



வார्षிக வார்வல 2006
வருடாந்த அறிக்கை 2006
ANNUAL REPORT 2006

விடேஷ ஂமீயன் ஂடீயார்தமீன்வல
இடீல் ஂா க்ரமீயிடீயாடீன ஂமாத்யஸ்ய

வெளிநாட்டு வளங்கள் திணைக்களம்இ நிதி,
திட்டமிடல் அமைச்சு இலங்கை

Department of External Resources
Ministry Of Finance and Planning

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Vision

“To be well equipped with knowledge and expertise required to mobilize and manage external finances for accelerated economic growth of Sri Lanka as the country elevates to higher-middle income status”.

Mission

“ Mobilize external financing at least possible cost in support of “Mahinda Chintana : A Vision for a New Sri Lanka” while maintaining long term debt sustainability of the country”.

What we Do

Mobilize external resources on favorable terms and conditions with minimum cost and low risk to finance development projects identified in the government’s Ten-year Development Framework

Facilitate the effective and efficient utilization of external resources including the assistance provided by the INGOs/NGOs.

Contribute to maintain long-term external debt sustainability of the country

Contribute to the human resource development in the public sector by effective utilization of foreign training opportunities

Continue to strengthen the capacity of the Department to fulfill the responsibilities in an effective and efficient manner

Our Values

Complying with the spirits and abide by all laws and regulations, adhering to the highest standards of governance, transparency, disclosure and ethical conduct

Demand the highest standards of personal integrity, putting the department's interest ahead of individuals

Create an environment of mutual respect and trust where the staff can demonstrate its performance and achieve the full potential

Promote long- term ethical relationships with the stakeholders through true and fair dealings

Empower the staff at all levels, minimize interferences, and require them to be accountable

Conduct as good public officials promoting the environment for sustainable development

Statement by the Secretary to the Treasury

It is with great pleasure that I send this statement to the Annual Report of Department of External Resources for the year 2006. I see the year 2006 as a remarkable year of success for the Ministry of Finance and Planning, with achievements to driving the development momentum towards national goals and launching of landmark initiatives to shape a better future for Sri Lanka. Especially we were able to publish 'Mahinda Chinthana: Ten Year Horizon: towards a New Sri Lanka 'which has been the guiding light for the Ministry's efforts in harnessing benefits of overseas development assistance towards achieving domestic aspirations.

The Government and the development partners have undertaken many new initiatives to minimize the regional-urban imbalance with a view to promoting lagging regions. The year under review was especially gratifying, since many of the prospective development projects and programmes were initiated and some major projects were completed with greater success.

While I am expecting to continue the development activities commenced in 2006 my sincere appreciation is extended to the staff of the Department of External Resources for their commitment, dedication and untiring efforts in achieving the set targets of year 2006. I wish to thank Hon. Minister Ranjith Siyambalapitiya for his incessant support and guidance in all our endeavors.

With Best Wishes

P.B. Jayasundera
Secretary, Ministry of Finance and Planning

Statement by the Director General

The Department of External Resources continues to play the crucial role of the principal agency in mobilization of foreign aid to Sri Lanka. In line with the policy statement of His Excellency the President, the Department of External Resources made a strong commitment by identifying viable projects and mobilizing foreign aid to achieve the objectives of Mahinda Chinthana and thereby to fulfill the aspirations of the people.

This report records the achievements gained and also the challenges faced. The purpose of this publication is to explore the efforts made by the Department on utilization of foreign aid. We have over the past decade delivered consistent and solid results to show our resilience to operate in difficult circumstances. The Department's performance in 2006, in varying and turbulent conditions, exhibits its indomitable spirits by achieving highest foreign aid disbursement ratio in the recent past.

The success of the Department of External Resources is a tribute to the continued dedication, commitment and enthusiasm of the staff that takes pride and seeks satisfaction in their work. I take this opportunity to express my gratitude to my staff, the driving force of this Department.

I look forward to another remarkable and successful year.

Sujatha Cooray
Director General

The Department of External Resources

The Department of External Resources (DER) of the Ministry of Finance and Planning is the focal point for mobilization and co-ordination of Foreign Aid. Foreign aid plays a vital role in development financing in Sri Lanka since 1970s. It has been instrumental in bridging the savings and investment gap and cushioning the balance of payments besides being an important source of funding for Sri Lanka's national development efforts.

Foreign aid has also been an important source of complementary input to enhance human skills, administrative capacity, and institutional building. Attempts were made continuously to mobilize foreign aid in the form of investment capital and technical co-operation. At present, foreign aid accounts for approximately 54 per cent of the public investment, 15 per cent of government expenditure and 3-4 per cent of the GDP of the country.

Foreign aid received from both multilateral and bilateral donors by way of concessional loans and outright grants have contributed towards promoting economic development in Sri Lanka. There are 13 multilateral donor agencies, 20 bilateral donor countries and few export credit agencies providing development financing to Sri Lanka. The major providers of foreign aid to Sri Lanka are multilateral agencies such as Asian Development Bank, World Bank and bilateral donor countries such as Japan, China, Germany, The Netherlands, Sweden and Korea. In addition, export credits which are extended within the ambit of export credit schemes of donor countries too contribute in financing development activities.

The foreign development assistance is provided in the form of concessionary loans and grants. Concessionary loans are extended with a low interest rate and a long repayment period. In the total aid portfolio, about 90 per cent is in the form of loans and the balance in grants. Of the loans, 97 percent is received on concessionary terms and the balance on non-concessionary terms.

The Mahinda Chinthana: Vision for a New Sri Lanka - A Ten Year Horizon Development Framework 2006-2016 places a major emphasis on the development of infrastructure facilities in the country connecting lagging regions into the development process and achieve a higher economic growth in excess of 8 percent. The response from both multilateral and bilateral donors to achieve this objective has been encouraging.

Organization Structure

The DER team is headed by a Director General who is assisted by Additional Director Generals and Directors in charge of the following Divisions.

1. Asian Development Bank Division,
2. World Bank Division,
3. Japan Division,
4. Bi-lateral West Division
5. Bi-lateral East Division
6. Technical Assistance Division
7. Policy Division ,
8. Information Systems and Debt Management Division,
9. Centre for Non- Governmental Sector
10. Administration and Finance Division.

The organization chart depicted below illustrates human resources at DER.

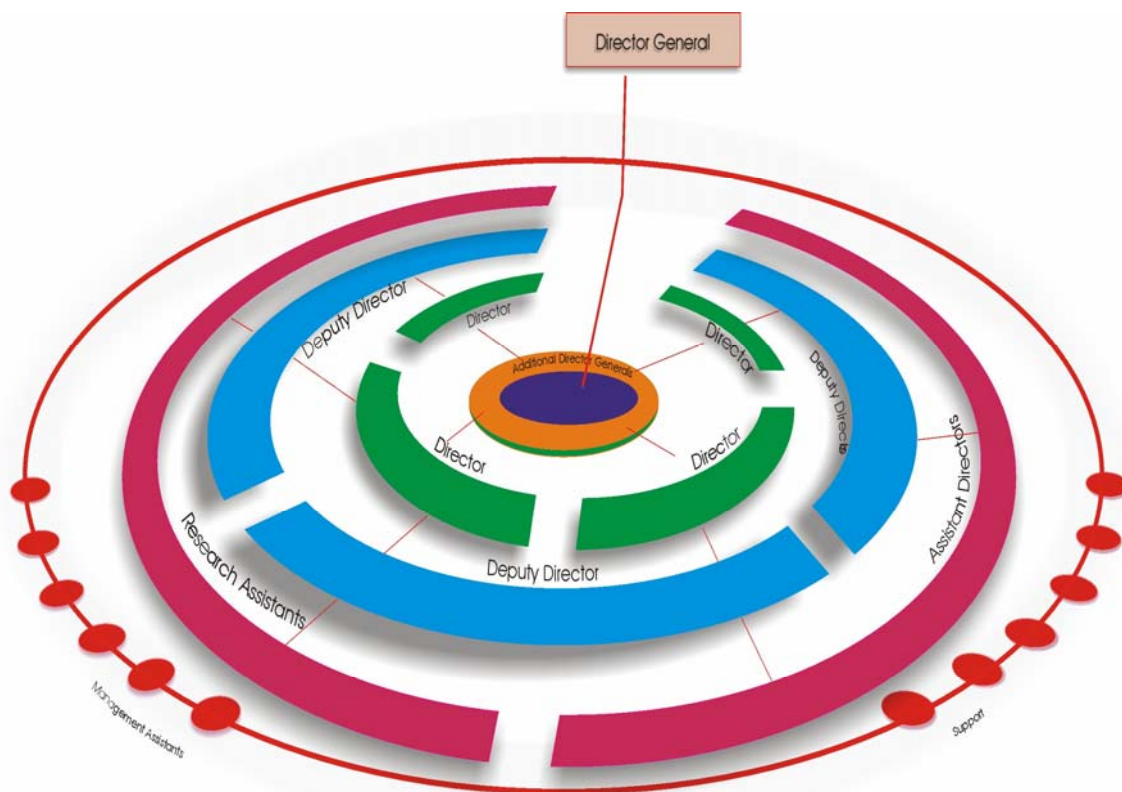


Table 1 - DER Cadre Information as of 31st December 2006

<i>Cadre</i>	<i>Approved Cadre</i>	<i>Actual No. Of Employees</i>	<i>Vacancies</i>
<i>Staff Officers</i>	44	30	14
<i>Supporting Staff</i>	69	49	20
<i>Minor Staff</i>	28	25	3
<i>Total</i>	141	104	37

The staff profile of the Department of External Resources is given in Annex 1.

Staff Development and Training

In the year 2006, a large number of staff members were provided with both local and foreign training to update and upgrade their knowledge, skills and capacity mainly in the areas of Aid Management, Negotiation Skills, Project Monitoring and Evaluation, Strategic Management, Good Governance and Information Technology. The table 2 shows the details of the training areas and the number of staff trained in the period of review.

Table 2 - Number of Staff Trained during 2006

<i>Area of Training</i>	<i>Number of Staff Trained (Local and International)</i>
<i>Project Monitoring and Evaluation</i>	01
<i>Good Governance</i>	05
<i>Information Technology</i>	02
<i>Aid Management</i>	12
<i>Economic Development</i>	05
<i>Strategic Management</i>	01
<i>Other related areas</i>	01

In addition to the above;

- two officials returned to Sri Lanka after obtaining Masters qualifications from overseas universities in the areas of Business Administration and Public Administration in 2006 and two officials were sent to Australia for Masters degree programmes in the areas of Business Administration and Economics.
- One staff member was attached to the World Bank Head Quarters in Washington D.C. for 6 months to get familiarize with the World Bank procedures.
- few officers attended to important regional and international seminars and workshops in the areas of aid management and economic development and training programmes were offered for the management assistants and the support staff in respect of their subject areas.

ACCOMPLISHMENTS IN 2006

A REMARKABLE PERFORMANCE IN 2006

- ❖ Foreign assistance accounted for about 54 per cent of the public investment by mobilizing a total commitment of US \$ 1,292 million.
- ❖ The highest amount of foreign aid disbursement in the recent past was recorded in the year 2006 (US \$ 1,094 million)
- ❖ Government received about 760 foreign training opportunities during 2006 under different Technical Assistance Programmes
- ❖ Finalized the project pipeline for the next 3 years within the Medium Term Framework envisaged in the overall policy of "Mahinda Chintana: Ten Year Horizon: towards a New Sri Lanka"
- ❖ The Commonwealth Finance Ministers' meeting was successfully conducted in Colombo from 12-14 September 2006 with the participation of around 225 foreign delegates from 53 Commonwealth member countries.
- ❖ The preliminary arrangements were made in 2006 to hold the Sri Lanka Development Forum - 2007 with highest level of participation from the development partners of Sri Lanka.
- ❖ The Regional Seminar on Debt Management sponsored by the Commonwealth Secretariat was successfully conducted in Colombo from August 14 - 25, 2006 with the participation of 5 countries.

DER Publications

- ❖ *"Partnership Towards a New Sri Lanka- 2006" highlights of overseas development assistance received by the Government of Sri Lanka for different sectors.*
- ❖ *"Foreign Aid Review 2005' – the annual publication with an analytical review of overseas development assistance received by the Government of Sri Lanka during the last 5 years*

Foreign Aid Cash Flow

The total aid commitments made by the donors to Sri Lanka by signing necessary loan/grant agreements in 2006 amounted to US\$ 1,292 million. At the end of 2005 the total Committed Un-disbursed Balance (CUB) available for the government's development programmes (including post tsunami reconstruction activities) amounted to US\$ 4.1 billion (Annex -2). The utilization of these commitments involves 3 to 5 year time frame

depending on the duration of the project implementation. Generally, a utilization of one-fifth to one-fourth of the committed funds each year is considered satisfactory. Multifaceted failures often affect the efficient utilization of committed aid. The amount disbursed during 2006 was US\$ 1,094 million. Accordingly, the Committed Un-disbursed Balance at the end of 2006 was US\$ 4.28 billion.

