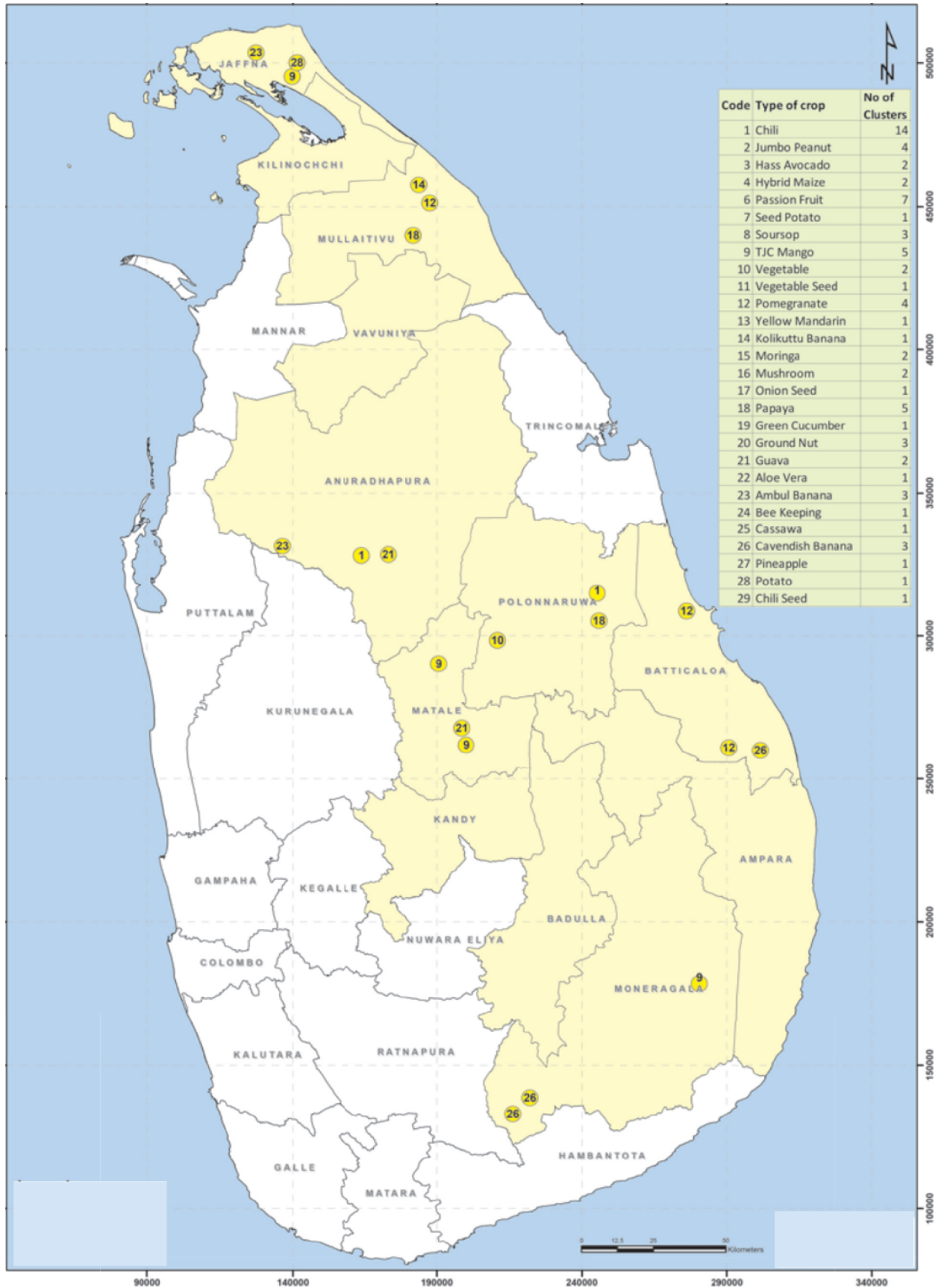
1.0. Introduction	17
1.1. Salient feature of PUCs	17
1.1.1. Principles of PUCs	18
1.1.2. Advantages of having PUCs	18
1.1.3. Legal Regulatory Governing Framework	18
1.2. Accountability of PUCs	19
1.3. Commercial autonomy	19
1.4. Challenges in the Management of PUCs	20
1.5. Objectives of PUC	20
2.0. Operation and management of PUCs	22
2.1. Organizational Structure of PUCs	22
2.2. Responsibilities of the members in different tiers.	23
2.2.1. Responsibilities of Chairperson	23
2.2.2. Responsibilities of Board of Directors	23
2.2.3. Responsibilities of executive committee members	24
2.2.4. Responsibilities of Members	24
3.0. Human Resource Management	26
3.1. Cadre requirement	26
3.2. Scheme of recruitment/Approvals	26
3.3. Human resources planning	26
3.4. Recruitment, promotions, succession plans	27
3.5. Deployment of employees to other institutions	28
3.6. Performance appraisal	28
3.7. Allowances for BOD/EC and members	28
3.8. Provision of communication facilities and Transport Facilities	29
3.9. Member retirement package	29
4.0. Financing/Investing & Other related to PUC	31
4.1. Financial management	31
4.2. Investment of surplus funds	31
4.3. Share capital	32
4.4. Special features of equity share	32
4.5. Authorized capital	32
4.6. Issued (Paid up) share capital	32
4.7. Issue of bonus share	33
4.8. Distribution of profits	33
4.9. Access to credit for members	33
4.10. Accounting & reporting	33
4.11. Maintaining books of accounts	34
4.12. Audit systems for PUC	34
4.13. Annual asset verification	35
4.14. Dissolution / Liquidation	35

5.0. Database and Websites	36
6.0. Governance systems	37
6.1. Regular Meetings for effective governance	37
6.2. Working committees for good governance	37
6.2.1. Problems & conflict resolving	38
6.3. Member services	38
7.0. Creating Innovative Business options - value chain approach	39
7.1. Value chain management	40
8.0. Business planning	43
8.1. Preparation/update of business plan	43
8.1.1. Analyze the Value chain	43
8.1.2. Evaluation & prioritize the key opportunities	44
8.1.3. Risk analysis	45
8.1.4. Market linkages	45
8.1.5. Financial Analysis of business opportunities.	45
9.0. Performance indicators for PUC evaluation/Monitoring	49
Annex 1. Cluster information	53
Annex 2. List of books/records to be maintained by PUCs.	54
Annex 3. Proposed Training options for BODs and managerial staff	55
Annex 4. Suggested Recruitment Procedure	56
Annex 5. Job description proposed for PUC Manager/Accountant	57
Annex 6. List of business opportunities for screen & select the best for the PUCs	58
Annex 8. Tool for Annual/half yearly performance measurement (Grading) for PUC	59
Annex 9. Format for Monthly progress report, PUC	61
Annex 10. Application For Shareholder	62
Annex 11. Asset list of PUC	63
Annex 12. Membership data file of PUC	64
Annex 13. Sample folio of Payment Receipt book	66
Annex 14. Sample format of an Invoice	67
Annex 15. Sample format of Cheque Payment voucher	68
Annex 16. Sample format of Cash Payment voucher	69
Annex 17. Company Profile	70
Annex 18. Format for Attendance Register.	71
Annex 19. Daily Cash Book Summary (Sample)	72
Annex 20. (A) Draft template for monitoring	73
Annex 20 (B) Draft template for monitoring	74
Annex 21 Criteria for Member Farmer Evaluation	75
Annex 22 Criteria for Farmer Leadership Evaluation.	82
Annex 23 Institutional network, mandates and contact details	85
Annex 24 Sample MOU & Asset Handover Agreement of PUC and MOA.	87

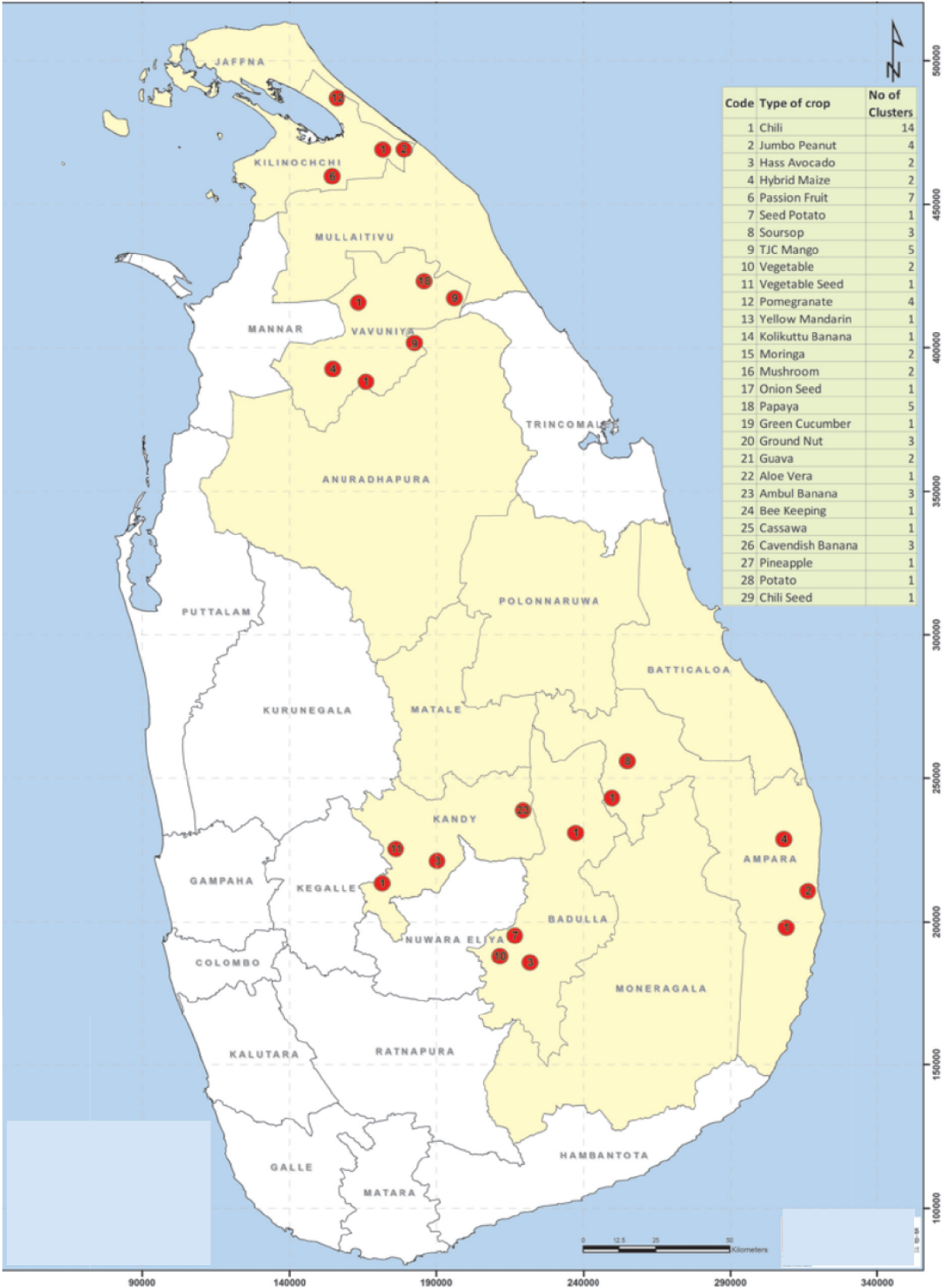
PUCs in Pilot Clusters (Funded by World Bank)



PUCs in International Service Provider (ISP) Clusters (Funded by World Bank)



PUCs in European Union funded Clusters



LIST OF PUCS

Province	District	Product	Name of the PUC
NP	Mullaitivu	Groundnut Production	Mullai Agribusiness Ltd
		Passionfruit Production	Marutham Smart Agro Ltd
		Kolikuttu Banana Production	Vanni fresh fruits farmers Company Ltd
		Pomegranate Production	Lankan Red Gems Farmers Company Ltd
		Papaya Production	Golden Papaya Farmers Ltd
	Jaffna	Banana Production	Jaffna Organic Farmers Company Ltd
		Potato/onion Production	Ceylon Smart Poton mers Company Ltd
		Mango Production	Jaffna Mango Queen Farmers Ltd
	Vavuniya	Chili Production	Living Agro Products Ltd
		Hybrid Maize Seed Production	Ensued Seeds Economic Development Ltd
		Mango Production	Shakthi Agro Producers Ltd
		Papaya Production	Pasumai Agro Products Ltd
	Kilinochchi	Jumbo peanut Production	2K Agro Products Ltd
		Passionfruit Production	MAK Agro products Ltd
		Chili Production	Thayakam Agro Ltd
		Promagante Production	Red Angel Agro Ltd
UP	Monaragala	Banana Production	King Banana Sevanagala Ltd
		Mango Production	Siyambalanduwa Agro Products Ltd
		Moringa Production	Wellassa Jeewana Lanka Ltd
		Pineapple Production	Bandiyawa Agro products Ltd
		Passionfruit Production	Buttala Agro products Ltd
	Badulla	Soursop Production	Ransaru Agro Ltd
		Passionfruit Production	Nature Hills Agro Ltd
		Seed Potato Production	Reap Agro Solutions Ltd
		Hass Avocado Production	Ceylon Super Farmers Ltd
		Chili Production	Rideegira Agro Products Ltd
		Vegetable Production	Golden Valley Agro Products Ltd
		NCP	Anuradhapura	Small Banana Production	Rajanganaya A park ltd.
Dry Chili Production	Ceylon Agro Park ltd.		
Guava Production	Ipalogama Agri products ltd.		
Mushroom Production	Rajarata Agri Miracle ltd.		
Aloe vera Production	Andarawewa Agri ltd.		
Moringa Production	Mahawilchchiya Agroproducts ltd.		
Polonnaruwa	Vegetable Production		Ceylon Vege Cultivators ltd.
	Papaya Production		Ceylon Fresh Papaya ltd.
	Chili Production		LPL Agri holding ltd.
	EP		Batticaloa
Groundnut Production		KMK Agro product Ltd	
Cucumber Production		Vakare Green Agro Ltd	
Chili Production		Kannaki Ceylon Agro Product Pvt	
Banana Production		Porathevu pattu Agro Paradise Banana .Ltd	
Pomegranate Production		Kaluwanchikudi Agri Village Ltd	
Pomegranate Production		Sun East Pomegranate Agro Ltd.	

	Ampara	Soursop Production	Digamudlu Agri Business Ltd
		Soursop Production	Lakefront Agro Ltd.
		Jumbo peanut Production	Pasumthalir Agro Product Ltd.
		Dry chili Production	Sangaman Agro Ltd
		Chili Production (Ekgaloya)	Ekgaloya Pioneer Agro Ltd
		Maize	Digawewa Agro Ltd
CP	Matale	Passionfruit Production	MG Food Production Ltd
		Chili seed Production	Gallewela Eco Agri Ltd
		Mango Production	Ceylon Rangiri Agro Products Ltd
		Mango Production (Laggala)	Lak Golden Mango Ltd
		Guava Production	Sigiri Guava Ltd
	Onion seed Production	Medarata Ceylon Agro Product Ltd	
	Kandy	Dry chili Production	Gangasiri Agro Ltd
		Vegetable Seed Production	Green Growers Kandy Ltd.
		Hass Avocado Production	Great City Agro Ltd
		Ambul Banana Production	King Mahasen Agro Ltd

1. Introduction

This Operational Manual is drafted to help the (Public Unlisted companies/**PUCs**) to promote and strengthen the Govt. of Sri Lanka (**GOSL**)/Ministry of Agriculture (**MoA**) strategy to enhance small farmers' prosperity in five district areas funded by European Union for implementation of Agriculture Sector Modernization program (**ASMP**).

The program is considered a timely intervention to empower the small farmers in select areas through value chain development approach that integrated to formation of farmer companies legally registered under registrar of companies in Sri Lanka.

The Project Management Unit (**PMU**) under the purview of MoA instrumental for preparing and establishment of cluster development plans for 22 cluster companies in five district areas namely Vavuniya, Kilinochchi, Kandy, Badulla and Ampara. These collective approaches with small farmers proved successful venture for sustainable income generation and social upliftment. (**Cluster details - Refer Annex1**)

The formation of legally owned farmer companies PUCs has shown enthusiasm for implementing collective agribusiness activities under select value chains and alternate income generating options. However, the small farmer clusters are yet requiring more mentoring/handholding towards operation and managing of identified business activities for the sustainable future of the company. This necessitates the urgent interventions to enhance the knowledge/skills/ business capacities of executive arm of the farmer companies (PUCs) to play the role of stewardship of small farmers' collective approach.

This manual on operational aspects and good governance is established to provide required direction and framework to enable the management of PUCs to undertake best business practices to facilitate sustainable development while stratifying the shareholders for long stay with the company. Further this manual ensure transparency, accountability, innovation, value for money, risk management and performance evaluation related to business endeavors implemented under the purview of respective companies established under the ASMP.

The directions of this internal operation manual is focused to achieving the objectives as given in the Articles of Association (**AoA**) and adhering to the legal framework of Sri Lanka and applicable to all PUCs established under the company act 2007 of Sri Lanka where select group of small farmer entrepreneurs has direct controlling power by virtue of their shareholding converted as Agribusiness undertaking.

This operation manual for EU- PUC will provide necessary guide lines for the management arm of the company to be followed on its day-to-day business operations. This manual should be reviewed periodically to make any changes, updates or expand contents when the need arises and BOD makes decision as required for the business operations and expansion activities while maintaining the higher level of transparency.

1.1. Salient feature of PUCs

The small farmers in Sri Lanka continue to operate individually where it is well aware that they purchase agriculture **inputs in retail** as against selling agriculture **output in wholesale** incurring cost of transport both ways. This made agriculture becoming a losing enterprise causing the majority of the members in agriculture households seeking other business opportunities or employment in profit-oriented services or industrial sectors. As a way to reverse this trend it is proposed to aggregate/consolidate the farmers input and output market requirement to achieve increased return on investment and profitable small farm Agri business.

PUCs are mainly established for purpose promoting consolidated/aggregated agribusiness activities. The PUCs fully owned and managed by its shareholders where each member subscribed with predetermined value per share. The most powerful owners are the shareholders those subscribed to build up of initial capital of the company. The ownership/rights of members are valid only after contributing for the official share investment in line with the companies act of Sri Lanka.

The shareholders are grouped according to Grama Niladari Division/Agriculture Instructor division and each group identify their representative to form the executive arm of the PUCs. The executive arm is mandated to select the board of directors and chairperson for the company. The PUCs under EU districts have numbers of membership varying from 75 to 600 depending on the select value chain for particular PUC. **(Refer Annex 1)**

The PUC formed and established with common interest based on identified value chain and alternate income options to enable the shareholders to achieve sustainable income throughout the year. The concept is interlinked to a larger economic picture of the mission of GOSL to double the income of farmers while double the productivity to secure food for people of Sri Lanka while targeting to reach export markets with added value.

1.1.1. Principles of PUCs

PUCs are formed in essentially for a collective approach. Therefore, it required to follow the business principles in par with other agribusiness companies. The business principles identified are'

- Value chain focus –priority for main value chain the PUC is formed
- Identify the risk and establish strategies for mitigation & profitable business operations.
- Maintain transparency for all company activities/transactions/financial proceeds through an established communication/networking with members
- All shareholders are equally treated and benefitted by services offered by the company.
- Establish link with relevant private and public institutions.
- Facilitate individual shareholders to access formal banks for savings & credit linkages
- Ensure environmental and social responsibilities are fulfilled.

1.1.2. Advantages of having PUCs

- The prospective members/shareholders benefited by the legally empowered PUCs.
- The PUCs gives strength to small producers with collective approach that made common platform for negotiating with diverse market access/other PUCs for various agribusiness activities.
- Consolidation of primary produces will ensure the PUCs to elevate to the position of reliable/trustworthy agribusiness entity.
- Recognized by formal banks where acceptance of banks is high compared to other cluster modules.
- Recognized by input suppliers, marketing companies and other agribusiness entities creating opportunities for partnerships/business/trading with PUC.
- The operations are made clear and transparent, that ensured by internal & statutory audits (audit that led to high confidence of the shareholders.) as required by ROC.
- Minimum Govt. interference. Less likely to have political interference as well.
- The PUC model enables to market or source produce from all across the country.

