

GLOBAL PARTNERSHIP TOWARDS DEVELOPMENT



2013

EXTERNAL RESOURCES DEPARTMENT
MINISTRY OF FINANCE AND PLANNING
SRI LANKA

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DEVELOPMENT PARTNERSHIP AND EXTERNAL FINANCING

Section 1

DEVELOPMENT PARTNERSHIP AND EXTERNAL FINANCING

OVERVIEW

The external financing provides resources to bridge domestic savings-investment gap as required investment levels for high growth is large. The Government is committed to maintain 6 percent of GDP annually for public investment. At present about 40 percent of the public investment expenditure is financed through external financing.

Foreign financing has been mobilized to develop road network with new expressways, highways, water supply and irrigation systems, power generation and transmission and modernizing the education and health services of the country. The capacity expansion of the Colombo Port and Airport, construction of new Port and International Airport in Hambantota, construction of railways and other infrastructure facilities too has been undertaken with external resources. The reconstruction of the conflict affected districts with similar facilities have also supplemented by external financing by way of loans and grants.

External financing arrangement in recent years consists of concessional credit from IDA, ADB, Japan, China, India, Korea, Saudi Arabia, Kuwait and OFID. Semi concessional borrowings from Exim Bank arrangements and market borrowings to supplement available domestic resources to finance import content and capacity

enhancement have alter the traditional shape of external resources.

The Ministry of Finance and Planning has formulated a "Framework for Mobilization of External Finance in the Medium Term" considering the need assessment and underlying public investment strategy of the Government. Accordingly, all such new borrowings for the implementation of development projects are required to undergo a comprehensive assessment process prior to entering in to a formal agreement with lenders.

With the country advancing towards an upper middle income status, the availability of concessional financing will become limited. As such, the requirement for funds will have to be supplemented through non concessional borrowings which will include export credit, commercial credit etc and tapping of international capital markets to finance viable development projects. Further, in diversifying its funding base, the Government recognizes that the international capital market provides ample opportunities for increasing liquidity through both debt capital and equity.

Major bilateral partners including China, India, Japan, Middle East and multilateral partners including World Bank (WB) and the Asian Development Bank (ADB) will continue to perform

as major development partners during the next 5 years in terms of their continued assistance and ongoing projects.

Being an emerging middle income country with steady increase of per capita income and reduction of external debt in relation to the GDP, Sri Lanka shared its development experience with other countries through technical and grant assistance programs. The Government has provided grant assistance of USD 10 million to the Government of Maldives for construction of

a 4.8 km long road using Sri Lankan constructors. The Government has also extended technical assistance to establish a Vocational and Technical Training Centre in Uganda to improve their vocational education. These initiatives will help strengthen the friendship and bilateral relationship between Sri Lanka and these countries. Initiatives have also been taken to export our surplus rice to less developed countries that require assistance through World Food Programme (WFP). Moving a step further, the Government has taken steps to sell Sri Lankan rice to WFP.

Recent Trends in External Financing

The Government has attached high priority to accelerate growth and development as per the "Mahinda Chinthana: Vision for the Future" policy framework. Accordingly a significant private investment has taken place in many of the commercially viable sectors such as ports, power and energy, roads and telecommunications. However, the private investments still remains inadequate. Therefore, the Government has been required to maintain a Public Investment to GDP ratio of around 6 percent during 2002-2013.

As such, foreign financing has been utilized to bridge the investment gap to realize the country's development goals.

Reduction of Concessional financing

As the country consolidates as an upper middle income economy with increased demand for public investment, the concessional financing that country has enjoyed over the past several decades is on the decline. In the past, the concessional financing has been extended by multilateral financing agencies such as the International Development Association (IDA) of the World Bank, the Asian Development Bank (ADB), International Fund for Agricultural Development (IFAD), United Nations Development Programme (UNDP), OPEC Fund, European Investment Bank and bilateral development partners such as Japan, South Korea, France, Austria, Germany, Denmark, the USA, Australia, Kuwait, Saudi Arabia, the Netherlands, Sweden, China and India in the form of outright grants, credits with longer maturities with a longer grace period and low interest or as mixed credit combining loan and grants. However, at present Sri Lanka has access to limited range of concessional funding from IDA, ADB, UN agencies, selected bilateral development partners and dedicated development funds.

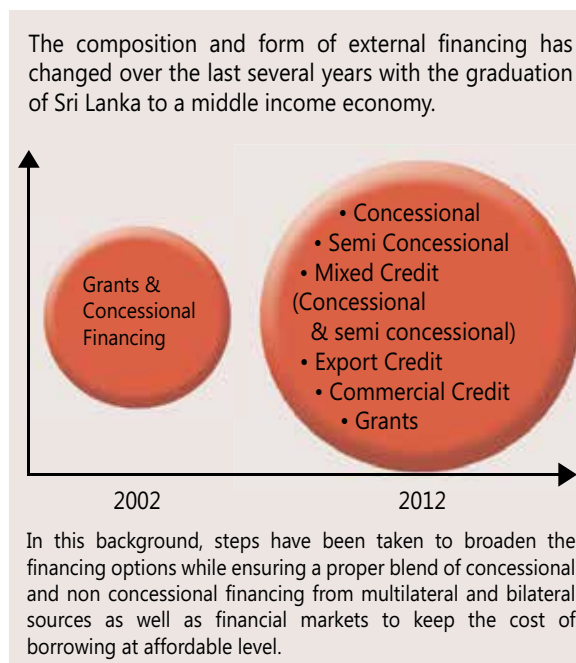
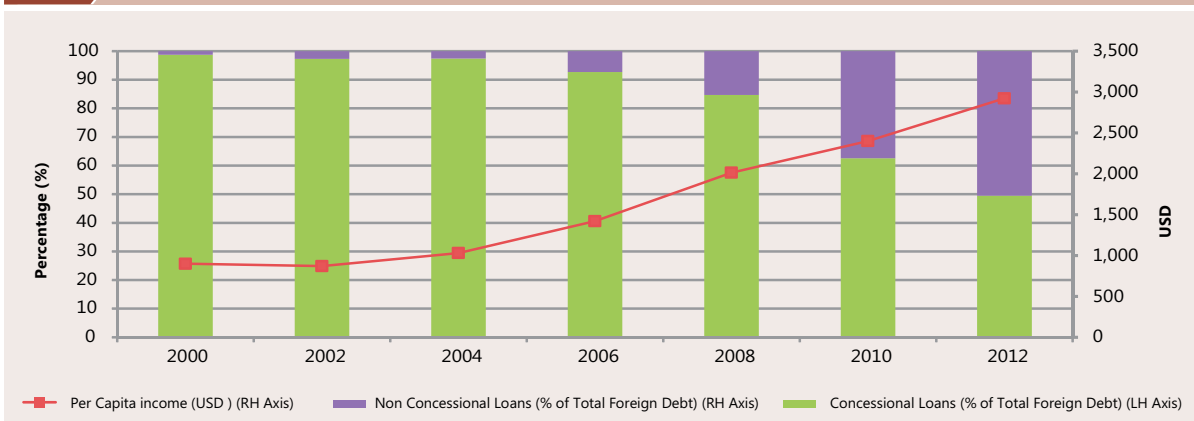


Chart 1 Reduction of Concessional Financing along with increase of Per Capita Income



Foreign Financing Strategy and National Priorities

The foreign financing strategy of the Government recognize that the development projects which are implemented using foreign financing would create an asset base and economic activities that will generate future stream of income sources leading to increase of tax revenue and other sources of income in support of debt servicing.

Therefore, foreign financing for development projects raised by the Government is appraised not only its financial terms, but also by examining the purpose for which such foreign financing is used and their return overtime to ensure they create a more revenue generating asset base.

Accordingly, the government borrowings from foreign sources are mobilized largely to finance large-scale infrastructure projects concentrating on well focused development needs in each sector creating diverse income earning sources in the economy. A greater focus has been made on the needed large investments for the priority sectors such as energy, roads including highways, ports

and aviation, irrigation and water supply schemes to increase returns on investments to match the changing cost structure of foreign debt.

The present borrowing strategies of the Government are based on two basic principles; (a) borrowing at the lowest possible cost and (b) ensuring adequate provisions for debt servicing on time, preserving the default free status of the country. In addition, emphasis is given to obtain loans with longer maturities.

With the increase in income levels, Sri Lanka is now in a better position to divert a substantial amount of domestic financial resources to cover the consumption expenditure including livelihood development, social protection and welfare programmes. However, the available Official Development Assistance (ODA) on concessionary terms will extensively be invested in soft sectors including education and health that do not creates new assets or generate quick monetary returns in the short-term as such expenditure creates human resources in the country.

Table 1 Medium Term Government Priorities for Foreign Financing

Economic Infrastructure	High priority has been given under the Government's investment programme to improve the road network including expressways, highways, national roads and provincial roads as well as port and aviation sectors and urban township facilities to promote economic growth with regionally balanced development.
Expansion of Expressway Network and Ensuring Urban Rural Connectivity	The rural hub road connectivity programme of the government will connect 1,000 promising villages in the island to the nearest major trunk road or expressway through provincial roads and national highways to ensure the rural urban connectivity. Around 10,000 km of existing road sections at different levels (rural, provincial and national) and missing links will be developed as multimodal transport (complete street) road network. In addition to the improvement of rural roads, construction of rural bridges programme aims at replacement of rural bridges, foot bridges and ferries on rural road network by permanent structures to improve accessibility and bring isolated villages to mainstream.
Constructing Rural/Urban infrastructure facilities.	Constructing rural infrastructure facilities has been identified as an important aspect to maximize benefits of mega development projects. Rural roads, rural electricity, rural and urban water supply, small irrigation and usage of IT in the rural sector together with the development of emerging townships and urban centers are the main focus areas to improve rural economy.

Meeting Energy needs of the country	While ensuring 100 percent electricity coverage to all households, the demand of other sectors also should be met in a cost- effective manner. The proposed economic hubs will create an incremental demand for energy, and if such industries to be competitive in the global market, the energy cost has to be affordable. The appropriate energy mix which ensures the lowest possible cost includes renewable energy such as wind, solar, hydro, coal, LNG and other low-cost sources. Investment has been committed to oil exploration, as a long term solution to reduce country's overburdened import bill.
Integrated Water Resource Management	Currently, about 80 percent of surface irrigation water is used for irrigation purposes. The demand from other uses such as industries is expected to increase rapidly in the next six years. This will necessitate increasing water use efficiency in irrigation development in relation to new irrigation systems and tapping non-conventional modes of water supply effectively, including water recycling, large scale rain water harvesting, desalination etc. A consistent investment on drinking water that will improve access to safe drinking water is being pursued.
Human Resources Development for Knowledge based Economy	Government's vision is to drive the economy as a knowledge-based economy benefiting from the higher educational levels prevailed in the country, to be able to harness global knowledge and apply same towards the development of all sectors. In this context, education, skills development, science and technology and health will be given priority in public investment.
Environmentally Friendly Urban Development	Government aims to develop a network of cities and townships which are well connected with each other, as well as with the rest of the world. Colombo and other main cities are to be developed as 'Green Cities'. Solid waste management, drainage and sewerage facilities, implementation of zoning plans, developing systematic transport facilities and minimizing traffic congestions are the main thrusts identified in the urban sector.
Encourage private investments in areas of competition and businesses	Benefiting from large scale infrastructure investments, the private sector is expected to invest particularly in port related industries and services, tourism, IT/BPO, skills development, urban mixed development, agriculture and manufacturing sectors and particularly in value added industries using domestic raw material and resources. Economic policy is based on the development of five well connected economic hubs which will integrate the domestic economy with international markets, capitalizing on human as well as natural resources of the country. The development of port and airport infrastructure together with an express way network has opened new opportunities.
Address climatic challenge and adopt sustainable environment centric priorities	In recent years Sri Lanka has suffered heavily from the severe floods and droughts. Frequency of occurrence of natural disasters (floods, droughts, landslides, lightening and high winds) has been increased during last two decades due to climate change, human intervention and environmental degradation.

Sector Matching and Screening of Project Proposals for Foreign Financing

The National Budget which is prepared on a 3 year medium term budgetary framework gives more flexibility for line Ministries and Departments to design their development proposals in more

realistic ways considering the greater resource envelop available over medium term. Taking into account the macro-economic considerations with fiscal space and Parliamentary ceiling,

only the projects which are ready to commence accommodate in the budget estimates.

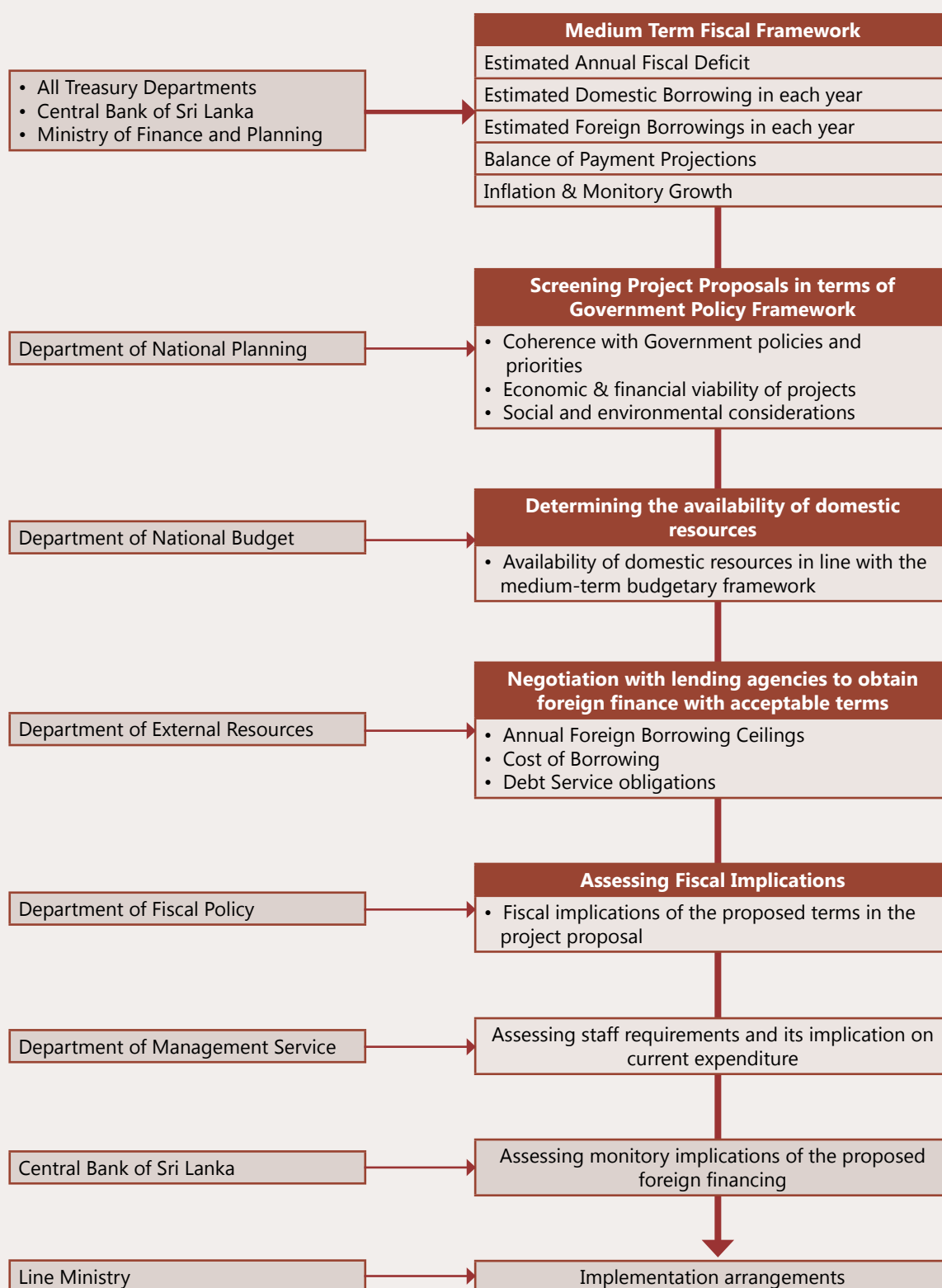
The nature of capital expenditure is assessed carefully by the Treasury Departments to verify as to whether such expenditure directly or indirectly adds value to the external economy through export earnings and import savings. This analysis helps to determine the amount of domestic and foreign borrowings.

Given the large number of development proposals received in respect of economic sectors, suitable proposals are selected by the Department of National Planning in consultation with line Ministries through a comprehensive analysis of economic costs and benefits of each project proposal. Economic and financial viability of the project particularly in respect of value addition to the economy and foreign exchange earnings are examined. The Department of External Resources then feeds the potential projects into the lending pipelines

of respective lending agencies during annual consultative process between the Government and development partners.

Only the project proposals which are initially cleared by the Department of National Planning and subsequently approved by the Cabinet of Ministers after securing foreign finance are included in the budget estimates. The cost of borrowing and technical advantage with the respective lenders are some of the aspects taken into consideration by the Government when deciding a source of foreign financing.

Unsolicited proposals are considered only if they are designed to achieve specific development targets identified in the development policy framework of the government. Government has already rationalized the screening process for unsolicited proposals and all necessary guidelines have been issued to line Ministries to ensure that borrowings are well within the debt servicing capacity of the Government.

Box I**Need Analysis & Screening of Development Proposals for Foreign Financing**

Box II Prioritization of Unsolicited Development Proposals

Recognizing the increasing number of unsolicited development project proposals submitted to the line Ministries by prospective private investors, financiers and promoters extending diverse financial instruments, Government has streamlined the process to be followed in relation to such development proposals. Accordingly, Line Ministries are required to obtain approvals from the Standing Cabinet Appointed Review Committee (SCARC) as well as from the Department of National Planning, Department of External Resources and the Central Bank of Sri Lanka prior to making any commitment to lending agencies with regard to the unsolicited proposals.

The SCARC is expected to advise on the manner in which such proposals should be proceeded with the regular project proposals developed by line Ministries as per the strategic guidelines and targets set out in the Economic Policy Framework of the Government: Mahinda Chinthana-Vision for the future. Such proposals are appraised in detail by the Department of National Planning to decide the suitability of each project proposal to be financed under the public investment programme and its priority. The large scale investment proposals which are difficult to implement with domestic finance are generally selected for implementation with foreign financing, depending on their economic and financial viability. The projects which are generally not of a strategic nature are expected to be proceeded through the normal procedure. Only the projects which are of strategic nature and expected to generate substantial amount of economic value addition are considered by the SCARC for further proceedings.

A comprehensive analysis of economic costs and benefits of each project proposal, including social and environmental cost and benefits is carried out by the Government to select the best proposal for foreign financing. The underline principle is that the assets created or services produced through these projects should be able to generate adequate economic returns to meet the debt service obligations arising from that particular borrowing.

Clearance from the respective Treasury Departments including the National Planning Department, External Resources Department, the Public Finance Department and the Central Bank of Sri Lanka and subsequent approval by the Cabinet of Ministers after securing foreign financing are some of the pre-requirements for inclusion of a foreign financing project in the budget estimates. When Expression of Interest (EOI) on various sectors and specific programmes / projects submitted by lending agencies, the NPD determines whether such EOI should be recognized and prioritized in terms of the Development strategies of the Government.

The Ministry of Finance and Planning has formulated a framework for the mobilization of external finance for 2013-15 medium-term, considering the needs assessment and underlying public investment strategy of the Government. Accordingly, all new external borrowings should be examined by the Credit Assessment Committee established in the Department of External Resources prior to enter in to a formal agreement with development partners and lenders.

The Foreign Financing Options

When determining the source of foreign financing, the advantages of engaging different lending institutions in different economic sectors and development projects are carefully assessed. The cost of borrowing, past experience, systems and procedures, conditionality, technical expertise available with the respective lenders are some of the key aspects taken into consideration in the process of working with potential sources of financing.

(a) Conventional financing available for selected development areas

Each lending institution has its own institutional or corporate priorities and development themes in their operations. Most of the traditional multilateral development partners such as International Development Agency (IDA) of the World Bank, Asian Development Bank (ADB), OPEC Fund for International Development (OFID), Saudi Fund (SF) and United Nations Development Programme (UNDP) as well as bilateral agencies like JICA have focused on poverty reduction as their central theme.

Development themes of Selected Development Partners	
World Bank	World Free of Poverty
ADB	Asia Free of Poverty
Japan	Sustainable Development
OFID	Uniting Against Poverty
Aus Aid	Making a real difference, delivering real results
World Food Programme	Fighting Hunger Worldwide
UNICEF	Unite for children

These funding agencies provide long term financing with low interest rate, long grace period and repayment periods. However, the total amount available with these foreign financing is often limited as priority is attached to poverty reduction, rural development,

gender, vulnerable groups, education, health, environment and small infrastructure development programmes. The resource ceiling is generally small and consists of multi faceted projects and programmes.

(b) Less concessional financing with mixed credit

With the increase of per capita income level, Sri Lanka has now become eligible to borrow from IBRD of the World Bank and Ordinary Capital Resources (OCR) facilities of ADB on less concessionary terms. As larger resource envelope is usually available with these funds to meet the increased resource requirement for development activities such as roads, ports, electricity, irrigation, water supply, urban development etc. The borrowings under such facilities have gradually increased over the past few years.

(c) Approaching new financing modalities

In the background of reduction of concessional financing for development initiatives and the increased demand for foreign financing to implement development projects, export credit instruments have evolved in many countries over recent past to provide development funding for public investments. However, these funds generally involve tight credit to ensure that imports are made from lender country origin as well as suppliers and the contractors are sourced from those countries. In addition, most such loans are connected with banking operations depending on country practices. Accordingly, a comprehensive assessment is undertaken by the Government to identify projects to be financed from such export credit loans to ensure that such funding is invested in economically viable activities. In recent years the Government has used such funds from countries such as France, Spain, UK and USA.

(d) Direct borrowings by State Owned Public Enterprises (SOEs)

The Government also encourages strategic public enterprises and corporations to raise foreign financing directly from development partners and lending agencies to expand and improve their services. Accordingly, the State Business Enterprises can raise foreign financing subject to the limits specified by the Government. This enables the Government to promote such Enterprises to operate within cost sensitive business models. This will also ease the burden on the national Budget and allow the Government to allocate more resources to priority areas while adhering to the overall foreign financing exposure limit.

(e) Borrowings from Capital Market

Borrowing from both domestic and foreign capital market has also become a source of funding for public investment in

many countries. These financial facilities are available readily for disbursement without any conditionality and long processing time. However, these facilities are generally offered at market prices with very competitive rates. Such financing also requires the services of internationally reputed investment bankers and country ratings regularly, like many middle income countries.

All these institutional arrangement involve different working set ups, diverse policy frameworks, variable risks and conditionalities. The volume of funds available with each facility also varies. Therefore, the Government carefully assesses the cost and benefits, policy content, time involvement, as well as risks in order to select best instruments, mix of credit and size of funds for external resources for development work.

Table 2 Important Laws relating to Foreign Financing and Debt Management

The existing legal framework relating to foreign borrowing comprise of a number of Parliamentary Acts including, the Foreign Loan Act No 29 of 1957 and subsequent amendments, Appropriation Act inter alia, Monetary Law Act and the Fiscal Management (Responsibility) Act No.3 of 2003. The Appropriation Act inter alia sets the overall exposure limit of Government Gross borrowings and although there is a high demand for foreign financing from various economic sectors, the specified borrowing ceilings cannot be exceeded under normal circumstances.

Act / Law	Governing Activity / Conditions
Foreign Loan Act No 29 of 1957 and amended in 1963, 1980, 1984	<p>The Foreign Loan Act No 29 of 1957 provides a basic framework for Government to raise foreign financing for development activities. According to the provisions, the President or any person specially authorized by him can enter into an agreement relating to a foreign loan to the government of Sri Lanka or guarantee by the government of Sri Lanka relating to foreign loans or any contract, bond, promissory note or other documents required by such agreement or guarantee with any foreign government or external financing agency.</p> <p>The similar provisions are available in the Loans (Special Provisions) Act No. 40 of 1982 to raise loans for the service of the government during any financial year for which no Appropriation Act has been passed by the Parliament.</p>

Fiscal Management (Responsibility) Act No 03 of 2003	The foreign financing borrowing limits and the medium to long-term debt management strategy are also governed by the Fiscal Management (Responsibility) Act No.03 of 2003. The Act has introduced a target based fiscal management system by specifying the debt related targets.
Annual Appropriation Act	<p>This act determines the aggregate borrowing limit of the government for the particular year concerned. This act is approved by the Parliament for the relevant year before the annual Budget presentation. Usually the difference between Revenue and total expenditure is approved as the Borrowing limit considering the conditions imposed by the Fiscal Management (Responsibility) Act and as projected by the Medium-Term Macro Fiscal Framework (with a view to reduce the Debt to GDP ratio to the required level as directed in the said Act).</p> <p>The borrowing limit approved under this Act may be revised during the year subject to a supplementary legislation.</p>
Monetary Law Act No. 58 of 1949	Management of Public Debt in Sri Lanka has been entrusted to the Central Bank under this Act. In terms of Section 113 of this Act, the Central Bank of Sri Lanka is entrusted with carrying out the function of debt management on behalf of the Government of Sri Lanka. In terms of Section 114 of this Act, the government should obtain the advice of the Monetary Board on monetary implications of the loans before raising funds through loans.
The Local Treasury Bills Ordinance of 1923 and amended in 1953, 1992, 1995, 2004	To Act empowers the Public Debt Department of the CBSL to act as an agent of the government in issuance of Treasury Bills.
The Registered Stock and Securities Ordinance (RSSO) of 1937 and amended in 1949, 1983, 1985, 1995, 2004	To Act empowers the Public Debt Department of the CBSL to act as an agent of the government in issuance of Treasury Bonds and Rupee Loans.

Accessing Capital Markets to Finance Development

Sri Lanka accessed the international debt capital market through the issuance of an International Sovereign Bond in 2007, where the country was able to raise USD 500 million at 8.75 percent with a tenure of 5 years. Subsequently, the country also tapped the international bond market in 2009, 2010, 2011 and 2012.

The Bank of Ceylon (BoC) a fully Government Owned State Bank with the largest asset base amongst the Banks in the country issued a bond for USD 500 million in April 2013 at 5.325 percent with a tenure of 5 years. As was stated in the Budget 2013 National Savings Bank (NSB) also accessed the market in September 2013 with the issuance of an international bond for USD 750 million at 8.875 percent with a tenure of 5 years.

On the back of the NSB issuance DFCC Bank and National Development Bank (NDB) both undertook international road shows to engage with international investors on possible bond issuance. DFCC raised USD 100 million. NDB is

monitoring the market for an opportune time to announce a possible transaction. The proceeds of these bonds are to be utilized to finance infrastructure projects which are financially viable.

Performance of global capital markets have been rather mixed during the first 3 quarters of 2013 mainly due to the sluggish economic growth in Europe, the US tapering or the quantitative easing, relatively moderate growth outlook for China and the emerging economies (especially BRIC countries) and the tensions in the Middle East. As per IMF projections despite the prevalence of global economic crisis, almost USD 144.9 billion has flowed into the Emerging Markets (EM) in 2012 through FDI, Bonds equities etc., and it is expected to increase to USD 336 billion by 2013 and to USD 413.2 billion by 2014 indicating that capital markets remain a potential source of financing for emerging economies such as Sri Lanka.

Table 3 Details of Sri Lanka Sovereign Bond Issuances

Name	Date of Issuance	Ratings **	Amount (USD Mn)	Coupon Rate (%)	Maturity Date	Price as at 30.09.2013	Yield as at 30.09.2013(%)
SL'12*	17/10/2007	--/B+/BB-	500.0	8.250	17/10/12	N/A	N/A
SL'15	22/01/2009	--/B+/BB-	500.0	7.400	22/01/15	104.000	4.210
SL'20	30/10/2010	B1/B+/BB-	1,000.0	6.250	30/10/20	97.250	6.750
SL'21	27/07/2011	B1/B+/BB-	1,000.0	6.250	27/07/21	95.750	6.960
SL'22	25/07/2012	B1/B+/BB-	1,000.0	5.875	25/07/22	92.250	7.070

Source : Barclays Bank, HSBC and Citi Bank (Joint Lead Managers for the issuances)

* The Bond has matured and has been repaid. N/A- Not Applicable

**Moody's/Standard and Poor's/Fitch

Table 4 International Bond Issuances by Sri Lankan Corporates'

Name	Date of Issuance	Ratings **	Amount (USD Mn)	Coupon Rate (%)	Maturity Date	Price as at 30.09.2013	Yield as at 30.09.2013(%)
BoC'17	03/05/2012	--/--/BB-	500.0	6.875	03/05/2017	100.250	6.790
BoC'18	16/04/2013	--/--/BB-	500.0	5.325	16/04/2018	93.000	7.160
NSB'18	18/09/2013	--/B+/BB-	750.0	8.875	18/09/2018	102.250	8.310
DFCC'18	31/10/2013	--/B/B+	100.0	9.625	31/10/2018	96.500	10.544

Source : Central Bank of Sri Lanka, **Moody's/Standard and Poor's/Fitch

Advantages of Domestic Financing

The domestic financing apart from lessening the burden on the government coffers also has the added advantages of

- Encouraging local banks to invest in long term infrastructure development projects in the country.
- Achieving the desired outcomes within a very short period of time in comparison to long processing time and procurement delays associated with many foreign financed projects.
- Enhancing the capacity of local contractors enabling them to compete in international bidding.
- No exchange rate risk

State Owned Enterprises (excluding Banks) accessing the domestic debt capital market

Road Development Authority was granted approval to access the local banks up to Rs.150 billion to finance road development projects. Funding was initially targeted from the Infrastructure Investment Fund that was set up in each local bank with the savings of the corporate taxes being decreased from 35 percent to 28 percent. However, since the investment funds were utilized in full, the balance credit is being granted out of the banks' operational funds at market rates. At the end of the 3rd quarter

for 2013, RDA has entered into contracts to the value of Rs 80.1 billion out of which Rs. 22.9 billion has been disbursed at the end of September 2013.

Bank of Ceylon has undertaken to lend Rs.27.4 billion (25 percent) to RDA, Peoples Bank Rs. 14 billion and NSB Rs.19 billion. Private Banks such as Hatton National Bank has agreed to lend Rs. 14 billion, Commercial Bank Rs. 4.3 billion and the DFCC Bank Rs. 577 million.

Further, Kotalawela Defence University (KDU) has also approached domestic financing to construct a Teaching Hospital at a cost of USD 201.6 million. The Sri Lanka Land Reclamation and Development Corporation has also managed to secure funding of Rs. 14 billion for its Weras Ganga Storm Water Drainage and Environment Project which is due to be completed by 2015. The National Water Supply and Drainage Board, which has shown consistent improvement in its financial position was also granted approval in the 2013 to access the domestic banks for water projects amounting to Rs. 29 billion.

In the medium term the pipeline for domestic financing includes the construction of a University for NSBM at a cost of Rs. 8.6 billion and counterpart financing of foreign funded development projects.

The Colombo Stock Exchange (CSE) Equity Market (Title) has 288 Listed Companies as at the end of the 3rd quarter of 2013, with a Market Capitalization of around USD 18 billion.

Table 5 Domestic Borrowings by SOEs for infrastructure development

Name of SOE	Bank	Commitment (Rs Bn)	Total Disbursement as at 30.09.2013 (Rs. Bn)
Road Development Authority	BOC	27.46	9.090
	Peoples Bank	14.59	7.100
	NSB	19.04	1.700
	HNB	14.20	1.990
	Commercial Bank	4.33	2.570
	DFCC	0.58	0.275
Sri Lanka Land Reclamation & Development Corporation	NSB	14.00	0.400
National Water Supply & Drainage Board	NSB	29.00	-
Kotalawala Defence University	NSB	USD 201.63 mn	USD 30mn

Source : RDA, Kotalawala Defence University Sri Lanka, Land Reclamation and Development Corporation

Table 6 Performance of Colombo Stock Exchange

Description	2013:Q1-Q3	2012:Q1-Q3	Change (%)
Turnover-Equity(Rs. Bn)	157.4	172.6	-9
Domestic	97.8	135	-28
Foreign	59.6	37.6	59
Purchase	69.5	53.4	30
Sales	49.7	21.8	128
Daily Turnover Avg- Equity(Rs.)	874.4	953.6	-8
Trades-Equity (No's)	1,092,001	1,547,683	-29
Domestic	1,040,543	1,498,830	-31
Foreign	51,458	48,853	5
Shares-Traded-Equity (No's)	6.1	7.5	-19
Domestic	5.2	6.87	-24
Foreign	0.9	0.64	41
Companies Listed at CSE (No's)	288	287	

Source : Colombo Stock Exchange Securities and Exchange Commission of Sri Lanka

Building Partnerships in Development

The expanded demand for improved economic and social infrastructure and connected services in the country during the past two decades has created the need for foreign financing in greater quantities. At present, a considerable portion of the Government capital investment on infrastructure development projects comes through foreign financing. The large scale investment proposals which are difficult to accommodate within domestic resource envelop are generally identified for implementation with foreign financing, based on their economic and financial viability and the government priorities.

Although the demand for foreign financing has increased sharply during past several years due to the accelerated infrastructure development drive of the Government, it is difficult to increase the foreign borrowing levels in the same rates within short term due to number of reasons. These include the existing legal and institutional limitations relating to borrowings as well as the Government commitment towards managing the debt service obligations of the country. The amount of foreign financing that the Government can borrow in a particular financial year is governed by a well defined fiscal framework and the exposure limits of the country. Although gradual increase of GDP along with the increase in earnings from export of goods and services and capital inflows will allow Sri Lanka to accommodate more development projects for implementation with foreign financing, a sharp increase of the Government borrowings for development projects cannot be expected in the short term due to the above limitations. Therefore, it is necessity to capitalize private financing and build partnerships for development of economic and social infrastructure and connected services in Sri Lanka.

Box :- Public Private Partnerships (PPP's) for infrastructure development

Over the last 15 years there has been a global increase in public private partnerships (PPP's) for infrastructure development, financing and operation. In PPP projects, contractual Agreement is formed between a public agency and private sector entity that allows for greater private sector participation in the service delivery through designing, financing, construction, operation and management of infrastructure for a specific period of time. These PPP projects are primarily driven by the Government's requirement to implement projects without utilizing public funds. The array of PPP projects range from expressways and toll roads, water and sewerage treatment plants, ports, waste disposal, power projects etc.

Advantages of involving banks and private investors in infrastructure financing-

- It provides attractive investment opportunities that could retain local and foreign capital.
- It will strengthen the local economy by fostering common goods that underpin the future growth.
- It will accelerate the process of infrastructure development when many entities support different infrastructure projects at the same time and
- Private investment frees up the Government to focus on the social development projects such as education and health whilst commercially viable projects can be financed by the private sector.

With the improved investment and business climate for the private sector, a considerable private investment has already taken place in the areas of ports, power and energy, water, sanitation, irrigation etc.

Ports

Colombo Port Expansion Project – The first PPP “landlord port model”

The project was implemented to cater to the increasing demands of services in the international shipping industry and to accommodate larger ships at Colombo Port. This large scale public-private partnership investment will open access to a new generation of mega-vessels and cement Sri Lanka's position as an important international trade gateway. The ADB provided a USD 300 million loan for the construction of breakwater infrastructure which was constructed by the private sector. Around 7 hectares of sea was reclaimed for the breakwater-featuring 34,500 specially designed boulders and an additional 5 meter high high-wave wall.



Colombo's new deep draft terminal constructed under the Colombo Port Expansion Project (CPEP) received the largest container ship to have ever called at the Port of Colombo on October 08.

South Container Terminal, the first of three container terminals to be accommodated on the breakwater is being implemented with about USD 500 million of private investment from Colombo International Container Terminals (CICT). CICT is a joint venture established between China Merchants Holding International and Sri Lanka Ports Authority for the design, construction and management of the Colombo South Terminal. The new terminal is being equipped with the largest ever ship-to-shore cranes. The first 400 meters of container operations started operations on 5th August 2013, providing additional capacity of 0.8 million ETU's per annum.

Hambanthota Port

The Hambanthota port will be developed further jointly by the Sri Lanka Port Authority and CHINA JV, two Chinese companies; the China Harbor Engineering Company Ltd and the China Merchants Holdings International Company under Supply, Operation and Transfer (SOT) arrangement. Scope of the SOT framework includes civil works, supply of equipment and container terminal operation. MOU has already been signed between two parties in this regard and CHINA JV holds 51 percent of the issued equity capital while Sri Lanka Port Authority holds 49 percent of the issued equity capital. The total investment is USD 500 million. The project will create 02 berths of 150,000 ton container terminal, 02 berths of 20,000 ton container terminal and stockyard.

Electricity

The joint venture between the Ceylon Electricity Board (CEB) and the National Thermal Power Corporation Ltd (NTPC) of India provides scope to expand CEB without relying over the national budget. Construction work on the 500 MW Sampur coal power project at Trincomalee is scheduled to commence this year and its power generation will be linked to the national grid by mid 2016.



Norochcholai Power Plant

Meantime, the Ministry of Power and Energy hopes to complete the second phase of the Norochcholai coal power plant this year which would add 300 MW to the national grid. The third stage of the Norochcholai project is also due to

be completed by the middle of next year with another 300 MW. The percentage of coal power electricity generation can be increased to nearly 55 percent with the contribution from the Sampur and Norochcholai coal power plants.

The commissioning of these power plants is also expected to minimise CEB's dependence on purchasing power from private power suppliers and the operation of fuel and thermal based power plants.

