

A man wearing a blue short-sleeved shirt, grey shorts, and a yellow cap is working in a field. He is bent over, using a long-handled hoe to work the soil among rows of green, low-growing plants. The field is lush and green. In the background, there are several tall trees and a thatched-roof structure on the left. The sky is overcast.

# Annual Programme Report 2023

Northern Co-operative Development Bank  
February 2024



# CHAIRMAN'S MESSAGE

As we enter our fifth year, it has become even clearer that the co-operative movement can play a significant role in absorbing the economic shock faced by rural communities. In many ways, these families are disproportionately affected by the crises, and there is inadequate social protection to support them.

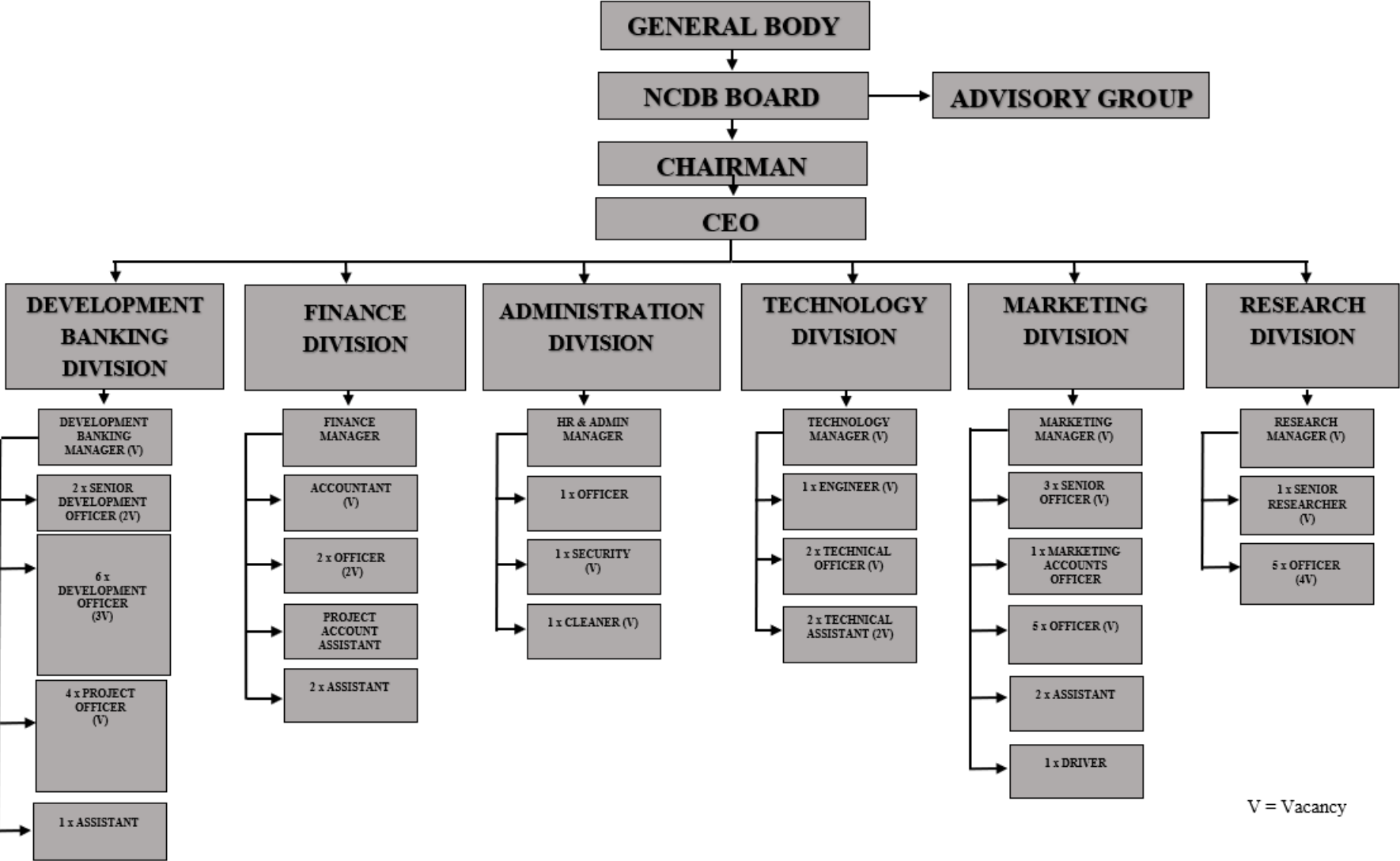
Food security is a major concern. Supporting rural livelihoods by increasing access to affordable credit, activating and expanding agricultural value-addition to create demand for agricultural production, and distributing fairly priced goods is core to our strategy. Farmers, desperate to get a fair price for their goods to avoid sinking into deeper debt, are approaching co-operatives for help.