1.1.3. Legal Regulatory Governing Framework

Primarily applicable legislation and regulatory frameworks include;

- Provisions from national constitution
- Enabling act of parliament –The companies Act No. 7 of 2007
- Government circulars – Taxes, EPF/ETF, Accounting & Audit standards
- Articles of Association (AoA)
- Triparty Agreement of Members, PUC, and PPMU.
- Members subscribed for share capital- official share certificate issued by ROC.
- Memorandum of Understanding (MOU) with GOSL & relevant nominated partners.

1.2. Accountability of PUCs

Executive Committee (EC) /Board of Directors (BOD) of the PUCs are responsible in ensuring the management/ operation executed in line with mandate provided in AoA, those covering standard/established practices based on legal and regulatory requirements stipulated by registrar of companies' (ROC) Sri Lanka.

AoA is the road map of the company, made available to all PUCs, accompanied with business registration documents pertaining to each PUC, where all executive committee members endorsed by signing the same.

AoA specifies the standards practices governing the functions of the company in a transparent manner. The detailed standard and practices are stipulated by number of clauses under different sections in AoA. Any violation of these standards is liable to legal action through the company.

It also expected that PUCs to align their operations within national policy framework. Accordingly, the board of directors must perform to the satisfaction of shareholders where the resource allocations are done efficiently and ensuring the value for money/profitability of the company.

Further the PUCs are accountable for line ministries especially the Ministry of Agriculture, intra and inter Provincial government and as such they require to adhered to best practices including transparency, and equity in relationship with all stakeholders. It is essential that all PUCs maintain clear communication system to information dissemination related to business activities, company decisions, member response, value chain development, access to financial resources, etc.

The PUC should ensure the completion of following activities;

- Establish the company name & office for PUC and obtain business registration from ROC.
- Opening Bank account for the PUC with authorized signatures,
- Appointing a company secretary & auditor licensed under registrar of companies.
- Enroll members with share capital contribution by issuing official application forms
- Coordination with company secretary arrange to deliver share certificates for shareholders.
- Establish and maintain member/shareholder registry
- Conduct general member meeting within 6 months of registration
- Establish schedule for monthly meetings
- Ensure all relevant Registers, books, files, documents and reports are maintained & followed by established templates used in companies registered under RoC. (**Refer Annex 2**).

1.3. Commercial autonomy

The PUCs are established to support the shareholders to carryout agriculture activities by reducing cost of production, to get them adopted for latest technologies in affordable terms, aggregate the produce, add value for their produce, attract diverse market access with competitive farm gate prices.

The PUCs are empowered to implement business decisions in the competitive market environment while ensuring and safeguarding the interest of shareholders. In this regard the procedures including human resource management, reporting, and performance evaluation are rationalized and novel approaches be introduced in consultation with general membership as required.

The PUCs immediately after the registration should undertake to plan and implement business activities to generate year-round income for the company and its shareholders as described below.

- Identify the aggregated needs/requirements/gaps in the production & supply of produce/commodities handled by membership.
- Create aggregated input marketing services with dealership under main producer/supplier companies, agribusiness establishments, etc., for generating income for the PUCs.
- Determine the avenues for achieving value addition of aggregated farm produce and enhance members' income up to 50% over a period of five years.

- Promote & facilitate shared services – hiring machinery, post-harvest processing, storage facility.
- Promote micro irrigation, farm machinery and equipment service/repair/spares facilities for the convenience of shareholders.
- Identify and list the business opportunities available for collective promotion. Explore additional income opportunities for members to gain income throughout the year. (e.g., home garden supply, agro tourism/ logistics)
- Establish business plan with opportunities for year-round production/marketing and income generation for profitable operation of PUC.
- Explore price options –analyzing the data available for price behavior/market places, demand trends for produce/s dealing with annual or seasonal.
- Technology transfer, leveraging best practices, identifying most efficient/productive practices and replicating models at affordable cost.
- Ensure all beneficiaries have invested in company shares at least one per member subject to limitation of number of shares determined by the AOA. (5% of total number of proposed beneficiaries)
- Increase access to financial resources at affordable costs. Negotiate with formal banking, support the shareholders through bulk loan facilities to connecting small holders to formal banking through PUC.
- Reduce yield loss of produce/home garden supplies through shared services on post –harvest operations and storage.
- Ensure quality control throughout the value chain –Pre-harvest to post-harvest operations and market supply.
- Building brand equity with established clientele group including for door to door/online marketing.
- Explore direct export opportunities while gaining experience as indirect exporter link with leading exporting companies.
- Networking with public/private institutions to access programs and schemes accessible to members.
- Ensure strong communication/networking and information dissemination with member shareholders.

Please see **Annex 23** for useful institutions and their mandates- PUCs may get relevant information as required.

1.4. Challenges in the Management of PUCs

- High cost of registration, and procedures for re-registration especially changing directors, company address, etc., require coordination with the registrar of companies- in person and online platform.
- A competitive environment where that requires professional management/audit/compliance may face difficulties during the initial stage of a company.
- Regular tax and audit compliance –need to acquire knowledge to fulfill institutional requirements.
- Transactions and filing of returns to be done online and manual.
- Limitations for procuring trained and skilled human resources.
- Inadequate financial capacity and lack of preparedness to start up business activities.
- Changing the traditional practice of individual and adhoc farming in to aggregated timely farming system to negotiate and attract diverse marketing under one producer/market platform.
- Disruptions of business activities due to conflict situations within PUCs.

1.5. Objectives of PUC

- Recognize small farm producers as commercial agribusinesses.
- Creating farmer empowered agribusiness platform for select crop value chains
- Establish shared infrastructure facilities with direct market access

- Communication networking with institutional/market systems and supply channels to assure the price advantages of collective transactions.
- Enhanced agribusiness operations with good governance and transparent transaction.
- Ensure member satisfaction and retention through improved income, profit sharing, and other services related to production/marketing/welfare.
-

Vision statement of PUC

“Establish cohesive farmer-based company to manage and operate as sustainable agribusiness venture for the satisfaction of its stakeholders.”

Mission statement of PUC

“Empowering the small farm holders by promoting appropriate technologies, productivity of crops, efficient and sustainable use of agricultural resources, sharing infrastructural facilities and networking with private/public institutional systems in the area to enhance strong market sustainability backed by established business practices to ensure the profitable small farm agribusiness ventures.”

The above statements can vary according to the business operations of PUCs. It is recommended the PUC to coordinate/discuss with appointed company secretary to prepare and establish an appropriate statement for company.

2.0. Operation and management of PUCs

In order to operationalize the objectives of the PUCs it is necessary to ensure a strong mechanism / process with clearly defined line of responsibilities, authorities and accountabilities of managerial positions, chairperson and board of directors for performing company's business activities at its best of abilities satisfying the shareholders of the company. It is imperative that all PUCs clearly defined systems, processes, and protocols covering all major operations of the company.

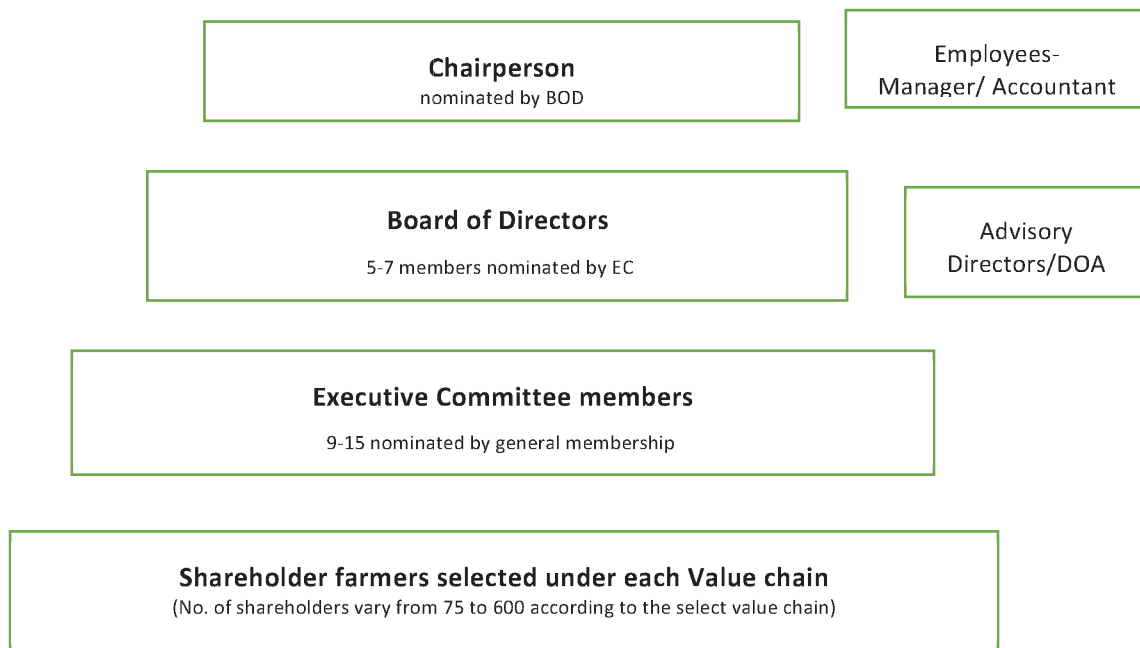
The management arm is formed through the total members' participation who select the executive committee (EC) to represent all members subscribed to the formation of company. The EC members will select the BODs for the company and the BOD members will identify the suitable nominee for the chairperson. The most powerful sector is the members who subscribed for share capital of the company.

The PUC once registered required to comply the statutory requirement in operational aspects of the company. These include;

- Conducting first board meeting within one month of the incorporation.
- Design and create official rubber stamp and embossed seal. This should be kept under lock & key in the custody of chairman or designated director.
- Design and create a logo and caption for letter head template.
- Conducting annual general meeting within 3 months from the date of close of financial year
- Hold regular board meetings preferably monthly intervals. The maximum interval between two board meetings should not exceed 90days (3months).

It is necessary that the company maintain all records pertaining to the above items in close liaising with the appointed company secretary.

2.1 Organizational Structure of PUCs



2.2. Responsibilities of the members in different tiers.

2.2.1. Responsibilities of Chairperson

Chairperson elected by the board unanimously or majority votes of BOD. The tenure one year and maximum two years. Nominated director in the advisory capacity can never become a chairperson. The chairman is only an elected person from the number of directors registered at the ROC. Appointment or Changing chairman is an internal activity of the PUC and nothing to do with ROC.

- Chairperson of the PUC is responsible for day-to-day functioning of the company.
- Chairperson is answerable to the board and general body.
- Responsible for financial and resource mobilization
- Treasury management- one of the signatories for banks transactions
- Signatory to business agreements/company loan documents
- Responsible for securing Subscriptions/deposits by members share contribution
- Mobilization of financial and non-financial, resources, shared services.
- Responsible for planning/preparation and establish business plan under select value chain, sub value chains and execution of same.
- Involved with coordinating micro level planning at field level small groups for aggregating production and facilitate marketing.
- Chairperson should initiate action to promote partnerships with local, state, national, international institutions, exporters, service providers, market access, franchise business activities, funding agencies to best serve the subscribers of the company.
- It's his duty to supervise the filing of all statutory returns pertaining to the PUC with ROC – (Annual audited statements, Annual Report, change of members of BOD, amendments on AOA etc.
- Ensure all the norms and legal requirements for conduct regular board meetings with notice, meeting minutes, compliance reports, maintaining quorum.
- Filing vacancies of the board through general meeting or Executive committee meeting
- Conduct annual general meeting and taking approval for all proposed activities
- Conduct annual elections for EC & BOD nominations as required by the general meeting
- Responsible for submission of tax returns, renewal of licenses/approvals on certificates, standards, logos, etc.

2.2.2. Responsibilities of Board of Directors

The number of directors prescribed under PUC structure is five. However, depending on number of subscribers contributed for the formation of company will allow up to 15 directors. The directors are elected by executive committee that elected through the general meeting where majority of members participated. Tenure of director is minimum one year and maximum of two years.

- Board of Directors responsible for managing the PUC in cooperation with relevant institutional systems to enhance value chain productivity and increased profitability.
- Conduct board meetings at regular intervals.
- Board of directors to assure all records related to meetings, decisions, financial status, auditing, etc., are regularly updated and maintained.
- Implementation of PUC action plan as determined by the business plan for sustainable agribusiness.
- Coordination with formal banking services (Public financial Institutes-PFI) to facilitate the credit and savings for PUC and its shareholder members.
- Strengthen the investment capacity of members/PUC by identifying innovative business opportunities.
- Regular monitoring/maintenance/administration of bank accounts/financial proceeds of the PUC and shareholders.

- Follow the legal requirement under companies act and other government rules & regulations related to company management and financial procedures.
- Carryout regular internal audit and keep records on financial status and update with shareholders.
- Conduct general meeting as required and annual general at the end of financial year for the PUC.
- Adhere to all stipulated conditions and practices determined by the AoA of PUC
- In coordination with general membership prepare and execute the produce sales agreement with select market entities with predetermined prices based on product type and grades including a monitoring plan to assure both farmer/markets honoring agreed terms & conditions.
- Co-option of advisors/experts as non-voting directors.
- Compliance of statutory requirements- Audit reports, VAT, Tax, EPF, ETF, etc.

It is necessary to register the names of directors at the ROC to enable them to carry out their responsibilities for managing and development of PUC business activities. The appointment or changing or removal of directors should essentially notify to the ROC and obtain the approval to continue the PUC activities. Only registered Directors will have the power to carryout bank transactions by submitting authorized signatures to the formal bank the PUC proposed to deal with. This activity essentially be facilitated through the company secretary who prepare the documents and provide recommendations to bank by a board resolution.

2.2.3. Responsibilities of executive committee members

- Executive committee is the bridge between shareholder farmers and the PUC while playing a supporting role for the BOD.
- Report the field performance and advice to the board
- Communicating the PUC decisions, activities and programs with shareholder farmers & conveying the messages/information to and from the general membership.
- Manage & operate all business activities planned for the PUC at the filed level.
- Monitoring of production and marketing activities in coordination with member farmers/market access.
- Arrange consolidated input supply and distribution.
- Arrange consolidated output marketing and sale
- Operate and manage the shared infrastructure facilities/machinery/equipment, maintain records on daily business and facilitation for market transactions.

The executive committee members selected also registered at the ROC to enable them to take necessary action to replace or appoint new directors from the existing committee members when need arises.

If the PUC identify and nominate any other shareholders who are not the members of existing committee it is required to send nominations to ROC under prescribed forms to validate the appointment of new director.

2.2.4. Responsibilities of Members

All individual producer/producer groups can become a member of PUC only by subscribing to share capital and formerly registered under ROC. The PUC may hold formal general meetings only with the participation of registered shareholders. Therefore, the PUC should intervene to get all beneficiaries to contribute and invest in company shares and become eligible shareholders to actively participate in any formal forums; General meetings/Annual General meeting/Extra ordinary General Meetings as stipulated by companies act.

Members are responsible for;

- Commitment to contribute aggregated production and marketing plan.
- Actively take part in PUC organized activities/events as per the business plan.
- Essentially attend the meetings as invited by the PUC (Board or Executive committee)
- Responsible for electing board of directors
- Raise voice at the meetings with relevant discussion time.
- Proceed and take required action (where necessary legal action) if the management failed to fulfil tasks or moving in wrong direction that may affect the performance of the company and its sustainability.
- To apply for company law board in case of oppressions and mismanagement.
- Adhere to PUC action plan to achieve timely cultivation and supply of produce as per the conditions agreed with PUC/market access.
- Vote on resolutions at meetings of the company
- To request for extraordinary/special general meeting as required.

All PUC management require regular in-service training to enhance the capacity of management and operational aspects. The PUC though registered as company Ltd, it is yet not ready to do business due to insufficient knowledge and awareness on business activities or managing the company.

Therefore, it is necessary for implement regular capacity building/mentoring programs to the members, Executive committee and BODs to enhance their functional and operational efficiency leading to sustainable future of the company. **(Refer Annex 3 for identified training options.)**

3.0. Human Resource Management

3.1. Cadre requirement

The PUCs must seek approval of the general membership for recruitment of any cadre positions as determined. The positions may identify for Manager, Accountant, sales person, office helper, as determined by the BOD. It is necessary that decision for recruitment is validated by the general membership to keep transparency on the matter. It is necessary to coordinate with respective DPDs/ASMP provincial offices and relevant departments in order to observe the best procedure for recruitment, decide on salary levels, and prepare the job description for particular human resource proposed to recruit.

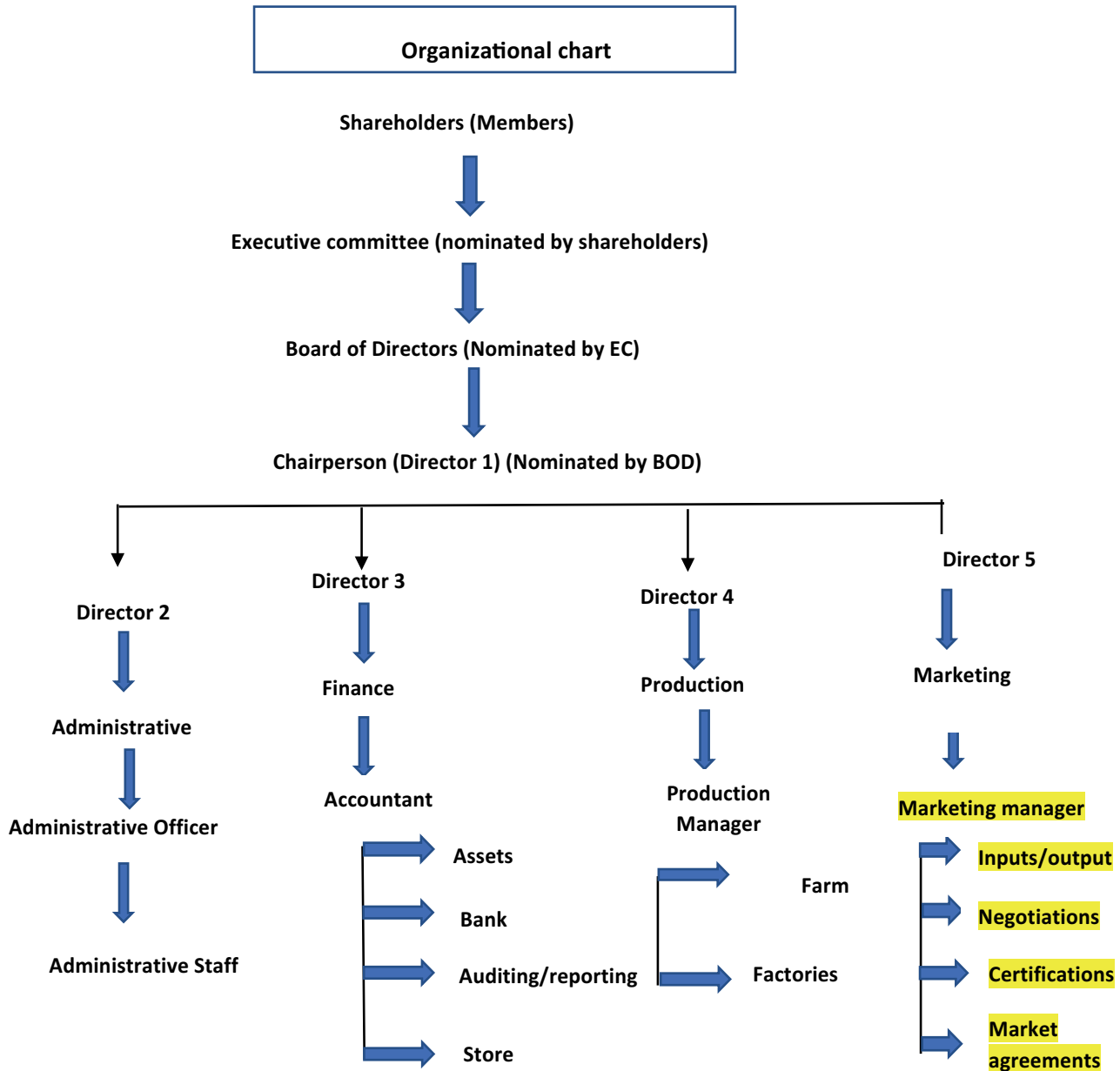
3.2. Scheme of recruitment/Approvals

The BOD should consult the general membership for cadre requirements with scheme of recruitment that may include job description, qualifications required, remuneration offered, fund arrangement for cadre, benefits, and working environment, time frame, etc., those validated and approved at the general assembly or special general assembly.