Foreign Aid Commitments in 2006

The total commitments of US\$ 1,292 million made in 2006 were in the form of project loans and grants. The projects loans accounted for US\$ 1,098 million and grants totaled US\$ 194 million. The sector-wise details of all agreements signed in 2006 are given in Annex 3. Keeping in

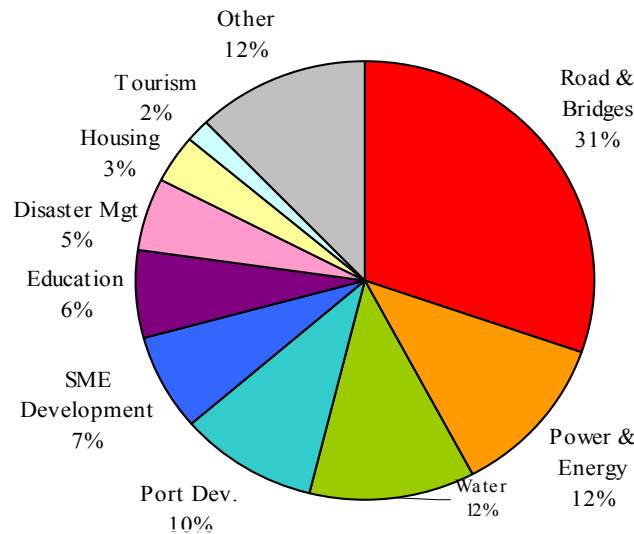
line with the priority sectors identified by the government for economic development, almost 30 percent of the total commitments in 2006 (US \$ 391 mn) were targeted for projects in roads and bridges, while power and energy sector and water and sanitation sector received commitments of 12 percent each.

Table 3- Foreign Aid Commitments during the Year 2006 by Sector in US \$ mn

Sector	Loan	Grant	Total
Road & Bridges	377.7	12.8	390.5
Power & Energy	156.9		156.9
Water & Sanitation	136.9	13.5	150.4
Port Development	124.1		124.1
SME Development	93.2		93.2
Education	19.4	62.6	82.0
Disaster Mgt (Rehabilitation)	31.5	39.4	70.9
Housing & Township	20.1	24.4	44.5
Tourism	23.0	0.3	23.3
Other	115.9	40.8	156.7
Grand Total	1,098.7	193.7	1,292.4

Source: Department of External Resources

Chart 1 - Foreign Aid Commitments during the Year 2006 by Sector



The World Bank, Asian Development Bank (ADB) and the Government of Japan committed US \$ 288 mn for the road sector projects. The ADB and the World Bank provided assistance for road sector development amounting to US\$ 150 million and US \$ 100 mn respectively. The World Bank and ADB funding have been earmarked for the development of approximately 1,700.km road network covering Puttalam-Padeniya, Puttalam-Anuradhapura, Ingiriya-Ratnapura, Nuwara Eliya-Badulla, Wellawaya-Siyambalanduwa-Ampara, Nittambuwa-Kandy, Habarana-Kantale, Kandy-Mahiyangana. The commitment of US \$ 38.2 mn from Japan will be utilized for the rehabilitation of part of the main highway in the Eastern Province affected

by the Tsunami disaster. In addition, Japan has committed US \$ 124 mn for Galle Port development and US\$ 22.3 mn for tourism resources improvement. The Galle Port development project will facilitate the Southern region development plan presently being implemented by the government. The ADB has contributed to develop technical education and for the strengthening of the local government infrastructure during this period by providing loans amounting to US \$ 20 million and US \$ 50 million respectively. In addition, the Government of China has committed to provide a total of US \$ 455 mn for the Norochcholai Coal Power Project. (Phase - I with 300MW of power generation capacity)

Committed Un-disbursed Balance (CUB)

At the end of 2006 the Committed Un-disbursed Balance available for the government's development programme

amounted to US 4.28 billion. Table 2 indicates the sectoral classification of the committed un-disbursed balance.

Table 4 - Committed Undisbursed Balance by Sector as at 31 Dec. 2006

Sector	Amount (US\$ Mn.)	% of total
Tsunami Rehabilitation	908.1	21
Roads, Bridges, Ground Transport, Ports & Airport Aviation	853.9	20
Power & Energy	607.4	14
Water Supply & Sanitation	363.2	8
Health, Education & Vocational Training	312.7	7
Agriculture, Irrigation, Land, Plantation & Fisheries	238.8	6
Trade, Tourism	190	4
Rehabilitation	157	4
Financial Management	141.8	3
Rural Development	111.5	3
Environment & Forestry	110.8	3
IT, Science & Technology, Institutional Development	88.5	2
Housing & Urban Development	82.7	2
Other	118.9	3
Total	4,285.3	100

Source: Department of External Resources

Chart 2-Committed Un-disbursed Balance of Foreign Aid by Sector as at 31 Dec 2006

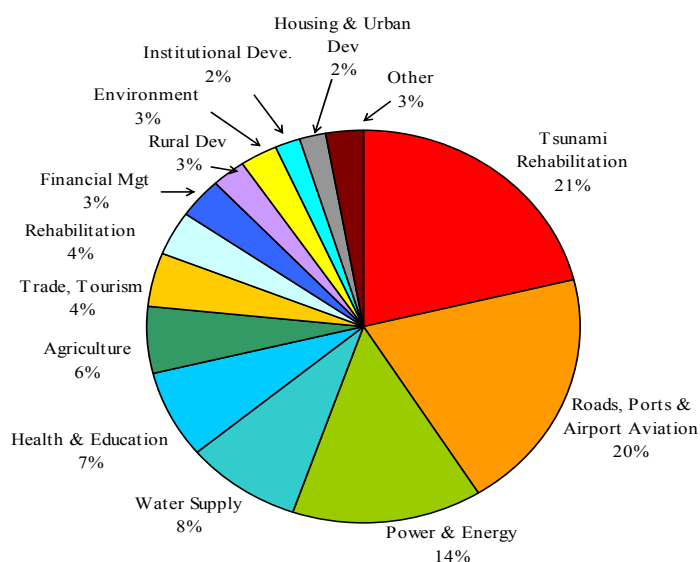


Table 3 provides the donor wise classification of the Committed Un-disbursed Balance.

Table 5 : Committed Un-disbursed Balance by Donors as at 31 Dec. 2006

Donor	Amount (US\$ Mn)	% of the Total
ADB	1056.8	24.7
World Bank	480.8	11.2
Japan	1021.4	23.8
France	96.6	2.2
China	529.9	12.4
Germany	127.7	3.0
USA	88.6	2.1
UN Agencies	134.4	3.1
European Investment Bank	123.6	2.9
Export Credit	176.2	4.1
Others	449.3	10.5
Total	4,285.3	100

Source: Department of External Resources

Foreign Aid Disbursements

The total foreign aid disbursement by 31st December 2006 amounted to US \$ 1,094 million on account of project loans, programme loans and grants. Of the total disbursement, project loans accounted for US \$ 734 million (67.0 per cent), programme loans US \$ 52 million (4.8 per cent) and grants US \$ 309 million (28.2 per cent). The details of

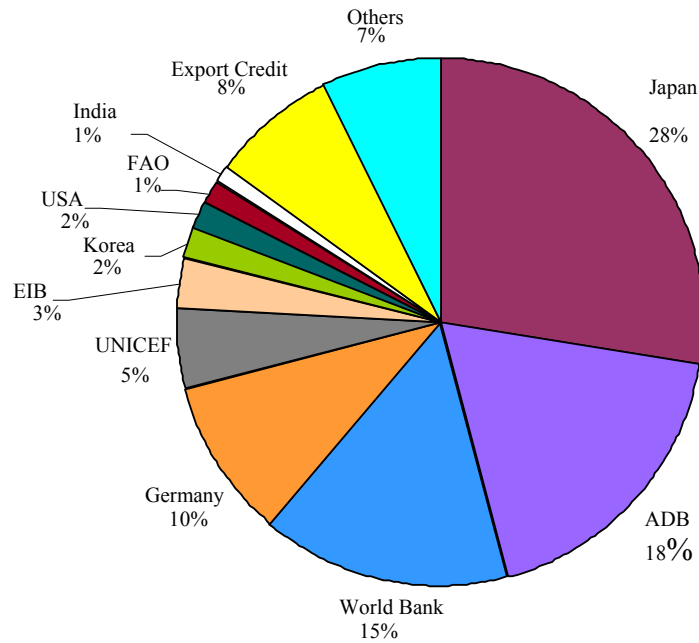
disbursements by each donor are given in Annex 2. Compared with the past two years, 2006 showed a further improvement in the disbursement of funds. Table 4 shows the disbursement of funds by donor during the period of 2004-2006.

Table 5 - Foreign Aid Disbursement in 2004-2006 (US\$ mn)

Donor	2004		2005		2006	
	Amount	%	Amount	%	Amount	%
China	3.6	0.4	10.2	1.0	9.4	0.9
Germany	40.3	5.0	62.5	6.1	106.6	9.7
India	31.6	3.9	7.4	0.7	11.1	1.0
Japan	290.4	36.1	238.6	23.1	301.2	27.5
Korea	6.3	0.8	17.5	1.7	19.2	1.8
Sweden	12.8	1.6	6.4	0.6	9.6	0.9
United States	7.8	1.0	17.0	1.6	19.1	1.7
ADB	189.1	23.5	213.9	20.7	213.6	19.5
(IDA,IBRD)	72.1	9.0	156.3	15.2	156.3	14.3
UN Agencies	13.7	1.7	96.5	9.4	90.1	8.4
European Investment Bank	25.8	3.2	17.9	1.7	33.0	3.0
Commercial Banks	0	0.0	103.64	10.1	0	0.0
.Export Credit	85.9	10.7	45.99	4.5	87.7	8.0
Other	25.9	3.2	37.01	3.6	37.3	3.4
Total	805.3	100.0	1,030.7	100.0	1,094.3	100.0

Source: Department of External Resources

Chart - 3 - Foreign Aid Disbursement 2006



The Government of Japan maintained its leading position among development partners with a recorded total disbursement of US\$ 301.2 mn in 2006 which accounted for about 28 percent of the total disbursement. Table 5 indicates that 33 projects have managed to disburse more than US \$ 10 mn each during the

year. Out of the 33 projects 11 projects were funded by the Government of Japan. It is also significant that four grants provided for Tsunami rehabilitation and reconstruction, by the Government of Japan, United States of America, ADB and the UNICEF also had recorded disbursements over US\$ 10 mn in 2006 for each project.

Table 7 - Projects with Foreign Aid Disbursements over US\$ 10 mn in 2006

Projects	Donor	Amount
(a) Loans		
Walawe Left Bank Irrigation. & Extension. Project.(II)	Japan	10.77
Kalu Ganga Water Supply Project for Greater Colombo.	Japan	17.16
Bandaranaike International Airport Development Project	Japan	43.76
Southern Highway Construction Project	Japan	26.02
Greater Kandy Water Supply Project	Japan	15.94
Upper Kotmale Hydro Power Project	Japan	17.34
Small Scale Infrastructure Rehabilitation & Upgrading (SIRUP I)	Japan	22.89
Small-Scale Infrastructure Rehabilitation & Upgrading (SIRUP II)	Japan	15.75
Small & Micro Industries Leader & Entrepreneur Promotion(SMI LE III)	Japan	24.68
Sri Lanka Tsunami Affected Area Recovery and Take Off (STAART) Project	Japan	28.49
Road Network Improvement Project	ADB	15.25
Southern Transport Development Project	ADB	23.42
Road Sector Development Project	ADB	18.94
Rural Finance Sector Development Program.	ADB	20.00
Fiscal Management Program	ADB	15.00
Renewable Energy for Rural Economic Development Project	IDA	19.18
North East Housing Reconstruction Project	IDA	16.03
Tsunami Emergency Recovery Project Phase II	IDA	24.77
Road Sector Assistance Project	IDA	13.60
Towns South of Kandy Water Supply Project (Export Credit)	Denmark	12.30
Pakistan Line of Credit (Export Credit)	Pakistan	20.00
Solar Energy for the Development of Health & Education Facilities in Rural Areas (Export Credit)	Finland	21.40
DFCC IV Private Sector Development	Germany	18.23
NDB V -Private Sector Promotion Programme	Germany	10.08
Sapugaskanda Diesel Power Plant Project - First Extension	Germany	16.67
Post Tsunami Line of Credit - (Contract A)	EIB	25.40
Total		504.07
(b) Grants		
Non Project Grant Aid - Relief Rehabilitation & Reconstruction of Tsunami Affected Areas	Japan	19.27
Tsunami Recovery & Reconstruction Support	USA	10.84
Tsunami-Affected Areas Rebuilding Project	ADB	12.61
Health Sector Development Project	IDA	27.98
Education Sector Development Project	IDA	11.97
Sri Lanka UNICEF Country Programme 2002-06	UNICEF	10.77
Tsunami Response Plan 2005-07 Rebuilding with Children	UNICEF	45.34
Total		138.68
Grand Total		781.43

Source: Department of External Resources

Foreign Aid Utilization Rate

A comparison of the aid utilization rates is given in Table 6 where the utilization rates for the year 2006 are compared with that of the past two years. Accordingly, the highest level of utilization rate of an overall figure of 27.7 percent was recorded in 2006. The utilization rates need to be considered in the context of

the type of assistance received, as some of the mega projects would involve a very large initial commitment but to be spent over a longer period of time depending on implementation cycle while some programme loans disburse significantly large amounts in one or two tranches.