This year, we've expanded our current activities such as activating idle assets and providing technical support, and tested new initiatives particularly in the rice and dairy sectors to see how well co-operatives can respond. We've also made new partnerships with Colombo-based organisations to increase the profile of co-operative work, and in the North too, with the University of Jaffna.

We continue to work in difficult operating conditions - managing price fluctuations, inflation and other uncertainties, together with tighter household budgets and decreasing demand. But we remain hopeful that the collective action of Northern co-operatives is but the start of a new, brighter future.



# ORGANISATIONAL CHART



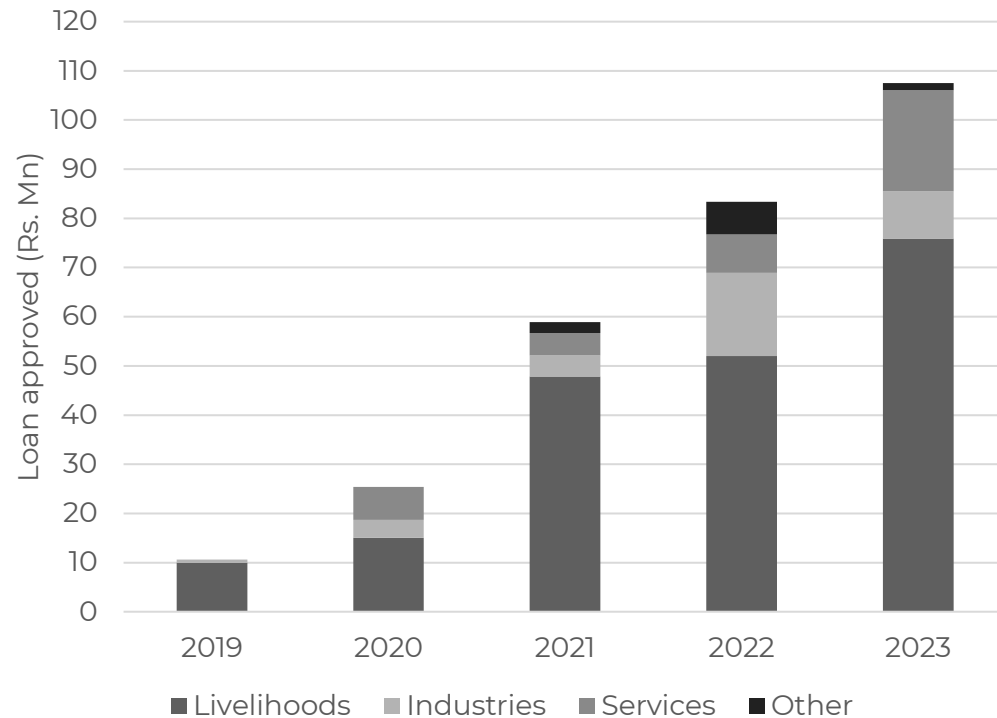
At the end of 2023, NCDB had a staff capacity of 33 people (including 6 consultants and excluding interns); a 20% increase on 2022.

The Technology Division has been strengthened with the recruitment of two officers, and two batches of interns (16 students) from the University of Jaffna, Technology Faculty, who are playing a supportive role in activating idle assets and enhancing production.

Our marketing team (previously grant funded) were brought full-time into the bank's operations recognising the crucial role they play in circulating goods produced by the co-operative sector.

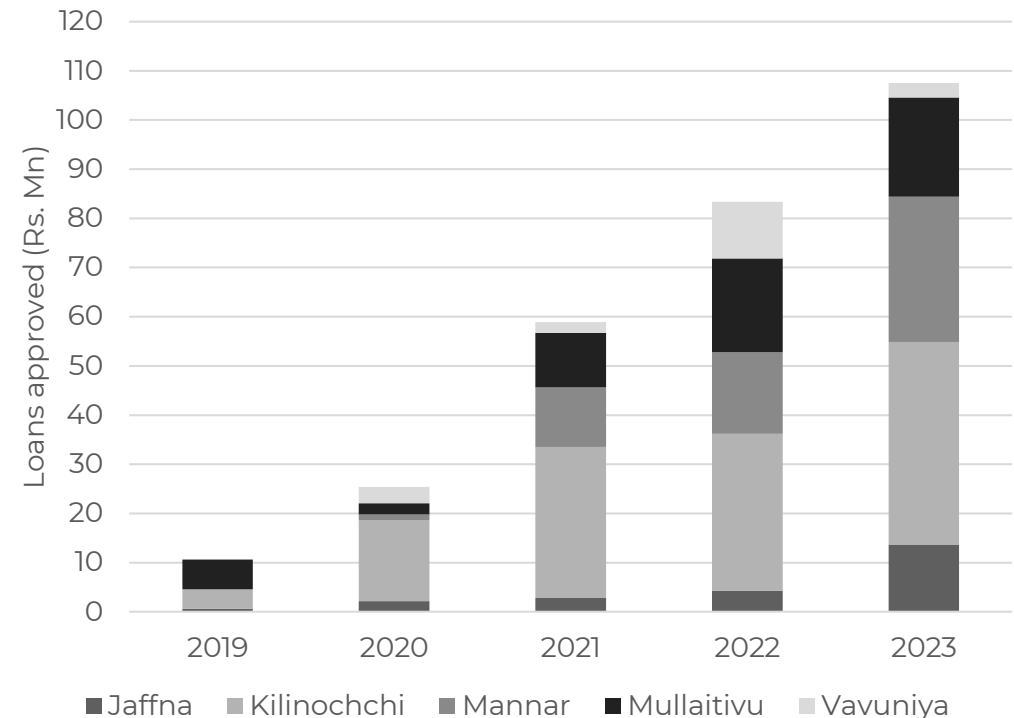
Next year, our focus will be on filling senior management vacancies which have been difficult to recruit for in the current economic climate.