Decisions on cadre recruitment/salary revisions should be based on the evaluation/assessment of the business plan operations that include production/marketing plan/ human resources plan/PUC action plan. The assessment to be undertaken by the nominated member of BOD/EC. PUCs must ensure that any incentive package be always should be based on performance and in line with the established tasks and activities on the action plan derived from the business plan and its strategies.

3.3. Human resources planning

The business plan will include the consolidated human resources requirement under each activity/sector of the select value chain or sections of PUC such as production, supply, processing marketing, distribution, etc. The PUCs will have clearly identified company structure; an organizational chart with positioning of all involved parties.



The above is only an example of an organizational structure and this can be modified to suit the structure or particular PUC under select value chain.

3.4. Recruitment, promotions, succession plans

Each PUCs need to identify the human resource requirement in line with the review of PUC performance annually. Depending on the work area or task the following aspects should be considered for the scheme of recruitment.

Job description,

Professional & Academic qualifications

Experience in required field

Language proficiency/computer literacy

Age limit

Mode of recruitment -- advertisement (external/internal), headhunt, interview with marking scheme

The Board must also enter into a performance contract with the employee which is a reflection of the strategic plan, against which the employee performances be evaluated annually and the incentives including bonus should be decided.

The directors entrusted to head the sections as noted in the organizational structure, will hold responsible for covering duties in case of the employee under particular section is resigned, and engage with relevant activities until new recruitment is made.

A formal letter of appointment should be issued to all employees with clear indication of type of employment (permanent/temporary/casual/contract), probation period, salary including benefits (EPF/ETF, other as applicable), work place, leave entitlements, termination conditions (period of notice), office discipline, attire, obedience, duties assigned, performance evaluation, reporting officer, etc. (**Annex 4**)

3.5. Deployment of employees to other institutions

An employee should not be released to any other institution for render any services without the consent of Board. The PUCs should determine the charges based on different services as outsourcing expertise, consultancies, advisory support, input supply/market negotiations etc.

3.6. Performance appraisal

The BOD must introduce an effective performance appraisal system that is based on the business plan. The Performance assessment process should be prepared in line with the task entrusted to the employee. Accordingly, productivity of each employee needs to be assessed by the delegated directors on regular intervals and reported for Board and general membership for information and any further development. The performance of an employee is measured in terms of contribution made towards the company's improvement in particular period. It is an evaluation to ascertain the employee's strengths and weaknesses, relative worth to the PUC and future development potential.

The following is a list of questions that could be considered for performance appraisal process.

- What does the employee achieve?
- Commitment towards achieving the entrusted tasks.
- Proof of performance/achievement.
- Level of cooperation/coordination at work place.
- Efficiency of communication related to business activities
- Self-initiative/motivation and innovative approach on problem solving
- The areas that employee should improve and continue

3.7. Allowances for BOD/EC and members

It is aware that members of executive committee should actively involve in operation & managing the PUC while attending regular board meetings as scheduled. In this regard each EC member committed to extend their services towards the development of PUC and on behalf of total members focused to promote businesses as planned. Initially the services of the EC are considered as the voluntary activity where it may value as, in –kind service based on the time spent on each meeting (Especially the BOD meetings). In the long run the voluntary service may not be encouraging due to cost of their own time and transport used to attend the meetings. Therefore, it is proposed that budgetary provision should be made available to make cash payment for members attending BOD meetings.

In this regard the BOD should consult the DOA officials to identify the payment of allowances determined under the government directions and circulars issued from time to time related to participation in official meetings/programs/board meetings etc. The PUC should study the government allowances and decide the amount of payment accordingly

The BOD once decided should obtain the concurrence of general membership by displaying public notices for member concerns. However, it is proposed that the BODs need to perform voluntarily for a minimum period of six months from the establishment of PUC (Registration) during which the business activities performed with higher satisfaction of the general membership. It is the responsibility of BOD and management of PUC to identify and implement business opportunities that would generate income for the PUC enable to cover day to day expenses keeping a positive balance sheet at the end of each month.

Depending on the revenue of the PUC it can determine a rate of Rs. 1000 to Rs.2000 per sitting on board meeting. Also, the PUC may determine a penalty of same rate for not attending the board meeting.

3.8. Provision of communication facilities and Transport Facilities

The PUCs were supported by the project for shared communication systems to facilitate the production, processing and market negotiations. The cost for individual communication and transport will not be entertained by the PUC.

However, the PUC on behalf of shareholders could negotiate for competitive group package through mobile service providers in the market to facilitate the networking and communication among the shareholders.

All PUCs have initiated and implementing the WhatsApp as the official communication/networking method to keep connecting all members of the PUCs. This required to be further improved to digitize the entire value chain and connecting the market access as well. Therefore, the PUCs need to follow up with relevant institutions to access the digital chain systems linking all actors within the value chain.

3.9. Member retirement package

The PUCs recognizing the age of members should initiate retirement packages in line with agrarian services policy and schemes operate at national level. Also, the PUC should promote savings of each farmer who supply produce for aggregated processing & marketing. A predetermined amount as essential savings and which may be equally contributed with PUC profit earning through sale of produce and other input marketing.

The PUC may determine essential saving of one rupee each Kg of produce supplied to aggregated marketing through PUC and one rupee each Kg of inputs purchased through PUC as the retirement benefit to be accumulated for fixed number of years. Further PUC could determine savings from annual profits as bonus dividends to be accumulated for the output and input marketing of each shareholder.

Farmer retirement scheme -

The Farmers' Pension and Social Security Benefit Schemes were established by successive acts of legislation in 1987 and 1990. The objectives were to provide a minimum level of social security and provision in old age for workers, who had no access to other formal schemes. The Scheme is administered by the Agricultural and Agrarian Insurance Board (AAIB), with overall supervision provided by the Ministers in charge of Agriculture and Agrarian development.

The above scheme operated by the AAIB empowered by Agricultural and Agrarian Insurance Act. No 20, 1999. Accordingly, the policy the scheme restrict enrolment to those aged between 18 to 59years. The contribution determined according to the age and to be paid twice yearly. The contribution is varied from Rs 260 per year at 18 years age to Rs 1380 per year at 59 years age. The enrolled members must maintain their contributions up to 60 years to become eligible to receive a pension. The minimum vesting period is 5years.

The pension payment is varied but fixed at the time of enrolment. According to schedule it varies from Rs1000/ per month to Rs 4167/per month. Currently over 650,000 members enrolled for the scheme. May be this include some of the shareholders registered under PUC in districts areas covered by ASMP.

The PUC as the private organization may take the lead to study the scheme and determine its own retirement scheme with additional benefits such as emergency finance, gratuity, disable pensions, etc., and propose monthly contribution rates, essential savings through sale proceeds and profit distribution with higher level affordable to small farmers at each cluster.

4.0. Financing/Investing & Other related to PUC

4.1. Financial management

PUC should adopt best practices for financial management ensuring transparency, with proper reporting of transactions and securing value for money in its resource allocations.

BOD should delegate financial authority to the management division with strong internal monitoring/control system in place. Financial activities of the PUC must be adequately resourced and ensure direct reporting to the chairman.

Key factor in financial management is to ensure qualified, knowledgeable and experienced personal is employed. The BOD must decide on the level of authority that can be delegated to management personnel.

In this regard the directors should increase their awareness, knowledge and skills on financial procedures and reporting systems before delegating authority to manager/accountants employed under PUCs. Therefore, it is essential that directors of the PUCs undergo intensive training on financial management aspects to avoid any conflict situations due to miscommunication between the employee and directors of the PUCs.

4.2. Investment of surplus funds

As the PUC has no external budgetary allocations for facilitating the recurrent expenditure including payments of personnel emoluments it is important to establish an investment policy to generate consistent revenue annually.

The BOD to facilitate and earn its own revenue through sales and marketing of products and services and cover recurrent expenditure of the PUC and the surplus is accumulated for future development interventions and member services especially providing financial support where formal banks are reluctant to extend credit for the small farmer members of the PUC.

The PUCs are encouraged to avail for limited borrowing through the formal banks that recognized their business capacity, revenue potentials, value of assets and share capital available. These borrowings to be disclosed in annual report and approvals must be sought annually through annual general meetings.

Requirement to be ascertained in line with the business plan activities especially the purchasing inputs/collection and marketing of produce. Annual borrowings to be operated at satisfactory levels with solvency indicator for trade or balance sheet of the financial year. ***(Trading solvency—company is able to pay its debt as they become due in the normal business activities. Balance sheet solvency—the value of company's assets is higher than the value of all liabilities)***

Formal bank procedures may require collateral for any borrowings. This could be partly assured through share capital accumulated over the year and value of PUC assets (infrastructure and machinery) those transferred proportionately as the percentage of number of share contribution fulfilled by the members.

Any foreign donor funds/grants/loans received for the creation of capital for the PUCs must be channeled through respective line ministry; Ministry of Agriculture, the counterpart organizations for PUCs at the exit of ASMP.

PUCs may incorporate subsidiaries in line with law/regulations under companies' Act 07 of 2007.

PUC is encouraged to enter joint ventures and alliances for commercial activities especially on select value chain-based businesses targeted under the PUC business plan.

It is also proposed to establish franchise business for whole sale/retail trading of produce, insurance services, agriculture machinery/repair services, Farm machinery & spares trading, etc., to increase the revenue capacity of the PUC.

4.3. Share capital

It is the base financial resource/equity of the company contributed by individual beneficiaries. The services and benefits of the company be only made available for the subscribers for share capital of the company. Share capital is the most critical indicator that elaborate the members' commitment to PUC and its level of contribution.

The AoA specifies that number shares per applicant be limited to 5% of the total membership of the company. Accordingly, if the company determined to accommodate 300 members each member could obtain 15 shares (300x 5%) maximum. The value per share is determined as LKR 5000 and total share investment per member will be LKR 75,000. Accordingly, a PUC with 300 members will enable to raise a capital ranging between of LKR Mn 1.5 (minimum) to LKR Mn. 22.5 (maximum).

Every shareholder once invested in the company shares need to be registered under the ROC to become legally valid member of the company who holds the voting rights at formal meeting especially general meetings, annual general meetings or Extraordinary General meetings held by the company. The registration procedure includes, a duly completed formal application form, a summary sheet listing all shareholder details and number shares with value and bank statement tallying the total share capital value to be submitted to the company secretary to arrange and issue the formal share certificates through the ROC. Until the company proceed and register all shareholders and obtain certificates the ROC may not recognize or not consider any decisions taken at the meetings attended by members.

4.4. Special features of equity share

The share capital fixed according to predetermined number of members- (Pegged at limited number of shares equivalent of 5% of total number of prospective beneficiaries.)

Each member should subscribe with minimum of one share to become the partner of the company.

Best practice is to maintain equal number of shares to avoid any domination by one or two individuals

AoA clearly define the norms of allocation of shares

The prescribed forms as defined by Act., to be used to apply for subscribe the share capital.

Shares can be transferred to one member to another essentially on par value.

Share capital can be used for company expenses only as borrowings from share capital account and should repaid back to same account with share of profit earned through the businesses by the PUC.

It necessary to have minimum 10 shareholders to form and register a company under ROC. There is no upper limit for subscribing for share capital.

4.5. Authorized capital

Authorized capital is the total amount the PUC is allowed to collect as share contribution from the members. It is authorized by the act and indicated in the AoA. The company may seek amendments to AoA for increasing the authorized share capital when the initial limit is exceeded

4.6. Issued (Paid up) share capital

The share value that actually subscribed by the members against the allocated shares is known as paid up share capital. The formal banking systems may consider providing loans to the PUCs against this paid-up share capital. Therefore, the PUC should promote and encourage all beneficiaries to subscribe total allocated shares prescribed according to the number of members of the company.

4.7. Issue of bonus share

Additional shares can be issued by the company based on the reserves available that considered as bonus sharers and issued based on the proportion to the number of shares held by each member at initial stage. Bonus shares are issued only after obtaining the recommendation of the Board and by the Annual General Meeting. Bonus shares allocations should not exceed the authorized share capital.

4.8. Distribution of profits

The PUCs are expected to generate year-round income through pre-determined and planned business activities embedded in the PUC business plan. Based on the determined activities the PUC need to show reasonable return of investment with surplus profit be channeled to PUC investment funds/shareholders as levy or dividends.

Payment of interim and final levies/dividends should be made within fifteen (15) days after the declarations are made. The payment of bonus or profit based incentives should be made to employees of PUCs after the distribution of levies/dividends as applicable.

It is expected that at least thirty (30) percent of the profit after tax is distributed to the PUC investment fund/shareholders, having satisfied the solvency test (*trading solvency—company is able to pay its debt as they become due in the normal business activities. Balance sheet solvency –the value of company’s assets is higher than the value of all liabilities*).

4.9. Access to credit for members

The shareholders to be noted that the PUC is established with a special purpose to meet the critical needs of primary producer/shareholders in terms of input requirements, technology, value addition and market support. In this regard the PUC should focus on these core business activities and agribusiness investment/activities planned collectively may considered for provision of loans as a part fulfilment of value chain operation of the company.

The company may extend short-term working capital as credit facility with conditions for re-payment within a stipulated period from the date of disbursement (E.g., Gestation period of a crop). Such loans should be linked to companies’ business interest where the member ensure the supply of harvest to PUC for aggregation and marketing through the company.

It is well known that small farmer communities continue to be trapped in informal banking systems due to lack of capacity and insufficient collateral for dealing with formal banks. Also depending on size of loan required which could be insufficient for the bank to cover up their charges on individual application basis. In this regard the PUC could negotiate with formal banks for bulk loan facilities to support the small producer to obtain the loan for cultivation purpose or other needs.

4.10. Accounting & reporting

All PUCs must have an accounting system which should facilitate the preparation and presentation of Financial Statements in compliance with Accounting Standards as applicable under Sri Lanka law.

All PUCs were equipped with digital accounting package and required training were given as a guide to implement accounting practices in line with standards stipulated under company Act and AOA. The PUC manager/accountant and the BOD is responsible for managing and maintaining proper records in computerized formats with manual formats to have a back up data/information for any emergency.

Draft annual report and accounts should be prepared in consultation with the company secretary appointed and company auditor within sixty (60) days after the close of the financial year.

Financial Statements together with the Audit Report should form part of the annual report to be tabled in Board meeting within five (5) months after the close of the financial year. The annual report should provide

a snapshot view of the performance and position of the PUC, maintaining the highest levels of transparency, disclosing all relevant information.

All the above documents to be presented at the annual General meeting where necessarily with participation of all shareholders those registered under ROC. Only shareholders those registered at ROC are entitled for attending & voting at the meeting for validation of annual reports, financial matters, confirm or reject decisions taken on proposed development interventions, etc.

The company may decide to maintain general reserves at the end of every financial year. General reserves are the percentage of profits set aside to meet any contingencies in future, paying shareholder dividends, enhancing the working capital, etc. The General reserves are shown under reserves/surplus heading in liabilities column of the balance sheet.

4.11. Maintaining books of accounts

The chairman, all directors, and employees of the company are responsible for keeping books of accounts. Maintaining books with accuracy & updated information /data of accounts are important for PUC to ensure;

- Transparency and credibility of PUC operation/management
- Proper management accounting will enable the PUC to increase profitability.
- Clear and updated information will avoid conflicts
- Strengthen financial capacity that will be recognized by formal banking for obtaining credit facilities.
- Updated information could be used for promoting diversified business option for the PUC.

The following are the important areas that require to maintain books of accounts at the registered office of PUC;

- Business plan to be used as the basis for annual budgeting with revisions and adjustments made half yearly or seasonally as appropriate.
- All sums of money received and expended by the PUC and the matters in respect of which the receipts and expenditure take place;
- All sales and purchase of goods by the PUC.
- The assets and liabilities of the producer company;
- Utilization of materials or labor or other items of costs.
- Reconciliation of all transaction with end of month bank statements.
- Employee's personnel files
- Leave register

Refer Annex 2 for detailed List of books/registers/documents/files to be maintained at PUC.

4.12. Audit systems for PUC

Statutory audit – As stipulated by the Act the PUCs must comply yearly audit within three months of completion of financial year. It is necessary for the PUCs to appoint certified company secretary/auditors to conduct this audit and filing of annual audit report with RoC

Apart from the above the PUCs can undertake the following audit systems as its best practices.

Internal audit – conducted by independent qualified person who directly submit audit reports to regularly to the board.

Social audit- the audit done by committee formed by board specially for assessing and reporting the impact of companies' activities on the life styles of the members once in six months.

Financial compliances - Companies incorporated under ROC are required to maintain and submit following documents with electronic forms as available in ROC web site.

Balance sheet and Profit & loss account –

The PUCs should prepare these documents for each financial year and produce before the shareholders (essentially those registered at ROC) at the AGM of the company. It should be signed by two directors on behalf of BOD and audited by an auditor registered under ROC.

Annual return –

The PUC should file the annual return along with the balance sheet/profit & loss accounts and proceedings to RoC within 60 days from the day those presented to the members at the AGM.

4.13. Annual asset verification

All PUCs should establish an asset register that records all fixed assets items received through the ASMP interventions and own assets procured by PUC. Proper numbering of items and same recorded in the register with actual value and documentary evidences of procurement.

The PUC should establish an asset register for individual members list of assets made available through the ASMP as grants. The PUC must ensure that the procedures related distribution of distribution of equipment, inputs and infrastructure for individual members were followed with documented proof such as formal agreement, register the items in PUC asset register, listed against individual members. Also, PUC should ensure all members granted with project items are properly used and the technology disseminated by the project is adopted and continued for attaining increased productivity.

Annual asset verification must be carried out on the fixed assets and stores. Regular surveys will help in improving the stores and asset management including working capital position by replacing /disposing items deemed to be redundant/obsolete, which would also provide additional storage space.

The BOD of PUCs may write off losses, having undertaken a due process. However, with regard to writing off of a loss incurred due to a theft or negligence that requires legal action, the write off should not stop any legal process that needs to be undertaken.

If the verification prove that any member violates the conditions stipulated under the agreement the BOD has the power to legally acquire the distributed project items and re-allocate for select farmer who will join as new member.

4.14. Dissolution / Liquidation

Any dissolution or liquidation processes of PUC must be initiated only with the approval of the general membership who are the registered shareholders at the ROC.. Companies incorporated under the Companies Act should be wind up in terms of relevant clause of the Companies Act, No. 7 of 2007.

5.0. Database and Websites

All PUCs should have a clear communication policy with its stakeholders, both internal and external, that facilitates the PUCs to make informed decisions while ensuring transparency and accountability.

Please refer **Annex 12** format for membership list that needs to be completed for all shareholder members of each PUCs. Details pertaining to personal information, land use pattern, crops cultivated, etc., should be included for each member.

The PUCs should continue to maintain the established WhatsApp link for member networking as an easy way of communicating/information sharing, dissemination of technology related information, market related activities, aggregation of produce at PUC for market negotiation, etc.

The members of the executive committee are responsible for communicating with each sub groups linked to each EC member to enable sharing and dissemination of information, board decisions, member comments, members request, input/output market facilitation, etc. This will also enable the PUC to maintain good relationship with its total membership by way of transparency and building confidence on the BOD and PUC activities.