Table 8 - Comparison of Utilization Rates

Donor	Utilization Rates (%)		
	2006	2005	2004
Japan	20.4	13.1	17.5
ADB	18.9	17.5	18.9
World Bank	26.9	24.7	20.9
Germany	49.2	66.5	30.5
Others	38.6	66.1	30.4
Overall	27.7	26.5	21.0

Source: Department of External Resources

The utilization of committed aid is affected by several constraints such as tender board delays, land acquisition problems, inadequate capacity in project management units, insufficient supervision and attention to timely implementation, irregular release of domestic counterpart funds by the Treasury, procedural complexities, rigidities and

bureaucracy in donor agencies, changing conditions and applicability of the projects, cost escalations, governance weaknesses, changes in scopes and security conditions in non-liberated areas in selected districts of North and East Provinces. These issues are being addressed at all levels.

The continuous improvement in the aid utilization has been the result of number of measures taken by the government. These include:

- Establishment of the National Procurement Agency (NPA) to streamline procurement systems and procedures. A revised set of Guidelines with the standard bidding documents for procurement that can be applied to donor funded projects are now in force
- Completion of preliminary work such as setting up of project management offices with core staff and preparation of procurement plans well in advance of the signing of Credit Agreements
- Improvement in the release of funds for foreign aid funded projects by the Treasury
- Enhancement of implementation capacity of the project management units
- Resolving contractors problems and issues related to land acquisition and resettlement

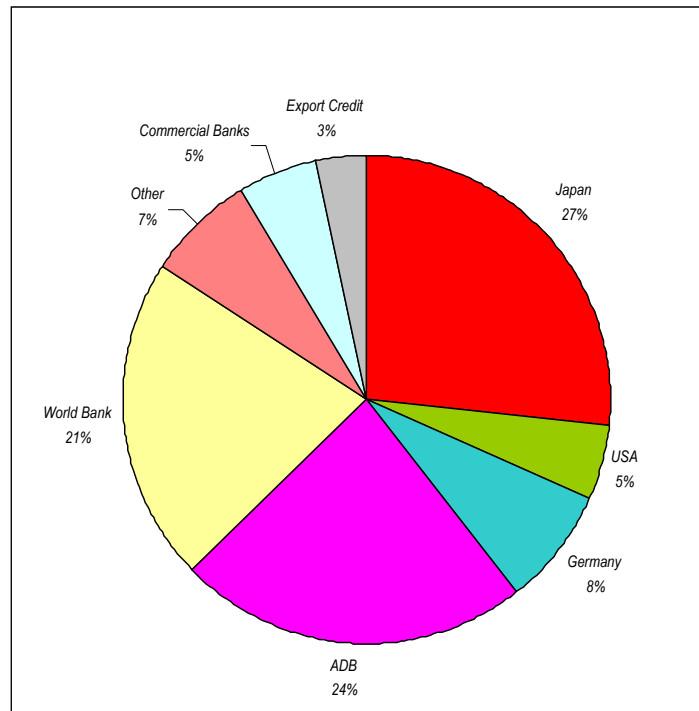
- Regular review of project implementation with implementing agencies and aid agency representatives
- Realign donor portfolios with government development policies and reallocation of unspent resources to high priority activities i.e. Spring Cleaning of ADB Portfolio

External Debt

The external debt of the Government as at end December 2006 amounted to US\$ 10.6 billion. Of this, 47 percent is due to bilateral donors, 45 percent to multilateral donors, 5 percent to commercial banks and the balance

3 percent to the export credit agencies. A graphical representation of the composition of the external debt stock as of end 2006 by the major donor category is demonstrated below.

Chart 4 - Composition of Debt as at 31st December 2006



Slightly over three quarter of the government external debt has been utilized for the financing of development projects. Table 7

indicates the composition of external debt stock by use of funds.

Table 9: Composition of External Debt by Use of Funds

Use of Funds	US\$ (mn)	%
Project	8,093.1	76.2
Programme	978.3	9.2
Commodity	835.8	7.9
Cash loans	450.7	4.3
Other	259.1	2.4
TOTAL	10,617.0	100.0

The maturity profile of the Government external debt is given in the Table 8. As shown in the Table, about 45% of the debt stock will be matured in the 10 year period commencing

from 2007. Nearly, 36% of the debt stock will be matured in the next 10 year period commencing from 2017. The balance 19% is to be matured after 20 years.

Table 10: Maturity Profile of External Debt

Maturity	Amount US \$ (mn)	%
Less than 10 years	4,763.6	45.0
10 - 20 years	3,815.6	36.0
Over 20 years	2,037.8	19.0
TOTAL	10,617.0	100.0

External Debt Service Payments

In 2006, debt services came back to normal level after benefiting one year debt relief granted by the donors to facilitate the post-

tsunami recovery programme. Table 9 illustrates the status of external debt service payments from year 2003 - 2006.

Table 11 - External Debt Service Payments from 2003 - 2006 in US\$ mn.

Type \ Year	2003	2004	2005**	2006*
Total Outstanding Debt	8726	9490	9265	10617
Principal repayments	261	295	173	412
Interest payments	131	148	76	174
Total debt service payments	392	443	249	586

* Provisional ** Low debt service payment due to debt relief

The total debt service payments made during the year 2006 was US\$ 586 million which consisted of US\$ 412 million in principal repayments and US\$ 174 million in interest payments. The total debt service in 2006 shows an increase of 135% compared to 2005. This is mainly due to the low debt service

payments in 2005 on account of the debt relief granted at the Paris Club in 2005 to facilitate the government tsunami reconstructions programme. If the debt relief is not taken into account the debt service in 2005 would have been US\$ 514.48 million. Therefore, the increase in the debt service in 2006 is 14%.

The rupee value of the debt service for 2006 was Rs. 62.7 billion, of which Rs. 44.2 billion was for principal repayments and Rs. 18.5 billion was for interest payments.

Table 10 illustrates the external debt service payments to creditors for the period from 2002 to 2006. The debt service payments to three major donors, i.e. Japan, ADB and the World Bank accounted for 60% of the total repayments in 2006.

Table 12 - Debt Service Payments to Donors/Creditors 2002 - 2006 in US\$ mn

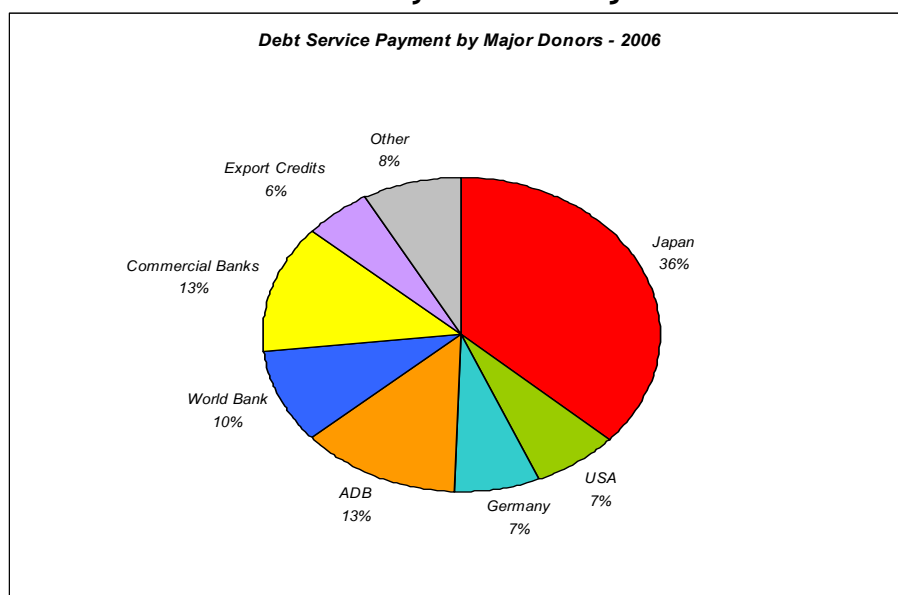
CREDITOR	2002	2003	2004	2005*	2006
Bilateral	237	261.6	293.4	52.3	331
Japan	147.9	169.5	192	16.7	214.5
USA	43.2	43.7	43.4	8.9	41.3
Germany	18.8	22.1	22.8	15.8	40.9
France	6	7.6	7.9	0	9
Netherlands	0	0	4.9	0.6	5.3
Canada	2.7	3	3.3	0.1	4.2
Kuwait	3.1	3.2	3.1	3.3	4.7
Korea	4.1	4.6	4.9	0.1	7.4
India	5.3	3.8	4.9	3.8	0
China	2.6	2.7	3.9	2.9	2.9
Other	3.3	1.4	2.3	0.1	0.8
Multilateral	87	103.6	109.7	126.4	145.8
ADB	38.1	48.6	52.2	64.9	76.1
World Bank (IDA, IBRD)	46.2	51.7	53.7	55.7	56.7
IFAD	2.2	2.6	2.7	2.6	8.2
Others	0.5	0.7	1.1	3.2	4.8
Commercial Banks	9.3	9	10	40.2	76
Export Credits	18.9	19	19.9	29.6	32.8
Grand Total	352.2	393.2	433	248.5	585.6
Period end exchange rate	96.708	96.3518	104.3327	102.0883	107.7056

*Debt relief impact is reflected

Source: Department of External Resources

Graphical presentation of debt service payments to major donors in 2006 is shown in Chart 5.

Chart 5 - Debt Service Payments to Major Donors in 2006



The debt service forecast based on the current debt stock is given in Table 13. As shown in the Table, there is no significant increase in

the debt service payments based on the current debt stock expected in the next 5 years.

Table 13 - Debt Service Forecast - 2007 to 2012- in US\$ mn

CREDITOR	2007	2008	2009	2010	2011	2012
Bilateral	418.9	434.4	441.2	382.6	382.7	392.7
Japan	262.1	265.6	265.4	216.1	220.9	224.1
USA	55	54.1	53.1	40.5	39.8	39.2
Germany	48.1	48.6	47.9	37	33.6	29.2
France	10.7	11.2	11.4	9.1	8.6	7.9
Netherlands	7	6.1	4.1	1.6	0.8	
Canada	4.8	4.8	4.8	3.7	3.7	3.7
Kuwait	4.8	5	5.3	5.8	6.2	6.1
Korea	10.8	12.8	12.8	10.9	10.4	9.9
India	9.2	12.7	14.1	13.7	13.5	13.2
China	4	10.3	16	37.8	38.9	53.2
Other	2.4	3.2	6.3	6.4	6.3	6.2
Multilateral	162.4	202	229.6	247.1	281.5	298.2
ADB	88.9	116.9	137.3	151	170.6	179.1
World Bank (IDA, IBRD)	65.3	71.2	73.1	76.5	83.9	86.7
IFAD	2.4	3.1	3.6	3.6	3.6	3.6
Others	5.8	10.8	15.6	16	23.4	28.8
Commercial Banks	210.2	146	113.3	6.6	6.4	5.8
Export Credits	43.4	48.6	51	54.3	54.2	52.2
Grand Total	834.9	831.0	835.1	690.6	724.8	748.9

Source: Department of External Resources

The net flow of foreign aid during the period from 2001 to 2006 is given in Table 12.

