



# **GLOBAL PARTNERSHIP IN DEVELOPMENT**

External Resources Department

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# **EXTERNAL FINANCING STRATEGY**



## Section 1

# EXTERNAL FINANCING STRATEGY

### Overview

Sri Lanka, has reached to a middle income country status and fulfilled all its debt service obligations by settling all principal payments and loan service charges on time. Despite several setbacks emanating from external shocks such as increased fuel and commodity prices, financial crises in the Asian region and global recession, as well as domestic hurdles including protracted conflict, tsunami devastation and natural disasters. Sri Lanka default free remains a resilient economy.

The composition and the form of foreign financing have changed over the last few years with the graduation of Sri Lanka to a middle income economy. In parallel to the steady increase of per capita income, Sri Lanka has been gradually disqualified for the concessional external assistance generally available for less developed economies.

With the reduction of concessional financing, steps have been taken to broaden the options for foreign financing for public investment by mobilizing a mix of non concessional and concessional funds from bilateral and multilateral sources as well as financial markets to keep the cost of borrowing at an affordable level.

These funds are utilized to meet large investments in priority sectors such as energy, roads, ports and aviation, irrigation and water supply schemes. The use of such funds is conducive to minimizing the balance of payments costs arising from imports, technology transfer and expertise required in large investments. At the same time, required resources for the development of lagging regions are needed to ensure balanced regional development. India and China emerged as two lead development partners providing with ADB, IDA,

Japan, Korea, Iran, Russia, with several middle eastern, European, and North American development partners and UN agencies their continueing support for the country's development efforts. Saudi Development Fund, and Kuwait Fund continue their annual development assistance to Sri Lanka.

The borrowings from the Asian Development Bank (ADB)'s non concessional financing portion or Ordinary Capital Resources (OCR) have gradually increased. The government has taken steps to approach the non-concessional window of the World Bank – International Bank for Reconstruction and Development (IBRD) to expand financing options. In addition, Sri Lanka has successfully tapped capital market financing with issuance of long term sovereign bonds commencing from 2007 with advantages of having access to foreign exchange.

The planned strategy to raise the GDP growth rate above 8 percent over the next 6 year period is well underway with a target of 6-7 percent of public investment ratio. This investment will be financed through a durable blend of external financing with concessionary and other types of financing while ensuring improvement of debt sustainability.

The overall external debt in relation to GDP has dropped to 33 percent in 2010 as compared to 39. percent in 2005.

This has resulted that Sri Lanka is Imaging as a lending country from a recipient country. Accordingly, grant assistance has been provided to the Asian countries like Maldives and Japan and also technical expertise to African countries like Uganda.

## External Assistance from Sri Lanka

**S**ri Lanka extended a grant assistance of Rupees Hundred million for Rehabilitation after the Earthquake and subsequent Tsunami in Japan. Sri Lanka is not only providing a cash grant to Japan but sent a team of medical professionals possessing the necessary skills to treat the affected people. Parallel to the donation and medical assistance, a rescue team drawn from the three Forces has also been sent to help in the relief mission now in the aftermath of the disaster.

In response to the request of the Government of Uganda for a well-developed vocational training sector, the Government of Sri Lanka has extended technical assistance to establish a Vocational and Technical Training Centre in Uganda to improve their vocational training sector. The Government has already sent a team of experts to conduct a feasibility study in Uganda to provide the necessary technical assistance to the Government of Uganda.

The Government of Sri Lanka has provided grant assistance of USD 10 million to the Government of Maldives for the construction of a 4.8 km long asphalt concrete road in view of the upcoming South Asian Association for Regional Cooperation Summit (SAARC) to be held in the Maldives in November 2011. The route of the road will start at the Sunset Bridge and run through Maradhoo and Feydhoo islands in the Addu Atoll in the Maldives. The proposed road will have a 7 metre wide asphalt concrete carriageway with 1.5 m to 2 m broad raised foot walks on both sides and street lighting, and construction work commenced in October 2011. The contract for construction of the road has been given to M/s International Construction Consortium (Pvt) Limited, an internationally reputed construction company in Sri Lanka which is currently working in the Maldives. The consultancy for the construction of the road has been assigned to the Road Development Authority (RDA) of Sri Lanka as they possess the required knowledge and technical capabilities. Furthermore, the labour and construction material will be exported from Sri Lanka and due to the urgency of its completion. It is proposed to procure some of the construction material from the Sri Lankan contractors who are at present working in Maldives.

This initiative will help strengthen the friendship and bilateral relationship between the two nations which will improve trading and marketing prospects between the two countries in the near future.

The government has initiated discussion with the World Food Programme (WFP) to explore the possibility of exporting our surplus rice production to less developed countries that require assistance through WFP. The government is having preliminary discussions with the World Health Organization (WHO) to export a highly nutritious and hygienic product which is manufactured from corn and soya bean in Sri Lanka. This will help improving the health standards of pregnant mothers and people who are suffering from famine and malnutrition in the world, and share Sri Lankan experience in other low income countries.

# Foreign Financing for Development

## Mahinda Chinthana : Vision for the Future

The Development Policy Framework of the Government envisages a well developed economic infrastructure network covering the entire country. This involves large investments across all economic sub-sectors; transport, ports, aviation, energy, water, sanitation, irrigation etc. The strategies and plans are developed not only for higher economic growth but also for achieving equitable quality growth in each sector.

With the improved investment climate for the private sector, considerable private investment has already taken place in the areas of ports, power and energy, roads, telecommunication tourism, agriculture and marketing. However, a substantial amount of public investment is also necessary to fill the financing gap. Therefore, the public investment will be maintained at a level of 6-7 percent of GDP annually in the next five year period by providing a substantial amount of foreign financing to mitigate balance of payment inputs and fill the domestic savings investment gap.

Given the large number of development proposals coming from different competing sectors, a comprehensive analysis of economic costs and benefits of each project proposal, including social and environmental cost and benefits is carried out by the government to select the best proposal for foreign financing.

The regular project proposals developed by line Ministries as per the strategic guidelines and targets set out in the Economic Policy Framework of the Government: Mahinda Chintana- Vision for future, are appraised in detail by the Department of National Planning to decide the suitability of each project proposal to be financed under the public investment programme and its priority. The large scale investment proposals which are difficult to implement with domestic finance are generally selected for implementation with foreign financing, depending on their economic and financial viability.

The Department of External Resource feeds the potential projects into the lending pipelines of respective lending agencies during annual consultation between government and development partners.

The medium term borrowing ceilings are decided by the government annually, taking into account the development priorities of the government, comparative advantages of mobilizing foreign financing for selected sectors, overall availability of resources, cost recovery mechanisms and economic viability of proposed projects. The cost of borrowing, past experience and technical expertise available with the respective lenders are some of the aspects taken into consideration by the government when deciding a source of foreign financing.

The projects which are generally not of a strategic nature are expected to go through the normal procedure. Only the project proposals which were initially cleared by the Department of National Planning and subsequently approved by the Cabinet of Ministers after securing foreign finance are included in the budget estimates.

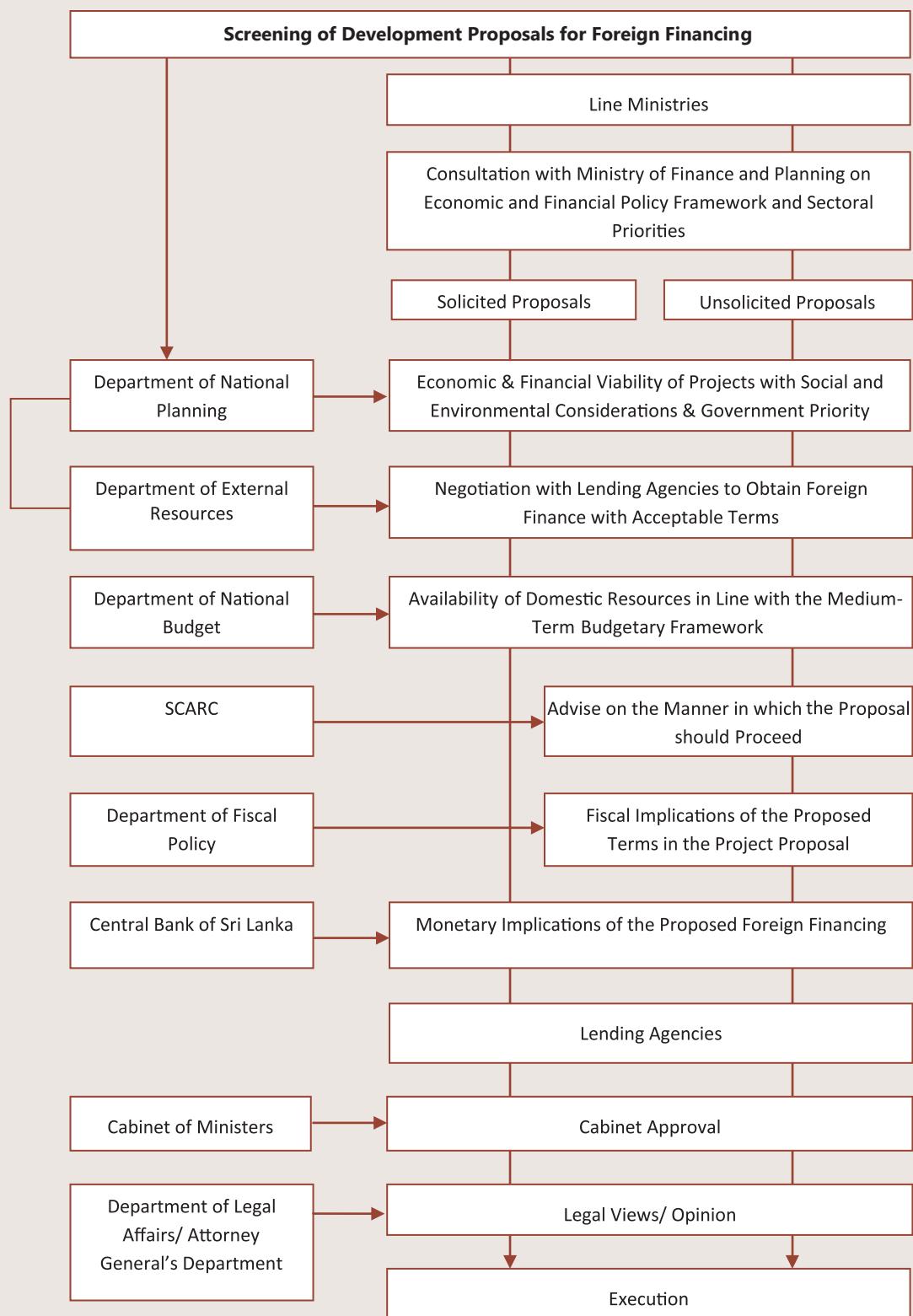
Recognizing the increasing number of unsolicited development project proposals submitted to the line Ministries by prospective investors, financial institutions and agencies extending diverse financial terms, Government has streamlined the process to be followed in relation to unsolicited development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

Only the projects which are of a strategic nature and expected to generate a substantial amount of economic value addition are considered by the SCARC for proceeding further.

This new system ensures the value of investment while enhancing efficiency and transparency of the project appraisal process for funding.

At present, the National Budget is prepared in a 3 year medium term budgetary framework, giving more







flexibility for planners to design their development proposals in line with the available resource envelope and with proper sequencing. The Investment Fund account established in the commercial banks provides state enterprises, public corporations and private sector better access to development financing, allowing government to divert more resources for priority development projects without being a burden on the national budget.

Government encourages strategic public enterprises and corporations to improve their financial sustainability which will enable them to borrow directly from international and domestic lending agencies for their development activities.

In future, the government borrowings from foreign sources will be mobilized largely to finance large-scale infrastructure projects concentrating on well focused development needs in each sector. With the increase in income levels, Sri Lanka is now in a better position to divert a substantial amount of domestic financial resources to the implementation of livelihood development, social protection and nutritional enhancement programmes. Therefore, Sri Lanka is no longer borrowing for such programmes that can be accommodated in the domestic financing programmes.

Sri Lanka has developed good management systems, including recruitment procedures and procurement systems as well as managerial and professional capacity within government and the private sector. Therefore, Sri Lanka encourages development partners and lending agencies to employ local experts and adopt local systems in the project formulation and implementation. The human resources development programmes that are being implemented with foreign financing have been streamlined in areas in which Sri Lanka does not have required expertise.

The Official Development Assistance (ODA) obtained with concessionary terms will be extensively invested in soft sectors including education and health that would not generate quick monetary returns in the short-term.

With the gradual increase in the income level of the country and subsequent reduction of foreign financing available on concessional terms, government added to use mixed credit which includes credit at both concessional and commercial rates.

However, government has promoted long term financing with maturity exceeding 15 years and a reasonable grace period. Government uses such funds

to improve essential services such as water supply and sanitation, electricity and connectivity for remote villages.

## Debt Sustainability

With the gradual accumulation of foreign loans raised for development projects and programmes implemented during the 63 years after independence, debt servicing has become an important aspect of monetary and fiscal management of the country.

Despite several setbacks emanating from external shocks such as increased fuel and commodity prices, financial crises in the Asian region and subsequent global recession, the conflict in the middle east countries and change of export concessions as well as domestic hurdles including protracted conflict, tsunami devastation and natural disasters such as frequent floods, Sri Lanka has fulfilled all its debt service responsibilities by settling all principal payments and service charges on schedule.

Although the risks stemming from the global economy such as the boom and bust of commodity prices, financial crises and recessionary conditions affect every single country in the world, Sri Lanka was able to maintain its default free status due to the prudent monetary and fiscal management practices adopted by the government.

Together with the gradual transformation of Sri Lanka from a low income country to a middle income country, the demand for improved economic and social infrastructure and connected services in the country has increased substantially during the past two decades, creating a need for foreign financing in greater amounts. As a result, the options for foreign borrowing have been expanded and new development partners have shown their interest to engage in the economic development process in Sri Lanka.

Along with the expansion of foreign financing sources, a diverse range of terms and conditions have been considered by the government. Although there are a common and standard set of loan conditions and repayment terms in relation to loans obtained from the multilateral agencies, the loan conditions and repayment terms offered by bilateral countries and different lending agencies are differed from each other. Accordingly, the current foreign financing

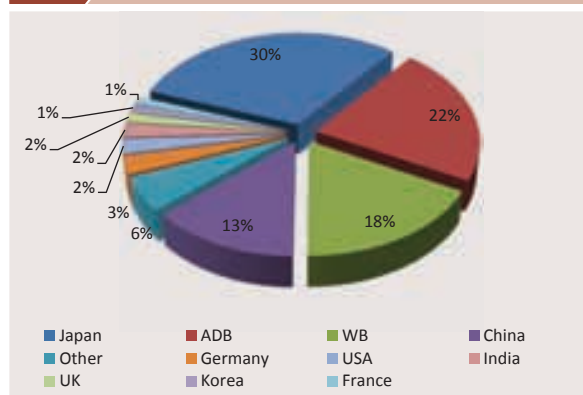
portfolio consists of a diverse range of financial and repayment terms. Thus loan servicing has become more multifaceted than in the past.

As per the results of a study carried out jointly by the World Bank and IMF in 2009, Sri Lanka has been placed among the moderate debt distress countries. The greater macroeconomic and financial stability, a pro-growth and reformist policy orientation, improving external payments position, and lower political risks since the end of the conflict in May 2009 improved country's outlook considerably. As the key macro economic variables used for this study such as GDP, export income and exchange rate are currently showing a positive trend. Debt sustainability of Sri Lanka is expected to remain at prudential limit. Also, the increased income level brought Sri Lanka to a safer position and proved that the borrowing strategy which has been adopted by the government was appropriate.

### Debt Stock

The quantum of foreign debts obtained for development projects had accumulated to USD 15,745 million by 30<sup>th</sup> September 2011.

**Chart 1** Accumulated Debt Stock – by Major Lenders

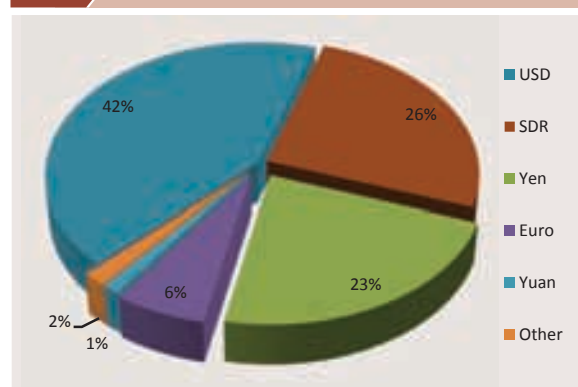


Of the total debt stock, 41 percent represents loans taken from multilateral agencies while the loans obtained from bilateral countries accounts for 59 percent of the total debt stock. About 34 percent of the debt stock is payable in USD currency terms and another 29 percent is payable in Special Drawing Rights.

A larger portion of Sri Lanka's foreign debt stock consists of loans obtained at concessionary terms, including low interest rates and longer repayment periods with fairly long grace periods. As a result, Sri Lanka is in a good position with regard to loan repayments, even though the currency fluctuation over

the long run has created a negative impact on loan repayments. The Department of External Resources, in consultation with the other Treasury Departments and the Central Bank of Sri Lanka is engaged in regular discussions with development partners to agree on terms and conditions that facilitate borrowing foreign finance at the lowest cost to government. At the loan negotiations, the loan repayments are scheduled throughout the financial year to minimize the pressure on cash flow in specific months. Accordingly, more than 77 percent of the total foreign loans obtained during the last 5 years to cater to the new investment trend under the Mahinda Chinthana-Vision for Future policy framework consists of concessional terms.

**Chart 2** Debt Stock- Composition in Different Currencies



The government borrowing during the last 6 years was in the form of standard concessional loans, export credits and market borrowings. In addition, Sri Lanka has received a considerable number of grants from multilateral and bilateral development partners.

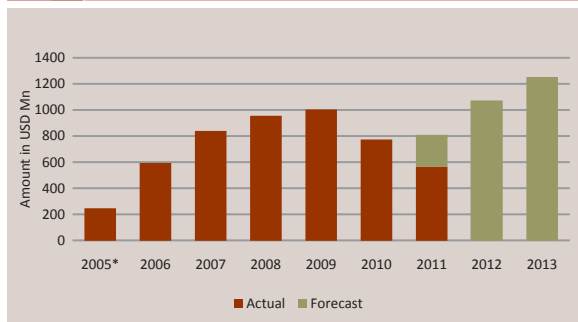
**Chart 3** Debt Outstanding as at 30.09.2011



## Debt Service Payments

Chart 4 depicts the variation of the debt service payments to development partners and lending agencies during the last six years and projection for the next three years. The values include the sum of principal and interest payments. Sri Lanka annually repaid about USD 735 million to development partners and lending agencies as principal and Interest payments during the for last six years.

**Chart 4** Debt Service Payments 2005 - 2013 (USD Mn)



\*Benefit of Debt Relief and Deferments in Account of 2004 for Tsunami Relief

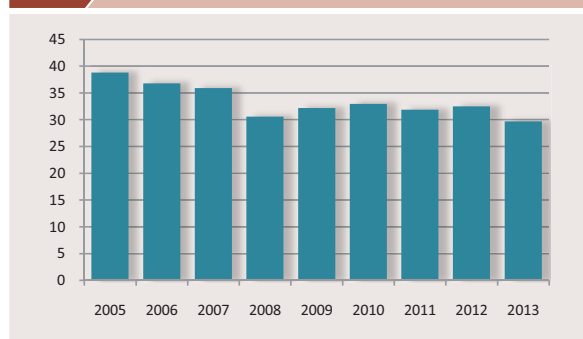
## Debt Sustainability Analysis

Debt sustainability analysis generates debt related data and information which are used to determine borrowing strategies of the government. The annual borrowing limits are decided based on a medium and long term debt plan which is subsequently approved by the parliament. Total Debt Stock, Total Debt Service Ratio, External Debt to GDP Ratio and the Debt to Export Ratio are some of the debt management indicators used in long term planning of external debt. According to these indicators, Sri Lanka is currently maintaining a sound position with respect to its debt sustainability.

### Debt to GDP Ratio

Debt to GDP Ratio assesses the country's economy in terms of the ability to repay its debt. The statistics show that the foreign debt in terms of GDP has remarkably fallen during the last 5 years indicating that the country's GDP has grown much faster in relation to the accumulation of foreign debt during this period.

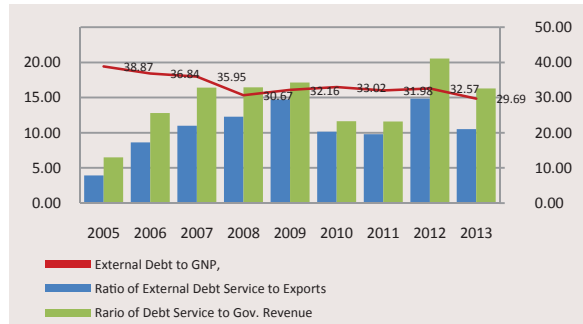
**Chart 5** External Debt to GDP Ratio -2005-2013 (%)



Sri Lanka maintains External Debt to GDP Ratio lower than the level of 40 percent keeping the country below the medium category of Policy Based Indicative Debt Burden Threshold. Although government has invested a substantial amount of foreign financing on strategic development projects during the last 5 years, the External Debt to GDP Ratio has shown a declining trend along with increased GDP; the External Debt to GDP Ratio has fallen from 39 percent in 2005 to 33 percent in 2010. With the projected GDP growth of 8 percent and adjustment in fiscal deficits External Debt/GDP ratio is expected to decline below 30 percent by 2013 reaching less indebted country status.

**Chart 6**

External Debt to GNP, External Debt Service to Export and Debt service to Government Revenue from 2005 - 2010 and Estimates for the Period of 2011 - 2013



Debt Service Ratio represents the debt service payments (principal + interest) in relation to the export earnings of the country. Sri Lanka has maintained this ratio below 20 percent during the last 5 years indicating that the country's strong position in international finance.