# CREDIT CIRCULATION



The graph shows our steady increase in credit circulation since our inception in August 2019. 2023 sees a growth of nearly 30% compared to 2022.

Within the livelihoods sector, we have actively increased our Varappuyara loan scheme for agricultural producers and self-employment loans, reflecting the high demand for affordable credit at the grassroots. 2023 has also seen a growth in service sector loans, largely due to increased support for working capital loans for fuel and consumer services.

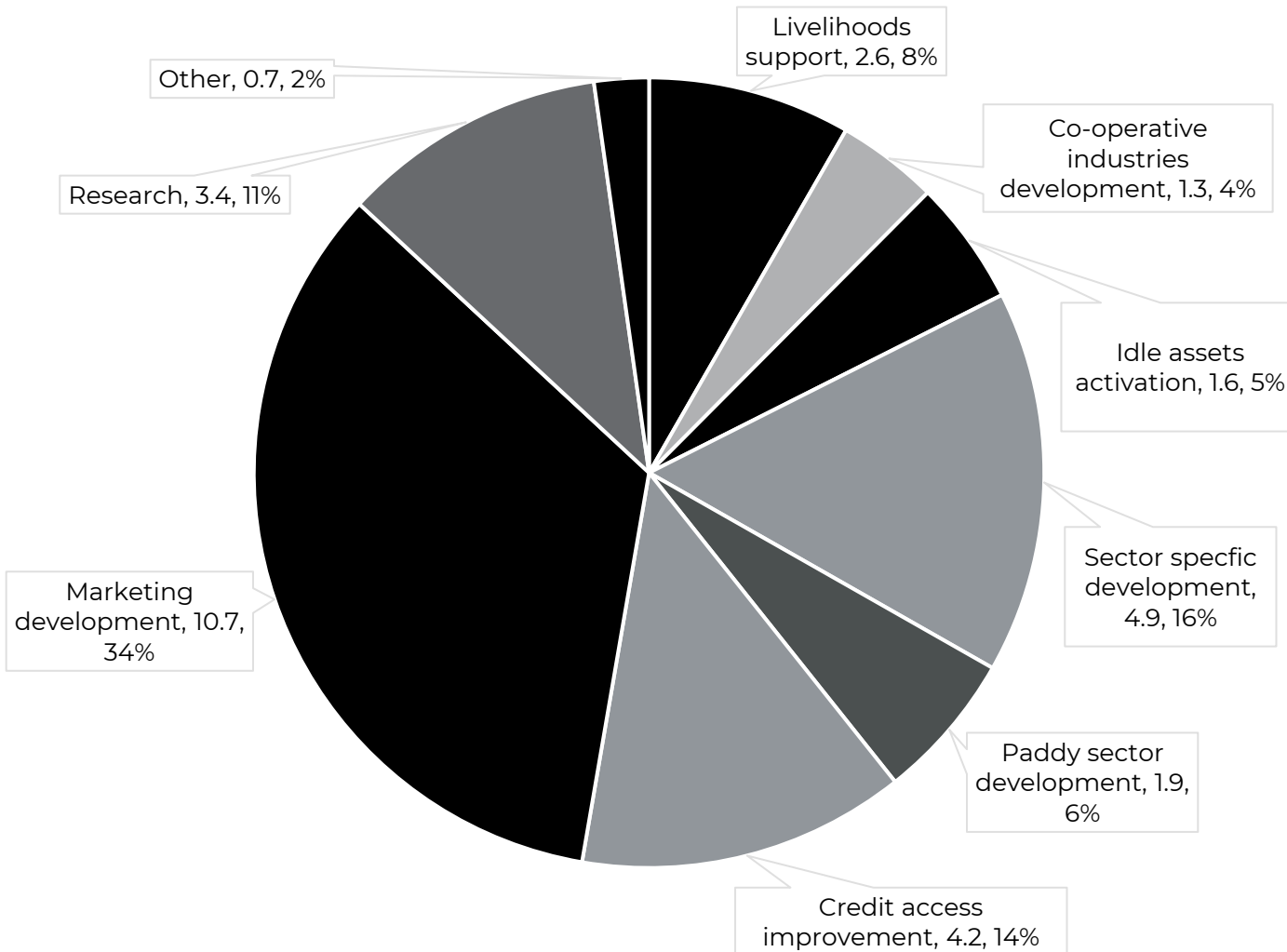


Vanni districts have an increased share of loans due to our ability to provide livelihoods loans for two seasons per year.