Industry

The Cabinet has recently approved a mega USD 4 billion Industrial Park in Sampur, Trincomalee to be implemented by Singapore based Gateway Group. The mega project, which would be completed in three phases, within seven years, would facilitate heavy industries, mainly from Singapore and would self-facilitate infrastructure and other requirements for operations without the government having to provide them. Singapore based Gateway group has been awarded 818 acres of land in the area on a 50 year lease agreement to develop and the company would invest more than USD 700 million within the first two years, followed by USD 1.3 billion, which would develop infrastructure, education and other facilities to support the industries. That would be followed by a further USD 2 billion capital infusion coming from industries to be set up there.

Roads and Expressways

The proposed northern expressway from Colombo to Jaffna in the north via Kurunegala and Dambulla with connections to Kandy and Trincomalee which would cost about USD 4.5 billion, will be the Sri Lanka's largest public-private partnership investment to date. Phase one of this expressway which will take the traffic to Trincomalee and the North consists of four stages. Stage one includes 53 kms

from Enderamulla to Ambepussa via Mirigama, stage two includes 39 kms from Mirigama to Pellendeniya (Kurunegala), stage three includes 46 kms from Ambepussa to Kandy and stage four includes 62 kms from Pellendeniya to Dambulla. Construction work of the Northern Expressway starting from Enderamulla in the Gampaha district and ending in Dambulla is expected to cost USD 1 billion (Rs. 130 billion) and will start early next year with Chinese assistance.

The China Merchants Holdings (International) Company Limited and China Merchants Hua Jian Highway Investment Company Limited, top toll road operators in China are expected to plan, design, finance, construct and operate the first two sections of the Northern Expressway.

One of the main aims of this project is to provide the necessary infrastructure to develop the tourist industry in the country while providing a better transport network. The preliminary work such as identifying the road corridor and finalising the road alignment with tentative acquisition boundaries had already been completed. The proposed Enderamulla-Ambepussa stretch of the expressway will be constructed in most part parallel to the railway line, paddy, marshy and uncultivated areas. Only a few populated areas would be affected by the project.



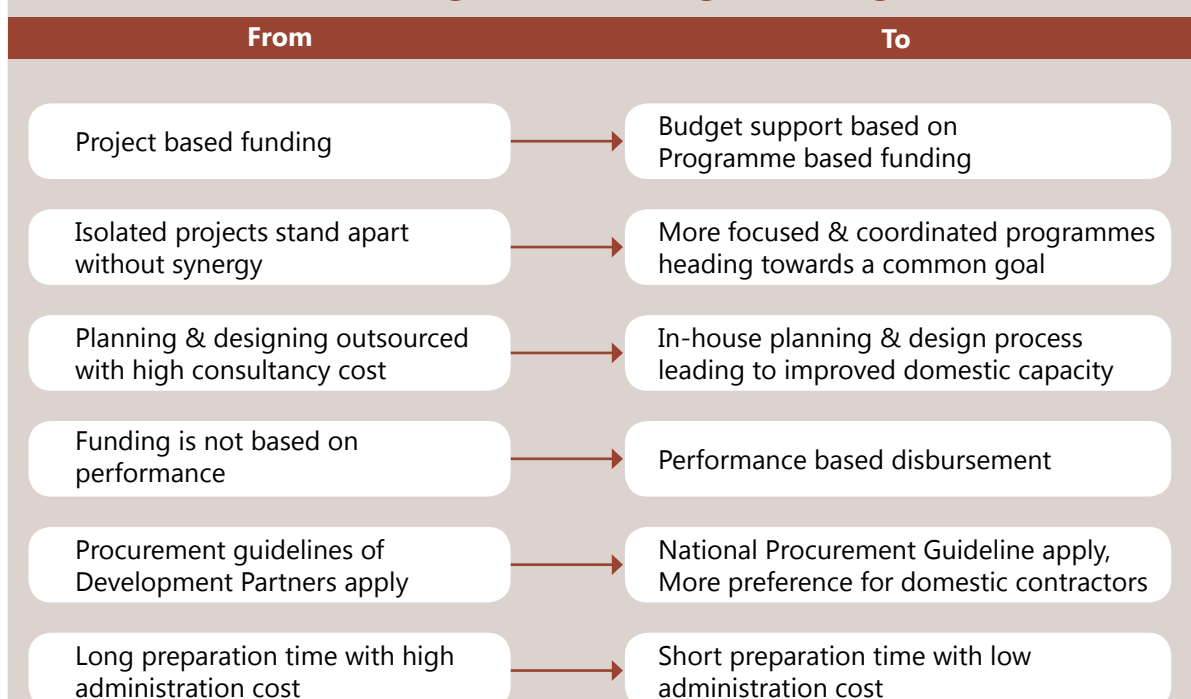
Katunayaka expressway

Box III

Programme Based Budget Support: The New Approach in Foreign Financing

The Government has taken initiatives to align future foreign borrowings with sector development programmes through budget support. The Government works with the lending agencies to share development cost based on agreed budget outcomes and institutional arrangements, deviating from project based funding approach. This will

help to develop the respective sectors in a consolidated and comprehensive manner while avoiding duplications. The budget support provides more effective structures for strengthening the mutual accountability between development partners and recipients, achieving greater predictability of funding and lower transaction costs for recipient countries.

A Paradigm Shift in Foreign Financing

This new approach will also strengthen the capacity of implementing agencies to manage foreign financing projects in more responsible manner. It will also improve the ownership and accountability while strengthening the coordination among all stakeholders.

The Government has selected education, skills development and health sectors as priority sectors to implement this new approach and the Asian Development Bank and the World Bank have already provided financial assistance to education and health sectors respectively on these lines.

Financial Assistance from the Asian Development Bank (ADB) for Education Sector Development

The second phase of the Education Sector Development Framework & Program (ESDFP) is estimated to cost about USD 4800 million and will be implemented over 5 year period from 2013 to 2017 under the medium term expenditure framework of the Government. In support of the Government financing, the Asian Development Bank (ADB) has agreed to contribute about 4 percent of the above total education sector financing requirement through

their new financing modality; Results - Based Lending Program (RBLP) for 5 year period commencing from 2013. The ADB financing will be made purely on sector wide approach and loan proceeds will be used to support the medium-term expenditure programme of the education sector over the 5 year period from 2013.

The programme aims to achieve four major outputs in the education sector; (i) improved student learning, (ii) improved equity and efficiency of the secondary school system, (iii) strengthening school leadership, and (iv) strengthening capacity for effective programme planning and implementation.

World Bank (WB) Support for Health Sector Development

The World Bank having recognized the Governments' efforts to further improve the health system has extended its support to strengthen the Government's overall health sector development programme by providing a budget support. Thus, the Second Health Sector Development Programme (SHSDP) has been developed for a five-year period covering thematic areas such as malnutrition, prevention and control of non-communicable diseases, maternal & child health and health system improvement. The total budgetary requirement for the five year Health Sector Programme is

expected to be around USD 5,170 million and the International Development Association (IDA) of World Bank provides USD 200 million for SHSDP by way of a loan.

Foreign Financing for Vocational Training and Skills Development

Technical training and skills development is a priority programme of the Government in the context of Government commitment to develop knowledge and skills of youth to provide gainful employment opportunities and meet the rising demand from various industries and services for high skills. Having recognized the need for diverting enhanced financial resources for skills development initiatives, the Government is negotiating with the development partners including ADB and the World Bank to obtain financial assistance by way of budget support to share the cost of such expenditure. The new programme will take the form of programme approach departing from old project approach to ensure funds are disbursed on performance basis and programmes are managed as an integral part of line ministry responsibility. The estimated budget will recognize the regular establishment and operational expenditure, disbursement on on-going work and reform centric eligible expenditure for skills development.

Sri Lanka's graduation as a Lending Country

Sri Lanka's performance in many areas including education, health, skills development, infrastructure development, irrigation and poverty reduction has been exceptional in comparison with the other countries in the region. Being an emerging middle income country with a steady increase in per capita income and reduction of external debt in relation to the GDP, Sri Lanka has taken action to share its development experience with other countries through technical and grant assistance programmes. Accordingly, the Government plans to strengthen Sri Lanka's foreign economic ties with friendly countries which are having per capita income level on par with ours or the countries with economic development lower than ours by sharing our technical experience with them.

Over the last several years, Sri Lanka has extended its support to the countries in the Asian and African regions to improve their infrastructure facilities and human capital development while providing humanitarian needs in some countries. In this way, the country has expanded its capacity to engage in providing such assistance. The assistance provided to Maldives, Uganda, and Somalia have been key initiatives in this regard.

As major portion of public investment is provided for infrastructure development, the Country's experience gained through implementation of mega infrastructure development projects has been an advantageous factor in providing assistance for infrastructure development in other countries. Similarly, the professional expertise built in the technical education sector over time has made such cooperation realistic.

Assistance to Maldives

In 2011, Government of Sri Lanka extended its development cooperation to Maldives by providing a grant assistance of USD 10 million for development of a 4.8 km long and 7 meter wide road with foot walks on both sides and street lighting.



Newly constructed Road in Maldives

This project was implemented by the Road Development Authority which has obtained expertise knowledge of road construction by implementing mega road development projects with the assistance of M/s International Construction Consortium (Pvt) Limited of Sri Lanka. The project was completed in 2013. This road development project has improved accessibility and mobility, contributing to the economic development of Maldives. The bilateral relationship between two countries has been further strengthened through this project.

Assistance to Uganda

With the objective of expanding vocational and technical training education opportunities in Uganda, a Memorandum of Understanding (MOU) was signed between the two countries in 2012. Under the MOU, the government of Sri Lanka has agreed to provide Uganda with grant assistance and technical cooperation not exceeding USD 1.5 million for establishment of the Sri Lanka – Uganda Friendship Vocational and Technical Training Center by upgrading the existing Masulita Vocational and Technical Training Centre (MVTTC).

Under this development project, it has been planned to renovate all the existing buildings of MVTTC and construct 1320 square meters of access roads, 800 meters of storm water drains

and culverts, and a 340 meter long paved walking path, thereby facilitating better environment for technical education. Under the technical component of this project, a two month-technical development programme is expected to be conducted to train 10 officials of the Government of Uganda.

It has also been planned to provide the service of three Sri Lankan experts to upgrade technical training programmes in Uganda. Development of human capital has come to be regarded as a key strategy of economic development. Development of the Vocational training sector is essential in meeting the needs of skilled labor for economic development. This project will provide a perfect opportunity for students in the vocational and technical education sector in Uganda to obtain an advanced knowledge thereby producing skilful labor force.

Rice Donation Program through World Food Program

With the intention of providing food assistance to people suffering from shortage of food in less developed countries that require assistance, Government of Sri Lanka has commenced its rice donation program through the World Food

Program (WFP) in 2012. Under this programme, a total of 10,000 metric tons of white rice was provided to Somali refugees in camps in Ethiopia. This donation programme greatly assists Somali Refugees in meeting their food needs that is a basic human right. Supply of food also leads to improvement of Health of these people. Self-sufficiency of Sri Lanka in rice production made this donation programme possible. Now discussions are taking place between Sri Lanka and WFP to expand the rice donation programme.



The Government of Sri Lanka has also pledged to donate 500 metric tons of red rice to WFP. They will provide a mid day meal to Sri Lankan schools under their Protected Relief and Recovery Operation Project.

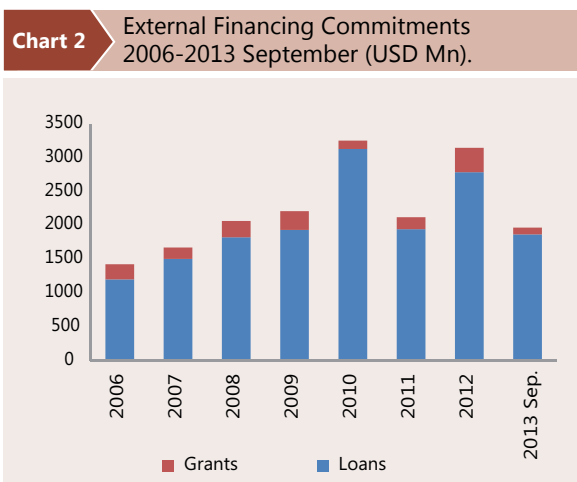
Mobilizing Foreign Financing for Development

External financing makes a significant contribution towards Public Investments in the country as domestic resources are not sufficient to meet the development goals. As the Government's Development Policy Framework foresees a well-developed infrastructure system in the country, a substantial share of foreign financing has been mobilized in infrastructure development in the country during last few years. While continuing the major infrastructure development projects initiated in strategic sectors such as roads and expressways, power, water supply, irrigation and urban development, the Government is now focusing on multifaceted small infrastructure development at rural level ensuring connectivity and integrated rural centric development to create poverty-free Sri Lanka in near future.

Review of External Financing Commitments and Disbursements

External Financing Commitments

Chart 4 shows the annual external financing commitments by the development partners and lending agencies from 2006 to September, 2013:

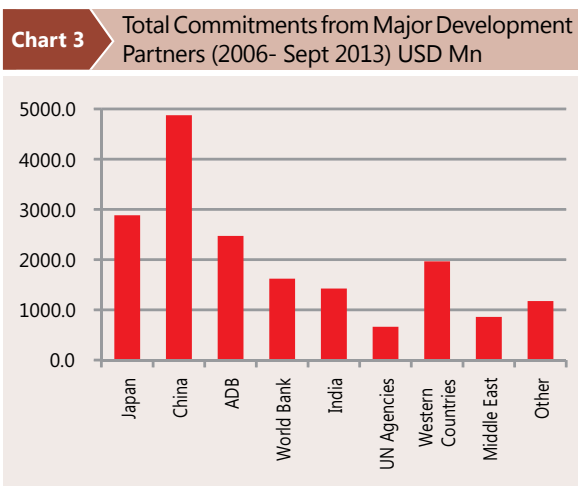


Source : Department of External Resources

As a result of the large scale infrastructure

development programmes initiated by the Government in 2005, the total foreign finance commitments from the traditional development partners as well as from the newly emerged lending agencies have gradually increased over last few years.

Many development partners and lending agencies have extended their financial commitments to assist the development initiatives of the Government.



Source : Department of External Resources

Changing the Composition of the Foreign Financing Commitments

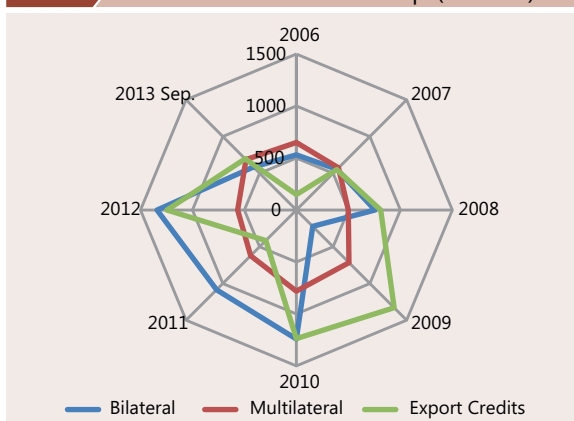
In the context of systematical reduction of concessional financing from multilateral partners, the Government has gradually moved towards mobilizing long term foreign financing by paying attention to cost of borrowings, maturity structure and efficiency of resource utilization. Steps have been taken to approach non-concessional window of the World Bank – International Bank for Reconstruction and Development (IBRD) and the non concessional financing portion or Ordinary Capital Resources (OCR) of the Asian Development Bank (ADB) to expand external financing options. In addition, Sri Lanka has taken initiatives to tap the capital market through sovereign bond issues with the objective of

mobilizing long term financing for commercially viable strategic development projects. As a result, the composition of foreign financing envelop has changed over the past several years.

A sizable portion of external finance for the Government development strategy is now taking place in the form of semi concessional external financing and commercial and capital market fund raising arrangements. A small amount of foreign grants and concessional financing provided by multilateral and bilateral development partners under Official Development Assistance (ODA) represents the balance portion.

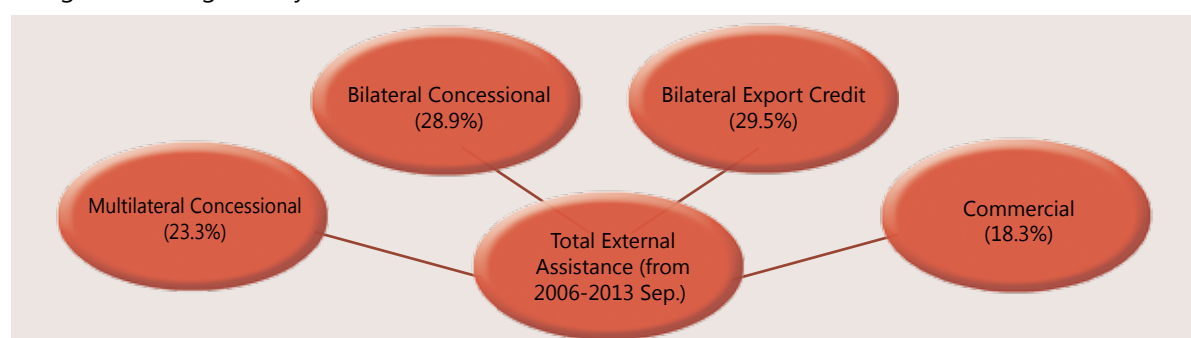
Chart 4 illustrates the composition of the external financing portfolio in terms of borrowing categories during last 8 years:

Chart 4 Category-wise Annual External Financing Portfolio from 2006-2013 Sep. (USD Mn)



Source : Department of External Resources

The commercial loans of the following figure include the sovereign bonds issued in 2007, 2009, 2010, 2011 and 2012 raising USD 4,000 million.



Sector-wise External Financing Commitments

Table 7 Sector-wise External Financing Commitments from 2006 to 2013 Sep. (USD Mn)

Sector	2006	2007	2008	2009	2010	2011	2012	2013	Total
Agriculture & Irrigation	183	38	546	40	96	14	35		952
Defence	50		100		300				450
Education & Training	91	108	40		51	14	107	212	623
Ground Transport		65	153		597	391	439	283	1928
Health & Social Welfare	50	12	164	40	41	3	184	315	809
Housing & Urban Development	25	9	41			10	471		556
Ports & Shipping	124	607	116	65	35	24	809	155	1935
Power & Energy	155	1	74	1084	199	217	362	166	2258
Rehabilitation	15	34	2	187	253	215			706
Roads & Bridges	360	329	421	320	916	1021	246	335	3948
Water Supply	140	238	233	198	312	177	69	249	1616
Other	234	234	177	279	458	37	431	253	2103
Total	1,427	1,675	2,067	2,213	3,258	2,123	3,153	1,968	17,884

Source : Department of External Resources

The highest amount of foreign financing commitments or 22 percent of the total commitments received from 2006 to September, 2013 were made for development of Roads and Bridges. Further, 13 percent of total foreign financial commitments have been allocated for the development of Power and Energy sector during this period while another 11 percent committed for the Ports and Shipping sector. The Transport and water supply sectors received about 11 and 9 percents of the total commitments respectively during this period.

The following Table indicates the external financing commitments made by development partners and lending agencies from January to the end of September, 2013:

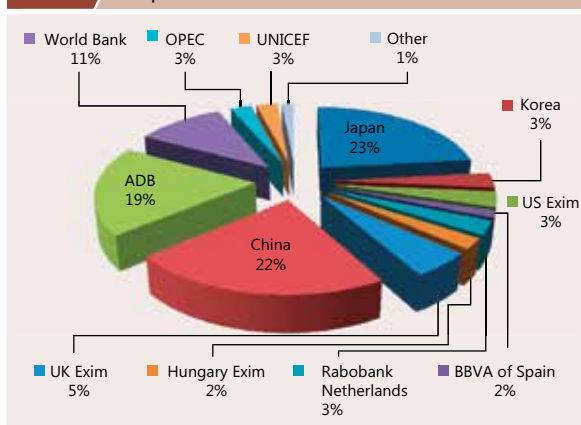
Table 8 Foreign Financing Commitments by Development Partners from January to September 2013 (USD Mn)

Development Partner	Loan	Grant	Total
Bilateral	488.63	30.99	519.62
Japan	429.05	28.29	457.34
Korea	59.58	2.70	62.28
Export Credit	761.9		761.9
BBVA Bank of Spain	29.37		29.37
BNP Bank of Belgium	5.88		5.88
China Exim Bank	438.33		438.33
Hungary Exim Bank	45.86		45.86
Rabo bank of Netherlands	57.34		57.34
UK Exim Bank	103.64		103.64
UniCredit of Austria	16.59		16.59
US Exim Bank	64.89		64.89
Multilateral	617.55	68.95	686.50
ADB	371.13	1.50	372.63
World Bank	196.42	11.13	207.55
OPEC Fund	50		50.00
UNDP		6.12	6.12
UNICEF		50.20	50.20
Total	1,868.08	99.94	1,968.02

Source : Department of External Resources

The following Chart depicts a graphical representation of the commitments made by different development partners from January to September, 2013:

Chart 5 Commitments Made by Different Development Partners from January to September, 2013

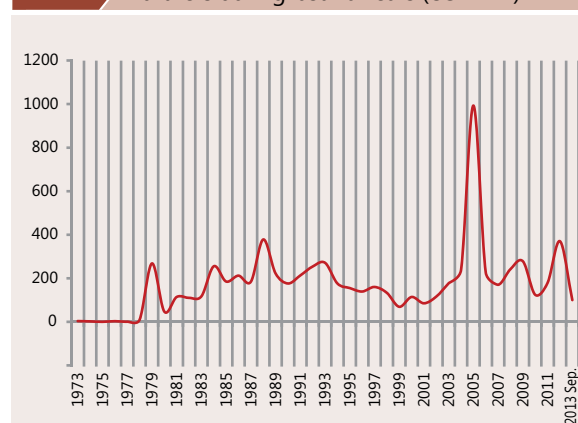


Source : Department of External Resources

A list of Loan Agreements signed from January to end of September 2013 with Financial Terms is given in Annex 1

Grant Aid Received from the Development Partners

Chart 6 Total Grants Received from Development Partners during last 40 Years (USD Mn)



Source : Department of External Resources

Grants received after the tsunami destruction made a significant contribution to restore the infrastructure and recover the livelihoods devastated by tsunami.

Need for Streamlining Direct Grants Received for Government Agencies and NGOs

Some of the grants are still provided to the government agencies or their affiliated institutions and NGOs directly without channeling through the formal procedures in coordination with the Department of External Resources and they are not properly reflected in the National Budgetary Estimates. Therefore, there is a growing need for implementing a comprehensive mechanism in order to monitor and evaluate the receipts and disbursements of the total grant assistance extended from the foreign parties and maintain better transparency in the above transactions. This will help to assess the real impact on the development of the country by grant assistance received from external development partners. It will also help to expose the generous contributions in terms of grant assistance extended by the development partners towards the development of the country.

Agreements Signed from January to September, 2013

Table 9 Agreements signed from January to September, 2013 (USD Mn)

Creditor	Project Name	Loan	Grant	Total
Bilateral				
Japan	Greater Colombo Transmission and Distribution Loss Reduction Project	166.38		166.38
	Major Bridges Construction Project of the National Road Network	129.23		129.23
	Landslide Disaster Protection Project of the National Road Network	79.52		79.52
	Anuradhapura North Water Supply Project (Phase I)	53.92		53.92
	Non Project Grant Aid for Provision of SME's Project		2.11	2.11
	Non Project Grant Aid for Provision of Medical Equipment		5.81	5.81
	Procurement of a self Propelled Grab Hopper Dredger		10.44	10.44
	Project for the Development of Intelligent Transport System for Expressways in Sri Lanka		9.93	9.93
Korea	Construction of the International Convention Center in Hambantota		2.70	2.70
	Construction of Solid Waste Disposal Facilities Project	33.54		33.54
	Establishment of Colombo Central Vocational Training Center and Gampaha College of Technology Project in Sri Lanka	26.04		26.04
Export Credit				
US Exim Bank	Badulla, Hali Ela, Ella Integrated Water Supply Project	64.89		64.89
BBVA Bank of Spain	Implementation of the Greater Rathnapura Water Supply Scheme	29.37		29.37
BNP Bank of Belgium	Reconstruction of 7 Railway Steel Bridges Project	5.88		5.88

Rabo Bank of Netherlands	Upgrading of the National Blood Transfusion Services of Sri Lanka	32.63	32.63
	Upgrading of Peripheral Blood Bank coming under the National Blood Transfusion Services	24.71	24.71
Hungary Exim Bank	Rehabilitation Of Kalatuwawa Water Treatment Plant	23.38	23.38
	Rehabilitation of Labugama Water Treatment Plant	22.48	22.48
HSBC of UK	Modernization of Processing Factories of MILCO (Pvt) Ltd	43.57	43.57
	Regional Bridges Project - Phase II	60.07	60.07
China Exim Bank	Matara - Beliatta Section of Matara - Kataragama Railway Extension Project	200.00	200.00
	*Hambantota Port Development Phase I for Ancillary Work and Supply of Equipment Project	155.38	155.38
	Matara- Beliatta Section of Matara - Kataragama Railway Extension Project	82.95	82.95
UniCredit Bank of Austria	Augmentation of Mahiyangana Water Supply Project	13.48	13.48
	Supply of 2 Nos Cardiac Catheterization System to Cardiology Department of the National Hospital of Sri Lanka	3.11	3.11
Multilateral			
ADB	Clean Energy and Network Efficiency Improvement Project - OCR	100.00	100.00
	Clean Energy and Network Efficiency Improvement Project - ADF	30.27	30.27
	Dry Zone Urban Water & Sanitation Project - Additional Finance	40.10	40.10
	Education Sector Development Program - OCR	100.00	100.00
	Education Sector development Program - ADF	100.76	100.76
	Clean Energy & Network Efficiency Improvement Project	1.50	1.50
World Bank	Second Health Sector Development Project	196.42	196.42
	Transforming the School Education System as the Foundation of Knowledge Hub Project	11.13	11.13
OPEC Fund	Colombo National Highways Project	50.00	50.00
UNDP	Institutional Strengthening Phase IX	0.13	0.13
	UN-REDD National Programme -Sri Lanka	4.00	4.00
	Promoting Sustainable Biomass Energy Production	1.99	1.99
UNICEF	UNICEF Country Programme 2013-2017	50.20	50.20
Total		1,868.08	99.94 1,968.02

Source : Department of External Resources

External Financing Disbursements

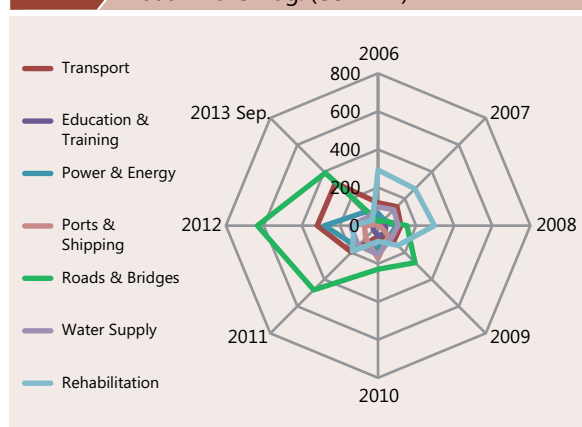
The major portion of external financing disbursements from 2006 to August, 2013 were recorded in the infrastructure development projects including Power & Energy, Roads & Bridges, Ports and Shipping, Water Supply sectors and in the rehabilitation projects and

programmes including tsunami rehabilitation and reconstruction programmes. The following Table depicts the external financing disbursements for the period 2006 to 2013 by different development partners and lending agencies:

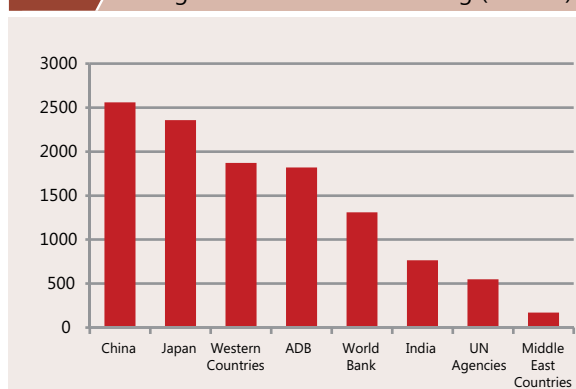
Table 10 External Financing Disbursements from 2006 to August, 2013 (USD Mn)

Year	2006	2007	2008	2009	2010	2011	2012	2013 Aug	Total
China	9	174	41	298	845	319	490	383	2559
Japan	284	230	279	311	333	380	396	144	2357
Western Countries and Lending Agencies	173	214	319	331	307	166	211	150	1871
ADB	205	174	290	284	143	290	302	133	1821
World Bank	168	122	144	202	156	216	173	129	1310
India	22	13	1	47	28	208	295	150	764
UN Agencies	96	36	102	111	50	81	66	6	548
Middle East Countries and Lending Agencies	12	11	11	19	7	27	56	27	170
Other	169	143	27	18	252	99	69	31	808
Total	1,138	1,117	1,214	1,621	2,121	1,786	2,058	1,153	12,208

Source : Department of External Resources

Chart 7 Disbursements based on Sectors 2006 – 2013 Aug. (USD Mn)

Source : Department of External Resources

Chart 8 Total Disbursements Made by Different Development Partners and Lending Agencies during the Period of 2006 – 2013 Aug. (USD Mn)

Source : Department of External Resources

External Fund Disbursements from January to August, 2013

Table 11 Sectoral Disbursements by the Development Partners and Lending Agencies from January to August, 2013:

	Sector	2013 Sep. (USD Mn)	Percentage
<p>More than 70 percent of the total disbursements were made in Roads & Bridges and Transport sectors.</p> <p>A list of project-wise disbursements from January -September 2013 with Financial Terms is given in Annex 2</p>	Roads & Bridges	392	34.0
	Transport	316	27.4
	Power & Energy	100	8.7
	Water Supply	66	5.7
	Defence	65	5.6
	Rehabilitation	41	3.6
	Health & Social Welfare	38	3.3
	Agriculture & Irrigation	37	3.2
	Housing & Urban Development	32	2.8
	Education & Training	20	1.7
	Rural Development	13	1.1
	Ports & Shipping	7	0.6
	Other	26	2.3
	Total	1,153	100.0

Source : Department of External Resources

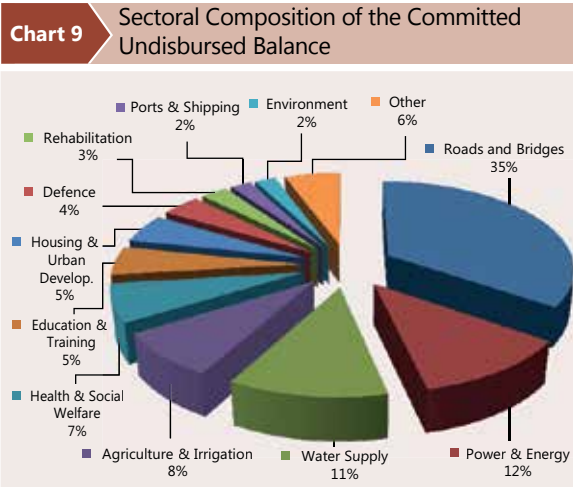
Committed Undisbursed Balance

Table 12 Composition of Undisbursed Balance of Major Development Partners

	Development Partner	USD Mn	Percentage
<p>The amount of total committed undisbursed balance available for development projects and programmes as at the end of August, 2013 stood at USD 7,366 million. The Government of Japan represents the largest amount available as committed undisbursed balance followed by Chinese lending agencies including China Development Bank and China Exim Bank. ADB accounts for almost 18 percent of the total committed undisbursed balance and the World Bank represents more than 10 percent of the total undisbursed balance</p>	Japan	1,510.4	20.5
	ADB	1,320.4	17.9
	China	1,017.8	13.8
	World Bank	773.8	10.5
	India	668.4	9.1
	Iran	434.0	5.9
	Russia	235.4	3.2
	UK	164.3	2.2
	Korea	137.3	1.9
	Saudi Fund	124.4	1.7
	Netherland	123.8	1.7
	OPEC Fund	104.1	1.4
	Other Bilateral	493.7	6.7
	Other Multilateral	258.6	3.5
	Total	7,366.4	100.0

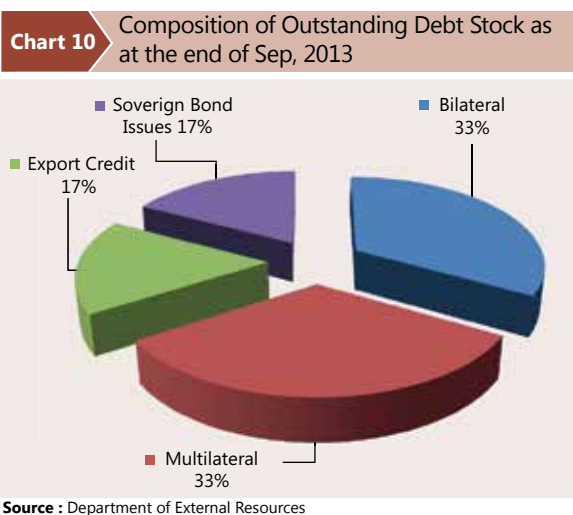
Source : Department of External Resources

Sectoral Composition of the Committed Undisbursed Balance



Almost 60 percent of the committed undisbursed balance amount represents the future commitments towards the development of main infrastructure sectors of Roads and Bridges, Power & Energy and Water Supply in line with the Government's development strategy to have well developed infrastructure facilities in the country.

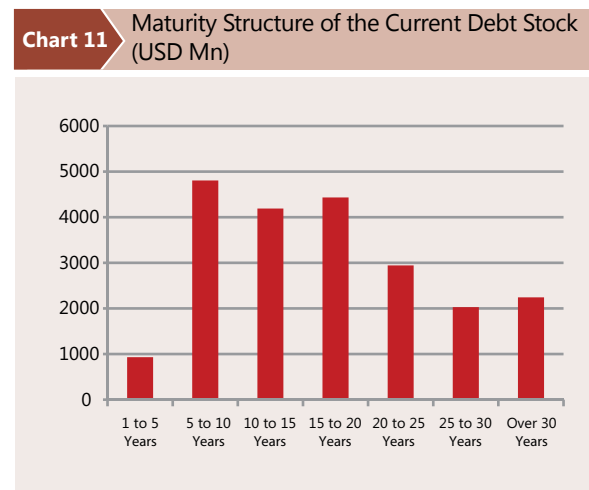
Outstanding External Debt



The total outstanding external debt including the disbursements of loans obtained by State Owned Enterprises (SOEs) as at September, 2013 is USD 20.5 billion. A major portion of

the outstanding debt represents the financing assistance obtained from bilateral and multilateral development partners and lending agencies. By the end of September, 2013, the multilateral and bilateral development partners recorded almost similar amounts as outstanding debt and these funding sources accounted for more than 65 percent of the total outstanding debt stock in the country. Funds raised through export credit facilities and sovereign bond issues accounted for the rest of the total outstanding debt.

Maturity Structure of the Outstanding External Debt



Since the major portion of the outstanding external debt has obtained from bilateral and multilateral development partners and lending agencies at concessional terms and conditions, most of the above loans consisted of considerable grace periods and longer repayment periods. Therefore, 20.6 percent of the total outstanding debt stock to be matured in next 15 to 20 years whereas 13.6 percent of the total debt stock will be matured during next 20 to 25 years and 9.4 percent in next 25 to 30 years. The rest of the outstanding external debt (10.4 percent) will be matured after 30 years.

Debt Sustainability

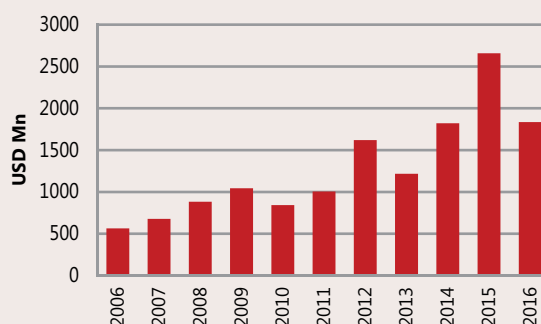
With the gradual accumulation of external financial assistance for the development projects and programmes over the last 6 decades, debt servicing has become an important aspect of monetary and fiscal management of the country. Sri Lanka has maintained external debt to GDP ratio lower than the level of 40 percent during the last 8 years keeping the country classified as less indebted by the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP). The country has managed to reduce the outstanding external debt to GDP ratio from 39 percent in 2005 to 36.5 percent in 2012.

A larger portion of foreign debt stock consists of loans obtained at concessionary terms, including low interest rates and longer repayment periods with fairly long grace periods. As a result, Sri Lanka is in a good position with regard to loan repayments despite the negative impact created by the depreciation of the Rupee over the long run on loan repayments. The Department of External Resources, in consultation with the other Treasury Departments and the Central Bank of Sri Lanka, conducts regular dialogues with development partners and lending agencies to

agree on terms and conditions that facilitate borrowing foreign finance at the lowest cost to the Government. At the loan negotiations, the loan repayments are scheduled throughout the financial year to minimize the pressure on cash flow in specific months.

Chart 12

Debt Service Payments from 2006 - 2016
(USD mn)



Source : Department of External Resources

Sri Lanka has annually repaid an average amount of almost USD 950 million during last 7 years. The projected debt service payments in 2015 are notably high amounting to about USD 2,658 million due to the maturity of USD 500 million worth of sovereign bonds issued in 2009.

