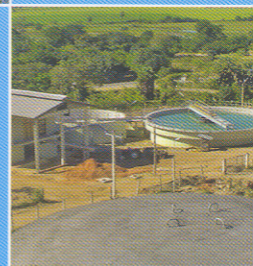




# PARTNERSHIP FOR ACCELERATED GROWTH



Department of External Resources

Ministry of Finance and Planning

2007



## **List of Acronyms**

ADB	- Asian Development Bank
ADF	- Asian Development Fund
CFTC	- Commonwealth Fund for Technical cooperation
CUB	- Committed Undisbursed Balance
CEB	- Ceylon Electricity Board
EDCF	- Economic Development Cooperation Fund
EU	- European Union
EDCF	- Economic Development Co - Operation Fund
FAO	- Food and Agriculture Organization
FLOOD	- Flood Affected Areas Rehabilitation
GDP	- Gross Domestic Product
GOSL	- Government of Sri Lanak
GTZ	- German Agency for Technical Cooperation
	- (Deutsche Gesellschaft fur Technische Zusammenarbeit)
HIV/AIDS	- Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IFAD	- International Fund for Agricultural Development
IDP	- Internally Displaced Persons
IDA	- International Development Association
JICA	- Japan International Co - Operation
JBIC	- Japan Bank for International Co-operation
KFAED	- Kuwait Fund for Arab Economic Development
KFW	- German Bank for Reconstruction (Kreditanstalt fur Wiederaufbau)
KOICA	- Korea International Co - Operation Agency
LNG	- Liquid Natural Gas
MCA	- Millennium Challenge Account
NDF	- Nordic Development Fund
OCR	- Ordinary Capital Resources
OPEC	- Organization of Petroleum Exporting Countries
SME	- Small and Medium Enterprises
SFD	- Saudi fund for Development
STAART	- Sri Lanka Tsunami Affected Area Recovery and Takeoff
TA	- Technical Assistance Program
UN	- United Nations
UNDP	- United Nations Development Program
UNESCO	- United Nations Educational, Scientific and Cultural Organization
UNFPA	- United Nations Family Planning Association
UNICEF	- United Nations Children's Fund
WFP	- World Food Program

## **INTRODUCTION**

Foreign aid plays a crucial role in the development activities of Sri Lanka as it helps to bridge the investment gap in the desired amount of capital expenditure and the actual amount, the Government can allocate in view of its budgetary constraints. Over the period of time, the Government has taken various initiatives to ensure that these external resources are utilized in an effective manner for optimum utilization. One such major initiative was the formulation of the medium term development programme of the Government “ A Ten Year Horizon - Development Framework 2006/2016 “, with the participation of all stakeholders including the development partners so that foreign aid will fully complement the development initiatives targeting the key sectors identified by the Government.

The Sri Lanka Development Forum 2007 held in Galle, in January 2007, provided the Government of an excellent opportunity for a process of extensive consultation with all its development partners in finalizing “A Ten Year Horizon - Development Framework 2006/2016 “, so that all the development partners will be fully aware of the national priorities as highlighted by the Government in its medium term development programme when identifying projects for future funding. The new development strategy was articulated based on the lessons learnt from the past policies and addressing the limitations, weaknesses and lapses to improve growth prospects particularly in the lagging regions while further improving on positive outcomes to ensure equitable development in the country.

The medium term development programme places special emphasis on the development of lagging regions as the benefits of the development initiatives of the country have not been filtered down to these regions adequately. The situation has worsened with some of the lagging regions being further affected by the Tsunami experienced in December 2004. As part of the process to pay special attention to these lagging regions, some of the major infrastructure projects are being implemented in these areas which will help to improve the living standards of people by accelerating economic activities with the completion of most of the Post-tsunami reconstruction and rehabilitation activities.

The development partners have responded positively in a very encouraging manner by supporting these initiatives of the Government. The Government has already been successful in obtaining commitments for US\$ 945 mn during the period January – September 2007 for projects identified in the medium term development programme and expects that the annual commitments will exceed US\$ 1,250 mn with funding arrangements for a few major infrastructure development projects including the Hambantota Port Development Project which requires funding for US\$ 307 mn are expected to be concluded before the end of the year. In 2006, the annual commitments amounted to US\$ 1,293 mn which were extended for various development projects to be implemented in 3 – 5 years and the cumulative undisbursed balance as at end of September 2007 was US\$ 4.57 bn.

This document provides an overview of foreign aid utilization in Sri Lanka, details of major infrastructure projects being implemented at present with foreign funding, challenges for effective utilization of external resources and the initiatives taken by Government in addressing such challenges to expedite the process of accelerating, growth in GDP in excess of 8 per cent in the medium term development strategies; as articulated in the *Mahinda Chintana* – Vision for a New Sri Lanka; A Ten Year Horizon Development Framework 2006 – 2016