A graphical presentation of the External Debt to GDP, External Debt Service to Export and Debt service to Government revenue from 2005 to 2010 and the estimates from 2011 to 2013 period is given in Chart 5. The Debt Service to Export Ratio, which is one of the indicators used to measure the debt sustainability,

## External Debt Indicators

### Critical Values of External Debt Indicators

Indicator	Highly Indebted Countries	Moderately Indebted Countries	Less Indebted Countries	Sri Lanka (2010)
DOD / GNP	>50	>30 and < 50	<30	33.45
DOD / XGS	>275	>165 and <275	<165	197.2
TDS / XGS	>30	>18 and <30	<18	10.16
INT / XGS	>20	>12 and <20	<12	3.2

**Note :** DOD represents total disbursed external debt outstanding, GNP: gross national product, XGS: exports of goods and non factor services including workers' remittances and compensation to employees, TDS: total external debt service payments, INT: external interest payments

**Sources :** Manual on Effective Debt Management, UN-ESCAP, 2006

### Key Debt Indicators 2005 - 2013

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
External Debt to GDP (Percent)	38.8	36.8	35.9	30.6	32.2	33.0	31.9	32.5	29.7
External Debt to GNP (Percent)	39.3	37.3	36.3	31.4	32.5	33.4	32.8	33.5	30.5
External Debt Service to GDP (Percent)	1.0	2.1	2.6	2.4	2.5	1.7	1.7	2.7	1.8
External Debt to Exports (percent)	149.4	151.1	152.2	154.0	191.1	197.2	178.3	179.7	166.2
External Debt service to Exports (percent)	3.9	8.6	10.9	12.3	14.7	10.2	9.8	14.8	10.5
Interest payments to Exports (percent)	1.2	2.5	2.6	2.9	3.2	3.2	3.6	4.2	3.6

Projections

**Source :** Central Bank of Sri Lanka & External Resources Department

### Key Debt Indicators in Year 2010 – Sri Lanka

External Debt to GDP



External Debt Service to Exports



Interest Payments to Exports



■ Less Indebted
 ■ Moderately Indebted
 ■ High Indebted

has increased from 4.0 percent in 2005 to 14.7 percent in 2009. Although it increased significantly in 2009 due to the poor performance in the export sector owing to the global economic crisis, the ratio is expected to reach to a more stable level in the next 3 years. The low external debt ratio is more acceptable for a country as it represents a favourable financial flow for debt servicing. The shift from higher concessional terms to a mixed credit financing arrangement is reflected with interest payment to export increasing from around 2.5 percent prior to 2006 to around 3.5 percent in 2011.

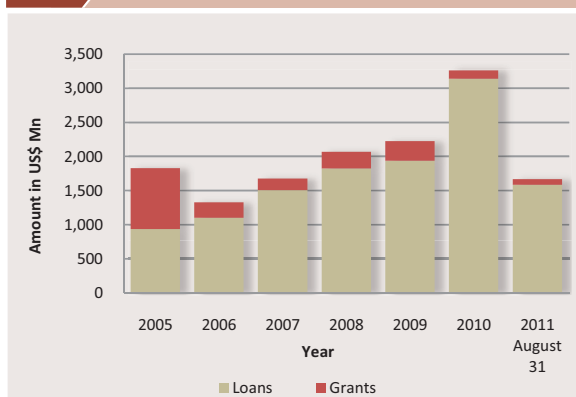
The following table shows a set of commonly used 'vulnerability thresholds', published by the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP) to assess the external debt status of different countries and the ability of the country to service its external obligations.

## Review and Forecast of Foreign Financing Commitments and Disbursements

### Foreign Financing Commitments

With the accelerated infrastructure development programme initiated by the government in 2005, the total foreign financing commitments from development partners has gradually increased during the last 6 years. The total commitment of USD 1,328 million in 2006 has increased to USD 3,261 million in 2010. Commitment increased in 2005 as a result of the debt deferment and write-offs received from various development partners, in addition to the grants received for tsunami relief, rehabilitation and reconstruction. However, commitment in 2009 remained comparable to 2008 mainly due to the global economic recession.

**Chart 7** Commitments for Development Projects 2005 - 2011

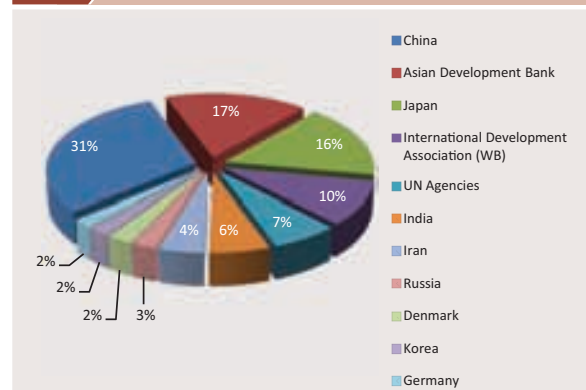


Total commitment of foreign finance as of 30th September 2011 stood at USD 1,802 million which is

about 81 percent of the estimated commitment for the year. Most of the foreign financing received during this period was used to finance the strategic development projects indicated in the economic policy framework of the government and a substantial portion of foreign financing was channelled towards development of lagging infrastructure such as power generation, ports, irrigation, roads and water supply while concentrating on rural infrastructure development.

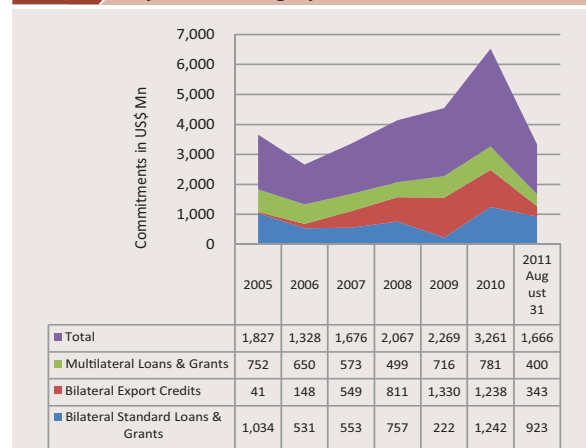
Apart from the emerging large contribution made by China and India, mainly in the form of export credits, the Government of Japan has been the major contributor to the development process in Sri Lanka during the last 6 years. The other major development partners including the Asian Development Bank (ADB), World Bank (IDA), Korea, Iran, Denmark, Germany, Russia and United Nations Agencies have also provided significant amounts of foreign financing to implement a number of important projects in Sri Lanka during this period.

**Chart 8** Major Partners of the Development Projects in Sri Lanka 2005 - 2010



The majority of the commitments received during the last 6 years were absorbed by social and economic infrastructure development projects.

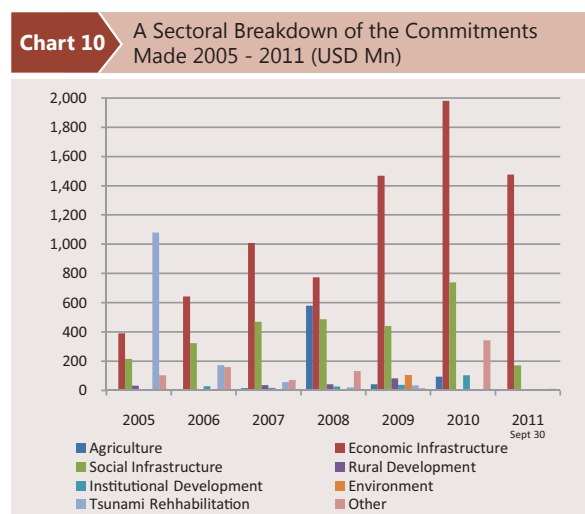
**Chart 9** Commitments from 2005 - 2011 by Lender Category





## Foreign Financing Beyond 2012

*Sri Lanka has come to an important juncture in its transformation into an emerging economy. Government has directed its focus towards establishing five hubs; naval, aviation, commercial, energy and knowledge to attract investment and promote competitive economic activities. In this context, the government will continue to focus its public investment programme on completing the major infrastructure development projects while giving more emphasis to the development of emerging townships and improving basic facilities in most difficult areas, including connectivity between villages and new townships. Accordingly, infrastructure development projects in the sectors of roads, transport, power and energy, water supply, irrigation and regional development will attract a significant share of public investment and foreign financing in the next 5 years too.*



An increased amount of foreign financing will also be channelled to improve human resource development through upgrading the quality of secondary and tertiary education and public health services.

Government will also mobilize a substantial

amount of foreign financing for the restoration and rehabilitation of infrastructure in the Northern part of the island including Northern roads, railways, electricity, water supply and sanitation facilities and other social infrastructure.

<b>Table 1</b>	Estimated Foreign Financing from Major Development Partners 2012-2014 (USD Mn)		
	<b>2011/ 2012</b>	<b>2013</b>	<b>2014</b>
China	678	500	500
ADB	320	330	350
Japan	390	380	340
World Bank	310	300	300
India	240	250	270
Korea	70	60	50
Other	80	150	200
<b>Total</b>	<b>2088</b>	<b>1970</b>	<b>2010</b>

Source : External Resources Department

## Disbursements and Utilization of Foreign Finance

Annual disbursements of foreign finance for various development projects and programmes have increased steadily since 2005. Of the annual average disbursements, about 81 percent (Approx. USD 1,119 million) has been disbursed through loans while the rest has been disbursed through grants.

A major share of total disbursements during the last 5 years was reported through the projects funded by the Government of Japan. Higher amount of disbursements was also recorded in the projects funded by ADB, World Bank, China, and India. Higher disbursements were reported from the infrastructure development projects in the areas of road and transport, electricity, water supply and regional development. Accordingly, the foreign finance disbursement ratio in the infrastructure sector has increased from 28 percent in 2005 to 76 percent in 2010.

**Table 2** A List of Projects that are being Negotiated to Sign Agreements from 4<sup>th</sup> Quarter of Year 2011 to the Year 2014

LENDER	PROJECT	LOAN / GRANT	COMMITMENT USD Mn
ADB	Clean Energy & Network Efficiency Enhancement	Loan	100
	Northern Road Connectivity (Additional Financing)	Loan	92
	Technical Education and Vocational Training Sector Development	Loan	40
	Water Supply Service Improvement	Loan	42
	National Highways Sector (Second Editional Financing)	Loan	40
	Transport Sector Development Facility Face I	Loan	155
	Education Sector Development	Loan	80
	Ekala-Jaela Urban and Industrial Sewerage Project	Loan	20
	Second Fiscal Management Efficiency	Loan	45
	Green Power Development and Energy Efficiency Improvement	Loan	70
	Transport Sector Development Facility Phase II	Loan	130
	Environmentally Sustainable Urban Development	Loan	40
	Education Sector Development	Loan	40
	Establishment of Science and Technology Park	Loan	20
WB	North and East Pilot WASH (Water, Sanitation And Hygiene) for Post Conflict Resettlement	Grant	2
	Increasing Household Sewerage Connections & Off Network Sanitary Solutions in Greater Colombo (GPOBA)	Grant	5
	Strengthening Veterinary Sector Preparedness for Emerging Infectious Animal Diseases & Zoonoses	Grant	5
	Metro Colombo Urban Development	Loan	165
	Health Sector Development Phase II	Loan	100
	Educational Sector Development Framework & Programme II	Loan	100
Japan	Development of Bandaranaike International Airport Phase II	Loan	335
	Habarana – Veyangoda 220kv Transmission Line	Loan	140
	Godagama to Thiruwanaleti on the Colombo-Rathnapura-Wellawaya-Batticaloa Road A0004 – 73.52km	Loan	54
	Rehabilitation of 337km of Provincial Roads in the North Western Province	Loan	96
	Rehabilitation and Expansion of Production Capacity of State Pharmaceutical Manufacturing Corporation	Loan	10
	Project for Improvement of Basic Social Services Targeting the Emerging Regions	Loan	60
	Anuradhapura North Integrated Water Supply Project	Loan	67
	Low Voltage Distribution Losses Reduction Programme	Loan	60
	Establishment of Energy Efficiency Improvement Facility	Loan	67
China	Hambantota Port Development - Phase II	Loan	808
	Matara - Beliatta Section of Matara - Kataragama New Railroad Extension	Loan	278
	Lighting Sri Lanka Eastern Province	Loan	38
	Broadland Hydro Power	Loan	82
	Outer Circular Highway (OCH) Project – Construction from Kadawatha to Kerawalapitiya (Northern Section II)	Loan	Being Estimated
	Moragahakanda Development	Loan	398
	Water Supply and Sewerage	Loan	525
	Rehabilitation of Jaffna - Ponnalai - Point Pedro Road (AB 21) Puloly - Kodikamam - 2 Kachchi Road (AB31) and Chavakachcheri - Puloly Road (B075)	Loan	61
	Rehabilitation of Jaffna -Manipay-Karainagar Road (AB17) , Jaffna-Pannai-Kayts Road (AB19) And Valukkairaru-Pungudutivu -Kurikadduvan Road (AB39)	Loan	53

**Table 2** A List of Projects that are being Negotiated to Sign Agreements from 4<sup>th</sup> Quarter of Year 2011 to the Year 2014 *Cont...*

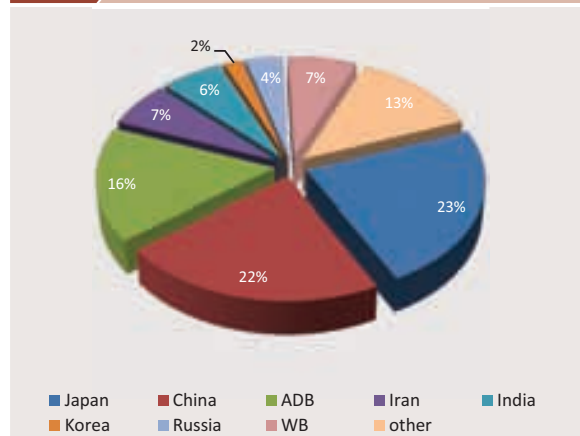
LENDER	PROJECT	LOAN / GRANT	COMMITMENT USD MILLION
	Rehabilitation of Medawachchiya - Mannar - Talaimanner Road (A014)	Loan	12
	Rehabilitation of Vavuniya - Parayanalankulam Road (A030) and Nelukkulam - Neriyaikulam Road (B325)	Loan	34
	Rehabilitation of Point - Pedro Maruthankerny Road (B371) and Soranapattu - Thalayadi Road (B402)	Loan	24
	Rehabilitation of Tandkkulam - Iranai Illuppaikulam - Mulikulam Palampiddi Road (New) and Iranai Illuppaikulam Thnukki Road (New)	Loan	28
	Construction of Kelaniya Hospital	Loan	10
	Construction Chinese Buddhist Temple At International Buddhist Centre	Grant	5
	Development of Ambulatory Care Center (OPD) of National Hospital	Grant	100
Korea	Construction of An Administrative Complex At Gampaha	Loan	25
	Improvement of Peradeniya- Badulla Chenkalady Road	Loan	101
	Horana- Aguruwathota- Aluthgama Road	Loan	31
	Additional Loan For Colombo South Port Breakwater ( Balance Funding)	Loan	32
	Deduru Oya Integrated Water Supply Scheme	Loan	60
	Ruwanwella Water Supply Scheme	Loan	21
	Construction of Northern Provincial Council Office Complex	Loan	28
	Galagedara Horana Road	Loan	10
France	Greater Ratnapura Water Supply Project	Loan	36
	Jaffna Killinochchi Water Supply Project	Loan	48
Germany	Energy Conservation Project at Ambatale Water Treatment Project	Loan	43
	220kv Protection Development Project (Jaffna Transmission Line)	Loan	19
	Construction of Mahamodara Maternity Hospital	Loan	39
Netherland	Development of District General Hospital Hambantota	Loan	65
	Development of District General Hospital Nuwara Eliya	Loan	55
Spain	Strengthening the Patient Care Services of District General Hospital –Hambantota, District Hospital Tissamaharama And Base Hospital – Karawanella By Providing Essential Equipments	Loan	10
	Construction of Flyoverover Veyangoda Railway Crossing	Loan	16
Austria	Supply Installation and Commission of High capacity Generators in selected Hospital	Loan	8
	Supply of two Cardiac Catheterization System and Echo Cardiology for National Hospital	Loan	4
Belgium	Kollonna Balangoda Water Supply Projects	Loan	29
	Reconstruction of Railway Bridges	Loan	6
UK	Construction of 210 Rural Bridges	Loan	55
	Construction of Rural Bridges - Phase II	Loan	71
USA	Badulla, Haliela And Ella Integrated Water Supply Project	Loan	77
	Increased and Equitable Economic Growth	Grant	8
	Strengthened Partnership for Social Integration	Grant	7
Kuwait	South Eastern University of Sri Lanka Development Project-Phase 1 "B"	Loan	10
Saudi Fund	Rehabilitation/Improvement of 330 km of National Roads in Sri Lanka	Loan	70
<b>TOTAL</b>			<b>5620</b>



## Committed Undisbursed Balance

Chart 11 displays the committed undisbursed balance as of 30th September 2011 with regard to the projects funded by major development partners. Of the total undisbursed balance, about 45 percent is to be disbursed by Japan and China in equal shares.

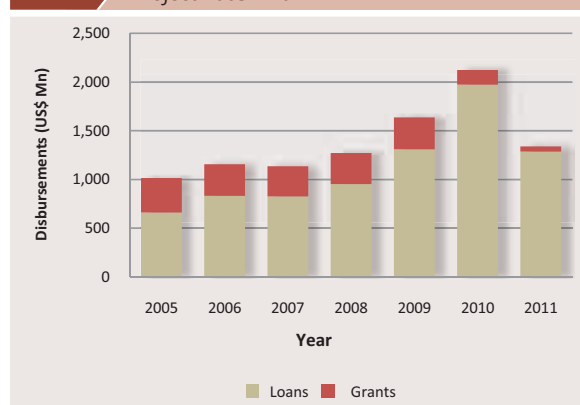
**Chart 11** Committed Undisbursed Balance as at 30 September 2011 (in USD Mn)



## Disbursement Forecast

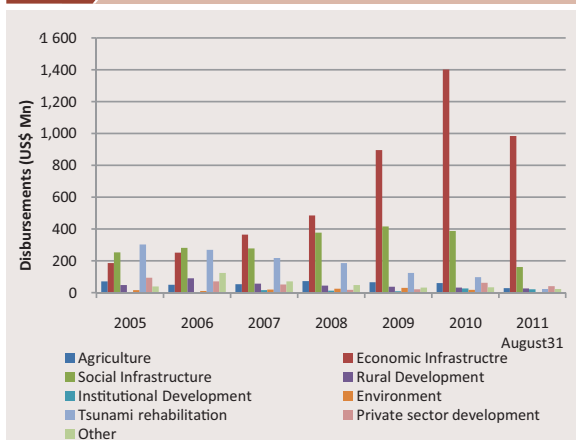
During the next 3 years (2012-2014) a sum of USD 8,250 million is expected to be disbursed through the projects which have already been approved. Bilateral development partners including the government of China, Japan, India and Iran as well as major multilateral agencies such as ADB and World Bank would be the main contributors to higher disbursements.

**Chart 12** Disbursements Made for Development Project 2005 - 2011



The majority of the expected disbursements in the next 3 years is to be made through infrastructure development projects.

**Chart 13** Sectoral Distribution of Foreign Financing 2005-2011(USD Mn)



**Table 3** Disbursement Projection by Major Development Partners 2011-2014

Donor	USD million	
	Loan	Grant
China	2,655	50
ADB	1,109	43
Japan	1,018	60
India	836	59
Iran	383	-
WB	696	23
Korea	191	17
Kuwait	94	2
Saudi Fund	87	-
UN Agencies	67*	107
West	630	19
Other	156	6
<b>Total</b>	<b>7,922</b>	<b>386</b>

\*IFAD

Source : External Resources Department

**Table 4** Sector-wise Disbursement Projection 2011-2014

Sector		USD million	
		Loan	Grant
Roads	Expressways	826	-
	National Roads	1,173	-
	Bridges	126	20
	Provincial Roads	280	-
Railways		1,093	
Power		710	3
Water Supply & Sanitation		881	26
Ports		984	24
Irrigation		676	-
Housing and Urban Development		168	4
Education & Vocational Training		149	52
Health		250	66
Regional Development		413	12
Other		193	121
<b>Total</b>		<b>7,922</b>	<b>328</b>

Source : External Resources Department

## The Borrowing Strategy

**F**inancial borrowing by a country either from domestic or foreign sources is an integral part of development financing. However, in order to ensure debt sustainability and minimize the debt burden, a country needs to adopt a comprehensive 'Borrowing Strategy' with regular and appropriate modifications in an opportunistic manner.

The borrowing limit of a country depends on a number of factors including the budget deficit, the demand and composition of public investments and repayment capacity of the country. A prudent level of debt management helps sustain the country's economy against potential shocks arising as a result of unforeseen domestic and international changes in the macro-economic variables.

With the end of the conflict in mid 2009, government has given priority to rehabilitate essential infrastructure in the Northern Province, in addition to the continuing economic and social infrastructure development programmes in the other parts of the country. Government has encouraged development partners and lending agencies, including both conventional and non conventional financing institutions, to provide long term funding to fill the gap in terms of increased financial need for priority development projects. Government has planned a number of large scale infrastructure development projects in order to facilitate the transformation of Sri Lanka into a dynamic hub in the region as targeted in the economic policy strategy of the government; Mahinda Chinthana-Vision for the future. Given the fact that the amount of concessional financing is declining with the elevation of Sri Lanka to the status of a middle income country, the foreign financing options for public investment have been broadened by tapping new financing sources as well as considering a proper mix of less or non concessional financing

**➔ Government has directed its focus towards establishing five hubs; naval, aviation, commercial, energy and knowledge to attract investment and promote competitive economic activities.**

with the available concessional financing. This has led government to carefully select economically viable development projects to be financed from external borrowings at non concessional and commercial terms.

As an integral part of the borrowing strategy, the foreign borrowings and debt services related indicators and their expected variations due to the potential changes of other macro economic variables are continuously being monitored. The entire debt portfolio is analyzed in terms of commitments, disbursements, total debt accumulated and debt servicing in relation to a defined time framework. The Standard Debt Ratios derived from these analyses give an idea of the potential impact of future borrowing on the economic situation of the country. The derivatives are used to determine the accepted borrowing limits or thresholds as well as for inter country comparison. Based on these indicators which are regularly updated, proactive measures are being taken to minimize the risk of the country's indebtedness and credit rating.

In order to achieve the economic targets set out in the economic policy strategy of the government within the stipulated time frame, while maintaining the country's debt position at an acceptable level, the existing borrowing strategies are reviewed and updated regularly by the relevant agencies including the Ministry of Finance and Planning and the Central Bank of Sri Lanka. This helps to maintain an appropriate debt position under periodic economic changes and shocks in the domestic and international arena. The present borrowing strategy of the government depends on two basic principles; (a) borrowing at the lowest possible cost and (b) ensuring adequate provision to servicing the existing debt on time, preserving the default free status of the country.

In line with these principles, the following strategies are being adopted by the government to mobilize external financing for development programmes in the country-

- Explore the possibilities of obtaining concessionary and non - concessionary funds at a minimum cost when financing development projects
- Pay more attention to the sectors which generate cash flow when raising funds for the fields which are directly related to improving economic infrastructure facilities and productivity in the economy
- Obtain loans with a long repayment period (over 15 years in general) with minimum of a 3-5 year grace period

- When raising external funds by the government, assist the state enterprises to improve their assets by encouraging them to obtain loans directly from external sources through the issue of government guarantees
  - Use the capital market through alternative methods such as the issue of Sovereign Bonds
- Those strategies have shown the way for Sri Lanka

to obtain a majority of the loans at concessional terms (77 percent of the total loans) during the last 6 years.