The seasonal and annual cultivation and production plan should be established with digital platform where cluster production and harvesting pattern can be ascertained for market negotiation with monitored production plan open for market access as well.

The PUC should implement action to prepare annual or seasonal production and marketing plans in coordination with members. In this regard aggregated production plan to be developed and validated through general meeting for implementation. This will enable the PUC to create a seasonal or annual production and supply data base for initiate negotiations with varied market access and determining price, volumes and quality standards. Also, the data base on production will provide opportunities for aggregated input marketing from PUC.

Use of technology is strongly encouraged and all PUCs must have its own website that provides a comprehensive view about the PUC. As such, the web sites must have information on operational and financial aspects provided in a user-friendly manner which is also periodically updated. It is also mandatory that the PUCs also upload the procurement plan, the project execution plan on to the website.

In order to coordinate and link the scattered small farmers in cluster area it is proposed to introduce digital platform to enable the PUC to communicating with members, markets, suppliers, for commercial negotiations and businesses facilitation.

The digital platform can be used for extension support and for monitoring and evaluation activities of the PUC business programs. The digital weather forecast system is one such application in the filed covering group of small farmers lands. The automated weather monitoring and instruction system has proven for enhanced efficiency of farming activities and large savings on input and labor utilizations. Therefore, the PUCs should give priority for such digital application for the improved productivity and income of the member farmers.

6.0. Governance systems

The PUCs are established and empowered under the law of companies Act 07 of 2007 that essentially requires to follow GOSL regulatory framework applicable for all public companies registered under registrar of companies in Sri Lanka for the purpose of accountability and transparency through guided process of good governance that assured to protect shareholders' investment in PUCs.

6.1. Regular Meetings for effective governance

PUC should hold board meetings at monthly intervals. The meeting schedule may determine at the beginning of each year to keep notify the all-board members, advisory members and relevant personals to be coopted as required.

According to the AoA, it is the standards practice where the quorum of 50% attendance is required to hold a valid board meeting.

The Board should at its monthly Board meetings- examine the following reports:

- Physical and financial progress
- Aggregated cluster production plan & market access
- Status of subscribers & share value.
- Working capital, cash flow, liquidity position
- Debt position

Apart from the above monthly reports, the BOD should request the management to provide any other document as the BOD may feel is required to ensure an effective performance review.

BODs should forward monthly, quarterly, and annual performance reports to the Line Ministry (MoA) and company secretary in such formats as required. The MoA will receive the performance data of BODs through a web-based Information platform developed to ensure spot monitoring of the BODs performance.

The monitoring of readiness criteria under PMU/ASMP is one such platform for monitoring the performance and capacity buildup of the PUCs. This may consider a base report for PUCs to find a way out to monitoring it activities. Draft monitoring plan is given in this report as a guide for all PUCs by keeping flexibility for any changes if necessary.

All BODs should nominate a member of EC to be responsible for the submission of such data and information as required by the Line Ministry and the Company secretary.

6.2. Working committees for good governance

The PUC through its board may constitute several working committees formed with representatives drawn from executive committee, shareholders, and board of directors delegating responsibilities to achieving expected targets set for operational, financial, marketing activities as planned in the PUC business plan.

The committees should have head of operations/Head of unit appointed by the board of directors. These committees will regularly report to board of directors every board meeting or special meetings as determined by the board.

Below are few examples of working committees;

- Share capital mobilization committee
- Agri-business committee (Technology/production)
- Human resource and Procurement committee

- Finance and Audit committee
- Marketing committee (inputs & outputs)
- Shared services facilitation & maintenance committee
- Communication & networking committee
- Monitoring & evaluation committee
- Committee on managing & resolving issues/conflicts

6.2.1. Problems & conflict resolving

Emergence of problems and conflict in cluster companies observed a common phenomenon and require the swift involvement of the PUC management to solve the problem, consider as a lesson learned and avoid any form of damage to companies’ business or its reputation. The delay in solving conflicts may cause the members forming internal groups leading to collapse of PUCs.

Conflicts can be created due to inadequate communication with general membership who are registered shareholders of the company due to lack of trustworthiness on the company operations, inadequate transparency of handling financial matters, procurement activities, sharing of resources, injustice for members, political influence, cultural biasness, etc.

The problems and conflict need to be carefully handled and always the PUC should find ways to amicably settle for smooth running of business operation based on the company objectives.

As a company legally registered under ROC and abide by the company act and stipulated rules and regulations under Govt. of Sri Lanka, and also guided by the Article of Association of the PUC, any meeting called with an agenda to discuss and find solution for problems or conflict, the shareholders those attending should be registered under ROC to enable the PUC to validate the decision.

Conflicts are always possible to settle through negotiations by internal committee, BOD, Executive committee or calling general meeting. An example of conflict solving process is given below and PUCs and it is flexible for all PUCs to modify and use as appropriate.

Activity/ Process	Method
Identify the conflict/Problem	Understand the problem/affects, listen all concerned & solve openly
Status of conflict	List out elements contributed to creating conflict
Arrive on possible solution	List all possible solutions/discuss/agreement/settle
Follow up action	Keep assessing the level success. If continued seek help of external source

6.3. Member services

The PUCs are bound to serve the subscribed members who contributed to form the company with initial capital at the inception. The PUCs should give priority for promote and meet the collective needs of members, as an aggregator where individual/personalized needs should not be accommodated.

The services of the PUCs can be broadly in two categories;

- a. Financial services
- b. Non-Financial value-added services

Financial services of PUCs are the direct investments made by PUCs to meet the collective needs of members such as

- Inputs & outputs Marketing
- Provide required Infrastructure, Machinery & equipment
- Post –harvest Processing & value addition
- Operation & management of PUC.

The PUC to serve better for its members with above services may negotiate following financial support through the formal banks where the company is maintaining its accounts.

- Credit facility for agro- input supply/marketing
- Credit facility for upfront payment of basic value/price of supply/commodity.
- Credit facility to meet the operational cost mainly the transport, storage, processing, packaging, outsourcing

Non-financial services are the monetary investments made by the PUC; e.g., Bank guarantee for input supply or obtaining bulk loans.

- Market intelligence and price exploration
- Commodity trade/export support
- Hiring services- transport/storage/mechanization
- Technology transfer from businesses/research/development institutes to members.
- Value addition/processing/packaging/brand labelling/certification for GAP& GMP.
- Farming solutions –irrigation, harvesting, crop management, weather surveillance/forecasting
- Technical services for repair & maintenance of farm equipment, machineries, implements.
- Insurance services – Agency agreement with Agriculture Insurance Board (AIB).
- Digitalization of value chain – increase market presence with assured supply through PUC

7.0. Creating Innovative Business options - value chain approach

The PUCs established with a focus of identified crop value chain interventions by integrating the technology, increased productivity and cluster formation to achieve sustainable market access. Value chain process is considered the basis for development of a business plan of the PUC. Assessing the value chain will provide number of business opportunities that need to be addressed in the business plan. Therefore, the value chain interventions set the stage to proceed with physical activities while business plan ensure the way of finance and benefits accrue in the process. The value chain and business plan cannot be viewed in isolation from each other.

The PUC executive committee should identify the main crop to be cultivated by the majority of members and accordingly develop a plan for aggregation of required inputs/services and proposed market access with price options based on segregation of yield (i.e., grades, packaging, storage,).

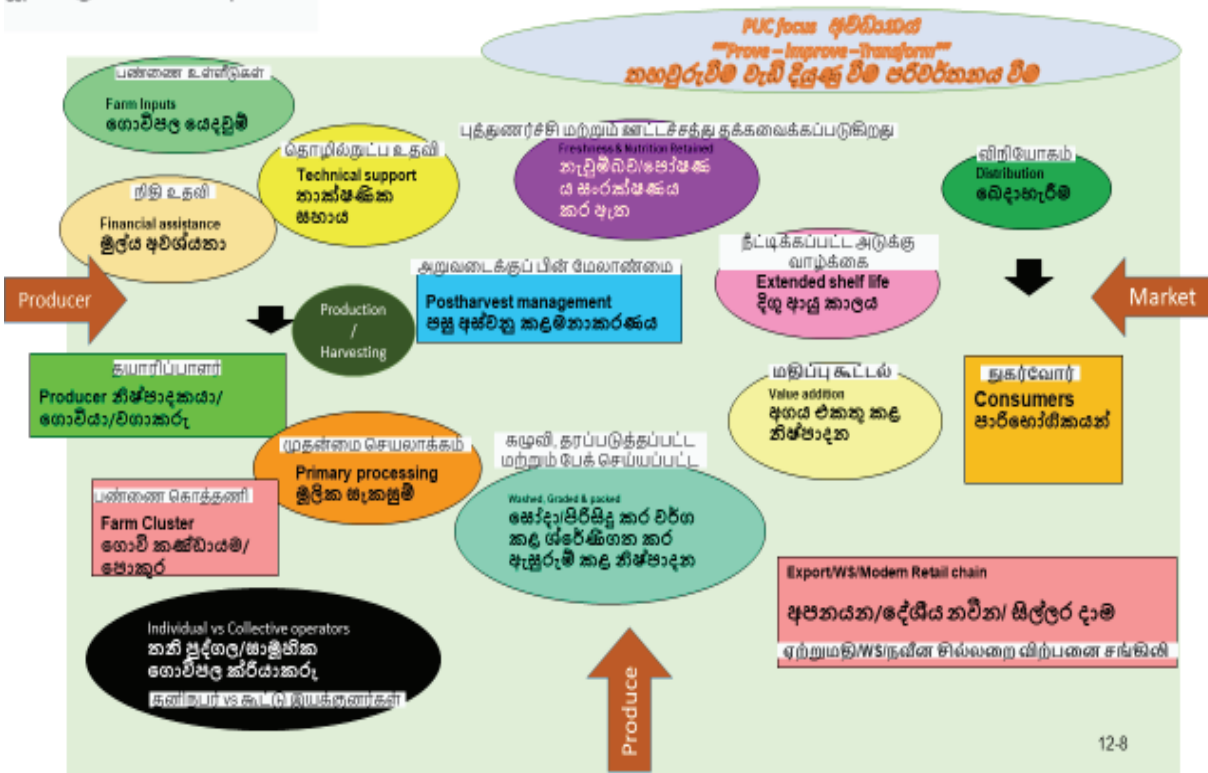
It is also important to plan alternate crop value chains or business options to facilitate income generation activities throughout the year.

The value chain interventions should lead to compliance with environmental and social requirement where the PUC should promote GAP certification for farms and GMP certification for processing and marketing centers as the initial step towards building confidence among the buyers and consumers in diverse market segments.

The PUC should initiate action in coordination with GAP officer of the DOA and organize awareness, training and certification of SL-GAP system for member farmers.

Diagrammatic View of Crop Value Chain

இயக்கு CVC- Concept/model



In order to make PUC operations feasible and sustainable it is required to map the entire value chain activities and identify the services that support every activity under particular crop/commodity. There are

two distinct types of services considered important for the enhanced value chain productivity; Operational services and Support Services.

- Operational services include – Input supply, outsource of machinery/equipment, repair & maintenance those service providers perform certain business operations.
- Support services include credit services, training/education, market promotion that serve the cluster/group of producers.

7.1. Value chain management

The common aspects that need to be addressed/facilitated through PUC include; exploring the market demand for produce from its members, sourcing of inputs for production, logistical management, credit management, primary processing, storage & distribution to create an enabling platform for compete in the market place. PUC be the single platform for input/output marketing.

Integration of market support

The concept of PUC will lead to empower the small farmer community by changing the age-old business culture, "buy retail and sell wholesale" to "buy whole sale and sell whole sale"

The following figure will elaborate the way forward of the company to capture the market demand by connecting three pillars namely the **Aggregation, Outsourcing and Organizational**.

Let's create a business culture for ----- **BUY WHOLE SALE and SELL WHOLE SALE**

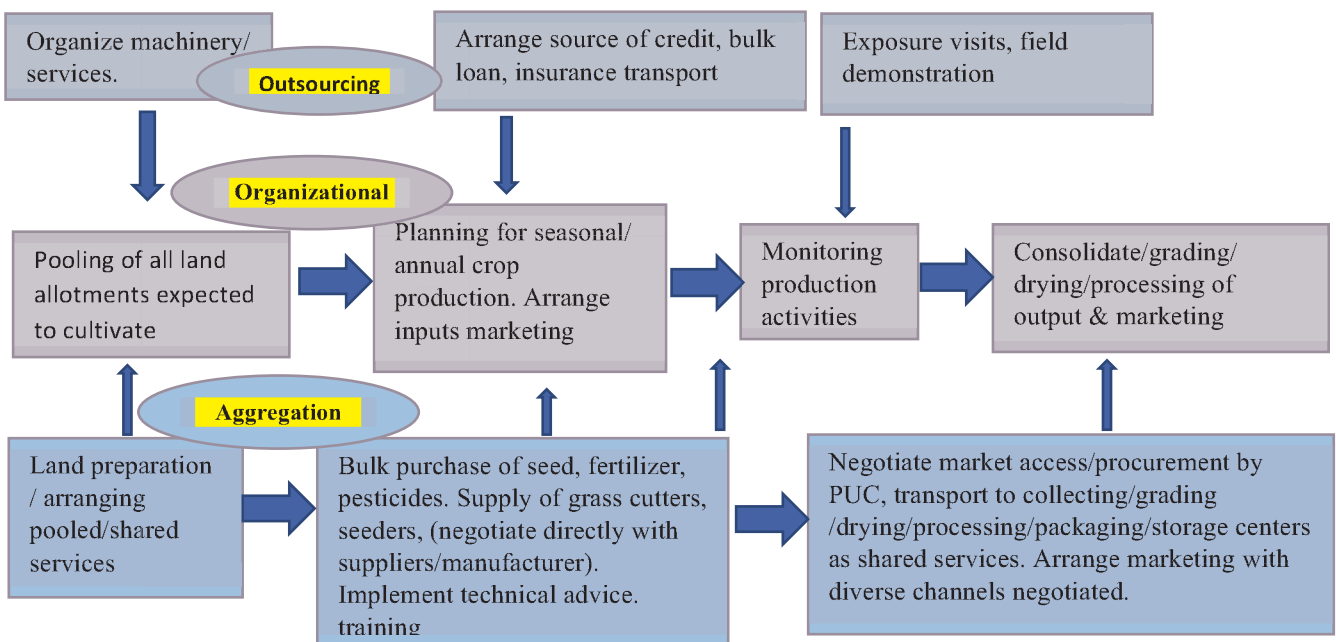


Fig - PUC in operation – Value chain production and marketing

PUCs should focus on the establishment of common platform for effective marketing/negotiations by sharing resources such as the infrastructure developed by the ASMP program that include required facilities for aggregation of produce, storage, processing, machineries/equipment for shared services, marketing and modern communication systems to sustain PUC business activities.

Delegation of authority

Organizing and delegation of authorities is an essential activity for the PUCs to achieve its commercial goals through efficient and systematic approaches. It is fundamental for the PUCs to establish clear line of responsibilities with sufficient authority to take required decisions at required time with strong performance evaluation mechanism undertaken periodically. The EC/BOD members should be given tasks by delegating different activities; e.g.- financial, marketing, human resource, administration, etc.

Institutional networking

The PUC is encouraged to infuse improved technology and mechanization of production/processing and marketing distribution that include use of machineries, online systems, digital management, networking with relevant institutional systems to increase the productivity and profitability especially for shareholders and for the sustainability of PUC. A list of institutions, mandates and contact details are provided as **Annex 23**.

Need assessment

PUC to undertake to determine the demand (advised to examine/compare the past demand patterns) for inputs/output (produce) identifying needs. This enables the PUC to ascertain the requirements of right quantity, quality and time for the supplies (goods/services) to be delivered in respective market place.

Procurement process

PUC to study different procurement process and determine efficient procedures in consultation with accounting/audit services linked to the PUC for procurement of inputs/services cost-effectively and essentially maintaining high level of transparency.

Inventory management

PUCs must ensure one operative system for managing/recording inputs and outputs without any duplicates or sub systems. The relevant types of books and records are listed in Annex 02 and the forms and templates relevant to each to be obtained through company secretary/Audit services linked to the company. Also note the Sample formats are included at the end of this manual.

8.0. Business planning

The business plans are the consolidation of value chain activities of PUC. Analyzing the business activities within the area covered under the PUC can identify appropriate business opportunities that could be considered for developing a business plan. However, the identified business opportunity cannot be translated into an appropriate business unless it is passed through the risk analysis lens.

The business plan of the PUC s describes on how the company creates, delivers and capture values. The Business plan is the most vital element for the PUCs that realizes the objectives of the company and visualizing the sustainable business development. It is the main document for the PUC by guiding its way forward with an action plan for next five years while strengthening the cohesive participation of various actors, market access and institutional stakeholders relevant for select value chain.

8.1. Preparation/update of business plan

8.1.1. Analyze the Value chain

Brainstorming with farmer members, progressive farmers in the village, village agriculture extension officers and other lead opinion makers will help to identifying sub opportunities for income generation in the select value chain especially through pre-production, production and post- production stages.

8.1.2. Evaluation & prioritize the key opportunities

Pay attention to important areas that has more scope for revenue and productivity improvements with market attraction. Refer annex 06 for suggested business opportunities for screen and prioritized by PUC.

The list of opportunities identified requires critical analysis in line with following areas to ascertain the scope for improving productivity/income generated for PUC and its sustainability.

Market size –

Demand, number of consumers that could reach, tenure of demand (long term/short term/medium term).

Competition –

Envisaged competition from current collector/trader network operating in the area, other market accesses identified in adjoining cities, urban areas, provinces, export and online operators. Potential for link these important networks to the PUC. Benefits that can be given for attracting competitors for aggregated produce marketing center.

Market competition is assessed in terms of existing demand, availability of substitute/alternate products, existing suppliers and their capacities, competitive edge/uniqueness of product offered by PUC.

Price & Quality –

The market systems observed rapid diversification in terms of Quality, quantity and price. This indicates the prices may vary according to consumer segments in the market place that identifies varied quality/grades of products. In this regard PUC should be ready with predetermined minimum price for different grades of produce for local/export market segments.

The individual farmers always depend on day-to-day market price and have no computation for cost of production plus margin at farm gate. This practice always ends up selling the produce at loss. Therefore, the PUC as an aggregated producer and seller of produce should consider the cost of production plus margin and competitor price analysis identifying the avenues cost reduction to enable to bring the prices in par with competitor price.

It is understood that export marketing is highly competitive due to international suppliers and to keep in linked to export business the PUC need to determine special price structure that may offer price below or above local market price of particular produce.

Accordingly, to satisfy both markets and the producer it is proposed to implement percentage basis for export and local markets. It can be determined as 20-80 or 40-60 ratio (export: local) where during high local market periods the producer may agree to sell 20% or 40% of total volume of produce to exporters price while balance is free to sell local market through the PUC to maintain a regular supply and strong relationship with exporters of fresh Agri produce.

Availability of inputs & resources –

The traditional practice of buying retail and selling whole sale has made farming a poor man's enterprise that has low income and no savings for future investments. The shared facilities/ infrastructure available with PUC and aggregated supply of inputs for farming at whole sale price will encourage profitable farming that could support the sustainability of PUC and the long stay of shareholder farmers with PUC.

Level of Profitability-

The revenue of the PUC depends on the volume of sales and selling price through farm gate or common marketing center or shared services. The PUC may determine selling price that may vary according to type of market access such as whole sale, exporters, modern retail chains, direct consumer channels, food processing factories, online distribution, seasonal demand, windows of opportunities, etc.

Barriers for market entry – compliance requirements on environmental and social safety, food regulation, quality/standards certification, packaging & labeling requirement, Local policies/taxation on trade, etc.

8.1.3.Risk analysis

Based on the above facts the appropriate business opportunities identified could be considered for developing the business plan after assessing the risk and mitigation methods. The following factors be considered in risk analysis.