Table 14 - Net Flow of Foreign Aid - 2001 to 2006- in US\$ mn

Creditor Category	Description	2001	2002	2003	2004	2005	2006
Multilateral							
ADB	Disbursements	94.9	153.5	217.9	187.0	216.8	194.9
	Interest Payments	13.7	14.8	17.8	20.2	24.0	28.2
	Principal Repayments	20.6	23.4	30.8	32.0	40.9	47.9
	Net Flow	60.6	115.3	169.3	134.8	151.9	118.8
WB	Disbursements	44.2	94.3	210.1	72.1	156.7	162.5
	Interest Payments	11.7	12.5	13.8	15.3	16.1	15.7
	Principal Repayments	28.3	33.8	37.9	38.4	39.6	41.0
	Net Flow	04.2	48.0	158.4	18.4	101.0	105.8
IMF	Disbursements	121.5	123.5	82.1	0	0	0
	Interest Payments	3.2	2.1	0	5.7	0	0
	Principal Repayments	67.8	50.2	23.2	107.8	0	0
	Net Flow	50.5	71.2	58.9	-113.5	00.0	00.0
Bilateral							
Japan	Disbursements	231.5	183.1	250.8	276.5	235.0	292.2
	Interest Payments	51.9	53.8	60.6	65.7	6.6	56.0
	Principal Repayments	82.4	94.1	108.8	126.3	10.2	158.4
	Net Flow	97.2	35.2	81.4	84.5	218.2	77.8
USA	Disbursements	15.3	2	11	8	17	19
	Interest Payments	18.8	18.3	17.9	17.3	3.7	15.7
	Principal Repayments	23.5	24.9	25.9	26.1	5.2	25.6
	Net Flow	-27.0	-40.8	-32.7	-35.8	07.8	-22.2
Germany	Disbursements	38.5	15.2	26.6	39.7	64.0	103.0
	Interest Payments	4.6	6.0	7.2	8.0	5.4	10.6
	Principal Repayments	11.3	12.9	14.8	14.8	10.4	30.3
	Net Flow	22.6	-03.7	04.6	16.9	48.2	62.1
Other	Disbursements	103.0	131.3	308.1	200.9	528.0	547.2
	Interest Payments	21.8	12.6	14.1	18.7	19.9	47.6
	Principal Repayments	151.7	44.8	43.6	50.3	66.5	108.5
	Net Flow	-70.5	73.9	250.4	131.9	441.6	391.1
Total	Disbursements	648.9	703.3	1106.7	783.8	1217.2	1,318.9
	Interest Payments	125.7	120.1	131.4	150.9	75.7	173.8
	Principal Repayments	385.6	284.1	285.0	395.7	172.8	411.7
	Net Flow	137.6	299.1	690.3	237.2	968.7	733.4

Note: Disbursement includes grants and Loans

Net Flow = Disbursement - (Interest Payments + Principal Repayments)

Source: Department of External Resources

PERFORMANCE BY DIVISIONS

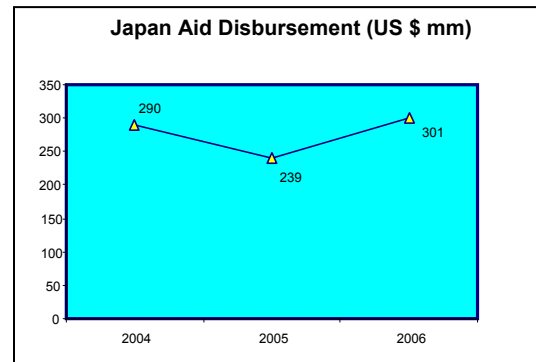
JAPAN DIVISION

Japan Division is responsible for mobilizing Japanese assistance for the implementation of development projects in Sri Lanka. The priority areas in the Government of Japan's Five Year Country Assistance Program (from 2004 to 2009) for Sri Lanka are; consolidation of peace and reconciliation, improvement of economic infrastructure, raising the capability to attract and acquire foreign currency and poverty alleviation.

The Japanese assistance is provided to Sri Lanka in the form of loans (Yen Loan), grants, technical co-operation and development studies. Yen Loan assistance is channeled through the Japan Bank for International Co-operation (JBIC). Grant aid and Technical co-operation projects are channeled through the Japan International Cooperation Agency (JICA). About 80% of the Japanese assistance is provided in the form of Yen Loans.

In 2006, The Government of Japan, as the largest bilateral donor, has provided a total of US\$ 185 million for the development projects in the sectors of ports, infrastructure development and tourism resources development. The Phase I of Galle Port development accounts for US\$ 124 million to construct a new multipurpose terminal to meet the future demand and reallocate break bulk cargo

handling from the Colombo Port. Pro-Poor Eastern Infrastructure Development and Tourism Resources Improvement Projects accounted for US\$ 38.2 million and US\$ 23



million respectively. Road section of 98 km between Akkaraipattu and Trikkandimadu will be reconstructed under the Pro-poor Eastern Infrastructure Development project. The funds of the Tourism Resources Development project will be utilized for the improvement of human resources and other infrastructure facilities in the tourism sector.

In terms of disbursement of funds under the Japanese development assistance programme, the year 2006 has been a remarkable year. The highest ever Japanese aid disbursement in the recent past amounting to US \$ 301 million has been recorded in 2006.

Completed Projects

The Government has completed following projects during the year 2006.

1. Bandaranaike International Airport Project
2. Mahaweli System - C Development Project
3. Poverty Alleviation and Micro Finance Project
4. Urgent Upgrading of Colombo Port

5. Reduction of Non-Revenue Water Project

Bandaranaike International Airport Development Project (US \$ 110 mn)

The project facilitated rehabilitation of taxiways, strengthening and expansion of aprons, improvements of passenger terminal building, expansion of cargo terminal building, modernization of air navigation system and improvement of public utilities at the Bandaranaike International Airport to cope with the increasing demand for passengers and air cargo. The original scope of the project was completed well before the stipulated project completion period with a significant amount of savings. The savings were used for refurbishment of departure and arrival terminal buildings, construction of passenger boarding bridges, upgrading of flight information display system, extension of CCTV system, maintenance of platform vehicles and setting up of docking guidance system.

ASIAN DEVELOPMENT BANK DIVISION

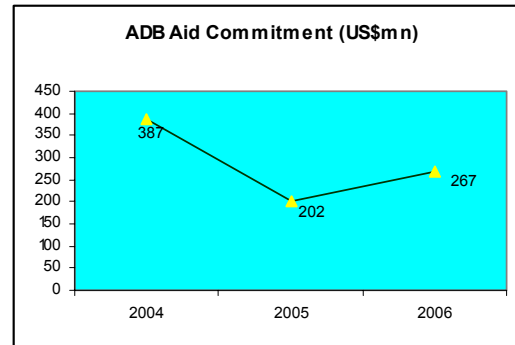
The Asian Development Bank Division is responsible for the mobilization of development assistance from the Asian Development Bank (ADB) for the implementation of development projects designed for the improvement of living standard of people in the country. ADB has prepared its Country Strategy fully aligned with the Governments' priorities for the 3 year period 2006 -2008. Based on the Country Strategy, in the year 2006, ADB has provided financial assistance and expertise services to Sri Lanka for major priority areas such as large infrastructure development in highways, ports, development of local government infrastructure, improvement of water supply and sanitation facilities and modernization of education sector. ADB has Under the Lending and non lending programme 2007 - 2008, ADB has earmarked US\$ 425 mn for the Education Sector Development, Greater Colombo Waste Water Management, Agribusiness Development and Water Supply and Sanitation for Small Towns and Rural Arid Areas projects. Project Preparatory

also undertaken strategic intervention through public-private partnerships in projects which is an indispensable ingredient in poverty reduction to boost country's domestic capacity to finance private sector and economic growth.

For the year 2006, ADB earmarked US\$ 93 million from its Asian Development Fund and US\$ 200 million from the Ordinary Capital Resources (OCR) to allocate development activities of Sri Lanka based on the performance-based allocation criteria. However, the OCR allocation was increased up to US\$ 300million given the importance of fast tracking the expansion of the Colombo Port South Harbour for the country's export competitiveness.

Technical Assistance for agribusiness development and Education Sector Development Projects has been initiated.

During the year 2006, ADB committed US\$ 267 mn through signing of four loan agreements and eleven small grant agreements. Of this amount, US\$ 263 million was committed in loan funds and the balance US\$ 4.0 million in grants. Besides, ADB has expedited the implementation of most of the rehabilitation and reconstruction activities in the tsunami affected areas by utilizing the allocated grant funds amounting to \$ 157 million. During the year, the Government was able to disburse an amount of US\$ 200 million from ADB out of which US\$ 178 million were disbursed in loan and programme funds.



The Asian Development Bank's active portfolio in Sri Lanka includes 47 loans, totaling to \$1.7 billion as of 31 December 2006.

Completed Projects

The government has completed following projects funded by the Asian Development Bank during the year 2006.

1. Second perennial Crops Development Project
2. SME Sector Development project
3. Secondary Education Modernization Project

Secondary Education Modernization Project (SEMP) -Phase 1 (US\$ 55 million)

This project was implemented in all 25 districts during the period of 2001 to 2006. The total number of schools benefited under the project was 2,542. Out of planned 2,300 Multi-Media Units, 2,169 were established with the facilities of modern teaching resources. And also 1,006 Computer Learning Centres were established converting the classrooms and equipped with the equipment of computers, accessories, and air conditioners. 100 new A/L science laboratories were established, and furniture and equipment were provided to upgrade 100 schools. It was also carried out the "Sisusaviya" scholarship program and 50,001 students were benefited under the program.

SEMP was mainly funded by the ADB. The co-financer for this project was the NDF. The financial progress was at 99.04% at the time of project completion. This project had been managed and administered in an efficient and professional manner. Overall, this project can be rated as highly satisfactory project.

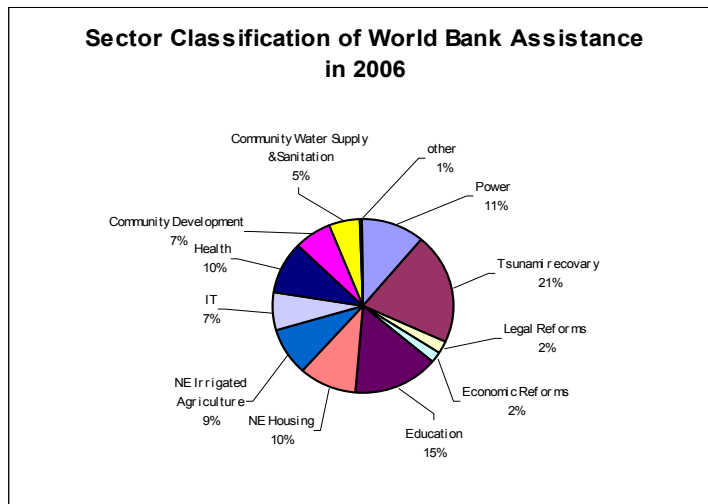
WORLD BANK DIVISION

The Division is responsible for mobilizing of development assistance from the World Bank received in the form of grants and concessionary loans. The loans are extended mainly from the International Development Association (IDA)- the soft loan window- of the World Bank.

The lending terms of IDA were hardened for Sri Lanka in 2006 due to its higher growth rates over the past few years. As Sri Lanka's Gross National Income per capita (GNI per capita) increased the cut-off for IDA eligibility of US\$ 1,025 GNI per capita, Sri Lanka is elevated to "IDA Gap Country".

The primary areas of Bank support to Sri Lanka are;

- Promoting peace through supporting reconstruction and rehabilitation of conflict-affected areas
- Fostering economic growth creating the appropriate conditions for public and private sector investments, and
- Increasing equity in access to public services such as health, water, sanitation and education.



Sri Lanka has received the largest grant (US \$ 60 million) ever given by the World Bank to Sri Lanka for the education sector in 2006 to implement a five year Education Sector Development Program, from 2006 - 2010, to improve all schools in the country. The project aims to promote equitable access to basic education (grades 1-9) and secondary education (grades 10-13). The government has obtained a loan of US\$ 100 million in 2006 from the World Bank for the Road Sector Assistance Project aiming to support the national road system. About 620 km of Class A and B roads and 635 km of rural roads in nine Pradesiya Sabas in Uva, North Central and Southern Province will be improved under this project. The Bank has provided financial assistance under the Phase I and Phase II of Tsunami Emergency Rehabilitation Programme in 2006 to provide cash grants for livelihood development and housing. Reconstruction of Galle Road from Kalutara to Matara also has been initiated under this programme.

The project preparatory activities were carried out during 2006 for the Phase II of Legal and Judiciary Reforms, Phase II of Renewable Energy for Rural Economic Development, Infrastructure and Housing Development in Puttalam, Dam Safety and Water Resources Planning, Public Sector Capacity Development and Preparedness for Avian Influenza projects..

The total commitment in the project portfolio was US\$ 740 million as at end 2006, of which US\$ 253 million is in grants. Total disbursement in 2006 was nearly US\$ 150 million.

Completed Projects

The following projects were completed during 2006 with World Bank financing.

- (i) Land Titling and Related Services Project
- (ii) Private Sector Infrastructure Development Project

Land Titling and related Services Project (US\$ 5 mn)

Sri Lanka Land Titling and Related Services Project was commenced in 2002 and completed in 31st December 2006. The total project cost was US\$ 5mn and 97% of the total amount was disbursed. The objective of the project was to assess and build the methods, frameworks, and capacity for making sustainable and comprehensive improvements in the land administration system, improvement of land titling methods, title registries, land record maintenance, develop legal framework for titling and lifting land market restrictions. Project was implemented in Balangoda, Udapalatha, Divulapitiya, Tambuttegama and Homagama Divisional Secretary areas.

The executing agency for this project was the Ministry of Land. The Land Settlement Department, Survey Department and Registrar General's Department were participated in the program. Survey Department has surveyed the land parcels and prepared cadastral maps while Land Settlement Department has conducted investigation to determine ownership of such lands. Registrar General's Department had registered the identified lands and issued title certificates to private lands.