Government will continue to tap the full amount of external funding available under concessional financing terms. With a higher per capita income level, the external financing at concessional terms will diminish gradually and financing in the form of mixed credit and export credit will take prominence in future.

## FOREIGN FINANCING FOR KNOWLEDGE SOCIETY (USD Mn)

SECTOR	2011	2012	2013	2014
ADB	18.4	39.1	20.0	31.6
Japan	1.9	2.6	0.0	0.0
World Bank	4.0	21.8	28.9	13.5
Korea	0.1	3.3	14.1	17.2
UNICEF	0.0	4.4	2.2	2.2
USAID	0.0	0.9	1.8	1.4
Kuwait	0.6	3.1	5.5	2.7
Germany	0.0	0.9	2.7	3.4
India	0.0	4.8	4.6	0.0
Austria	1.4	0.0	0.0	0.0
Netherland	0.3	0.0	0.0	0.0
<b>Total</b>	<b>26.7</b>	<b>80.9</b>	<b>79.8</b>	<b>72.0</b>

## FOREIGN FINANCING FOR FOOD SECURITY &amp; NUTRITION (USD Mn)

SOURCE	2011	2012	2013	2014
ADB	0.0	0.4	0.0	0.0
Japan	0.5	7.3	0.0	0.0
World Bank	44.5	69.4	46.8	22.4
World Food Programme	0.0	20.0	9.1	13.6
Food & Agriculture Organization	11.7	0.8	0.0	0.0
Iran	0.0	54.5	90.9	145.5
IFAD	0.0	3.6	8.6	5.9
China	0.0	24.5	100.5	118.6
India	0.0	1.4	0.0	0.0
Australia	0.0	3.4	9.5	0.0
<b>Total</b>	<b>56.7</b>	<b>185.3</b>	<b>265.4</b>	<b>306.0</b>

## FOREIGN FINANCING FOR SOCIAL SECURITY ENHANCEMENT (USD Mn)

SOURCE	2011	2012	2013	2014
ADB	21.6	54.8	58.1	21.9
Japan	14.8	9.3	9.1	5.5
World Bank	13.0	19.1	15.9	9.1
World Food Programme	0.0	4.5	4.5	4.5
UNICEF	0.0	1.0	0.0	0.0
USAID	5.9	0.0	0.0	0.0
UN (FPA)	0.0	0.0	0.0	0.0
Netherland	8.7	0.0	0.0	0.0
European Union	1.8	0.0	0.0	0.0
IFAD	2.1	4.8	0.3	0.0
OPEC	0.0	0.0	0.0	0.0
Korea	0.0	2.0	0.0	0.0
Australia	9.9	0.0	0.0	0.0
<b>Total</b>	<b>77.8</b>	<b>95.5</b>	<b>87.9</b>	<b>41.0</b>

Source : External Resources Department



# **COUNTRY STRATEGY FRAMEWORK WITH EACH DEVELOPMENT PARTNER**



## Section 2

# COUNTRY STRATEGY FRAMEWORK WITH EACH DEVELOPMENT PARTNER

## Asian Development Bank

### Overview

Sri Lanka is a founding member of the Asian Development Bank (ADB) which was established in 1966 to facilitate economic development of countries in Asia. Since then, Sri Lanka has borrowed USD 5.14 billion through 155 sovereign loans. These loans include “hard” loans which are channelled from Ordinary Capital Resources (OCR) on commercial terms and “soft” loans channelled from special fund resources of the Asian Development Fund (ADF) with concessional conditions and long term repayment periods. The funds have been used for projects identified by the Government and implemented over a period ranging from 2 – 4 years

ADF credits are generally provided to ADB member countries at low interest rates in comparison with the market rates. Generally, the member countries with low income have wider access to the ADF resources.

OCR loans are generally made to member countries that have attained a higher level of economic development at near-market terms. The increase of per capita income during the last six years has gradually shifted Sri Lanka from the category of “ADF only” countries to the category of “ADF and OCR Blend” countries.

In addition to the credit facilities, Sri Lanka obtains a significant amount of grant assistance including ADB administered co-financed grants for development projects that are funded mostly through ADB financing. Since 1966, Sri Lanka has obtained USD 353 million of grant assistance for development projects and USD 111 million through 245 technical assistance grants. This grant

assistance helps Sri Lanka to obtain optimal economic benefits from the connected projects enabling the Government to release more domestic financing to other development priorities.

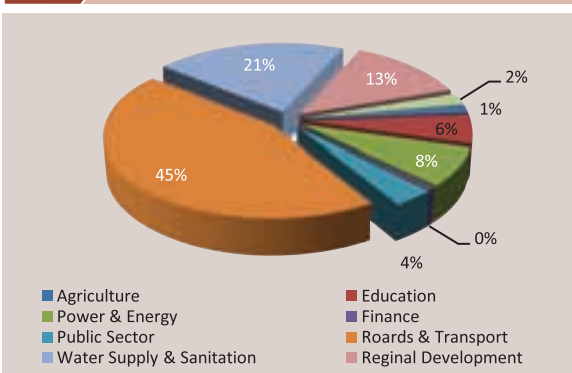
**Table 5** Loans - Commitments & Disbursements (USD Mn)

		1968- 2005	2006	2007	2008	2009	2010	2011 (Sept)
<b>OCR</b>	comt	596	14	328	90	215	350	219
	dis	235	44	15	106	109	199	99
<b>ADF</b>	comt	3107	47	115	60	115	107	152
	dis	2339	136	133	153	144	109	63
<b>Total comt</b>		<b>3703</b>	<b>61</b>	<b>443</b>	<b>150</b>	<b>330</b>	<b>457</b>	<b>371</b>
<b>dis</b>		<b>2574</b>	<b>180</b>	<b>148</b>	<b>259</b>	<b>253</b>	<b>308</b>	<b>162</b>

OCR= Ordinary Capital Resources; ADF = Asian Development Fund

Source - External Resources Department

**Chart 14** Sectoral Distribution of On-going Portfolio





**Table 6** Loans Terms and Financial Charges of ADF and OCR credit facilities

	TERMS	INTEREST CHARGES	COMMITMENT CHARGES
ADF	Fixed term, 32 year repayment period including a grace period of 8 years	1.0 percent during the grace period and 1.5 percent during the mortization period.	Not Applicable
OCR	Repayment period is normally up to 24 years, including 5-8 years grace period.	Floating rate - LIBOR based plus 0.3 percent effective spread	Fixed 0.15 percent per annum based on undisbursed balance.

Source: Asian Development Bank

### Borrowing Strategy

In 1990s, Sri Lanka's annual borrowing from ADB remained in the range of USD 100-150 million. However, this amount has gradually risen to the present level of USD 300 million during the last two decades. The annual borrowing from ADB currently stood around 0.7 - 0.8 percent of the GDP.

In the last two decades from 1985-2005, Sri Lanka borrowed mainly from the ADF at concessional rates and the largest share of borrowing went to the agriculture, transport and finance sectors amounting to 19, 18 and 10 percent respectively. However, consequent to the implementation of the government's economic policy strategies under "Mahinda Chinthana- Ten year Horizon Development Framework" and the "Mahinda Chinthana-Vision for the Future", the total amount borrowed as well as the amount borrowed for infrastructure development have substantially increased over the last 6 years.

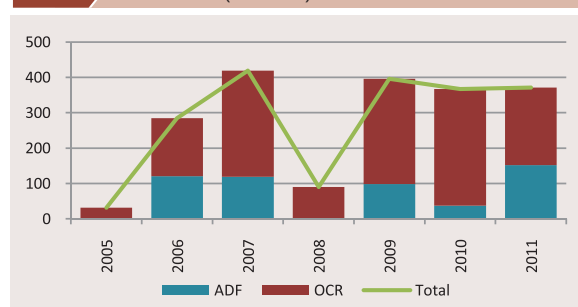
With the commencement of large development projects, the trend in sectoral distribution of ADB financial resources has changed. The share of transport, water and energy sectors in the total portfolio has risen and, as at end 2010, accounted for 73 percent of the portfolio against 42 percent in 2005.

During the last five years, 2006-2010, Sri Lanka has obtained around USD 1,715 million in loans for the implementation of development projects in Sri Lanka

and the average annual commitment made by the Asian Development Bank during that period was USD 282 million.

The ADF resources which are borrowed at concessional rates are provided mainly to economic sectors that do not generate sufficient monetary returns to repay the loans. General education and technical education sectors are the most benefited sectors from ADF resources. Education projects implemented with ADB financing including the Secondary Education Modernization Project and the Education for Knowledge Society Project have helped to modernize secondary education infrastructure, increase equity of access, enhance quality and relevance, and improve service delivery. The Technical Education Development Project introduced innovative programmes and facilitated meaningful reforms to address labour market requirements.

Sri Lanka borrows OCR resources to finance the economic and social infrastructure development projects with high economic returns to support the expected increase in economic growth in the medium term. With ADB's general capital increase in 2009, the annual OCR resource limit of Sri Lanka has doubled to USD 200 million, giving more flexibility in formulating projects and programmes to suit the requirements of the country. Accordingly, future projects to be funded through OCR resources need to be screened and appraised thoroughly to assess their economic viability. The repayment period of OCR loans is determined based on the project's economic life, the borrowing country's repayment capacity, or the project's revenue-earning capacity.

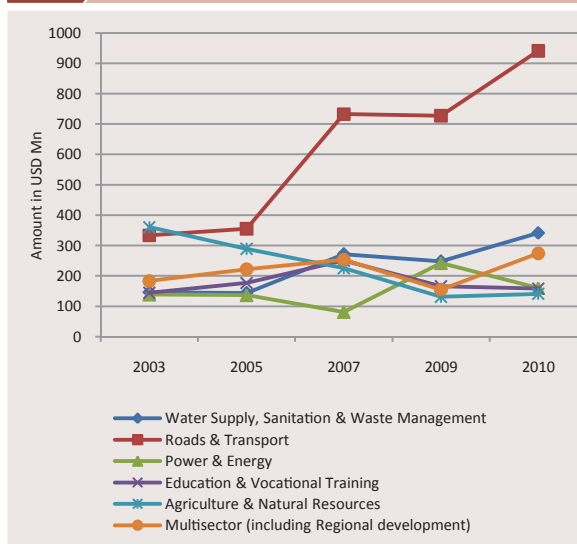
**Chart 15** Annual Commitments of ADF and OCR Resources 2005-2010 (USD Mn)

A significant amount of OCR borrowed from ADB during last 6 years has been invested largely in the roads and transport sector and the ports sector. The Government, with the support of the ADB, has developed a Road Sector Master Plan covering all aspects of road



network improvement and construction of expressways, national highways and provincial roads as an integrated network. A corresponding investment plan including strategies to increase private sector participation in road maintenance has also been developed. Further, the Government has established a Trust Fund for existing road maintenance to ensure the availability of a continuous and adequate flow of funds for maintenance of the road network. Borrowing for the ports sector development helped Sri Lanka to bridge financing gaps by facilitating private sector investment towards reaching the maximum potential of the development projects such as Colombo Port Expansion Project.

**Chart 16** Annual Commitments of ADF and OCR Resources 2005-2010 (USD Mn)

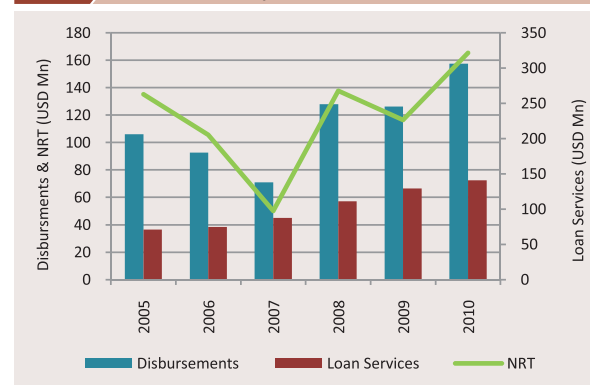


Borrowing from the ADB is also being used in the power sector to accommodate a rapidly growing demand for electricity for future economic growth. ADB financing will be used particularly to increase clean power supply and improve efficiency and reliability in the delivery of electricity, minimizing system losses through power sector projects such as the Clean Energy and Access Improvement Project, the Clean Energy and Network Efficiency Project and the Sustainable Power Sector Project.

In order to implement the projects for providing essential services such as water supply and sanitation, and electricity for remote villages and livelihood support, Sri Lanka obtains credit by mixing ADF and OCR resources. The OCR resources borrowed under this strategy are invested in water supply and sanitation, electricity and other productive sectors such as fisheries expecting that sufficient income will be generated through these

investments to repay the loans. Government has used these blend resources to improve the water supply services in Batticaloa, Polonnaruwa, Muttur, Hambantota, Vavuniya, Mannar, Chilaw and Puttalam areas through the Secondary Towns and Rural Community Based Water Supply Project and the Dry Zone Urban and Sanitation Project. Meantime, these resources are provided to address the long-term water supply and sewerage service needs in large cities, including Greater Colombo. The Aquatic Resource Development and Quality Improvement Project funded through an ADF and OCR mix helped promoting market-driven and sustainable management of inland fisheries and aquaculture and meeting the Government's goal of improving food security and reducing poverty, particularly in rural areas. An appropriate mix of ADF and OCR resources is also being used to improve rural electricity services as well as provide connectivity between remote villages.

**Chart 17** Disbursements, Net Transfer of Resources and Loan Service Payments (USD Mn)



## Medium Term Borrowing Ceilings

The medium term borrowing ceilings are generally decided by the government and ADB at regular intervals, taking into account the development priorities of the government, comparative advantages in mobilizing ADB financing for selected sectors, overall availability of resources, cost recovery mechanisms and economic viability of proposed projects, cost of borrowing, past experience and technical expertise available with the ADB in certain economic sectors and other relevant considerations including debt repayment capacity. Historically ADB is more capable and specialized in handling infrastructure projects in the areas of roads and transport, water supply, power and energy, for which a larger portion of ADB financial resources have been mobilized.

## Country Assistance Programme

The government in coordination with ADB has recently finalized the medium-term strategy and operational programme for utilizing ADB financing, called Country Partnership Strategy (CPS) for 2012-2014. During the preparation of CPS, government priorities in terms of the targets specified in the government's economic policy strategy; "Mahinda Chinthana- Vision for the Future" as well as the investment needed to achieve them have been taken into consideration. Since continuous support for infrastructure development is vital to facilitate accelerated economic growth, these sectors have been recognized as priority sectors in the CPS. Accordingly, over the next three years Sri Lanka's annual average resources envelope will be around USD 300 mn. Out of the total USD 900 million that is earmarked for the period 2012-2014, a substantial portion will be absorbed by the transport and energy sectors.

In addition to the project loans, the CPS has identified the financing needs for project preparatory assistance which will be provided through grants. The total grant funding earmarked for next 3 years is USD 12.15 mn. This grant financing will also be distributed among the priority sectors.

## Future Considerations

### Public Private Partnership

Sri Lanka has made considerable progress in implementing partnership projects with the private sector as a part of its investment strategy towards capital formation in infrastructure development. The Colombo South Harbour Project is one of the landmark projects

of this nature and designed to uplift the facilities of the Colombo port to accommodate increasing demand for port services. The government as a part of its investment strategy for higher capital formation is supporting similar projects in the areas of power, roads, industrial infrastructure, waste management etc. Accordingly, a significant portion of ADB financing will be mobilized for such projects.

### Direct Borrowing by State Owned Enterprises (SOE)

Well developed infrastructure facilities are a prerequisite for Sri Lanka to attract investment necessary for development. Recognizing that State Owned Enterprises (SOE) have a major role in infrastructure development, SOEs such as the Ceylon Electricity Board and Water Supply and Drainage Board are encouraged to borrow directly from the ADB for their future development programmes. At present, government facilitates these agencies to generate and repay a part of the economic cost of loans provided to them.

### Innovation and Efficiency Initiatives (IEI)

IEI is a multi-tranche financing facility for phasing large investment programmes in two or more financing tranches/agreements. Sri Lanka will consider borrowing under IEI facility in future with the objective of reducing the transaction cost and time associated with borrowing separate loans for mega infrastructure development projects.

Fully Fledged Secondary School



Polonnaruwa Water Supply Scheme



**Table 7** ADB Funded Projects from 2005 to 2011

YEAR	PROJECTS	LOAN /GRANTS
2005	Tsunami-Affected Areas Rebuilding Project North East Community Restoration and Development II	Loan
2006	3 <sup>rd</sup> Water Supply and Sanitation Sector Project Local Government Infrastructure Improvement Project Technical Education Development Project National Highway Sector Project Secondary Towns and Rural Community-Based Water Supply and Sanitation(Supplementary Loan1)	Loan
2007	Colombo Port Expansion project Secondary Towns and Rural Community-Based Water Supply and Sanitation (Supplementary Loan) Small and Medium Enterprise Regional Development Project Education for Knowledge Society	Loan
2008	Southern Transport Development Project ( Supplementary)	Loan
2009	Clean Energy and Access Improvement Project Dry Zone Urban Water and Sanitation Project Eastern and North Central Provincial Road Project Greater Colombo Wastewater Management Project	Loan
2010	Fiscal Management Efficiency Project North East Community Restoration and Development Project II (Supplementary) Conflict-Affected Region Emergency Project Northern Road Connectivity Project	Loan
2011	Jaffna & Kilinochchi Water Supply and Sanitation Project Sustainable Power Sector Support Project Secondary Towns and Rural Community-Based Water Supply and Sanitation (Additional Financial)	Loan

Source - External Resources Department

## Japan

### Overview

The relationship between Sri Lanka and Japan dates back to the 1950's. Foreign financing made from Japan to Sri Lanka commenced in 1954 based on technical cooperation with in the Colombo Plan. Japan began to provide Yen Loans in 1958 and grant aid cooperation in 1969.

Initially, Sri Lanka obtained Japanese assistance mainly for the import of commodities and fertilizer from Japan. With the opening of the Sri Lankan economy in 1978, the kinds of financial assistance obtain from Japan were expanded further to finance development projects, mainly infrastructure projects. Since then, Japan has become a major development partner of Sri Lanka. Government has secured financial assistance from Japan to implement

large scale economic infrastructure development projects such as Colombo Port Expansion Project, Kelanitissa Combined Cycle Power Plant, Kukuleganga Hydro-electricity Power Project, Colombo International Airport Project (BIA), Mahaweli Development Project, Upper Kotmale Hydro Power Project and Southern Transport Development Project ect.

Japanese Official Development Assistance (ODA) is extended through the Japan International Cooperation Agency (JICA), mostly in the form of Loan Aid (Yen Loans), Grant Aid, Technical Cooperation and Development Studies. In addition, Japan provides support through UN Agencies, World Bank, Asian Development Bank as well as local, Japanese, and international NGOs.

These foreign finance is currently being utilized for enhancing the provincial roads in the Eastern and North Central Provinces, upgrading and maintenance of rural

infrastructure, improving rural access roads, livelihood development, improving service delivery arrangements in the Northern Province and regional development.

### ODA Yen Loans

About 80 percent of the Japanese development financing is channeled in the form of a Yen Loan scheme, which is extended on an annual basis. The annual Yen Loan commitments for development projects in Sri Lanka are in the range of USD 350- 400 million. The applicable interest rate for yen loans is 1.5 percent per annum with a repayment period of 40 years inclusive of a 10 year grace period.

Government of Japan (Government of Japan) introduced a new loan scheme; Special Terms for Economic Partnership (STEP) in 2003. Under STEP, loans are offered at more concessionary terms of interest at 0.20 percent per annum and a repayment period of 40 years including a 10-year grace period. The only condition applied is a minimum of 30 percent of the goods and services, procured under the STEP loans needs to be sourced from Japan.

**Chart 18** Sectoral Distribution of Japanese ODA Financing



### Borrowing Strategy

The Economic Policy Framework of the Government of Sri Lanka and the New Economic Policy Framework of Japan released in July 2004 share a similar ideology and both governments recognize the following as important aspects for the economic development of Sri Lanka.

- Development of infrastructure for rapid economic growth.
- Reconstruction and development of the conflict affected areas to ensure achievement of the dividends of peace.

- Reduction of regional disparities through comprehensive development.
- Strengthening disaster management and climate change mitigation measures.
- Raising the capability of the services sector to increase foreign exchange earnings.

In line with these aspects, Government of Sri Lanka and Government of Japan review annually the priority projects to be financed through the Yen Loan Package. These projects are determined based on a number of criteria including anticipated economic benefits, technical feasibility, suitability for Japanese funding etc. Government considers the competitive advantages when deciding external finances for individual projects. Receiving the comparative advantages of borrowing from Japan, Government has obtained financial assistance from Japan to implement 20 large scale infrastructure development projects under the annual Yen Loan Package in the period of 2005-2011.

Given the fact that Japan is a high-tech driven country, the expertise received from Japan through ODA is vital for acquiring new technologies and transfer of knowledge which are very important to maintain a fast growing economy. Having considered these advantages, Government accords priority for development projects in the following areas for implementation with foreign finance obtained from Japan-

- National, Provincial and Rural Roads and Urban Transport
- Power and Energy
- Water Supply
- Ports and Aviation
- Small & Micro Industries

Establishment of a Free Trade Agreement (FTA) between Sri Lanka and Japan will further boost bilateral trade and help strengthen economic and political ties between the two countries.

### Sectoral Composition of ODA Loans 2005-2011

Development of essential infrastructure facilities is vital to improve the capacity of the country to attract more foreign investment and maintain a sustainable economic growth while creating more employment opportunities. In line with these priorities, over 90 percent of Yen Loans obtained during the last 5 years have been utilized to improve key economic infrastructure such as ground

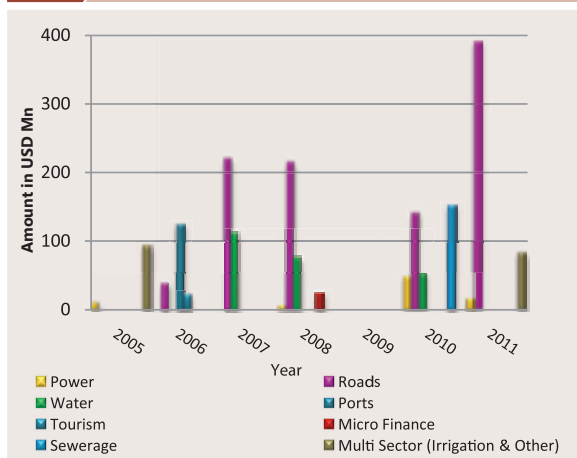


transport, ports facilities and aviation infrastructure, electricity and water supply facilities. These projects have contributed significantly to the development of the capital assets base of the country and thereby contribute to the sustainability of economic development.