Annex 1 List of Loan Agreement Signed from January - September 2013 with Financial Terms												
Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. Mn	USD Mn	Interest Type	Rate				
Bilateral												
Japan	2013/03/14	Greater Colombo Transmission and Distribution Loss Reduction Project	JPY	15,941.0	21,019.8	166.4	Fixed	Tranche 1 - 0.3% Tranche 2 - 0.01%		-	10	40
	2013/03/14	Major Bridge Construction Project of the National Road Network	JPY	12,381.0	16,325.6	129.2	Fixed	Tranche 1 - 0.2% Tranche 2 - 0.01%		-	10	40
	2013/03/14	Landslide Disaster Protection Project of the National Road Network	JPY	7,619.0	10,046.4	79.5	Fixed	Tranche 1 - 1.4% Tranche 2 - 0.01%		-	7	25
Korea	2013/03/14	Anuradhapura North Water Supply Project (Phase I)	JPY	5,166.0	6,811.9	53.9	Fixed	Tranche 1 - 1.4% Tranche 2 - 0.01%		-	7	25
	2013/07/23	Construction of Solid Waste Disposal Facilities Project	USD	33.5	4,407.1	33.5	Fixed	0.15		-	10	40
	2013/07/23	Establishment of Colombo Central Vocational Training Center and Gampaha College of Technology Project in Sri Lanka	USD	26.0	3,422.8	26.0	Fixed	0.15		-	10	40
Export Credit												
Banco Bilbao Vizcaya Argentaria S.A. (Spain)	2013/07/23	Implementation of the Greater Rathnapura Water Supply Scheme	EUR	21.9	3,702.7	29.4	Variable	EURIBOR - 6 Month for EUR		0.35%	2	11
Co-op Centrale Raiffeisen-Boerenleenbank (Netherlands)	2013/07/23	Upgrading of the National Blood Transfusion Services of SL	USD	27.7	3,519.6	27.7	Fixed	4.94%		0.25%	3	13

Annex 1 List of Loan Agreement Signed from January - September 2013 with Financial Terms													
Export Import Bank of Hungary	2013/02/19	Upgrading of the National Blood Transfusion Services	USD	4.9	621.1	4.9	Fixed	5%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	2.5	3.5
	2013/06/14	Upgrading of the National Blood Transfusion Services	EUR	18.5	3,152.9	24.7	Fixed	4.65%	N/A	-	-	3	13
	2013/06/14	Upgrading of the National Blood Transfusion Services	EUR	18.5	3,152.9	24.7	Fixed	4.65%	N/A	-	-	3	15
	2013/02/14	Rehabilitation of Kalatuwawa Water Treatment Plant	EUR	17.4	2,954.0	23.5	Fixed	1.03%	N/A	-	-	3	15
	2013/02/14	Rehabilitation of Labugama Water Treatment Plant project	EUR	16.7	2,840.2	22.5	Fixed	1.03%	N/A	-	-	-	-
HSBC Bank PLC (UK)	2013/03/15	Modernization of Processing Factories of MILCO (Pvt) Ltd	USD	43.6	5,505.9	43.6	Variable	Tranche 1 - LIBOR- 6 Month for USD	6	1%	Structuring Fee (1% of loan amount, payable one time)	1	9
								Tranche 2- LIBOR- 6 Month for USD	2	1%	Fee (0.5% of loan amount, payable one time)	-	-
	2013/06/21	Regional Bridges Project – Phase II	USD	60.0	7,715.9	60.0	Variable	LIBOR- 6 Month for USD	2%	0.25%	Management Fee (0.5% of loan amount, payable one time)	4	14
The Export-Import Bank of China	2013/02/19	Matara Beliatta Section of Matara Kataragama Railway Extension Project	USD	200.0	25,375.8	200.0	Fixed	2%	N/A	0.50%	Management Fee (0.5% of loan amount, payable one time)	7	20

Annex 1 List of Loan Agreement Signed from January - September 2013 with Financial Terms

UniCredit Bank Austria AG (Austria)	2013/03/24	Hambantota Port Development Phase I for Ancillary Work and Supply of Equipment Project	CNY	960.0	19,616.1	154.5	Fixed	2%	N/A	0.25%	Management Fee (0.25% of loan amount, payable one time)	5	20
	2013/05/28	Matara –Beliatta Section of Matara – Kataragama Railway Extension Project	CNY	508.0	10,481.3	82.9	Fixed	2%	N/A	0.25%	Management Fee (0.45% of loan amount, payable one time) Guarantee Charge (1.093% this behaves as an interest since the charge is calculated on outstanding amount)	7	20
	2013/03/14	Augmentation of Mahiyangana Water Supply Project	EUR	10.4	1,704.1	13.5	Interest Free	-	N/A	0.40%	Charge (1.093% this behaves as an interest since the charge is calculated on outstanding amount)	6.5	16
Export Import Bank of United States	2013/02/27	Supply of 2 Nos Cardiac Catheterization System to Cardiology Dep. of the NHSL	EUR	2.4	396.3	3.1	Fixed	0.40%	N/A	0.40%	Management Fee (0.45% of loan amount, payable one time) Handling Fee (EUR 1,440) Guarantee Charge (EUR 4,400)	7	19.5
	2013/07/01	Badulla, Haliaela, Ella Integrated Water Supply Project	USD	64.9	8,455.8	64.9	Variable	CIRR	1.26%	0.5%	Exposure Fee (4.6% of loan amount, payable one time)	3	14.5

Annex 1 List of Loan Agreement Signed from January - September 2013 with Financial Terms														
International Development Association of the World Bank OPEC Fund for International Development	BNP Paribas Belgium	2013/08/14	Reconstruction of 7 Railway Steel Bridges Project	EUR	4.4	774.8	5.9	Fixed	1%	N/A	0.25%	0.25%	3	13
	Multilateral													
	Asian Development Bank	2013/02/13	Dry Zone Urban Water & Sanitation Project - Additional Financing	XDR	25.9	5,061.7	40.1	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	24
		2013/05/08	Clean Energy and Network Efficiency Improvement Project	USD	100.0	12,636.7	100.0	Variable	LIBOR- 6 Month for USD	0.6%	0.15%	-	5	20
				XDR	19.9	3,825.7	30.3	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
				USD	100.0	13,160.0	100.0	Variable	LIBOR- 6 Month for USD	0.6%	0.15%	-	5	20
		2013/08/19	Education Sector Development Program	XDR	66.6	13,260.7	100.7	Fixed	2%	N/A	-	-	5	25
		2013/08/19	Second Health Sector Development Project	XDR	129.8	25,849.0	196.4	Fixed	2%	N/A	0.5%	-	5	20
		2013/06/10	Colombo National Highways Project	USD	50.0	6,319.4	50.0	Fixed	4.6%	N/A	-	-	5	20
	Total					238,963.3	1,868.1							

Source : Department of External Resources

Note : 1. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the Agreement was signed.
2. N/A = Not Applicable, - = nil

Annex II > List of Projects Disbursed During Period of January - September 2013, with Financial Terms												
Development Partner/ Lending Agency	Agreement Date	Project	Amount Committed			Interest Rate per Annum			Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount	Rs. Mn	USD Mn	Interest Type	Rate				
Bilateral												
China Development Bank Corporation	Loan	Rehabilitation and Improvement of Priority Road Project	USD	6.25	791.43	6.24	Variable	LIBOR -6 Month for USD	2.90%	Mgt Fee 0.5% Risk pre. 5%	3	15
	Loan	Improvement and Rehabilitation of Priority Roads	USD	80.55	10,246.760	80.55	Variable	LIBOR -6 Month for USD	2.90%	Mgt Fee 0.5% Risk pre. 3.26%	4	15
	Loan	Moragahakanda Development Project	USD	23.84	3,049.36	23.84	Variable	LIBOR -6 Month for USD	2.90%	Mgt Fee 0.5% Risk pre. 5.9%	4	16
France	Loan	Trincomalee Integrated Infrastructure Project [TIIP]	EUR	1.30	218.91	1.72	Fixed	1%	N/A	-	10	20
	Loan	Grater Trincomalee water Supply Project	EUR	0.75	123.59	0.98	Fixed	1%	N/A	-	10	28
India	Loan	India Dollar Credit Line Agreement	USD	0.30	38.66	0.30	Variable	LIBOR -6 Month for USD	0.50%	Mgt. Fee 0.5%	5	18
	Loan	Upgrading of Railway Line Colombo Matara Phase II	USD	3.90	493.44	3.90	Variable	LIBOR -6 Month for USD	0.50%	Mgt. Fee 0.5%	4	16
	Loan	Railway Line Omanthai-pallai, Madhu-Tallaimannar & Medawachchiya	USD	110.79	14,205.53	110.79	Variable	LIBOR -6 Month for USD	0.50%	Mgt. Fee 0.5%	5	23

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

[illegible]

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

Grant	The Project for the Improvement of Central Functions of Jaffna Teaching Hospital	JPY	6.37	8.86	0.07				N/A				
Grant	The Project for Human Resource Development Scholarship	JPY	6.57	8.54	0.07				N/A				
Grant	Project for Reconstruction of 5 Bridges in Eastern Province	JPY	158.07	206.89	1.63				N/A				
Loan	Greater Colombo Urban Transport Development Project Phase 2	JPY	5,556.72	7,457.19	57.57	Fixed	0.20%	N/A	0.10%	-	10	40	
Loan	Vavuniya- Kilinochchi Transmission Line Project (II)	JPY	93.33	128.59	1.00	Fixed	0.65%	N/A	0.10%	-	10	40	
Loan	Emergency Natural Disaster Rehabilitation Project	JPY	1,180.14	1,573.10	12.22	Fixed	0.01%	N/A	0.10%	-	10	40	
Grant	Project for Construction of Mannunai Bridge Across the Batticaloa Lagoon	JPY	267.79	341.93	2.66				N/A				
Grant	Human Resource Development Scholarship	JPY	48.85	64.67	0.57				N/A				
Loan	Habarana-Veyangoda Transmission Line Project	JPY	77.71	104.52	0.79	Fixed	0.30%	N/A	0.10%	-	10	40	
Loan	Improvement of Basic Social Services Targeting Emerging Regions	JPY	24.43	32.58	0.25	Fixed	0.20%	N/A	0.10%	-	10	40	
Grant	Rehabilitation of Kilinochchi Water Supply Scheme	JPY	29.33	39.96	0.30				N/A				
Grant	Human Resource Development Scholarship	JPY	86.66	117.59	0.92				N/A				
Kuwait	Bridges Reconstruction & Rehabilitation Project	KWD	0.02	11.16	0.09	Fixed	2.50%	N/A	-	-	5	29	
	Kalu Ganga Development Project	KWD	0.02	11.21	0.09	Fixed	2%	N/A	-	-	7	27	
	South Eastern University of Sri Lanka Development oroject Phase 1 B	KWD	0.02	9.85	0.07								
Loan	Ruhunupura Water Supply Development Project	KRW	11,544.93	1,327.67	10.19	Fixed	1.50%	N/A	-	-	11	30	
Loan	Hatton-Nuwara Eliya Road Improvement Project	KRW	7,257.42	843.41	6.54	Fixed	0.10%	N/A	-	-	11	40	

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)												
	Loan	Improvement of Padeniya -Anuradhapura Road Project (Supplementary Loan)	KRW	12,923.42	1,517.47	11.98	Fixed	0.15%	N/A	-	-	40
Germany	Grant	Study and Expert Fund II	EUR	0.15	24.72	0.19			N/A			
	Loan	Rehabilitation Electricity Supply Jaffna Region [Transmission Line]	EUR	0.37	62.83	0.49	Fixed	0.75%	N/A	0.25%	-	41
	Loan	Construction of Mahamodara Maternity Hospital, Galle	EUR	0.15	25.67	0.19	Fixed	2.2%	N/A	0.25%	-	12
United States of America	Grant	Increased Competitiveness in the Global Market Place	USD	3.46	447.74	3.46			N/A			
	Grant	Improved Integration of Targeted Disadvantaged groups into the Community	USD	1.46	188.02	1.46			N/A			
	Grant	Peace, Good Governance & Citizens Rights	USD	2.96	380.38	2.96			N/A			
	Grant	Peace Process Supported	USD	1.27	163.13	1.27			N/A			
	Grant	Strengthened Partnership for Social Integration	USD	0.16	19.85	0.16			N/A			
	Grant	Increased and Equitable Economic Growth	USD	0.24	31.73	0.24			N/A			
Saudi Fund For Arab Economic Development	Loan	Epilepsy Hospital & Health Centers Project	SAR	15.18	512.16	3.94	Fixed	2%	N/A	-	-	25
	Loan	Road Network development Project	SAR	11.26	386.67	2.93	Fixed	2%	N/A	-	-	20
Export Credit												
AB Svensk Export Credit (Sweden)	Loan	Ratmalana & Ja-Ela Wastewater Treatment Facilities Project (Sweden)	USD	5.90	750.98	5.90	Fixed	0.92%	N/A	0.15%	Mgt Fee 0.1%	13
Agence Francaise De Development	EUR	Implementation of Jaffna Killinochchi Water Supply & Sanitation Project (France)	EUR	0.30	49.84	0.39	Variable	EURIBOR -6 Month for EUR	1.1%	0.25%	Mgt Fee 0.25%	25
Australian & New Zealand Investment Bank (Australia)	Loan	Integrated water Supply Scheme for the Unserved Areas of Ampara District - Phase III (Australia)	USD	10.52	1,333.69	10.52	Variable	LIBOR -6 Month for USD	1%	-	Guarantee	13

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)													
Banco Bilbao Vizcaya Argentaria S.A. (Spain)	Loan	Veyangoda Railway Crossing Flyover Project (Spain)	EUR	7.64	1,277.23	10.05	Variable	LIBOR -6 Month for USD	2.50%	-	Mgt Fee 0.5%	2	10
	Loan	Implementation of the Greater Rathnapssssura Water Supply Scheme	EUR	1.29	223.91	1.70	Variable	EURIBOR -6 Month for EUR	2.1%	0.35%	Mgt Fee 0.5%	2	12
	Loan	Rehabilitation of Wimalasurendra and New Laxapana Power Stations (France)	USD	2.11	267.75	2.11	Fixed	4.95%	N/A	0.50%	Mgt Fee 0.4%	5	15
	Co-op Centrale Raiffeisen-Boerenleenbank (Netherlands)	Loan	Extension of a Disaster Management and Emergency Response System(Netherlands)	EUR	1.89	318.80	2.52	Fixed	5.02%	N/A	-	-	3
Export Development Bank of Iran (Iran)	Loan	Importation of Dairy Animals (Netherlands & Australia)	USD	1.86	235.67	1.86	Variable	LIBOR -6 Month for USD	1.35%	-	-	2	12
	Loan	Development of NuwaraEliya District General Hospital (Netherlands)	EUR	7.53	1,278.29	9.93	Fixed	4.94%	N/A	-	-	3	12
	Loan	Development of Hambantota District General Hospital (Netherlands)	EUR	8.26	1,385.98	10.88	Fixed	4.94%	N/A	-	-	3	12
	Loan	Upgrading of the National Blood Transfusion Services of SL	USD	8.42	1,081.46	8.42	Fixed	4.94%	N/A	0.25%	Mgt Fee 0.25%	3	13
Export Development Bank of Iran (Iran)	Loan	Upgrading of the National Blood Transfusion Services	USD	4.90	620.17	4.90	Fixed	5%	N/A	0.25%	Mgt Fee 0.25%	3	3
	Loan	Uma Oya Hydro Electric and Irrigation Project (Iran)	USD	23.73	3,002.02	23.73	Variable	LIBOR -6 Month for USD	-	0.13%	Admin Fee 0.13% Insurance 7.15%	6	15
	Loan	Implementation of Rural Electrification project 8 (Iran)	EUR	2.50	420.23	3.31	Variable	CIRR	2%	0.25%	Admin Fee 0.25% Insurance 5.28%	4	18

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

Export Import Bank of Hungary	Loan	Rehabilitation of Kalatuwawa Water treatment Plant	EUR	3.48	610.85	4.64	Fixed	N/A	1.03%	-	-	8	20
	Loan	Rehabilitation of Labugama Water treatment Plant	EUR	3.34	587.31	4.46	Fixed	N/A	1.03%	-	-	8	20
Fortis Bank NV/ Fortis Banque SA (Belgium)	Loan	Implementation of Kolonna and Balangoda Water Supply Projects (Belgium)	EUR	1.44	241.90	1.90	Fixed	0.80%	N/A	0.25%	Upfront 0.5% Insurance 0.12%	3	12
Government of the Russian Federation	Loan	Russian Line of Credit	USD	64.62	8,156.67	64.62	Variable	LIBOR -6 Month for USD	3.5%	1%	-	7	14
Nordea Bank Denmark A/S (Denmark)	Loan	Kelani Right Bank Water Treatment Plant (Denmark)	EUR	2.45	423.30	3.24	Interest Free	N/A	N/A	0.25%	Mgt. Fee 0.15%	3	12
Nordea Bank Sweden (Sweden)	Loan	Rural Electrification Project 4 Extension (Sweden)	USD	10.67	1,378.77	10.67	Variable	LIBOR -6 Month for USD	1%	0.25%	Arrangement fee 0.25%	1	10
The Export-Import Bank of China	Loan	Colombo - Katunayake Expressway (CKE) Section A1, A2, A3 & A4	USD	52.63	6,727.77	52.63	Fixed	6.30%		0.30%	Mgt. Fee 0.3% Exposure Fee 6%	4	16
	Loan	Supply of 13 Nos. Diesel Multiple Units to Sri Lanka Railway Project	CNY	264.43	5,405.02	42.64	Variable	LIBOR -6 Month for USD	2.80%	0.70%	Mgt. Fee 0.5%	4	14
	Loan	Procurement of Material for the Northern Province Power Sector Development Programme	USD	4.72	604.83	4.72	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Mgt. Fee 0.5% Insurance 9% Mgt. Fee 0.3%	3	15
	Loan	Northern Road Rehabilitation Project (A009) From Galkulama to 230 Km Post)	USD	17.97	2,307.72	17.97	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Exposure Fee 6% Mgt. Fee 0.3%	3	15
	Loan	Northern Road Rehabilitation Project-11B	USD	7.35	962.40	7.35	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Exposure Fee 6% Mgt. Fee 0.3%	3	15
	Loan	Northern Road Rehabilitation Project (Mulativu _ Kokkilai) - 11A	USD	12.32	1,621.26	12.32	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Exposure Fee 6% Mgt. Fee 0.3%	3	15
	Loan	Northern Road Rehabilitation Project-(AB020) (AB032)(AB016)(AB018)	USD	13.32	1,696.13	13.32	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Exposure Fee 6% Mgt. Fee 0.3%	3	15

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

Loan	Northern Road Rehabilitation Project-A009 (From 230 Km Post to Jaffna)	USD	12.96	1,646.95	12.96	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Mgt. Fee 0.3% Exposure Fee 6%	4	15
Loan	Highway Section from Pinnaduwa to Kodagoda (30 KM to 45 KM)	USD	17.20	2,217.19	17.20	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Mgt. Fee 0.3% Exposure Fee 6%	4	15
Loan	Rehabilitation & Improvement of 67km Length of Navatkuli-Karaitivu-Mannar Road	USD	5.66	722.08	5.66	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Mgt. Fee 0.3% Exposure Fee 6%	3	15
Loan	Rehabilitation & Improvement of 113km Length of Puttalam-Marichchikade-Mannar Road	USD	2.93	371.64	2.93	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Mgt. Fee 0.3% Exposure Fee 6%	5	16
Loan	Rehabilitation & Improvement of 113 km Length of Puttalam -Marichchikade - Mannar Road	USD	13.17	1,722.15	13.17	Variable	LIBOR -6 Month for USD	2.40%	0.70%	Mgt. Fee 0.50% Exposure Fee 6%	5	16
Loan	Procurement of Materials for Lighting Uva Province	USD	12.61	1,620.08	12.61	Variable	LIBOR -6 Month for USD	2.80%	0.50%	Mgt. Fee 0.3% Exposure Fee 6%	3	12
Loan	Finance Material Required for Lighting Sri Lanka Eastern Province Project	USD	9.98	1,294.23	9.98	Variable	LIBOR -6 Month for USD	3.00%	0.25%	Mgt. Fee 0.25% Exposure Fee 0.55%	4	15
Loan	Matara Beliatta Section of Matara Kataragama Railway Extension Project	USD	84.46	10,976.47	84.46	Fixed	N/A	2.00%	0.50%	Mgt. Fee 0.5%	7	19
Loan	Rehabilitation Old Laxapana Hydroelectric Power Plant(Austria)	EUR	2.80	469.39	3.71	Variable	EURIBOR -6 Month for EUR	2.10%	0.40%	Upfront 1.28% Mgt fee 0.6%	4	10
Loan	Augmentation of Mahiyangana Water Supply Project	EUR	2.08	338.44	2.68	Fixed	N/A	0.55%	0.40%	Management Fee (0.45% of loan amount, payable one time)Guarantee Charge (1.093% this behaves as an interest since the charge is calculated on outstanding amount)	6.5	16

Annex II

List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

Multilateral											
											Management Fee (0.45% of loan amount, payable one time)Handling Fee (EUR 1,440) Guarantee Charge (EUR 4,400)
Loan	Supply of 2 Nos Cardiac Catheterization System to Cardiology Dep. Of the NHSL	EUR	2.14	373.36	2.86	Fixed	N/A	0.40%	0.40%	7	19.5

Annex II

List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

Loan	Southern Transport Development Project - Supplementary	USD	20.06	2,619.26	20.06	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	5	24
Loan	Clean Energy and Access Improvement Project	USD	18.96	2,421.05	18.96	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	5	24
Loan	Clean Energy and Access Improvement Project	XDR	1.82	353.46	2.76	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	24
Loan	Dry Zone Urban Water and Sanitation Project	XDR	1.99	382.41	2.99	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
Loan	Eastern & North Central Provincial Road Project	XDR	2.43	467.55	3.68	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
Loan	Greater Colombo Wastewater Management Project (OCR)	USD	2.36	300.61	2.36	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	25
Loan	Greater Colombo Wastewater Management Project (ADF)	XDR	0.99	189.21	1.48	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
Grant	Dry Zone Urban Water and Sanitation Project	USD	0.31	40.74	0.31			N/A				
Grant	Technical Assistance for Capacity Development of the Provincial Road Agencies.	USD	0.20	25.27	0.20			N/A				
Loan	ADB Funded Fiscal Management Efficiency Project	USD	1.32	173.89	1.32	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	25
Loan	N-E Community Restoration & Development Project II Supplementary	XDR	0.08	14.66	0.12	Fixed	1%	N/A	-	-	10	40

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

Loan	Conflict-Affected Region Emergency Project	USD	27.62	3,538.96	27.40	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	8	32
Loan	Northern Road Connectivity Project (OCR)	USD	28.71	3,645.48	28.41	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	25
Loan	Northern Road Connectivity Project (ADF)	XDR	1.27	243.84	1.92	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
Grant	Improving Connectivity to Support Livelihoods & Gender Equality	USD	0.02	2.92	0.02			N/A				
Grant	Post-Conflict Emergency Assistance for IDPs in North	USD	0.24	31.10	0.24			N/A				
Loan	Jaffna & Kilinochchi Water Supply & Sanitation Project (OCR)	USD	0.17	21.43	0.17	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	6	24
Loan	Jaffna & Kilinochchi Water Supply & Sanitation Project (ADF)	XDR	0.35	65.59	0.52	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
Loan	Sustainable Power Sector Support Project (OCR)	USD	13.52	1,732.55	13.52	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	24
Loan	Sustainable Power Sector Support Project (ADF)	XDR	0.61	117.61	0.92	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
Loan	Secondary Towns & Rural Com-Based Water Supply Add (OCR)	USD	0.31	40.40	0.31	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	25
Loan	Secondary Towns & Rural Com-Based Water Supply Add (XDR)	XDR	0.77	149.21	1.15	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32
Loan	Local Government Enhancement Sector Project	XDR	0.51	101.05	0.77	Fixed	1% During Disbursing Period, 1.5% During Repaying Period	N/A	-	-	8	32

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)													
Food & Agriculture Organization	Loan	National Highways Sector Project Additional Finance OCR	USD	14.24	1,816.87	14.11	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	24
	Grant	Conflict-Affected Region Emergency Project	USD	0.08	10.80	0.08				N/A			
	Loan	Nothern Road Connectivity Project-Add. Financing	USD	0.03	3.94	0.03	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	25
	Loan	Education Sector development Program – (OCR)	USD	20.00	2,661.15	20.00	Variable	LIBOR -6 Month for USD	0.60%	0.15%	-	5	25
	Grant	Improvement of Pepper Production	USD	0.37	48.07	0.37				N/A			
International Bank for Reconstruction & Development of the World Bank	Grant	Agro-enterprise Development Project	USD	0.08	9.93	0.08				N/A			
	Grant	Nothern Integrated Agricultural Recovery & Growth	USD	1.56	206.18	1.56				N/A			
	Loan	Metro Colombo Urban Development Project [MCUDP]	USD	32.12	4,058.59	32.11	Variable	LIBOR -6 Month for USD	0.80%	0.50%	Front End Fee 0.25%	5	24
International Fund for Agricultural Development	Loan	Dry Zone Livelihood Support & Partnership Program	XDR	0.35	66.84	0.53	Fixed	0.75%	N/A	-	-	10	40
	Loan	Post Tsunami Coastal Rehabilitation & Resource Management II	XDR	0.14	26.78	0.21	Fixed	0.75%	N/A	-	-	8	38
	Loan	Smallholder Plantations Entrepreneurship Dev. Programme.	XDR	1.32	254.67	2.01	Fixed	0.75%	N/A	-	-	10	40
	Loan	Post Tsunami Coastal Rehabilitation & Resource Management II.	XDR	1.02	194.36	1.53	Fixed	0.75%	N/A	-	-	8	38
	Loan	Iranamadu Irrigation Development Project	XDR	1.12	219.95	1.69	Fixed	0.75%	N/A	-	-	11	25
International Development Association of the World Bank	Loan	Second North-East Irrigated Agriculture Project (Yali Pubedemu SL)	XDR	1.91	372.24	2.88	Fixed	0.75%	N/A	0.50%	-	10	40
	Loan	Road Sector Assistance Project	XDR	0.70	136.80	1.08	Fixed	0.75%	N/A	0.50%	-	10	39

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)

Loan	Dam safety and water resources planning	XDR	6.60	1,331.25	10.28	Fixed	0.75%	N/A	0.50%	-	10	20
Loan	Second Community Development and Livelihood Improvement Project	XDR	8.36	1,612.96	12.69	Fixed	0.75%	N/A	0.50%	-	10	20
Grant	Improving for Monitoring & Evaluation of Samudhi Safety Net program	USD	-0.07	-8.75	-0.07				N/A			
Loan	Provincial Roads Project	XDR	15.58	2,985.25	23.38	Fixed	0.75%	N/A	0.50%	-	10	19
Loan	Emergency Additional Financing for Community Livelihoods in Conflict Affected Areas	XDR	0.15	29.02	0.23	Fixed	0.75%	N/A	0.50%	-	10	20
Loan	Emergency Northern Recovery Project	XDR	2.43	491.42	3.76	Fixed	0.75%	N/A	0.50%	-	10	20
Loan	Higher Education for the Twenty First Century Project	XDR	3.44	681.46	5.30	Fixed	0.75%	N/A	0.50%	-	10	19
Loan	Sustainable Tourism Development Project	XDR	1.45	278.03	2.20	Fixed	0.75%	N/A	0.50%	-	10	20
Loan	Small and Medium Enterprise Development Facility Project	XDR	0.02	2.97	0.02	Fixed	0.75%	N/A	0.50%	-	10	20
Loan	Second Additional Financing for Road Sector Assistance Project	XDR	15.76	3,029.06	24.07	Fixed	0.75%	N/A	0.50%	-	10	19
Loan	2nd & 3rd Additional Financing for Community Livelihood in Conflict Affected Areas	XDR	6.06	1,185.71	9.23	Fixed	0.75%	N/A	-	-	9	19
Grant	Local Level Nutrition Interventions for the Northern Province (JSDF) Project	USD	0.40	50.28	0.40				N/A			
Grant	AusAid+IDA Grant North East Pilot WASH Project for Post-conflict Resettlements (NEP WASH)	USD	0.31	40.49	0.31				N/A			
Loan	Additional financing for E_Sri Lanka Development Project	XDR	4.44	918.28	7.02	Fixed	0.75%	N/A	0.50%	-	5	24
Loan	Transforming the School Education System as the Foundation of a Knowledge Hub Project	XDR	5.90	1,125.40	8.93	Fixed	0.75%	N/A	0.50%	-	5	24

Annex II List of Projects Disbursed During Period of January - September 2013, with Financial Terms (Cont...)										
	Grant	IBRD-Strengthening Institute of Chartered Accountants Sri Lanka [ICASL]	USD	0.05	6.65	0.05	N/A			
	Grant	Global Food Crisis Responce Program -[GFRP No 6138]	USD	0.54	68.25	0.54	N/A			
	Grant	'Diri Saviya' Assisting People with Disabilities through Cash Transfers and Training Project	USD	0.61	77.83	0.61	N/A			
OPEC Fund for International Development	Loan	National Highway Sector Project	USD	0.10	13.22	0.10	Fixed	3.75%	N/A	- 5 20
	Loan	Road Network Development Project	USD	1.88	245.28	1.88	Fixed	4.1%	N/A	- 5 20
UNDP	Grant	Equal Access to Justice Phase II	USD	0.13	16.95	0.13	N/A			
	Grant	Local Governance Project	USD	0.51	66.92	0.51	N/A			
	Grant	Control of Alien Invasive Species	USD	0.01	0.51	0.01	N/A			
	Grant	Sri Lanka Community Forestry Programme	USD	0.12	15.34	0.12	N/A			
	Grant	Strategic Support to Operationalize the Road Map	USD	0.19	25.78	0.19	N/A			
	Grand Total			176,409.80	1,374.91					

Source : Department of External Resources

Note :

1. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the Agreement was signed.
2. N/A = Not Applicable, - = nil
3. Minus figures are the refunds of unutilized portion of advance payments



FOREIGN FINANCING FROM DEVELOPMENT PARTNERS

Section 2

FOREIGN FINANCING FROM DEVELOPMENT PARTNERS

Asian Development Bank

The Government and ADB work on a Country Partnership Strategy in terms of the targets specified in the Government's economic policy strategy; "Mahinda Chinthana - Vision for the Future".

Funds from ADB are mobilized from Asian Development Fund (ADF), which has concessional terms and conditions &

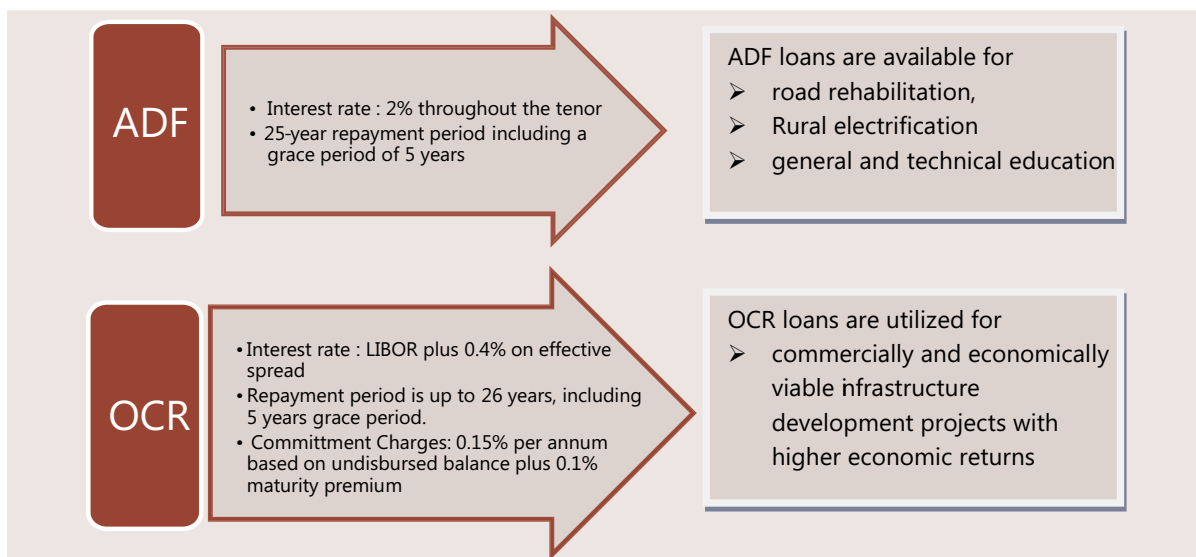
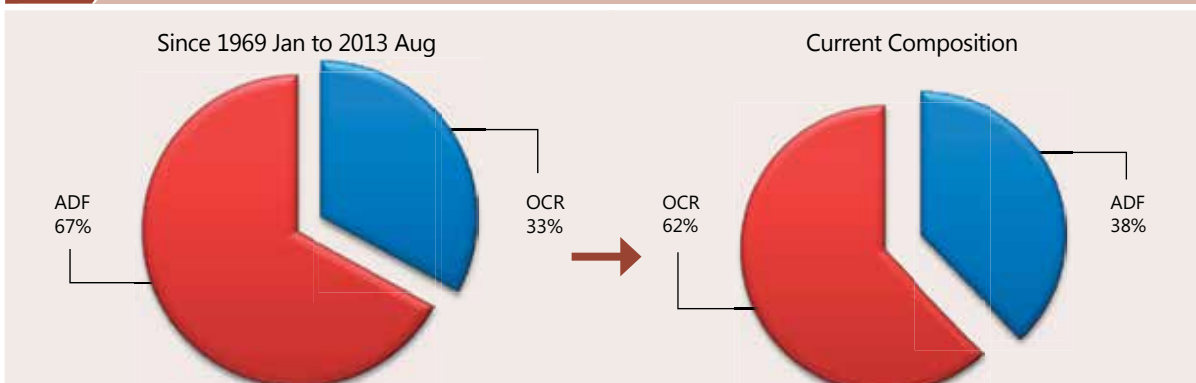


Chart 13 OCR & ADF Composition of ADB Loan Assistance



Since ADF resources which are provided under concessional terms are not adequate to meet the development financial requirement of a transitional economy, the Government has mobilized more funds from OCR.

Source : Department of External Resources

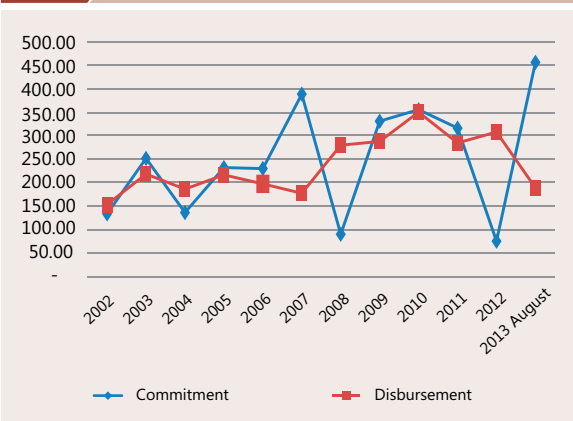
Ordinary Capital Resources (OCR) which has floating rates but with a small margin compared to margins available under most of the other funding sources.

The Government mobilizes a major portion of ADB financial resources for the development of roads and transport, power and energy and water supply sectors considering the long term nature of the funds.

Commitment and Disbursement

Annual commitment of ADB currently stands around USD 300-400 million. The Government allocates these funds for the priority projects identified in the Country Business Operation Plan which has been finalized in line with the priorities identified in the Mahinda Chintana- Vision for the Future. The total commitment of the ongoing projects is USD 1,784 million and around USD 300 million is disbursed annually under the ongoing projects.

Chart 14 ADB Commitments & Disbursement since 2002 Jan to 2013 August



Source : Department of External Resources

The total disbursement made under ADB funded projects in 2013 (up to end of August) was USD 188.4 million which is a 59 percent achievement over the annual disbursement target. It includes USD 74.6 million disbursed under the road projects, USD 45.9 million disbursed under education projects, USD 33.0 million disbursed under power projects, USD 25.2 million disbursed under the multi sectors including the regional development and USD 9.7 million under the water supply and sanitation projects.

Loans Negotiated and Made Effective in 2013

In 2013, seven new loans amounting to USD 455 million have become effective for implementation of the four projects given in the following table.

Table 13 Projects for which new loans become effective in 2013

Project	Amount USD Mn	
	OCR	ADF
Education Sector Development Programme	100	101
Dry Zone Urban Water & Sanitation Project (Additional Financing)		40
Greater Colombo Water & Wastewater Management Improvement Investment Programme (Tranche 1)	70	14
Clean Energy and Network Efficiency Project	100	30
Total	270	185

In addition, the Government has successfully conducted negotiations with ADB in 2013 to mobilize USD 163 million for the implementation of the following projects;

- Southern Road Connectivity Project (USD 75 million)
- Greater Colombo Water & Wastewater Management Improvement Programme – Tranche 2 (USD 88 million)

New Initiatives

The future ADB financing will be strategized along with three new development initiatives

- **Rural Centric Road Connectivity Programme (USD 1,200 million)** to develop 1000 rural townships ensuring connectivity through national, provincial and rural feeder roads
- **Low Income Housing Settlement Programme (USD 750 million)** to address urban poverty issues and to facilitate urban labour market requirements
- **Irrigation and Water Management (USD 250 million)** to develop medium scale irrigation cascade systems and tapping river water to improve access to irrigation and drinking water in several marginalized districts.