Identify the areas that may cause any impact on earnings. –

input supply, technology (traditional vs modern), limitation of supply due to seasonal cultivation, climate and crop damages

Identify Infrastructure related risks-

storage facilities, plant & equipment that may affect the earnings of PUC.

Market access-

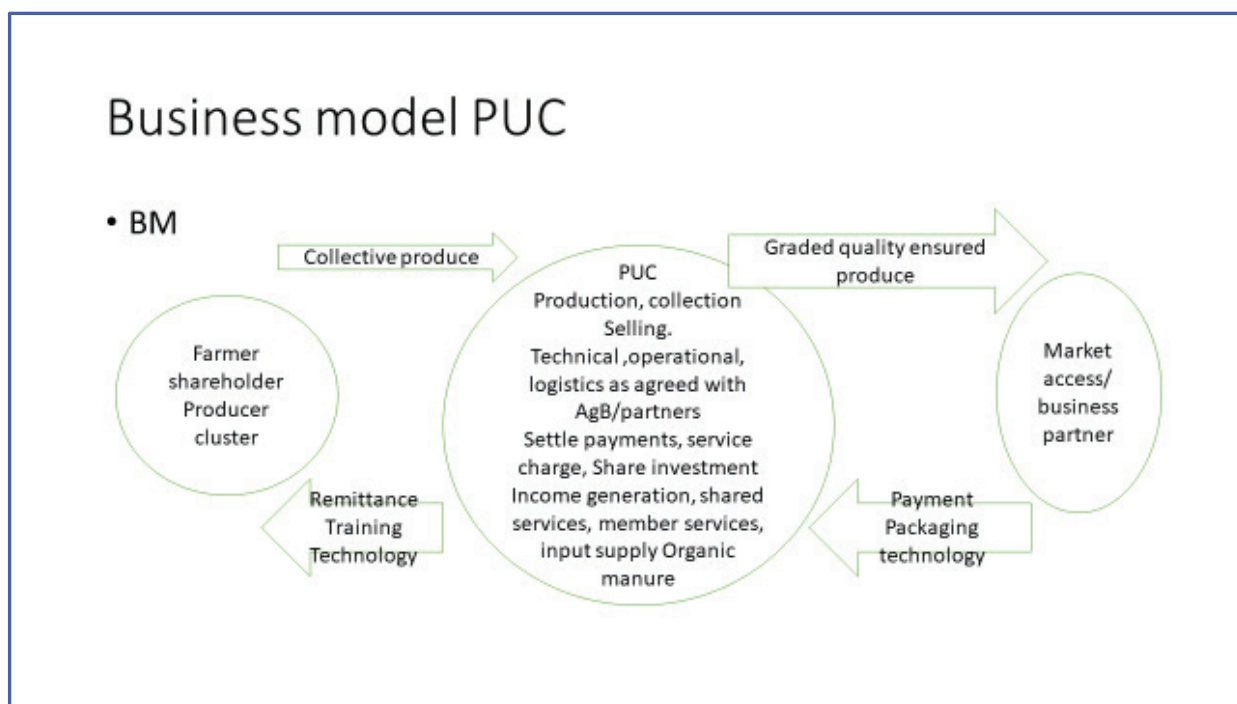
risk is high with single market access. Risks involved with village collector/trader networks.

Identify the risk related to changing policies-

on trading of produce, regulations on food safety, packaging/labeling, etc.

8.1.4. Market linkages

The PUC as the aggregated producer and supplier of identified produce require continuous supply of produce for marketing. In this regard the individual members, PUC and market access need to enter into tri-party contract assuring supply of produce at predetermined price.



Proposed mechanism for aggregation and marketing

PUC to tie-up with Individual members/shareholders assuring the supply of produce at regular intervals as determined. Contracted with individual members of the company.

PUC to negotiate with market access

PUC contracted with market access. With identified volume, price, quality and intervals of delivery.

Buy back of produce. PUC procure the supplies from members, delivered to main collecting and marketing center.

PUC initiate selling of produce.

Payment to be made through bank transactions. – Receiving from buyer and payment to producer

8.1.5. Financial Analysis of business opportunities.

Financial analysis suggests the feasibility or the financial status of business models determined by the PUC and its business plan. The main determinant of financial feasibility are the revenue and costs.

8.1.5.1. Budget

It is an indicator to show how the PUC mobilizes the financial resources for identified business activity. Budget identify the following aspects.

- Revenue/income from sales and services

Assessed based on the estimated sales targets and unit price determined

- Costs for sales & services

According to financial parameters, there are two types of costs namely Direct costs & Indirect costs.

Direct Cost-

In the process of producing goods or Providing services, certain costs can be easily traced back to the product or service is identified as Direct costs. Variable costs change with the amount of raw material/inputs used in the production plan and the cost of marketing. *Example- Raw materials, manufacturing supplies, machineries, labor*

Indirect Cost-

Certain cost cannot be traced back easily to an individual produce or service where those tied up with business activities beyond the process of producing goods or providing services is called indirect cost. Indirect cost can be fixed or variable but are independent of production process and remain constant irrespective of number of units the PUC produce & sells. *Example- cost of land, rental, insurance, electricity,*

The sum of direct cost & indirect cost is an indicator for total cost of production where unit cost of production can be determined. The unit cost decreases with the increase of total production.

Net Surplus –

Identify the amount of income in excess of expenses computed before any allocation is made for member dividends, interest and taxes.

Breakeven analysis –

This identifies the point at which total cost and total revenue are equal. The sales in excess of the breakeven point would result in profit for the PUC. A point at which company has neither gained nor lost money on the venture. It is the financial calculation used to determine a company's breakeven point (BEP)

Capital requirements – Working capital and Fixed capital

Working capital –

This refers to the investment needed for one cycle of operation which can be the purchase of produce from registered producers, paying them upfront, cost of transport of produce to market, processing, packaging, storage, insurance, communication, etc., within a time frame applicable for business cycle.

The business cycle is the average period of time needed to procure raw materials, process, sell and receive revenue in exchange of goods.

It is also identified as current assets and liabilities that an organization uses to finance day-to-day operations such as pay roll and bill payments.

Current assets (cash in hand, cash in bank, Debtors, stock in hand) & current liabilities (Creditors, interest & outstanding instalment, other short-term liabilities).

Net working capital (*Current assets – current liabilities*) and if current liabilities are greater than current assets, it indicates the gap of working capital necessary to fill.

Fixed capital –

The assets or investments needed to establish and operate a business, such as infrastructure, off-farm development, office equipment, farm machinery, processing equipment, etc.

8.1.5.2. Financial reports/statements

A formal record of the financial activities and position of a PUCs business. Relevant financial information is presented in structured manner and in the form which is easy to understand.

They typically include four basic financial statements; Three financial statements are employed to assess the financial performance of the business enterprise at the end of a given period. These include

i. Profit & loss statement –

An income statement reports on PUCs income, expenses and profits over a stated period. It provides the information on operation of the company.

Sample Format for Profit loss statement

Income	Direct Expenses	Indirect Expenses
1 Total sales	4 Material cost	8 Salaries
2 Other income (shared services)	5 Overhead cost	9 Transportation
3 Total revenue = 1+2	6 Opening stock + purchases	10 Rent
	7 Total direct Expenses = 4+5+6	11 Interest
		12 Miscellaneous
		13 Total Indirect Expenses = 8+9+10+11+12
14 Net profit = 3 – (7+13)		
Profitability = 14/3 x 100		

ii. Balance sheet –

A statement of financial position reports on a company's assets, liabilities and owners' equity at a stated period. Assets are immovable or movable properties that used to earn revenue for the PUC.

Assets are categorized in to fixed and current assets for the purpose of preparing the balance sheet.

The current assets include resources owned by the business. Cash balance, bank balance, stock of raw materials and finished goods, money owed by debtors, and fixed assets are land, buildings, machinery, etc.,

Liabilities are an obligation those repayable within a stipulated time period. There are three sub categories – considered for balance sheet;

Equity of the members that contributed to startup of the business.

Long term liabilities- amounts raised as loans or deposits. Payable during stipulated period.

Short term liabilities amount raised as loans/deposits and payable within the current year.

Sample Format of Balance sheet

Assets	Liabilities
Current Assets	Current liabilities
1 Cash	14 Loans payable
2 Raw materials	15 Deposits
3 Work in process	16 Total current liabilities = 13+14
4 Finished goods	
5 Accounts receivable	Fixed liabilities
6 Total current assets = 1+2+3+4+5	17 Loans payable
	18 Long term deposits
Fixed assets	19 Startup capital/owners' equity
7 Land	20 Total fixed liabilities = 16+17+18
8 Building	
9 Machinery & Equipment	21 Total liabilities = 16 + 20
10 Office equipment	
11 Accumulated depreciations (minus)	
12 Net fixed assets = 7+8+9+1-11	
13 Total Assets = 6+12	
Net worth = 13-21	

iii. Cash flow statement –

Concerned with the flow of cash in and cash out of the business. It is useful tool in determining the viability of the company. It analyses the operating, investing and financing activities of the company.

Sample Cash flow statement

Cash inflow operational	Cash inflow Financing	Cash inflow investment
Sale of produce	Loans/deposits	Interest received from investments
Sale of services		Sale of fixed assets
Cash outflow	Cash outflow	Cash outflow
Purchase of materials	Loan installments	Purchasing fixed assets
Labour cost	Interest	Fixed deposits
Transport		Promotion/publicity
Maintenance of Machinery		
Rent		

iv. Changes in Equity

The statement explains the changes in a company’s share capital, accumulated reserves, and retained earnings over the reporting period.

Annual report is considered the last final comprehensive statement of the company s performance that provide qualitative information consisting all above statements supported with extensive narrative breakdown of the diverse business segments, benchmarks and overall growth of the PUC.

The PUC should take the initiative to coordinate with company secretary and identify and appoint suitable audit company registered under ROC for company auditing and annual report preparation and submission to ROC as required under company Act and guided by AOA.

9.0. Performance indicators for PUC evaluation/Monitoring

The performance evaluations are mandatory at all PUCs and is a primary responsibility of the BOD. The BOD should lead from the front and establish simple and clear mechanisms that facilitate the establishment of performance evaluations method/monitoring plan linked to the achievement of the expected objectives.

The performance evaluations must have identified indicators that are recognized when the strategic plans are prepared. The BOD should periodically review the performance that result in taking remedial actions to ensure that the PUC is able to reach its targets as determined in the business plan.

Indicators for monitoring performance covering Institutional, technical, economic, Environmental & social development is highlighted below.

Institutional	Technical	Economic	Environmental & social
No. of shareholders	Percentage of members adopted with micro irrigation	No. of households improved lifestyles.	No. members enrolled to SL-GAP certification
Total share capital	Percentage of members practice modernized land & soil management techniques	Percentage of increase of income per member/per unit area	Processing facilities obtaining GMP certification
Dividends on share capital/profit distribution mechanism established	No. of technology transfer training conducted	Level of decrease of cost of production due to improved technology.	No. of collection points for plastic/waste disposal.
Deposits	Percentage of subscribers attended for training sessions.	Increased volume for wholesale marketing	Volume plastic/glass collected & income generated
No. of meetings held (BoD/GM/AGM)	Percentage of members utilize mechanized cultivation systems introduced	Increased income due to grading of produce	No. farms maintained good hygienic practice.
Attendance in meeting /trainings	Percentage producers adopted the improved methods of input application	Increase in profits – individual and PUC.	Individually maintained files for each member & families.
No. of business activities implemented	Percentage of producers adopt the modern harvesting/post harvesting methods.	Increase in unit price of produce.	
No. of producers/entrepreneurs using shared services facilities	Level of usage of drying/cold room/processing facilities	No. of market outlets negotiated and established.	
No. of business partnerships established		Increased contribution for national production/revenue	
No. of producers participated for aggregated input and output marketing		No. of subscribers' link to banks for credit access	
No. of institutional network established			
Production & marketing plan established and updates			

No. of sub products/services identified and operated for income generation			
Machinery & equipment and infrastructure in hand/outsourced for hiring			
No. of staff/employees			
Total salaries			

Draft template for detailed monitoring plan is given in Annex 20

Development sector	Activity	Target	Performance indicator	Date of completion	Responsibility	Remarks
Institutional	Shareholders join the aggregated services	Total shareholders	Annual/Seasonal cultivation plan established. Validated with general membership	Annual/ Seasonal	Chairman/BOD/EC and Manager	PUC should establish the production plan for annual/seasonal crops with
			Aggregated production implemented No. of shareholders joined			proposed market linkages.
	Institutional networking	Establish communication link with relevant institutions in the region/outside the region	Name of institutions covered. No. of meetings attended. No. of representatives nominated for the regular board meetings. No. of meetings attended by nominated representatives	Annual	Chairman/BOD/EC and Manager	Initial linkages to be promoted by DPD/DC/CC/PUC Chairman and BOD. Important institutions – DOA, NEDA, EDB, SEDD, District secretariat, Divisional Secretariat, IDB,
	Develop Administration, Finance and governance, system for PUC	Set up functions/ procedures/ operational systems	Manuals for - Administration Finance Good Governance established	End July 2024	PUC, PMU, PPMU, IDS consultant, BDC.	Training for EC held and to be continued with BDC and company secretariat.
	Employees	Manager Accountant Admin officer Driver/office aid	No. of staff/employees	2024- 2025	Chairman/BOD/EC, BDC	BOD to implement action

Development sector	Activity	Target	Performance indicator	Date of completion	Responsibility	Remarks
Technical	Implement crop production plan agreed for cluster	All member farmers	No. of member farmers adhered	Seasonal/Annual	BOD, Manager, General members	Seasonal/ann crop producti planning designed & validated with general membership
	Best practices for Land & soil management	Lands extent identified for select members	No. of extent implemented	Before planting date determined by the PUC seasonal/annual meeting	BOD, Manager, General members	Advisory supp from DOA
	Crop management	All members	No. of Acs planted No. of Acs adopt IPM practices No. of Acs adopt integrated nutrient management practices (INMP)	As per the crop cultivation plan	BOD, Manager, General members, select suppliers	Supplier or service provic selected by following the tender procedure
	Technology training	All members	No. training sessions covering land preparation to harvesting. No. of members attended for training sessions	Determined by crop production plan	BOD, Manager, DOA, NEDA,	Relevant institutions tc coordinated b BOD/Manage access techni experts.
	Mechanized farming practices	All members	No. of acres used machinery for land preparation & weeding No. of acres used micro irrigation No. of acres used solar pumps			
	Timely harvesting	All members	Availability of harvesting schedule at PUC. No. of intervals & Volume of harvesting No. of members supplying produce aggregated/processing & marketing			
	Utilization Aggregated post -harvest facilities	Post-harvest operations & marketing	Volume of produce delivered to the PUC No. of grades Volumes of each grade			

Development sector	Activity	Target	Performance indicator	Date of completion	Responsibility	Remarks
Environmental & Social	Quality assurance	Member farmers	No. of GAP certification obtained	End of crop season	BOD, Manager, General Members	Advisory support required through DOA/NEDA
		Processing center	GMP obtained	Annual		
	Waste disposal	Member farmers	Farm waste disposal system established	End of 1 st planting season	BOD, Manager, General Members	Advisory support required through DOA/NEDA/ EDB/Provincial authorities.
Household		Household waste disposal system established	End of year one			
		Compost making unit established	End of year one			
Community welfare	Shareholder families	No. of Home industries/self employment	No. of Educational programs No. of Health improvement programs No. of Nutritional program	Before harvesting	BOD, Manager, General Members	Advisory support required through DOA/NEDA/ IDB/ITI

Development sector	Activity	Target	Performance indicator	Date of completion	Responsibility	Remarks
Environmental & Social	Quality assurance	Member farmers	No. of GAP certification obtained	End of crop season	BOD, Manager, General Members	Advisory support required through DOA/NEDA
		Processing center	GMP obtained	Annual		
	Waste disposal	Member farmers	Farm waste disposal system established	End of 1 st planting season	BOD, Manager, General Members	Advisory support required through DOA/NEDA/ EDB/Provincial authorities.
Household		Household waste disposal system established	End of year one			
		Compost making unit established	End of year one			

Annex 1. Cluster information

		PUCs –Crop cluster wise			
District	Crop	Registered Name of PUC	Status/ BR. No.	No. of shares	Office furniture supplied
Badulla	1-Chili	Rideegira Agro Products Ltd.	BR P B 00291196		Y
	2-Seed Potato	Reap Agro Solutions Ltd	BR P B 00292690		Y
	3-Vegetable	Golden Valley Agro Ltd.	BR P B 00300201		Y
	4-Hybrid Maize Seed	--withdrawn	--		N
	5-Hass Avocado	Ceylon Super Farmers Ltd	BR P B 00291735		Y
Ampara	6-Chili-Ekgaloya	Ekgaloya Pioneer Agro Products Ltd.	BR P B 00293162		Y
	7- Chili Komari	Sangaman Agro Products Ltd	BR P B 00294945		Y
	8- Hybrid Maize Seed	Digawewa Agro Ltd	BR PB 00307835		Y
	9-Soursop (Pilot) P/Thalawa	Digamdulla Agribusiness Ltd	BR P B 00273299		Y
	10-Soursop (Scaleup) Uhana	Lake front Agro products Ltd.	BR P B 00292792		Y
	11-Jumbo Peanut (Pilot + Scaleup)	Pasumthahir Agro Products Ltd.	BR P B 00273279		
Kandy	12-Chili (Pilot +Scaleup)	Gangasiri Agro Ltd	BR P B 00272483		Y
	13-Hass Avocado	Great City Agro Ltd	BR P B 00294534		Y
	14-Vegetable Seed	Greeny Growers Kandy Ltd.	BR P B 00289165		Y
	15-Ambul Banana	King Mahasen Agro Ltd.	BR P B 00298021		Y
Kilinochchi	16-Jumbo Peanut	2KAgro Products Ltd	BR P B 00288668		Y
	17-Chili	Thayakam Agro Ltd	BR P B 00289382		Y
	18-Pomegranate	Red Angle Agro Ltd	BR P B 00296720		Y
	19-Passion Fruit	Mak Agro Products Ltd	BR P B 00290158		Y
Vavuniya	20-Chili	Living Agro Producers Ltd.	BR P B 00290255		Y
	21-Hybrid Maize Seed	Ensured Seed Economic Devt. Ltd.	BR P B 00287314		Y
	22-Mango TEJC	Shakthi Agro producers Ltd.	BR P B 00289201		Y
	23-Papaya Tainung (Pilot + Scaleup)	Pasumai Agro Products Ltd.	BR PB 00270581		Y

Annex 2. List of books/records to be maintained by PUCs.

01	PUC incorporation file – Signed Copies of all documents submitted for registrar of companies & BR
02	Company Profile & PUC letter head & company seal (format Annex 17)
03	Visitor record book
04	Detailed list of total beneficiaries – with personal information, family, extent of crops cultivated, home garden, ownership. (format provided Annex12)
05	Share capital register - No. of shares contributed, unit price of share and value for each beneficiary
06	Share certificate pad- Individual files for each shareholder – Copies of share application, share certificate, member Agreement with inputs supplied by ASMP/PUC/other (formal application Annex 10)
07	Assets register- Name of item, description, identification No., model/serial/type, value details of all assets under PUC- delivered from ASMP and other-include assets provided for shared services (format given Annex 11)
08	Bank book – cheque book – daily transaction, monthly credit/debit balance
09	Correspondence file – Institutional wise, subject wise,
10	Letter in/letter out entry book- Number & record all letters received/sent with subject area and action taken
11	Meeting minutes book -- Board of Directors
12	Meeting minutes book -- Annual GM -
13	Meeting minutes book --Special GM
14	Meeting minutes book – Other
15	Attendance register & leave register – Employee
16	Invoice book (Annex 14)
17	Voucher book (Annex 15)
18	Cash book
19	Bill books/Receipt book (Annex 13)
20	Register for Purchase/Sales/stock
21	Record book – proceeds on Sales/income/funds
22	Expenses Register – stationary, utility, maintenance,
23	Deposits register
24	Ledger book
25	File for Monthly financial statement submitted to BOD meeting
26	File for PUC balance sheet –Annual
27	File for Profit & lost Account – Monthly & Annual
28	File for Bank statements/transaction documents
29	File for Progress reports – implementation of action plan for production, value addition and marketing.
30	File for Action plan, investment plan, implementation plan
31	Seasonal cultivation plan for annual crops – maintain XL sheet for total extent of each crop by individual name
33	XL sheet for expected planting and harvesting dates individually inserted and cumulated total
34	XL sheet for total production forecast with monthly update
35	File for identified market access- separate files for each identified market entity.
36	Vehicles & machinery registry
37	Machinery hire beneficiary request and record Book
38	Machinery maintenance book
39	Log book
40	Book for director and secretary registry (contact details, appoint date and Leave date
41	File for Resolutions of directors’ committees with copies
42	File for Certificates required to be given by the directors
43	Annual reports include audited financial statements

The above list of books, records, information, data and files should keep under chairman’s custody and hold responsible by office manager for transparent, accurate and updated documentation and reporting to board directors on regular basis.