Kilinochchi District has a higher distribution due to the TCCS Union being able to handle the maximum loan amount of Rs. 15 Mn per season. Jaffna district loans increased through making new relationships with societies such as Moolai Hospital and the Siddha Medicine Centre. Although Vavuniya District looks underserved, there are in fact less societies active in this district compared to others.

# GRANT EXPENDITURE OVERVIEW

We spent a total of Rs. 31.3 Mn on development work funded by grants from donor organisations between Jan – Dec 2023.



Values above are in Rs. Mn

**Livelihoods support:** Rs. 10,000 grant scheme to motivate small producers to continue production

**Co-operative industries development:** Small grants to support improved processing and enhance staff capacity for existing small industries, and university interns' costs

**Idle assets activation:** Grants to bring idle assets like machinery, equipment and vehicles into running condition for use

**Sector specific development:** Support to the dairy and fisheries sectors to improve members services

**Paddy sector development:** Karainagar rice subsidy programme piloting fair rice distribution during crisis (covers subsidies, expenses and commissions)

**Credit access improvement:** Expanding the creation of thrift and credit societies in rural areas

**Marketing development:** Grant to cover establishment costs of our new marketing network (e.g. salaries, logistics) in initial stages

**Research:** Grant for logistics costs for research workstream, and Jaffna University prototype development



# SMALL INDUSTRIES DEVELOPMENT

We offer a range of services to restart/expand production and sales including business planning development, consultancy services, forward contracts, technical advice (see next page). Using a mixture of financial support e.g. affordable credit; time-limited grants for society/staff incentive schemes and additional staff recruitment, we can motivate societies even through the current economic uncertainty. In 2023, we worked with 11 societies to expand production, spending Rs. 0.49 Mn.

## THUNUKKAI LIBCO

*Support: 70% marketing and production staff salary; consultancy service*

After the pandemic, value added production was stopped permanently. With our support, the LIBCO began producing yogurt, curd, milk toffee for local sales. Rs. 0.75 Mn revenue earned (Jan – Sep 2023), no production Oct – Dec (off-peak).



## POONAKARY FCU

*Support: 90% production staff salary for 6 months, technical and business advice*

This was an idle fish meal plant, which NCDB suggested to be re-purposed into a cattle feed production unit. Inputs are sourced from other MPCs industries e.g. rice bran and poonac. This year, 3,205 Kg has been produced for order and marketed solely by NCDB.

## AKKARAYAN MPCs

*Support: 80% production staff salary for 12 months, technical and business advice*

Before Feb 2023, the MPCs's grinding mill was used only as a local service centre. After working together and procuring additional equipment, the MPCs has produced 4,350 Kg of rice flour and chilli powder (Rs. 1.3 Mn) in 11 months, of which NCDB markets 20% of the produce.







## PROCUREMENT CONSULTANCY

- Provided technical advice to 11 societies to procure appropriate machinery for their needs e.g. chilling tanks, incubators, flour roasting and grinding machines, automatic jam filler, dehydrator
- Supporting purchasing processes where required.



## PROCESS/ PRODUCT DEVELOPMENT

- Conducted training and monitoring on 5S /TPM for 3 societies (14 ppl)
- Facilitated value addition training by Palmyra Research Institute for 3 LIBCOs (6 ppl)
- Converted fuel-based heating system for copra drying to electrical-based to manage input costs
- Cattle feed making training.

## TECHNICAL SUPPORT

Supported heavily by Tech Ceylon Social Ventures, NCDB has expanded services for industrial development, providing:

- Consultancy for procurement and business planning
- Identification of product improvement needs and providing/ sourcing training
- Mechanical services to activate machinery and equipment (from assessment to commissioning).

With Jaffna University, we are in the early stages of developing new equipment to support small-scale production processes:

- Solar dryer to improve copra production and reduce losses during the rainy season
- Solar water pump to use sunlight energy instead of fuel sources to reduce costs.



## IDLE ASSETS ACTIVATION

- Repaired 13 vehicles and 26 machines (from 22 societies), now of value Rs. 30.4 Mn
- 5 societies have transferred unused assets to others for rent e.g. grinder/ polisher machines from Velanai MPCs to Chavackacheri MPCs
- Converted idle fish meal plant at Poonakary FCU into a cattle feed pellet unit.

# DAIRY: VALUE CHAIN APPROACH

In partnership with Karaveddy LIBCO in Jaffna District, we piloted an approach to intervene across the whole dairy value chain, starting from meeting farmers' input needs, all the way to marketing and distribution of value-added products. We aim to leverage this work by using the learning to replicate lessons with other dairy co-operatives.