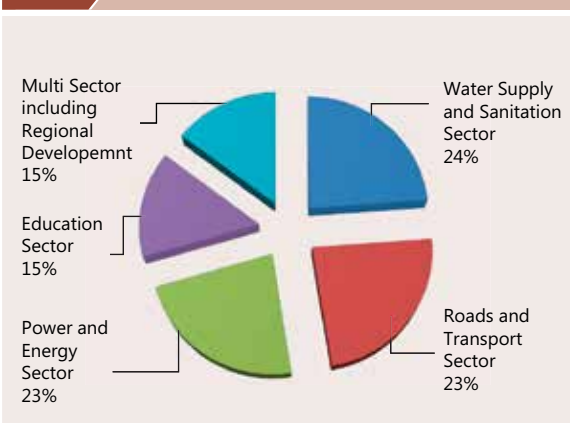
Current Portfolio

The active portfolio currently stands at USD 1,784 million. Five sectors are being funded under the current portfolio. A major portion of this portfolio has been invested in the water supply and sanitation sector followed by the roads and transport sector and power & energy sectors.

Table 14 ADB Current Portfolio

	Loans	Grants	Technical Assistance	Total
Number of Projects	20	4	15	36
Total Amount USD Mn	1784	37	16	1837

Chart 15 Sectoral Distribution of Current Portfolio



Source : Department of External Resources

Water Supply and Sanitation Sector : A major portion, USD 425 million (24 percent of the total portfolio) has been allocated to 6 projects. 330,000 new water connections will be provided under these projects. The number of beneficiaries is estimated as 3.1 million.

Project	Amount USD Mn	No of Beneficiaries	No of Connections
Dry Zone Urban Water and Sanitation Project	84		
Dry Zone Urban Water and Sanitation Project - Addl Financing (SF)	40	455,000	95,000
Greater Colombo Wastewater Management Project	100	838,000	-
The Greater Colombo Water and Wastewater Management Investment Improvement Programme Tranche 1	84	700,000 Service Improvements	-
Secondary Towns & Rural Community Based Water Supply & Sanitation Project (Additional Financing)	30	832,500	175,000
Jaffna and Kilinochchi Water Supply and Sanitation Project	87	300,000	60,000
Total	425	3,125,500	330,000

Roads Sector : There are 5 ongoing ADB funded projects in the roads and transport sector amounting to USD 422 million which is 23 percent of the total portfolio.

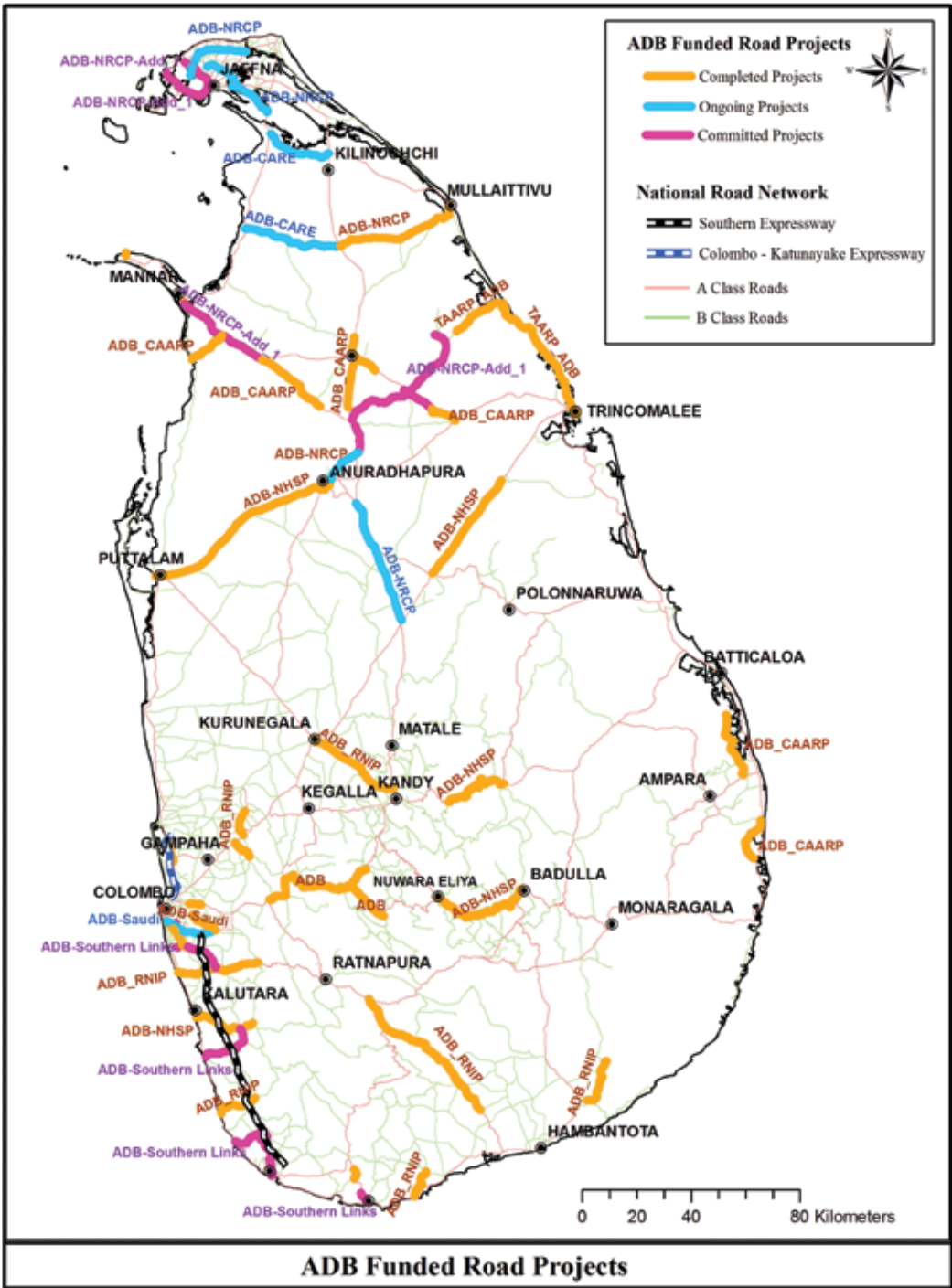
Ongoing Projects	Amount USD Mn	Number of KM	Number of Beneficiaries
Northern Road Connectivity Project	154	310	339,000
Eastern & North Central Provincial Road Project	70	370	2,160,973
TA Loan for Road Project Preparatory Facility (Feasibility Study)	15	4940	-
National Highways Sector Project (Additional Financing)	85	62	5,554,000
Northern Road Connectivity Project (Additional Financing)	98	243	591,000
Total	422	5925	8,644,973

Northern Road Connectivity Project (NRCP)



Mr Somasundaram Maheshwaran (71 Years) is a farmer from Unappulavu, Mullaitivu, expressed his views on the Mankulam – Mullaitivu Road which is rehabilitated under ADB funded NRCP.

"Currently, a good standard road has been constructed for these regions. The quality of the road is much better. Now we can travel to Vavuniya in shorter time. People from other regions also can travel easily to our region"



Power and Energy Sector About USD 410 million or 23 percent of the total ADB portfolio has been provided to implement three projects in the power & energy sector.

Clean Energy and Access Improvement Project : USD 160 Mn Sustainable Power Sector Support Project : USD 120 Mn Clean Energy and Network Efficiency Improvement Project: USD 130 Mn

The project mainly consists of The following sub projects:

- network capacity augmentation for renewable energy
- system control modernization,
- transmission system strengthening,
- augmentation of distribution substations,
- demand-side management for municipal street lightning,
- rural household connection.

- Augmentation of five grid substations in and around renewable energy sources in Badulla, Balangoda, Nuwara Eliya, Seethawaka and Ukuwela for absorbing renewable energy.
- Construction of new GridSubstation at Mahiyanganaya at a capacity of 63MVA.

The new Mahiyanganaya GSS establishes efficient power distribution network in and around that area catering about 60,000 consumers in Mahiyanganaya area.



Education Sector Development Programme :

First Results-based Lending (RBL) Programme approved by ADB expects to support secondary schools to offer all subject streams with full commitment and momentum. The loan is effective from 14th September, the first disbursement of USD 40 million was recorded upon achieving 5 DLRs that required for the first disbursement.

	Bank Financing Allocated to DLI	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Pass rates for GCE O Level examinations increased	10				5	5
Pass rates for GCE A Level examinations increased	10				5	5
Pathways from school to TVET Developed Technology Stream commenced and implemented at GCE A Levels	32	8	8	8	4	4
Secondary schools upgraded to offer all subject streams	32	8	8	8	4	4
Enrollment in GCE A Levels Science Stream increased	10				5	5
Enrollment in GCE A Levels Commerce Stream increased	10				5	5
Principles and Deputy principals trained	32	8	8	8	4	4
Institutional capacity at MOE and provincial levels strengthened	32	8	8	8	4	4
Improved transparent and efficient procurement	32	8	8	8	4	4
Total USD Mn	200	40	40	40	40	40

New Financing Modality: Multi-tranche Financing Facility (MFF)

Initiatives have now been taken to utilize ADB assistance to support the on-going sectoral development programmes of the Government differing from the previously adapted project-

based financing. This new modality of financing is proposed for the long-term investment programmes in relation to development of roads, power, education and water supply sectors.

Green Power Development and Energy Efficiency Improvement Investment Programme (GP&EEIIP)

- diversifying energy sources
- strengthening transmission infrastructure
- expanding access in post-conflict areas and lagging regions
- improving network efficiency
- enhancing regional cooperation.

Southern Highway Investment Programme (SHIP)

- Rehabilitation 35 km to ensure connectivity between Southern Province & other provinces
- Construction of 40 km of elevated expressways from Southern Expressway towards the Colombo city.
- The travel time from Kottawa to Colombo city centre will be reduced from 1 hour (in 2012) to 15 minutes.

GP & EEIIP
USD 280 Mn

SHIP
USD 500 Mn

MFF

Human Capital Development Program (HCDP)

- focus on education sector development and skills development programmes of the Government
- support the medium term expenditure frameworks of the respective sectors
- linked to results based disbursements
- demand driven and balanced approach with private sector participation
- help to create a quality and student-friendly education system

HCDP
USD 440 Mn

GCWWMIP
USD 300 Mn

Greater Colombo Water and Wastewater Management Improvement Investment Program (GCWWMIP)

- reduce the non-revenue water percentage in the Colombo city from its current level of 49 percent to about 18 percent in critical areas and to about 20 percent elsewhere after
- expected savings : over Rs. 2 billion per year
- 24 hour safe drinking water supply covering entire Colombo city & universal sanitation coverage in the Greater Colombo area with 100 percent connection to public sewers in Colombo city will be provided

ADB Grant Assistance

Providing Safe Drinking Water and Health Care Facilities to Chronic Kidney Disease Patients

- Rs. 270 mn –JFPR Grant

The grant funds will be allocated to provide safe drinking water to 3000 families in the North Central Province (NCP) and health care facilities to Chronic Kidney Disease (CKD) patients by improving capacity of the health authorities and conducting preventive health care programmes at village level in CKD-prone areas.

Improving Gender – Inclusive Access to Clean and Renewable Energy

- Rs. 130 million –JFPR Grant

The grant fund is allocated to increase access to clean energy for rural communities and to enhance training skills of the Ceylon Electricity Board (CEB) and service delivery in the Eastern Province in association with ADB funded Sustainable Power Sector Support Project. This will provide energy access for approximately 2,200 households in lagging regions in the Eastern Province.

Technical Assistance (TA)

ADB funded projects are generally supported by the technical assistance programmes of ADB on grant basis. These technical assistance targets capacity development of the respective agencies

and preparation of projects to formulate the scope of proposed projects. These TAs will support project implementation to ensure effective project outcome and impact.

Table 15 Ongoing TA Projects

Project	Amount USD Mn
Capacity Building for Clean Power Development	0.90
Implementation of Energy Efficiency Policy Initiatives	1.85
Green Power Development and Energy Efficiency Development INVT PRG	0.70
Trincomalee Integrated Urban Development Project	0.50
Human Capital Development Capacity and Implementation Support	1.50
Southern Highways Investment Programme	1.00
Colombo Water Supply Service Improvement Project	1.40
Local Government Service Enhancement	0.54
Capacity Development for Non Revenue Water Reduction	0.20
Clean Energy and Network Efficiency Improvement Project	1.00
Capacity Development for Water Supply & Sanitation Service Delivery	0.60
Rural Household Connection	2.00
Supporting the Fiscal Management Efficiency Project	2.00
Capacity Development of the Northern Provincial Road Development Department	1.50
Support for Planning & Policy Formulation, Phase 1	0.30
Total	15.99

World Bank Group

Sri Lanka borrows both from International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) to mobilize external resources in support of country's economic development on the working arrangement of Country Assistance Strategy.

Eligibility for Access to Financial Assistance from IDA

- IDA was established in 1960.
- Lends to governments of relative poverty, as measured by GNI per capita and the absence of creditworthiness.
- The ceiling for IDA eligibility is known as the operational cut-off.
- Determined on the basis of the GNI per capita calculations made by the World Bank, according to the Atlas methodology.
- It is set at USD 1,195 for FY13 and revised annually to account for inflation.
- Most countries eligible for IDA resources have per capita incomes below the operational cut-off.
- There are some exceptions founded on the principle that no World Bank borrower should be left without access to either IDA or IBRD, provided that performance is adequate and it is not in arrears.
- Exceptions include:
 - × Countries that have per capita incomes above the operational cut-off for more than two consecutive years, but are not yet creditworthy for IBRD lending – GAP COUNTRIES
 - At the start of FY13, nine countries have GNI per capita above the operational cut-off for more than two years, but are not creditworthy for IBRD (Angola, Bhutan, Congo Rep. of, Djibouti, Guyana, Honduras, Kosovo Rep. of, Moldova, and Timor-Leste).
 - × small island economies that share many of the challenges of countries with much lower GNI per capita and are not creditworthy or have limited access to other market-based financing.
 - At the start of FY13, 13 small island economies with GNI per capita above the operational cut-off are eligible to borrow from IDA. Of these, five are blends that are creditworthy for some IBRD borrowing (Cape Verde, Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines). The remaining eight are not creditworthy for IBRD (Kiribati, Maldives, Marshall Islands, Micronesia, Samoa, Tonga, Tuvalu, and Vanuatu).
 - × Creditworthy for IBRD financing and may also be eligible for IDA assistance for a number of years till their graduation from IDA – BLEND COUNTRIES
 - At the start of FY13, 11 countries (excluding five small islands) are classified as blend (Armenia, Bolivia, Bosnia and Herzegovina, Georgia, India, Mongolia, Pakistan, Papua New Guinea, Sri Lanka, Uzbekistan, and Vietnam).

IDA Financial Assistance Offers:

- Grants
- Highly concessional loans known as credits
- Since 1997, partial risk guarantees

Source : IDA 17, IDA Resource Mobilization Department (CFPIR), September 2013, World Bank Group

IBRD At A Glance

- Lends to governments of middle-income and creditworthy low-income countries.
- More competitive and flexible for most public sector borrowers than other financing options available in the international financial markets.

The IBRD Flexible Loan Offers :

- Long maturities up to 30 years
- Market based pricing
- Flexibility to tailor repayment terms
- Embedded tools to manage the currency or interest rate risk over the life of the loan

Table 16 Lending Terms of IDA (applicable for FY 2013)

Instrument Type	Recipient countries	Maturity/ Grace	Principal Repayment (yrs)	Charges	Interest Rate	Grant Element @ 6% Disc Rate ^{4/}
Grant	"Red light" ^{6/} IDA only (100%) & "Yellow light" ^{7/} IDA only (50%)	Grant	None	None (but 20% volume discount on country allocation)	None	100%
Regular – Term Credit	"Green – light" ^{8/} IDA – only (100%) & Yellow light IDA only (50%)	40/10 yrs	2% pa yrs 11 – 20 4% pa yrs 21 – 40	75bp service charge + 0bp commit. Charge ^{2/}	None	62%
Blend – Term Credit	Blend Countries & countries with GNI pc above IDA cut – off (US\$ 1,195) ^{1/} for 2 yrs	25/5 yrs	3.3% pa yrs 6-15 6.7% pa yrs 16-25	75bp service charge + 0bp – 50bp commit. Charge ^{2/}	1.25%	35%
Hard – Term Credit	Blend countries (excl. small island blends receiving regular IDA credit)	25/5 yrs	3.3% pa yrs 6-15 6.7% pa yrs 16-25	75bp service charge + 0bp – 50bp commit. Charge ^{2/}	1.50% ^{3/}	32%
Partial Risk Guarantee	IDA – only countries	Depends on project loan	not appl.	75bp guarantee fee+ 0 bp stand – by fee ^{2/} + Initiation & processing fee ^{5/}	not appl.	not appl.

Source : IDA 17, IDA Resource Mobilization Department (CFPIR), September 2013, World Bank Group

Notes :

- 1/ Operational cut – off for FY 13
- 2/ The grant element is calculated using the FY 13 rate of 0 bps. The guarantee stand-by fee is set at the same level as the commitment charge on credits.
- 3/ The interest rate for hard term credit is determined annually based on the fixed rate equivalent of IBRD interest rates less 200 basis points.
- 4/ Calculation assumes the disbursement period for regular credits is over 8 years and for blend and hard – term credits over 6 years.
- 5/ The initiation fee is 15 bps or USD 100,000 (whichever is higher) and a processing fee of up to 50 bps of the principal amount of the guarantee for all private sector borrowers. The processing fee is assessed on a case by case basis and can either be waived or increased in exceptional cases.
- 6/ IDA-only countries that are at or have a high risk of debt distress
- 7/ IDA-only countries at medium risk of debt distress
- 8/ IDA-only countries at low risk of debt distress

IDA 16 cycle will end by 30th June 2014 and Sri Lanka will be eligible for IDA 17 cycle which goes from 1st July 2014 to 30th June 2017 as well.

However, Sri Lanka exceeded the IDA operational cutoff for more than two consecutive years and therefore IDA borrowing status for Sri Lanka will be phased out when country advances further and will be reclassified as IBRD-only borrower, the world Banks high cost window afterwards.

IBRD Pricing Structure

It is based on a floating reference rate, usually six months LIBOR plus a spread that is either fixed over the period of the loan or variable from one semester to another. The applicable spread will vary according to average repayment maturity. In addition to the spread over LIBOR, the Bank charges a front end fee.

Sri Lanka is addressing a set of policy challenges as part of its transition to a middle income country status and continues to mobilize financial assistance extended by World Bank to address long term strategic and structural development challenges of the country through the Country Partnership Strategy (CPS) of the World Bank for FY 13-16.

Table 17 USD Lending Rates & Loan Charges for the IBRD Flexible Loan¹

Variable Spread ² January 1 – June 30, 2012				Fixed Spread ³ For loans signed on/ after April 6, 2012		
Average Repayment Maturity ⁴	Up to 12 years	Greater than 12 and less than 15	Greater than 15 to 18 years	Up to 12 years	Greater than 12 and less than 15	Greater than 15 to 18 years
Reference Rate	6 month LIBOR					
Contractual Spread	0.5 %					
Annual Maturity Premium	N/A	0.1 %	0.2 %	N/A	0.1 %	0.2 %
Market Risk Premium		N/A		0.1 %	0.1 %	0.15 %
Funding Cost		-0.22 %		-0.1 %	0 %	0.15 %
Lending Rate	LIBOR+0.28 %	LIBOR+0.38 %	LIBOR+0.48 %	LIBOR+0.5 %	LIBOR+0.7 %	LIBOR+1.0 %
Front End Fee ⁵	0.25 %					
DPL DDO Fees ⁶	0.25 % Front-End Fee; 0.5% Stand-by Fee					
Cat DDO Fees ⁷	0.5 % Front-End Fee; 0.25% Renewal Fee					

Source : IDA 17, IDA Resource Mobilization Department (CFPIR), September 2013, World Bank Group

1. *Loan approved before July 1, 2012 will not be subject to the annual maturity premium of 0.10% for average maturities of greater than 12 to 15 years, and 0.20% for average maturities greater than 15 to 18 years. Pricing for DDOs is that which is in effect on the date of disbursement.*
2. *The variable spread is recalculated every January 1 and July 1.*
3. *The fixed spread is determined at the loan signing and remains constant over the life of the loan. Fixed spreads are 0.05% (5 basis points) lower for euro- denominated loan and 0.15% (15 basis point) lower for yen-denominated loans compared with the corresponding US dollar fixed spreads, regardless of average repayment maturity.*
4. *For DDOs, the average repayment maturity is counted from the date of loan effectiveness for the purposes of determining the applicable maturity premium. A loan becomes effective on the date on which IBRD issues a declaration of effectiveness as provided in the loan agreement.*
5. *When annualized, the front-end fee adds approximately 0.03% per annum assuming an average repayment maturity of 18 years.*
6. *Development Policy Loans with Deferred Drawdown Option*
7. *Catastrophe Deferred Drawdown Options*

Country Partnership Strategy with World Bank

The Country Partnership Strategy (CPS) with the World Bank is designed to support the GOSL in addressing challenges such as realigning public spending, ensuring appropriate resource allocations for the various tiers of Government, addressing the opportunities and impacts of the demographic transition, clarifying the role of the private sector and enhancing incentives for private sector productivity. The government has strengthened its relationship with World Bank through continued dialogue in line with the middle income country agenda. In recognition of its growth and economic stability, Sri Lanka has access to International Development Association (IDA), International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) allowing for significantly increased financial support during next 3 years. The CPS focuses directly on three areas which are aligned with the Mahinda Chintana Vision, i.e. facilitating sustained private and public investment; supporting the structural shifts in the economy; and improving living standards and social inclusion.

In this context, the CPS will support the Government's effort to improve the investment climate, enhance knowledge based economy with investments in skills, research and innovation and develop the infrastructure needed for sustainable urban and rural development. Accordingly, IDA resources of World Bank will be channeled to provide budgetary support to the national health sector programme and education development.

Implications of Graduation from IDA

- Upon graduation new IDA commitments will cease.
- Post graduation, overall borrowing costs will rise.
- Access to external financing may be constrained by market perception or the Country's debt servicing capacity and, as a result, external financing may be much lower than the concessional inflows received prior to graduation.
- The graduating country is also likely to have access to a lower volume of financing from the World Bank than in the pre-graduation phase when both IBRD and IDA financing were available.

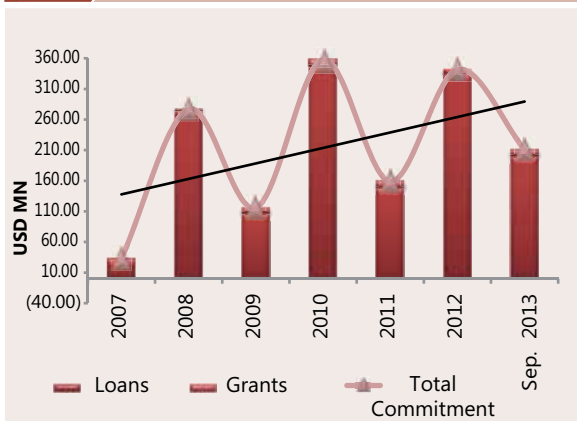
Commitments

Sri Lanka was able to mobilize USD 1,435.3 million worth of loans and USD 54.1 million grants from the World Bank for the period of 2007-Sep 2013. A total of thirty six (36) agreements

were signed during 2007- Sep 2013 period out of which 23 were loan agreements and 13 were grant agreements.

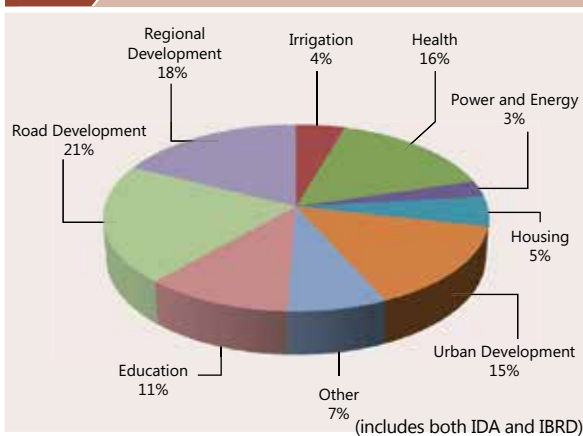
The World Bank's continuous support for the development efforts of the Government of Sri Lanka further strengthened in the year 2013. Commitments from the World Bank in 2013 stand at USD 208 million and it has led to increase total commitments from the World Bank up to USD 2,453 million over 14 years since 2000. The World Bank has extended its support to the country's overall health sector development programme by providing a budget support of USD 200 million in 2013, becoming major contributor to the total commitment for 2013.

Chart 16 Commitments (USD Mn), 2007- Sep 2013



Source : Department of External Resources

Chart 17 Commitments by Sectors: 2007 - Sep. 2013



Source : Department of External Resources

In the sectoral perspective, figure above shows that World Bank had the highest commitment

for road development over the past 7 years which accounts for USD 299.85 million. Financial assistance for road sector development has obtained under Road Sector Assistance Project and Provincial Roads Project.

The second largest commitment by the World Bank was for regional development during the period 2007 – Sep 2013 with a total amount of USD 256.3 million. These funds were allocated to the development of Northern, Eastern and adjoining provinces, through the Emergency Northern Recovery, North East Local Services Improvement (Pura Naguma), Reawakening and Gamidiriya Projects.

Emergency Northern Recovery Project



The Government resettlement plans were further supported by the World Bank through the project activities of the "Emergency Northern Recovery Project" which is in place in all the areas of Northern Province where IDP resettlement was done. The total project cost is around USD 75.5 million. It consists of the four components which are Emergency Assistance to IDPs, Work-fare-Program (Cash for work), Rehabilitation and Reconstruction of Essential Public and Economic Infrastructure, Project Management Support.

RE-AWAKENING PROJECT



The re-awakening Project is a unique Government initiative where the World Bank supports to the Government of Sri Lanka exactly in restoring livelihoods of conflict affected communities, enhancing agriculture productions and income and building their capacity for sustainable social and economic reintegration and to immediately resettle them in their places of origin. Then it has been extended to focus on flood affected communities with the same objectives. Project operation areas initially covered 12 districts affected by the conflict in the Northern Province, Eastern Province and adjoining areas. However the project services were later extended to support flood damage victims and communities in sixteen districts including the former and an additional four districts namely Kandy, Matale, Badulla & Nuwara-Eliya. The total support for this project

PROJECT AREA - 16 DISTRICTS



Northern Province –
Vavuniya,
Mannar, Jaffna, Kilinochchi,
Mullaitivu

Eastern Province – Am-
para,
Batticaloa, Trincomalee

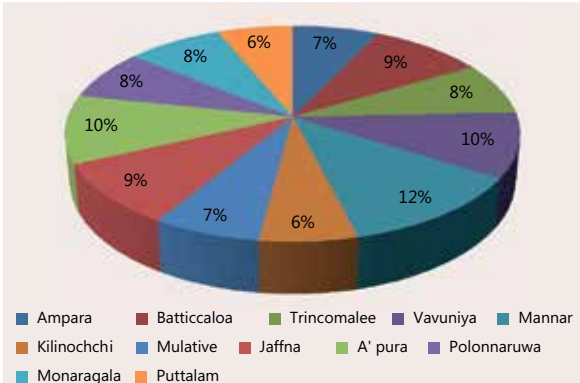
Adjoining Districts –
A'pura,
Polonnaruwa, Monera-
gala,
Puttalam

Additional Districts –
Kandy,
Matale, Badulla &
Nuwara-Eliya

is up to USD 141.14 million with Project duration up to December 31, 2014. The project has been designed with collected components of Village Rehabilitation and Development, Rehabilitation of Major/Minor Irrigation Schemes, Cluster Level Livelihood Activities.

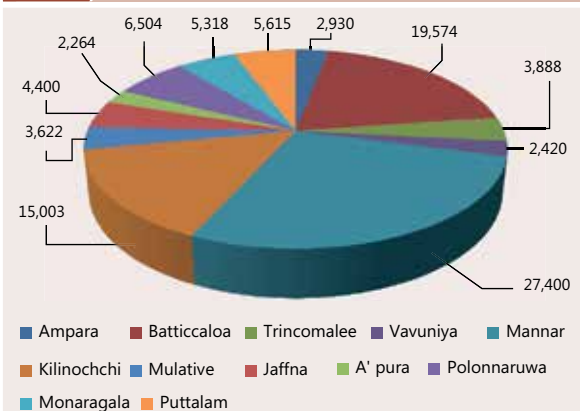
Reawaking Project Performance

Chart 18 Livelihood support Activities as at 31 July, 2013 (Total No of Loans)



Source : Department of External Resources

Chart 19 Capacity Building no of Beneficiaries as at 31 July, 2013



Source : Department of External Resources

Table 18 Agreements Signed during Sep 2012 - Sep 2013

	Project	Loan amount (USD Mn)	Date
1	PHRD Grant for Metro Colombo Towards a Flood Resilient Urban Environment (IBRD)	0.9	20.11.2012
2	Sri Lanka Education Sector Development Framework and Program-TF 013267	11.13	18.07.2013
3	Second Health Sector Development Programme (IDA)	200.0	19.08.2013

The Government of Sri Lanka is investing heavily in National Health to meet the public health demands, challenges of malnutrition, rising trend of non-communicable diseases such as cardiovascular and cerebrovascular diseases, cancer, diabetes, kidney diseases, mental health disorders and traumatic injuries and prevention & control of communicable diseases. In this endeavor, the World Bank having recognized the Governments' efforts to improve the health system has extended its support to the country's overall health sector development programme by providing budget support. Thus, the Second Health Sector Development Programme (SHSDP) has been developed for a five year period identifying strategic activities to be implemented under the SHSDP covering few thematic areas such as malnutrition, prevention and control of non-communicable diseases, maternal & child health and health system improvement. The total budgetary requirement for the five year Health Sector Programme is expected to be around USD 5,170 million and the International Development Association (IDA) of World Bank has committed to provide USD 200 million for SHSDP by way of a loan. The disbursements are expected to be released based on the performance of the Disbursement Linked Indicators (DLIs). Therefore, World Bank's commitment on Health Sector development during 2007 – Sep 2013 period has risen up to USD 229.88 million. The Financing Agreement of SHSDP was signed on the 19 August, 2013.

World Bank's contribution to the urban development sector was USD 213.9 million which was obtained as the first IBRD loan after 1986 for the Metro Colombo Urban Development Project, jointly funded by the Government aiming at qualitative and visible changes in the Metro Colombo Region.



Walking Pathways constructed under Metro Colombo Project

Government's Irrigation sector initiative with World Bank

Dam Safety & Water Resources Planning Project (DSWRPP)

The DSWRP which is supported by the World Bank despite the initial implementation delay has picked up with significant benefits to the country's irrigation and water management system.



Dambuluoya Reservoir



Kandalama Foot Bridge



Spill Gates at Kantale

The Government of Sri Lanka in its long term development strategy recognizes the irrigation and water resource management as a National priority considering the rising importance of the agrarian economy and sustainable livelihood development, access to quality drinking water,

Chart 20 Disbursements, 2007 - 2013 Sep



Source : Department of External Resources

wild life, biodiversity, conservation of renewable energy sources and power generation. In this context the Government invited the Bank to assist by expanding the present scope of DSWRPP

Chart 21 Ongoing Projects- Disbursement in 2013 (Rs.Mn)



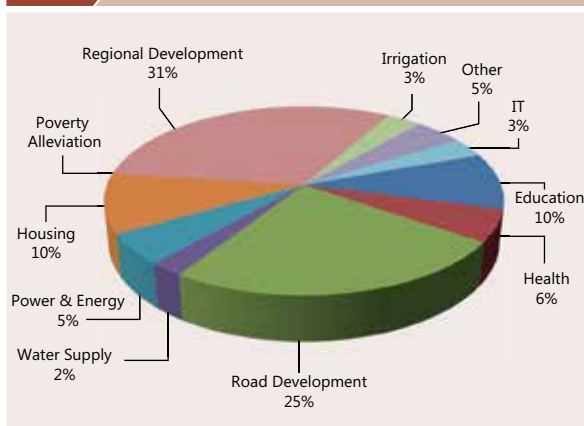
Source : Department of External Resources

to include additional urgent work as well as commencing phase II covering medium scale irrigation and downstream work to ensure that a multiplicity of development objectives are realized satisfactorily.

Road development in the country has been given prominence by the government, and construction of highways, widening of highways, reduction of traffic congestion, road maintenance & rehabilitation and bridge rehabilitation & reconstruction activities are fast moving. The World Bank has committed in the sector through Provincial Roads and Road Sector Assistance projects. Both projects are performed well during the first nine months of the year and show high disbursement as per the chart 21.

As per the above chart, NELSIP Project shows zero disbursement in 2013 because it has utilized the fund withdrawn from IDA in 2012. Further, the first disbursement for the Second Health Sector Development Project will be in near future once the administrative matters are finalized.

Chart 22 Sectoral Disbursements, 2007- 2013 Sep



Source : Department of External Resources

Further investment in the road network has become an urgent necessity and the development of road network from Kandy to Jaffna (Northern Expressway) has become a major determinant factor in attracting new investments to the country. In this context, World Bank has shown keen interest in investing as a PPP.

The Metro Colombo Urban Development Project has recorded a disbursement of USD 32.12

million up to September 2013 which is the highest among the Bank's funded projects.

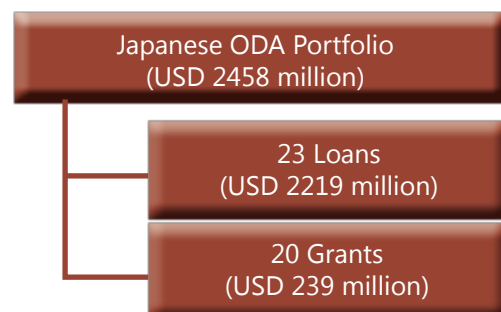
The Government has taken appropriate actions periodically to review the World Bank portfolio and restructure ongoing development projects in order to harmonize them with ground realities and new development challenges in the areas of focus.

The Skills Development Project with a total loan amount USD 100 million, the Improving Climate Resilience project of total loan amount of USD 210 million and Strategic Cities Development Project of total loan amount of USD 150 million are in the preparation stage and expected to be signed in 2014.

Japan

The development assistance from the Government of Japan is extended in the form of Loan Aid (Yen Loans), Grant Aid, Technical Cooperation Programme and the Development Studies. More than 90 percent of Japanese development financing is channeled through the Yen loan scheme covering wide range of priority sectors such as roads, power and energy, water supply, ports and aviation, healthcare and small and medium enterprises.

The Grant Aid Schemes are basically focused in the areas of Human Resources Development, improving Health and Medical services and the development of Agriculture and Fisheries.



Assistance under the Japanese Technical Cooperation is aimed at sharing Japanese knowledge, experience and skills with the Government of Sri Lanka by dispatching of

experts from Japan to provide technical support or the provision of necessary equipment. Further, technical cooperation includes the programme of Science and Technology Research Partnership for Sustainable Development (SATREPS) which promotes international joint research based upon the social needs of the recipient country.

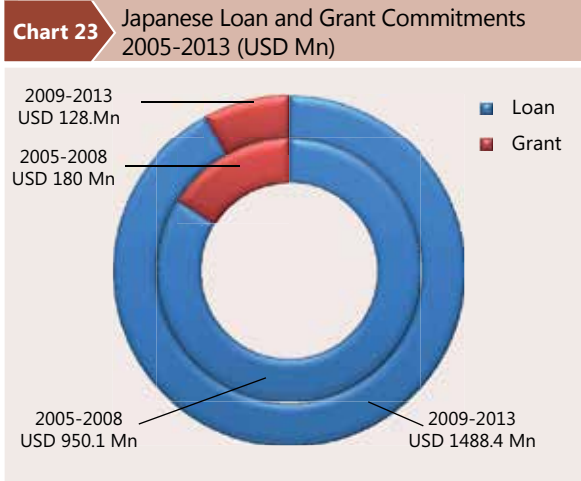
Sri Lanka initiated Environment-Friendly Solid Waste Management Project in 2010 in collaboration of Japanese research institutions. The project is implemented by the Sri Lankan Institutions such as University of Peradeniya, University of Ruhuna, Central Environment Authority and National Solid Waste Management Support Centre.

The project will develop site-specific pollution control and remediation techniques for waste disposal sites utilizing locally available materials and the applicable guidelines for the design and maintenance of solid waste disposal sites will be proposed to the Government. The project duration is five years.

With the introduction of Japanese special loan scheme called "Special Terms for Economic Partnership (STEP) in 2003, the GOSL was able to implement selected projects with active participation of Japanese Companies while utilizing advanced Japanese technologies and technical know-how.

Annual Commitments and Disbursements, 2005-2013

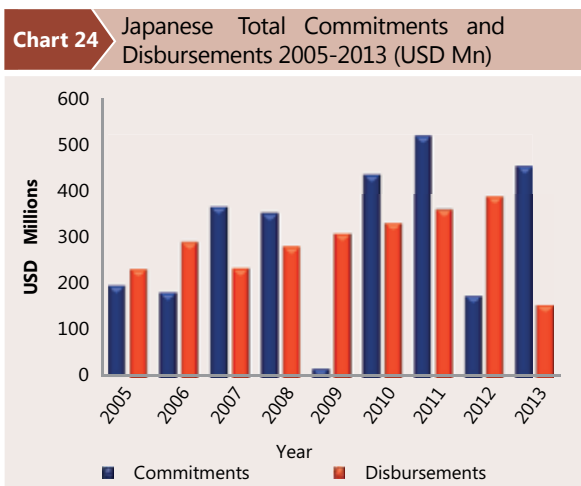
The total commitment made under the Japanese Annual Yen Loan Package which was averaged around USD 400 million before 2008 was increased over USD 500 million in 2011 recording the largest bilateral cooperation between Japan and Sri Lanka and this amount will increase further in future packages taking into the consideration the of post war middle income economic needs.