BI-LATERAL WEST DIVISION

Bi-lateral West Division is responsible for the mobilization of development assistance from western donors such as Germany, the Netherlands, Norway, Sweden, Denmark, USA, UK, France, Canada, Switzerland, Austria, Finland, European Commission, Nordic Development Fund, European Investment Bank and Nordic Investment Bank. The emerging western donors include Spain, Italy, Iceland, Hungary and Czech Republic. The assistance extended by the western countries are small in size but, assisting the government to invest in novel and innovative areas.

Western donors are mainly focusing on basic needs with the emphasis on poverty alleviation, good governance and peace. Their investment is primarily in the areas of drinking water supply, strengthening of capacity of local government institutions, SME development, energy efficiency improvement, financial systems development, local and regional economic promotion, community development and improvement of vocational training.

The Government of Germany is one of the major bi-lateral donors to Sri Lanka. German Assistance received as financial cooperation and technical cooperation.

The financial cooperation is provided as loans through the KfW (German Bank for Reconstruction) in the areas of water supply, power sector and financial credit facilities to Development Finance Institutions. Their technical assistance grants are provided through the GTZ (German Agency for Technical Cooperation). It includes provision of equipment, technical experts and training. In addition, the Government of Germany has assisted for Tsunami reconstruction and recovery programme included the owner driven housing scheme, water supply schemes, small infrastructure development and vocational training.

The Government of Sweden provided assistance in the areas of peace, democracy, human rights, and pro-poor economic growth. Funding was provided for the establishment of E-Learning Centre in Colombo University, Consultancy Fund for the period 2006-2007, Emergency Bridge Project, Research Projects for University of Ruhuna and University of Kelaniya in year 2006.

The Government of United States of America provides assistance through United States Organization of International Development (USAID). It focuses on four areas; economic growth, inclusive governance, humanitarian assistance to disadvantaged populations, and supporting the peace process. Further, the US Government is providing technical assistance through the U.S. Trade and Development Agency (USTDA). USTDA funds activities that lend support to furthering economic and commercial cooperation between the United States and the respective countries eligible for its assistance. The USTDA has provided grants for seven tsunami related technical assistance projects during the last two years.

The Netherlands assistance was mainly concentrated in the support of the Tsunami

recovery and reconstruction programme of the government. This included funding for the owner driven housing reconstruction, multi-day boat reconstruction and rehabilitation of damaged railway signaling in the coast line. In addition, the Netherlands provided assistance for the cultural revival programme in the southern province.

The government of Norway agreed to enhance funding for the Delimitation of Continental Margin of Sri Lanka hiring a vessel to conduct the sea bed survey. Switzerland provided funding for the owner driven housing programme in the Matara and Trincomalee districts.

The French Government's development assistance has been in the area of reconstruction and recovery of the Tsunami affected infrastructure in the Trincomalee district. These included rehabilitation of major roads, water supply, electricity and community development.

The European Investment Bank provided a loan of Euro 70 million for the refinancing of tsunami affected enterprises and Euro 50 million to DFCC Bank for refinancing of medium size enterprises.

The bilateral western donors are also involved in the provision of mixed/export credit facilities for the financing of priority infrastructure projects. These include, Austria (reconstruction of five bridges), The Netherlands (Emergency Response Network), Denmark (Kandy and Nuwara Eliya Water Supply schemes) and Sweden (Waste Water Treatment Facilities in Ratmalana and Ja-Ela).

The Spanish Government allocated Euro 50 million for the Tsunami reconstruction and recovery three projects in bridge construction, water supply and the health sector.

Completed Projects-

Greater Colombo Grid Substation Project

(Euro 42 mn)

The Government of Germany provided Euro 42 million for the implementation of Greater Colombo Grid Substation Project in 2001. This project was completed in the year 2006 by constructing four new 2 x 31.5 MVA capacity indoor substations at Maradana, Havelock Town, Dehiwala and Sri Jayawardanepura; and installing a state-of-the-art high voltage underground cable network connecting these new substations with Ceylon Electricity Board's (CEB) existing substations at Kolonnawa and Pannipitiya. After installation of these new substations the reliability of power supply to the major suburbs, including the two major hospitals in Kalubowila and Sri Jayawardanepura, has been increased significantly.

BILATERAL EAST DIVISION

Bilateral East Division is responsible for mobilization of development assistance extended by all bilateral eastern countries such as China, India, Australia, Korea, Pakistan, Malaysia, Thailand, Middle Eastern countries and UN agencies.

The Government of China provides its assistance through the Economic and Technical Cooperation Agreements and direct project assistance. The priority areas for Chinese assistance are: power sector; social infrastructure; cultural sector; and irrigation

The Government of China has significantly increased its commitment to Sri Lanka over time by providing a total of US \$ 455 million in 2005/2006 for the country's largest coal power project which includes the development of a jetty, power plant and transmission lines to add 300 MW of power to the national grid by 2009/2010. In addition, loan negotiations were concluded with the Exim Bank of China to obtain two loans in a sum of RMBY 300 mn (approximately US\$ 38.5mn) for the procurement of 15 Diesel Multiple Units and RMBY 210mn (approximately US\$ 27mn) for the procurement of 100 Passenger Carriages for Sri Lanka Railways. It is expected to sign these two loan agreements in May 2007. Design work of the National Performing Arts Theater to be constructed at a cost of US\$ 17m was completed in 2006 and the construction work will be commenced in 2007.



Exchange of Letters were signed in 2006 to obtain grant assistance of US\$ 10mn for the construction of a Flyover at the Nugegoda Junction on the High Level Road, signalized Intersection of Sri Jayawardenapura-Kollupitiya Road & Nawala-Rajagiriya Road at Welikada and improvements to Colombo-Kandy Road Section from Kiribathgoda to Kadawatha.

In line with the "Mahinda Chinthana", a profile of new infrastructure projects which will have a greater impact on development in various sectors of the economy has been identified for financial assistance from the EXIM Bank of China with the support and encouragement of Government of China over the period 2007- 2010. A landmark project expected to be concluded in 2007 is the Hambantota Port Development Project, estimated at a total cost of over US \$ 400 mn.

The Government of India provides assistance in the form of lines of credit, grant and project assistance. Lines of credit are used for procurement of Indian origin goods. Arrangements were made to import 961 buses for SLCTB using the available balance of US\$ 22.0 mn of the Indian Line of Credit to Purchase 300,000 MT Wheat Grain from India. Grants funds are normally provided for small scale projects of less than Rs 90 mn. Under the grant assistance India has agreed to finance 7 project proposals submitted by the Government. Under the project assistance, it has been agreed to provide, initially, US\$ 100 million for upgradation of the Colombo - Matara Railway line.

The Government of Korea provides loan assistance through the Economic Development Cooperation Fund (EDCF) of Export-Import Bank of Korea and grant assistance through the Korea International Cooperation Agency (KOICA). The main areas of assistance are water supply, road sector development, IT development,

health sector development and power sector development. The KOICA assistance is specially provided for project aid in the fields of agriculture and fishery, poverty alleviation, education, environment, health and medical care, IT and manufacturing . The Government of Korea agreed to provide US\$ 15.2 mn (Rs 1640 mn) for the Upgrading of the National Vocational Training Center at Niyagama Project (US\$ 8.8 mn) and a supplementary loan of US\$ 6.44mn for the Greater Galle Water Supply Project Phase II Project. It is expected to sign these two loan agreements in May 2007.

There are two forms of assistance provided by Australia: grants and commercial loans. Grants are provided through the Australian Agency for International Development (AusAID), and the priority areas for the AusAID assistance are: environmental management; poverty reduction; good governance; physical/social care; and conflict reduction and peace building.

The commercial loans are provided by the Australian Trade Commission (Austrade) under the Australian Export Credit Facility. The priority areas for its assistance are: water sector; and Irrigation sector. Arrangements were made through Austrade to provide funds to implement two water supply schemes in the Ampara District under the Australian Export Credit Facility. Phase I was implemented during the period from 1999 to 2001 at a cost of US \$ 22mn while Phase II commenced in 2002 at a cost of US \$ 55 mn and is scheduled to be completed in June 2007.

It is also proposed to implement third water supply scheme for the Ampara District in 2007 under the Australian Export Credit Facility at a cost of US\$ 92.6mn.

The third phase covers 13 Divisional Secretariats of the Amapara District including Himidurawa, Konduwatuwana, Uhana, Gonagolla, Bakkiella, Chadayanthalawa, Navithanveli, Chawalakade, Paragahakele, Namal Oya, Inginiyagala, Hingurana, Damana, Madana, Thottama, Wadinagala, Deegavapi and Muwangala.

The State of Kuwait provides development assistance through the Kuwait Fund for Arabic Economic Development (KFAED). The priority areas of assistance are irrigation, and economic infrastructure such as construction of bridges and roads etc. The KFAED mainly provides loans on concessional terms to finance development project in Sri Lanka. In addition, small amounts of Technical Assistance (approximately US\$1mn) are also provided to specific identified projects to conduct feasibility studies.

Kuwait Fund provided post tsunami assistance of US\$ 20mn to Strengthening of Tertiary Education and Administrative Infrastructure in Tsunami Affected Areas in the year 2006. The Kuwait Fund has agreed to provide a loan in a sum of Kuwait Dinars 2 mn (approximately US\$ 7 mn) to implement the South Eastern University of Sri Lanka Development Project Phase 1 in the year 2007.

IFAD provides loans to Sri Lanka on highly concessional terms to reduce the rural poverty. IFAD has extended financial assistance of US\$ 150mn to implement 14 development projects from 1981 to 2006 to Sri Lanka. The priority areas are: natural resources; agriculture; rural development: micro finance; and enterprise development

IFAD has provided assistance amounting to US\$ 16.2mn for the implementation of Phase 1 of the Post-Tsunami Coastal Rehabilitation and Resource Management

Programme and the Post-Tsunami Livelihood Support and Partnership Programme in the year 2006. It is expected to sign loan agreements amounting to US\$ 17mn for the Phase 11 of the Post-Tsunami Coastal Rehabilitation and Resource Management Programme, and the Post-Tsunami Livelihood Support and Partnership Programme in 2007. Negotiations were concluded with the IFAD to obtain a loan in a sum of US\$ 22.5 mn to finance the Small Holder Plantations Entrepreneurship Development Programme during the year 2007.

United Nation's Children Fund (UNICEF) provided assistance through its Country Programme 2002-2006 (USD 38 m) and Tsunami Response Plan 2005-2007 (USD 136 mn). UNICEF country program aims to promote the equal rights of women and children and to support their full participation in the political, social, and economic development of their communities. UNICEF's three year Tsunami recovery plan, titled Rebuilding with children, covers work in the 10 hardest hit districts. The main areas covered under the project were water and sanitation, education, health and nutrition.

The World Food Programme (WFP) assistance was commenced in 1968. Since then WFP has supported 55 food assistance programs valued at US\$ 235 millions for the target families and communities who had difficulty in meeting their daily food needs. WFP provided food assistance through Country Programme 2002-2007 (USD 13 m) Protracted Relief and Recovery Operation and Assistance to Tsunami Victims in Sri Lanka in 2006.

The United Nations Population Fund (UNFPA) is the worlds largest international sources of funding for population and reproductive health programme.

UNFPA provided their assistance through implementation of Country Programme 2002-2006 (USD 4.8 m), Restoration of Reproductive Health Services in Tsunami areas(USD 7.73 m), Building Psychosocial in Tsunami area (USD 1.93 m) and RH and prevention of HIV/AIDS (USD 0.35 m)

Sri Lanka has been a recipient of Saudi Fund for Development (SFD), Kingdom of Saudi Arabia since 1981. SFD has provided assistance for four projects in Sri Lanka.

TECHNICAL ASSISTANCE DIVISION

Administration of Foreign Training Opportunities (FTO) provided by the donor countries and agencies is one of the main functions handled by the Technical Assistance Division. The government received 760 scholarships in 2006 under Technical Cooperation (Annex 5), which include both long-term and short-term training courses. Of these training programmes, 50 placements were for long term postgraduate diplomas and masters programmes with duration of 8 months or over. The areas of training included, development administration, agriculture and livestock, irrigation, information technology, governance environment, human resource development and management. The total value of these scholarships exceeded US\$ 40 mn. The distribution of scholarships among the ministries is given in Annex 3.

Department of External Resources (DER) performs the co-ordination function between the donors and line ministries/agencies in identifying suitable candidates for foreign training opportunities. DER is maintaining a database to improve the efficiency and ensure transparency and accountability of the foreign training management process.

Identification of agencies for foreign training offers is done through the annual demand survey conducted by DER in the

The priority areas of the SFD assistance are; Road sector, Health sector, Irrigation & community development. The SFD has agreed to provide financial assistance of Saudi Riyal 75 million (US\$ 20 million) for Epilepsy Hospital and Health Centers Project and Saudi Riyal 11 million (US\$ 2.9 million) for Development of Health Facilities in Colombo project .

first quarter of each year. The data collected through the survey are fed in to the database and subsequently match with the offers made by donors to identify suitable agencies.