## FARMER INPUTS

- Grant to 21 members with 60 parappu land to grow grass for feed; 50% success; failures include animal damage, incorrect planting, weather
- Rs. 10,000 monthly salary for veterinary doctor for 1 year
- Grant for 10 members to purchase cow with artificial insemination services.



## MILK COLLECTION

- Increased evening collection from 2 to 3 branches, support for administration expenses; collection increased from 500 – 600 L/day to 700 – 800L/day
- Upcoming purchase of lactometer to pay for milk according to fat content.



## VALUE ADDITION

- Production training e.g. yogurt and milk toffee, lowering production costs and improving product quality
- Incentive scheme for 5 production staff (female) to increase use of milk for value addition; milk utilization increased from 150L/day to 160 – 200L/day.



## MARKETING

- Grant support to modernise sales centre; sales increased from Rs. 0.6 Mn to Rs. 1.2 Mn per month during 2023
- Part grant support for marketing officer to expand sales into private market; aim for Rs. 1 Mn sales/month, currently reached an average of Rs. 0.3 Mn/month.



# JOINT VENTURES

Joint ventures between NCDB and co-operative societies are a major intervention to support industries activation, stable job creation and increasing demand for agricultural production. We share roles and responsibilities between us, but crucially, NCDB shoulders the financial risk during the early stages. Since August 2021, we have entered into three joint ventures.

<i>Months of operations</i>	<b>Pallai</b> <i>(28 months) Coconut oil</i>	<b>Thunukkai</b> <i>(17 months) Coconut oil</i>	<b>Thiruvaiyaru</b> <i>(10 months) Rice flour</i>	<b>Notes</b>
Av production/ month	686 L	1,174 L	2,605 Kg	All factories have started from near idle status to regular production.
Total over period	19,209 L	19,964 L	26,050 Kg	
Contribution to local producer incomes over period	Rs. 6.9 Mn 125,476 nuts	Rs. 11.5 Mn 232,137 nuts	Rs. 3.8 Mn 26,880 Kg	Purchasing from farmers at fair prices supports the local economy.
No, of jobs created	6	10	4	Includes salaried and part-time staff – e.g. nut peeling, copra processing, management
Av sales/ month	Rs. 0.5 Mn	Rs. 0.8 Mn	Rs. 0.4 Mn	Includes all sales of final and by-products e.g. poonac, husk etc.
Total over period	Rs. 14.5 Mn	Rs. 13.9 Mn	Rs. 4.4 Mn	

This year, we started rice flour production with Thiruvaiyaru AFS; important as they have three idle industries that need to be activated. Rice flour sales has really taken off; we are yet to satisfy demand. Bottled oil sales have been slower because of price fluctuations and lower household demand.

Even though we are operating at a loss with our oil mills (partly because of commission incentives), the benefits at this early stage in terms of improved farmer incomes, jobs created and money circulating regionally are positive. We are analysing the performance differences between our two oil ventures to ensure we support capacity building of societies in a phased way as we plan our exit strategies.



# PADDY

The rural Northern Province is still dependent on agriculture for its prosperity, both in terms of economic contribution and wider food security. Since its inception, NCDB has been piloting initiatives to increase the utilisation of co-operative rice mills, mainly by linking farmers to processors. In September 2023, after farmers in Kilinochchi sought the co-operative sector's help complaining of how paddy prices were dropping rapidly, NCDB developed a programme to intervene across the whole value chain from paddy purchasing to rice sales, recognising the unstable economic climate.



Locally based co-operatives led on identifying paddy farmers to purchase from and undertook processing activities; NCDB took responsibility for financial support, production scheduling and marketing. The Northern Provincial Council also provided a Rs. 15 Mn short-term loan to support purchasing activity.

Results to date (July – Dec 2023):

- Purchase of 264,000 Kg paddy worth Rs. 30 Mn from 35 farmers through Kilinochchi TCCS Union and Multi-purpose co-operative societies (Thunukkai, Kodikamam, Vavuniya, Poonakary, Karachi South, Akkarayan).
- We offered a slightly higher price for paddy (due to our processing plans) e.g. Rs. 97.50/kg when the market price was Rs. 92/kg. This set a floor price; farmers reported that they used this price to bargain with private traders.
- We were able to sell rice bran (by-product) to Poonakary Fisheries Union and dairy co-operatives for cattle feed.
- We were able to increase capacity utilisation of existing rice processing plants across the Province.

Compared to last year, we significantly increased our activity in the paddy sector, with direct processing involvement. This practical experience has provided much learning about the resources and requirements needed for success in this market, which we will systematise next year.



# EXPANDING THRIFT AND CREDIT CO-OPERATIVE SOCIETIES (TCCSs)

As prices rose and work opportunities reduced in 2022, we knew that low-cost credit was going to be critically needed in rural areas. In discussion with Kilinochchi TCCS Union, we developed a programme to expand TCCS activation, working at a grassroots level to promote rural savings and loans groups. Areas with limited banking access and higher vulnerability (e.g. water issues, land access, high poverty) were targeted. Expansion to other districts is planned for in 2024.