Source : Department of External Resources

The total commitments made by the Japanese Government over the period of 2005-2013 amounted to USD 2,743 million including USD 2,439 million loan financing and USD 304 million grant financing. The highest annual commitment of USD 523 million was recorded in 2011 owing to massive economic infrastructure development carried out by the Government. The annual loan and grant commitments during the period of 2005-2013 varied with an average commitment of USD 305 million.

Over the last three-year period, the annual disbursement has increased up to the level of USD 392 million showing remarkable progress of on-going projects.

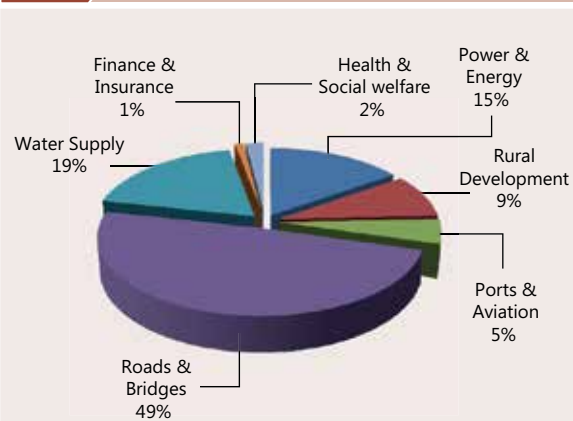


Source : Department of External Resources

The total disbursement recorded in 2012 was USD 392 million which is a remarkable

achievement when compared with the average disbursement level of USD 290 million during the period of 2005-2013. The total disbursements under the Japan funded projects implemented in 2013 (up to end of August) amounted to USD 158 million which is 57 percent of the annual disbursement target for 2013.

Chart 25 Sectoral Distribution of Japanese Loan Assistance 2005-2013



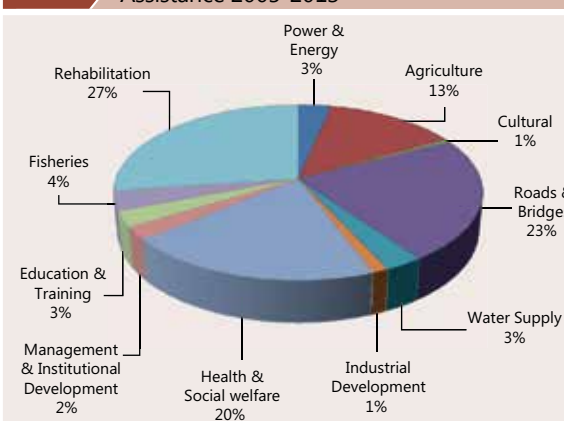
Source : Department of External Resources

The total loan commitments made under Japan funded projects during 2005-2013 amounted to USD 2,439 million. The sectoral distribution of above commitment during 2005-2013 consists of USD 1,186 million for the development of roads and bridges, USD 371 million for power generation, USD 454 million for water supply, USD 224 million

for rural development, USD 126 million for the development of seaports and airports, USD 51 million for health and social welfare and USD 27 million for finance and insurance sector.

During the period of 2005-2013, Japanese grant assistance of USD 340 million was channeled to Agriculture, Power and Energy, Roads and Bridges, Water Supply, Industrial Development, Health and Social Welfare, Education and Training, Fisheries, Rehabilitation and Cultural sectors.

Chart 26 Sectoral Distribution of Japanese Grant Assistance 2005-2013



Source : Department of External Resources

Japanese grant commitments include USD 70 million for roads and bridges sector, USD 56 million for health and social welfare sector and USD 38 million for water supply sector.

Table 19 Japanese Commitment made through 43rd Yen Loan Package

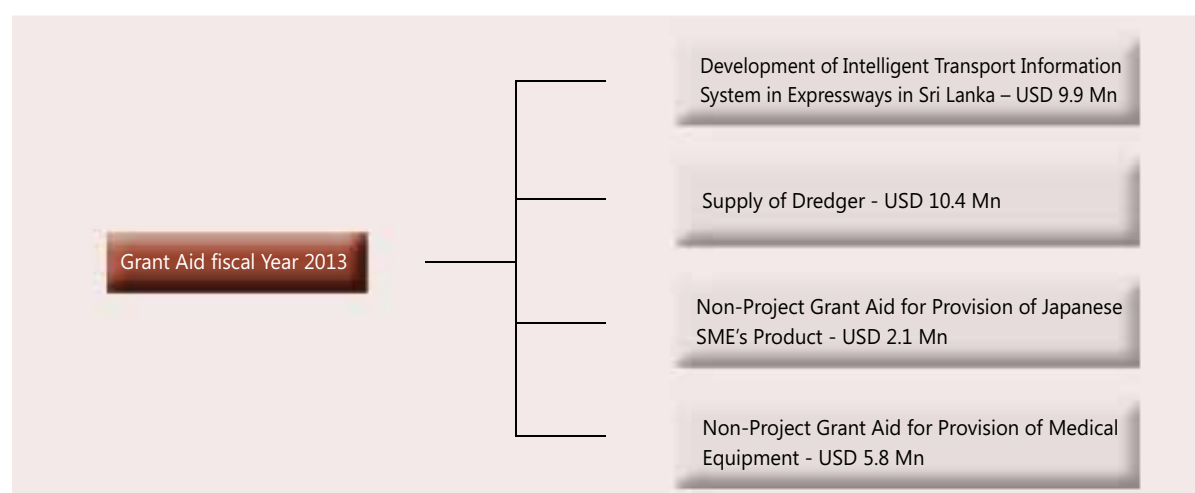
Project Name	Amount (USD Mn)	Description
Anuradhapura North Water Supply Project – Phase I (Mahakanadara wewa)	53.9	Construction of Mahakanadarawa Water Supply Scheme to provide safe drinking water for people who live in Anuradhapura North area.
Landslide Disaster Protection Project of the National Road Network	79.5	Strengthening Landside Disaster Management in Sri Lanka by implementing slope countermeasures for major national roads in high risk area such as mountain area which is highly susceptible to slope disasters in Central, Sabaragamuwa and Uva Provinces.
Major Bridges Construction Project of the National Road Network	129.2	Construction of 37 major new bridges of the national road network which are more than 30 meters in length including 13 bridges in Western Province, 8 bridges in Northern Province, 9 bridges in Southern Province, 3 bridges in Sabaragamuwa Province, 2 bridges in North Western Province and one bridge in Central as well as in Uva Province under this project.
Greater Colombo Transmission and Distribution Loss Reduction Project	166.4	Catering the rapidly increasing electricity demand in Colombo City while minimizing the distribution losses and enhancing the efficiency of distribution of power by constructing new Low Voltage (LV) lines with distribution sub stations.

Japanese Development Cooperation, 2013-2014

The existing portfolio of Japanese financial assistance for 2013 was further enhanced to USD 429 million through 4 new loans under the 43rd Yen Loan Package.

In addition, Japanese financial assistance also included 4 grants in 2013.

Japanese Grant Aid for 2013



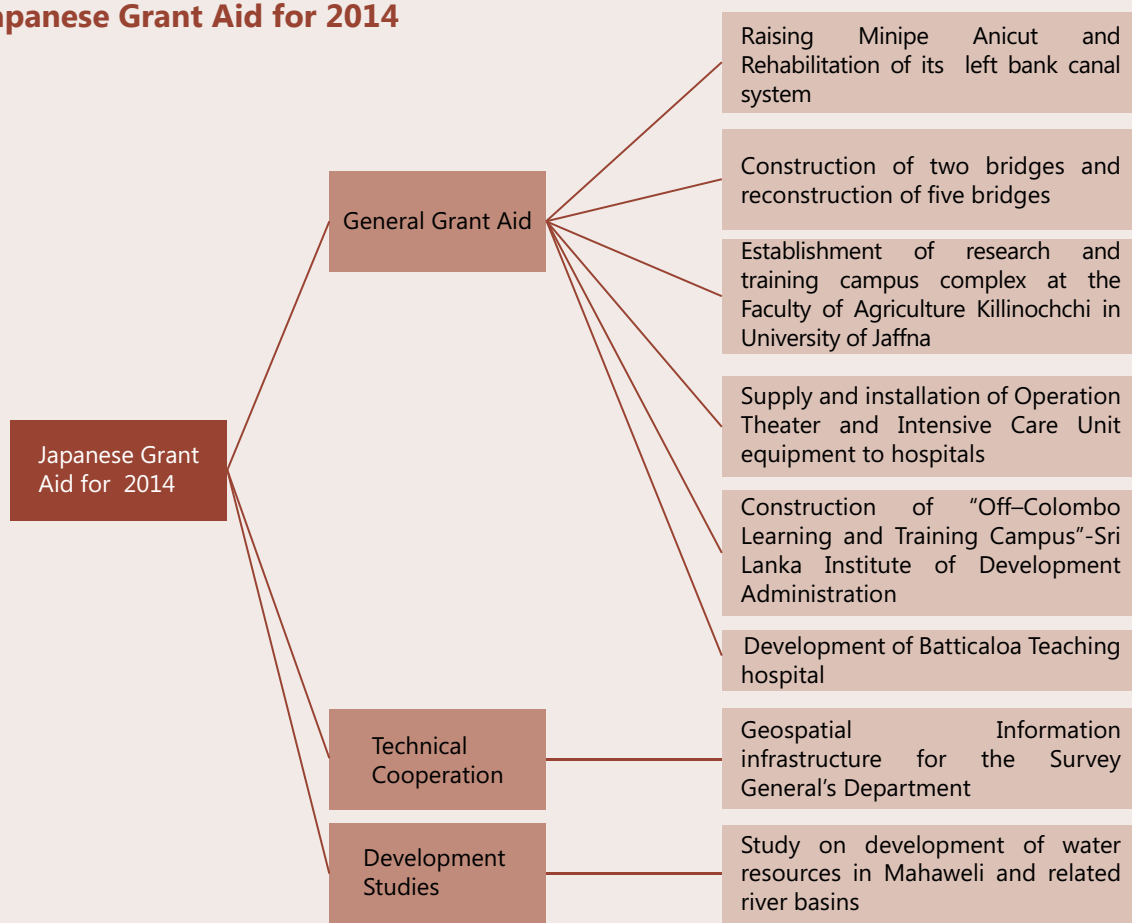
The Government of Sri Lanka having identified the funding requirements for priority projects to be implemented under 44th Yen Loan Package of Japan ODA for the year 2014 in accordance with the Development Policy Framework of the Government "Mahinda Chinthana - Vision for New Sri Lanka". Accordingly, the GOSL intends to obtain USD 516 million from JICA for the implementation of four loan projects under the 44th Yen Loan Package.

Table 20 Proposed Japanese Commitment through 44th Yen Loan Package

Project Name	Amount (USD Mn)	Description
Second New Kelani Bridge Construction Project	230	Construction of new elevated bridge parallel to the existing new Kelaniya Bridge.
Anuradhapura North Water Supply Project – Phase II	70	Construction of new water supply scheme in Wahalkada wewa to provide pipe borne water supply facility to people live in Horowpathana, Kahatagasdigiliya, Kabithigollawa in Anuradhapura District.
Gamaneguma Rural Community Development Programme	70	Aims at enhancing economic opportunities by reinforcing access to production centers, economic hubs and other facilities through construction of rural roads, community water supply schemes and rural irrigation schemes in selected villages of North Central, North western, Sabaragamuwa, Uva, Northern and Eastern Provinces.
Power Sector Development Project	146	Implementation of 10 sub projects to improve energy efficiency through loss reduction transmission and distribution network.

Source : Department of External Resources

Japanese Grant Aid for 2014



Success Story of Connecting Communities: Newly Constructed "Panichchankarni" Bridge

Newly Constructed Panichchankarni Bridge

The Panichchankarni Bridge on Trincomalee- Batticaloa Road (A15) has been constructed at a cost of Rupees 1.7 billion with the financial assistance extended by the Japanese Government. The bridge is 133 metres in length and 10.4 metres in wide. "Our old Panichchankarni bridge was destroyed due to terrorism prevailed in the area in 1996 and the temporary bridge was damaged in 2004 by tsunami disaster interrupting the transportation link of Trincomalee- Batticaloa Road. Therefore, constructing this new bridge under "Nagenahira Nawodaya" is a dawn of new era which transform our lives in to bright future with full of economic advantages. When travelling from Batticaloa to Trincomalee through Habarana route, it will take more than two hours journey, but with the opening of Panichchankarni bridge we can experience a significant reduction in travelling time and as well as the cost" says Ganesh Sarwanamuthu, Chairman of a Farmer Organization in Wakarai.

Table 21 Total Commitments made during the Period 2005-2013

2005	Small Scale Infrastructure Rehabilitation and Upgrading Project (SIRUP) – II	Loan
	Small & Micro Industries Leader & Entrepreneur Promotion Project (SMILE) – III	Loan
	Environmentally Friendly Solution Fund (E-Friends) II	Loan
	Project for the Upgrading of the Sewer Cleaning Equipment in Colombo City	Grant
	Increase in Food Production	Grant
	The Project for the Construction of a New Highway Bridge at Manampitiya	Grant
2006	Galle Port Development Project – Phase I	Loan
	Pro – Poor Eastern Infrastructure Development Project	Loan
	Tourism Resources Improvement Project	Loan
2007	Greater Colombo Urban Transport Development Project (Outer Circular Highway) – First Phase	Loan
	Water Sector Development Project	Loan
	Pro – Poor Rural Development Project	Grant
	Detail Design of Construction of Mannar Bridge	Grant
	Construction of Mannar Bridge and Improvement of Causeway	Grant
	Project for the Improvement of Display Equipment of the Sigiriya Museum	Grant
2008	Poverty Alleviation Micro Finance Project	Loan
	Energy Diversification Enhancement Project	Loan
	Southern Highway Construction Project (additional funding)	Loan
	Water Sector Development Project Stage II of Phase 1	Loan
	Greater Colombo Urban Transport Development Project (Outer Circular Highway)	Loan/Grant

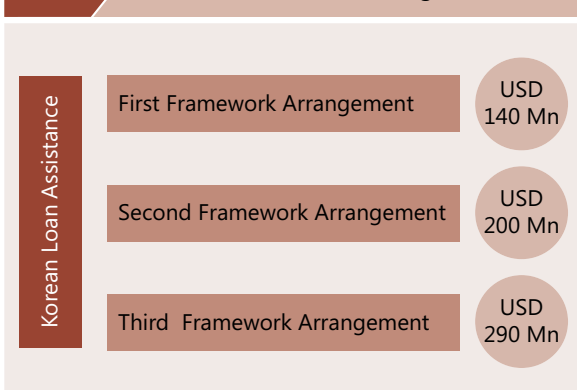
	Improvement of Anuradhapura Teaching Hospital	Grant
	Improvement of Curative Healthcare Services at the Teaching Hospital of Anuradhapura	Grant
2009	2KR Food Security Project for Underprivileged Farmers	Grant
	Improvement of Anuradhapura Teaching Hospital (Phase II)	Grant
	Introduction of Clean Energy by Solar Electricity Generation System	Grant
2010	Provincial / Rural Road Development Project	Loan
	Provincial Road Development in Central and Sabaragamuwa Province	Loan
	Rural Road Development in Eastern Province	Loan
	Eastern Province Water Supply Development Project	Loan
	Kandy City Wastewater Management Project	Loan
	Upper Kotmale Hydro Power Project (II)	Loan
	Reconstruction of Five Bridges in Eastern Province (Detailed Design)	Grant
	Reconstruction of Five Bridges in Eastern Province	Grant
	The Project for the Improvement of Central Function of Jaffna Teaching Hospital	Grant
2011	Greater Colombo Urban Transport Development Phase 2 (II)	Loan
	Vavuniya Kilinochchi Transmission Line Project (II)	Loan
	Emergency Natural Disaster Rehabilitation Project	Loan
	Improvement of Cartoon Production Facilities at Sri Lanka Rupavahini Corporation	Grant
	Food Security Project for Underprivileged Farmers	Grant
	Project for Construction of Manmunai Bridge Across the Batticaloa Lagoon	Grant
2012	Development of Bandaranaike International Airport – Phase 2	Loan
	Habarana – Veyangoda 220KV Transmission Line Project	Loan
	The Project for the Improvement of Basic Social Services Targeting the Emerging Regions	Loan
	Rehabilitation of Kilinochchi Water Supply Project	Grant
	Improvement of Japanese Language Learning Equipment in the Universities of Kelaniya and Sabaragamuwa	Grant
	Provision of Industrial Products	Grant
2013	Landslide Disaster Protection Project of the National Road Network	Loan
	Major Bridges Construction Project of the National Road Network	Loan
	Greater Colombo Transmission and Distribution Loss Reduction Project	Loan
	Anuradhapura North Water Supply Project – Phase I	Loan
	Project for the Development of Intelligent Transport Information System for Expressways in Sri Lanka	Grant
	Project for construction of Dredger	Grant
	Non-Project Grant Aid for Provision of Japanese Small & Medium Enterprise's Product	Grant
	Non-Project Grant Aid for Provision of Medical Equipment	Grant

Source : Department of External Resources

Korea

The Government of Korea is extending its loan assistance to Sri Lanka through Economic Development Cooperation Fund (EDCF) of the Export-Import Bank (Exim Bank) of Korea. Since 2008, the investment portfolio of Korea has been increased through EDCF while experiencing some changes in Korean loan procedure with the Framework Arrangement.

Chart 27 Korean Loan Assistance through EDCF



Source : Department of External Resources

The Framework Arrangement is an agreement signed between the Government of Korea and Sri

Lanka, indicating a ceiling for total loan funds to be financed under EDCF during a specified time period and outlining the procedures involved with the Administration of EDCF loan programme.

The Government obtained USD 140 million through the first Framework Arrangement in 2008.

Table 22 Korean Financial Assistance under First Framework Arrangement in 2008

Project	Amount (USD Mn)
Anuradhapura - Padeniya Road Project	55.0
Rurunupura Water Supply Project	76.3
Lanka Network Stage II Project	6.6

Source : Department of External Resources

The second Framework Arrangement was initiated in 2010 for obtaining loan funds through EDCF totaling up to USD 200 million for a period of 2009-2012.

Table 23 Loan Commitments from the Government of Korea during the period of 2005-2013

Sub Sector	Project	Status	Amount USD Mn
Water Supply & Drainage	Grater Galle Water Supply Project Phase II	Completed	22.6
	Ruhunupura Water Supply Development Project	On-going	62.8
Governance	Administrative Complex in Hambantota Project	Completed	20.1
	Lanka Government Network Project	Completed	5.6
Road	Improvement of Anuradhapura - Padeniya Road Project	Completed	63.1
	Hatton-Nuwara Eliya Road Improvement Project	On-going	38.2
Vocational Training	Upgrading of Niyagama National Vocational Training Centre Project	Completed	10.3
	Establishment of Colombo Central Vocational Training Centre and Gampaha College of Technology Project	On-going	26.1
Information Technology	Re-Engineering Government Component of e-Sri Lanka Project	Completed	13.9
Solid Waste Management	Construction of Solid Waste Disposal facilities Project	On-going	33.5

Source : Department of External Resources

Table 24 Korean Financial Assistance under Second Framework Arrangement for 2009-2012

Project	Amount (USD Mn)
Hatton- Nuwara Eliya Road Improvement Project	40.0
Construction of Solid Waste Disposal Management Project	33.5
Upgrading Gampaha College of Technology and the Colombo Vocational Training Centre Project	26.0

Source : Department of External Resources

Third Framework Arrangement for 2012 -2015 was signed between the Sri Lankan Government and the Government of Korea in 2012. Above Arrangement is consisted of maximum commitment of USD 290 million.

Table 25 Proposed Korean Financial Assistance under Third Framework Arrangement for 2012 -2015

Project	Amount (USD Mn)
Greater Kurunegala Integrated Water Supply Project (Daduru Oya)	63.7
Promoting ICT Education in Secondary Schools	48.5
Ruhunupura Water Supply Project Stage II	40.0
Absorption of Renewable Energy to National Grid	29.0
Ruwanwella Water Supply Scheme	24.0
Construction of Northern Provincial Council Office Complex	20.0
Construction of Solar Power Plant in Kilinochchi	20.0
Rehabilitation of Health Institutions in Ampara District	2.0

Source : Department of External Resources

Country Partnership Strategy has been introduced by the Government of Korea indicating how the Korea intends to assist Sri Lanka to achieve its development goals for the period of 2012-2016. The priority areas identified by the Sri Lanka Government in line with the Country Partnership Strategy are Economic and

Social Infrastructure, Education in areas of technical and vocational education and training and secondary education and Good Governance. At least 70 percent of Korea's ODA is channeled through the above priority sectors in line with the Development Policy Framework of the Government with the aim of promoting balanced economic growth by strengthening road connectivity and improving the status of water and sanitation, increasing international competitiveness through human resource development and enhancing the productivity and transparency of public sector through e-governance and capacity building.

Korean Grant Assistance

The Government of Korea is extending its grant assistance to Sri Lanka through Korean International Cooperation Agency (KOICA). Usually, the Korean grant funds are used to finance small scale projects with the aim of promoting international cooperation by contributing to the economic and social development of the country. To achieve this aim, KOICA conducts technical training programs and dispatches experts and volunteers. Korean grant assistance is mainly utilized for the feasibility studies for the projects which are selected under the Korean loan programme.

Table 26 KOICA Grant Aid Programme for 2014

Project Name	Amount (USD Mn)
Electrification of Northern Island using Hybrid Power System	10.0
Detailed Investigation and Design of Kalu Ganga Reservoir	10.0
Sustainable Utilization of Marine Resources in Eastern and Northern Provinces of Sri Lanka.	6.6

Source : Department of External Resources

Since 2005 to 2013, the total Korean grant assistance received by Sri Lanka was USD 38.6

million of which USD 10.7 million was utilized for the development of water and sanitation sector in the country. The Government has proposed three projects to be implemented under KOICA Grant Aid Programme for 2014.

Commitments and Disbursements (2005-2013)

During last nine years period from 2005-2013, the total commitment recorded from the Government of Korea was USD 334.7 million of which USD 296 million was loan assistance through EDCF and the rest of the total commitment of USD 37.8 million was grant assistance through KOICA. Ruhunupura Water Supply Project has recorded the highest commitment (USD 62.8 million) made by the Government of Korea in 2009. Sri Lanka was one of the largest recipient of Korean aid in areas of water supply, irrigation, energy, transport and establishing social safety networks.

Based on the Third Framework Arrangement signed between the Sri Lankan Government and the Government of Korea in 2012, the total loan commitment was USD 290 million.

Chart 28 Korean Assistance from 2005 -2013 (USD Mn)

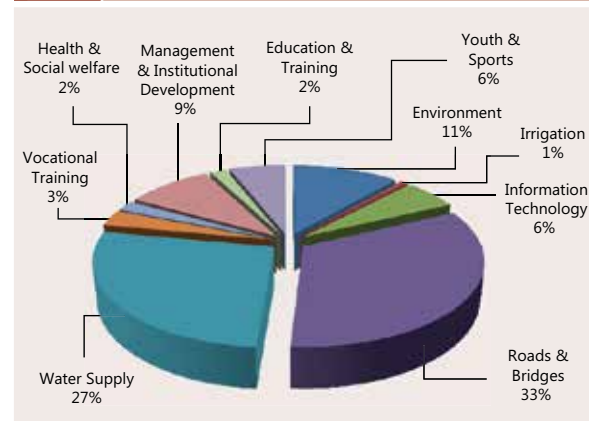


Source : Department of External Resources

In accordance with the identified priority areas of Korea - Sri Lanka Partnership Strategy including Roads, Water Treatment, Education, Vocational Training, Environment, Renewable Energy and Good Governance, Sri Lanka has secured Korean loan assistance of USD 296.3 million on a commitment basis through 12 projects through EDCF during of 2005-2013.

Sri Lanka has secured financial assistance from Korea for the implementation of development projects in priority sectors as identified in the Development Policy Framework of the Government. During last nine years period, 33 percent of the of the total Korean assistance in highest amount of USD 110.7 million was channeled through the Roads and Bridges sector in Sri Lanka. In addition, 27 percent of total financing was mobilized in Water Supply sector while 11 percent of Korean assistance has been made available for Environment sector.

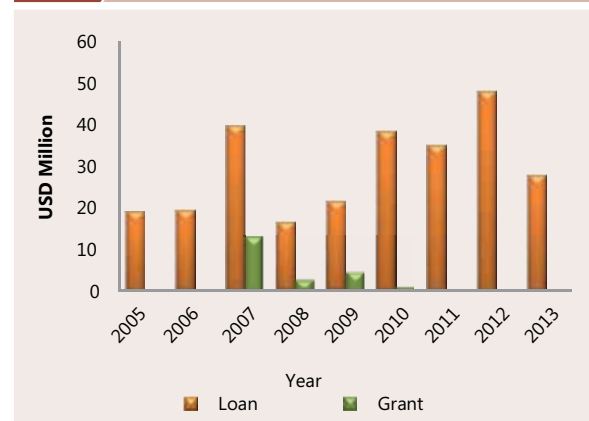
Chart 29 Sectoral Distribution of Korean Assistance 2005-2013



Source : Department of External Resources

The total disbursement made under Korean assistance from 2005 to end of August 2013 was USD 272.2 million. Further, the highest annual disbursement of USD 52.5 million was recorded in 2007.

Chart 30 Annual Korean Disbursements 2005 -2013 (USD Mn)



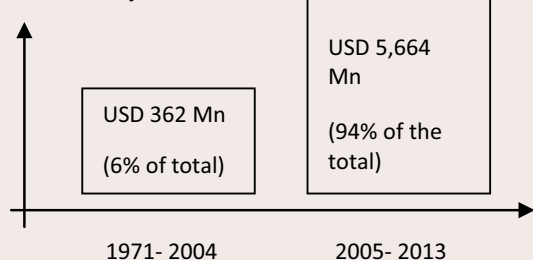
Source : Department of External Resources

The Knowledge Sharing Programme (KSP) was introduced by the Ministry of Strategy and Finance of the Republic of Korea in 2010. KSP is a policy research and consultation program which utilizes Korea's knowledge and experiences accumulated throughout the development process to assist the development of partner countries as Sri Lanka. Accordingly, 20 officials from the Ministries and the Government agencies are scheduled to be participated the above programme in Korea in 2013 covering one week study tour.

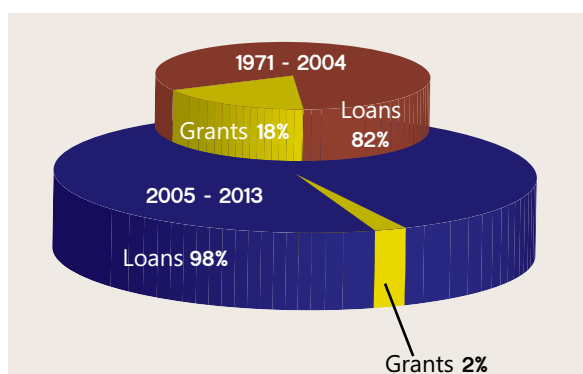
China

The People's Republic of China has emerged as one of the leading development partners of Sri Lanka in the recent past. The total assistance extended by China up to September 2013 was USD 6,026 million.

Chinese Assistance For Development



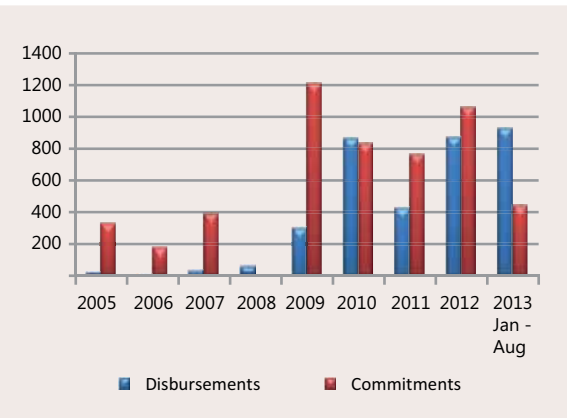
The funds received under loan assistance have been invested in high priority strategic development areas of ports, aviation, power and energy, highways and irrigation most of which have been initiated during last 8 years.



Commitments and Disbursements of Chinese Assistance (2005-2013 Aug)

The annual commitment made by China on infrastructure development is around USD 800-1000 million. Annual disbursement of these funds is around USD 600 million.

Chart 31 Annual Commitments and Disbursements of Chinese Assistance (2005 –Aug 2013) – USD Mn

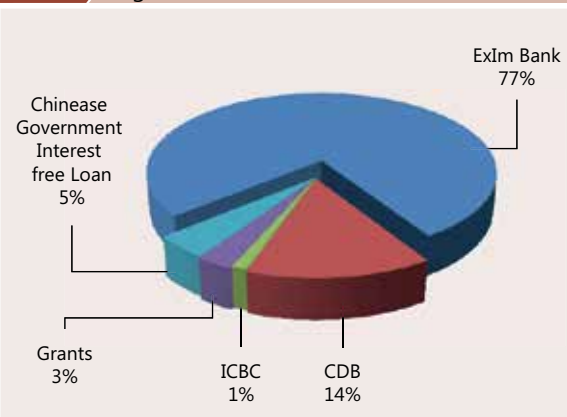


Source : Department of External Resources

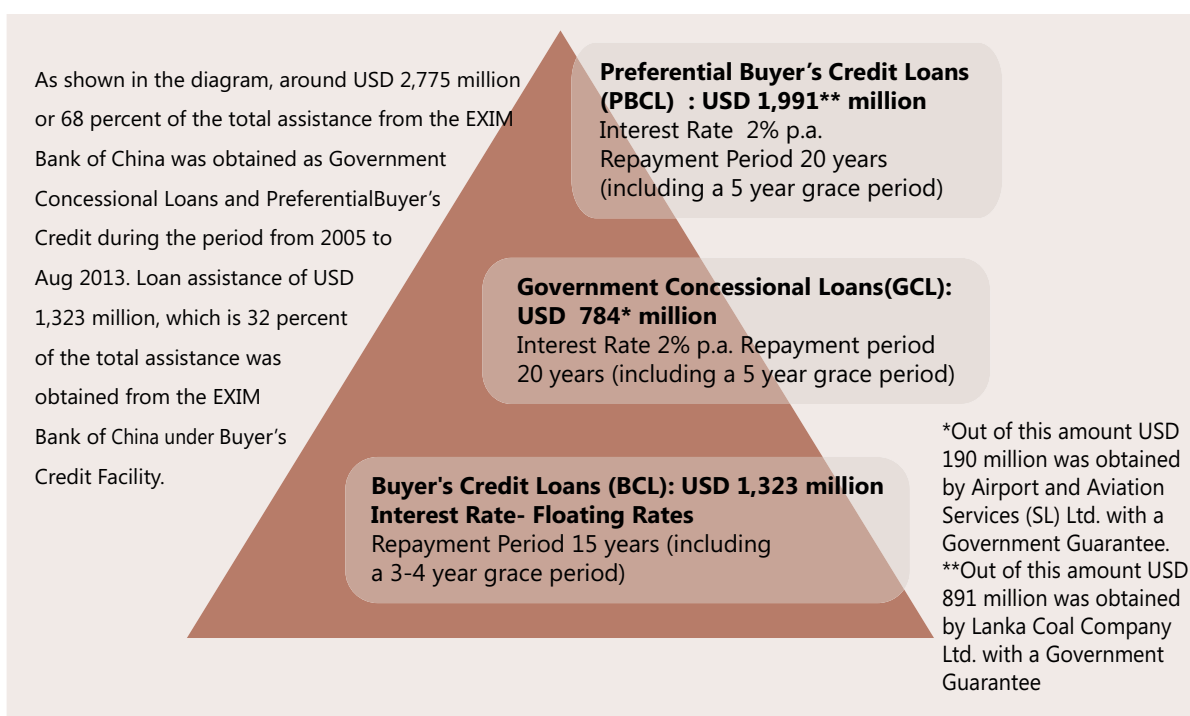
Contribution from Different Funding Sources

The Government of Sri Lanka secures financial assistance mainly from EXIM Bank of China, in addition to China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC) for priority development projects in Sri Lanka especially in the areas of roads, irrigation and power.

Chart 32 Chinese Assistance from Different Funding Agencies



Source : Department of External Resources



In line with the Government's borrowing strategy, a larger volume of Chinese assistance is obtained from the Preferential Buyer's Credit Facility of the EXIM Bank of China as this facility is provided in United States Dollars whereas Chinese Government Concessional loans are extended in Chinese currency which is in appreciating trend at present in relation to United States Dollar.

New Portfolio

The total assistance committed by China is around USD 3,300 million for the years 2013 and 2014. Out of the total assistance, the EXIM Bank of China has provided USD 1,274 million for the year 2013. It consists of USD 749 million through Preferential Buyer's Credit Facility, USD 449 million through the Government Concessional Loan Facility and USD 76 million through the Buyer's Credit Facility of the EXIM Bank of China.

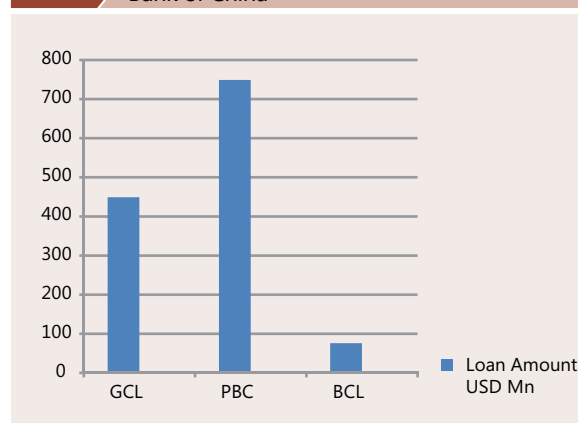
In addition, the Government has secured financial assistance of USD 1,344 million from the EXIM Bank of China under the PBC and GCL/BCL facilities to finance identified high priority projects in 2014.

Table 27 New Portfolio 2013/2014

Lender	Total Commitments USD Mn
China EXIM Bank	2,618
China Development Bank	680

Source : Department of External Resources

Chart 33 New Commitments for 2013 from EXIM Bank of China



Source : Department of External Resources

Table 28 Projects to be financed with the loan assistance from EXIM Bank of China in 2013/2014

Project	USD Mn		
	GCL	PBC	BCL
1. Construction of Outer Circular Highway (OCH) (Kadawatha to Kerawalapitiya)		520	
2. Gampaha, Aththanagalla & Minuwangoda Intergrated Water Supply Scheme		229	
3. Kurunegala Water Supply & Sanitation Project	77		
4. Hambantota International Hub Development Project - Rehabilitation of Roads and Construction of two Flyovers	252		
5. Hambantota International Airport Development Project Cost Overrun and Additional Work	122		
6. Rehabilitation of Roads in southern part of Sri Lanka		143.7	
7. Relocation & Development of the Institute of Technology, Moratuwa University			76
8. Southern Expressway Extension Project (Matara - Beliatta - Mattala - Hambantota Air Port 94km)			1,200
Total - EXIM Bank		2,619.7	

Source : Department of External Resources

Table 29

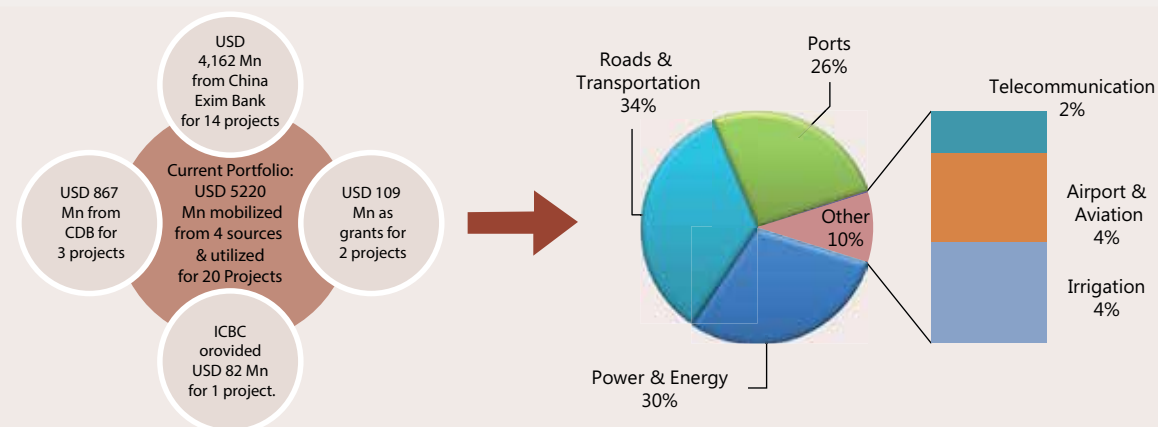
Projects to be financed with the loan assistance from China Development Bank in 2013/2014

	USD Mn
Road Project Loan 3 Phase 1	220
Road Project Loan 3 Phase 2	220
Kandy North Water Supply Project	95
Thambuttegama Water Supply Project	73
Katana Water Supply Project	72
Total	680

The Government also held discussions with the China Development Bank to obtain USD 680 million to finance development projects in the Road Sector and Water Sector. A Memorandum of Understanding was signed in this regard during the visit of His Excellency the President to China in the presence of the two leaders of the both countries.

Current Portfolio

The active portfolio currently stands at USD 5,220 million. Six sectors are being funded under the current portfolio. A major portion of this portfolio has been invested in the roads and transport sector followed by the Power & Energy Sector.



Sector Specific Investments

Airport and Aviation Sector

Mattala Rajapakse International Airport (MRIA) - A new gateway for investment.



Mattala International Airport has been built as an alternative international airport to Bandaranaike International Airport to capture the market share in the Asian region, promote the air-sea-transshipment hub operation, be a key component in the development efforts on the Eastern and Southern regions, and increase passenger, cargo volume and the new airport is specially designed as an environmental friendly carbon neutral airport.