The short term training, seminars, conferences and workshops are offered to middle and senior level public officers to enhance their knowledge and expose themselves to the development taking place in other countries. Short to medium term training opportunities are offered to middle level public officers to improve their technical and professional skills. Mostly, these training courses are conducted at specialized training institutions and universities. The long term training opportunities leading to post-graduate diplomas and Masters level degrees are offered to junior and middle level officers to enhance their academic and professional skills which are required for their future career development. Thus, training opportunities provided by the development partners through their technical cooperation programmes make an important contribution towards the human resource development in the public sector.

The Government of Japan was the major provider of short term scholarships while the Netherlands, India, Republic of Korea, Australia, Norway, and Thailand provide the long-term scholarships.

Germany, Singapore, Colombo Plan, CFTC, ADB, Indonesia, United Nations Agencies, China, Israel, Malaysia and Pakistan are the other providers of short term scholarships.

Further, as part of technical cooperation support from the donors, the Government of Sri Lanka received about 160 volunteers from countries such as Japan, Korea, Canada, Australia and the UN agencies in the year 2006. Generally, these volunteers work in Sri Lanka for a period of two years and therefore the actual number of

international volunteers working in Sri Lanka in 2006 would have been over 250. The volunteers work as computer instructors, web design engineers, language (Japanese and Korean) instructors, sport coaches, community development specialists and vocational training instructors. As the volunteers work at grassroots level with communities, they are able to impart their expertise effectively contributing to enhance the living standards of the community.

POLICY DIVISION

Policy division is mainly responsible for enhancing aid co-ordination, mobilization and management of official development assistance and alternative funding sources for development projects in line with national development Strategy outlined in the Government Policy Document "Mahinda Chinthana" vision for new Sri Lanka. The policy division has specific responsibility for co-ordination with line ministries and agencies to obtain quality project proposals for donor funding. Submission of recommended project proposals for suitable donor assistance for their implementation is also one of the main responsibilities of the policy division.

One of the responsibilities of this Division is the preparation of the annual foreign aid review published by the Department. The document provides an analytical review of the foreign aid received by Sri Lanka during the preceding year.

The latest Foreign Aid Review for 2005 was published in the year 2006. In 2006, 78

project proposals were submitted for donor funding. Several review meetings such as sector review meetings, contractors' performance review meetings, Tsunami assisted rehabilitation project review meetings and implementation issues on North East development project were conducted with the participation of development partners and the relevant agencies to minimize the obstacles for smooth implementation of projects. Data and information requirements of the stakeholders and the higher officials of the Ministry of Finance and Planning were fulfilled by providing information on foreign aid utilization, tsunami recovery activities and North East Development etc. In addition, the answers to the parliamentary questions, observations to the Cabinet Papers and updating the performance of Mahinada Chinthana programme related to the Department were undertaken by the Division.

INFORMATION SYSTEMS AND DEBT MANAGEMENT DIVISION

Information System and Debt Management Division is responsible for developing and maintaining efficient and effective information technology system and providing management information on foreign aid such as, aid commitments, disbursements, debt stock and debt service payments. The department uses the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) to facilitate requirements of various uses of debt information/data including, the Central Bank of Sri Lanka, Department of Treasury Operations, Department of State Accounts and foreign aid financed projects

The following were among the main activities of the division during the period under review.

- Servicing of 648 live loans in respect of US\$ 10.6 billion debt stock.
- Recording disbursements from 137 ongoing loans and 160 grants
- Updating records in CS-DRMS and generate reports for ERD and other agencies including, the World Bank.
- Maintaining and updating the departmental intranet and internet to disseminate information on external debt, donor-funded projects and highlights of the department activities.
- Recording of debt moratorium
- Maintaining hardware and software services and providing user support.
- Coordinate software development under the new Integrated Aid Management System (IAMS).

CENTRE FOR NON GOVERNMENTAL SECTOR (CNGS)

The CNGS is facilitating better coordination of Non Governmental Organization (NGO) activities with a view to providing a platform for NGOs to become a development partner. CNGS is responsible for assessing applications and proposals received from organizations for registration as international NGO(INGO) / local NGO (LNGO) in Sri Lanka and make recommendations for registration to the NGO Secretariat of the Ministry of Social Service and Social Welfare. In addition to this, CNGS is involved collecting of information on INGO/ LNGO activities and maintain records to streamline the operations of NGO in Sri Lanka. The CNGS, through the Ministry of Finance and Planning has taken steps to issue guidelines to NGOs with a view to ensure that their involvements and operations fall within the government's development framework and

that the funds channeled to various development projects are not associated with "Money Laundering" and/or "Terrorist Financing" and/or any other activity undermining national interest.

During 2006, the CNGS was able to recommend 22 new INGOs and 37 new LNGOs for registration. Further, it has collected and disseminated information on assistance received from major INGO/LNGO to sectors such as housing, education, health, fisheries, water and sanitation, environment and natural resources and other livelihood development activities. A series of meetings were conducted at the Treasury with the INGOs/LNGOs to provide guidelines, facilitation of project implementation and monitor development/ social activities.

SPECIAL EVENTS

Spring Cleaning - ADB Project Portfolio

In 2006, the Government of Sri Lanka (GOSL) and the Asian Development Bank (ADB) reviewed the ADB's active portfolio to reassess its relevance under the present circumstances and take actions aimed at improving its quality and the efficiency of implementation. Changes in Government policies, the advent of the 2004 tsunami, and a different security situation prompted this review. A number of circumstances affecting project implementation were identified: (i) changes in conditions, policies, and GOSL priorities since the time the loans were designed, which make some projects or components no longer relevant; (ii) complex structure of some loans, which makes implementation difficult; and (iii) severe delays in the implementation of some loans, leading to low use of loan proceeds

which can be more productively used in other developmental activities.

Through meetings held starting on 31 July 2006 and a high level mission headed by Mr. Kunio Senga, ADB Director General for South Asia, fielded on 29 and 30 August 2006 and Secretary to the Treasury along with the Government officials reviewed the ADB portfolio, identified savings and discussed priority actions to remove bottlenecks to implementation. It was agreed to cancel immediately loan savings totaling \$ 67.06 million, out of which \$ 37.06 million to be reallocated to other fast-moving components within the same project in need of additional funds. As a result of this exercise the following changes were made to the ADB funded project portfolio.

1. Plantation Development Project - \$ 6.5mn has been reallocated to a new component for rehabilitation of estate roads and \$ 1.5mn for quality certification
2. Southern Province Rural Economic Advancement Project- \$ 3.4 mn has been reallocated for the rehabilitation/ reconstruction of roads and bridges and \$ 2.6mn for reconstruction of flood-damaged pedestrian bridges
3. Aquatic Resource Development and Quality Improvement Project - since the credit line was not moved because of discrepancies in the interest rate, construction of fishery market has been identified as a priority and \$ 4.2mn has been allocated for this purpose
4. \$ 18.7 mn has been transferred to the supplementary loan for Secondary Towns Water Supply and Sanitation Project
5. Water Resources Management project - allocated funds of US\$ 13 mn were cancelled since the designing of the project was not in line with present development policies.

1. Sri Lanka Development Forum - 2007

The preparatory activities for the Sri Lanka Development Forum 2007 were carried out in the 4th quarter of 2006. The Sri Lanka Development Forum 2007 was held on 29 - 30 January, 2007 in Galle, Sri Lanka, under the chairmanship of His Excellency Mahinda Rajapaksa, President of Sri Lanka with the highest level of participation from over fifty countries and international donor agencies. The Forum provided an opportunity to engage in a wider consultation process with all the donor community on "Mahinda Chintana: Vision for a New Sri Lanka - A Ten Year Horizon Development Framework for 2006 - 2016", Assessment of Post Tsunami Recovery and Reconstruction Challenges and Emerging Issues, Gama Neguma and the Development of Lagging Regions and Partnership in Development and Peace. The government presentations also focused on issues related to security, law and order, conflict, terrorism and peace, human rights, humanitarian and resettlement challenges, reconstruction of conflict affected areas, the continuing role of civil society and donor assistance.

The development partners welcomed and commended the government on the comprehensive articulation of its Development Framework 2006-2016, prepared



with wider consultation. In particular, they appreciated the focus on reducing regional and income disparities. The development partners were of the view that the country



has the potential to reach these goals, with the implementation of the Development Framework while commending H.E. the President's commitment to find a negotiated solution to the conflict through a process of consensus building.

Delivering the inaugural address, the President appreciated the donor

assistance in rebuilding the Tsunami affected areas and restore to near normalcy. The President mentioned that the Government has accorded high priority to building a nation-wide infrastructure network to accelerate growth in lagging regions under the "Jatika Saviya-Gama Naguma" Programme, and accelerated implementation of infrastructure projects under the "Randora" programme in key areas such as power, irrigation, roads and transport, seaports, airports, and urban amenities. Equal importance was being placed on promoting human resources and a knowledge based economy by implementing "Nana Sala" and "E-villages" initiatives in the rural areas.



The Forum also reviewed the progress made in the utilization of development assistance in 2006 and some of the implementation challenges. Based on ongoing negotiations, it is expected that the new development assistance over the period of 2007-2009 would be in the region of US\$ 4.5 billion. With the existing portfolio of US\$ 4.5 billion the total development

assistance available to Sri Lanka to be utilized in the medium term would be around US\$ 9 billion.

2. Commonwealth Finance Ministers Meeting

Commonwealth Finance Ministers' meeting was held in Colombo on 12-14 September 2006 with the participation of around 225 foreign delegates from 53 Commonwealth member countries. The meeting was inaugurated by His Excellency the President of Sri Lanka and the Minister of Finance and Planning, Mr Mahinda Rajapaksa. The meeting was chaired on his behalf by Hon Dr Sarath Amunugama, then Minister of Public Administration and Home Affairs.



The special theme of the Finance Ministers' Meeting was "**An Agenda for Growth and Livelihoods**". The Finance Ministers reviewed the world economic situation and discussed a range of development and other issues. The 'plenary session' for the

Ministerial Meeting focused on current world economic situation and prospects, an agenda for growth and livelihoods, special problems affecting small states and their need for support and review of Commonwealth Development Cooperation.

They agreed that; good economic policies matter for raising and sustaining growth, sustained growth is the most effective route to poverty reduction and the agenda for growth has to be articulated in specific country contexts, and priorities should differ according to country circumstances.

Finance Ministers also stressed the importance of overcoming obstacles to trade. The Ministers noted that despite positive per capita growth in many countries, higher oil prices have imposed substantial income losses and increased budgetary pressures in oil importing developing countries.

Ministers expressed their appreciation for the valuable role that the Commonwealth Fund for Technical Co-operation (CFTC) was playing in assisting member countries. It was agreed to increase their contributions to the CFTC by 6 per cent per annum in real terms for each of the next five years with effect from 2006/07.



Commonwealth Business Council's role was appreciated by the Ministers and stated that the voice of the private sector to contribute ideas and recommendations to improve public policy and create a good investment climate by fostering a platform for private/public sector dialogue. They agreed on the need to; encourage effective public-private partnerships in the provision of infrastructure and other services; ensure that banking and financial services are available to an increasing proportion of the population; and to enhance corporate governance in Commonwealth

countries.

The World Bank and IMF assistance was welcomed to help countries in achieving the Millennium Development Goals. The meeting recognized the need to increase the voice and representation of developing countries in the IMF and World Bank.

3. Commonwealth Senior Finance Officials' Meeting

The Senior Finance Officials' Meeting was held on 12th September immediately before the Commonwealth Finance Ministers' Meeting. The meeting was chaired by Dr P.B. Jayasundera, Secretary, Ministry of finance and Planning

The special theme for the Senior Finance Officials Meeting was “*Reform of International Aid Architecture: User Perspectives*”. The importance of parallel moves to improve the modalities of aid delivery, in line with the 2005 Paris Declaration on Aid Effectiveness was highlighted at the meeting. It was emphasized that the focus should be on national ownership, harmonization, alignment, results and mutual accountability. In this context, they called for recipient country leadership to drive the process of harmonization and alignment at the national level with donor support for building relevant country capacity as needed; and the establishment of independent mechanisms to monitor progress on the Paris agenda.



The proposals for reforming the international aid architecture were endorsed by the Ministers and encouraged the Commonwealth to play an active role in developing the international aid architecture and requested the Commonwealth Secretariat to establish a working group of senior officials to consider how best it can influence the continuing debate.

4. Regional Seminar on Debt Management: Using CSDRMS 2000+ for Active Debt Monitoring ,Distance Learning Centre

In collaboration with the Debt Management Section of the Commonwealth Secretariat, DER organized a Regional Workshop in CS-DRMS 2000+ for Active External Debt Monitoring at the Distance Learning Centre, Colombo from 14th to 25th August 2006. CS-DRMS is the computer software package introduced in 1985 and maintained right through by the Commonwealth Secretariat to capture External and Domestic Debt of the member countries for supporting prudent Debt Management. This software is being used for reporting the country’s debt stock to the IMF and the World Bank.