Grant support through the TCCS Union:

- Two field officers (role: mobilising communities, training, monitoring and troubleshooting)
- Furniture and accounting books purchase for TCCSs (Rs. 0.36 Mn)
- Seed capital Rs. 0.2 Mn per society to incentivise formation that is disbursed after 6 months of savings accumulation;
- Rs. 3.6 Mn seed capital to the TCCS Union to expand its own lending ability.

Results to Dec 2023:

- 12 societies created or re-activated
- 406 new members accessing affordable credit
- Even in this economic climate, Rs. 0.69 Mn in savings accumulated by rural communities
- Rs. 5.6 Mn in loans have been circulated (seed capital and savings included).







# Rs. 10,000 GRANT SCHEME

Alongside our livelihoods credit programmes, our Rs. 10,000 grant scheme aims to contribute to regional food security by encouraging members to continue farming, as well as to strengthen the relationship between members and co-operative societies.

- In-kind input grant of Rs. 10,000 for quality seeds, compost and fuel provided
- Reached 258 members in 2023; criteria such as income level, gender, dependents were used to select recipients
- Since 2022, 40% of grants have been disbursed in Mullaitivu; 25% in Kilinochchi, and the rest equally between the remaining districts
- 90% of grants have been provided to crop farmers
- 50% (17) of the societies we have worked with are Thrift and Credit Co-operative Societies – highlighting their close connection to rural members.

*"With labour, fuel, and seed prices being high, the grant for peanut cultivation has been a big help for us farmers. It eases our financial burden and keeps us going strong in tough times."*

P. Yogaraja Puthukkudiyiruppu, Mullaitivu

*"I had sown 50kg of groundnuts this time. The organic fertilizer provided by subsidy has worked well. The plant is well developed with lots of thick leaves and stems."*

T.Rasaladsumi , Aananthapuram, Mullaitivu







## CO-OPERATIVE MARKETING

Marketing is vital to the sustainability of small agricultural-based industries, and indirectly to farmer incomes. Given our strategic position with a mandate to act across the Province, NCDB has continued to expand the marketing network within the co-operative sector, by linking co-operative industries and farmers to consumer co-operative businesses, as well as to the private sector.

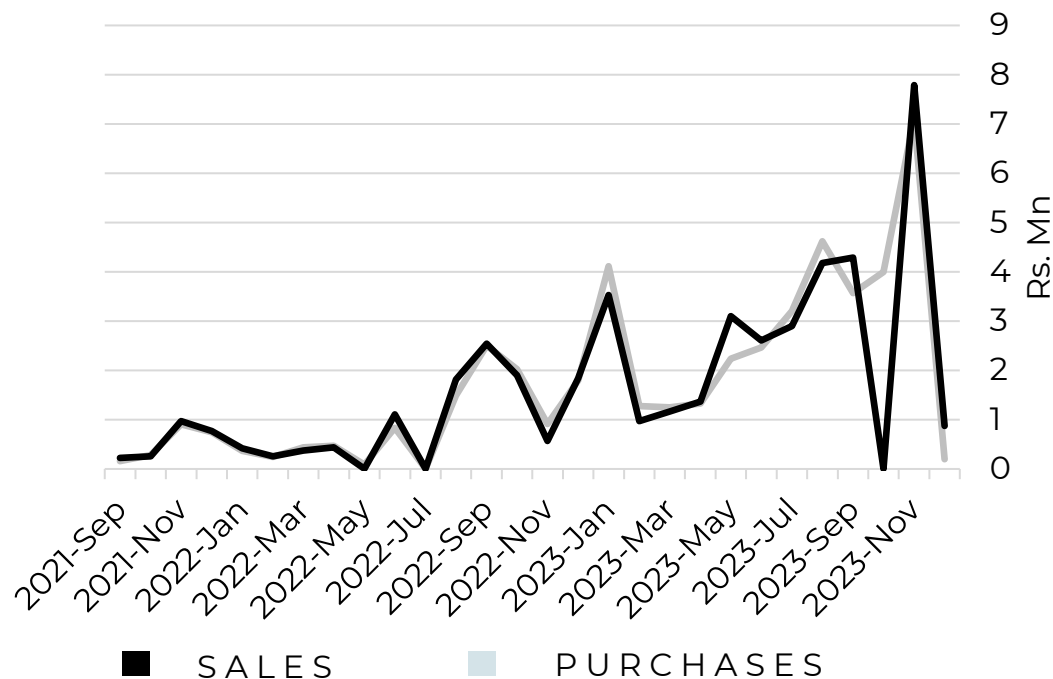
Our team have worked at the ground level to build trust between all partners – farmers, societies and NCDB across the Province. This is important, as for a producer to switch to our services they must believe that they will get a consistent service with fair prices. At this stage, we see our biggest success in the fact that 60+ co-operatives have joined our marketing network.