Annex 3. Proposed Training options for BODs and managerial staff

Proposed areas of Capacity Building for the Board Members and Office Bearers

a) Good Governance:

- Transparency
- Democracy
- Controls

b) Sustainability:

- Operational sustainability
- Financial sustainability
- Outreach sustainability

c) Convergence and Partnerships

- State-sponsored programs
- Corporates
- Agriculture Research Institutions
- With markets
- Other State and national level FPOs with best practices

d) Social Capital:

- Farmers' unity in procurement, value chain and markets
- Unity in policy advocacy
- Collectivization of trade in and trade out

e) Statutory compliance:

- Audit and filing returns
- Licenses and their renewals
- Disclosure norms and company management
- Tax-related compliances
- Company-related amendments and their compliances

f) Business Planning:

- Cost reduction
- Profit and productivity maximization
- Salient components of a Detailed Project Report
- Business risk analysis
- Balance sheet analysis
- Simple financial ratios
- Simple indicators that banks analyses for giving loan

g) Financial Management:

- Book keeping – Statutory compliance
- MIS
- Share capital and equity
- Borrowings
- Savings
- Loans
- Cash flows and fund flows
- Receivables and its management
- Payables and its management
- Investments

Annex 4. Suggested Recruitment Procedure

The following process is proposed to maintain a uniformity in recruiting employees for PUC in EU districts.

- Executive committees to determine the need for a service of an employee with position to be offered, expected job description, method of recruitment (Casual/permanent and salary scale). *(need to be guided by PUC mobilizer in coordination with PPMU/ PMU/Consultant)*
- Obtain a board decision/resolution *(The company secretary will guide this process with Board of Directors & PUC mobilizer)*
- Inform in writing to DPD/PPMU, obtain concurrence to proceed.
- Copy all correspondence to DC.CC & PUC mobilizer.
- Prepare the advertisement *(In consultation with PPMU/PUC Mobilizer and consultant)*
- The advertisement should clearly have indicated with position, qualifications, experience, Age limit, expected tasks, salary/benefits, bio data & supporting documents, deadline for submission of application, company name & address be highlighted
- Provide sufficient number of days (14 days from the date published) to entertain applications from potential candidates
- Open a file for each candidate
- Prepare data sheet summarizing the information for all applications received.
- Determine interview panel – ideally –DPD/PPMU, DC, CC, PUC mobilizer, Select members from PUC BOD/Executive committee.
- Establish a mark sheet – Obtain concurrence of Panel members before interview starts.
- Determine the date for interview.
- Before interviewing candidates - Chairman of BOD to brief the interview panel, about the expected tasks of the position, experience expected, salary limits proposed.
- Selected candidate informed officially under the letterhead of PUC, and obtain confirmation for acceptance and date for reporting. (letter to be copied to DPD-PPMU, DC, CC, PUC mobilizer,).
- Prepare an agreement including job description to be signed with Chairman PUC, and employee, copied to DPD/PPMU

The PUC once recruited will hold responsible for monitoring of performance of the employee through establish action plan. The PUC should be ready with monitoring plan with targets and indicators.

The PUC to ensure long stay of employee with good performance where at the time of recruitment they may demand a deposit of one-month salary as a guarantee for working with the company for minimum of 6months and for the satisfaction of PUC shareholders.

The PUC once recruited need to pay EPF/ETF as required.

Annex 5. Job description proposed for PUC Manager/Accountant

Report to chairman/BOD of PUC

Liaise closely with PPMU, PMU and local area institutional network.

Consult the PUC mobilizer/cluster coordinator and study/familiarize the select value chain development program implemented by ASMP.

Establish mobile App as a networking platform with all members of the PUC.

Initiate action to prepare and establish types of record books, files, reports, documents pertaining to operational, financial and governance activities of the company and update day to day transactions/correspondence/etc. (list will be provided/*see annex 02 of this manual*)

Operate and manage the digital accounting package provided by the ASMP.

Schedule and hold regular board meetings, Annual general meeting in coordination with BOD and company secretary for the PUC.

Establish meeting minutes, record and follow up as required

Identify business opportunities within the value chain and alternate value chains

Identify business opportunities for outsourcing shared services

Prepare an aggregated action plan for implementation of business activities with special emphasis on input out marketing.

Ensure the customized business plan is established and validated by the BOD/general membership before implementation.

Prepare and establish monitoring plan for the PUC business operations.

Maintain cleanliness of the office and timely service of machinery and equipment in office, shared service facility and processing centre.

Submit monthly progress reports with physical achievement, financial statement, status of governance to the BOD meetings.

Follow up with business activities and other PUC related matters.

Follow up with members' requests, grievances, etc., in coordination with Chairperson/BOD.

Manage all correspondence between PUC and institutional networks (Private/Public/NGO)

Attend meetings and market negotiations and implement follow up action in consultation with Chairperson/BOD

Attend any other work as requested by chairperson or BOD.

Annex 6. List of business opportunities for screen & select the best for the PUCs

- Seed production
- Seed marketing
- Aggregated input supply
- Foundation and certified labelled seed enterprise
- Nurseries
- Organic stores
- Storage services
- Retail outlet for micro-irrigation equipment
- Spare parts shop of agriculture machinery
- Repair services for farm machinery/equipment
- Hire services for farm machinery/processing facilities
- Solar utilities
- Micro-nutrient organic solutions
- Compost Park
- Silage production
- Packing material supply
- Soil amendments supply
- Mulching material
- Fumigation and sterilization services
- Supply of household needs.
- Aggregation & marketing of farm produce
- Agro industries- Value addition- drying/pulping/frozen products.

Annex 7 Hiring opportunities PUC shared facilities

Custom hiring is basically to do with PUC owned or hiring the equipment, infrastructure or machinery and re-hiring it out to members for the benefit of saving labour costs, other costs of production, processing, value addition and collective marketing. e.g. PUC owned tractor mounted land preparation equipment and custom hiring it out to its shareholders on hourly rent basis.

Some of the suggested custom hiring opportunities for PUC owned shared facilities are

Sprayers

Harvesters

Storage space –(Dry/cold)

Driers

Transport vehicles

Precision equipment like moisture testers

Chaff cutters

Threshers

Tractors Plough and tillers

Seders and seed dressing units

Grass cutters

Earth diggers

Movable/tractor-mounted irrigation systems

Annex 8. Tool for Annual/half yearly performance measurement (Grading) for PUC

Category	Total marks for category	Parameter	Max marks	Marks obtained (PUC to fill)
A	5	No. of years performed		
		More than 5years	5	
		4-5 years	4	
		2-3 years	3	
		Less than 1 year	2	
B	10	Governance		
i		Composition of board- Prior learner expertise, professionally qualified, representatives from FOs, Societies. (No blood relatives)	3	
ii		Extent of support from promoter organization to PUC	2	
iii		Regular conduct of board meeting with quorum	3	
iv		Quality of agenda, discussions, decision making, transparency	2	
C	10	Management		
i		Availability of manager or CEO –	4	
ii		Availability of paid staff	2	
iii		Training & experience of Manager/CEO/staff	4	
D	5	Infrastructure		
i		Availability of own/rented Office premises, processing & marketing unit	2	
ii		Machinery & equipment, office furniture, communication system,	3	
E	10	Membership of PUC		
		More than 1000	10	
		501 to 1000	8	
		201 to 500	6	
		101 to 200	4	
		50 to 100	2	
		Below 50	1	
F	5	% of total members contributing to share capital		
		Above 90%	5	
		71-90%	4	
		51-70%	3	
		Below 50%	1	
G	5	Total share capital collected		
		Above 1.5 LKR Mn	5	
		1.0 to 1.5LKR Mn	3	
		Less than 1.0 LKR Mn	1	
H	10	Training of executive members, general members &		

		staff		
I		All executive committee members trained	4	
li		All members trained for production technology	4	
lii		All managerial staff trained for office keeping/ marketing, business negotiations.	2	
I	5	Business Plan		
		Business plan include financial prepared for more than 5years	5	
		Business plan include financial plan prepared for less than 5years.	2	
J	10	Turnover (Annual)		
		Above 5 LKR Mn	10	
		2.5 to 4.9 LKR Mn	8	
		1.0 to 2.4 LKR Mn	6	
		Less than 1.0 LKR Mn	2	
K	5	Market linkage		
		Established with leading buyers/processors/ Exporters	5	
		Dependent on Traditional/local market networks	2	
L	10	% of members availing services (input supply, produce marketing, technology, shared services, etc.		
		More than 75%	10	
		More than 50%	8	
		More than 25%	6	
		Less than 25%	2	
M	5	Convergence with public Institutional systems		
		Strongly linked with DOA/PDOA/DoAD	5	
		Established link with regional institutions NEDA/EDB/IDB/SEDD/	3	
N	5	Compliance with management & accounting systems		
		Maintained all required registers	3	
		Monthly statements submitted to board	2	
		Audited balance sheets and other legal documents are regularly submitted	4	
		Annual report for PUC established and discussed with general membership and validated.	3	
	100			

Grading of PUC

Grade	Score	Explanation
A	Over 75%	Ready to expand with new investment
B	60-75%	Require capacity building to strengthen the business management
C	50-60%	Need capacity building in all parameters identified
D	Below 50%	Conduct a detailed assessment to identify critical areas for capacity building

Annex 9. Format for Monthly progress report, PUC

Name of the PUC.....

Month..... Year.....

No. of shareholders

Indicator	Progress
Monthly meeting	
Share capital mobilization	
House keeping	
Statutory compliance	
Enterprise activity	
Bank dealings	
ASMP/DOA support	
Training activities	
Field programs	
Input marketing	
Output marketing	
Shared services	
Storage	
Market access/partnership established	

Important Notes; ...

Prepared by Manager

Signed by Chairperson

Annex 10. Application For Shareholder

SPM CORPORATE ACCOUNTANTS (PVT) LTD		NO: <input style="width: 50px;" type="text"/>
ASMP 21 PUC Pilot / EU Project		
APPLICATION FOR SHAREHOLDER		
ASMP PUC Register Number		<input style="width: 150px;" type="text"/>
Company Name		..... .....
Cluster Name		<input style="width: 150px;" type="text"/>
Prospective Subscriber Shareholder details		
1. Last Name (How it should appear in Share Register)		.....
2. Full Names (How it should appear in Share Register) / සම්පූර්ණ නම / முழுப் பெயர்		..... .....
3. Address / ලිපිනය / முகவரி		..... .....
4. Grama Niladuri (GN) Division and GN No. / ග්‍රාම නේවාසික / ග්. අං. இல.		.....
5. Divisional Secretary / ප්‍රාදේශීය ලේකම් කොට්ඨාස / A.S. அ. சி. இல.		.....
6. Mobile Phone Number / දුරකථන අංකය / கை. தொ. இல.		.....
7. Email address / ඉ මේල් ලිපිනය / மி. அ. முகவரி		.....
8. National Identity Card (NIC) Number (Attached a photo copy / ඡා ඡා අ / அ. அ. இல.)		.....
9. Number of shares (Rs. 5,000/- each) to be subscribed./කොටස් ප්‍රමාණය / பங்குகள்		<input style="width: 50px; height: 20px;" type="text"/>
Documents to be annexed		
1. NIC Cop both sides		<input style="width: 50px; height: 20px;" type="text"/>
2. GS Certificate -address confirmation (must be provided at the time of attending the scheduled meeting)		<input style="width: 50px; height: 20px;" type="text"/>
Confirmation		
I hereby confirm that the details and the copies of documents provided as above are true and correct and confirm my willingness and consent to become a shareholder of the above company to be formed.		
<input style="width: 150px; height: 50px;" type="text"/>		<input style="width: 150px; height: 50px;" type="text"/>
Signature of proposed shareholder/ අදාහිත / கையாப்படும் (Sign With In the Boxes used only blue colour)		Date/ දිනය / திகதி
Name:		
Authorization- (Manager -PUC or Representative person)		
Signature & NIC No		
Contact No of ASMP Manager		.....

Annex 11. Asset list of PUC

Public Unlisted Company (PUC's) Assets List							
Name of the PUC:			Province		District		
Section 1: Assets received from the ASMP project.							
No	Description of Item/s	Unit value (LKR)	No of Units	Total value (LKR)	Serial number/s	Date of purchase	Remarks
				0			
Section 2: Other Assets owned or handed over to the PUC not from "ASMP".							
No	Description of Item/s	Unit value (LKR)	No of Units	Total value (LKR)	Serial number/s	Date of purchase	Remarks
Above listed items are handed over to the PUC. All the items can be used only for official purposes and the Board Member, the Ex-Co Members and the staff members hired by the PUC take full responsibility in proper usage and maintenance of the items							

Handed by Name:

Designation:

Signature

Date:

Name

Designation

Signature

Date

Taken over by Name

Designation

Signature

Date

Name

Designation

Signature

Date

Annex 12. Membership data file of PUC

Primary data collection template

1	Code Number (No. of share certificate)	
2	Province	
3	District	
4	DS Division	
5	GN Division	
6	Local Authority	
7	AI Range	
8	Name	
9	Ethnicity (Sinhala/Tamil/Muslim/other)	
10	Sex (Male/Female)	
11	Date of Birth	
12	Civil Status (single/Married)	
13	NIC Number	
14	Tele Number	
15	email Address	
16	Address	
17	Employment (Public/Private)	
18	Ownership of land (own/Rented/lease)	
19	Land Extent (Ac)	
20	Position of slope (Flat/moderately slope)	
21	Source of Surface Water (spring/ canal/ perennial stream)	
22	Ground Water Availability (Dug well/ Tube well)	
23	GPS Location X	
24	GPS Location Y	
25	Present land use (Permanent crops)	
26	Type of labour used (family labour)	
27	Type of Permanent crop	
28	Permanent crop cultivated Area (Ac)	
29	Date of cultivate	
30	Type of Irrigation System	
31	Cost for Irrigation system	
32	Cost for Land preparation	
33	Cost for Fertilizer & chemicals	
34	Yield (kg)	
35	Income (per Year)	
36	type of Seasonal crop	
37	Cultivated Area (Ac)	
38	Date of cultivate	

39	Type of Irrigation System
40	Cost for Irrigation system
41	Cost for Land preparation
42	Cost for Fertilizer & chemical
43	Yield (kg)
44	Income (per Season)
45	income (per Year)

Annex 13. Sample folio of Payment Receipt book

RECEIPT. No.		DATE..../..../.....	
Company Name			
Street Address [City, ST ZIP] Phone: [000-000-0000] Fax: [000-000-0000] Website:	Cash <input type="checkbox"/>		
	Cheque <input type="checkbox"/>	No:.....	
	Online <input type="checkbox"/>	Reference. No.....	
	RECEIVED BY		
DESCRIPTION		AMOUNT	
	SUBTOTAL		LKR 0.00
	SHIPPING / HANDLING		LKR 0.00
	OTHER		LKR 0.00
	TOTAL		LKR 0.00

Annex 14. Sample format of an Invoice

INVOICE						
Company Name						
Address [City, Postal code Email Web;				Phone: [000-000-0000] Fax: [000-000-0000]		DATE/.../....
				INVOICE #		[123456]
				CUSTOMER ID		[123]
VAT Reg. No			SVAT Reg. No			
BILL TO:			SHIP TO:			
Name; Company Name Address City, /postal code Phone			Name Company Name Address City, ...../Postal code Phone..... Email.....			
SALESPERSON	P.O. #	SHIP DATE	SHIP VIA	F.O.B.	TERMS of payment	
ITEM #	DESCRIPTION		QTY	UNIT PRICE	TAX	TOTAL
				Subtotal		
Other Comments or Special Instructions				Taxable		
1. Total payment due in 30 days				Tax rate		
2. Please include the invoice number on your check				TAX		
				Other		
				TOTAL		
Make all checks payable to (.....name of PUC.....)						
If you have any questions about this invoice, please contact – Name Phone no. Email						
Our Bank Account Details for direct deposits:						
Thank You for Your Business!						

Annex 15. Sample format of Cheque Payment voucher

CHEQUE PAYMENT VOUCHER					
Company Name					
Address City,, Postal code Tele No, Email....				Date :	
				Voucher No:	
Bank A/C					
Pay To :					
DATE	CHEUE NO	DESCRIPTION OF PAYMENT			AMOUNT
			TOTAL		
Prepared By		Checked By			Approved By
Name:				NIC:	
.....					
Received with thanks					

Annex 16. Sample format of Cash Payment voucher

Cash Payment Voucher		
Company Name		
Address...		
City.....	Postal code	
Tele.....		
Email	Web.....	
		Voucher No:
		Date:
Pay To:		
DATE	DESCRIPTION OF PAYMENT	AMOUNT
		TOTAL
.....
Prepared By	Checked By	Approved By
Name:.....		
.....		
Received with thanks		

Annex 17. Company Profile

Company Profile

Business Name : XYZ Ltd

Office Address : #,road.....City, District,Province

Postal code :

Phone number :

Email address :

Website :

Processing & Marketing Center address & contact details :

Business registration :

Year of registration :

Working days/open hrs. : Monday to Saturday

Business hours : 08.00am to 5.00pm

Registered No. of Shareholders :

Main business activities :

Type of produce :

Value of total investment : Rs. Mn.....

Mission statement :

Vision statement :

Designation of Contact person :

Chairperson :

Board of directors : 1.....,2.....,3.....4.....