David Gaeta (Lawyer) and Anofeto Rapolla Testa (Web Advertiser) from Italy are frequently visiting to Sri Lanka. During their recent visit, they have visited Kandy, Passikuda, Arugam bay, and Eastern Beaches.

When they came to MRJA for their departure, they expressed their views on the new Airport

"We spent one week in East coast. Then we got to know Mattala Rajapakse International Airport & we booked our flights by internet and came to this place to get back to Italy. It is very much convenient to us being here otherwise we have to travel around 8 hours to Colombo from Arugam bay to get our departure flights. However, it took only one and Half-hour to reach MRJA and quite happy about our decision to come to MRJA. Facilities at MRJA are very good and we enjoy lunch at Sri Lankan Restaurant at MRJA. We will tell the story to our colleges and tell them to use MRJA for their future travels to East coast of Sri Lanka and it is convenient in cost and Time" Anofeto Rapolla Testa said, "I will publish these things in my web also"



Power and Energy Sector

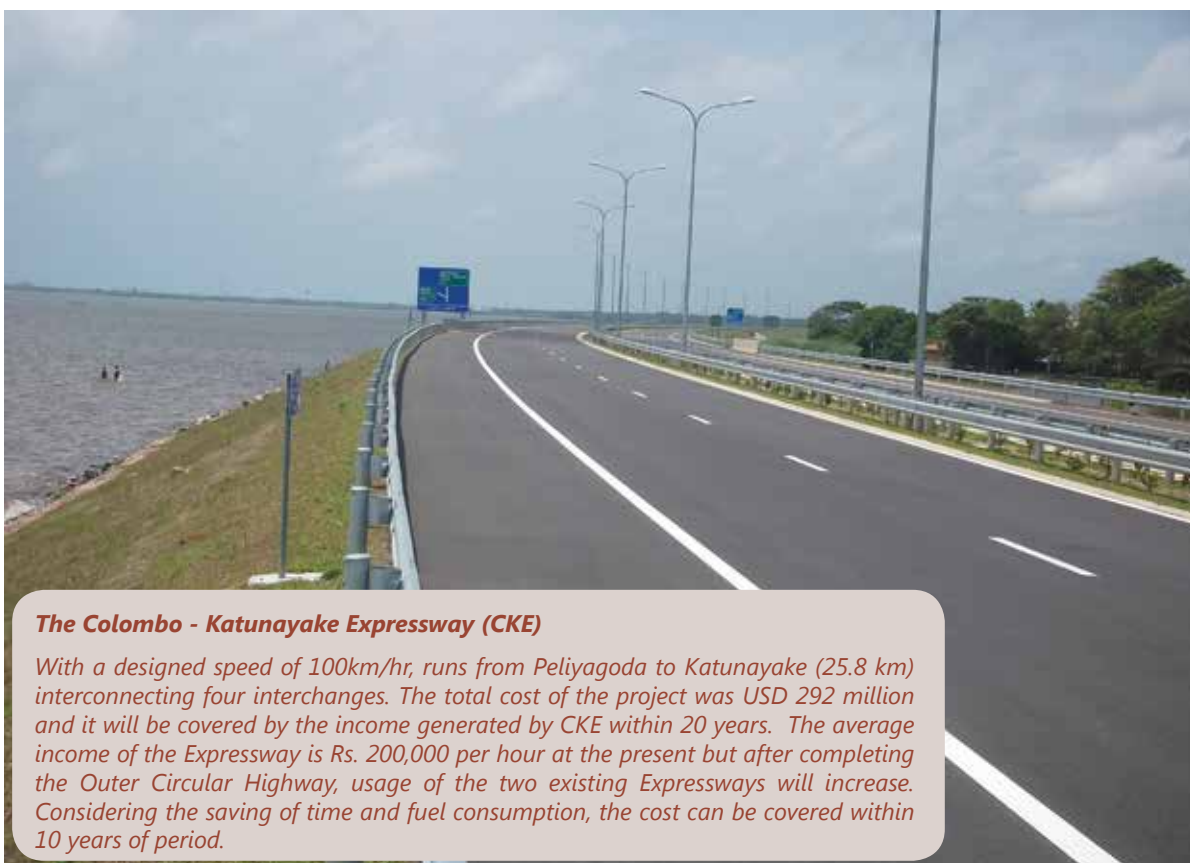
Out of the total Chinese loan portfolio, USD 1.5 billion or 30 percent is allocated to implement 4 projects in the Power & Energy Sector which is 30 percent of the total portfolio

Description	Loan Amount USD Mn
Puttalam Coal Power Project	1,346.0
Lightning Sri Lanka – Uva Province	25.0
Lightning Sri Lanka - Eastern Province	32.0
Uthuru Wasanthaya	32.0

Roads and Transport Sector:

At present 5 road projects are being implemented with Chinese assistance of USD 1.7 billion. Total of 1,355 km are being rehabilitated under these projects. In 2013, loan negotiations were conducted to mobilize further USD 2.6 billion from the EXIM Bank of China and the China Development Bank for the road sector.

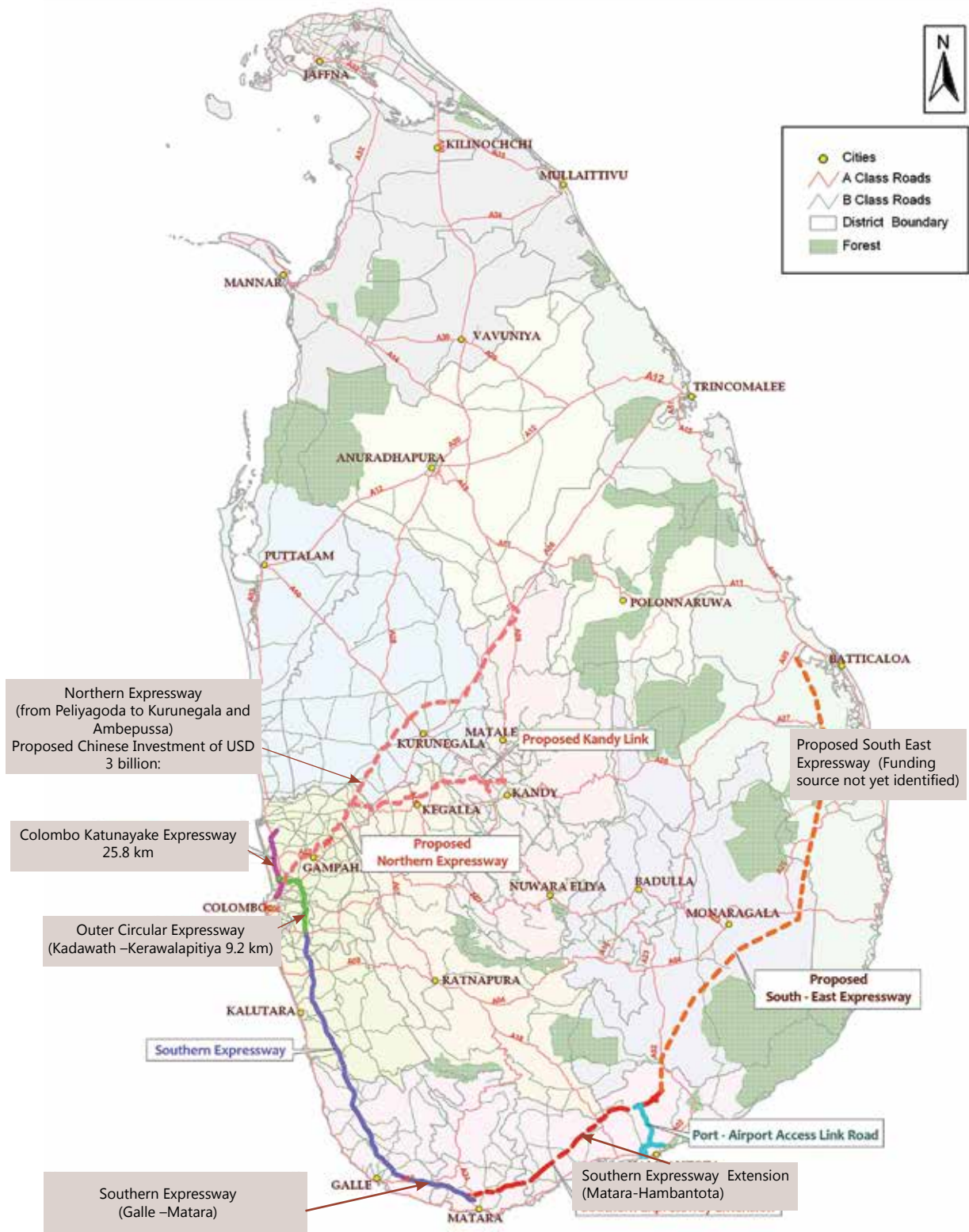
Project	Description	Amount USD Mn
Northern Road Rehabilitation Project 366.97 km	The objective of the project is to rehabilitate roads in the Northern province and it will help to revive the economic activities of the communities who have economically suffered for a long time	424.0
Priority Road Project 1 & 2 577.69 km	The project aims to accelerate the Government road construction program to provide necessary connectivity and linkages to the current road network	653.0
Matara – Beliatta Section of Matara – Kataragama Railway Extension Project 26.75 km	The objective of the project is to improve the transport system in the Southern Region by providing an efficient rail transport from Colombo to Kataragama	278.0
Hambantota International Hub Development Project 52.96 km	The project objective is to develop the road network in the Hambantota International Hub Development area.	253.0
Extension of Improvement and Rehabilitation of Priority Roads II (PRP II) Project -459.86 km	Proposed project aims to extend the project of PRP II, to provide necessary connectivity and linkages to the current road network	440.0



The Colombo - Katunayake Expressway (CKE)

With a designed speed of 100km/hr, runs from Peliyagoda to Katunayake (25.8 km) interconnecting four interchanges. The total cost of the project was USD 292 million and it will be covered by the income generated by CKE within 20 years. The average income of the Expressway is Rs. 200,000 per hour at the present but after completing the Outer Circular Highway, usage of the two existing Expressways will increase. Considering the saving of time and fuel consumption, the cost can be covered within 10 years of period.

Chinese Contribution to Expressway Network in Sri Lanka



Expressway Network in Sri Lanka

Irrigation and Water Resource Management

Moragahakanda Irrigation Project : The project will provide irrigation water facilities to 81,442 hectares of land in the dry zone and domestic and industrial water requirements of Anuradhapura, Trincomalee, Polonnaruwa and Matale districts. Water supply capacity in these districts will be increased from 28 mcm to 91 mcm and the project will generate 25MW of hydropower electricity that will be added to the national grid. It is expected that the annual agricultural benefits from paddy cultivation alone would be around Rs 3882.9 million as a result of the project while fresh water fish breeding industry would contribute around Rs. 1.67 million to the national economy from the project. In addition, with the hydropower produced the country would annually save Rs.321.21 billion through annual fuel cost savings. Consequently, the Moragahakanda irrigation project would benefit around 100,000 families particularly the agricultural and inland fishery communities in several provinces. Moragahakanda Reservoir, which is being constructed under the Project, would be the second largest reservoir built in Sri Lanka after Victoria Reservoir and would bring economic prosperity to the country.

Chinese Grant Assistance

Since 1971, Sri Lanka has received around USD 200 million as grant assistance

	Project	Amount USD Mn
During the past, China had funded several landmark projects under grant assistance.	Polonnaruwa Water Supply & sanitation	32.93
	BMICH	2.14
	Muthurajawela oil tank farm project	3.58
The new grant portfolio will focus mainly on health and cultural development.	Renovation of fisheries Harbors damaged by Tsunami	18.21
	Construction of few selected Road Infrastructure	14.52
	Superior Court Complex	3.58
The proposed developments of the Ambulatory care centre of the National Hospital will provide facilities to around 10,000 patients per day who are coming to the hospital for their medical needs.	Lady Ridgeway Hospital	1.98
	Kandy Road (Kiribathgoda to Kadawatha)	10.00
	Childcare and Maternal Building- Colombo North Teaching Hospital	6.45
It is also proposed to construct a new maternal and childcare hospital close to the North Colombo Teaching Hospital at Ragama under Chinese grant assistance	Development of Ambulatory Care Center of National Hospital	14.52
	Provision of Sports Goods for youth in Jaffna	0.15
	Proposed Projects	
Apart from the above projects, new Art theaters are proposed to be constructed in Anuradhapura and Kandy under the new grant portfolio.	Child Care and Maternal Hospital in Ragama	40.00
	Development of Ambulatory Care Center of National Hospital of Sri Lanka	90.00
	Siemens MRI Scanner for Lady Ridgeway Hospital for Children	2.05
	Kandy Convention Center(to be estimated)	7.7
	Anuradhapura Performance Arts Theatre	3.8
	Child Friendly Lady Ridgeway Hospital	6.25

BMICH

Bandaranaike Memorial International Conference Hall known as BMICH is a multifunctional complex comprising of 9 buildings and covers 37 acres in landscape. It was built in 1973, as a gift from the people's Republic of China and construction works of BMICH was carried out by joint workforce of Sri Lanka and China.

BMICH is Sri Lanka's most popular high profile events taking place i.e. international forum such as CHOGM, conferences, exhibitions, trade events etc. with over 93,000 square meters of space in main building and 4,500 square meters of space in small exhibition center called Sirimavo Bandaranaike Memorial exhibition center. It consists of high-tech facilities, library with almost all subjects, modern convention halls and rooms, lobby, dining room and lounge.



Nelum Pokuna - National Arts Theater

The objective of the project is to create a nucleus for all activities in the field of performing arts and offer a forum for a range of local performing artists as well as foreign troupes of international stature by providing appropriate modern technical and artistic facilities.

The total area of the center is 14,000 square meters and it is included a well equipped modern theater with a seating capacity of 1,288, a foyer, dressing rooms, restaurants and a car park with a parking capacity of 350 vehicles.



Middle East

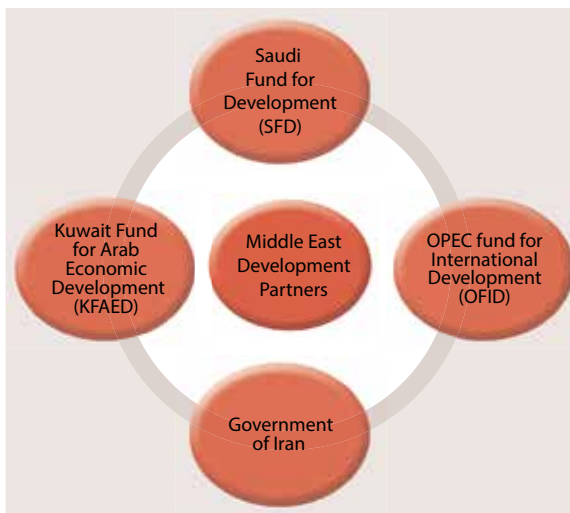
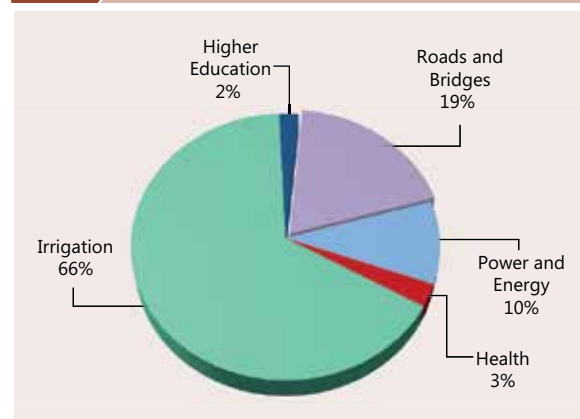


Chart 34 Sectoral Commitment, 2007 - Sep. 2013



Source : Department of External Resources

Total Commitment, 2007-Sep 2013

The total commitment from the Middle East development partners over the last 7 years from 2007 to Sep 2013 was USD 828.2 million. A larger portion of this financial assistance has been allocated for development of road and irrigation networks of the country. Accordingly, out of the total commitment, USD 546.0 million was committed to the irrigation sector. Another USD 157.9 million was committed to development of road network and USD 83.4 million for the development of power and energy sector. Health and education sectors recorded USD 23.1 million and USD 17.4 million during this period. About 64 percent of the total commitments or USD 533.41 million from 2007 to Sep 2013 has been committed by the Government of Iran.

Chart 35 Annual Commitments, 2007 – Sep. 2013



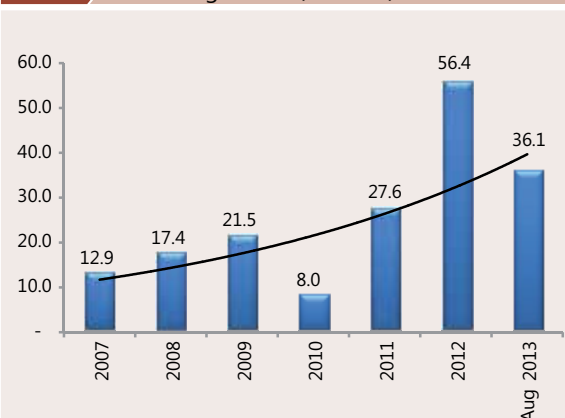
Source : Department of External Resources

Total Disbursements, 2007 – Sep. 2013

The total disbursement of Middle East financial assistance during last 7 years was USD 179.83 million. The highest disbursement during the 2007- Sep 2013 period was recorded in 2012 with the implementation of the Uma Oya Multipurpose Development Project and the Rural Electrification Project which jointly account for USD 48.4 million.

The total disbursement in 2013 (up to the end of August) was USD 36.16 million. This includes USD 23.73 million under Uma Oya Multipurpose Development Project and USD 3.3 million under Rural Electrification project.

Chart 36 Annual disbursement of Middle East Region 2007-Aug. 2013 (USD mn)



Source : Department of External Resources

The balance disbursement was recorded under the Bridges Reconstruction Project, the Kalu Ganga Development Project and the Epilepsy Hospital and Health Centre Project.

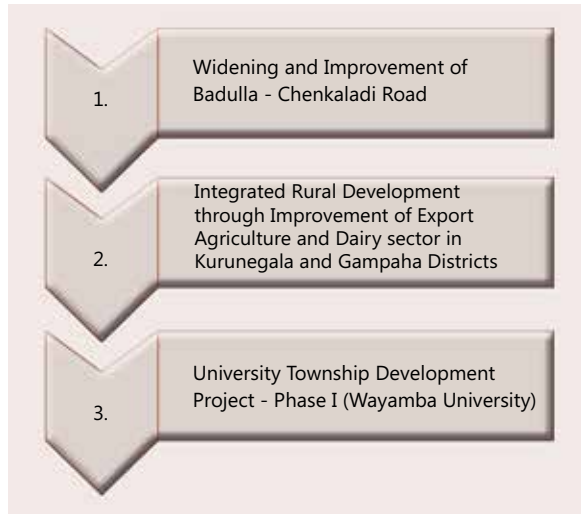
Saudi Fund for Development (SFD)

Objectives of the fund are to participate in financing of development projects through development financing and provide finance and insurance in support of exports.

Projects funded by SFD

Kalu Ganga Development Project	<ul style="list-style-type: none"> Co-financing of USD 46 million Signed on 15th September 2010 Interest rate 2% p.a Repayment 20 years including 5 year grace period
Epilepsy Hospital and Health Care Centre Project	<ul style="list-style-type: none"> Loan of USD 20 million Signed on 26th March 2008 Interest rate 2% p.a Repayment 25 years including 5 year grace period Objectives - Establishing a hospital with 242 beds and required facilities for intensive care, inpatient care and rehabilitation and establishing Health Centers.
Road Network Development Project	<ul style="list-style-type: none"> Loan of USD 60 million Signed on 30th October 2012 Interest rate 2% p.a Repayment 20 years including 5 year grace period

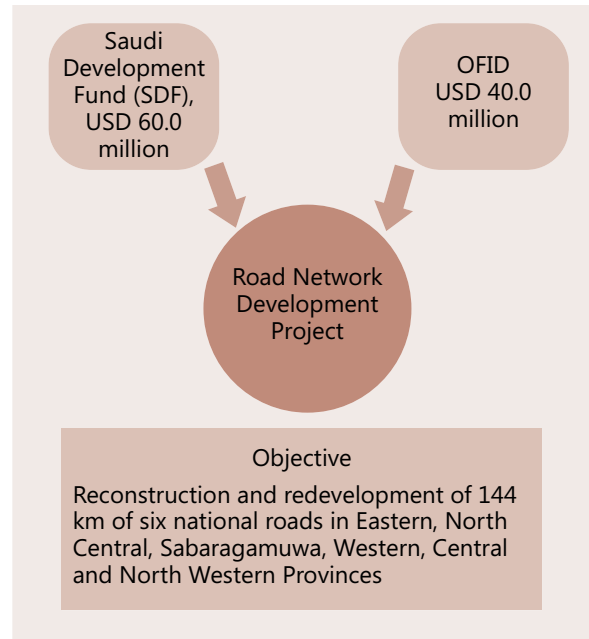
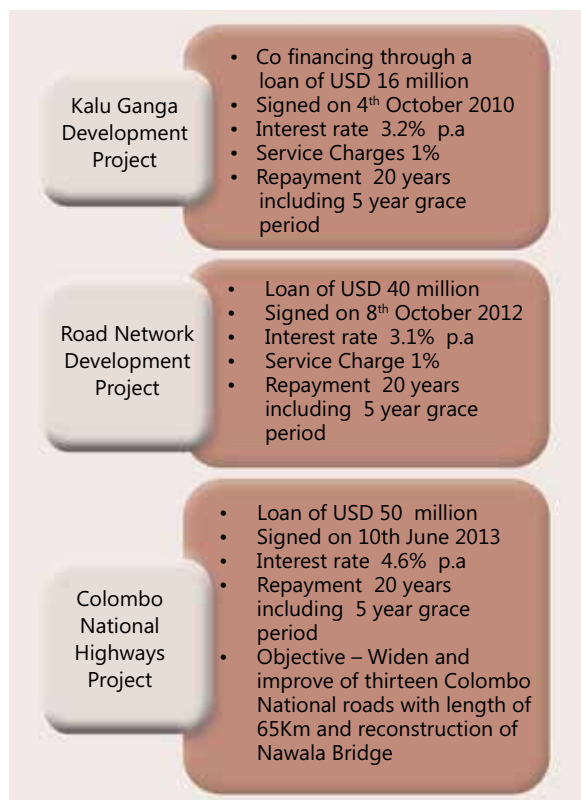
Projects Pipeline - SFD



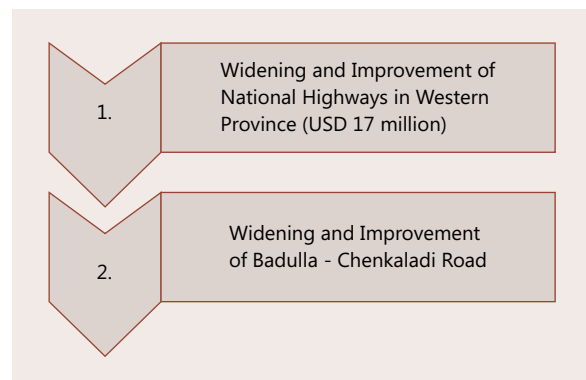
The OPEC Fund for International Development - OFID

OFID is an intergovernmental development finance Institution and provides financial support to non member developing countries for their social and economic development.

Projects funded by OFID



Projects Pipeline - OFID



Rakwana - Madampe Road

Kalu Ganga Development Project

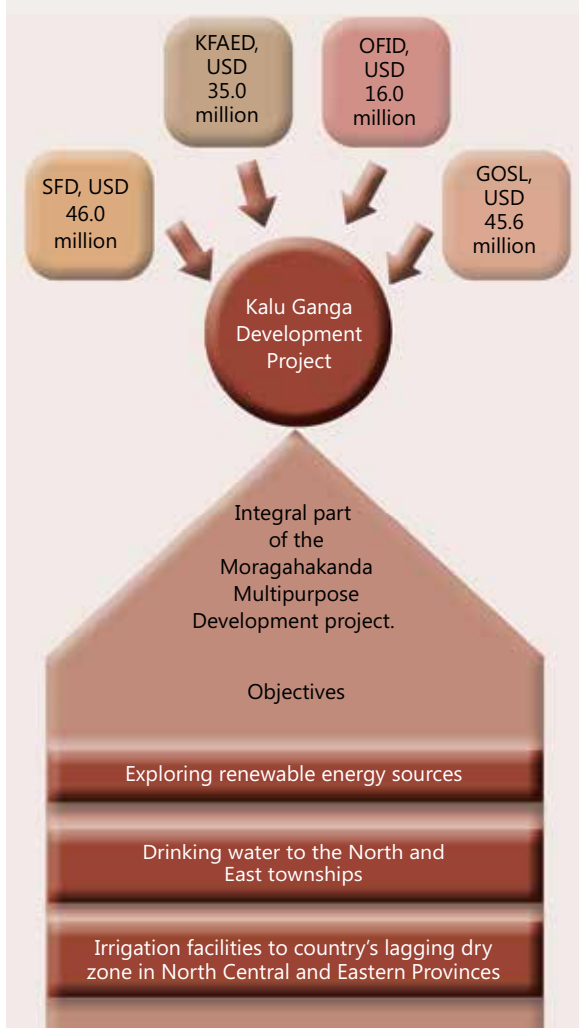


Table 30 Categories under KFAED Financing

Category	Amount (USD Mn)
1. Kalu Ganga Main Dam	21.7
2. Procurement of Machinery and Field Vehicles	2.1
3. Engineering Services	7.7
4. Other	3.5
Total	35.0

Table 31 Categories under OFID Financing

Category	Amount (USD Mn)
1. Kalu Ganga Reservoir Head Works Component	16.0
Total	16.0

Table 32 Categories under SFD Financing

Category	Amount (USD Mn)
1. Construction of the Head Work of Kaluganga Reservoir (1st Part)	39.2
2. Consultancy Service (Part Eight-B) of the project	6.13
3. Other	0.67
Total	46.0



Table 33 Categories under GOSL Financing

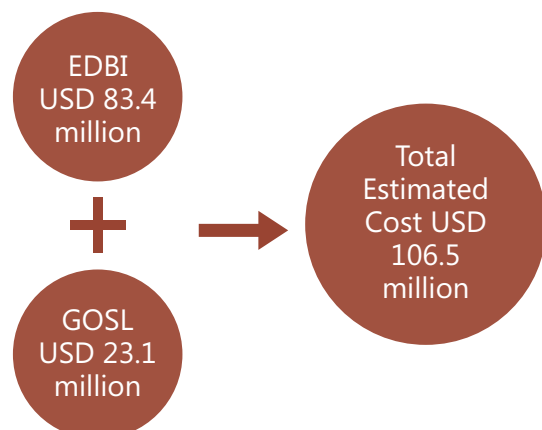
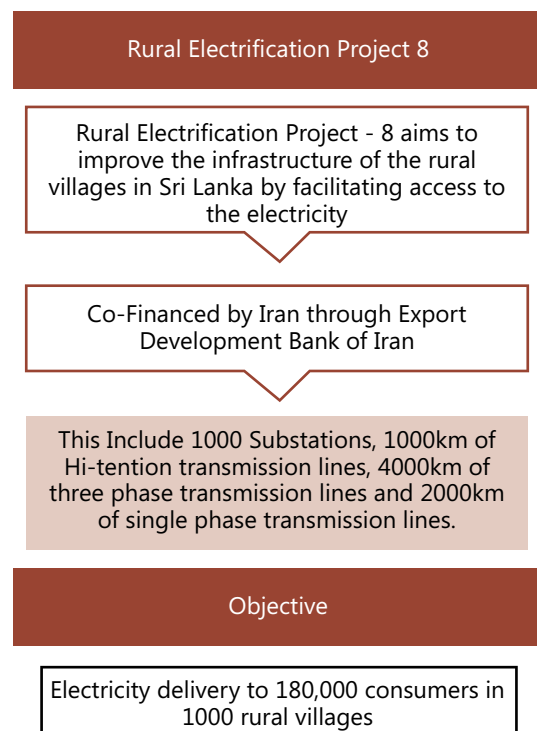
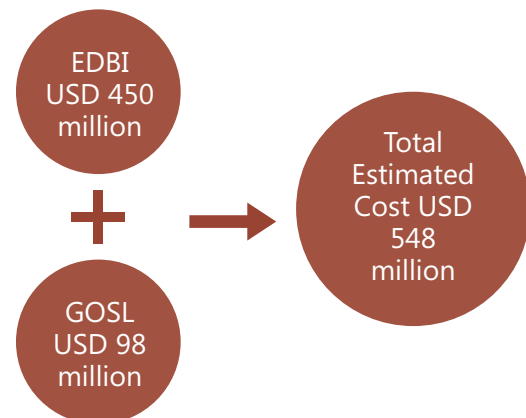
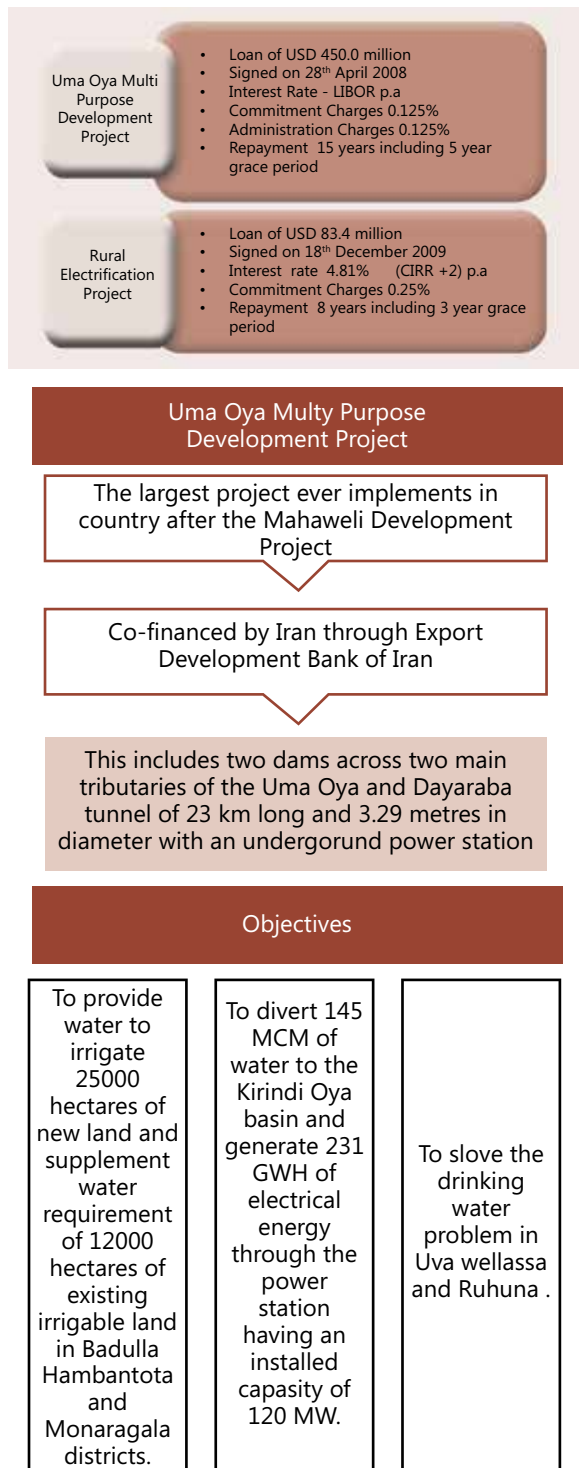
Category	Amount (USD Mn)
1. Downstream Development for Re-settlement of 797 families who are living in Reservoir inundation area	45.6
Total	45.6



Government of Iran

The government of Iran in addition to the provision of oil facility since 1968 provides development assistance in support of public investment.

Projects funded by the Government of Iran



Kuwait Fund for Arab Economic Development (KFAED)

Kalu Ganga Development Project	<ul style="list-style-type: none"> • Loan of USD 34 million • Signed on 09th March 2009 • Interest rate 1.5% p.a • Administrative Charges 0.5% p.a • Repayment 26 years including 6 year Grace period
Strengthening of Tertiary Education and Administrative Infrastructure in Tsunami Affected Areas	<ul style="list-style-type: none"> • Loan of USD 20 million • Signed on 11th November 2005 • Interest rate 0.5% p.a, • Administrative Charges 0.5% p.a • Repayment 26 years including 6 year grace period • Objective – To strength of tertiary education and administrative infrastructure in Tsunami affected areas
Feasibility study for 27 MW Moragolla Hydro Power Plant	<ul style="list-style-type: none"> • Grant of USD 0.86 million • Signed on 9th March 2005 • Objective - To develop all indigenous hydro-electric potential in the country to meet the growing demand of electricity
South Eastern University of Sri Lanka Phase i-B	<ul style="list-style-type: none"> • Loan of USD 10.8 million • Signed on 20th December 2011 • Interest rate 1% p.a , • Administrative Charges 0.5% p.a • Repayment 25 years including 5 year grace period
Bridges Reconstruction and Rehabilitation Project	<ul style="list-style-type: none"> • Loan of USD 16.65 million • Signed on 27th March 1995. • Interest rate 2% p.a, • Administrative Charges 0.5% p.a • Repayment 30 years including 5 year grace period • Objective – To improve road safety through rehabilitation, reconstruction of narrow and weak bridges on the national roads network.

Projects Pipeline - KFAED



South Eastern University of Sri Lanka Project

- The project aims to bring relevant tertiary education to the Eastern Province affected by both the conflict and the tsunami
- Contribution of KFAED for this project is USD 27.1 million, of which USD 16.67 million has been provided for phase 1-A of the project and USD 10.45 for Phase 1-B.
- Phase 1-A of the project was successfully completed in year 2012, comprising a building complex for students hostel, Health centre, Faculty of Islamic Studies and Arabic Faculty of Technology and a student's centre.



Faculty of Islamic Studies



Students Hostel

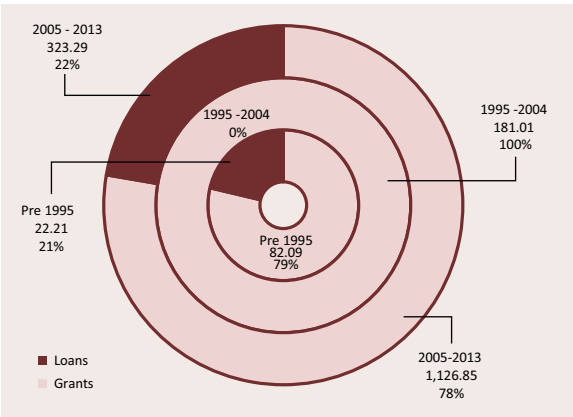
- Additional 2000 students in the region will get the opportunity to follow university education.
- The total student population in the university after the project will be 5000.
- Duration of the Phase I-B is 3 years.

India

The Development financing from India is provided by way of loans and grants. Export – Import Bank (EXIM Bank) of India has increased its funding for the country's development initiatives, in the fields of railway, water supply while the Government has also provided grant assistance for housing, human resource development and livelihood development.