# PURCHASE & SALES

The marketing team began operations in September 2021 when NCDB started its first joint venture programme. It has grown from a one-man team to over 10 staff and supports logistics for our other programmes.



The graph shows our steady activity growth with one main jump coinciding with a large expansion of the marketing team (Jul 2022 with grant support) operating across three bases in Jaffna, Kilinochchi and Vavuniya. The Nov 2023 sales peak was due to a one-off relief distribution order. Our priority has been to establish the market while keeping an eye on running costs. We have yet to break-even.

		2021	2022	2023
Products (no,)		7	22	47
Purchases	Co-ops	6	17	22
	Farmers	25	75	117
Sales	Co-ops	21	38	62
	Private	10	95	130

The table shows a continual growth in reach with respect to product variety (paddy, grains, dry fish, palmyra products, edible oils, juice, dairy etc). Sales became easier as buyers are interested in the variety of margins that can be earned. Apart from covering all corners of the Province, we have also given advice to potential supplier co-operatives as to how to make their products marketable (e.g. including batch numbers, printed labels, packaging) so they meet the basic minimum standards for us to promote their goods.

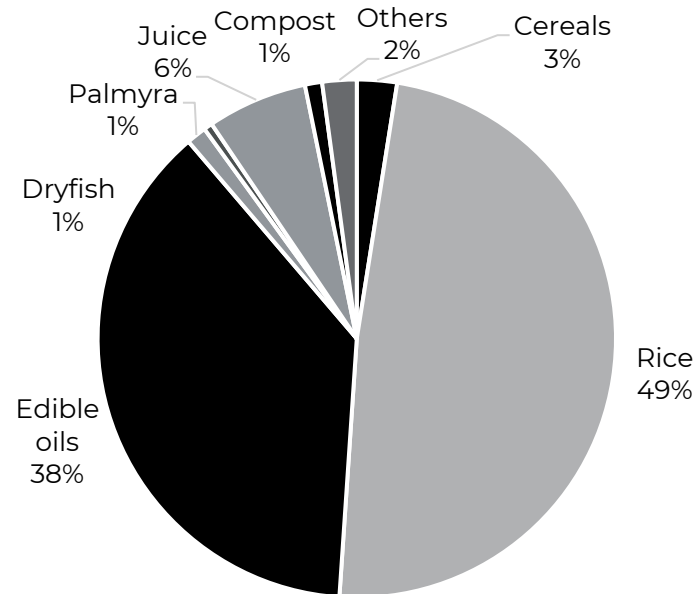
# SOCIETY TRANSACTIONS

Below presents information on purchases and sales to co-operative societies from inception (November 2021) to December 2023.

## PURCHASES (excluding joint ventures)

Supplier	2021	2022	2023	Value (Rs. Mn)
Thunukkai MPCs			9.2	9.2
Kodikamam MPCs			6.1	6.1
Vavuniya MPCs			2.9	2.9
Karachi South MPCs	0.3	1.4	1.1	2.8
Kaithady MPCs		1.3	0.4	1.7
Visvamadu PDCs		0.8	0.8	1.6
Vavuniya North Fruit Growers		0.1	1.4	1.6
Chunnakam MPCs		1.0	0.6	1.6
Vavuniya North MPCs			1.3	1.3
Akkarayan MPCs		0.0	0.9	1.0

## PURCHASES BY SECTOR (including joint ventures)



## SALES

Customer	2021	2022	2023	Value (Rs. Mn)
Karachchi South MPCs	0.2	1.4	2.7	4.3
Thiruvaiyaru EYAPC			4.1	4.1
Chavakachcheri MPCs	0.0	0.1	2.4	2.6
Poonakary MPCs		0.1	2.3	2.4
Vavuniya MPCs	0.2	0.8	1.2	2.2
Chankanai MPCs	0.1	0.2	1.9	2.1
Kaithady MPCs	0.4	1.2	0.3	1.9
Kayts MPCs	0.1	0.6	1.1	1.7
Atchuvvely MPCs	0.0	0.0	1.4	1.4
Nallur MPCs	0.1	0.6	0.5	1.2

Our marketing work has given many industries confidence to increase production through regular orders and forward contracts. Our new paddy purchasing programme has brought societies like Kodikamam MPCs and Thunukkai MPCs into the network more recently and with large purchases. We are keen to support small producer societies making dried fish and palmyra, but seasonality issues have been a challenge to increase supply. With our increased product variety, we have been able to bring more societies into our marketing network. The urban Jaffna peninsula continues to be our main customer base (home to roughly half the Northern population). We hope to expand distribution in the Vanni region via our new Kilinochchi service centre launched in August 2023.





# RESEARCH

## LINKING TO THE BIG PICTURE

This year, we have prioritised raising the profile of the Northern Co-operative sector's work and services with national think-tanks, NGOs, academics and activists to make allies in our effort to change policy towards the rural economy.