Thirteen debt management officials of the Ministry of Finance and Central Bank of the governments of India, Maldives, Mauritius, Seychelles and Tanzania and fifteen Sri Lankan officials from the MOFP and CBSL were attended at this workshop. The Commonwealth Secretariat sponsored the workshop in addition to providing resource persons.

5. Thirty Ninth ADB Annual Meeting

The 39th ADB annual meeting of the Board of Governors was held in Hyderabad, India from 3 to 6 May 2006. Hon. Dr. Sarath Amunugama, then Minister of Public Administration and Home Affairs was participated as an Temporary Alternate Governor and Head of Delegation with Dr. P.B. Jayasundera, Secretary to the Treasury, Mr. Sumith Abeysinghe,

Deputy Secretary to the Treasury and Mrs. Sujatha Cooray, Director General, Department of External Resources on behalf of the Government of Sri Lanka. The Alternate Governor expressed our appreciation of ADB for its substantial support extended to Sri Lanka to reducing poverty and achieving the MDGs.

6. Special Visit to ADB Head Quarters

A high level delegation from the ministry of Finance & Planning visited ADB Head Quarters in September 2006, to meet the President of ADB to discuss the issues relating to expeditious

implementation of the projects and to discuss the potential remedial measures for smooth implementation of the ADB assisted projects.

7. ERD - JBIC Procurement and Disbursement Seminar

In order to improve the disbursement ratio of the JBIC funded projects the Procurement and Disbursement Seminar was successfully conducted in January

2006 by ERD in collaboration with JBIC for the Project Directors and the officials of the relevant Government organizations

8. Country Project Implementation and Administration Seminar

The Country Project Implementation and Administration Seminar was conducted during 29 August to 8 September 2006 at Cinnamon Grand Hotel, Colombo to familiarize the staff on ADB guidelines, practices and policies. Around 35 participants from the staff of the ADB funded projects

participated in the seminar. The resource persons were from the ADB Headquarters, Manila. Seminar covered the revised procurement guidelines and procedures, recruitment of Consultants, disbursement procedures and project accounting.

Visit of High Level Donor Missions to Sri Lanka

- ✓ Mr. Dhanendra Kumar, Executive Director of the World Bank who is looking after Sri Lanka's interests in relation to World Bank financing and aid portfolio in the World Bank Board visited Sri Lanka in January 2006.
- ✓ Mr. Liqun Jin, Vice President of ADB visited Sri Lanka during 22nd - 24th March 2006 to see the damage occurred by the Tsunami. During his visit he met some key ministers and H.E the President.
- ✓ Seven member ADB delegation comprising four Executive Directors and two Alternate Executive Directors including Mr. Chol-Hwi Lee Executive Director of ADB visited Sri Lanka during 3-5 March 2006 to inspect the progress of the ADB funded projects. They inspected the progress of ADB assisted Southern Highway Project and also visited Ampara District.
- ✓ ADB Vice President visited Sri Lanka during 5-7 September to review the progress made under the Tsunami Affected Areas Rebuilding Project and to participate in the inaugural ceremony of the reconstruction of Matara - Wellawaya Road



FROM SOUTH TO EAST Sri Lanka President Mahinda Rajapakse and ADB Vice President (Operations I) Liqun Jin (second from left) inaugurate the rehabilitation project for the tsunami-damaged road extending from south to east

9. Consultations with the Emerging Bilateral Donors

A delegation of Ministry of Finance and Planning including senior officials of the ERD visited the emerging donors - - Austria, Czech Republic, Slovakia, and Hungary - - to establish development co-operation with them in November 2006. Delegation visited Hungary and had a series of discussions with the Ministry of Economy and Transport and with Exim Bank of Hungary to establish development co-operation. The Hungarian Government agreed to provide Euro 51 million to the government of Sri Lanka to rehabilitate Labugama and Kalatuwawa Water

supply stations and to strengthen the Fishery Harbour Co-operation.

Delegation also visited Czech Republic and discussed about obtaining a credit facility for North East Power Transmission Development Project. The Czech Government assured a soft loan of US\$ 28 million for the project.

During the visit, the delegation entered into an agreement with Bank Austria Creditanstalt to provide a loan of Euro 10 million to construct five steel bridges in the interior areas of Kalutara District.

10. Activities of the DER Welfare Society in the year 2006

- ❖ Payment of death donation to dependants of families of 10 members at the rate of Rs. 5000/- per each
- ❖ Payment of festival advance to 34 members at the rate of Rs. 3000/- per each
- ❖ Payment of a loan of Rs. 5000/- to 24 members
- ❖ Incurred initial expenditure on public service cricket tournament and Inter-Department Cricket Tournament of Ministry of Finance and Planning. Became the runner-up of cricket championship in 2006
- ❖ Participated in Vesak lantern & decorations for the Vesak festival in 2006

Project Pipeline for the next 3 years

The project pipeline for foreign financing for the next three years has been finalized in line with the Medium-Term Development Framework envisaged in the overall policy of "Mahinda Chintana: Vision for a New Sri Lanka - A Ten Year Horizon - Development Framework 2006 - 2016". As envisaged in the Ten Year Horizon Development Framework 2006 - 2016, the major focus in the medium-term development strategy would be the growth in lagging regions, including the districts in North and East provinces in order to reduce regional

disparities by extending the benefits of rapid economic development to those regions. Some of the flagship projects that have been identified in the pipeline are described below.

The project pipeline for the next three year is given in the Annex 4 and some major projects for which financial agreements are expected to be concluded in 2007 are given in Table 13.

Table 15 - Agreements to be signed in the year 2007 (loans over US \$ 25 mn)

Projects	Cost US \$ mn
ADB	
Colombo Port South Harbour Expansion Project	300.0
Small & Medium Enterprise Development	70.0
Jaffna Water Supply	65.0
Education Sector Development	70.0
Greater Colombo Waste Water Management	50.0

Southern Transport Development Project (Supplementary Loan)	90.0
Japan	
Water Sector Development Project - Phase I	113.0
Greater Colombo Urban Transport project (Outer Circular Highway to the City of Colombo) -phase II	186.0
Kerawalapitiya Combined Cycle Power Plant	210.0
Pro-poor Rural Development Project	35.0
Construction of Mannar Bridge	16.0
World Bank	
Legal and Judicial Reforms II	45.0
Infrastructure and Housing Development Project in Puttalam	32.0
Dam Safety and Water Resources Planning Project	50.0
Renewable Energy and Rural Economic Development Project II	40.0
Public Sector Capacity Building	30.0
China	
Hambantota Sea Port Development	400.0
Purchase of 100 Passenger Railway Carriages	27.0
Procurement of 15 Diesel Multiple Units	39.0
Denmark	
Oluvil Port Project	43.8
Netherlands	
Dikowita Fishery Harbour	60.0
Negombo Water Supply Project	52.0
Sweden	
Ratmalna/ Moratuwa and Ja-ela Waste Water Treatment Facility Project	73.0
Hungary	
Labugama and Kalatuwawa Water Supply Project	45.0
India	
Upgrading Double Tracking of Coastal Line Railway	100.0
Czech Republic	
North East Transmission Development	30.0
Australia	

FINANCIAL REVIEW

Financial information on expenditure against provision on personnel emoluments, other recurrent expenditure, capital expenditure and advance accounts operations of the Department under Budget Head No. 806 in the year 2006 is given in Table 14, 15, 16 and 17.

Table 16 Personnel Emoluments

	Rs
Original Provision	27,000,000
Add:	
Transfers under FR.66 and Supplementary Provision	2,626,000
Less:	
Transfers under FR.66 and Supplementary Provision	NIL
Total Provision	29,626,000
Expenditure during the year	28,043,700

Table 17 Other Recurrent Expenditure

	Rs
Original Provision	118,832,000
Add:	
Transfers under FR.66 and Supplementary Provision	32,038,407
Less:	
Transfers under FR.66 and Supplementary Provision	11,651,051
Total Provision	139,219,356
Expenditure during the year	130,302,091

Table 18 Capital Expenditure

Object code	Object title	Provision Rs	Expenditure Rs
2001	Buildings	3,000,000	852,300
2002	Improvements to plant, machinery & Equipment	300,000	0

2003	Improvements to vehicles	800,000	543,802
2101	Acquisition of vehicles	260,000	246,000
2101	Taxes for vehicles	7,726,644	7,726,644
2102	Acquisition of furniture and office equipment	3,300,000	3,223,736
2102(13)	ERD Aid Management Project (UNDP Assistance)	1,000,000	926,714
2102 (15)	ERD Aid Management Project (NORAD Assistance)	3,700,000	2,752,203
2106	Acquisition of other capital assets	200,000	74,750
2301	Capital grants to non-public institutions and Private individuals	16,500,000	7,081,798
2403,250 1	Donor Funded Projects	15,282,598,644	12,964,950,157
2501	Other	3,500,000	1,992,262

This Department has one Advance Account for granting loans to public officers. During the year we have complied with the stipulated limits of the Advance Account and operations of this Account are as follows.

I.	Maximum limit of expenditure	Rs. 5,000,000
	Actual expenditure	Rs. 2,226,156
11.	Minimum limit of receipts	Rs. 2,340,000
	Actual receipt	Rs. 3,009,553
111.	Max. limit of debit balance	Rs. 26,000,000
	Actual balance	Rs. 16,816,711

Audit and Management Committees

During the year Audit and Management Committee meetings were held and following matters were discussed.

- a. Preparation of Action Plan
- b. Preparation of performance reports
- c. Under utilization of budget provision.

Auditor General's Queries and Reports

Auditor General has submitted a report on the Accounts of the Strengthening Capacity for the Aid Management Project for the year ended 31st December 2005. Audit observations were replied.

During the year, 8 audit queries were received. Out of them 6 queries were answered during the year. Other two queries were received middle of December 2006 and they were answered on 11th January 2007. Queries were raised on donor funded projects, Deposit Accounts, Appropriation Account 2005, Public Officers Advance Account and etc.

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Commitments and Disbursements of Foreign Funded Loan/Grant - 2006 (US\$ mn)

Donor	* Type PJ. Loan (PJL) PG. Loan (PGL) Grant (G)	Committed undisbursed balance (CUB) as at 01/01/2006	Commitments up to 31/12/2006	Disbursements up to 31.12.2006
Bilateral		2422.7	459.5	499.4
Japan	PJL	1224.0	184.6	268.4
	PGL	34.4		
	G	67.7		32.8
France	PJL	146.1		0.9
Australia	G	5.5		1.3
India	PJL	63.5		11.1
	G			
Italy	L	1.2	2.3	
	G	1.4		
Netherlands	G	27.2	20.2	1.2
Korea	PJL	41.8	20.0	19.7
	G		16.6	
Kuwait	PJL	40.4		3.8
	G			
Canada			0.3	
Finland			9.1	
Denmark	G	7.2		
Norway	G	18.8	2.0	2.9
China	PJL	327.5	155.0	9.4
	G	30.3	18.1	
Switzerland	G	3.3	8.5	4.0
Sweden	G	29.4	6.6	9.6
Germany	PJL	83.5	8.0	39.1
	PGL	16.6		16.6
	G	111.6	3.4	50.9
U.K	G	2.1		5.6
Saudi Fund	PJL	26.4		3.0
U.S.A.	G	113.1	4.8	19.1
Multilateral		1641.7	625.2	507.1
ADB	PJL	650.0	271.3	143.2
	PGL	162.0		35.0
	G	177.8	3.4	21.3
World Bank	PJL	278.6	98.8	100.1
	G	164.3	92.9	67.6
European Invest Bank	PJL		150.7	33.0
Nordic Fund	PJL	12.3		6.0
IFAD	PJL	41.1		3.5
	G	0.3		
OPEC	PJL	13.4		5.1
UNDP	G	10.0	5.0	6.4
UNICEF	G	12.4		56.1
FAO	G	16.5	0.8	14.8
UNFPA	G	10.8	2.3	6.9
WFP	G	67.8		8.1
European Commission	G	24.2		0.0
Commercial Bank	PJL	0.0		
Export Credit	PJL	125.0	207.4	87.7
Total Project Loans		3,074	1,098	734
Total Program Loans		213	0	52
Total Grants		902	194	309
Grand Total		4,188	1,292	1,094