Small Scale Infrastructure Development projects (SIRUP type) in the fields of health, education, and irrigation have also been implemented with Japanese assistance during the last 5 years.

In addition to the infrastructure development projects, Sri Lanka has obtained ODA financing for various other development programmes including small and medium enterprise development, tourism sector development, rural agriculture, fisheries and community development, social sector and disaster management.

**Chart 19** ODA Loans Taken from Japan by Sector 2005-2011



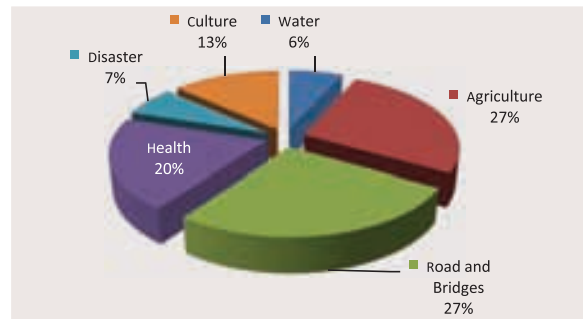
### Grant Assistance from Japan

Sri Lanka has obtained grant assistance from JICA to uplift the social and economic conditions of people in remote areas in Sri Lanka. Priority has been given to the following fields.

1. Human Resources Development
2. Improving Health and Medical Services
3. Development of Agriculture, Forestry and Fisheries

The total amount of the annual Grant Aid Programme to Sri Lanka is around USD 20 – 30 million and the programme consists of 2 - 4 projects.

**Chart 20** Sectoral Distribution of Japanese Grant Assistance 2005-2011



Government has recognized the importance of connecting rural villages and emerging service centers through a better road network to accelerate the economic development of the country. Accordingly, around 27 percent of the grant assistance provided by the Government of Japan in the last five years was utilized for construction of selected bridges. These projects have contributed significantly to enhance transportation capacity of the people living around the project areas and improved their accessibility to urban centres. About 20 percent of the Japanese grant assistance in the last five years has been channeled to improve the facilities of teaching hospitals such as Anuradhapura and Jaffna.

Recognizing the important role of the agriculture sector in economic development, Sri Lanka has obtained Japanese 2KR Food Production Grant since 1978 to enhance agricultural productivity through application of advanced technologies. Sigiriya Archeological Museum and Dambulla - Bakamuna - Kalagahawela Road via System 'G' have been implemented using the counterpart fund generated from this scheme, benefiting large number of people.

Mannar Bridge

Anuradhapura Teaching Hospital

**Table 8** Japanes Funded Projects from 2005 to 2011

YEAR	PROJECTS *	LOAN /GRANT
2005	Small Scale Infrastructure Rehabilitation and Upgrading Project (SIRUP) – II <ul style="list-style-type: none"> <li>Upgrading of 42 national hospitals, 276 provincial hospitals and health centres including provision of medical equipment</li> <li>Improvement and upgrading of 240 national and 1917 provincial schools and 80 vocational training institutions</li> <li>Construction of 13 economic centres in order to improve market facilities</li> </ul> Small & Micro Industries Leader & Entrepreneur Promotion Project (SMILE) – III Environmentally Friendly Solution Fund (E-Friends) II Project for the Upgrading of the Sewer Cleaning Equipment in Colombo City Increase in Food Production	Loan       Grant
2006	Galle Port Development Project – First Phase Pro-Poor Eastern Infrastructure Development Project Tourism Resources Improvement Project.	Loan
2007	Greater Colombo Urban Transport Development Project (Outer Circular Highway) – First Phase Water Sector Development Project Pro-Poor Rural Development Project Grant Assistance for Underprivileged Farmers Project for the Construction of New Mannar Bridge and Improvement of Causeway Project for the Improvement of Meteorological and Disaster Information Project for the Improvement of Display Equipment of the Sigiriya Museum	Loan    Grant
2008	Poverty Alleviation Micro Finance Project Energy Diversification Enhancement Project Southern Highway Construction Project additional funding Water Sector Development Project Stage II of Phase 1 Greater Colombo Urban Transport Development Project (Outer Circular Highways) Project for Improvement of Anuradhapura Teaching Hospital	Loan     Grant
2009	Project for Improvement of Anuradhapura Teaching Hospital (Phase II) Grant Assistance for Underprivileged Farmers	Grant
2010	Provincial / Rural Road Development Project <ul style="list-style-type: none"> <li>Provincial Road Development in Central and Sabaragamuwa Province</li> <li>Rural Road Development in Eastern Province</li> </ul> Eastern Province Water Supply Development Project Kandy City Wastewater Management Project Upper Kotmale Hydro Power Project (II) Project for the Improvement of Central Functions of Jaffna Teaching Hospital Project for Human Resource Development Scholarship Project for Reconstruction of 5 Bridges in the Eastern Province	Loan      Grant
2011	Greater Colombo Urban Transport Development Phase 2 (II) Vavuniya Kilinochchi Transmission Line Project (II) Improvement of TV Production Equipment of the Sri Lanka Rupavahini Corporation Food Security Project for Underprivileged Farmers Project for Human Resource Development Scholarship Constrcutction of Manmunai Bridge	Loan   Grant

\* All these projects are in line with the needs assessment reflected in the Mahinda Chintana: Vision for A New Sri Lanka – A Ten Year Horizon Development Framework 2006 – 2016, aimed at accelerating economic growth and providing essential infrastructure facilities in the lagging regions

Source - External Resources Department

## Disaster Mitigation Initiatives

Government of Sri Lanka has recognized that Government of Japan has expertise knowledge in disaster management sector; there are many competitive advantages in obtaining financial assistance and technical assistance from Japan in emergency situations. Hence, Sri Lanka was able to receive assistance from Japan after the Tsunami disaster in December 2004. Accordingly, Government of Sri Lanka obtained a grant of JPY 8,000 million to procure goods and services for relief, rehabilitation and reconstruction activities in the Tsunami affected areas under Non project Grant Aid Scheme and a loan of JPY 10,006 million for Tsunami Affected Area Recovery & Takeoff projects to uplift the lives of people in affected areas through rehabilitation of infrastructure and small business revival activities. This assistance covered reconstruction of primary and secondary schools including Devapathiraja College, Ratgama, Sri Sumangala Balika Vidyalaya, Panadura, St. Theresa Girls School, Batticalo, Roman Catholic Girls School, Payagala, reconstruction of fishery harbors of Galle and Tangalle, rehabilitation of coastal roads of Komari, Kodikalhar, Periyakalhar, providing laboratory equipment and anti rabies unit for base and district hospitals in all affected areas, reconstruction of six police stations of Hikkaduwa, Dikwella, Ratgama, Kosgoda, Ahangama and Kirinda.

With the great success of activities carried out in Tsunami rehabilitation and restorative work, Government of Sri Lanka has decided to acquire a concessionary loan of Japanese Yen 7,000 million to restore socio economic activities and provide protection from further damage in the affected areas in the North Central, Central and Eastern Provinces due to flood and landslide caused by the heavy rain during the months of December 2010 – February 2011 by rehabilitation of damaged road networks and irrigation schemes.

As Japan has enormous experience in the disaster management sector, Government of Sri Lanka has obtained technical assistance from Japan under Technical Cooperation and Development Study programme for improvement of Meteorological and Disaster Information Network in Sri Lanka, Enhancement Capacity of Disaster Management due to Climate Change and Upliftment of Communities in Tsunami and Conflict affected areas. Also Government of Sri Lanka has completed a comprehensive study on Disaster Management in the whole county with the support of Japan with the aim of creating a sustainable living environment and taking necessary advance mitigation measures to minimize effects of disasters.

## Japan's Assistance for the Development of the Private Sector

Improving the business environment of the country is very crucial at this stage, especially in the context of new investment opportunities that have emerged in the entire island including the Northern and the Eastern parts, which have been affected badly by the conflict during the past three decades. In order to attract more Japanese investments to Sri Lanka, government continues to take part in major trade fairs held in Japan such as International Jewellery Tokyo (IJT), The Super Market Trade Show, FOODEX Japan, West Japan Import Fair and the International Gift Show.

## Future Considerations

Despite the fact that Government of Japan provides loans under very concessionary rates, the Japanese Yen is becoming more stable among world currencies, and therefore, borrowing Yen loans may create adverse impact on the Sri Lankan economy in future. Thus, the government is now in the process of negotiations with the Government of Japan exploring possibilities of obtaining Dollar Loans or currency swap transactions instead of Yen Loans.

## The World Bank

The transition of Sri Lanka into the status of a Middle Income Country (MIC) has widened the potential to obtain blend borrowing from International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD). In addition, accessibility to obtain International Finance Corporation's (IFC) assistance for public enterprises and the private sector has been increased.

The World Bank's first assistance was a development credit to Sri Lanka for the Aberdeen – Laxapana Hydro Power Project which was USD 19.1 million obtained on 9<sup>th</sup> July 1954. Since then the institution has traditionally been one of the major development partners in Sri Lanka, together with Japan and the Asian Development Bank.

Over a five and half decade period, the Government has obtained around USD 4.2 billion including IDA/IBRD and Trust Funds. Commitments between 1975 and 1995 were in the range of 10 – 28 percent of the total foreign financing. It reached its maximum commitment in history with 55.2 percent in 1970. In 1990, commitment declined to 25 percent and though there were exceptions in 2003

and 2004, it has gradually been declining to around 11 percent in 2010 (Table 9).

This declining trend in the last 20 year period doesn't necessarily mean that the amount of borrowing from the World Bank is declining; keeping the same range, the percentage of its contribution has been minimized due to the increase in the overall foreign borrowing.

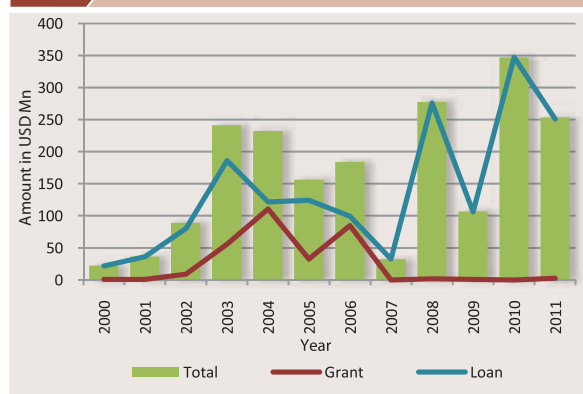
**Table 9** World Bank Commitment During 1966-2010

Year	ODA (USD Mn)	
	WB Commitment	WB % to the Total Commitment
1968-1970	30	19
1971-1975	61	8
1976-1980	291	16
1981-1985	450	14
1986-1990	730	20
1991-1995	396	10
1996-2000	427	10
2001-2005	771	12
2006-2010	949	9

Source: Department of External Resources

During last 10 year period, in line with the Government policy, the borrowings from IDA were mainly channeled to improve the infrastructure and human resources development sectors and to enhance the opportunities for equitable growth and economic development in lagging regions. During 2006 – 2010, Government obtained USD 861 million in loans and USD 88 million in grants at an annual average of USD 190 million. It was a 23 percent increase over the amount obtained during 2000 -2005 (Chart 21).

**Chart 21** Type of Commitments of World Bank during 2000-2011

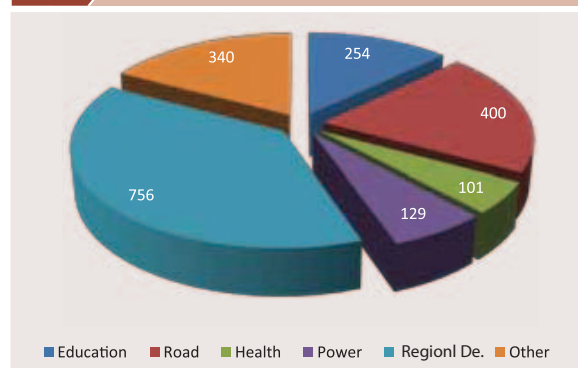


Around 50 percent of the loans were utilized for infrastructure development of which the major share was USD 399 million for the improvement of the road network. Around USD 68 million and USD 42 million have been obtained for dam safety and power generation projects respectively. Around USD 234 million, a combination of loan and grant was utilized for regional development. Health and education sectors used approximately USD 178 million of which USD 59 million was grant (Chart 22).

The pioneer project in the Information and Communication Technology (ICT) sector - "e-Sri Lanka Project" - has been initiated with an assistance of USD 53 million from IDA. The project, which aims at taking the dividends of ICT to every village and every citizen, is being implemented with a World Bank administrated grant from the Japan enabling to establish more than 600 internet centres in country side.

In addition, the initiative of the renewable energy project has been launched with 55 mini-hydro power generation schemes. Around 1500 rural SMEs and 116, 541 house holds were facilitated with electricity where the national grid is not accessible. Further around 600km of national roads have been rehabilitated between the provincial centers. Also construction of 50,000 houses have been completing in Northern, Eastern and North Western Provinces.

**Chart 22** Sectoral Distribution of Borrowing, 2000 – 2011 (up to September)



## Medium Term Development Strategies

Graduation to MIC status and increased credit worthiness of the country widens the borrowing capacity to an annual average of USD 500 million from IDA and IBRD. Considering the above opportunity, the borrowing strategy of the government has been changed in many aspects.

Government has adopted results based financing to mobilize funds for development programmes. Obtaining funds for development has also been changed from project



based to programme based where the overall required investment of the sector is partially or totally financed by development partners. In addition, the foundation has been laid to encourage private participation to fill the gap in investment.

Meanwhile the Country Partnership Strategy (CPS) for 2012-2014 is being prepared to utilize increased borrowing from the World Bank and to achieve the development priorities and target setting the policy framework of the Government.

For becoming a 'knowledge hub' in the region, the country's human capital is to be modernized to face future challenges. The needs in developing education and health sectors have already been identified and around USD 200 million committed for implementation of two major programmes on results based financing. The efficient 1000 secondary and 5000 primary schools network improvement programme and effective response to the challenge of demographic and epidemiological transition programme have been selected under education and health sectors for implementation in 2012.

In addition, increased investment in education is to be focused on vocational training which can train a qualified workforce in relevant disciplines to meet emerging needs of domestic and overseas labour markets. It understood that the increasing demand for high tech and soft skill personnel for the markets cannot be fulfilled by the existing traditional training institutions. While supporting existing institutions by re-prioritizing or new curricula, modernizing equipment and strengthening resource persons, promoting private sector investment in the sector is vital. Therefore, the CPS would have recognized vocational education as one of the priority sectors and where the private sector can contribute. A significant portion of the World Bank financing would be utilized for technical education and skills development.

In interfacing the regional infrastructure programme, high priority has been given to national roads rehabilitation

in parallel to development of provincial roads. While undertaking road development works, significant efforts are being made for the safety improvement of the dams and irrigation channels to extend irrigable land securing the food safety.

Financing for the booming demand of above infrastructures cannot be met only from concessional borrowings therefore, non-concessional borrowings; in this sector are encouraged in terms of blend or hard lending from IDA or IBRD (Table 10).

**Table 10** World Bank lending terms for Sri Lanka Starting from IDA 16 Replenishment

	IDA15 (before 2011/06)	IDA16 (after 2011/06)	
Term	Hardened	Blend	Hard
Interest Rate (%)	-	1.25	TBD
Service Charge (%)	0.75	0.75	
Commitment Fee (%)	0.5	0.5	
Grace Period (yrs)	10	5	5
Maturity Period (yrs)	20	25	25

IBRD financing; funding is looked for infrastructure development and income generating investment where high value of recovery cost is possible. PPP approach is also to be interested in such financing.

Sources: Department of External Resources

To reach 8 percent growth rate over the next 6 years, private investment has to be increased to 30 – 35 percent of GDP annually. IT/BPO and urban development are recognized as attractive sectors for private investment. To facilitate private investment, the government has approached IDA/IBRD to obtain hard terms credits around USD 200 million for the IT/BPO and urban development for 2012 - 2014.

In addition, the SME sector which boosts regional development has been identified as one of the growing sectors for private sector investment. Expanding marketing opportunities by promoting backward and forward linkages with large scale and foreign enterprises, SMEs need financial assistance through formal financial

Galaboda-Denawak Gaga Mini Hydro-power House

Kanthale Ancient Dam is being Renovated



institutions. To facilitate the SME sector a considerable amount World Bank financing will be mobilized in the medium term.

The Government would have to reaffirm the World Bank's commitment to support Sri Lanka not only financially but in arranging opportunities to tap the international expert knowledge and resources of the

World Bank Group into the country. More analytical work has to be done in financial and servicesectors to make utilization of the untapped areas like capital market, mortgage financing, neo-practice banking & research, public sector performance enhancement and restructuring public enterprises so that the benefit should solely go the general public.

**Table 11** World Bank Funded Projects from 2005 to 2011

YEAR	PROJECTS	LOAN /GRANTS
2005	North East Housing Reconstruction Project	Loan
	Tsunami Emergency Recovery Project Phase II	Grant
	Tsunami Emergency Recovery Project Phase II	
2006	Road Sector Assistance Project	Loan
	Tsunami Emergency Recovery Project - Phase II	Grant
	Education Sector Development Project	
2007	Puttalam Housing Project	Loan
2008	Renewable Energy for Rural Economic Development	Loan
	Dam safety and water resources planning	
	Public Sector Capacity Building Project	
	Additional Financing for North-East Housing Reconstruction Project	
	Additional Financing for Education Sector Development Project	
2009	Second Community Development and Livelihood Improvement Project	Loan
	Health sector Development (Additional Financing)	
2010	Provincial Roads Project	Loan
	Emergency Additional Financing for Community Livelihoods in Conflict Affected Areas	
	Emergency Northern Recovery Project	
	Higher Education for the Twenty First Century Project	
	Sustainable Tourism Development Project	
	North East Local Services Improvement Project [NELSIP]	
2011	Small and Medium Enterprise Development Facility Project	Grant
	Local Level Nutrition Interventions in the Northern Province (JSDF) Project	
	Second Additional Financing for Road Sector Assistance Project	
	Education sector development framework and programme	
	Community Livelihoods in Conflict Affected Areas (Additional Financing)	Loan

Source - External Resources Department

# Middle East

## Overview

The development partners in the Middle East Region consist of bilateral and multilateral donors: OPEC Fund for International Development, Kuwait Fund for Arab Economic Development, Saudi Fund for Development and the Government of Iran. The total ongoing portfolio of the Middle East Region is USD 956 million. As a result of regular consultation with the Government, the development partners of the Middle East Region have enhanced their assistance for implementation of development projects in the recent past while supporting the country by sharing invaluable experience in the economic, social and infrastructure development sectors. The Government of Sri Lanka initially obtained co-financing facilities for medium and large scale development projects from a few lending agencies in the Middle East region especially from the OPEC Fund. Once these agencies became familiar with the project implementation mechanism and Government procedures, the Government was able to secure financing for more projects, responding to the increased demand in road transport, power & energy, irrigation, higher education and promoting agriculture and health activities in the country.

**Table 12** Total Borrowing from Middle East

Lender	No. of Loans	Amount (USD Mn)	Percentage
Iran	03	571	60
Kuwait Fund	10	186	19
Saudi Fund	05	111	12
OPEC Fund	13	88	9
Total	31	956	100

Source : External Resources Department

## Iran

The total amount of loans extended by the Iranian Government since 1975 is USD 571 million. The Government of the Islamic Republic of Iran provides export credit facilities through the Export Development Bank of Iran (EDBI) for the irrigation, power and energy sectors. These sectors were recommended by the Government of Sri Lanka for assistance from the Government of Iran as they are more capable and specialized in those sectors. The financial assistance of the Government of Iran is more beneficial to income generation and economic infrastructure development projects with higher economic returns to the country.

The Uma Oya Multipurpose Development Project (USD 450 Million) is a one of the mega projects being implemented under financial assistance from the Government of Iran. Iran financial assistance of USD 89 million was also obtained for implementing of large rural electrification projects has provide electricity for rural areas including the North & Eastern Provinces.

**Table 13** Iran Funded Projects from 2005 to 2011

YEAR	PROJECT	TYPE
2008	Uma Oya Multipurpose Development Project	Loan
2009	Rural Electrification Project 8	Loan

Source : External Resources Department

## Kuwait Fund for Arab Economic Development

The Kuwait Fund for Arab Economic Development has extended their financial and technical assistance to Sri Lanka since 1975. The total amount of loans granted by KFAED as at 31st July 2011 is USD 186 million.

The Government has obtained concessional foreign financing facilities from the KFAED for development of sectors such as irrigation, bridges and roads. In addition, Technical Assistance for conducting feasibility studies was also obtain from KFAED. The KFAED provides concessionary lone at a rate of 1 - 1.2 percent with repayment period of 20-25 year including

**A Newly Constructed Bridge Under The National Highway Sector Project**



**Modern Equipment in The Neuro Trauma Unit**



4-5 year grace period. The method of procurement and selecting of contractors are also flexible for the recipient country. Based on the above terms, borrowing from KFAED for infrastructure projects is more effective for the Sri Lankan economy.

The Kalu - Ganga Development Project (Co-financed with the Saudi and OPEC Funds), South Eastern University of Sri Lanka Development Project, Bridges Reconstruction and Rehabilitation project are some flashing projects being implemented under KFAED assistance.

**Table 14** KFAED Funded Projects from 2005 to 2011

YEAR	PROJECT	TYPE
2005	Strengthening of Tertiary Education & Administrative Institutions Project	Loan
2007	South Eastern University of Sri Lanka Development Project-Phase 1 "A"	Loan
2008	Feasibility Study of Moragolla Hydropower Project (Grant)	Loan
2010	Kalu-Ganga Development Project (Co Financing with Saudi and OPEC)	Loan

Source : External Resources Department

### Saudi Fund for Development

The total amount of loans extended by the Saudi Fund for Development (SFD) since 1981 is Saudi Riyals 476.5 million which is equivalent to USD 111 million.

The Government of Sri Lanka has taken foreign financing facilities from SFD for Roads, Health and Irrigation Sectors. The interest rate for SFD is 2 percent per annum and repayment period is 20 years including a grace period of 5 years. The Government has submitted projects seeking assistance from SFD as the terms are more favorable to the country.

**Table 16** Sector wise Distribution of Foreign financing from Middle East

Sector	Total Borrowing			Ongoing Portfolio		
	No. of Loans	Amount Borrowed (USD Mn)	%	No. of Loans	Loan Amount (USD Mn)	%
Irrigation	4	95	38	2	547	77
Power & Energy	4	20	8	1	89	12
Health	1	14	6	1	20	3
Roads Highways & Bridges	2	18	7	2	25	4
Education & Higher Education	1	7	3	2	27	4
Agriculture	6	70	28			
Livelihood & Community Development	2	9	4			
Finance	1	8	3			
Science & Technology	1	7	3			
<b>Total</b>	<b>22</b>	<b>248</b>	<b>100</b>	<b>8</b>	<b>708</b>	<b>100</b>

The Neuro-Trauma Unit Project which was completed recently and the on-going Epilepsy Hospital & Health Centres and Kaluganga Development Projects are the major projects funded by the SFD.