We have organised and attended 6 workshops with organisations e.g. Law and Society Trust, Social Scientists Association, Neelan Thiruchelvam Trust, the Young Researchers Network, to collaborate on future national research and campaigns regarding rural credit, smallholder agriculture and the economic crisis response.

As a result, we have also hosted teams from the East and Hill-country who have been interested to replicate the North's co-operative model in their regions.

## UNDERSTANDING CO-OP SECTOR

With generous funding from Zurich University, NCDB hosted a team of 7 researchers, guided by our Chairman, to explore themes of credit, livelihoods, markets and the co-operative model.

Over 18 months, the team explored questions e.g. how can co-operative loans be better designed to meet consumer needs? How can LIBCOs/ MPCSSs better compete in open markets? How can women's livelihoods be supported? How can we improve membership and reach marginalised groups?

Initial findings were presented for discussion with societies (150 people) in November 2023. Using this, a research paper will be published by Sri Lankan and Swiss academics about the role of co-operatives in today's global economic system.

# LEARNING

## LONGER-TERM ENGAGEMENT

We accept that sustainable change is slow. We see small positive changes in the activity and mindsets of societies where we have engaged with them for 2+ years and taken a whole-of-institution approach (rather than a single project focus) which has built trust and confidence between partners.

## SOCIETY OWNERSHIP

We see more successful levels of society ownership where our staff have regular contact and interaction with them. This has an implication for our staff costs/ capacity, and how we balance the quantity vs, quality of our work.

## PERFORMANCE

In our start-up phase, we focused on understanding co-operative needs, expanding reach and piloting new approaches. We now need to develop systematic ways to measure and evidence our performance to assess the medium/longer term changes we are making.

### Learning & Reflections



## PRODUCT QUALITY IMPROVEMENT

Improving product quality is vital for better sales. With our new technical team in place, we have the skills to help societies to enhance quality (from processing to packaging) and reduce costs but still need to find effective ways for societies to quickly accept and use advice beyond simply monitoring them closely.

## MARKETING

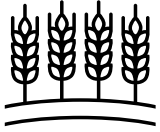
Our increased marketing activity has benefited many societies, but we must exercise caution and have a clear strategy to avoid creating a dependent culture within our own network. We need to ensure societies have multiple marketing strategies to manage risk.

## MEMBERSHIP OUTREACH

We notice in our work that there is some suspicion about NCDB's purpose and role by societies, who cannot believe that NCDB is not making large profits from its work. Our regional member councils could play a role to tackle this.



# 2024 PLANS & PRIORITIES



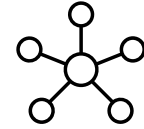
## ESSENTIAL GOODS

We will take a whole value chain approach on three essential household goods – rice, rice flour and coconut oil. With our learning, NCDB will mobilise all its teams and use its projects to increase production, lower costs and improve distribution of affordable, high-quality goods consistently across the North.



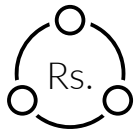
## OTHER LOCAL PRODUCTS

NCDB will explore markets for local products with high nutritional content that support broader food security objectives. These include: Kurakkan and mixed nutritional flours, dried fish, gingelly oil and palmyra foodstuffs. This will include understanding production possibilities and market demand.



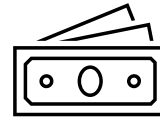
## MARKETING EXPANSION

Even though we have expanded the network, there are still great opportunities to reach all 500 consumer co-operative branches. Improved understanding of NCDB's marketing vision is vital, as is explaining our business model to negotiate margins fairly across the whole value chain and incentivise societies to join us.



## CREDIT CIRCULATION

Affordable livelihoods credit continues to be in great demand from members. The only way to do this sustainably is to increase members' savings, as well as to bring more of societies' own financial assets into circulation e.g. fixed deposits. We will prioritise engaging with societies to find safe ways to do this.



## RURAL CREDIT ACCESS

Our TCCS activation programme promoting rural savings and credit groups has shown successes in increasing credit access to rural and marginalised communities, where transport costs and banking access are barriers. Next year, we will expand our work into Mannar District.



## INSTITUTIONAL DEVELOPMENT

NCDB will make improvements to its own systems and processes to better manage the notable jump in activities and funding. This includes computerisation, performance monitoring development and recruitment and capacity building of the senior leadership team.

# GET IN TOUCH

## LOCATION

Northern Co-operative Development Bank  
Elders' Home Complex  
Kandy Road  
Kaithady, Jaffna

## CONTACT US

NAME: Dr. A. A. Kadirgamar  
POSITION: Chairman  
EMAIL: [Ahilan.Kadirgamar@gmail.com](mailto:Ahilan.Kadirgamar@gmail.com)  
MOBILE: +94 71 153 1985

Mr. T. Suthakaran  
Chief Executive Officer  
[tsuthakaran27@gmail.com](mailto:tsuthakaran27@gmail.com)  
+94 21 223 2673