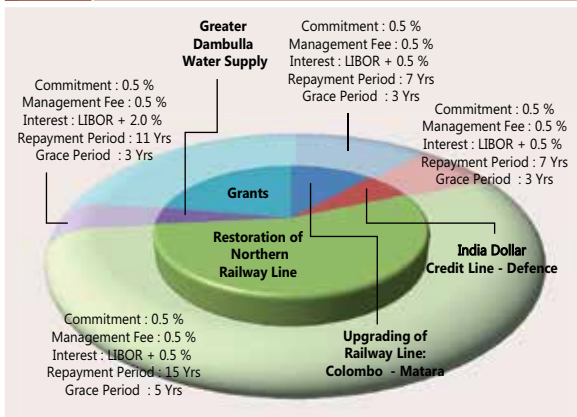
The total commitment under the Agreements during the period 2008 – 2012 was USD 1,448 million, of which USD 1,126.85 million was obtained as loans and USD 321.44 million was recorded as grants. The highest commitment received in a single year was recorded in 2012 amounting USD 700.34 million. Out of this USD 443.06 million was obtained by way of loans for the Restoration of Northern Railway Services Project

Chart 37 Commitments from 1973 – Sep 2013 (USD Mn)



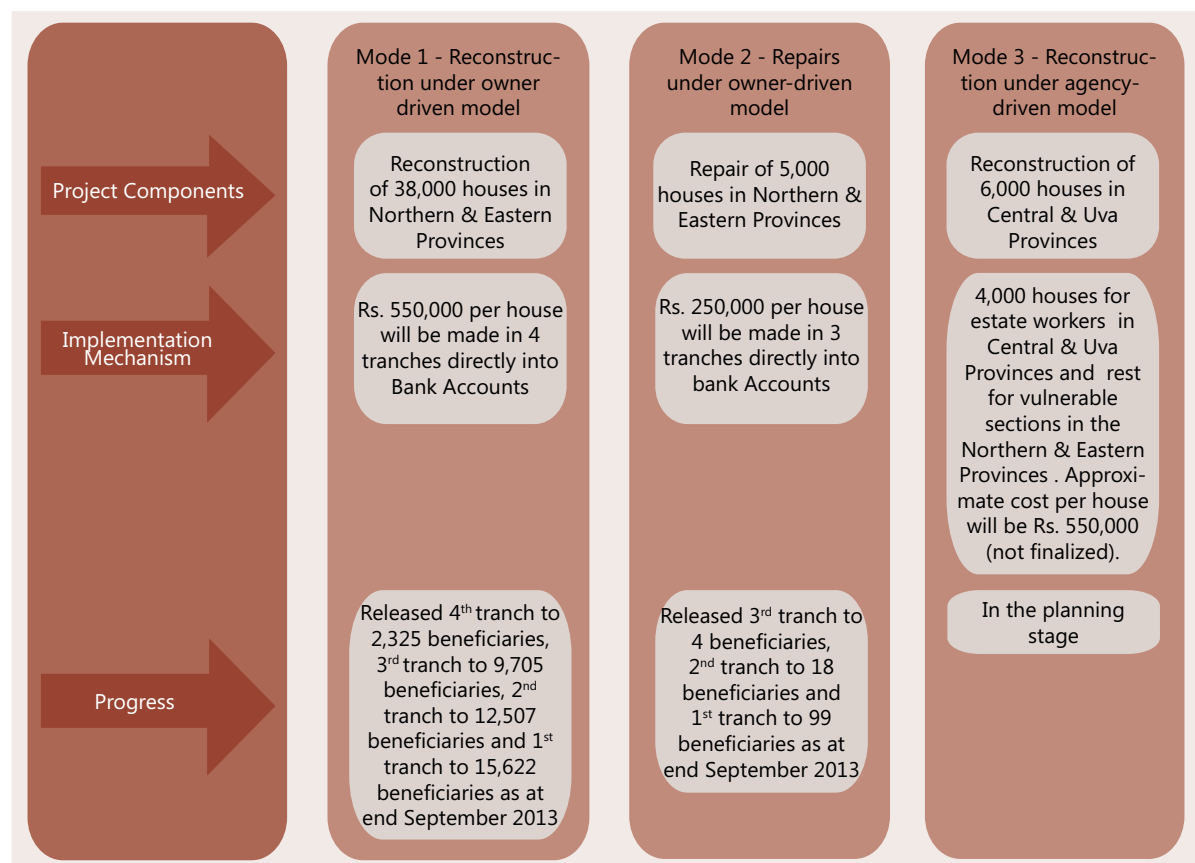
Source : Department of External Resources

Chart 38 Commitments from 2005 – Sep 2013 (USD Mn)



Source : Department of External Resources

Reconstruction of 49,000 houses



and the Grater Dambulla Water Supply Project Phase I amounting USD 382.37 million and USD 60.69 million respectively. A grant of USD 257.28 million to reconstruct 49,000 housing units in

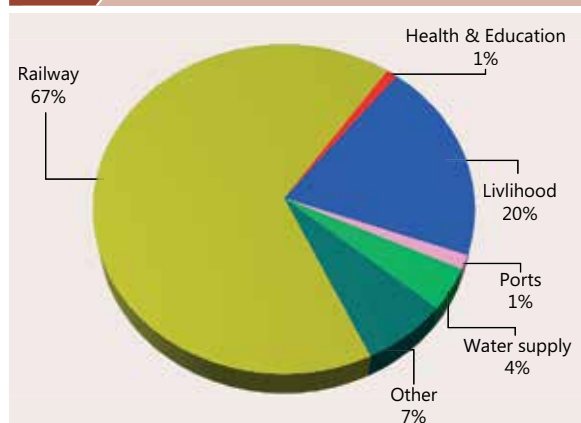
Northern, Eastern, Central and Uva Provinces was signed on 17th January 2012. The project expected to be completed on 31st December 2015.

Table 34 Indian Assistance, 2008 – 2013 (As at 30th September 2013)

	Project Name	Agreement Date	Commitment (USD)	Disbursement (USD)	% of Utilization
Loans					
1	India Dollar Credit Line Agreement	31/03/2008	100,000,000	49,193,463.47	49.0
2	Upgrading of Railway Line Colombo Matara	23/07/2008	100,000,000	98,817,045.23	98.8
3	Upgrading of Railway Line Colombo Matara Phase II	10/3/2010	67,400,000	64,453,733.08	95.6
4	Railway Line Omanthai-pallai, Madhu-Tallaimannar & Medawachchiya (Phase I)	26/11/2010	416,390,000	314,484,196.76	75.5
5	Greater Dambulla Water Supply Project phase 1	17/01/2012	60,690,000	37,687,176.33	62.1
6	Restoration of Northern Railway Services	17/01/2012	382,370,000	110,637,190.56	28.9
Grants					
1	Setting up of Facilities at Rural Vocational Training Centre, Nagawillu, Puttalam	16/04/2008	657,642	563,010.34	85.6
2	Establishment of 150-Beded District Hospital at Dickoya, Hatton	16/04/2008	8,534,282	1,609,945.14	18.9
3	Humanization Assistant for North and East Province	3/12/2009	20,061,740	16,625,424.66	82.9
4	Vocational Training Center Vantharamoolai, Onthachchimadam & Batticaloa	21/04/2011	3,053,392	2,251,041.86	73.7
5	Vocational Training Centre at Nuwara Eliya, Sri Lanka	11/7/2011	2,016,069	1,206,558.44	59.8
6	Rehabilitation of the Harbour at Kankasanthurai	21/07/2011	2,200,000	19,508,000.00	97.5
	Additional	22/10/2011	17,800,000		
7	1,000 housing units in Northern Province	28/12/2011	9,837,085	8,644,000.73	87.9
8	49,000 housing units in Northern, Eastern, Central & Uva Provinces	17/01/2012	257,283,209	1,613,546.80	0.6

Source : Department of External Resources

Chart 39 Commitment by Sector, 2008 – Sep 2013



Source : Department of External Resources

A larger portion of the Indian assistance during the period of 2008 - September 2013 amounting to USD 966.2 million was allocated for the development of railway sector. Second largest commitment was for the livelihood development with USD 288 million and a financial commitment of USD 60.7 million channelled to water supply development as well.

Projects Pipeline

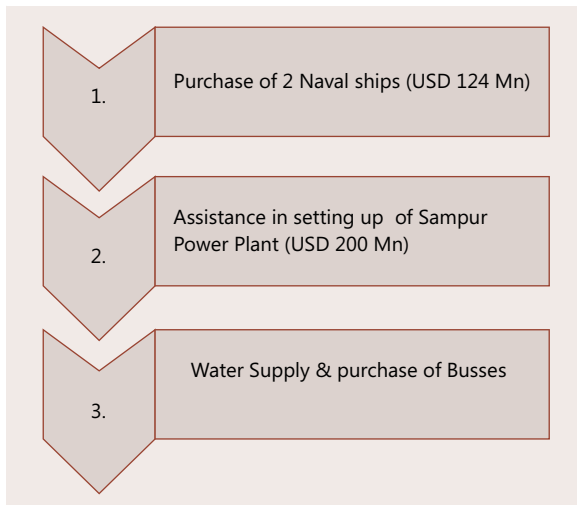
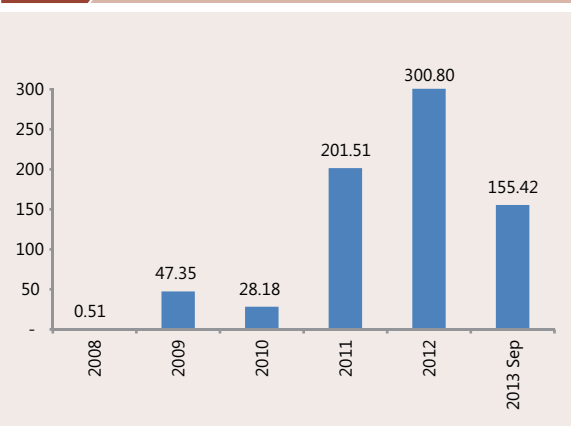


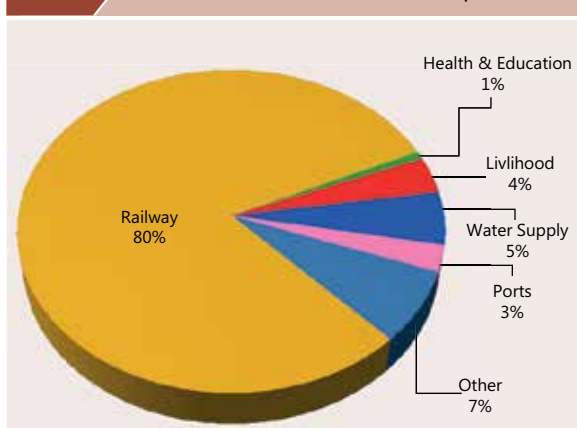
Chart 40 Disbursements, 2008 - Sep 2013 (USD Mn)



Source : Department of External Resources

The total disbursements made during 2009 to Sep 2013 is USD 733.26 million. The highest ever disbursement of USD 300.8 million was recorded in 2012.

Chart 41 Sectoral Disbursements 2008 - Sep 2013



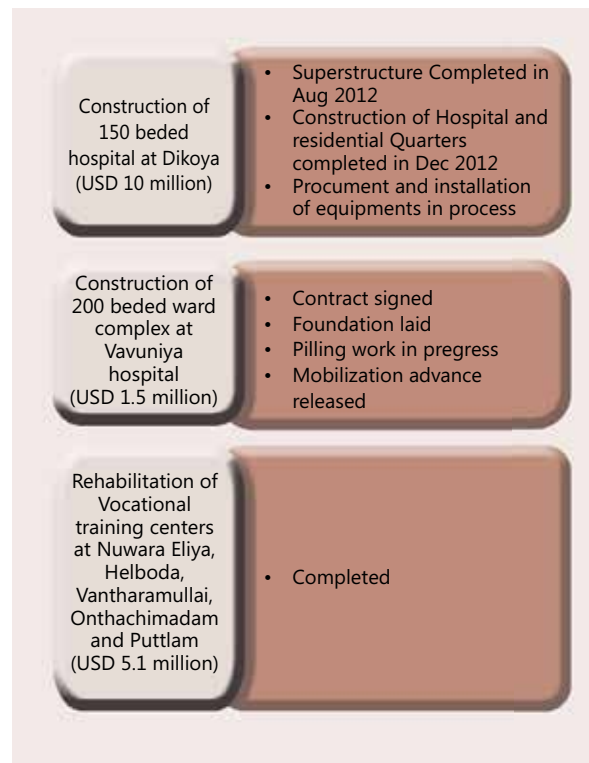
Source : Department of External Resources

The highest disbursement was made on railway development sector which is recorded around USD 590.53 million during the period 2008 to September 2013.

Greater Dambulla Water Supply Project



Progress of Grant's Assistance



“Rebuilding the Nation” Restoration of Railway Infrastructure

The train service on the Northern Line up to Killinochchi, the former rebel stronghold resumed after 23 years on 14th September 2013 with the opening of the Northern line from Omanthai to Killinochchi (62 km). His Excellency the President Mahinda Rajapaksa inaugurated the train service at Omanthai travelling as the first passenger to Killinochchi aboard the historic "Yal Devi" train which operated up to Omanthai earlier. H.E the President also declared open the newly built Killinochchi Railway Station.

Yal Devi resuming its service up to Killinochchi and His Excellency the President declared opened the newly built Killinochchi Railway Station



According to Sri Lanka Railways, now they operate three trains to Killinochchi daily. The journey from Colombo to Killinochchi takes about five hours. The trains could travel at a speed of 120 km per hour, for the first time in Sri Lanka. Rail joints are minimized using modern welding technology. Pre-stressed concrete sleepers have been used to lay the track, instead of traditional wooden sleepers to ensure a durable and stronger track. CMS (Cast Manganese Steel) crossings with standard turnouts, long welded rails with switch expansion joints, panel interlocking, flash butt welding, etc. have been incorporated to provide a long lasting track, with minimum maintenance effort.



Photo Courtesy : www.defence.lk

The commencement of construction work of the Northern Railway line, first began extending from Kankasanthurai (KKS) in the Northern Province towards Anuradhapura in the North Central Province, and the first phase of this project up to Chavakachcheri was completed and opened for public in 1902, thereafter, it was connected to the line from south at Anuradhapura. The Northern Railway line from Polgahawela to KKS was



Trial Train - Pallai Killinochchi

completed in 1905 paving the way for the train service to be effective from down south to the northern tip. "Yaal Devi" started her first trip to north in 1956 which sadly came to a grounding halt in 1985 due to a devastating attack by the terrorists at Kokavil. The last passenger train on this line travelled on 19th January 1985. Tiger terrorists bombed the Yal Devi train at Kokavil on that day killing 34 passengers and destroying

the tracks. Thereafter the train service has been only up to the Vauniya, withstanding a many a threat.

A trial train reached Pallai from Killinochchi on 5th October 2013 achieving another milestone of the steadily progressing Northern Railway restoration project. According to IRCON International Limited, who is the contractor of the whole project says, track works between Killinochchi and Pallai are fully completed, with a few finishing touches left to be completed and fully fledged trial run will be conducted during the month of October 2013.

The reconstruction of the Northern Railway line began in the year 2011 with financial assistance from the Government of India. In total USD 798 million was obtained for reconstruction of railway lines of 252 km route length track along with signalling and telecommunication work in Northern Sri Lanka under two separate credit lines from India. The first Credit of USD 416.39 million was signed on 26th November 2010 to reconstruct the railway lines of Omanthai – Pallai (90 km), Madawachchiya – Madu (43 km) and Madu-Tallaimannar (63 km). Madawachchiya – Madu Road railway track was reopened on 14th May 2013 and Railway lines from Killinochchi – Pallai and Madu – Tallaimannar are scheduled to be opened before end of 2013.

The second buyers credit line was signed on 17th January 2012 for a value of USD 382.37 million for reconstruction of railway line from Pallai – Kankasanthurai (56 km) and for signalling & telecommunication work of Northern railway network.

Local manpower and institutions have been deployed in all stages of the execution of the project to generate local employment and to develop skills.



Madawachchi Madu Train

Pakistan

Government of Pakistan has provided a grant facility of USD 72,000 in 2013 to support Hand loom sector in Diwlapitiya Divisional Secretariat Division,

Gampaha. The MoU was signed on 9th July 2013 and the grant will help to provide self-sustaining handloom set up to 75 numbers of beneficiaries in the area.

Development Assistance from the Western Countries

The financial assistance from western countries comes in the form of Export Credit mostly on commercial or semi concessional terms.

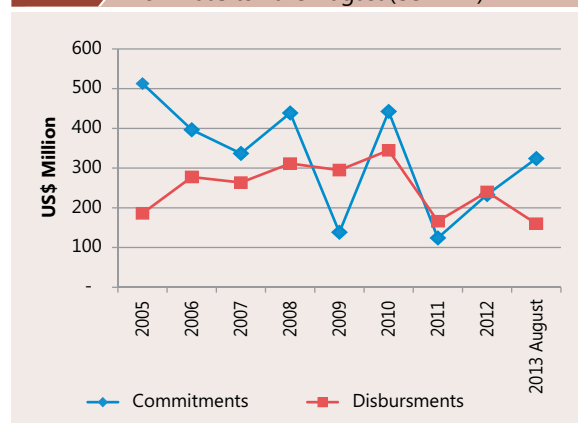
Foreign financing obtained under export credit facilities are utilized to accommodate development projects in the National Development Plan that require advanced technology. Accordingly, a major portion of borrowings from Western countries has been utilized in projects such as construction of bridges, flyovers, water treatment plants and distribution networks and improvement of health care facilities.



Although these export credit facilities are considered 'non-concessional', the short processing period overcomes frequent price escalations experienced in traditional concessional loan processing. In this context, financial assistance obtained from Western countries not only facilitates Sri Lanka's access to superior European technology but also provides project benefits early.

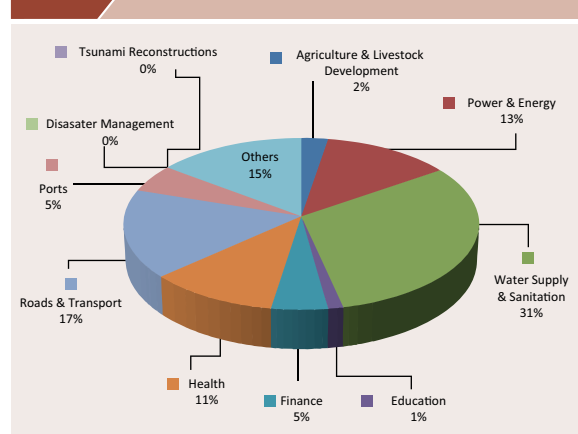
Total annual commitments and disbursements from Western development partners have varied during the period 2005 – 2013. Annual average commitment from Western countries is around USD 340 million during the period from 2005 to 2013.

Chart 42 Commitments & Disbursements Movements from 2005 to 2013 August (USD Mn)



Source : Department of External Resources

Chart 43 Sectoral Distribution



Source : Department of External Resources

Around 30 percent of the total assistance received from western countries during the period of 2005 – 2013 is for the development of the Water and Sanitation sector in Sri Lanka. The Road & Transport sector and the Power sector account for 17 percent and 11 percent of the total assistance received respectively.

Austria

Austria provides concessional export credit facilities to Sri Lanka with zero interest. These export credit facilities are attractive when compared with export credit facilities offered by other European credit agencies. Currently Unicredit Bank Austria AG and Raiffeisen Bank international are the key bankers through which export credit facilities are channeled.

Austria has provided Euro 10 million for implementation of the Mahiyangana Water Supply project.

A Beneficiary View point

Mr. Karunadasa came to Tissapura when he was twenty three. Since then, he has been lack of drinking water. "Normally, we are using the Tissapura tank to fulfill our water requirements and during the dry season, it also gets dry" he explained. Explaining further, he said that "At that time we have to walk nearly 4 - 5 kms to get drinking water. Today, our children are suffering from kidney disease which affects their school education. On the other hand, majority of the villagers left the village due to this problem and it affects the development of the village. Some organizations have provided temporary solutions for these problems, but those did not change the situation. I hope this project will be the solution for the drinking water problem in our area".

Table 35 Austrian Funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn
2006	Enhancement and Strengthening of the Road Infrastructure by Construction of Five Bridges	Loan	13.9
2007	Greater Colombo Sewerage Rehabilitation System	Loan	12.7
2008	Railway Bridges to Extend Rail Tracks	Loan	3.2
	Rehabilitation & Augmentation of Kirindioya Water Supply Project	Loan	14.8
	Supply of Modern Medical Equipment for Teaching Hospital Kurunegala	Loan	11.5
	Upgrading of Technical Education (SLIATE)	Loan	13.8
2010	Rehabilitation of Old Laxapana Hydroelectric Power Plant	Loan	34.8
	Rehabilitation of Eastern Railway Line	Loan	10.5
2013	Supply of Cardiac Catheterization Systems and Cardiography Machines to the Cardiology Unit of the National Hospital of Sri Lanka	Loan	3.1
	Mahiyangana Water Supply Project	Loan	13.5

Table 36 General Structure of Financing - Austria

Terms	Rate/ Amount	
	Alternative 1	Alternative 2
Interest	0.4 % p.a.	0 %
Commitment Fee	0.4 % p.a. on undisbursed balance	0.4 % p.a. on undisbursed balance
Management Fee	0.45 % upfront	0.45 % upfront

Insurance Premium	Upfront Fee	Below 1 %	Below 1 %
	Quarterly Payment	1 % p.a.	1 % p.a.
Handling Fee		Euro 1,440	Euro 1,440
Repayment Period		Up to 21 years	Up to 18 years
Grace Period		Up to 8 years	Up to 8 years
Effective Rate (All in cost)		1.4 % p.a.	1.4 % p.a.

Table 37 Projects to be implemented with Austrian Assistance in 2014

Name of the Project	Amount (Euro mn)
Kirama-Katuwana Integrated water supply project	11.1
Development of sewerage Infrastructure for Kataragama	10.5
Construction of Kochchikade Bridge	8.7

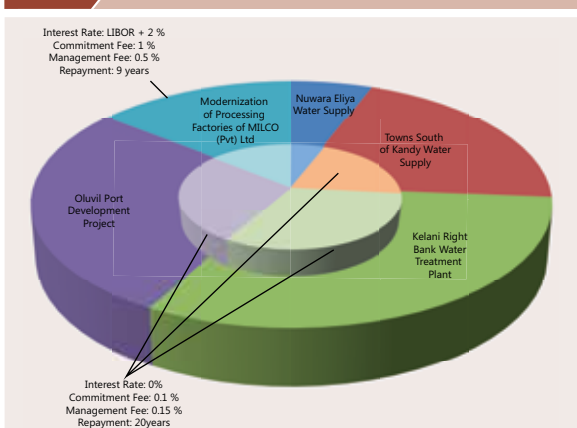
Denmark

The Government of Denmark has provided financial assistance of USD 336.5 million by means of grants, loans and export credit since 1968. An amount of Euro 33.7 million has been

obtained from HSBC under an export credit facility of Denmark for the implementation of Modernization of Processing Factories of MILCO (Pvt) Ltd.

Table 38 Danish Funded Projects from 2005-2013 August

Year	Project	Type	Amount USD Mn
2005	Rehabilitation of Tsunami affected Water and Sanitation Services	Grant	6.4
2006	Nuwara Eliya District Group Water Supply Project	Loan	15.1
	Towns South of Kandy Water Supply Project Loan	Loan	53.7
2008	Kelani Right Bank Water Treatment Plant	Loan	82.7
	Oluvil Port Development Project	Loan	72.5
2013	Modernization of Processing Factories of MILCO (Pvt) Ltd	Loan	37.3

Chart 44 Sectoral Distribution

Source : Department of External Resources

United Kingdom

Financial assistance of GBP 28,220,757 has been obtained through a United Kingdom Government guaranteed loan through HSBC for construction of 210 permanent steel bridges on rural roads covering the whole island. Constructions of these bridges connecting number of villages will greatly facilitate poor communities residing in the remote areas by having opportunity to make their economic activities more easily. Those people who live in rural area will be able to send their products to market without difficulty and

get other required services efficiently which will enhance their living standard due to the increased

accessibility and reduction of travel time and travel distance.



A remote village is about to get a Rs 30 mn worth of new bridge



Construction of 104 regional bridges which has recently been initiated is also a vital project implemented under a loan facility of GBP 45

million extended under the United Kingdom government guaranteed loan through HSBC.

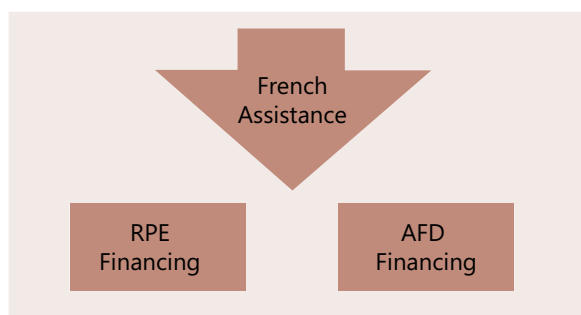
Table 39 UK funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn	Terms
2005	Partial Reimbursement of IDA Debt Service paid as a grant in the form of Poverty Reduction Budget Support	Grant	11.7	-
2007	Regional Bridge Project	Loan	101.8	Interest: LIBOR + 0.755% Repayment : 6 years
2010	Emergency Purchase of Container Handling Equipment for Ports Authority	Loan	35.0	Interest: LIBOR + 3.99 % Management Fee: 1.5 % Commitment Fee: 1% Repayment : 6 years
2012	Construction of 210 Permanent Rural Steel Bridges	Loan	44.8	Interest: LIBOR + 2 % Management Fee: 0.25% Commitment Fee: 0.2% Repayment : 13 years
2013	Construction of Regional Bridges Phase II	Loan	60.1	Interest: LIBOR + 2% Management Fee: 0.25% Commitment Fee: 0.25% Repayment: 14 years

France

Government of France has provided Sri Lanka with loan assistance to the value of USD 313 million up to now while offering limited amount of grant assistance for financing economic development

programmes in Sri Lanka. This assistance is diversified to the areas of water supply, bridges and health. Sri Lanka receives French assistance through



- a) The Emerging Country Fund (RPE financing) which is governed by the French Ministry of Economy, Finance, Trade and Industry.

- b) The AFD (Agence Française de Développement) which is a specialized financial institution entrusted with the implementation of the French Government's economic and social development aid policy. It provides untied financing through grants and loans with different levels of concessionality.

RPE financing and AFD financing are very attractive as they both provide concessional assistance.

Table 40 French Funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn
2005	Trincomalee Integrated Infrastructure Project	Loan	76.4
	Grater Trincomalee Water Supply Project	Loan	15.2
2007	Construction Sector Support Project	Loan	13.5
	Spatial Information Infrastructure for Reconstruction Monitoring Project	Loan	8.8
2008	Trincomalee Integrated Infrastructure Project	Loan	23.6
	Rehabilitation of Wimalasurendra and New Laxapana Power Stations	Loan	55.3
2010	Grater Trincomalee Water Supply Project	Loan	3.4
	Provision of Oxygen Concentrators Operating Theater & Medical Equipment to Tsunami Affected & Remote Hospital Project	Loan	12.9
2011	Implementation of Jaffna & Kilinochchi Water Supply & Sanitation Project	Loan	45.3
2012	Widening and Reconstruction of 46 Bridges on the National Road network.	Loan	28.3

Table 41 General Structure of Financing - France

Terms	Rate/ Amount	
	RPE Financing	AFD Financing
Interest	0.73 % p.a.	EURIBOR + 1.26 % p.a.
Commitment Fee	-	0.25 % p.a.
Appraisal Fee	-	0.5 % upfront
Repayment Period	Up to 20 years	Up to 25 years
Grace Period	Up to 5 years	Up to 7 years
Effective Rate (All in cost)	0.73 % p.a.	1.65 % p.a.

Belgium

Belgium assistance was mainly invested in the areas of water supply and rural sector development and railways. One of the major ongoing Belgium

financed projects is the Kolonna and Balandoga Water Supply project.

**Kolonna Water Treatment Plant**

Projects to be implemented with Belgium Assistance in 2014

Table 42 Projects to be implemented with Belgium Assistance in 2014	
Name of the Project	Amount (Euro mn)
Buttala – Monaragala Water Supply Project	24



"Implementation of the Balangoda water Supply Schemes is a solution to the scarcity of safe drinking water in Balangoda town and suburbs. This water supply project will be able to cater people living in 27 Grama Niladari Divisions in Balangoda Pradeshiya Saba area and 4 Grama Niladari Divisions in Imbulpe Pradeshiya Saba area. Implementation of this project is the fulfillment of a continuous request. "

Mr. W.M.N.G. Weerasingha, Chairman, Urban Council Balangoda

Table 43 Belgium Funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn	Terms
2011	Implementation of Kolonna and Balangoda Water Supply Projects	Loan	14.0	Interest: 0.8 % Frontend Fee: 0.5 % Commitment Fee: 0.25 % Insurance: Euro 58,716 Repayment: 15years
2013	Reconstruction of 7 Railway Bridges	Loan	5.9	Interest: 1 % Frontend Fee: 0.5 % Commitment Fee: 0.25 % Insurance: Euro 127,421 Repayment: 11 years

Hungary

Hungary has provided loan assistance of USD 63 million on concessional terms to Sri Lanka especially for development of water supply facilities. Financial assistance of Hungary for the projects is channeled through EXIM Bank of Hungary.

In 2013, the Governments of Sri Lanka and Hungary reached an agreement to obtain financial assistance of EUR 34.1 million (USD 45.9 million) for the rehabilitation of the Labugama and Kalatuwawa water treatment plants.

Table 44 Hungarian Funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn
2009	Supply of One Dredger and related Equipment for Excavation and Cleaning of Flit for Tsunami Affected Areas.	Loan	22.1
2013	Rehabilitation of Labugama water treatment plant	Loan	22.5
	Rehabilitation of Kalatuwawa Water Treatment Plant	Loan	23.4

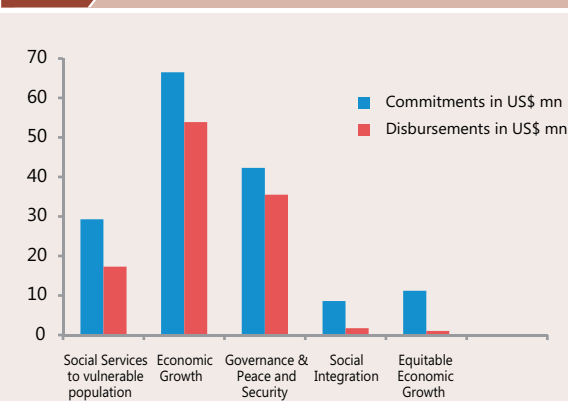
Table 45 General Structure of Financing - Hungary

Terms	Rate/ Amount
Interest	1.03 % p.a.
Repayment Period	15 years
Grace Period	3 years
Effective Rate (All in cost)	1.03 % p.a.

The United States of America (USA)

In July 2013, an agreement was concluded with Export – Import Bank of USA to obtain a loan facility of USD 64.9 million to finance the Badulla, Haliela and Ella Integrated Water Supply Project. Under this project, an additional population of 54,000 living in Badulla, Haliela, Demodara and Ella Townships and surrounding areas will be provided with safe pipe-borne water. Further, it will also improve the service level to the currently benefitted population of 57,000 in the existing Badulla and Haliela water supply schemes which, at present provide water only for a few hours a day.

The US grant assistance is extended to improve social services to vulnerable population, public sector governance, peace and security, strengthen partnerships for social integration and to increase equitable economic growth. Most of these funds are channeled through multilateral agencies and non-governmental organizations. USAID has implemented projects amounting to USD 83.6 mn during the period 2005 – 2013.

Chart 45 US Project Portfolio 2011-2013

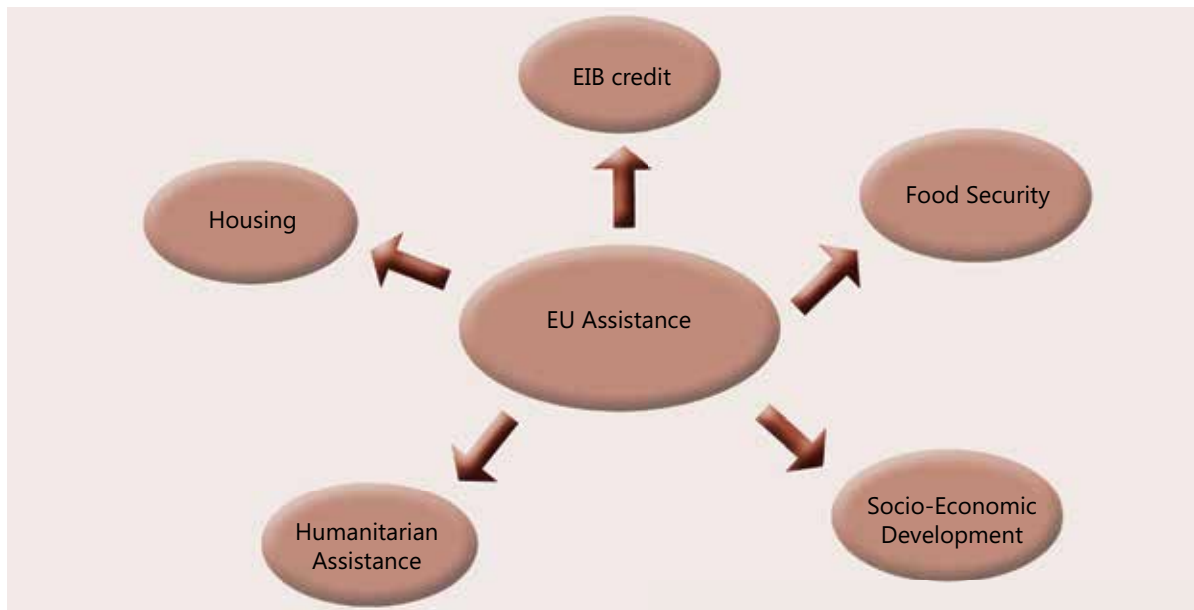
Source : Department of External Resources

Table 46 General structure of financing – USA Exim Loans

Terms	Rate/ Amount
Interest	CIRR* + 1.26% p.a. 2.21%+ 1.26%= 3.47 %
Exposure Fee	4.6% upfront
Commitment Fee	0.5 % p.a.
Repayment Period	11.5 years
Grace Period	3 years
Effective Rate (All in cost)	3.95 % p.a.

The European Union (EU)

EU assistance to Sri Lanka during the period 2005-2015 amounts to approximately Euro 587 million. This includes a sum of Euro 160 million obtained from the European Investment Bank (EIB) as loans. The remainder has been disbursed as grants to Sri Lanka through multilateral agencies such as the World Bank, Asian Development Bank, UN agencies and also through non-governmental organizations.



Socio-Economic Development

EU has assisted facilitating socio-economic development through the development of livelihood by the improvements in community infrastructure, providing assistance and value addition to sectors of agriculture, fisheries, small businesses, skills training etc., support to health and education sectors through construction/rehabilitation/refurbishment of health and educational infrastructure and improvement of access to water and sanitation.

Humanitarian Assistance

Sri Lanka has received over Euro 125 million from the European Commission's Humanitarian Aid Department to support the people affected by the conflict and natural disasters. This assistance was utilized to address their immediate and short-term needs through the provision of shelter, non-food relief items, emergency relief, sanitation, food security, health, psycho-social support, capacity building, and de-mining.

Housing

The European Union co-financed the World Bank led Housing Reconstruction Programme (NEHRP) with a grant of Euro 16 million. This project was implemented in the districts of Ampara, Batticaloa, Trincomalee, Vavuniya and Mannar. Another housing project implemented in Vavuniya was funded by EU with a grant of Euro 12 million. Under this project, not only permanent housing but essential community infrastructures including feeder roads have also been constructed.

EIB credit

Sri Lanka has obtained loans of Euro 160 million from the European Investment Bank (EIB) in 2006 to support small and medium scale projects in infrastructure, tourism, energy and telecommunications and other sectors affected by the Tsunami.

Food Security

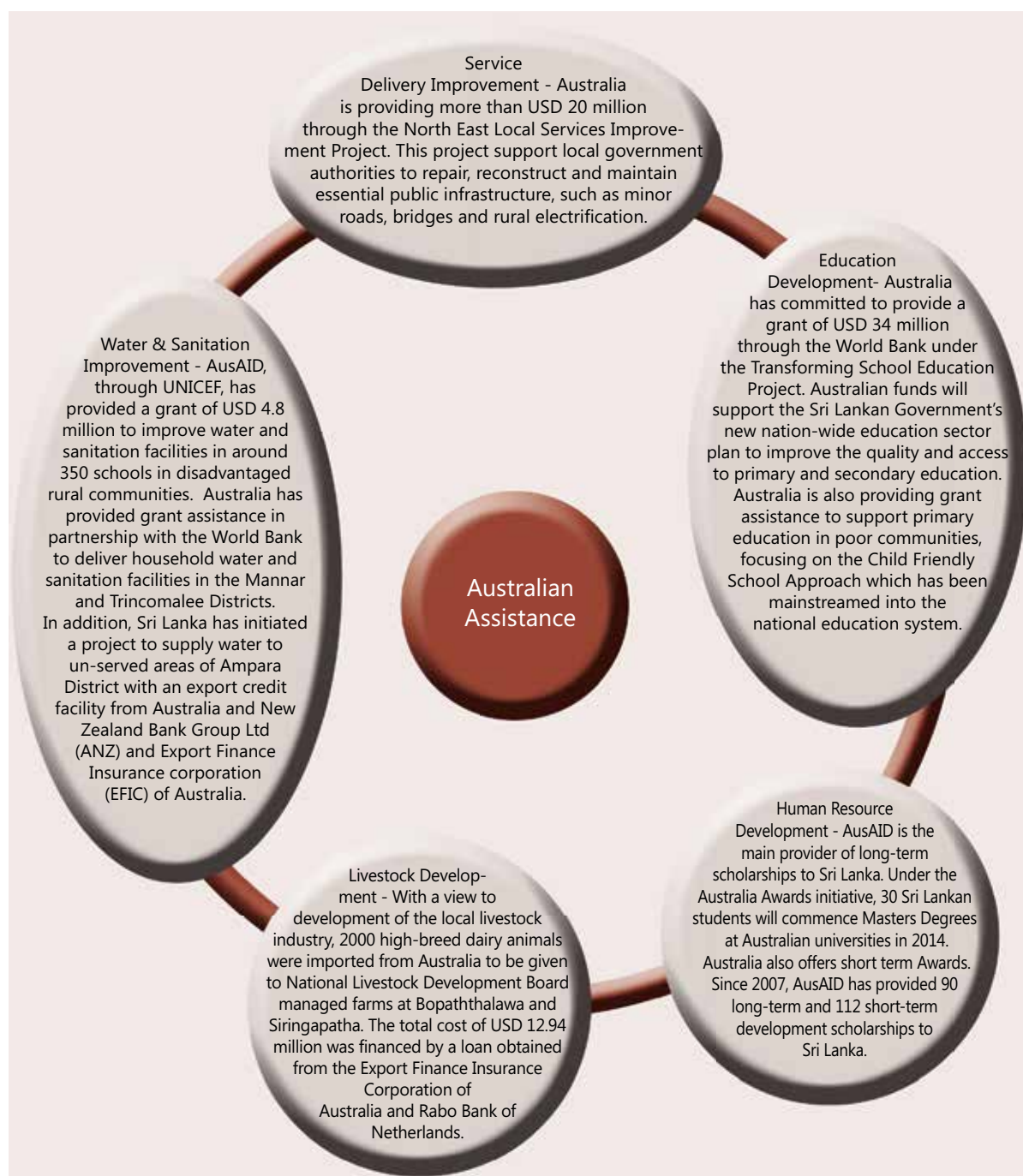
In close collaboration with the Ministry of Agriculture and the respective provincial and district authorities, EU has initiated a project to promote Food Security. Rehabilitation of minor/medium irrigation tanks, cultivation of lands, provision of agricultural inputs etc are some of the activities implemented under this project.



Students stepping into newly constructed two storey school building funded by EU

Australia

AusAID increased its aid programme during the past three years in order to support Sri Lanka's reconstruction and rehabilitation efforts after defeating terrorism. During the period 2012-2013, AusAID has provided more than USD 30 million as grant funding to Sri Lanka. In addition to the grants, Sri Lanka has obtained loans from Australia.