**Table 15** SFD Funded Projects from 2005 to 2011

YEAR	PROJECT	TYPE
2008	Development of Health Facilities in Colombo Project (Additional Loan)	Loan
	Epilepsy Hospital & Health Centres Project	Loan
2010	Kalu-Ganga Development Project	Loan

Source : External Resources Department

### OPEC Fund for International Development

The OPEC Fund for International Development is an intergovernmental development finance institution which seeks to promote cooperation between member countries of the Organisation of the Petroleum Exporting Countries (OPEC) and other developing countries.

The OPEC provides financial support for non-member countries for their social and economic advancement. The general terms and conditions for the OPEC financing are 1.5 - 3.2 percent rate of interest, 1.0 percent of service charge and repayment period of 15 to 20 years with a maximum 5 year grace period.

**Table 17** OPEC Funded Projects from 2005 to 2011

YEAR	PROJECT	TYPE
2010	National Highway Sector Project	Loan
	Kalu-Ganga Development Project	Loan

Source : External Resources Department



**Table 18** Summary of Borrowing Terms

Donor	Terms			Priority Sectors
	Interest Rate percent	Repayment Period (year)	Repayment Period (year)	
Iran	USD LIBOR	7-10	5	Irrigation, Power & Energy
Kuwait Fund	1-1.2	20-25	4-5	Irrigation, Roads & Bridges, Education and Technical assistance
Saudi Fund	2	20	5	Roads, Health, Irrigation and Community Development
OPEC Fund	1.5-3.2	15-20	5	Transportation, Power & Energy, Irrigation, Livelihood development, Water & Sanitation

The Government of Sri Lanka has recognized OPEC Fund as enabling it to obtain concessionary financial assistance for the following priority sectors; Transportation, Power and Energy, Irrigation and Livelihood Development. OPEC provides co-financing facilities as well.

OPEC Fund has recently provided co-financing for implementation of the Kalu-Ganga Development Project and National Highway Sector Project.

## SAARC Countries

### India

#### Overview

Development cooperation between Sri Lanka and India began in 1973 with the provision of commodity aid worth Indian Rupees 50,000. Since then, India has contributed to the development of Sri Lanka by providing loan assistance of USD 947 million and grant assistance of USD 54.52 million.

India provides loan assistance through the Export-Import Bank (Exim Bank) of India under Credit Lines. Indian Credit Lines are generally low interest long term credits. During the last five years from 2005 to 2010, the Exim Bank of India provided loans amounting to USD 684 million. The total amount of grants received during the same period was USD 32.3 million. The current ongoing portfolio of Indian assistance is USD 716.30 million. Indian financing is mainly for development of railways, supply of drinking water, power generation and procurement of capital goods from India.

#### Borrowing Strategy

The Indian railway is the world's fourth largest industry and is technically qualified for manufacturing

of rolling stock, modernization of signaling systems, upgrading of railway tracks and track laying. Indian rolling stock, railway tracks and signaling system are suitable to Sri Lanka and compatible with Sri Lanka railways. Rehabilitation of rail tracks and relaying of railway track involves a lot of imported items. The Government strategy is to implement the above railway projects with Indian Credit Lines. Accordingly, a substantial share of Indian financing has been allocated, especially for development of the railway sector which demands a considerable investment for upgrading of railway tracks, replacement of rolling stocks and modernization of the signaling system. Sri Lanka has obtained substantial assistance from India to improve our railway transportation system.

Due to the Tsunami, the Southern Railway track was heavily damaged. The Government obtained a soft loan of USD 167.4 million to upgrade the Southern railway track from Colombo to Matara. After the ending of terrorism in the Northern Province, it has become necessary to operate the railway service including in the Northern Province. Based on the request of the Government, India has agreed to provide a Line of Credit for USD 800 million for railway projects in Sri Lanka. Of this amount the Government of India has already committed USD 416.39 million for reconstruction of the Northern Railway Line. It is expected to utilize the balance of USD 383.61 million for reconstruction of the railway track from Pallai to KKS, install signaling and telecommunication systems in the Northern Province and supply of rolling stock. Based on the request of the Government, Indian authorities have expressed their willingness to provide a separate Line of Credit to construct a double line from Polgahawela to Maho.

The Government of Sri Lanka has requested Indian financing for implementation of the Greater Dambulla Water Supply Project Phase I. India has agreed to provide USD 60.1 million to finance the project.

**Table 19** Indian Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2008	Upgrading of Southern Railway from Colombo to Matara Phase I	Loan
	Supply of Fishing Boats and Equipment - Northern Province	Grant
2009	Supply of Family Packs, Medicines, Agriculture Implements to IDPs	Grant
	Supply of Shelter Material, Emergency Field Hospital in Northern Province	Grant
2010	Upgrading of Southern Railway from Colombo to Matara Phase II	Loan
	Reconstruction of Northern Railway Line from Omanthai – Pallai	Loan
	Reconstruction of Northern Railway Line from Madhu - Thalaimannar	Loan
	Reconstruction of Northern Railway Line from Madawachchiya – Madhu	Loan
	Purchase of Defence equipment/suppliers	Loan
	Construction of 150 Bed - base hospital at Dickoya	Grant
	Supply of Shelter Material, Cement Bags, Agriculture Implements, seeds	Grant
	500 Tractors, De - mining Assistance	
	Limb Refitment Project, Rail Bus service Trincomalee to Baticaloa	Grant
	Establishment of 20 Nenasala Centres, Vocational Training Centres at Negavillu	Grant
2011	1,000 Pilot Housing Units Project	Grant
	Wreck Removal Project at rehabilitation of Harbour at Kankasanthurai	Grant
	Setting up of facilities of Vocational Training Centres at Batticaloa, Nuwara Eliya	Grant
	Women Trade Facilitation and Community Learning Centre at Batticaloa	Grant

Source : External Resources Department

Grant funds are provided by the Government of India for implementation of Special Development Projects and Small Development projects throughout the country. The Indian Government provides grant assistance under Special Development Projects for large scale development projects. Projects of construction of 1000 pilot houses at a cost of Rs 1,200 million, rehabilitation of Kankasanthurai harbour at a cost of Rs.2,600 million construction of Dickoya hospital at a cost of Rs.1,200 and rehabilitation and reconstruction of Vocational Training Centres at a cost of SLR 2600 million are some of the projects being implemented as Special Development Projects.

Grant assistance for Small Development Projects is provided under the Memorandum of Understanding (MOU) signed between the two Governments regarding Indian Grant Assistance for Implementation of Small Development projects. The Government of India provides a maximum of Sri Lanka Rupees 300 million

for a project under the Small Development Projects. But the total capital cost of such projects at any time should not exceed SLR 5 billion. Supply of medical equipment, fishing equipment, roofing sheets, rehabilitation of the Palmyra Development Institute, repairs of schools in the Northern Province and rehabilitation of Achuvally Industrial Zone etc. are some of the projects being implemented as Small Development Projects.

In line with the Government policy, the Government strategy is to gradually transfer the responsibility of financing of power generation projects to the Ceylon Electricity Board. Accordingly action is being taken to establish a Joint Venture Company between Ceylon Electricity Board and National Thermal Power Corporation (NTPC) to build, operate and maintain the 250x2 MW Trincomalee Coal Fired Power Plant. The Government of India has agreed to provide a Line of Credit amounting to USD 200 million for this purpose.

Newly Constructed Omantha Railway Station after Three Decades

Re Construction of a Railway Bridge of the Northern Railway Line



## Pakistan

Pakistan has been a close friend of Sri Lanka for a long time and is the second largest trading partner of Sri Lanka in South Asia. Sri Lanka was the first country to sign a Free Trade Agreement with Pakistan, which became operational from June, 2005.

Sri Lanka obtains foreign financing from the Government of Pakistan by way of loan and grant assistance. The first financial assistance of USD 5 million was obtained in 1991 for manufacture and supply of 52 Nos. of BCGS wagons for Sri Lanka Railways. In addition the Government obtained USD 50 million loan to import machinery and equipment from Pakistan in 2006. Pakistan has provided a grant of USD 125,000 to improve infrastructure facilities at the Babusalam Maha Vidyalaya, Gampaha in 2011.

The Government has recently initiated discussions with Pakistan to obtain an export credit facility of USD 200 million to import cattle, machinery and equipment from Pakistan.

**Table 20** Pakistan Funded Projects from 2005 to 2011

YEAR	PROJECT	TYPE
2006	Importation of Machinery and Equipment	Loan
2011	Construction of 03 story building at Babusalam Maha Vidyalaya	Grant

Source : External Resources Department

## East Asia

### China

#### Overview

Economic development cooperation between China and Sri Lanka began in 1971. Since then, the Government of Sri Lanka has obtained grant assistance of USD 135 million and loan assistance of USD 3,932 million from China. Of the total loan amount, USD 2,915 million was extended by the Export-Import (Exim) Bank of China and USD 652 million was extended by the China Development Bank Corporation. China has now become a major bilateral development partner to Sri Lanka and its current ongoing project portfolio is USD 3,604 million. The funds obtained from China have been used to implement projects identified by the Government of

Sri Lanka for social and economic development of the country.

China annually provides grant assistance of USD 10-15 million with a view to further enhancing friendly relations and bilateral economic and technical cooperation between the two countries. Priority areas of utilization of grant funds are construction of culturally and historically important land mark buildings, development of socially viable infrastructure and repairing or modernization of buildings constructed with Chinese grant funds.

The amount of loan funds obtained from China from 1971 to 2004 was very marginal. It has significantly increased after 2005. The total loan funds obtained between 2005 and 2011 was USD 3,638 million. It is about 92 percent of the total loan amount obtained from China since 1971.

#### Sectoral Distribution

The funds received from China have been mainly used for development projects in the sectors of roads & bridges, power & energy, ports and aviation. Of the total project portfolio of China, the highest amount has been used for the roads and bridges sector. It is USD 1,463 million which accounts for 41 percent of the total project portfolio financed with Chinese assistance. Second, USD 1,403 million has been used for the power & energy sector representing 39 percent of the total project portfolio of China. Ports & shipping and the aviation sectors record USD 372 million and USD 231 million representing 10 percent and 6 percent of the total project portfolio of China respectively.

Currently the Export-Import Bank of China (Exim) and China Development Bank provide loan assistance to finance development projects of the country.

**Table 21** Chinese Project portfolio (USD Mn)

SECTOR	AMOUNT	%
Road & Bridges	1,463.07	41
Power & Energy	1,402.59	39
Ports & Shipping	371.82	10
Aviation	230.95	6
Other	136.07	4
<b>Total</b>	<b>3,604.50</b>	<b>100</b>

Source : External Resources Department

#### Loan Assistance from Exim Bank of China

Loan assistance from the Exim bank is provided by way of concessional loans, Preferential Buyer's Credit



and Buyer's Credit. Concessional loans and Preferential Buyer's Credit are long term and low interest rate credits designed mainly to fund infrastructure projects and finance procurement of machinery and equipment from China. Buyer's Credit refers to long term credit extended to finance imports of Chinese products and construction of infrastructure projects. Loan amounts provided by China Exim Bank for projects under the above three categories is relatively large compared with other donors. Based on the Chinese loans obtained during the last five years, the concessional loans are in the range of USD 20 million to USD 200 million, Preferential Buyer's Credits are in the range of USD 250 million to USD 900 million and Buyer's Credits are in the range of USD 20 million to USD 310 million. Loan processing time for these loans is very short, conditions required to be completed for obtaining these loans are much fewer compared with the other lending agencies. Moreover, projects under Chinese assistance are implemented more smoothly and faster and completed within the originally scheduled time period.

### Borrowing strategy

The borrowing strategy of Chinese loans is basically dependant on the special characteristics as indicated above. With the ending of terrorism in 2009, the Government needed to urgently implement a large number of road projects for rehabilitation and reconstruction work especially to link the Northern Province to the rest of the country. In addition, based on the Mahinda Chintana Development Framework of the Government it has become necessary to implement mega projects in the areas of port development, construction of new airports and expressways, rehabilitation and improvement of national roads, improvement of railway transport facilities and power sector development. In order to achieve the expected targets in 2016, huge amount of funds was required for implementation of projects under the above areas.

The Government strategy was to finance most of the above projects with Chinese assistance as large

amounts of assistance were available under long term and low interest credits from China. Further, the availability of domestic funds for financing these development projects is limited and the terms offered by the Exim Bank of China and China Development Bank are not available from market sources. The terms of Preferential Buyer's Credit facility and concessional loans are same, but the loan denominated currency of the Preferential Buyer's credit facility is USD whereas that of concessional loan is RMB Yuan. The Government has options to obtain Chinese loans under Preferential Buyer's Credit facility rather than concessional loans. The borrowing strategy of the Government for Chinese assistance is therefore to obtain maximum loan amount under Preferential Buyer's Credit facility, then maximum amount under Concessional Loan Facility and the remainder under Buyer's Credit facility.

Accordingly, around USD 1200 million under Preferential Buyer's Credit facility for the Puttalam Coal Power Project, and USD 190 million under Concessional Loan Facility for the Mattala International Airport project were obtained from Exim Bank of China. And also, around USD 560 million for road rehabilitation projects and USD 110 million for power sector projects were obtained under the Buyer's Credit facility of the Exim Bank of China. Action is also being taken to obtain USD 808 million from the Exim Bank of China under Preferential Buyer's Credit facility for Hambantota Port Development Project stage II. Apart from that if sufficient funds are not available under Preferential Buyer's Credit facility for a project, arrangements have been made to obtain mixed credits with a maximum amount under Preferential Buyer's Credit facility, the remainder under Concessional Loan facility and a small portion under Buyer's Credit Facility. Puttalam Coal Power Project Phase I was implemented with a mixed credit of USD 300 million under Preferential Buyer's Credit facility and USD 155 million under Buyer's Credit facility.

**National Performing Art Theater**



**Construction of a Bridge at Paliyagoda under Colombo - Katunayaka Expressway**



## Loan Assistance from China Development Bank (CDB)

China Development Bank also provides long term credits at a competitive interest rate. The important feature of the China Development Bank is that they give a lump sum of funds around USD 500 million for a loan allowing implementation of several projects. There is a possibility to undertake a large portion of contracts with local contractors. Loan processing time for CDB loans is also very short and conditions required to be completed for obtaining these loans are very much fewer compared with the other lending agencies. According to the loan procedure of the CDB, they deposit a substantial amount of the loan at an imprest account established at a local bank based on a request of the Government allowing the relevant authorities to release funds to the respective projects in a timely manner.

## Borrowing strategy

A large amount of funds is required for rehabilitation of roads of the country. The Government strategy was to obtain a reasonable amount of loan assistance from CDB for rehabilitation of roads, especially due to the special characteristics of CDB as indicated above. Accordingly, USD 652 million was obtained from the China Development Bank under two loan agreements for rehabilitation of 945.15 km of national roads and 226.61 km of provincial roads. Besides, the China Development Bank has agreed to provide USD 1.5 billion during the next three year period to promote cooperation in the areas of priority infrastructure construction projects, such as ports, roads, railways, water supply and drainage projects, agricultural irrigation projects and power sector projects.

In line with the Government policy, the Government strategy is to take the responsibility of financing of rural electrification projects itself and transfers the responsibility of financing of other projects to the

**Table 22** Chinese Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Puttalam Coal Power Project - Phase I	Loan
	Renovation of Fisheries Harbour damaged by Tsunami	Grant
2007	Procurement of 15 Nos. Diesel Multiple Units and 100 Nos. Railway Passenger Carriages	Loan
	Hambantota Port Development Project - Phase I	Loan
	Repair and refurbishment of BMICH	Grant
2009	Bunkering Facilities and Tank Farm Project at Hambantota	Loan
	Colombo Katunayake Expressway Project	Loan
	Puttalam Coal Power Project - Phase II	Loan
	Repair & Refurbishment of Superior Courts Complex	Grant
2010	Mattala Hambantota International Airport Project	Loan
	Procurement of 13 Nos. DMUs for Sri Lanka Railways	Loan
	Purchase of 2 Nos MA-60 Aircraft	Loan
	Power Sector Development Programme (Uthuru Wasanthaya)	Loan
	Rehabilitation of Kandy-Jaffna Road (A009)	Loan
	Rehabilitation of Jaffna - Point Pedro Road (AB020); Puttur - Meesalai Road (AB032); Jaffna - Kankesan-Thurai Road (AB016); Jaffna - Palaly Road (AB018)	Loan
	Rehabilitation of Mulativu - Kokilai - Pulmudai Road (B297) Oddusuddan-Nedunkerny Road (B334) and Mulativu-Puliyankulam Road (B296)	Loan
2011	Rehabilitation and Reconstruction of Priority Roads - I	Loan
	Southern Expressway from Pinnaduwa to Matara	Loan
	Rehabilitation of Puttalam-Marichchikade Mannar Road (B379, B403)	Loan
	Rehabilitation of Navatkuli-Kerativu-Mannar Road (A032)	Loan
	Lighting Sri Lanka Uva Province (Uva Udanaya)	Loan
	Rehabilitation and Reconstruction of Priority Roads - II	Loan

Source : External Resources Department

Ceylon Electricity Board as the financial situation of the CEB is at a satisfactory level. This helps to lessen the fiscal burden on the Government. Accordingly, action is being taken by the Ceylon Electricity Board to directly borrow USD 69.7 million for Broadland Hydro Power project from Industrial & Commercial Bank of China.

## Korea

### Overview

The Government of the Republic of Korea has played a significant role, sharing its development experience and extending its resources for economic development of Sri Lanka. During the past two decades the Korean Government has extended USD 438 million through Official Development Assistance (ODA) to Sri Lanka of which USD 400.8 million is loan assistance and USD 38.1 million is grant assistance. The amount of annual foreign assistance committed from Korea in 1991 was USD 14.2 million and it has gradually been increased during the last two decades to USD 69.1 million in 2009 and USD 40.0 million in 2010. The current ongoing project portfolio of Korea is USD 190 million.

Grant assistance is provided by the Government of Korea through the Korean International Cooperation Agency (KOICA) with a view to promote international cooperation by contributing to the economic and social development of Sri Lanka. The areas for grant assistance are carrying out feasibility studies, repairing of school buildings, hospitals, and environmental solid waste management. KOICA annually provides USD 3-5 million as grant assistance.

The Government of Korea provides loan assistance through Export – Import Bank (EXIM Bank of Korea) of Korea to finance projects mutually agreed upon between the two countries through the Economic Development Cooperation Fund (EDCF) which is operated under

the EXIM Bank of Korea. The main areas of assistance are human resource development and improvement of economic infrastructure. EDCF loans are long term low interest credits largely used for infrastructure projects and procurement of equipment from Korea. The special features of the current EDCF loans are that they are provided at a lower interest rate and a longer repayment period compared with the EDCF loans provided in early 2000. The interest rate for EDCF loans in early 2000 was 2.0-2.5 percent per annum whereas it is now 0.15 percent per annum. The repayment period for EDCF loan has also been increased from 30 years in early 2000 to 40 years at present.

In 2008 the Government of Korea introduced a Framework Arrangement and proposed. It be signed by the two countries outlining the total loan funds that could be financed by EDCF within the agreed time period, the terms and procedures involved in the administration of the EDCF loan programme in Sri Lanka. Accordingly, the first Framework Arrangement was signed in 2008 between the two Governments allowing loans from EDCF upto USD 140 million to finance projects identified by the Government of Sri Lanka for the year 2008. Then again the second Framework Arrangement was signed between the two Governments in 2010 allowing loans from EDCF upto USD 200 million for a four year period from 2009 to 2012. It is flexible enough to allow for an increase of the total loan funds allowed to finance development projects under the Framework Arrangement for the agreed time period depending on requirements of the Government for EDCF assistance for implementation of development projects and the progress of implementation of EDCF funded projects.

### Sectoral Distribution of Korean Financing

The funds received from Korea have mainly been used for development projects in the sectors of roads and bridges, water supply, construction, health, IT and

Proposed International Conventional Center in Hambantota

Modern Administrative Complex in Hambantota

power. Of the total assistance received from Korea, the highest amount has been utilized for the roads & bridges sector. It is USD 152 million which accounts for 35 percent of the total Korean assistance obtained by Sri Lanka. The next is the water supply sector which has been utilized USD 134 million or 31 percent of the total Korean assistance obtained to Sri Lanka.

**Table 23a** Foreign Finance Disbursement

Sector	(USD Mn)	%
Construction	70	15.85
Health	20	4.59
Information Technology	55	12.41
Power	8	1.88
Roads & Bridges Development	152	34.72
Water Supply	134	30.55
<b>Total</b>	<b>439</b>	<b>100</b>

Source : External Resources Department

## Borrowing Strategy

Korean grant funds are used for financing of small scale social sector projects. USD 10 million is provided per annum as grants. Korean grants obtain during the last five year have been used to undertake feasibility studies, and rehabilitate schools and hospitals. However, after the Tsunami in 2005, based on the request of the Government Korea provided a substantial amount of grant funds for rehabilitation of Tsunami affected infrastructure. These funds were used for rehabilitation of the Mahanama Bridges and the construction of the Godagama Hospital and the Convention Centre in Hambantota.

Korean loans are generally provided for commercially non viable Government high priority projects. The Government borrowing strategy is also to allocate EDCF funds for commercially non viable social sector high priority areas. EDCF loans obtain during the last five years have been allocated to high priority road rehabilitation and water supply projects. In addition, EDCF loan funds are allocated for construction of administrative complexes.

*\*Korean funded projects from 2005 to 2011 are listed on page 56 in Table 23 b*

## Australia

Sri Lanka has obtained assistance from Australia since the beginning of the Colombo Plan in 1950. Sri Lanka obtains grant assistance from the

Australian Government through Australian Agency for International Development (AusAID) and loan assistance from commercial Banks of Australia and Export Credit Insurance Corporation Australia (EFIC) through the Australian Trade Commission (AUSTRADE).

Being a bilateral donor in Sri Lanka, Australia's grant aid programme increased significantly following the humanitarian emergency assistance extended to the Tsunami affected community and conflict affected people after defeating terrorism. Assistance was mainly obtained through UN agencies, the World Bank and Asian Development Bank and focused on resettling civilians who were displaced due to the conflict. Accordingly, assistance was obtained to meet the basic humanitarian needs of people displaced due to the conflict including 10,000 metric tonnes of food aid, demining support for the clearing of around 60 km<sup>2</sup> of land, repaired of reconstruction around 2,700 houses in Northern Province and providing seeds and agricultural equipment to around 30,000 rural families. Since 1st July 2009 assistance of A\$ 112 million has been obtained mainly for humanitarian, Basic Education Support, Community Rehabilitation and Water Supply and Sanitation Programmes.