Annex 19. Daily Cash Book Summary (Sample)

CASH BOOK SUMMARY-02.06.2024 TO 05.06.2024					
DATE	DESCRIPTION	R/ NO	VOU/ NO	DEBIT	CREDIT
02.06.2023/03.06.2024	OPENING BALANCE				7,536.00
	K.KULAMANI-SEEDER	777			2,000.00
	V.THUSHIYANTHAN-TRACTOR	778			10,688.00
	K.LOGESWARAN-POLYTUNNEL CHILLI INCOME	1042			2,875.00
	L.NADARASA-POLYTUNNEL CHILLI INCOME	1043			3,045.00
	LENIN SIR-MAIZE SEEDS INCOME	1044			21,000.00
	P.PARAMASEGARAM	1045			8,000.00
	LABOUR CHARGE02 NOS- THRESSING MACHINE WORK-P.PRASANTH -NELUKKULAM		403	6,000.00	
	TRACTOR DRIVER SALARY		316	5,000.00	
	PLASTIC METERIAL PURCHASING-THRESSING MACHINE WORK		404	2,630.00	
	MALATHIYAN POWDER+PADLOCK		405	1,070.00	
	LABOUR THRESSING MACHINE WORK-FOOD EXPENSES (31.05/01.06)		406	1,600.00	
	TYRE NOOL		407	420.00	
	MARKER PEN		408	125.00	
	POSTAL EXPENSES-CSK FARM		409	110.00	
	BOD MEETING -REFRESHMENT		317	420.00	
	TOTAL			17,375.00	55,144.00
04.06.2024	OPENING BALANCE				37,769.00
	TRACTOR DIESEL		318	5,000.00	
	LABOUR CHARGE 01- THRESSING MACHINE WORK-P.PRASANTH -NELUKKULAM		410	3,500.00	
	LABOUR THRESSING MACHINE WORK-FOOD EXPENSES		411	700.00	
	THRESSING MACHINE WORK-BAG PURCHASING		413	1,500.00	
	TRACTOR DRIVER SALARY		319	5,900.00	
	TRACTOR -GRISH		320	1,250.00	
	TOTAL			17,850.00	37,769.00
05.06.2024	OPENING BALANCE				19,919.00
	LABOUR THRESSING MACHINE WORK-FOOD EXPENSES		412	700.00	
	LABOUR CHARGE 01- THRESSING MACHINE WORK-P.PRASANTH -NELUKKULAM		414	3,000.00	
	TOTAL			3,700.00	19,919.00
06.06.2024	OPENING BALANCE				16,219.00

Annex 20. (A) Draft template for monitoring

Institutional						
Development sector	Activity	Target	Performance indicator	Date of completion	Responsibility	Remarks
Institutional	Mobilize beneficiaries	75/150/200/300/500/600 to 600.	No. of beneficiaries (80% to be achieved)	End June 2024	PUC mobilizer, Cluster Coordinator, Board of Directors, Executive Committee, PUC Manager	Target No. of beneficiaries varies with cluster value chain. Select appropriate number.
	PUC registration, office establishment, Bank Account, Collect compile beneficiary information.	Incorporation under ROC. Establish PUC office Open bank account. Beneficiary register with details.	Certificate of incorporation obtained Office established PUCs own Bank account opened. Authorized directors for signatures/bank dealings. Register with details of beneficiaries established	Mid-June 2024 Mid-June 2024		
	Beneficiaries' contribution to share capital	Total beneficiaries	Total No. of shareholders (over 50% to be achieved)	End July 2024	PUC mobilizer, EC, PUC manager.	Criteria for Asset transfer from MoA to PUC
	Value of total share invested.	Minimum 1 share or maximum 5% of the total No. of Beneficiaries.	Value of total share investment.	End July 2024	PUC mobilizer (PUC/M), EC, PUC manager, company secretary.	
	Issue of Share certificates		List of shareholders No. of Share certificates issued	End Nov. 2024		
	Dividends on share capital. Profit distribution	Design/Develop & validate the method for dividends/profit distribution	Dividends and profit distribution method established	End July 2024	BOD, Manager, Business Development consultants (BDC)& Business plan development consultant.	
	Board Meetings Special General Meetings /AGM	12 BOD meetings 01 AGM	No. of BOD meetings held AGM held. No. of members attended	Annual	Chairman BOD, Manager	Regular meeting and meetings to be recorded manually & digital platforms
	Business activities/ partnerships established	Sign agreements with market partners.	No. of opportunities created. No. of Partnerships established	Annual	Chairman BOD, Manager	To be supported by CC, PUC/M, BDC
	Operation & maintenance of shared facilities	Business activities implemented Outsourced services	No. of businesses No. of shareholders outsourced	Annual	Chairman BOD, Manager	Business opportunities for all shared facilities to be listed

Annex 20 (B) Draft template for monitoring

Economic						
Development sector	Activity	Target	Performance indicator	Date of completion	Responsibility	Remarks
Economic	Cost of production	Reduce cost of production	No of members join Aggregated input supply. No. of members obtain Shared services- machineries % of cost reduction/unit	End of crop season	BOD, Manager, General Members	Advisory support required through DOA/NEDA
	Member income	Increase on farm income	Yield – Kg/Ac. Different grades of produce & prices Income earned Rs/Ac % increased income Profit sharing & dividends.	End of crop Season	BOD, Manager, General Members	Advisory support required through DOA/NEDA/EDB
	Increased volume of produce	Aggregated marketing Increase No. of markets Competitive farm gate price	No. of buyers negotiated. No. of opportunities for value addition- Market situation report presented to the BOD	Before harvesting	BOD, Manager, General Members	Advisory support required through DOA/NEDA/IDB/ITI
	Access to formal credit	No. of members linked formal credit access.	PUC operate bulk loan facility with formal bank channel	Before planting	BOD, Manager, General Members	Advisory support required through DOA/NEDA
	Positive change in lifestyles	No. of Households	Purchase machinery for farm use Purchase of vehicle for personal use Purchase of household accessories Access to internet/ smart phones	End of financial year	BOD, Manager, General Members	Manger /PUC to establish the report.

Annex 21 Criteria for Member Farmer Evaluation

Proposed Criteria for Shareholder Farmer Evaluation

The **Agriculture Sector Modernization Program (ASMP)** is a series of collective activities focused to enhance small holder agribusiness income and sustainable market access for over 15000 small holder farmers engaged in 15 select crop value chains. The project sponsored jointly by World Bank covering 7 districts and European Union (EU) covering 5 districts in 5 provinces with Ministry of Agriculture as a counterpart organization.

Vavuniya, Kilinochchi, Kandy, Badulla and Ampara districts are sponsored by EU. The program derived strategies for increasing value chain productivity, mechanization of agricultural practices, improved off-farm infrastructure facilities, enhanced post-harvest facilities/infrastructure for increased market efficiency and to capture ever expanding market access, strengthening the financial status and administrative capacity by promoting farmer owned Public Unlisted Companies (PUC) as commercial agribusiness entity registered under legal provisions of the Company Act 2007 in Sri Lanka.

Objectives of PUC

- Recognize small farm producers as commercial agribusiness ventures.
- Creating farmer empowered agribusiness platforms for select crop value chains.
- Establish shared infrastructure facilities with direct market access and communication networking with institutional/ market systems and supply channels to ensure the price advantages of collective transactions and sustainability of the organization.
- Enhance agribusiness operations with good governance, transparent transactions and management adhered to legal requirement under the Act of Company registration.
- Ensure member satisfaction and retention through constant income, profit sharing and other related services such as production/ processing/ technical improvement/ marketing and welfare.

The program for EU districts implemented in the later part of the year 2022 covering 21 cluster development interventions and completion of registering 22 PUCs. As soon as the company incorporation is completed the business activities were initiated for income generation and member services that include the on-farm individuals development interventions and shared services, machineries and infrastructure granted from the ASMP.

However, the PUCs require further support to improve the skills, knowledge and capacities to continue the business activities by competing in the market place for sustainable future. In this regard it is necessary to regular evaluation of member farmers and identify the level of collective participation with PUC business activities.

Accordingly, the evaluation criteria for member farmers/shareholders were determined as below.

Name of the Company (PUC) -----

BR No.....

District.....

1.Name of the member farmer:

Registered Farmer No.

2.Position: Member (shareholder)/Executive Committee member/Director/Chairperson

2.No. of official share certificate:

3.NIC number (or any equivalent):

4.Telephone number/s:

5.GN Division of her/his residence:

6.GN Division of her / his farming plot:

7.DS Division of her/his residence:

8.AI Division of her/his farming plot:

9.Name of the AI of the area

10. Name of the NEDA officer

Member Farmer Evaluation Criteria

Description	Criteria	Rank				
Ownership	Registered as shareholder of the company (E.g. registered shareholder 5, Share investment paid by installment not completed 4, Select beneficiary 3, No share investment 2, Lack funds1,) (Measured with Likert Scale of satisfaction)	5	4	3	2	1
	Official share certificate obtained. (E.g. Original received 5, Formal application submitted 4, Pending submission to ROC 3, Formal application not submitted 2, Not received a formal application 1) (Measured with Likert Scale of awareness)	5	4	3	2	1
	No. of shares invested (E.g. 10 or more shares 5, between 9 to 5 shares 4, between 4 to 2 shares 3, only 1 share 2, Zero shares 1.) (Measured with Likert Scale of performance)	5	4	3	2	1
	Size of land allocated (E.g. 0.5ac 5, 0.75ac 4, 1.0ac 3, 1.5ac 2, 2ac 1) (Measured with Likert Scale of Agreement)	5	4	3	2	1
	Owned by deed/permit/Rented or lease/Encroached (E.g. Deed 5, Permit 4, Rent/Lease 3, Ancestral owner no document 2, Pending legalization 1) (Measured with Likert Scale of importance)	5	4	3	2	1
	Assistance received from other donor supported projects. (E.g. Not received 5, Training support 4, Market support 3, Farm machinery/equipment 2, Financial grants 1.) (Measured with Likert Scale of approval)	5	4	3	2	1
	Availability of own Farm machineries/equipment (E.g. own investment 5, Project support 4, supported by other programs 3, hiring machineries as required 2, no machineries used 1.) (Measured with Likert Scale of likelihood)	5	4	3	2	1
Participation	Previous Member/office bearer of FPO or other society. (E.g. At present member of PUC 5, Previous membership at FPO is withdrawn 4, Previous membership not withdrawn 3, Actively involved with FPO 2, member of FPO & PUC.1) (Measured with Likert Scale of Agreement)	5	4	3	2	1
	Active in communication network & exchange of information among cluster members/PUC. (E.g. Liaise with total membership through digital app 5, Liaise with members through personal touch 4, Responds member notes on digital apps 3, Communicated with PUC/members for personal requirements only 2, Not responded for any form of communication within the group 1.) (Measured with Likert Scale of intensity)	5	4	3	2	1
	Level of agreement to working collectively (E.g. motivated to work in a group 5, Member participation benefiting the PUC 4, Member benefiting from other members 3, working in the group for personnel gain 2, Willing to work individually 1.) (Measured with Likert Scale of Agreement)	5	4	3	2	1
	General meetings- (E.g. Physically participate 5, Interested to know the decisions taken related to member services 4, interested to know the financial status 3, No personal benefits 2, Not interested to participate in a group.) (Measured with Likert Scale of importance)	5	4	3	2	1
	Special meetings – (E.g. Willing to participate 5, Participation depend on the purpose & importance 4, Interested only if individually benefited. 3, Depend on time available.2, not interested for attending special meetings.) (Measured with Likert Scale of level of concern)	5	4	3	2	1
	BOD meetings – (E.g. Committed to attend all meetings 5, Maintain high Frequency of participation 4 Arrange representative if unable to attend 3, Attend only for personal gain 2, Not interested for BOD meeting 1.) (Measured with Likert Scale of Frequency)	5	4	3	2	1
	Involved/contributed for activities for PUC decision making on products, cultivation, storing, marketing. (E.g. Member	5	4	3	2	1

	<i>consulted & contributed for PUC decisions 5, Members contributed but not recognized,4, Following only PUC decisions 3, PUC decisions not informed to members 2, PUC decisions not acceptable 1.) (Measured with Likert Scale of importance)</i>					
	Member’s resources contributed for activities/events of PUC (E.g. Volunteer support for company development work 5, In-kind support for community services 4, Supply of machinery/equipment on rent 3, Field support for technology demonstration 2., Not willing to contribute 1.) (Measured with Likert Scale of importance)	5	4	3	2	1
	Frequency of member participation in group activities – (E.g. Monthly 5, Every 2 month 4, Quarterly 3, Half yearly 2, Not interested 1.) (Measured with Likert Scale of Frequency)	5	4	3	2	1
	Adoption of improved technology (E.G. Soil testing/plant nutrient, high density planting,) Innovative technology/best practices introduce are fully adopted 5, Expected yields not obtained 4, Inadequate knowledge for maintaining physical structures of new technology 3, Initial cost of investment high 2, Not willing to take ant risk on changing to improved technology.) (Measured with Likert Scale of level of concern)	5	4	3	2	1
	Commitment for Joint irrigation – Solar pump (group), electric, mobile, other- (E.g. Motivated for cost effective use of shared irrigation compromised support of individual forming small group.5, Individual willing to joint operation but do not want to share individual land for installation of common facility 4, Not interested in working in a group 3, Individually operate own pump 2, Prefer to use flood irrigation 1) (Measured with Likert Scale of approval)	5	4	3	2	1
	Commitment to aggregated production/marketing -joint cultivation, purchase of inputs, selling output at farmers’ price. (E.g. Motivated for group work on production & marketing as empower the small farmers to capture the market power 5, Individual will observe the way it works the joint operation before joining 4, Only willing to join the input purchase through PUC 3, Prefer to work in a group if farm gate prices are agreeable 2, Will continue as individual 1) (Measured with Likert Scale of Important)	5	4	3	2	1
	Level Satisfaction with group outputs as a company- (E.g. Highly satisfied 5, Satisfied 4, Need observation how the system performs 3, no change compared pervious operations as individual 2, Prefer to work as individual 1). (Measured with Likert Scale of level of concern)	5	4	3	2	1
	Members interest in joining the company (E.g. Member work in a group to support to achieve economic gain 5, By joining the group members to attain social recognition -political/prestige- 4, To expand the existing business owned by individual member 3, Only to obtain farming equipment/ machineries/ training granted from project. 2, Influenced by project officials/consultants 1.) (Measured with Likert Scale of Awareness)	5	4	3	2	1
Economic gains	Main source of income -Farming. (E.g. Income improved with project interventions 5, Remain same compared to previous income 4, Continue to be individual and no change in sources of income 3, Collective income generation is not available 2, No idea how the PUC is performed 1). (Measured with Likert Scale of Agreement)	5	4	3	2	1
	Income through aggregated production/marketing. (E.g. Benefitted for individual producer due to increased negotiation capacity with increased market power 5, The individual marketing is continued & supported by individual members. 4, PUC lack the marketing skills & there is no planned approach to aggregating members 3, As individual producer there is no assurance for market access and pre- determined price for the produce.2, Member having bitter experience in working with groups/clusters/farmer companies.	5	4	3	2	1

	1.) (Measured with Likert Scale of Performance)					
	Decline of cost of production- (E.g. COP declined by 25% due to whole sale supply arrangement of the PUC 5, COP declined by 5%, due to continued purchase of inputs from nearby vendors 4, COP remain same as inputs obtained from retail suppliers 3, Members working individually to purchase inputs -incur high cost 2, COP increased due to project intervention 1.) (Measured with Likert Scale of Agreement)	5	4	3	2	1
	Empowered to negotiate with diverse market access/prices as a cohesive group. (E.g. Motivated & empowered to collectively determine the market price for farm produce 5, Market price determined by individual members without group participation 4, PUC is still not fully geared to support aggregated marketing 4, Individual members are not benefitted at present 3 Business activities not started by PUC 2, No planning for identify and link markets for small farm produce.1.) (Measured with Likert Scale of satisfaction)	5	4	3	2	1
	Use of shared machineries/infrastructure/storage. (E.g. Highly advantages for mechanization of crop production, with improved post- harvest support that add value for small farm production 5, The facilities are not yet installed or fully commissioned 4, The charges for outsourcing shared services are high & not affordable 3, Only help to survival of PUC 2, Members not aware of the available services and how to access 1.) (Measured with Likert Scale of performance)	5	4	3	2	1
	Increased access for formal financial services. (E.g. Member benefitted with formal banking services linked through PUC & avoid expensive informal money suppliers 5, Individually working with formal banking is preferred as it will protect the privacy of individuals.4, Formal banking entertained only financially strong persons., 3, PUC has no financial strength to facilitate bulk loan packages for its members 2, Members are feared to withdraw from informal services 1.) (Measured with Likert Scale of approval)	5	4	3	2	1
	Opportunities created for Diverse market access (E.g. Value addition and bulk market opportunities are obtained through diverse market entities have highly benefitted for the members 5, high potential for loss of market linkage due to poor supply assurance 4, PUC is yet to implement market exploration/linkage program to build confidence among the members 3 Individual market approach is reliable compared to aggregated marketing 2, Prefer to stick with local market network as individual producer. 1) (Measured with Likert Scale of satisfaction)	5	4	3	2	1
	Benefitted from aggregated marketing of farm produce. (E.g. Generation increased income utilizing total harvest 5, Selling farm produce 4, Obtain high price for the farm produce 3, Disposal of surplus and farm waste 2, Individually not observed any benefits.1.) (Measured with Likert Scale of likelihood)	5	4	3	2	1
	Grading of farm produce & selling at different prices. (E.g. Observed great accountability for individually supplied produce price differentiation according to different grades provide opportunity for increased farm income 5, As individual member own observation made to ascertain the benefits to decide on participating in the process 4, operate individually due to delays in payment 3, Preferred sell in the local area due to distance to collecting point and transport cost 2, Not willing to change the trader contact 1.) (Measured with Likert Scale of agreement)	5	4	3	2	1
	Shared facilities increased member income through value addition of surplus produce. (E.g. Having shared facilities and services provide diverse income opportunities for small farmers 5, Delay in shared services/processing facilities tend to lose member confidence 4, Operational cost of such facilities will lose income 3, The procedures and cost of outsourcing is not informed to members 2, Members not aware of services available 1.) (Measured with Likert Scale of intensity)	5	4	3	2	1
	Profit sharing/dividends paid at the end of each financial	5	4	3	2	1

	year. (E.g. It is aware that profit sharing mechanism developed & established for the benefit of members 5, Profit sharing mechanism not discussed with general membership 4, Individual Share investment not paid 3, Prefer to operate as individual entrepreneur 2, Not interested 1.) (Measured with Likert Scale of performance)					
	Participation in promotional events-exhibitions/TV programs (E.g. Highly important effective through PUC 5, Enable study market opportunities 4, Link with agro input/machinery suppliers 3, capture innovative product/market ideas.2, Prefer to carryout individually 1.) (Measured with Likert Scale of importance)	5	4	3	2	1
Environmental & social	Membership upgraded from FPO to PUC. (E.g. Shareholder of PUC 5, Beneficiary of PUC without share investment 4, Member of FPO not obtained membership of PUC 3, Willing continue as a member of FPO 2, Transfer process from FPO to PUC is delayed 1.) (Measured with Likert Scale of approval)	5	4	3	2	1
	Good Agricultural Practices established. (E.g. Member's cultivation plot certified for SLGAP 5, Applied for certification for SLGAP 4, No scheme for SLGAP for cluster value chain 3, Not interested for SLGAP 2, Not aware about the certification 1.) (Measured with Likert Scale of awareness)	5	4	3	2	1
	Members commitment to farm waste disposal system of PUC (E.g. Member follows Polythene waste collection proceed established by PUC 5, Self-motivated to implement own collection & disposal of farm waste & polythene 4, Buried in the farm yard 3, dumped to abandoned wells/field in the vicinity 2, collect & burn in the farm yard.1.) (Measured with Likert Scale of level of concern)	5	4	3	2	1
	Individual Member satisfaction on PUC services. (E.g. Observed Equal treatment for all 5, Executive committee members enjoy priority treatment 4, PUC decisions not communicated among the members3, the procedures for member services are not clearly indicated 2, Members not interested on available services 1.) (Measured with Likert Scale of agreement)	5	4	3	2	1
	Level of motivation for sustain the membership (E.g. Scheme of benefits/rewards for members established and informed to all members & motivated to working in a group 5, Scheme of benefits/rewards not finalized 4, Scheme of benefits/rewards not available 3, Members have no personal benefits/profit sharing 2, Not interested to remain as shareholder of PUC 1.) (Measured with Likert Scale of importance)	5	4	3	2	1
	Member family and children welfare, educational, employment other services for improved life styles. (E.g. Community/educational/welfare programs held regularly 5, No organize way of implementing family-based programs 4, Welfare and educational programs not implemented 3. Lack of capacity for organizing social activities 2, No initiative from PUC 1.) (Measured with Likert Scale of frequency)	5	4	3	2	1
	Level of attachment to group (E.g. Strongly attached to group 5, Attached but not active 4, Individual member tend to withdraw from group 3, Prefer to be individual 2, withdrawn from the group 1.) (Measured with Likert Scale of satisfaction)	5	4	3	2	1
	Level agreement with other members of PUC (E.g. Compromised decision making 5, Influence with own decisions/ideas 4, Be neutral 3, Forced to agree 2, Not agree 1.) (Measured with Likert Scale of likelihood)	5	4	3	2	1
	Together people can achieve goals- but not individually (E.g. Agreed as individual 5, Not always 4, Cannot say anything 3, Depend on the group actions 2, Not agreed 1.) (Measured with Likert Scale of agreement)	5	4	3	2	1

Note. Please refer the descriptive measures for Likert scale at the end of this document

Brief note on status of evaluation provided by the evaluators.