Foreign Aid Commitments During the year 2006

Sector	Donor	Project	Amount (US \$ mn)	
			Loan	Grant
Road & Bridges	Japan	Pro Poor Eastern Infrastructure Development Project	38.2	
	ADB	National Highways Sector Project	150.0	
	ADB	Local Government Infrastructure Improvement Project	49.3	
	ADB	Strengthening Local Government Infrastructure Financing Project		0.5
	ADB	Independent External Monitoring Resettlement Activities of the Southern Transport Development Project		0.4
	WB	Road Sector Assistance Project	98.7	
	Sweden	Emergency Bridge Project		2.4
	China	The Construction of Few Selected Road Elements		10
	Austria	Enhancement & Strengthening of the Road Infrastructure by Construction of Five Bridges	13.8	
	Spain	The Supply and Construction Prefabricated Metal Bridges	18.8	
	Spain	The Supply and Construction of Prefabricated Metal Bridges.	8.9	
		Sub Total	377.7	13.3
Water & Sanitation	Finland	Ampara Water Supply Project		9.2
	ADB	Secondary Towns Rural Community Based Water Supply Project	47.4	
	ADB	3rd Water Supply & Sanitation Project	5.1	
	Korea	Construction of Storm Water Drainage at Valachchenai		3.9
	USA	Water Supply Capacity Building Project		0.5
	Australia	Integrated Water Supply Scheme Ampara- II (Enhancement)	4.9	
	Denmark	Towns South of Kandy Water Supply Project	53.6	
	Denmark	Nuwara Eliya District Group Water Supply Project	25.8	
		Sub Total	125.65	13.6
Power & Energy	Germany	Rehabilitation of Electricity Supply in Jaffna Region	1.9	
	China	Puttalam Coal Power Project - Buyers Credit Facility	155.0	
		Sub Total	156.9	0
Housing & Township	Switzerland	Post Tsunami Rehabilitation of Houses (Cash Grant)		8.5
	WB	Preparation of the Proposed Infrastructure and Housing Development Project in Puttalam	0.1	
	WB	North-East Housing Reconstruction Project		7.4
	UNDP	Community Reconstruction Housing and Sport Project		2.5
	Korea	Hambantota Administrative Complex	20.0	

	Korea	Construction of the international Convention Center in Hambantota		6
		Sub Total	20.1	24.4
SME Development	Germany	DFCC V Credit Line for SME in the North and East	6.1	
	Italy	Line of intervention to Support Microfinance Activities	2.3	
	European Investment Bank	Post Tsunami Line of Credit - Contract A	60.6	
	European Investment Bank	Post Tsunami Line of Credit - Contract B	24.2	
	European Investment Bank	EIB-DFCC Global Loan II	65.9	
		Sub Total	159.1	0
Education	Sweden	Establishment of E-Learning center at the University of Colombo		2
	Sweden	Capacity Building of Faculty of Fisheries & Marine Sciences & Technology, University of Ruhuna		0.5
	Sweden	University of Kelaniya Research Project		0.2
	WB	Education Sector Development Project		60.3
	ADB	Technical Education Development	19.4	
	ADB	Education Sector Development Program		0.7
		Sub Total	19.4	63.2
Health	Korea	Establishment of the Korea - Sri Lanka Friendship Hospital		6.8
	Germany	Promotion of Food Security and Reconciliation in Baticaloa District		3
	FAO	Special Programme for Food Security		0.2
	FAO	Immediate Assistance for Highly Pathogenic Avian Influenza Emergency Preparedness		0.4
	UNFPA	Reproductive Health Services		0.6
	UNFPA	Support for Reproductive Health		0.1
	UNFPA	Restoration of Reproductive Health Services in Tsunami Affected		1.7
		Sub Total	0	12.8
Environment	Germany	Environmentally Sound Disposal of Tsunami Debris & Reforestation of the Coastal Regions in the Baticaloa District		0.4
	Canada	Environment Assessment of the Permanent Housing Program		0.3
	UNDP	Sustainable Recovery of Natural Resources of Tsunami Affected Coastal Areas of SL		0.2
		Sub Total	0	0.9
Fisheries & Aquatic Resources	Norway	Delimitation of outer Edge of the Continental Margin of Sri Lanka		2
		Sub Total	0	2
Agriculture & Irrigation	WB	National Water Management Improvement (NAWAM)		0.5
	WB	National Water Management Improvement (NAWAM) - II		0.6
	ADB	TA for Preparing Agri-business Project		0.8

		Sub Total	0	1.1
Port Development	Japan	The Galle Port Development Project	124.0	
		Sub Total	124.0	0
Tourism Development	Japan	Tourism Resources Improvement Project	23.0	
	UNDP	Green Belt Tourism Development		0.3
		Sub Total	23.0	0.3
Cultural assistance	Netherlands	Netherlands Sri Lanka cultural Assistance program		4.2
	Netherlands	Construction of Museum cum Visitor Centre at Kataragama		0.6
	Netherlands	Conservation of Ramparts in Galle Fort		1.3
	Netherlands	Conservation of Dutch Forts in Matara & Katuwana		0.3
	Netherlands	Conservation of Dutch Warehouse in Galle & Establishment of a Maritime Museum		0.4
		Sub Total	0	6.8
Disaster Mgt	Netherlands	Upgrading of the Disaster Response Network		13.5
	Netherlands	Upgrading of the Disaster Response Network	31.5	
	WB	Tsunami Emergency Recovery Project- Phase 11		24.9
		Sub Total	31.5	38.4
Other	Sweden	Consultancy Fund 2006 - 2007		1.3
	ADB	Micro Insurance Sector Development		0.6
	ADB	Capacity Building of the Environmental & Social Division of the Road Development Authority Project		0.4
	China	Economic and Technical Cooperation Grant		7.6
	China	Assistance for South Asian Games		0.4
	USA	Integration of Disadvantaged to Community		1.4
	USA	Tsunami Recovery & Reconstruction Support		2
	USA	Feasibility Study for Addressing Post Tsunami Road Construction Equipment Requirements Project		0.3
	USA	Promoting livelihood of the Tsunami Affected People		0.1
	USA	Emergency Communications System		0.3
	UNDP	Urban Government Support Project		0.1
	UNDP	Strengthening Plan Implementation Capability		0.4
	UNDP	Community Reconstruction Project		1.1
	UNDP	Invest in Peace - Phase 2		0.4
	Pakistan	Pakistan Line of Credit	50.0	
		Sub Total	50.0	16.4
		Total	1,098.0	194.0
		Grand Total		1,292.0

Project Pipeline for Foreign Financing 2007-2009				
Donor	Project Name	US\$ mn		
		2007	2008	2009
ADB	Greater Colombo Waste Water Management	50.00		
	Jaffna Water Supply	65.00		
	Secondary Town Water Supply II		80.00	
	Small and Medium Enterprise Sector and Infrastructure Development	70.00		
	Colombo Port Expansion Project	300.00		
	Supplementary loan for Southern Transport Development Project	90.00		
	Road Network Improvement Project		150.00	
	Agri Business Development		60.00	
	Rural Finance Development II			30.00
	Fiscal Management Reform II			110.00
	Education Sector Development	70.00		
Australia	Ampara Water Supply Phase - III	93.00		
Austria	Kurunegala Hospital	9.75		
	Kirindi Oya Water Supply	10.80		
	Colombo Sewerage Rehabilitation (Southern Catchment)	14.00		
	Sri Lanka Institute of Advance Technology Education		13.00	
	Rehabilitation of Railway Track Valachchanai-Batticaloa		26.00	
China	Hambantota Sea Port Development Project	400.00		
	Construction of a Few Selected Road Infrastructure	10.00		
	Purchase of 100 Passenger Carriages	25.00		
	Procurement of 15 Diesel Multiple Units	37.00		
Czech Republic	North & East Transmission Development Project		30.00	
Denmark	Colombo Canal System Improvement Project		10.90	
	Kelani Right Bank Water Treatment Plant		38.80	
	Greater Kurunegala Water Supply & Sanitation	17.80		
	Olivil Port Project	43.75		
	Strengthening of State Pharmaceutical manufacturing Corporation	4.50		
France	Rehabilitation of New Laxapana & Wimalasurendra Hydro Power Plants	20.00		
	Spatial Information Infrastructure Project	9.00		

	Construction Sector Development Project	13.00		
Germany	Load Dispatch Center (SCADA)			25.00
	Rehabilitation of Old Laxapana Power Plant	10.00		
Hungary	Reconstruction of Nuwaraeliya Hospital		91.00	
	Improvement of Hambantota Base Hospital		65.00	
	Improvement of Beliatte Hospital		65.00	
	Colombo National Hospital Ambulatory Care Unit		19.50	
	Equipment for Fisheries Harbours	21.00		
	Labugama Kalatuwawa Water Supply project	45.00		
IFAD	Small Holder Out Growere Estate Development Programme	22.50		
India	Rehabilitation of KKS Port	23.00		
	Upgrading Double Tracking of Coastal Line Railway	100.00		
Japan	Water Sector Development Project - Ph 1	113.00		
	Water Sector Development Project -Ph. II		90.00	
	Development of Bandaranaike International Airport Ph. II			210.00
	Greater Colombo Urban Transport project - Phase I	186.00		
	Reconstruction of Mannar Bridge & Causeway	16.00		
	Food Production Grant 2006	3.00		
	Pro- Poor Rural development Project	27.00		
	Greater Colombo Urban Transport project - Phase II		230.00	
	Improvement of Central Functions of Jaffna Teaching Hospital		16.00	
	Improvement of Curative Healthcare Services at General Hospital - Anuradhapura		9.50	
	Non-Project Grant Aid	10.00		
	Jaffna Power Plant		20.00	
Japan (EXIM Bank)	Rehabilitation of Ukuwela Power Station	12.00		
	Kerawalapitiya Combined Cycle Power Plant	210.00		
Korea	Greater Galle Water Supply Project Phase II	6.42		
	SAARC Cultural Centre for Matara	5.00		
	Upgrading Niyagama Technical College	9.00		
Kuwait	Improvement of Infrastructure Facilities at the South Eastern University	8.70		
Netherlands	Negombo Water Supply Project		52.00	
	Dikowita Fishery Harbour	60.00		

	Sri Lanka Institute of Advance Technology Education		14.00	
Nordic Investment Bank	New Galle Substation & Transmission Project	18.00		
Norway	Eastern Province Power Transmission Project		15.00	
Saudi Fund	Comprehensive Care Program for Epilepsy	20.50		
	Development of Health Facility in Colombo	2.90		
Spain	Improvement to Karapitiya Hospital & Other Healthcare Institutions	16.00		
Sweden	Industrial & Residential Wastewater Treatment Plants for Ratmalana/Ja-Ela	73.00		
	Facilitation of Democratic Values and Pluralistic Values Through Primary & Secondary Education		3.00	
World Bank	Private Sector Development		50.00	
	Renewable Energy Development -II	40.00		
	Local Service Delivery		50.00	
	Gamidiriya - II		50.00	
	Social Protection		50.00	
	Judicial Legal Reforms & Capacity Building -II	45.00		
	Infrastructure and Housing Development In Puttalam Housing	32.00		
	North East Operations			70.00
	Agriculture Research		30.00	
	Dam Safety and Water Resources Planning	50.00		
	Northern Expressway			250.00
	Public Sector Capacity Development	32.00		
	Preparedness for Avian Influenza	6.00		
	Total	2,575.62	1,328.70	695.00

Foreign Training Opportunities Received by the Government Officials in 2006

No	Ministry	No. of Scholarships
1	Presidential Secretariat	13
2	Prime Minister's Office	5
3	The Parliament	8
4	Auditor Generals Department	8
5	Department of Elections	2
6	Finance Commission	2
7	Advanced Technology and National Enterprise Development	2
8	Agrarian Services and Development of Farmer Communities	3
9	Agricultural Development	29
10	Agriculture, Livestock, Land and Irrigation	29
11	Child Development and Women Empowerment	9
12	Co-Operatives and Co-Operative Development	5
13	Cultural Affairs and National Heritage	1
14	Defense, Public Security, Law and Order	15
15	Disaster Management and Human Rights	4
16	Education	80
17	Enterprise Development and Investment Promotion	12
18	Environment and Natural Resources	33
19	Finance & Planning	83
20	Fisheries and Aquatic Resources	13
21	Foreign Affairs	2
22	Healthcare and Nutrition	28
23	Highways	19
24	Housing & Construction Industry and East. Province, Education & Irrigation Dev.	11
25	Indigenous Medicine	10
26	Industrial Development	10
27	Industry and Investment Promotion	8
28	Information & Media	2
29	Infrastructure Development in Eastern Province	1
30	Justice and Law Reforms	5
31	Labour Relations and Foreign Employment	2
32	Livestock Development and Estate Infrastructure	3
33	Local Government and Provincial Councils	118
34	Mass Media and Information	7
35	Nation Building and Development	4
36	Petroleum and Petroleum Resources Development	2
37	Plan Implementation	3
38	Plantation Industries	2
39	Ports and Aviation	15
40	Posts & Telecommunications	6
41	Power & Energy	12

	Ministry	No. of Scholarships
42	Public Administration and Home Affairs	7
43	Railway and Transport	11
44	Regional Infrastructure Development	4
45	Rural Economic Development	3
46	Rural Industries and Self-Employment Promotion	8
47	Rural Livelihood Development	2
48	Samurdhi and Poverty Alleviation	8
49	Science and Technology	19
50	Small and Rural Industries	2
51	Social Services and Social Welfare	6
52	Sports and Youth Affairs	8
53	Textile Industry Development	1
54	Tourism	4
55	Trade, Commerce, Consumer Affairs & Marketing Development	14
56	Urban Development and Water supply	16
57	Vocational and Technical Training	17
58	Women Empowerment and Social Welfare	4
	Total	760