Apart from that, arrangements have been made to obtain USD 2.0 million for provision of water approximately 3000 families in 12 villages in Mannar and Trincomalee districts and USD 33 million for Education Sector Development during the current financial year. In considering the request made by the Government, the Government of Australia provided 23 scholarships in 2010 and has agreed to provide 29 scholarships in 2011 to Government officials and young professionals to follow masters degree programme in Australian universities to enhance the human resources capacity in key sectors.

In addition to the above, extending of loan assistance from commercial banks of Australia commenced with provision of USD 22 million by Australian & New Zealand Investment Bank and Export Finance Insurance Corporation of Australia for implementation of the Intergraded Water Supply Scheme – Ampara in 1990. The Government was so far able to secure loan assistance of USD 214 million for implementation of three water supply and two agricultural projects. In addition, arrangements have been made to obtain a loan of USD 10.5 million for importation of 2000 dairy animals from Australia in 2011 taking into consideration the comparative advantages in the field of livestock.



## Malaysia

Development cooperation between Sri Lanka and Malaysia commenced with the provision of a USD 2 million interest free loan for Disaster Recovery Backup System for Passport Printing and Personalization System project in 2007. After that USD 4 million was obtained through the Exim Bank of Malaysia for Supply of 50 units of Terminal Tractors to the Sri Lanka Port Authority. The facility will be used to procure 50 units of new Terminal Tractors. With the implementation of this project the old yard tractors will be replaced. This will help to reduce the existing high accident rates within the terminal areas while improving the productivity to handle the increasing container volumes in the Colombo port.

## The West

**W**estern countries including USA, UK, France, Netherlands, Belgium, Spain, Hungary, Germany, Canada, Russia, Austria, Sweden, Denmark, Norway, Switzerland, European Union and other emerging bilateral funding agencies in the Europe have made a significant contribution to the acceleration of economic development of Sri Lanka. Majority of the financial assistance received from western countries and lending agencies were in form of export credits and grant assistance are also among them.

The foreign financing borrowed under Export Credit facilities have generally been invested in commercially viable projects which can generate sufficient economic benefits or revenue flows to facilitate loan repayment. Accordingly, most of the commercial borrowings from western countries have been utilized to complete the urgent and prioritized development projects such as increased access to safe drinking water, expanding rural electrification and construction of railway bridges, provision of waste water treatment plants, etc.

The Government has also taken several initiatives to soften the terms and conditions of export credit facilities, by signing a development cooperation agreement with the Government of Hungary under which Sri Lanka is to obtain financial assistance from Hungary at favorable terms and conditions. Also, the

foreign financing received from Belgium and Austria is coupled with favorable terms including reduction of interest rates and provision of subsidy to cover the insurance premium payable by the Government of Sri Lanka.

## France

Sri Lanka maintains more than 65 years of relationship with France in development cooperation and various development programmes have been implemented with their financial assistance.

Borrowings from France mainly come under two categories.

- a. Sri Lanka is a recipient of the Emerging Country Fund (RPE financing) which is governed by the French Ministry of Economy, Finance, Trade and Industry.
- b. AFD (Agence Francaise de Development) is a specialized financial institution whose task is to implement the French Government's economic and social development aid policy. It operates in over 60 countries including Sri Lanka and provides untied financing through grants and loans with different levels of concessionality.

France is among the first development partners who came forward to assist Sri Lanka after Tsunami in 2004. Trincomalee Integrated Infrastructure Project (USD 76 million) is one of the major projects initiated during that period which consists of 3 main components; construction of Bridges and Roads, providing drinking water facilities and electricity distribution in the Trincomalee District and its surroundings.

Reconstruction of roads damaged by the Tsunami is a main component of this project; A15 road (98km from Thirukkodiyamadu to Trincomalee) the B 10 road (41km between Allai and Kantale) and the C – Class Costal road (11.9km from Mawadichenai to Ganesapuram) are currently under process. The Project also includes the construction of 5 new bridges on the A15 road: Kayankerni Bridge (85m), Verugal Bridge (105m), Ralkuli Bridge (175m), Gangei Bridge (245m) and Upparu Bridge (315m) completed construction works and opened for the public in September 2011.

In addition, the Provision of Oxygen Concentrators, Operating Theaters and Medical Equipment to Tsunami

affected remote hospitals Project, Trincomalee Water Supply project and Construction Sector Support project (post Tsunami Reconstruction) are currently being implemented.

The Government has obtained more than 100 million Euros from France for development activities in Sri Lanka during the period 2005 to 2011. Development financing from France was mainly utilized for the development of infrastructure and health facilities. Borrowings from the Emerging Country Fund (RPE financing) were mainly used for the health sector as the terms and conditions are concessional, while AFD assistance is directed to commercially viable infrastructure projects such as water supply projects.

In addition, borrowings from AFD are used to fill gaps in relation to financial needs for implementing major development projects through co-financing. AFD of France has agreed to provide EURO 35 million (USD 48 million) to co finance the Jaffna and Kilinochchi Water Supply and Sanitation Project which is mainly funded by the Asian Development Bank (ADB). Total cost of this project is USD 164.04 million.

**Table 24** Franch Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Trincomalee Integrated Infrastructure Project	Loan
	Grater Trincomalee Water Supply Project	Loan
2007	Construction Sector Support Project	Loan
	Spatial Information Infrastructure for Reconstruction Monitoring Project	Loan
2008	Trincomalee Integrated Infrastructure Project	Loan
	Rehabilitation of Wimalasurendra and New Laxapana Power Stations	Loan
2010	Grater Trincomalee Water Supply Project - Enhancement	Loan
	Provision of Oxygen Concentrators, Operating Theaters & Medical Equipment to Tsunami Affected & remote Hospital Project	Loan

Source : External Resources Department

## Germany

Germany is one of the oldest development partners of Sri Lanka and its relationship has been continuing for several decades. Sri Lanka received German assistance which includes grants as well as loans to implement various development projects throughout the country. Construction of Embilipitiya Paper Mill in 1973, purchase of eleven Locomotives, construction of Randenigala and Rantambe Dam Projects and Sapugaskanda Diesel Power Plant project are few flagship projects implemented in the past. Sri Lanka utilized German assistance mainly for development of Electricity, SME, Water Supply and Vocational Training sectors.

Several projects were initiated with German assistance after the Tsunami devastation in 2004. A Credit Line for Small and Medium Enterprises (SME) in North and East was implemented through DFCC Bank in 2006. Financial assistance from KfW was obtained for implementation of Nawalapitiya, Ampara, Koggala and Galle water Supply Projects. In addition, Colombo Grid Substation Project is being implemented with funding of Euro 41 million.

Having considered the effective contribution to the vocational training sector with establishment of Ceylon German Technical College in Ratmalana with financial assistance and sharing of expertise knowledge from Germany, a new vocational training centre will be constructed in Kilinochchi with grant assistance from GIZ and KfW. Further, financial assistance from KfW for the projects of rehabilitation of Ambatale Water Treatment Plant Project (Euro 30 million) with the aim of conservation of energy. Completion of Mahamodara Maternity Hospital (Euro 28 million) and Rehabilitation of transmission line in Northern Province (Euro 14 million) have been pledged for year 2012.

**Table 25** German Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Emergency Transitional Aid for Flood Disaster	Grant
	DFCC IV Private Sector Development	Loan
	NDB V Private Sector Promotion Programme	Loan
	Sapugaskanda Diesel Power Plant Project	Loan



	Rehabilitation Electricity Supply Jaffna Region	Loan
	Tsunami Housing Reconstruction Programme	Grant
	Study and Expert Fund Tsunami	Grant
	Reconstruction of Water Supply Galle District - Phase II	Grant
	Infrastructure Programme Baticaloa	Grant
	Rehabilitation, Reconstruction & Modernization of Vocational raining	Grant
	Rehabilitation of Social, Technical and Productive Infrastructure	Grant
	Housing Project	Grant
	Promotion of Micro ,Small and Medium Enterprises	Grant
2006	Reconstruction of the Water Supply Galle District - Phase I	Grant
	Rehabilitation of Social, Technical and Productive Infrastructure - Enhancement	Grant
	DFCC V Credit Line for SME in the North and East	Grant
	Promotion of Food Security and reconciliation in Baticaloa District	Grant
2007	Food Security of conflict Transformation - Enhancement	Grant
	Microfinance System Development	Grant
2009	Reconstruction of Water Supply Galle District - Phase II - Enhancement	Grant
2010	Reconstruction of Water Supply Galle District - Phase II - Enhancement	Grant

Source : External Resources Department

Arugambay Bridge Construction under USA Assistance



## United Kingdom

The Government of Sri Lanka has been maintaining close bilateral relationship with United Kingdom over a long period of time since joining of the Commonwealth. At the early stage technical assistance and funding for research & development were obtained from United Kingdom. During this period USD 390 million worth of grants were received by Sri Lanka. Financial assistance for the construction of Victoria Dam and Reservoir in 1978 was a significant milestone in the development cooperation history of the two countries.

With the gradual socio economic development face achieved by the country, the Government has changed its strategy to obtain more funding from United Kingdom for economic and social infrastructure facilities such as construction of roads and bridges.

Further, Government of Sri Lanka has used the financial assistance from HSBC of UK to construct a number major bridges which give wide ranging benefits in the form of regional development via improved access to provinces, time efficiency in mobility and cost saving with compared to the conventional type of bridge construction. An agreement was signed in 2007 to obtain Japanese Yen 14 billion for the erection of flyovers and construction of road bridges through Regional Bridge Rehabilitation Project. Construction of 3 Fly-overs; Nugegoda, Dehiwala, Kelaniya contributed to ease the traffic congestion and reduce the travel time which ultimately contributes to efficient utilization of resources towards economic development. Construction of Sangupitiya Bridge was made under the same. HSBC loan of USD 35 million was utilized to purchase Gantry Cranes for the Ports Authority in 2010.

Kelani Right Bank Water Treatment Plant with Denmark Assistance



The Rural Bridges project for construction of 210 permanent steel bridges varying in lengths from 06-30 meters covering the whole Island will be implemented with financial assistance of Great British Pounds (GBP) 35 million from HSBC. In addition, financing for Regional Bridge Project, Phase – II for GBP 45 million is under consideration.

**Table 26** UK Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Partial Reimbursement of IDA Debt Service paid as a grant in the form of Poverty Reduction Budget Support	Grant
2007	Regional Bridge Project	Loan
2010	Emergency Purchase of Container Handling Equipment for Ports Authority	Loan

Source : External Resources Department

## USA

The Government is maintaining development cooperation partnership with the United States of America since 1956 and their financing channeled through the United States Agency for International Development (USAID). Grant assistance of around USD 2 billion has been obtained and invested in various sectors targeting socio economic development of the country and these projects were designed with the focus of reducing the regional imbalances.

Government of Sri Lanka was able to secure financial assistance of USD 38.8 million for Tsunami rehabilitation and reconstruction activities in 2005 for the following;

- i. Construction of Arugam Bay Bridge
- ii. Rehabilitation and Improvements of Hikkaduwa, Mirissa and Puranawella Fishing harbours.
- iii. Development of Nine vocational Training Centres
- iv. Rehabilitation of Pottuvil Water Treatment Plant

The construction process of the Arugam Bay Bridge which was destroyed in the Tsunami, paved way to acquire transferring the knowledge and technology to the construction industry of Sri Lanka. The design chosen for this bridge offered a 100 year life time and shortened construction time, met remote site

construction constraints, used higher quality material and equipment, and lower maintenance costs.

Sri Lanka has obtained USD 4.5 million for development activities in the fields of health, agriculture, economic opportunity, disability support and psychosocial needs of children in year 2011. Further, selected schools and hospitals in Northern Province will be rehabilitated using grant assistance of USD 5.8 million provided by the United States Department of Defense.

In addition to the above, two Framework Agreements have been signed between the Government of Sri Lanka and USAID in September 2011 to secure future development assistance worth USD 14 million for (i) increasing private sector investment and enterprise development in lagging provinces (ii) Strengthening participating governance at local authority level and enhancing delivery of improved legal services.

**Table 27** USA Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Increased Competitiveness in the Global Market Place	Grant
	Improved Integration of Targeted Disadvantaged Groups in to the Communities	Grant
	Peace Good Governance and Citizens Rights	Grant
	Tsunami Recovery and Reconstruction Support	Grant
	Technical Assistance	Grant
2006	Improved Integration of Targeted Disadvantaged Groups in to the Communities	Grant
	Peace Good Governance and Citizens Rights	Grant
	Tsunami Recovery and Reconstruction Support	Grant
	Technical Assistance	Grant
2007	Increased Competitiveness in the Global Market Place	Grant
2008	Improved Integration of Targeted Disadvantaged Groups in to the Communities	Grant

	Peace Good Governance and Citizens Rights	Grant
2009	Increased Competitiveness in the Global Market Place	Grant
	Improved Integration of Targeted Disadvantaged Groups in to the Communities	Grant
	Peace Good Governance and Citizens Rights	Grant
	Peace Process Supported	Grant
2010	Increased Competitiveness in the Global Market Place	Grant
	Improved Integration of Targeted Disadvantaged Groups in to the Communities	Grant
	Peace Good Governance and Citizens Rights	Grant
	Peace Process Supported	Grant

Source : External Resources Department

## Sweden

Sweden is one of the important bilateral development partners of the Government of Sri Lanka. Foreign financing from Sweden is provided through a country programme by way of grants, concessionary loans and export credits.

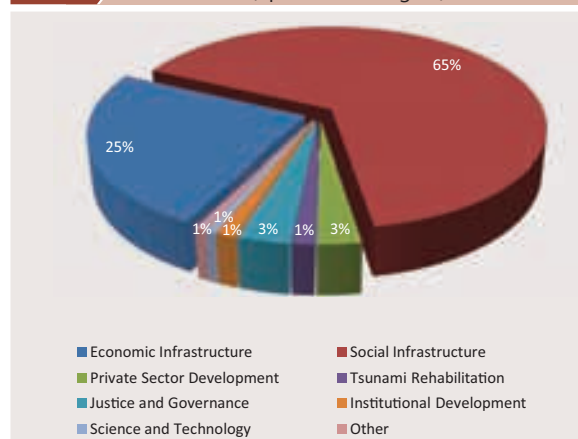
Financial assistance has been obtained from Sweden for the implementation of number of development projects since 1974. Total amount of the grant assistance received is USD 321 million and these funds have been utilized to implement projects in the areas of energy, education, roads and bridges, science and technology. Export credit facility was extended to Sri Lanka at concessionary terms to finance important development projects relating to telecommunications, electricity, water and railway, and the total amount received for these was USD 238 million.

Government has given priority to infrastructure development projects and research cooperation to be implemented with financing from Sweden. Considering their expertise in the field of research and development Sri Lanka has used grant assistance obtained from Sweden for institutional and capacity building programmes as well as for enhancing the quality of research activities of local Universities. Swedish International Cooperation Agency (SIDA) has

given a significant contribution to improve primary and secondary education by constructing and rehabilitating 475 plantation schools in seven districts including Rathnapura, Badulla, Nuwaraeliya and Matale.

In the recent past, Government of Sri Lanka has focused more on economic infrastructure development to attract foreign investment and maintain sustainable economic growth. With this objective Sri Lanka has obtained the export credit facility from Sweden to implement two economically viable projects namely Ratmalana/Moratuwa and Ja-Ela/Ekala Wastewater Disposal Project (USD 92 million) and Rural Electrification Project 4 (USD 19.5 million). Recently, Government has obtained another USD 54 million export credit facility to finance Extension to the Rural Electrification Project 4 with the aim of expanding the electrification coverage of the North Central Province. All these borrowings have been made on concessional terms.

**Chart 23** Funds Obtained from Sweden by Sector 2004 - 2011 (upto end of August)



About 90 percent of the funds received from 2004 to 2011 have been used to implement projects identified by the Government of Sri Lanka for social and economic infrastructure development of the country.

The Government of Sweden is encouraged to provide financing to implement economically viable social and economical infrastructure development projects in future 5 years to achieve the targets specified in the Government's economic policy strategies.

**Table 28** Sweden Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Employment Sourcing & Delivery System	Grant

	Equal Access to Justice	Grant
	Small & Medium Enterprise Development for Pro-Poor Growth	Grant
	Enhancing the Capacity in Civilian Policing in Sri Lanka	Grant
	Computerisation of Population Registry	Grant
	Rehabilitation of Provincial Roads in North East of Sri Lanka	Grant
2006	Establishment of E-Learning Centre at the University of Colombo	Grant
	Consultancy Fund 2006 -2007	Grant
	Capacity Building of Faculty of Fisheries & Marine Sciences & Technology, University of Ruhuna	Grant
	Emergency Bridge Project	Grant
	University of Kelaniya Research Project	Grant
2007	Quality Infrastructure Development Project	Grant
	Ratmalana & Ja-Ela Wastewater Treatment Facilities Project	Loan
2009	Fourth rural Electrification Project	Loan
2011	Rural Electrification Project 4 Extension	Loan

Source : External Resources Department

## Netherlands

The Government of Netherlands agreed to finance developments projects in Sri Lanka under its Development Related Export Transactions (ORET) Programme. A grant amount in 35% of the project cost will be provided under this ORET Programme. The balance funding required by the development projects had to be sourced from the banking sector of the Netherlands. The Government of Sri Lanka has obtained EUR. 123 million from the Government of Netherlands under the ORET Programme for the financing of; Upgrading of Disaster Response Network in the Western Province and Selected Urban Areas (DRNP), Enhancement and upgrading of Advanced Technological Institutions (ATIs) at Mattakkuliya and Labuduwa under the Sri Lanka Institute of Advanced Technological Education (SLIATE), Implementation and Augmentation of Negombo Water Supply Project and Construction of Dikkowita Fisheries Harbour.

Taking into consideration the Dutch expertise

knowledge in disaster management communication and response, the Government of Sri Lanka has borrowed EUR.30 million from the Government of Netherlands to finance the Disaster Management Communication and Response Capacity Development Project: Phase – I and Phase – II. Fifty (50) Tsunami Early Warning Towers have been established around the coastal belt of Sri Lanka under this project. Further, communication and management solutions for the Emergency Operation Centre as well as an island wide communication network connecting to them have also been provided.

Under the Sri Lanka – Netherlands Cultural Cooperation Programme, the Government of Sri Lanka has received LKR.702 million grant assistance in year 2006. This programme was aiming at preservation of cultural heritage, conservation of archaeological monuments, development of museums and establishment of information centres with the intention of promoting cultural tourism in the southern region with the ultimate goal of upgrading the living standards of the people who have suffered from the tsunami through the development of cultural tourism. Further, the Government received LKR. 131 million in 2008 and 2009 for the Conservation and Restoration of the old Dutch Naval Commissioner's House in Trincomalee, Conservation and Restoration of the Ancient Dutch Fort of Jaffna and Restoration, Conservation and Publicizing of Dutch Records in the National Archives of Sri Lanka.

Approval of the Cabinet of Ministers has been granted recently to obtain Export Credit Facilities (Euro 78 million) from Netherlands for the development of Hambantota and Nuwara Eliya district general hospitals.

**Table 29** Netherlands Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Reflotating of the "Diya Kowulla" and repairs of KKS port	Grant
	Reconstruction of Tsunami Affected Fishing Boats	Grant
	Reconstruction of the Signalling & Communication System on the Tsunami hit Coastline Railway between Colombo and Matara	Grant

2006	Netherlands Sri Lanka Cultural Assistance Programme	Grant
	Upgrading of the Disaster Response in the Western Province and Selected Urban Areas	Grant
	Disaster Management & Emergency Response System	Loan
2007	Supply of Two Multipurpose River Sea Vessels	Grant
	Disaster Management Communication & Response Project	Loan
2008	Conservation & Restoration of the Old Dutch Naval Commission House in Trincomalee	Grant
	Negambo Water Supply and Optimisation Project	Loan/Grant
	Dikkowita Fishery Harbour Construction Project	Loan/Grant
	Enhancement and Upgrading of Technical Education Project	Loan/Grant
	Improvement of the Facilities and Programme of SLIATE	Loan/Grant
2009	Conservation & Restoration of Ancient Dutch Fort in Jaffna	Grant
	Extension of a Disaster Management and Emergency Response System	Loan

Source : External Resources Department

## Denmark

The Government of Denmark commenced its development cooperation activities with Sri Lanka in 1979. The development cooperation between the two countries revived with the signing of a new Development Cooperation Agreement in June 2003 replacing the previous agreement signed in 1979. Accordingly Denmark provides financial assistance, material resources, technical assistance and training opportunities to implement development activities in Sri Lanka.

Environment and Climate change are among the priority programme areas of Danish bilateral cooperation. Main areas considered under this corporation include,

- Slowing and adapting to climate change;
- Managing land and water resources; and
- Supporting regional environmental programmes.

The Government of Sri Lanka has obtained Denmark Development Assistance especially to improve water supply and sewerage facilities taking into consideration the Danish expertise in providing safe drinking water as well as ensuring sewerage disposal. A Framework Agreement was signed between the two countries in April 2003 for this purpose and under this agreement the Government of Sri Lanka can obtain interest free loan facilities with a 10 year repayment period through Danish Banks for implementation of the development projects in Sri Lanka.

The Government of Sri Lanka has borrowed Euro.138 million from Denmark to finance the Colombo Sewerage Rehabilitation, Towns South of Kandy Water Supply, Nuwara Eliya District Group Water Supply and Kelani Right Bank Water Treatment Plant Projects. Of these Water Supply and Sewerage projects, the first three projects have already been completed successfully.

Further, the Government has borrowed EUR. 46 million from Denmark for the construction and development of Olivil Port which is an important investment towards reducing regional imbalances. The project caters to large ships with in-built tanks exceeding the eight metre depth level mark.

**Table 30** Denmark Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Rehabilitation of Tsunami Effected Water and Sanitation Services	Grant
2006	Nuwara Eliya District Group Water Supply Project	Loan
	Towns South of Kandy Water Supply Project	Loan
2008	Kelani Right Bank Water Treatment Plant	Loan
	Olivil Port Development Project	Loan

Source : External Resources Department



## Austria

The development cooperation programme between the Government of Sri Lanka and Austria commenced in 1995. Since then economic and technical assistance have been extended to Sri Lanka covering the main sectors of Health, Water Supply, Waste Water Management, Infrastructure and Power Generation.

Accordingly, the Government has secured financial assistance for two health projects, for the Sirimavo Bandaranayake Children Hospital in 2003 and Provision of Medical equipment to Kurunegala hospital in 2008. Foreign financing obtained from Austria has also been utilized for the water sector, implementing the Kirindioya water supply project and Weligama, Ambalantota, Kataragama water supply project to support in improving the living conditions of the communities residing in backward regions.