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Attestation of the evaluators:

No.	Full name of the evaluator	Designation	Organization	Signature	Date
01					
02					
03					
04					
05					

Annex 22 Criteria for Farmer Leadership Evaluation.

Proposed Criteria for Farmer Leaders Evaluation

The **Agriculture Sector Modernization Program (ASMP)** is a series of collective activities focused to enhance small holder agribusiness income and sustainable market access for over 15000 small holder farmers engaged in 15 select crop value chains. The project sponsored jointly by World Bank covering 7 districts and European Union (EU) covering 5 districts in 5 provinces with Ministry of Agriculture as a counterpart organization.

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Objectives of PUC

- Recognize small farm producers as commercial agribusiness ventures.
- Creating farmer empowered agribusiness platforms for select crop value chains.
- Establish shared infrastructure facilities with direct market access and communication networking with institutional/ market systems and supply channels to ensure the price advantages of collective transactions and sustainability of the organization.
- Enhance agribusiness operations with good governance, transparent transactions and management adhered to legal requirement under the Act of Company registration.
- Ensure member satisfaction and retention through constant income, profit sharing and other related services such as production/ processing/ technical improvement/ marketing and welfare.

The program for EU districts implemented in the later part of the year 2022 covering 21 cluster development interventions and completion of registering 22 PUCs. As soon as the company incorporation is completed the business activities were initiated for income generation and member support that include the on – farm development interventions and shared services, machineries and infrastructure granted from the ASMP.

However, the PUCs require further support to improve the skills, knowledge and capacities to continue the business activities by competing in the market place for sustainable future.

In this regard it is necessary to conduct regular evaluation of the performance of executive/Board Directors to ascertain the leadership characteristics and their capacities in carrying out their roles as expected by the PUC.

Accordingly, the evaluation criteria for leader farmers were determined as below.

Description	Criteria	Rank				
		5	4	3	2	1
Leadership types						
Executive members	Commitment for liaise with members & exchange of information between PUC & members <i>(Measured with Likert Scale of likelihood)</i>					
	Frequency of involvement to ensure that all members are motivated & satisfied to make the PUC a productive entity. <i>(Measured with Likert Scale of intensity)</i>					
Directors	Ensure efficient & transparent use of all resources <i>(Measured with Likert Scale of approval)</i>					
Employees	Lead the PUC for profitable business activities satisfying the general membership. <i>(Measured with Likert Scale of awareness)</i>					
	Frequency of reporting to BOD, maintaining data & information for finance, admin, governance activities of PUC. <i>(Measured with Likert Scale of Satisfaction)</i>					
Leadership roles						
	Setting vision & mission of PUC <i>(Measured with Likert Scale of approval)</i>					
	Making plans to achieve stated objectives of PUC <i>(Measured with Likert Scale of agreement)</i>					
	Ensure the PUC earn or raise funds maintaining positive monthly/annual balance sheet <i>(Measured with Likert Scale of awareness)</i>					
	Transparency in guiding & decision making <i>(Measured with Likert Scale of agreement)</i>					
	Level of adhering to rules, regulations and policies that guide the companies registered under ROC <i>(Measured with Likert Scale of intensity)</i>					
	Monitoring financial performance of company <i>(Measured with Likert Scale of frequency)</i>					
	Ability to manage & maintain resources/ machineries/ equipment/infrastructure available for PUC <i>(Measured with Likert Scale of satisfaction)</i>					
	Level of efficiency and transparency of use of resources that is well monitored & controlled <i>(Measured with Likert Scale of quality)</i>					
	Adequacy of maintaining records pertaining finance, administration, human resources, <i>(Measured with Likert Scale of concern)</i>					
	Monthly reporting of financial & other PUC activities <i>(Measured with Likert Scale of frequency)</i>					
	Effectiveness of task allocation/giving out work for members & monitoring the feedback. (Adoption of modern technology introduced by ASMP.) <i>(Measured with Likert Scale of Performance)</i>					
	Effectiveness of communicating & net working with members and stakeholders for accomplishment of PUC tasks. <i>(Measured with Likert Scale of Satisfaction)</i>					
	Promotional efforts/linkages established for input & output marketing, machinery services, technology training, etc. <i>(Measured with Likert Scale of intensity)</i>					
Competencies of Leadership	Level of competency for managing farmer company <i>(Measured with Likert Scale of important)</i>					
Educational background	Accounting & management qualification – (University degree					

	& above 5, Diploma 4, Certificate 3, GCE A/L 2, Work experience 1.) <i>(Measured with Likert Scale of Approval)</i>					
Prior experience	Working knowledge & experience as director or committee members in any other societies, companies, Associations. (No of years – over 5 years to Zero). <i>(Measured with Likert Scale of awareness)</i>					
Flexible attitude	Tolerating others, listening to others, ability to analyze inputs from others, capacity to summarize comprise decisions. <i>(Measured with Likert Scale for level of concern)</i>					
Reliable and ability to work in group	Maintain transparency for decisions made on PUC activities especially for the satisfaction of membership to keep long term sustainability of the company. <i>(Measured with Likert Scale for agreement)</i>					

Note. Please refer the descriptive measures for Likert scale at the end of this document

Brief note on status of evaluation provided by the evaluators.

Attestation of the evaluators:

No.	Full name of the evaluator	Designation	Organization	Signature	Date
01					
02					
03					
04					
05					

Annex 23 Institutional network, mandates and contact details

#	Institutions, Mandated tasks and web link to keep in touch
1	Department of Agriculture (DOA) -- Agric production related technology extension, training, research, Policy/Regulatory empowered by Pesticide Act 1980, Plant Protection Act 1999, Soil conservation. Act 1951/1996, Seed Act 2003. Browse http://www.agrimin.gov.lk for link with relevant district offices Call for information 1920 free of charge.
2	Provincial DOA , --- Agric.Extension, training, technology and other related programs implemented under Provincial council. PUC to established continued link as an advisory board member. http://www.agri.cp.lk http://www.agri.np.lk http://www.agri.up.lk http://www.agri.ep.lk Call for information 1919 free of charge
3	Dept. of Agrarian Development (DAD) Est by ASA No.58 of 1979/No.46 of 2000 Land alienation policy/regulatory activities, monitoring agriculture land (paddy/highlands lands) use in regions, promoting farmer organization/support programs. Negotiating credit support through agrarian department. Browse http://www.agrariandep.gov.lk for link with relevant district offices. Call for information 1919 free of charge
4	Agricultural & Agriculture Insurance Board, (AAIB) Est in 1973 by Act No.27 of 1973 Agriculture Insurance and extended Act No 20 of 1999. Protection of agric. risks/farm household security systems include select crop insurance; pension schemes & other. PUC to establish business link as insurance agent covering all services/including customized pension scheme.. Browse http://www.aib.gov.lk/district for business link through district office contacts. Call 1918 Free of charge, Contact Tarriff line 011 2384000
5	National Food Promotion Board , Incorporated by SL Freedom from Hunger Act No. 15 of 1973. Promote healthy/nutritious food production & marketing – link with small farm enterprises/PUC may seek market support. - http://www.agrimin.gov.lk
6	Hector Kobbekaduwa Research & Training Institute Est. in 1972 by AR&TI Act No.05 of 1972.provide data/information on daily market reports, produce price in district wise market places, Market research reports/documents/workshop/seminars for agric. Investors, agribusinesses, small farmers, traders and policy makers. PUC to link for obtaining daily market intelligence report. http://www.harti.gov.lk Call for information 1919 free of charge/ for mobile price list call 6666
7	Sri Lanka Council for Agriculture Research Policy (SLCARP) , Est. by Act No.47 of 1987, Promoting/ facilitating and enhancing agricultural research to improve/development of commercial Agri investments. Obtaining latest technology information and sharing PUC experience for increased farm income. http://www.slcarp.lk
8	National Institute of Post-Harvest Management (NIPHM) ^{Est} in 2000 by pub. agric. corpn. Act No. 11 of 1972 & Extraordinary. Gazt. No1137/10. An apex body for Improving the Post-Harvest/processing Technology of Rice, Grains, Field Crops, Fruits, Vegetables and Spices, by Research, Training, Extension, Consultancy services, PUC to promote value added food products through technology transfer programs. http://www.niphm.lk Call for information 025 3230000
9	Paddy Marketing Board Est. under the Act No.14 of 1971Pioneer state org. for policy/regulatory body determine national Farm Gate prices/ storing, milling marketing of paddy/rice. PUC is promoting trading on paddy this may be useful link. http://www.pmb.gov.lk/index for district offices
10	Hadabima Authority of Sri Lank Est.in 1978, under the Pub.Agric.Corp. Act No.11 of 1972.empowering farmers through environmentally sustainable agriculture production with market linkage. http://www.hadabima.gov.lk 0812388107 call on 1919
11	Dedicated Economic Center 15 locations Since 1998. Integrating traders/rural Agri producers/consumers/food manufactures. Market facilitators promoting diverse market segments for rural Agric produce. http://www.dambulladec.lk , http://www.welisaradec.lk ,
12	National Enterprise Development Authority (NEDA) promote support enterprise development and facilitating market linkages. PUC to establish continued link as an advisory board member. http://www.neda.gov.lk
13	Coconut Dev. Authority CD Act No 46/1971 amended Act. No 40/1987 Empowered to policy/ regulate/ promote/ Industrial processing/quality/domestic and export marketing of Coconut based products. http://cda.gov.lk Call on 1919 for information free of charge
14	Coconut Cultivation Board - Est in 1972 by Coconut Development. Act No.46/1971 to regulate/monitor/ Extension/ development/ financial support of expand Cultivation & productivity in rural provinces.18 reg. offices. http://coconutsrilanka.lk
15	Dept. of Export Agriculture (DEA) - Dept. Of Minor Export Crops renamed as DEA in 1992 by Act No.46 of 1992.policy/ regulatory body for R&D/ Technology /Extension/subsidies/SME enterprise promotion operates in 14 growing districts. PUC may get technical and organizational support for consolidate, add value and market promotion of spice/spice produce. http://www.dea.gov.lk/contact/districts
16	Sri Lanka Cashew Corporation ^{Est} in 1973 by Act No.11 of 1972.Public enterprise for R&D value addition and commercial operation for collective supplies through the home garden crop from PUC shareholders. http://www.cashew.lk
17	Palmyra Development. Board Palmyra Research Institute Est.in 1978/ No 24 of 1975 to Act No 46 of 1971to carry out all development & regulatory operations related to Palmyra R&D/Extension for improving economic status of Palmyra enterprises. PUC may increase the number of items for marketing through consolidated supply of palmyra products. http://pdb.gov.lk/
18	Provincial DAPH 09 provinces. Animal Slaughtering Act 29/1958, Animal diseases Act 59/1992, A/feed Act 15/1986, and Vet Surgeons/ Practitioners Act 46/1956, 19/1964. http://www.daph.cp.gov.lk , http://www.daph.ep.gov.lk , http://www.daph.uva.gov.lk , http://www.daph.np.gov.lk
19	National Livestock Development Board .Est.in 1973 by Act No.11 of 1972. Holding 14088ha land under 32 livestock farms in Provinces. Expanding livestock SMEs/investment in rural areas. http://www.nldb.gov.lk
20	Mahaweli Authority of Sri Lanka (MASL) Small farm settlement and support services for Agri production http://www.mahaweli.gov.lk/
21	Department of Forest DF Regulatory & legal authority Est.Forest Ordinance. No 16/1907 and Act No.65/2009. Holds 55% of the forest plantations (90000ha) and balance by Department of Wild life conservation. http://www.forestdept.gov.lk
22	National Aquaculture Development Authority of Sri Lanka, Regional offices Est.1998 by Act No.53 of 1998 for the development and promotion of sustainable aquaculture for rural sector http://www.naqda.gov.lk
23	MOH & Indigenous Medical Services DMOH/Prov PHI for Policy/Regulatory body of Food Act No 26 of 1980/20 of 1990 . Maintain Hygiene/safety Stds/quality/specs/packaging. PUC required to get acquainted with knowledge on food safety regulation regarding food products promoted for consumer markets. http://www.health.gov.lk
24	Industrial Technology Institute (ITI) , Product specific Technology innovation/promotion/turnkey projects, food processing/manufacturing technology. Science and Technology Development Act, No. 11 of 1994. PUC to link for any technical support for manufacturing processed food products under different

	value chains and marketing connectivity. http://www.iti.lk/
25	Sri Lanka Standards Institute (SLSI) Accredited national body for standards/specifications/certification of products/services Sri Lanka Accreditation Board for Conformity Assessment Act, No. 32 of 2005. Sri Lanka Standard Institute Act, No. 6 of 1984. As measure of increased market access the PUC need the services of SLSI to certify GMP, HACCP, ISI, FSSC 22000 as required. http://www.slsi.lk
26	Consumer Affairs Authority (CAA) /regulatory body for surveillance/ensure safety of consumer food products Consumer Affairs Authority Act, No. 9 of 2003, Consumer Protection Act, No. 1 of 1979. Issue Directives Indicative prices, packaging, shelf life, labeling market surveillance on any ready to serve food products marketed by PUC. http://www.caa.gov.lk
27	Industrial Development Board (IDB) PIDB Technology interventions/support services/promotion of regional industries. Startup businesses, Technology/machinery and infrastructure planning for value added food manufacturing proposed under PUC. http://www.idb.gov.lk/
28	Environmental Authority P/Env. Offices Policy/regulate safe & pollutant free Evt. for industrial investments National Environmental Act No 47 of 1980/Marine pollution Prevention Act No 35 of 2008. Required to obtain clearance for processing factories under PUC. http://www.cea.lk Information Call 1919
29	Department of Govt.Analyst/Dept.GA (Disposal of Articles) Act, No. 69 of 1988, produce testing, traceability testing. http://www.analyst.gov.lk
30	Ceylon Fertilizer Co. Ltd. Island wide agents, Est.by Act No 49 of 1957/ LTD company in 1992 by Act No 23/ 1987 / Colombo Commercial Fertilizer Co. Ltd , District offices Est 1872, / Public Co by Act No 35 of 1971/Act No23 of 1987/Reg.by Co Act No 2007. Regulated by Fertilizer Act, No. 68 of 1988. PUC may negotiate for wholesale business of fertilizer for its shareholders u http://www.lakpohora.lk
31	National Fertilizer Secretariat , Est.in 1988 by Act No.68 of 1988 empowered to regulate and monitor all activities of fertilizer trade in SL http://www.agrimin.gov.lk information on fertilizer/prices/availability/dealer contacts and any complaints PUC may be lodged regarding fertilizer
32	Irrigation Department/PID Est in 1887 irrigation Ord45/1917 amendments Act No 7/1999, No.27/2003 empower to manage, develop, maintain reservoirs water distribution for uninterrupted agricultural production. For District and divisional offices. PUC may link & coordinate on matter regarding water supply for crop cultivation, ground water (availability/quality), rehabilitation work on water supply systems. http://www.irrigation.gov.lk/
33	Water Resources Board. Est, 1966, by Act No 29 of 1964-Conserve & sustainable use of water resources using technologies/management systems meeting the demand for domestic, industries & Agriculture. PUC to coordinate for help regarding ground water use for crop cultivation http://www.wrb.lk
34	Department of Commerce (DOC) , Register your business for market support, buyer linkage, international promotion. Useful link for PUC to obtain/update product/market information in line with international market development, preferential treatments, bi-lateral/multilateral opportunities http://www.doc.gov.lk
35	Export Development Board (EDB) provide services related to development and promotion of exports, link producers to exporters, market support for small producers, registration of business as exporters. PUC may link with regional offices as relevant. Keep liaise to enable the shareholders/PUC to benefitted with programs implemented in the regions/national level to identify the market opportunities, exporter community, for direct /indirect export. http://www.srilankabusiness.com
36	District/divisional secretariat offices district or divisional level administrative link for correspondence of relevant services/information. Important institution for the PUC where all public institutions working at grass root development are linked to this administrative set up. PUC may liaise through District Agriculture committee and District Development council for obtaining services as required. http://www.badulla.dist.gov.lk/ , http://www.kandy.dist.gov.lk/ , http://www.ampara.dist.gov.lk/ , http://www.Kilinochchi.dist.gov.lk/ , http://www.vavuniya.dist.gov.lk/
37	Provincial offices/Local Govt offices http://www.lgpc.gov.lk/ http://www.pubad.gov.lk for information related provincial councils and affiliated institutional network. PUC to link for closely liaise with relevant provincial offices under provincial council pertaining to the area. http://www.gov.lk/
38	SL Tourism Devt. Authority Est.by Act No.38 of 2005, information and procedural requirement for agro tourism development and promotional support. PUC could propose and implement agro tourism program for the area in coordination with this authority and provincial tourism development office. http://www.sltda.gov.lk/ Call 1912 -tourism hotline
39	Dept. Of Govt. Information Centre link for Govt. Publications & notifications/circulars, gazettes, amendments, relevant to public companies. www.documents.gov.lk , https://www.media.gov.lk/
40	Independent Television Network (ITN) Television Broadcast center for promotional, publicity, market access, consumer awareness creation http://www.itn.lk
41	Sri Lanka Rupavahini Corporation (SLRC) Television Broadcast center for promotional, publicity, market access, consumer awareness creation https://www.rupavahini.lk
42	Sri Lanka Broadcasting Corporation (SLBC) Radio Broadcast center for promotional, publicity, market access, consumer awareness creation https://www.slbc.lk
43	Associated Newspapers Ceylon Ltd (ANCL) Print media center for promotional, publicity, market access, consumer awareness creation https://www.lakehouse.lk
44	Information & Communication Technology Agency (ICTA) Apex body est.by Act No.27 of 2003 national ICT plan and digital policy for enhanced economy/quality of life/reduce poverty. For digital investment support http://www.icta.lk
45	Dept. of Inform Tech.Mngt. Support increase efficiency of ICT use. To link with upcoming project related to digital technology interventions http://www.treasury.gov.lk
46	SL Export Credit Insurance Corp (SLECIC) Export related credit and insurance packages. http://www.slecic.lk/
47	NAITA/VTA/UNIVOTEC Vocational education for enhance industry skills/enterprise development /self-employment Est. by Universities Act, No. 16 of 1978, Vocational Training Authority of Sri Lanka Act, No. 12 of 1995 http://www.naita.gov.lk , http://www.univotec.ac.lk http://www.course.vta.lk ,
48	Ceylon Chamber of Commerce (CCC) business and trade promotion, commercial arbitration, training & development, PUC may become a member or obtain its services as a guest/invitee. Most of the district chambers are members of CCC. National Agribusiness Council an apex body for number of agri. product associations (fruits& vegetable, spices, foliage, processed food, coconut, etc.) are also now forming the part of CCC. Its advantages for the PUC to link with CCC for input/output marketing/trading. http://www.chamber.lk
49	National Chamber of Exporters (NCE) only chamber that serves the requirement of exporters. PUC link may provide opportunities for attracting exporters for market their produce. http://www.nce.lk
50	Women Chamber of Industry & Commerce Sri Lanka (WCICSL) The PUC to explore opportunities for value add their products and services involving the female members for increased income generation by implementing gender-based programs. http://www.wcicsl.lk

Annex 24 Sample MOU & Asset Handover Agreement of PUC and MOA.



finalized ASMP
sample MOU 11.09.2



ASMP sample MOU- ASMP Sample MOU
Sinhala.pdf Tamil-EP 27-9-23.pdf



Asset HO
Agreement CONFIDE

Annex 25 Sample Buyback Agreement of PUC & Buyer.

(Subject to update with relevant information as highlighted and to be translated to local languages as required.)



Model draft
BuyBackAgreement.c

Small Farmer Empowerment



PUBLIC UNLISTED COMPANIES