Students from Masar G.T.M.S walk across the yard of their newly constructed school that was funded by Australia.

Germany

Activities relating to the Mahamodara Maternity Hospital project with financial assistance of Euro 28 million from KfW bank of Germany are now in progress. The Mahamodara Maternity

Hospital is the only maternity hospital situated in the Southern Province where around 12,000 deliveries take place and services are provided to approximately 24,000 mothers annually.



Mr. Varnakulasingam Jeyatharan is currently attached to a private electronic service center in Jaffna for his on the job training after completing his first year in-class training in electronics at the GOSL-GIZ (Vocational Training North) VTN supported NAITA Kilinochchi center. During the past, these students had no opportunity to undertake such trainings. Vocational training programs conducted by the Government with the support of GIZ will help these youth to find employments which in turn enhance their living standards.



"The technical training is very important to me as well as every youth in the Northern region, because the region was affected by the war for the last 3 decades and technology can help for the rebuilding of the region. I feel confident about my life and future".



Trainees take lessons at Killinochchi Training center



Table 47 German Funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn
2005	Emergency Transitional Aid for Flood Disaster (Enhancement)	Grant	9.3
	DFCC IV Private Sector Development	Loan	24.3
	NDB Private Sector Promotion Programme	Loan	24.3
	Sapugaskanda Diesel Power Plant Project (First Extension)	Loan	15.9
	Rehabilitation of Electricity Supply in Jaffna Region	Loan	14.7
	Tsunami Housing Reconstruction Programme	Grant	2.7
	Emergency Aid for Victims to Tsunami Disaster	Grant	8.4
	Tsunami Housing Reconstruction Programme	Grant	12.0
	Study and Export Fund Tsunami	Grant	2.4
	Reconstruction of Water Supply Galle District – Phase II	Grant	17.5
	Infrastructure Programme Batticaloa	Grant	17.6
	Rehabilitation, Reconstruction & Modernization of Vocational Training	Grant	11.8
	Rehabilitation of Social, Technical and Productive Infrastructure	Grant	11.8
	Housing Project	Grant	4.7
	Promotion of Micro, Small and Medium Enterprises	Grant	5.9
	Qualification of Executing Structures (CAP)	Grant	4.1
	Education Measures, Psycho Social Care (DRMPC)	Grant	4.1
	Reconstruction of the Water Supply Galle District – Phase 1	Grant	8.5
2006	Rehabilitation of Social, Technical and productive Infrastructure (Enhancement)	Grant	4.5
	Rehabilitation Measures – North/East (Enhancement)	Grant	2.1
	Food Security of Conflict Transformation	Grant	2.8
	Enterprise Service System Program (Enhancement)	Grant	4.5
	Rehabilitation Electricity Supply Jaffna Region (Transmission Line)	Loan	1.9
	DFCC V Credit Line for SME in the North and East	Loan	6.1
	Promotion of Food Security and Reconciliation in the Batticaloa District	Grant	3.0
	Environmentally Sound Disposal of Tsunami Debris & Reforestation of the Coastal Regions in the Batticaloa District	Grant	0.4
2007	Northern Rehabilitation Project	Grant	1.3
	Resource Network for Conflict Studies	Grant	3.6
	Fund for Local Initiatives Conflict Transformation	Grant	3.7
	Vocational Training & Private Sector Promotion (VTPSP)	Grant	1.6
	Micro Finance System Development (PROMIS)	Grant	5.3
	Education for Social Cohesion (ESC)	Grant	3.3

2009	Reconstruction of Water Supply Galle District – Phase II – Enhancement	Grant	2.8
2010	Reconstruction of Water Supply Galle District – Phase II Enhancement	Loan	1.6
2012	Construction of Mahamodara Maternity Hospital, Galle	Loan	34.4
	Vocational Training Institute in the North of Sri Lanka	Grant	5.3

Table 48 General structure of financing – German Loans

Terms	Rate/ Amount
Interest Rate	2.5% per year
Repayment Period	12 years
Grace Period	2 years
Commitment fee	0.25% of the undrawn balance
Effective Rate (All in cost)	2.56 % p.a.

The Netherlands

Two loan agreements were concluded under Netherlands financing in 2013 to finance much needed health sector projects, namely Construction and Upgrading of Peripheral Blood Banks Coming under the National Blood Transfusion Services (Euro 23.7 million), and Upgrading the National Blood Transfusion Service of Sri Lanka with State of the Art Technology Giving Special Emphasis to the North and East (USD 32.64 million). Both the projects complement each other and reciprocally contribute to achieve the objectives of the medium term health sector action plan.

Construction of the Nuwara-Eliya and Hambantota General Hospitals is now in progress with financial assistance from a Dutch export credit facility. With the completion of these projects people of the Hambantota and Nuwara-Eliya districts will be provided high quality health facilities.

**Table 49** Netherlands Funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn
2005	Refloating of the "Diya Kowulla" and repairs of KKS port.	Grant	1.0
	Reconstruction of Tsunami Affected Fishing Boats	Grant	6.1
	Emergency Repairs of the Breakwater of KKS Port	Grant	0.4
	Reconstruction of the Signalling & Communication System on the Tsunami hit Coastal Railway between Colombo and Matara	Grant	12.2

2006	Netherlands Sri Lanka Cultural Assistance Programme.	Grant	4.1
	Upgrading of the Disaster Response in the Western Province and Selected Urban Areas.	Grant	13.4
	Construction of Museum cum Visitor Centre at Kataragama (Southern Cultural Triangle)	Grant	0.6
	Conservation of Ancient Ramparts in Galle Fort (Southern Cultural Triangle)	Grant	1.3
	Conservation of Dutch Forts in Matara and Katuwan South Cultural Triangle)	Grant	0.3
	Conservation of the Dutch Warehouse in Galle & Establishment of a Maritime Museum (Southern Cultural Triangle)	Grant	0.4
	Disaster Management & Emergency Response System	Loan	25.5
2007	Supply of Two Multipurpose River Sea Vessels	Grant	11.7
	Disaster Management Communication & Response Project	Loan	6.6
2008	Conservation & Restoration of the Old Dutch Naval Commissions House in Trincomalee.	Grant	0.5
	Negombo Water Supply and Optimization Project	Loan/ Grant	31.0
	Dikkowita Fishery Harbor Construction Project	Loan/ Grant	26.1
	Dikkowita Fishery Harbor-Consultancy Services	Grant	0.6
	Enhancement and Upgrading of Technical Education Project	Loan/ Grant	5.3
	Improvement of the Facilities and Programmes of SLIATE	Loan	10.3
2009	Negombo Water Supply Project	Loan	25.8
	Conservation & Restoration of Ancient Dutch Fort in Jaffna	Grant	0.7
	Extension of a Disaster Management and Emergency Response System	Loan	5.4
2010	Extension of a Disaster Management and Emergency Response System	Loan	30.8
	Restoration, Conservation & Publicizing of Dutch Records in the National Archives of Sri Lanka	Grant	0.1
2012	Development of Nuwara Eliya General Hospitals	Loan	47.0
	Development of Hambantota General Hospitals	Loan	55.5
2013	Upgrading the National Blood Transfusion Service of Sri Lanka with State of the Art Technology Giving Special Emphasis to North and East	Loan	27.7
	Upgrading the National Blood Transfusion Service of Sri Lanka with State of the Art Technology Giving Special Emphasis to North and East	Loan	4.9
	Construction and Upgrading of Peripheral Blood Banks Coming under the National Blood Transfusion Services of Ministry of Health in Sri Lanka	Loan	24.7

Table 50 General Structure of Financing – the Netherlands Export Credits

Terms	Rate/ Amount
Interest	4.64 % p.a.
Repayment Period	13 years
Commitment Fee	0 – 0.25 % for undrawn balance
Management Fee	0 – 0.25 % upfront
Insurance	6 % in 2012 and 2.5 % in 2013
Grace Period	3 years

Spain

Sri Lanka entered into its first bilateral agreement with Spain in 2006 by signing a loan agreement for supply and construction of pre-fabricated metal bridges for a sum of Euro 14.6 million. Subsequently, the development cooperation with Spain has been further strengthened by entering in to export credit agreements.

Construction of the Veyangoda Railway Crossing Fly-over (Euro 11.2 million) has been a vital project which is just about to be commissioned under the Spanish loan assistance. Further, implementation of the Greater Ratnapura Water Supply Scheme – Phase 1 project has been started, under the Spanish loan assistance of Euro 21.9 million.



Veyangoda Railway Crossing Fly-over

Table 51 Spanish Funded Projects from 2005 to 2013 August

Year	Project	Type	Amount USD Mn	Terms
2007	Design Supply & Setting up of two water treatment plants at Galle and Negombo	Loan	17.0	Interest : 0.15 % Repayment: 40 years
2012	Veyangoda Railway Crossing Flyover Project.	Loan	10.7	Interest: EURIBOR + 2.75 % Management Fee: 0.35 % Repayment: 10 years
2013	Implementation of the Greater Rathnapura Water Supply Project	Loan	29.3	Interest: EURIBOR + 2.1 % Management Fee: 0.5 % Commitment Fee: 0.25% Repayment: 10 years

The United Nations Agencies

The Government of Sri Lanka (GOSL) and the United Nations (UN) agencies have signed the UN Development Assistance Framework (UNDAF), the agreement which pegs UN assistance to Sri Lanka's development priorities for the period of 2013 – 2017 on October 2012. This coherent development framework will guide the collaborative work of the UN agencies in the forthcoming period. This UNDAF serves

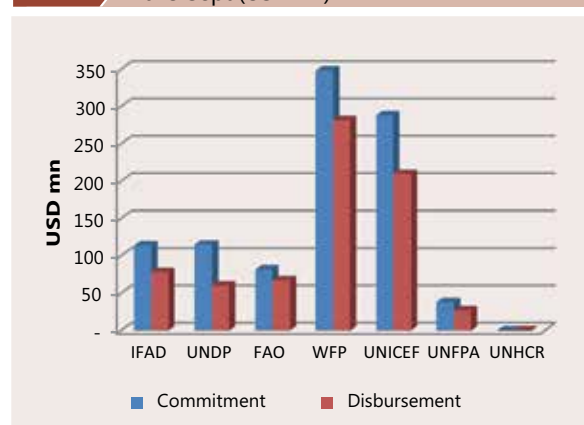
as a common strategy in four major areas of cooperation: Economic Growth, Quality Social Services, Social Inclusion and Protection and Environmental Sustainability. The UNDAF will be implemented through the Country Programme of individual UN agencies and monitored under the joint leadership of United Nations in Sri Lanka and the GOSL.

UN Agency (Grant)	Main Areas
UNDP	Governance, Environment, Livelihood Development
FAO	Agriculture, Fisheries, Livelihood Development
UNICEF	Education, Child protection, Water & Sanitation
WFP	Food Assistance
UNFPA	Reproductive Health
UNHCR	Shelter, Humanitarian Assistance
WHO	Health
UN-Habitat	Disaster Risk Reduction, Human Settlement
ILO	Labour related issues
UN Agency (Loan & Grant)	
IFAD	Agriculture, Fisheries

Commitments and Disbursements (2005- Sept. 2013)

The UN assistance received during the last 8 years has been utilized to provide relief, rehabilitation and reconstruction facilities mainly for social and community development through specific projects aimed at improving agricultural productivity, fisheries development activities, improving livelihoods of rural communities, improving child and maternity health, early childhood development and primary education, rural development, providing disaster relief, environment protection and women affairs etc. The major share of total disbursement has been recorded in WFP and UNICEF assisted programmes especially in the area of child and maternity health, education, water and sanitation.

Chart 46 Commitments & Disbursements 2005 - 2013 Sept (USDMn)



Source : Department of External Resources

International Fund for Agricultural Development (IFAD)

The International Fund for Agricultural Development (IFAD) has been one of the prominent development partners of Sri Lanka. IFAD has extended about USD 400 million for 16 projects in the areas of poverty reduction benefiting more than 550,000 rural households. IFAD financing could be in the form of loans and grants, having assessed the financial and economic status of a country and the circumstances surrounding it. The terms of financing is determined by the Executive Board of IFAD. In general the loan financing is on concessional terms.

IFAD has so far provided loan assistance on highly concessionary terms and conditions with a 40 year repayment period, including a 10 year grace period with a service charge 0.75 percent. However, since Sri Lanka's graduation into middle income status the country will no longer be eligible for highly concessionary loans but will instead be made availed funding on ordinary terms.

Table 52 IFAD Funded key Projects from 2005 to 2013

Year	Project	Type
2005	Dry Zone Livelihood Support and Partnership Programme	Loan
2006	Post-Tsunami Coastal Rehabilitation and Resource Management Programme	Loan
2007	Smallholder Plantation Entrepreneurship Development Programme	Loan
2009	Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka Project	Grant
2010	National Agribusiness Development Programme	Loan
2012	Iranamadu Irrigation Development Project	Loan

Iranamadu Irrigation Development Project (IIDP)



Paranthan MC (before constructions)

In response to a request by the GOSL, IFAD has agreed to provide a loan of Special Drawing Rights (SDR) 14.35 million (approximately USD 22.2 million) to implement the Iranamadu Irrigation Development Project. Under this project, it is expected to rehabilitate irrigation infrastructure including 30 km of main canals, 35 km of branch and distributor canals, 123 km of field canals and 95 km of



Paranthan MC (after constructions)

drainage canals of the downstream of Iranamadu tank. Further, it is expected to improve the agriculture production and marketing in Kilinochchi. The project is expected to benefit about 7,000 households. This will enable them to use irrigation water more efficiently for sustaining their crops and contract farming. Women's groups would also be formed and strengthened by offering training and development of vegetable production.

A story of success- "Walker" started the journey in Footwear Industry



"I always believed that we together can go a long journey in this field with the guidance of Smallholder Entrepreneurship Development Programme (SPEnDP) funded by IFAD and with the support of Industrial Development Board (IDB). We proved that by being able to increase fund up to Rs 179,000 within a four month period. This enabled us to obtain a matching grant from the SPEnDP" says Ms Dumida who leads this footwear production group.

SPEnDP which commenced in 2008 targets those who possess legal land tenure but with income levels on or below

the poverty line in the Moneragala district. Under this project it is facilitated to initiate a Footwear Production Entrepreneur Group including 25 members of young ladies and trained to produce quality footwear and business management through IDB. They have been also provided a hand tool set valued at around Rs. 18,000. After the training most of them are further organized according to the instruction of the project and their funds raised up to Rs 179,000. Ms. Indika, the President of this group, reminds of the past as she started to talk. "Somehow we wanted to obtain a matching grant as soon as possible to start production. So, I still can remember that in some days we worked as a labor to find our contribution in raising group fund. But now all of us enjoy with producing footwear and earning money" she said. There are 12 members in this group including 10 girls and 2 boys. Mr. Nandana is one of the members of this group and, explaining their marketing strategy, said "we are selling footwear under the brand name of "WALKER" and the main target group is school children and government officers. And also we planned to open a show room for 4 days in every month at government Kachcheri premises". Further he explained that "We held our first exhibition at the Kachcheri premises from 2013.01.24 to 2013.01.27 and turnover was Rs. 88,500". They have been already trained on pricing of goods and finance management. Ms. Maneka is one of the skilled members in this group effusively reminding their past "those days we have to wait till our husbands find money for our family expenditure and we had no any opportunity to involve at productive work in the family. By all means this project (SPEnDP) really supported us to show a clear way to go.

The United Nations Development Programme

The United Nations Development Programme (UNDP) was established in November 1965 as the main funding agency for technical co-operation in the United Nations System. Accordingly, UNDP provides support to developing countries to accelerate their economic and social advancement in accordance with their national development plans and priorities. The goal of its assistance is

sustainable and people centric development. Country assistance is generally pledged in five year cycles as grant assistance with emphasis placed on institution building, human resource development, poverty alleviation, employment and income generation.

As per the previous country programme, UNDP assistance to Sri Lanka has been spread over four cluster programmes namely (i) Crisis prevention and recovery (ii) Governance (iii) Environment and

Table 53 UNDP Funded key Projects from 2005 to 2013

Year	Project
2005	Tsunami Affected Community's Capacity Development for Recovery Programme Recovery of the Tsunami Affected Fisheries Sector Sustainable Recovery of Micro Enterprise Sector
2006	Community Reconstruction Project Transition Programme for Sri Lanka
2007	Sri Lanka Urbanization Framework Project
2008	Emergency Response to Flood Capacity Building for Disaster Risk Management in Sri Lanka
2009	Support Efforts and Action against Corruption Capacity Building for South South Cooperation Equal Access to Justice project (Phase II) Local Governance project Transition Recovery Project
2010	Strengthening Capacity of the Auditor General's Department
2012	Community Forestry Programme
2013	Strategic Positioning of the Department of Project Management and Monitoring Support to the Human Rights Commission – (Phase II) Strengthening Enforcement of Law, Access to Justice and Social Integration in Sri Lanka Governance for Local Economic Development

Sustainable development (iv) Poverty reduction and MDG achievement. However, the new country programme for the period of 2013-2017 is more focused on supporting Government in its efforts to reach development priorities in the following two areas.

- Governance for empowerment and social inclusion
- Environmental sustainability and resilience

The estimated resource envelope for 2013-2017 amounts to USD 60 million and around two-thirds of the budget is allocated to Governance

for empowerment and social inclusion while one – third is allocated to Environmental sustainability and resilience.

Food and Agriculture Organization

The FAO provides early warnings of food emergencies and helping in rehabilitation of

food production systems. Consequently the main forms of its humanitarian aid includes needs assessments, provision of agricultural inputs and technical assistance for the planning and management of sustainable agricultural recovery and the rehabilitation of rural food production systems.

Table 54 FAO Funded key Projects from 2005 to 2013

Year	Projects
2005	Rehabilitation in Tsunami Affected Areas Assistance to Tsunami Affected Fisher Households Tsunami Affected Vulnerable Fisherman and Women in Sri Lanka
2006	National Agricultural Biotechnology Research and Development Programme Agricultural Assistance to IDPs and Host Families Hybrid Rice Development project
2008	Restoration and Improvement of Fish Landing Centres Agricultural Assistance in Support of the Returnees and IDPs Development of NARA for Marine Resources
2009	Enhancing Food Security among Farm Families in Eastern Sri Lanka Aquaculture Development in the Southern Province
2010	Provision of Seed and Other Essential Agricultural Inputs in the North Improving Post Harvest and Sustainable Market Development
2011	Sustainable Land Management and Climate Change Adaptation in South Asia
2012	Development of capacities for Early Diagnosis, Surveillance, Spread Prevention and Integrated Management of Weligama Coconut Leaf Wilt Disease Land Degradation Assessment and Monitoring for Sustainable Land Management and Climate Change Adaptation in South Asia Provision of Essential Agricultural Inputs for Returning War-affected IDPs in North Integrated Irrigation & Agricultural Livelihood Development in Kilinochchi and Mullaitivu Districts
2013	Management of Risks Associated with Pesticide Use in Agriculture in Sri Lanka Building Statistical Capacity for Quality Food Security and Nutrition

United Nations Children's Fund (UNICEF)

UNICEF supports Sri Lanka in her efforts to address various needs of children and teenagers. The programme starts from early childhood (under 5 years) and progresses through the learning years (5-14 years) to youth (14-18 years) as each age group has specific needs that have to be met. This is supported by the Water and

Sanitation and the Child Protection Programme which covers abuse, exploitation, child labour, mine risk education and psychological care and support.

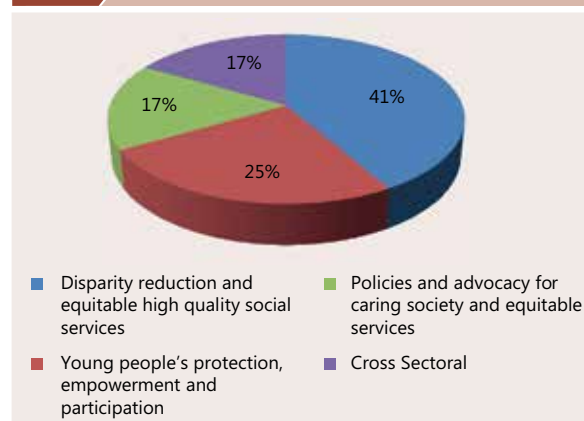
The estimated resource envelope of the new country programme for the period 2013-2017 amounts to USD 60 million and comprises of

three main components as follows.

- Disparity reduction and equitable high quality social services
- Young people's protection, empowerment and participation
- Policies and advocacy for caring society and equitable services

Chart 47

Summary of Indicative Programme Budget 2013 - 2017



World Food Programme (WFP)

WFP's activities in Sri Lanka focus on providing emergency food aid and recovery assistance to the most vulnerable and food insecure people. The four main components of current WFP interventions throughout Sri Lanka are provision of:

- nutritional supplements to pregnant mothers as well as children under 5 years
- food for education
- food for training activities
- Emergency support to resettled families in the North.

The Protracted Relief and Recovery Operation (PRRO) which is a WFP's flagship programme in Sri Lanka is currently being implemented by the Ministry of Economic Development. This programme supports

Table 55

WFP Funded key Projects from 2005 to 2012

Year	Projects
2005	Assistance to Vulnerable Groups for Peace Building in Conflict Affected Areas Assistance to Tsunami Victims in Sri Lanka
2009/2010	Protracted Relief and Recovery Operation (PRRO) Sri Lanka
2010/2011	Protracted Relief and Recovery Operation (PRRO) Sri Lanka Emergency Operation Programme
2012	Protracted Relief and Recovery Operation (PRRO) Sri Lanka

government in its efforts to regain livelihoods and restore assets while supporting the displaced returnee population in Mannar, Vavuniya, Mullaittivu, Kilinochchi and Jaffna Districts in the Northern Province and selected areas in Eastern Province for their resettlement activities. In response to a request made by the Government of Sri Lanka, the WFP extended the duration of this project up to end of 2012.

In addition, GOSL has been able to obtain assistance from WFP to increase the capacity of the Thriplosa plant and provide machinery and equipment to Thriplosa Limited in order to expand their current programme of

providing Thriplosa to every pregnant mother and infant. WFP assistance is also provided to improve soya cultivation in the country.

United Nations Population Fund (UNFPA)

Since 1973 UNFPA operations are based on multi-year programming cycles similar to the UNDP and UNICEF country frames. The current programme for the period of 2013 -2017 plans to commit assistance of USD 12 million relating to the following areas.

- Strengthening national capacity to deliver quality reproductive health services

- Strengthening capacity to deliver quality services for emergency obstetric and newborn care
- Increasing accessibility for young people to quality services and information on sexual and reproductive health
- Strengthening capacity of national institutions and civil society organizations to promote reproductive rights

United Nations High Commissioner for Refugees (UNHCR)

UNHCR has assisted the government in its humanitarian efforts through the "Shelter grant programme"¹ which has provided a cash grant of Rs 25, 000 to 104,380 returning families in Vavuniya, Kilinochchi, Mullaittivu, and Mannar during the period 2009-2012 at a total cost of Rs 2609.5 million.

In continuing this programme UNHCR has agreed to extend their assistance to a further 1,041 families in Mullaittivu in 2013.

World Health Organization (WHO)

WHO was the first United Nations agency established in Sri Lanka (1952) and since then, WHO has been supporting the Government of Sri Lanka in its efforts to attain the highest level of health status.

The main forms of support extended by WHO include fellowships, supplies and

equipment (mainly laboratory equipment, local cost subsidy for national training, contractual services agreement for research and short term consultancies.

UN- HABITAT

During the last two decades, UN HABITAT has extended its cooperation mainly in the field of urban city development, upgrading slums, human settlement, Disaster Risk Reduction and shelter support. Accordingly, UN HABITAT has already constructed 2,200 houses in Northern Province under the IDPs Housing Project with Aus Aid financial assistance. In addition, UN-HABITAT is successfully implementing its USD 28 million housing programme to help people in North under financial support of the European Union, AusAid, and Swiss Development Corporation.

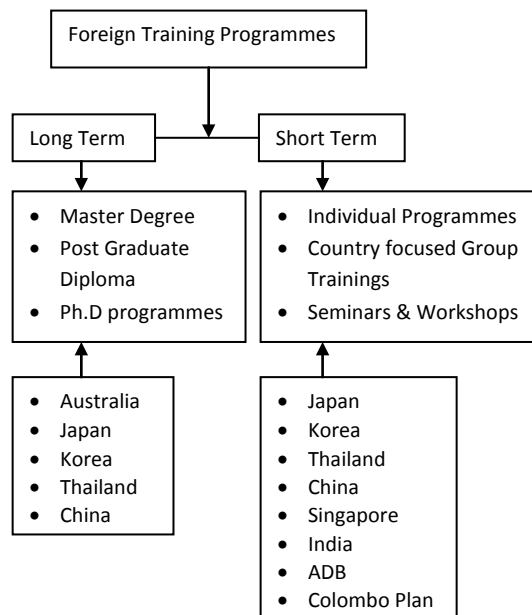
International Labour Organization (ILO)

At present ILO involve in a number of technical areas relating to wages, industrial relations and labour market governance, social security, employment policy development, strengthening of employers and workers organizations, prevention of child labour, promotion of youth employment, enterprise promotion and value chain development, community based vocational training, labour mitigation and labour based technology in close collaboration with the Ministry of Labour and Labour Relations.

¹ Rs.5,000 is routed to the beneficiaries through the Ministry of Resettlement while the balance Rs.20,000 is provided through the Bank of Ceylon.

Moving public sector officials towards a productive path through dexterous capacity building programmes

The rapid growth and development in the country demands more skilled professionals for the public service with specialized knowledge in different subject areas. Having recognized this need, the Government makes use of the training opportunities provided by the development partners to improve continuously the knowledge and skills of public servants.



The Government of Sri Lanka has obtained 4,876 foreign training opportunities from these development partners during the period of 2007 to September 2013.

In this process, the Department of External Resources (ERD) plays a key role the focal point by facilitating public officials to utilize the available training opportunities in an optimal way.

As public sector officials play a key role in policy formulation, planning, designing and implementation of development projects as well as delivering quality and effective public services, these training programmes help them to understand the international perspectives and best

practices in relation to the respective disciplines while acquiring new knowledge of emerging technologies and being equipped with relevant skills.

The complexity and the uncertainty of the global economy require macroeconomic policy makers to work with latest information on the global economy, the freshest innovative thinking, and the best new approaches to macroeconomic management. ERD supports public sector officials to enhance their knowledge and capacities to cope with these emerging needs through effective mobilization of foreign training programmes.

Key Partners in Providing Long Term Training Programmes

Over the last few decades, Sri Lanka has obtained overseas training opportunities from Australia, Japan, Korea, Thailand and China to follow Master Degree Programmes at well reputed universities which are equipped with eminent academia and states of the art facilities including equipment and methods. The selected programmes are designed to synthesize broad perspectives on subject areas and create innovative approaches and ideas. These programmes provide an opportunity for the academically qualified, capable, talented public sector officials to develop their capacities through following long term Post Graduate programmes in the selected universities. Sri Lankan public sector officials have benefitted from around 349 long term training opportunities provided by these development partners during the period of 2007 to September 2013.

Australia, Japan and Korea are the major development partners of Sri Lanka in providing long term training programmes. Sri Lanka annually obtains around 50 long term scholarships to follow Master Degree programmes in key subject

areas including education, health, sustainable economic development, environment, public administration and public policy, regional development, economic development, fisheries, information technology, development policy, agriculture etc.

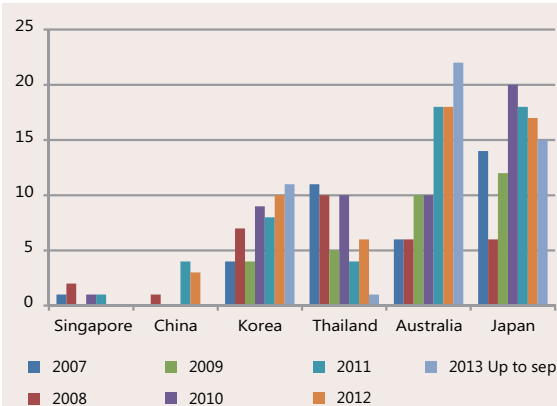
The first framework of the Japanese Development Scholarship Programme for the period of 2010 - 2013 has been completed and second framework for the period of 2014 – 2017 has been finalized with many structural changes including introduction of well recognized universities such as Waseda University, Hitotsubashi University, University of Tokyo, University of Tsukuba, and National Graduate Institute for Policy Studies in to the programme and introduction of new courses to improve the quality of the programmes in line with the development priorities of the Government of Sri Lanka. Equal opportunities are provided for eligible public officials to apply for these programmes

Long term foreign training opportunities provided by development partners

The number of candidates applying for these programmes has been increasing significantly

over the past several years. The qualities of these candidates have also been improved due to the productive efforts taken by the Australian Development Scholarships Program (Aus Aid) through the South Asia Scholarship Programme (SASP), Japan International Cooperation Agency (JICA) through Japan International Cooperation Centre (JICE) and relevant ministries in collaboration with ERD. Accordingly 349 officials have been selected to follow Master Degree Programmes abroad under the financial assistance of Japan, Aus-Aid, Korea and Thailand during the period of 2007 to September 2013.

Chart 48 Long term foreign training opportunities provided by development partners



Source : Department of External Resources

Experience of participants

Mr. Wasantha Bandara Palugaswewa is the Regional Director of Irrigation at the Department of Irrigation in North Western Province. He stated that there was not much emphasis on ground water conditions in his institution before he did his MSc in Ground water Hydrology in Australia under the Aus-Aid scholarship programme. According to him, this programme is not available in any institution in Sri Lanka. After his return he introduced this subject to the curriculum of their training institute and introduced the Australian experiences to recharge ground water table in the dry zone of Sri Lanka. Furthermore, Australia is a country where ground water technology is highly developed and vastly used for agricultural activities. The Irrigation Department where he works mostly uses gravity irrigation to irrigate agricultural crops. "As the options for future gravity irrigation development is limited and available sources are already tapped, utilizing the ground water for irrigation purpose needs to be expanded" he said



Mr. T.P.Anura Hemakumara, Divisional Secretary of Haputale has recently concluded his two year Master degree programme under the Japanese JDS programme. Explaining his experience he said "Studying abroad was one of my dreams for a long time. It was realized with receiving the JDS which allowed me to pursue two years Master Degree programme in a prestigious university in Japan. The exposure to a developed country was a great privilege for me to experience the different context comparatively to a developing country in terms of infrastructure, management systems, culture and people. In each day of my life in Japan I made new discoveries and learned new perspectives through reading, insightful lectures from eminent professors and in association with fellow students from different nationalities and diverse professional backgrounds. Not only the campus life itself but also even daily Japanese life contributed to my value addition providing education, experience and change in mind set."

"During my tenure in Japan I realized how a nation could remain courageous, unite, friendly and environmentally conscious despite numerous natural and man-made disasters. I wish every Sri Lankan could get this invaluable experience of studying abroad and international exposure" he further said.



Key Partners in Providing Short Term Training Programmes

More than 15 development partners such as Korea, Japan, China, ADB, Singapore, Thailand, India, Colombo Plan, Commonwealth, the Netherlands etc provides individual and country focused group training programmes on a short term basis. These programmes mainly focus on the subjects of economic development, water resources management, port sector development, environment, education, public sector development, disaster management, agriculture, power and energy, livestock, health, governance, transport etc.

During the period 2007 to September 2013, Sri Lanka has obtained 4,527 short term training opportunities from development partners. In 2012, Sri Lanka has benefitted from 726 short term training programmes which is an increase of 8 percent compared with the previous year. The number of short term training opportunities obtained from January to the end of September 2013 was 461.

Out of this total number, 22 percent was provided by the Peoples Republic of China while 19 percent was provided by the Government of Japan. Government of Korea, ADB and India have provided 17 percent, 14 percent and 7 percent of the total training opportunities respectively in 2013.

Chart 49 Focused sectors of training programmes

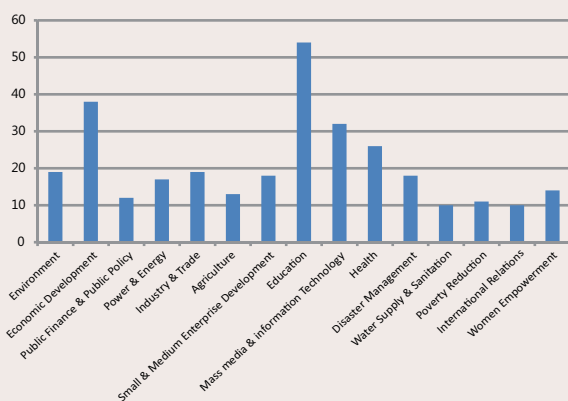
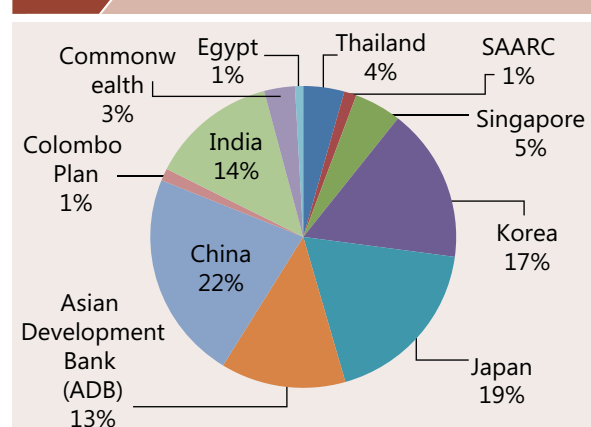


Chart 50 Short term training programmes



Source : Department of External Resources

Training Programmes offered by Sri Lanka to the friendly countries

In parallel to Sri Lanka emerging as a lending country, the Department of External Resources has taken steps to provide training programmes to public sector officials of other friendly countries at their request. Accordingly, five public sector officials from the Ministry of Finance of Bangladesh were provided with exposure training on Aid Negotiation and Economic Diplomacy in 2012 and five public sector officials from the Ministry of Finance of Tanzania were trained in 2013 on Aid Management System.

Services of Volunteers

Sri Lanka shares skills and knowledge of Sri Lankan expertise in many areas including construction, relief and rehabilitation, vocational and technical training with other regional countries. Construction of national roads in Maldives, helping victims affected by Tsunami in Japan in 2011 and setting up of a vocational training centre in Uganda, are some of the initiatives where Sri Lankan experts have extended their support voluntarily to other friendly countries. Skilled people can be deployed as volunteers for development work in other countries with the financial support of the Government to strengthen the political, economical and technical cooperation between Sri Lanka and other countries through South-South Cooperation and the Commonwealth Secretariat.

Similarly, the Government of Sri Lanka also receives assistance from development partners such as Korea, Japan, United Nations Agencies (UN)

and Australia to obtain services of volunteers and experts in the fields of solid waste management, Agriculture, computer science, web designing, English, Korean and Japanese languages, sports, community development, vocational training, automobile, and other related fields as a part of regular technical cooperation.

Accordingly, Sri Lanka annually obtains services of 40, 30, and 20 volunteers from Korea, Japan, and UN respectively. Volunteers offer the nurturing, vision, commitment, skills, creativity, dedication and wisdom that can significantly impact the development of needy people.

During the period 2007 to September 2013 Sri Lanka has received services from around 223, 219, 343 volunteers from Korea, Japan and UN respectively. Though the obtaining of services of Australian volunteers were temporarily suspended in 2006 due to the turbulent situation in the country, the Government of Australia has entered into an agreement with the Government of Sri Lanka in December 2012 to provide services of Australian volunteers to work with local people and the local authorities to enhance their skills and strengthen the local organizations, communities and networks. Accordingly, two Australian Volunteers, being from native English speaking countries have been attached to the Sri Lanka Institute of Development Administration which is the focal point to train newly recruited officials from all island services mainly to enhance their English knowledge.

Implementation of Volume Based Waste Fees System (VBWF) in Sri Lanka Prof. Anh Young Che, KOICA Waste Management Expert

"Sri Lanka has gained recognition for having a fairly clean environment through the establishment of an efficient cleaning and collection system for Municipal Solid Waste (MSW). However, there is no proper follow up after collection and take-away of MSW" Prof. Anh Young Che, KOICA Waste Management Expert said.

"In general, segregation of MSW at source is not occurring in the country and without segregation at source, MSW management becomes very costly and impossible, Therefore, recycling activities for better



MSW management are not properly performed. Large amounts of recyclable waste and perishable waste is being dumped and environmental and health problems are becoming urban issues in these areas. Since I was assigned as a KOICA World Friend Advisor and Waste Management Expert, to the Waste Management Authority (WMA) in 2010, I am indeed glad that as a result of my almost 2 year long institutional and technical consulting, WMA decided to introduce the VBWF system by implementing a pilot operation of the system in Kesbewa Urban Council, Boralsgamuwa Urban Council, and Moratuwa Municipal Council. In the meantime, KOICA's training programme on 'Resource Re-circulated Society' for South Asian Countries conducted in 2012 in Korea also provided encouragement for Sri Lanka to accelerate the pilot VBWF system. At that programme, Sri Lanka participants submitted proposals for the VBWF system in Sri Lanka. As a result, KOICA accepted the proposal and committed financial assistance totaling USD 10, 000 for the preparation and distribution of VBWF bags to be used by 90,000 household participants. Once the pilot VBWF system is completed, in December 2013, VBWF guidelines will be prepared and recommended for full and complete application in Sri Lanka. I hope that the implementation of the VBWF system in Sri Lanka is successful, and that the system will help Sri Lanka move one step forward toward an environmentally sound economy and waste free society".