Financial assistance in the form of Export Credit has been obtained for the implementation of priority projects including Rehabilitation of old Laxapana and Greater Colombo Sewerage Rehabilitation Project. In addition, Austrian expertise and quality of material have been considered in securing financial assistance of USD 13.5 million for rehabilitation of Eastern Railway line and construction of five bridges in 2006.

**Table 31** Austrian Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2006	Enhancement and Strengthening of the Road Infrastructure by Construction of Five Bridges	Loan
2007	Greater Colombo Sewerage Rehabilitation System	Loan
2008	Railway Bridges to Extend Railtracks	Loan

	Rehabilitation & Augmentation of Kirindioya Water Supply Project	Loan
	Supply of Modern Medical Equipment for Teaching Hospital Kurunegala	Loan
	Upgrading of Technical Education (SLIATE)	Loan
2010	Rehabilitation of Old Laxapana Hydroelectric Power Plant	Loan
	Rehabilitation of Eastern Railway Line	Loan

Source : External Resources Department

## Norway

Financial assistance for many development projects has been obtained from Norway Government and most of it was grant assistance. Government of Sri Lanka has obtained 49 grants amounting to USD 273 million covering a vast number of areas such as rural development, rehabilitation, plantation, labour and vocational training, environment, education and training, electricity, fisheries, water supply, ground transport, etc.

Norway initiated the Integrated Rural Development (IRDP) approach in Sri Lanka. Norwegian expertise and specialized knowledge in aquatic resources has been considered in obtaining financial assistance for the establishment of National Aquatic Resources Research and Development Agency (NARA). Technical assistance received for Delimitation of Outer Edge of the Continental margin of Sri Lanka helped the Government to expand its marine resources.

In addition, the Government of Norway has also extended export credit facilities worth of USD 13 million for implementation of electrification projects namely Ampara Sub-station Project in

Towns South of Kandy Water Supply Scheme

Nugagoda Fly-over



1996, Anuradhapura Sub-station project in 1996 and Upgrading of Vavuniya Grid Sub-station Project in 1999 at concessionary terms.

**Table 32** Norwegian Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
2005	Hambantota Integrated Coastal Resources Management Project	Grant
2006	Delimitation of Outer Edge-Sri Lanka	Grant
2007	Employment Oriented Training for Youth	Grant
2008	Delimitation of Outer Edge of the Continental Margin of Sri Lanka	Grant

Source : External Resources Department

## Hungary

Hungary is one of the emerging donors in the West whose foreign financial assistance was utilized for implementation of development projects mainly in the Water Supply and Fisheries Sectors in Sri Lanka.

Government of Sri Lanka entered into three agreements worth of Euro 50 million with the Export Import Bank of Hungary in 2009 for the Construction of Labugama and Kalatuwawa Water Supply Projects and Supply of a Dredger and related Equipment.

**Table 33** Hungarian Funded Projects from 2005 to 2011

YEAR	PROJECTS	LOAN / GRANTS
2009	Rehabilitation of Labugama Water Treatment Plant	Loan
	Rehabilitation of Kalatuwawa Water Treatment Plant	Loan
	Supply of One Dredger and related Equipment for Excavation and Cleaning of Filt for Tsunami Effected Areas	Loan

Source : External Resources Department

In addition to the above, development projects mentioned in the following table shows the assistance received from other Western development partners.

**Table 34** Foreign Funded Projects from 2005 to 2011

YEAR	PROJECTS	TYPE
<b>Switzerland</b>		
2005	Repairs and reconstruction of Schools Damaged by Tsunami	Grant
	Post Tsunami Rehabilitation of Houses	Grant
2006	Post Tsunami Rehabilitation of Houses	Grant
2009	Cash grant for Housing Programme in the Jaffna District	Grant
<b>Finland</b>		
2005	Solar Energy for the Development of Health and Education Facilities in Rural Areas	Loan
2006	Water Supply Project in Ampara District	Grant
<b>Spain</b>		
2006	The Supply and Construction of Pre-fabricated Metal Bridges	Loan
2007	Design Supply & Setting up of Two Water Treatment Plants at Galle and Negombo	Loan
<b>Russian Federation</b>		
2010	Russian Line of Credit	Loan
<b>European Community</b>		
2005	Tsunami Affected Areas Rebuilding Project	Grant
	North & East Road Rehabilitation Programme	Grant
2006	Post Tsunami Line of Credit - Contract A	Loan
	Post Tsunami Line of Credit - Contract B	Loan
	DFCC Global Loan II	Loan
2007	Tsunami Affected Areas Rebuilding Project - Enhancement	Grant
	North & East Road Rehabilitation Programme - Enhancement	Grant

Source : External Resources Department

# UN Agencies

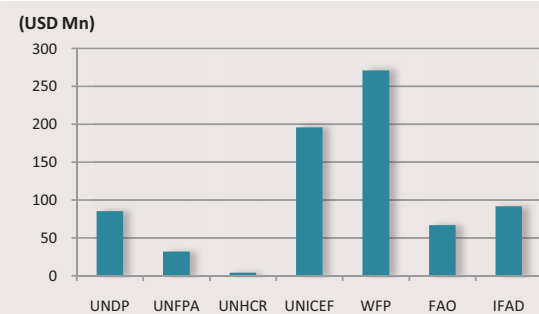
## Overview

The United Nations Organization was formed mainly to develop friendly relationship among nations, promote social progress and better living standards. After it became a member of the United Nations in 1955, Sri Lanka has been receiving a significant amount of financial assistance from UN agencies for development activities in the areas of livelihood, education, health, agriculture, rural development and disaster relief. The main UN agencies include United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), United Nations Children's Fund (UNICEF), World Health Organization (WHO), World Food Programme (WFP), United Nations Population Fund (UNFPA), United Nations High Commissioner for Refugees (UNHCR), International Labour Organization (ILO), UN Habitat and International Fund for Agricultural Development (IFAD).

Sri Lanka receives foreign financing from UN Agencies except IFAD mainly in the form of grants. In contrast, IFAD financing is predominantly provided in the form of Loans. The total financing obtained from IFAD and other UN agencies during the last five year period was USD 91.55 million and USD 655.14 million respectively.

In addition, Sri Lanka is obtaining the services of volunteers provided by UN to support the implementation of UN funded projects. In the meantime, there is a good opportunity for Sri Lankan Professionals to utilize their knowledge and skills in other countries through UN Volunteer Programmes.

**Chart 24** Total commitments made by UN Agencies for the period 2005 to 2010



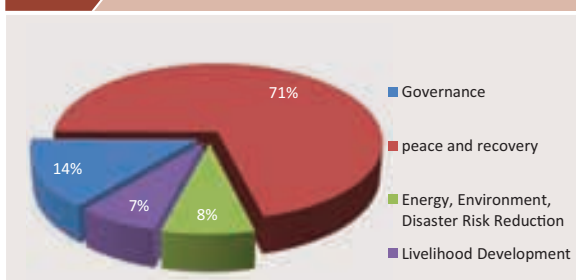
The United Nations Development Assistance Framework (UNDAF) is prepared for each five year period in consultation with the Government of Sri Lanka. This framework indicates the priority development areas of the Government and selected projects to be financed through UN assistance to achieve the Millennium Development Goals (MDGs). Based on the UNDAF, UN agencies are closely working with Sri Lanka to implement the identified projects and programmes.

## United Nations Development Programme

Sri Lanka has obtained grant assistance from UNDP since the commencement of its operations in Sri Lanka in 1967 to develop health, education, environment, legislation and judiciary sectors. Also, Government of Sri Lanka was able to obtain grant assistance from UNDP to improve the small infrastructure facilities, micro enterprises, and for other community based interventions through the Transition Recovery Programme. Further, the Government with the UNDP's partnership has resulted in the successful implementation of hundreds of projects leading to sharing of knowledge and resources, strengthening of capacities and empowerment of local and national institutions.

The Government has implemented the South-South Cooperation programme with collaboration of UNDP for improving the capacity of Government officials. It assists officials to participate in overseas training programmes by way of providing air fare. In addition, the South-South Cooperation Programme helps Government agencies to obtain services of international experts.

**Chart 25** Major Sectors Funded by UNDP



*The South-South Cooperation Programme helps Government agencies to obtain services of international experts and provide its assistance to the Ministry of Traditional Industries & Small Enterprises Development to obtain the services of Indian experts to improve the knowledge and skills of Sri Lankan farmers and technical officials on Banana fiber processing development of value added product which can be helpful to develop the Banana fiber industry in Sri Lanka.*

**Table 35** UNDP Funded Projects from 2005 to 2011

YEAR	PROJECTS
2005	Capacity Development for Recovery Programme Recovery of the Fisheries Sector Sustainable Recovery of Micro Enterprise Sector
2006	Community Reconstruction Project Transition Programme for Sri Lanka
2007	Sri Lanka Urbanization Framework Project
2008	Sri Lanka TOKTEN Programme Emergency Response to Flood Capacity Building for Disaster Risk Management in Sri Lanka
2009	Support Efforts and Action against Corruption Capacity Building for South South Cooperation Equal Access to Justice Project (Phase ii) Local Governance Project Transition Recovery Programme
2010	Strengthening Capacity of the Auditor General's Department

Source : External Resources Department

## Food and Agriculture Organization

As a member country, Sri Lanka receives financial as well as technical assistance from FAO to develop important economic sectors such as Agriculture, Livestock, Fisheries, Forestry and Environment. Government of Sri Lanka also gains a wide range of support such as agricultural inputs from FAO to improve the livelihood of Internally Displaced People (IDPs) by supporting them to recommence their agricultural activities and agro – based income generation activities. One of the other benefits received through FAO's technical assistance programmes is the capacity development of Government officials, particularly, in the fields of agriculture, fisheries, livestock, forestry and the environment.

In addition, Sri Lanka has obtained FAO assistance to provide relief to the victims of natural disasters. The FAO has played a vital role in providing food and other items to people affected by recent floods.

Government of Sri Lanka has also obtained USD 5 million grant assistance from FAO for the urgent provision of essential agricultural inputs for IDPs in the Northern Province and USD 0.49 million has been provided for the Sustainable Land Management and Climate Change Adaptation in South Asia project in 2011.

**Table 36** FAO Funded Projects from 2005 to 2011

YEAR	PROJECTS
2005	Rehabilitation in Tsunami affected Areas Assistance to Tsunami Affected Fisher Households Tsunami Affected Vulnerable Fisherman and Women in Sri Lanka
2006	National Agricultural Biotechnology Research and Development Programme
2007	Agricultural Assistance to IDPs and Host Families Hybrid Rice Development Project
2008	Restoration and Improvement of Fish Landing Centers Agricultural Assistance in Support of the Returnees and IDPs Development of NARA for Marine Resources Surveys and Stock Assessment Project.
2009	Enhancing Food Security among Farm Families in Eastern Sri Lanka Aquaculture Development in the Southern Province
2010	Provision of Seed and Other Essential Agricultural Inputs in North Improving Post Harvest and Sustainable Market Development
2011	Sustainable Land Management and Climate Change Adaptation in South Asia

Source : External Resources Department

## United Nations Children's Fund

Sri Lanka was able to obtain financial assistance from UNICEF for child development, primary education, giving attention to equal access for education of vulnerable children and provision of safer drinking water and ensure hygiene facilities including sanitation. The Government of Sri Lanka already took initiative in collaboration with UNICEF for legislative changes related to child protection, strengthening the quality of primary education and promoting the active participation of children in programmes and services for teenagers.

Accordingly, Sri Lanka country assistance programme is prepared to address various needs of children as they grow into adults. The programme starts from early childhood (under 5 years) and progresses through the learning years (5-14 years) to youth (14-18 years) as each age group has specific needs that need to be met. This is supported by the cross cutting Water and Sanitation and the Child Protection Programme which covers abuse, exploitation, child recruitment, mine risk education and psychological care and support.

A comprehensive study on Child-Friendly Schools (CFS) carried out in collaboration with UNICEF to ascertain CFS process and improvement of children's and community participation in school development. This will enable the Ministry of Education to institutionalize CFS based on best practices and lessons learned. Further, the Government of Sri Lanka, with UNICEF support, is trying to engage in the problems of poor diet and malnutrition in the tea estates and across Sri Lanka.

Government of Sri Lanka was able to receive USD 39 million grant assistance from UNICEF to implement the following programmes for the period of 2008 – 2012.

1. Education
2. Health and Nutrition
3. Water, Sanitation and Hygiene
4. Planning, Monitoring and Evaluation

### World Health Organization

Government of Sri Lanka has obtained WHO assistance for over fifty years to support Sri Lanka to attain the highest level of health through the strengthening of the health system on the principles of equity, fairness and responsiveness with emphasis on the poor and marginalized. Government was able to get assistance from WHO in six strategic areas of intervention which are consistent with the needs of the country.

- Health system - Enhance fairness and financial risk protection in health care
- Human resources for health - Rationalize the development and management of human resources
- Communicable diseases - Strengthen surveillance system for existing, emerging and re-emerging diseases
- Non-communicable diseases and mental health

- Support prevention and control of major non-communicable diseases (NCDs)

- Child, adolescent and reproductive health - Reorient the existing maternal and child health services by inclusion of a package of services and interventions for child, adolescent and reproductive health and nutrition using a lifecycle approach.
- Emergency preparedness and response - Strengthen and communicate information for emergency preparedness, response and dissemination

### World Food Programme

Sri Lanka obtained assistance from the WFP to enhance the nutritional status of vulnerable people in remote areas and the returnees in the North until they regained their livelihoods. The assistance was provided under four categories

1. Nutritional supplement to pregnant mothers as well as children 6 months to 5 years
2. Food for education
3. Food for training activities
4. Emergency support to returning IDPs and resettled Families

Sri Lanka also received emergency food aid for the victims of drought, floods conflict and landslides. During 2010, more than 380,000 people in the Northern and Eastern Provinces benefited under the Protracted Relief and Recovery Operation Programme.

WFP has also agreed to provide grant assistance of USD 48.62 million to implement the WFP food aid programme in order to support the Government in its efforts at relief and rehabilitation activities in the Northern and Eastern Provinces in Sri Lanka.

**Table 37** WFP Funded Projects from 2005 to 2011

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

Source : External Resources Department

## United Nations Population Fund

Government of Sri Lanka obtains support from UNFPA to improve maternal and child health services and promote safe motherhood by improving access to modern family planning, counseling and treatment procedures of sexually transmitted diseases etc. The Government of Sri Lanka was able to receive USD 18 million grant assistance from UNFPA to implement the following programmes for the period of 2008 to 2012.

1. Reproductive Health
2. Gender
3. Population and Development

## United Nations High Commissioner for Refugees

As displaced families have began returning to their original habitat in the North and East in large numbers in 2009, Government had to protect and facilitate the resettlement process. In order to assist this task, UNHCR has provided grant assistance of USD 2 million to cover expenditure in connection with land clearance in zone 3 and zone 4 of the Menik Farm in Vavuniya District. Government of Sri Lanka, with the assistance of UNHCR has helped displaced families who are returning to their original habitats in the districts of Vavuniya, Kilinochchi, Mullaitivu, Mannar and Jaffna from the relief camps in Manik Farm, Ramvavil site, and the people who are living with host families to settle rapidly. Each returning family was provided with a cash grant of Rs. 25,000. Accordingly, the Government has provided about Rs 445 million to newly resettled families in the districts of Vavuniya, Kilinochchi, Mullaitivu, Mannar and Jaffna. A cash grant of Rs. 5000 per family was provided to 13,683 families who returned in 2011.

**Table 38** UNHCR Funded Projects from 2005 to 2011

YEAR	PROJECTS
2009	Jungle Cleaning and Land Preparation and Grants to Returnee Families
2010/2011	Assistance to Resettlement of IDPs in Sri Lanka

Source : External Resources Department

## International Labour Organization

The development cooperation between Sri Lanka and International Labour Organization (ILO) commenced with the Sri Lanka's admission to the ILO in 1984. Sri Lanka has been selected to the ILO Governing Body with Deputy Government member status at the 100<sup>th</sup> session of the International Labour Conference of the International Labour Organization, which was held in June 2011, for a period of 3 years commencing from June 2011. Sri Lanka and ILO collaborate in a number of technical areas related to the world of work, including:

- Development and implementation of employment policies
- Improving labour administration system machinery for better employment practices
- Improving social dialogue to achieve job security, productivity and competitiveness
- Development and implementation of policies to manage migration
- Strengthening institutional capacity of employers' and workers' organization

## UN HABITAT

UN HABITAT mainly provides support to the Government of Sri Lanka to address essential needs of the marginalized people with special focus on building of housing, basic urban services and infrastructure delivery. In helping to achieve the Millennium Development Goals, UN HABITAT in collaboration

Small Scale Seed Potato Farm



Child Friendly School





with the Government of Sri Lanka, has identified the following areas as priorities for its intervention.

1. Transfer of informal settlement “slum” dwellers, at present living under sub human conditions to good quality housing, through promoting sustainable finance mechanisms
2. Improve basic facilities including shelter, safe drinking water, sanitary needs, drainage, waste management and safe living environment.
3. Develop a National Housing Policy

### International Fund for Agricultural Development

International Fund for Agricultural Development (IFAD) has been one of the prominent development partners of Sri Lanka since 1978. IFAD-funded projects focus on helping rural poor people in three geographical zones:

- dry zones, where most of the country's poor rural people live, including marginalized farmers and households headed by women
- plantation (or estate) zones and surrounding villages, where there are pockets of extreme poverty
- coastal zones and surrounding areas, many of them former conflict zones, where people in poor fishing villages eke out a living

Apart from IFAD grant programmes, loans on highly concessionary terms are provided to finance rural sector programmes. IFAD has extended financial and technical assistance to Sri Lanka in implementing development programmes mainly in agriculture sector in order to improve the quality of life of the people in rural areas by empowering rural poor and their community based organisations, improving access to financial services and markets and enhancing agriculture infrastructure facilities.

Sri Lanka has obtained financial assistance from IFAD to implement a wide range of projects and programmes including community development, capacity building, rural agriculture and supply chain development, livelihood development, women empowerment and development of micro finance credit schemes in many rural areas including dry zone, plantation and state sector and coastal areas.

While focusing on the implementation of more

projects and programmes mentioned above with the funds obtained from IFAD, the future financial assistance from IFAD will be utilised to re-establish productive and sustainable agriculture based livelihoods of farm families in rural areas including conflict affected areas. Moreover, rural infrastructure development such as rehabilitation and restoration of agriculture road network and irrigation infrastructure and development of private public partnerships will be carried out these areas in order to achieve a fast growth. Further, more emphasis will be given on adoption of eco-agriculture approaches that reduce excessive chemical inputs, increase soil and increase the use of organic fertilisers in future projects to be implemented under financial assistance of IFAD.

**Table 39** IFAD Funded Projects from 2005 to 2011

YEAR	PROJECTS
2005	Post Tsunami Coastal Rehabilitation and Resources Management Programme Post Tsunami Livelihood Support and Partnership Programme
2006	Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka Project
2007	Smallholder Plantation Entrepreneurship Development Programme
2010	National Agribusiness Development Programme

Source : External Resources Department

### UN Support for Emergencies

Victims of natural disaster can lose everything they own within a minute. Therefore, being prepared for early response to such emergencies is a top priority of the Government of Sri Lanka. Accordingly, Government of Sri Lanka is closely working with UN Agencies for this purpose. For instance, Sri Lanka obtained assistance from UN Agencies to rehabilitate the infrastructure damaged and livelihood opportunities lost in the recent floods in the Eastern and North Central Provinces. Among these UN Agencies, WFP was the lead agency for the provision of food aid assistance and also Government of Sri Lanka has received emergency assistance from FAO by way of providing paddy seed and home garden packages. UNICEF and WHO have also played a vital role in relation to child protection, water supply, and nutrition and medical health.



**Table 23b Korean Funded Projects from 2005 to 2011**

YEAR	PROJECTS	LOAN /GRANTS
2005	Greater Galle Water Project Phase II	Loan
	Re-Engineering Government Component of e Sri Lanka Project	Loan
	Construction & Rehabilitation of the Mahanama Bridge in Matara	Grant
	Primary School Construction at Zahira College	Grant
2006	Administrative Complex in Hambantota Project	Loan
	Establishment of the Korea – Sri Lanka Friendship Hospital	Grant
	Constructuion of the International Convention Center in Hambantota	Grant
	Construction of Storm Water Dr5ainage at Valachchenai	Grant
2007	Greater Galle water Supply Project Phase II (Supplementary)	Grant
	Upgrading of Niyagama National Vocational Training Center Project	Grant
2008	Lanka Government Network Stage II Project	Loan
	Improvement of Peradeniya – Anuradhapura Road project	Loan
	Establishment of the Emergency Response System in Sri Lanka	Grant
	Integrated Waste Management System in High Level Road Region	Grant
2009	Ruhunupura Water Supply Development Project	Loan
2010	Hatton Nuwara Eliya Road Improvement Project	Loan

Source - External Resources Department



# **SECTOR-WISE CONTRIBUTION OF FOREIGN FINANCING**



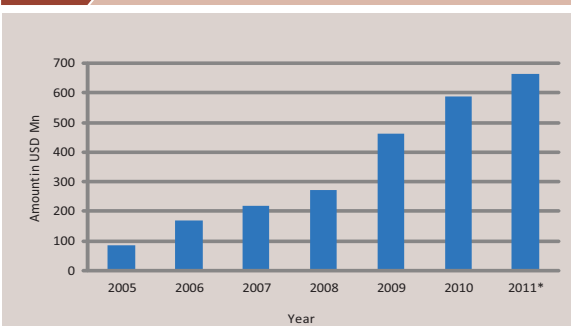
## Section 3

# SECTOR-WISE CONTRIBUTION OF FOREIGN FINANCING

### Roads: Connecting Regions - Bringing Prosperity

The government has assigned high priority to the improvement of the road network in the country to cater to the growing traffic demand of a transition economy. In this endeavor, during last 6 year period around USD 3,693 million worth investment has been utilized on road network development at national, provincial and rural levels. Identifying the necessity of investing funds for road development, the government was able to secure foreign financing which has risen from USD 86 million in 2005 to USD 446 million in 2010 of the total road investment. As a result of the above initiatives, investment contribution of the road sector to the GDP has increased from 0.8 percent in 2005 to 2.0 percent in 2010.

**Chart 26** Total Foreign Investment on Roads 2005 - 2011\*



Note: \* Budget Estimates 2011

Financial assistance has been continuously obtained from the Asian Development Bank, World

Bank and Japan, Kuwait, and Korea for the development of roads and bridges. After the Tsunami devastation, new development partners such as, France, Spain, the European Union, USA and the United Kingdom entered the road sector and provided loans and grants for road network improvement. The Government, in exploring the possibility of enhancing investment in the road sector has requested emerging development partners to provide financial assistance. Subsequently, the China has become an emerging contributor to the country's road development.

During the period 2005 to 2010, the total foreign financing commitment for road network improvement was approximately USD 2,412 million, of which 98 percent was foreign loans (Table 40). Furthermore, around USD 1,500 million in foreign financing is being secured for development of the road sector over the next three years.

**Table 40** Commitments and Disbursements in Road Sector, 2005 - 2010 (USD Mn)

Financing source	Commitment	Disbursement
China	729	65
Japan	609	430
ADB	519	342
World Bank	297	173
UK	127	122
Other	131	99
<b>Total</b>	<b>2,412</b>	<b>1,231</b>

Source : External Resources Department

Since 2005, a massive investment plan, which includes long term foreign financing for the improvement of existing inter regional trunk roads and construction of

expressways has been implemented (Figure 2).

The top priority is given in the medium term (2011-2013) to the completion of the 181 km access controlled toll expressway between Matara and Katunayake. During the last six years, around Rs. 79,497 million has been spent in construction of this expressway of which Rs. 58,150 million was foreign financing.

During the last six year period, around 2,900 km of national roads have been improved at a cost of Rs. 48,950 million. The list of improved segments of the core national roads is given in Table B. This effort leads the development of trunk road as a grid network between the Provincial and Regional capitals as well as 60 percent

of the national road network has been improved to a good condition.

In addition, approximately 2,315 km of roads, which is around 59 percent of the existing national road network, were widened to multiple lane standards from single or intermediate lane with an investment of USD 69 million.

During this period, around 375 bridges including reconstruction of 27 Tsunami damaged bridges along the west, south and east coastal areas have been constructed while 116 bridges are being constructed at a cost of USD 52 million. The major bridges at Manampitiya, Bentota, Katugastota, Hirana, Mannar,



Road improvement map



**Table 41** Improved Core National Roads in 2005 - 2010

Name of the Road	Length of Road (km)	Improved Section (km)
Colombo - Kandy	116	86
Colombo - Galle - Hambantota - Wellawaya	318	127
Peliyagoda - Puttalam	128	128
Colombo - Ratnapura - Wellawaya - Batticaloa	431	228
Peradeniya - Badulla - Chenkaladi	346	69
Avissawella - Hatton - Nuwara Eliya	119	72
Panadura - Nambapana - Ratnapura	69	69
Kandy - Jaffna	321	54
Katugastota - Kurunegala - Puttalam	125	125
Maradankadawela - Habarana - Tirikkondiadimadu	130	130
Medawachchiya - Mannar - Talaimannar	114	15
Beragala - Hali-Ela	40	39
Galle - Deniyaya - Madampe	144	78
Pelmadulla - Embilipitiya - Nongama	88	66
Anuradhapura - Rambewa	14	14
Matara - Akuressa	20	16
Siyambaladuwa - Damana - Ampara	58	58
Vavuniya - Horowopotana	46	10
Vavuniya - Parayanalankulam	36	10
Karativu - Ampara	24	22
Colombo - Hanwella Low Level Road	25	18
Gampola - Nawalapitiya	18	17
Pasyala - Giriulla	19	10

Source : Road Development Authority

Arugam Bay, Oddamawadi and the Mahanama Bridge at Matara have been constructed with loans and grants from the Japan, Korea, Spain, Kuwait and USA. In the mean time, ferries such as Kinniya, Molkawa, Lakpandura, and Verugal, etc have been replaced with new bridges in the Eastern and Western Provinces.

In addition, many flyovers and by-pass roads have been constructed at major junctions and the town areas to ease the traffic congestion, with minimum cost of land acquisition. Accordingly, five major flyovers at Kelaniya, Nugegoda, Dehiwela, Orugodawatta, and Pannipitiya have been constructed in Colombo City and suburban areas.

Foreign financing on provincial roads improvement has been increased from USD 33 million in 2005 to USD 14 million in 2010. During 2005 – 2010 period, around 1,706 km of provincial roads have been rehabilitated with assistance from the Government of Japan, WB and ADB.

During January – August 2011, Government borrowed USD 1253.9 million to rehabilitate 814 kms of road and construction of 42 km of express ways. (Table C). The committed amount in 2011 is four times higher than in 2009 which was USD 320 million. The largest amount of USD 500 million was borrowed from China Development Bank (CDB) to improve 500 km of national and provincial roads. Improving 1,185 km of national roads will be done in 2012 and the rough estimated cost would be around USD 600 million.

**Table 42** Road Sector Commitments in 2011

Source	Investment name	Amount (USD Mn)
CDB	Rehabilitation of 500 km of Priority Roads	500.0
Japan	Outer Circular Road - Greater Colombo Urban Transport Development Project Phase 2	390.9
China	Section from Pinnaduwa to Godagama (31km) of Southern Expressway	138.2
	Rehabilitation of 67km of Navatkuli-Karaitivu-Mannar Road	48.4
	Rehabilitation of 113km of Puttalam-Marichchikade-Mannar Road	73.2
IDA/WB	Rehabilitation of Ambepussa to Dambulla (91 km) and Kantale to Trincomalee (43 km)	103.1
<b>Total</b>		<b>1,253.8</b>

Source : External Resources Department

## Flagship Projects

### Colombo - Katunayake Expressway (CKE)

The construction work on a 25.8 km long Colombo - Katunayake Expressway which connects Colombo City and the International Airport at Katunayake has recommenced in 2009 with funding from EXIM Bank of China. The Contract value of the project is Rs. 32,120 mn (US\$ 292 mn) and it is to be completed by 2012.

The CKE connects with other arterial roads at New Kelani Bridge, Peliyagoda, Ja-Ela and Katunayake. The CKE is being constructed as a 6 lane dual carriageway from the Kelani Bridge to Peliyagoda and a 4 lane

dual carriageway from Peliyagoda to Katunayake for a projected speed of 80 - 100km per hour.



Constructions is one the way

### Southern Expressway

*In the forthcoming days, the general public will enjoy their first experience of an expressway which runs from Southern Sri Lanka to the Capital city - Colombo. With a designed speed of 100 km/hr, the 126 km long Southern Expressway runs from Kottawa to Matara interconnecting with 11 interchanges. The four-lane standard expressway which has room for future expansion by an additional two-lanes has been completed and will be opened for public use soon. The government borrowed USD 638 million from ADB, JICA and China for the completion of this toll road in addition to around USD 63 million for compensation for land acquisition.*



A Scene along the Southern Highway

### Outer Circular Highway

The Outer Circular Highway (OCH) starts at Kottawa connecting with the Southern Expressway and passes through Maharagama, Kaduwela, Biyagama, Mahara, Wattala Divisional Secretariat areas and ends up at Kerawalapitiya where it joins the Colombo - Katunayake Expressway (CKE). The 29.1 km length, four-lane, access controlled road which can be widened up to six-lanes in the future, will link seven trunk roads and expressways at Makumbura, Kaduwela, Kadawata and Kerawalapitiya interchanges.

The construction work of OCH is being done in 3 stages and expected to be completed in 2015.

- Stage I : Kottawa to Kaduwela (11 km)  
Estimated Cost-USD 245 million  
Financing source - JICA
- Stage II : Kaduwela to Kadawata (8.9 km)  
Estimated Cost - USD 390 million  
Financing source- JICA
- Stage III : Kadawatha to Kerawalapitiya (9.2km)  
Estimated Cost - USD 300 million  
Financing source - to be identified

### National Road Improvement

The long-awaited 46.7km long Hatton – Nuwara Eliya Road improvement commenced in 2010 at a cost of USD 40 million borrowed from the Government of Korea. Further, improvement of connecting roads to the Northern area has been accelerated with loans from the ADB (USD 154.4 million) and EXIM Bank of China (USD 424 million). These loans will be used to rehabilitate 620km of national roads i.e: Anuradhapura – Rambewa, Navatkuli – Keraitivu – Mannar, Kandy - Jaffna, Manipay – Kaithady, Vallai – Tellippalai - Araly, Mankulam – Mullaitivu, Mullaitivu – Kokkilai- Pulmodai, Oddusuddan-Nedunkerny, and Mullaitivu – Puliyanakulam, Puttalam – Marichchikada – Mannar, and Kandy - Jaffna, and roads in the Jaffna Peninsula and 140 km provincial roads in the Vavuniya and Mannar Districts. Work has already commenced and expected to be completed in 2015.

### Provincial / Rural Road Development

The Government of Japan has provided credit in a sum of USD 152 million to improve provincial roads in Central (168.5km), Sabaragamuwa (181km) and Eastern (332.8km) Provinces. In addition USD 103

million has been obtained from IDA for rehabilitation of 140 km of provincial roads in Uva, Eastern and Northern Provinces. Improvement work commences in 2010 and is to be completed by 2015.

### Future Projects

Efforts are being made to develop another 700 km of road with foreign financing and it is expected to start work in 2012/13.

**Table 43** Future Projectes to be Implemented in 2012

Project name	Development Partner	Estimated Cost USD Mn
Rehabilitation/Improve-ment of 330 km of National Roads	Saudi Fund	173
69Km of National Highway Sector –Additional Financing	ADB	85
135Km of Northern Road Connectivity- Additional Financing	ADB	92
150Km of Peradeniya – Badulla Chenkaladi Road	Korea	101
32Km of Horana-Anguru-wathota-Aluthgama Road	Korea	31

Source : External Resources Department

## Power and Energy : Electricity for Everybody

Energy has been universally recognized as one of the essential requirements for rapid economic growth. On one hand, growth of an economy hinges on the availability of cost-effective energy sources while on the other hand, the level of economic development has been observed to be reliant on the energy demand.

In the last three decades, Sri Lankan power sector has taken several initiatives to increase the power generation and improve the distribution with the objective of providing uninterrupted supply of electricity for every household with low cost.

Steps have been taken to diversify the energy sources to minimize fuel fired power generation, reduce system losses and provide electricity to remote and most difficult areas.

Government has already developed National Energy Policy Strategies (NEPS) which provide a comprehensive road map for the future development

initiatives in the power sector. The NEPS also includes a long-term investment programme and specific policy and reform measures aiming to supply electricity to 86 percent of households by 2010 and increase this percentage up to 98 percent by 2016.

*“Necessary steps will be taken to develop and provide electricity to the industries in our country at a price that they can compete in the international market and to households and other electricity consumers at an affordable price.”*

*(Mahinda Chinthana 2010; p 42)*

Sri Lanka opened its first coal power plant in Norochcholai in the Puttalam District of the North-Western Province in 2011. The Chinese-funded plant adds 300 MW of power to the national grid currently in the first phase of Puttalam Coal Power Project. The recently commissioned solar power plant in Hambantota will add another 500 kW to the National Grid and generate 2,300 units of electricity daily.

In addition, a number of power projects are now being implemented throughout the country including the following-

- Kalutara District - 260 projects
- Kegalle District - 86 projects
- Ratnapura District - 247 projects
- Southern Province - 87 projects
- Uva Province - 63 projects
- Western Province - 185 projects
- North-Western Province - 84 projects

Further, 600 rural electrification schemes are also being implemented to provide electricity to remote villages.

### Foreign Financing for the Power & Energy Sector 2005-2011

During the period of 2005-2011, Sri Lanka has obtained around USD 15,567 million of foreign loans and around USD 2,139 million of foreign grants for the implementation of power projects. These projects are listed in table xx.

According to the records, 2009 is the most significant year which has recorded highest foreign financing commitments for power projects. The foreign financing provided by the Government of

China, Japan, Iran and Asian Development Bank (ADB) accounted for about 92 percent of the total commitment made for the power and energy sector during the last 5 year period.

<b>Table 44</b> Projected Demand, Generation and Capacity in the Power Sector			
Year	Demand GWh	Generation GWh	Peak Capacity MW
2015	14,265	16,472	3,242
2020	20,877	23,997	4,667
2025	29,118	33,469	6,432
2030	39,964	45,936	8,784
2033	48,333	55,555	10,623

Source : National Planning Department

Government plans to meet the projected future power demand through combination of energy sources including oil, coal power, natural gases, hydropower and Non-Conventional Renewable Energy (NCRE) sources. Furthermore, it has been planned to cover the entire country by strengthening power transmission; i.e. construction of 11 new grid sub-stations and implementation of two major 220V transmission line projects from Habarana to Veyangoda and from

Habarana to Sampur with financial assistance from Japan and India respectively.

### New Power Plants to be Established

Uma Oya multipurpose project is proposed to generate 300GWh energy while using diverted water to meet the future domestic and industrial water needs in Uva Province and Hambantota District. Sri Lanka and India agreed to build a 500 MW coal power plant at Sampur in Trincomalee district of the Eastern Province. The construction is to begin 2012 and the power generation is to be linked to the national grid in 2017. The 50-50 joint venture will cost USD 500 million.

<b>Table 45</b> New Power Plants under Construction		
Power Plant	Donor	Generation Capacity
Upper Kothmale Hydro Power Project	Japan	150MW
Uma Oya	Iran	100 MW
Sampur Coal Power	India	500 MW

Source : External Resources Department

<b>Table 46</b> Commitment made by Development Partners on Power & Energy Sector (2005-2011)		
Project Name	Donor	Amount (USD Mn)
Clean Energy Access Improvement Project	ADB	135
Clean Energy and Access Improvement Project - (USD)	ADB	2
Clean Energy and Access Improvement Project -(XDR)	ADB	26
Rehabilitation Old Laxapana Hydroelectric Power Plant	Austria	35
Rehabilitation of Wimalasurendra and New Laxapana Power Station	Agricole CIB	55
Procurement of Material for the Northern Provincial Power Sector Development Programme	China	32
Puttalam Coal Power Project	China	455
Puttalam Coal Power Project-Phase II	China	891
Rehabilitation Electricity Supply Jaffna Region (Transmission Line)	Germany	17
Sapugaskanda Diesel Power Plant- First Extension	Germany	16
Implementation of Rural Electrification Project	Iran	83
Vavuniya Killinochchi Transmission Line Project	JICA	12
Energy Diversification Enhancement Project	JICA	8
Introduction of Clean Energy by Solar Electricity Generation System	JICA	10
Ukuwela Power Station Rehabilitation Project	JICA	11
Upper Kotmale Hydro Power Project (II)	JICA	49
Moragolla Hydropower Project	Kuwait	1
Fourth Rural Electrification Project	Sweden	20

Source : External Resources Department



## Flagship Projects

### Upper Kothmale Hydropower Project (UKHP)

The Upper Kothmale Hydro Power Project is a run of river hydropower project with an installed capacity of 150MW (consisting of two 75MW units) and will produce 409GWh per year. The project is funded through Japanese Overseas Development Assistance loan executed between the two governments.



*View of Intake Dam from Upstream UKHP*

The project will contribute to a reliable and affordable power supply for sustainable economic growth in Sri Lanka. It will improve the social and economic environment of the local communities significantly. While social benefits will be largely confined to the area around Talawakele town, the wider benefits of watershed management will extend to the whole of the upper basin.

Some of the construction camp facilities including clinics, restaurants, shops etc. will be transformed to communities for their use upon completion of the project activities. The project will also furnish physical infrastructure including roads, electricity, telecommunications, water supply, clinics, and garbage disposal facilities which will improve the delivery of essential service to communities living in the area. In addition, the benefits generated by local tourism will stimulate the regional growth.

### A Clean Energy and Access Improvement Project

In order to achieve the government's electrification target; Electricity for all by 2012, particular attention needs to be paid to the regions with a fairly low number of households connected to the national grid. Also, the transmission system in the lagging regions including Northern Province has not developed adequately to

meet the growing demand in the region. In addition, there is an urgent need to develop clean energy and indigenous renewable energy sources to reduce the fuel cost of power generation.

Recognizing these needs, government has obtained a loan of USD 164 million from Asian Development Bank to improve the power transmission and distribution network in Sri Lanka. The activities covered under this project include (a) System Control Modernization, (b) Transmission System Strengthening, (c) Augmentation of Distribution Substations, and (d) Demand-side Management for Municipal Street Lighting, Network Capacity Augmentation for Renewable Energy Projects and Rural household connections. The project is scheduled to be completed by 2013.

### Puttalam Coal Power Project

The Puttalam coal power project is among the strategic power projects in Sri Lanka, which will add 900 MWs to the national grid upon completion. The total project cost is USD 891 million. China is contributing Rs 52,325 million to the project, while the government contribution is Rs 102,465 million. In view of the urgency of developing low cost power sources, Phase II & III of the project will be implemented together as Phase II. This coal power station produces 300 MW in the first stage while 600 MW will be produced in the second stage.

The civil construction works of the Project is underway and the foundation works are almost completed. The detailed designs are in progress for the electromechanical plants. It is expected to complete the works of the two 300MW units by end of 2013.



*Construction Work of Unit 2 Boiler and Main Power House of Puttalam Coal Power Project*

New houses have been constructed with all necessary facilities and handed over to 80 families, who lost their property during the first stage of construction.



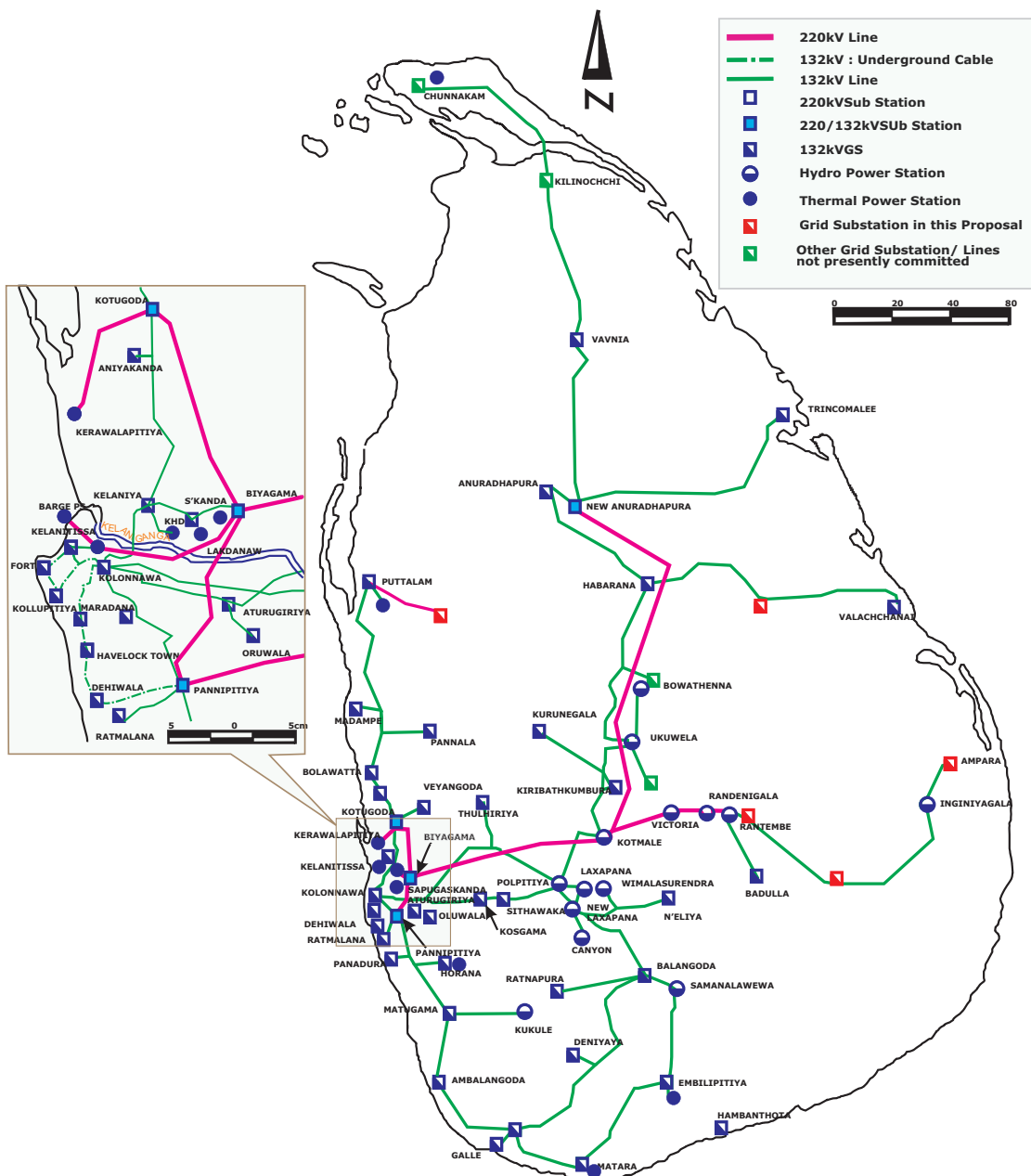
## Uma Oya Hydro Electric and Irrigation Project

The Uma Oya hydro electric and irrigation project involves the construction of two reservoirs on the tributaries of the Uma Oya River and a 23km tunnel to divert water to an underground powerhouse of 120MW further downstream. The water accumulated in these reservoirs is to be proposed to divert in to the Southern Province

The project is proposed to generate 300GWh energy, use diverted water to meet the future domestic and industrial water needs in Uva Province and



Drilling site at Punagale - Uma Oya Project



Generation and Transmission System

Hambantota District, and develop about 5000 acres of new irrigated land in Hambantota and Monaragala districts and about 3000 acres of new lands in the Kuda Oya catchment area.

The estimated cost of this project is USD 529 million and the Government of Iran has extended USD 450 million through Export Development Bank of Iran (EDBI) as a loan while the balance USD 79 million is provided by the Sri Lankan Government. The project is scheduled to be completed by 2015.

## Water Supply and Sanitation : Improving Access to Safe Drinking Water

Government has taken new initiatives to strengthen water supply and sanitation services to address the needs of a middle income country, particularly to meet the growing needs of urban areas and emerging new townships. The Government's objective is to provide total water supply needs of the country by year 2020, of which 60 percent will be supplied through pipe borne water connections. Also, coverage of piped sewerage is expected to be increased from the existing level of 2 percent of the total population, to 3 percent in 2015 and 7 percent in 2020 respectively. Therefore, a substantial investment is necessary to improve the water production treatment capacity, increase the number of household connections and improve sewerage facilities over the medium term.

**Table 47** Coverage of Safe Drinking Water and Sewerage 2005-2020

Year	2005	2011	2015 *	2020*
Safe Water Coverage (%)	80	82	94	100
Pipe borne water availability (%)	29	40	44	60
NWSDB Water Connections "000"	907	1,400	1,600	3,000
Coverage of Piped Sewerage (%)	2	2.3	3	7

\* Projections

Source : National Water Supply & Drainage Board

## Foreign Financing for the Water Supply and Sanitation Sector

**Table 48** Foreign Assistance to the Water Supply and Sanitation sector 2005- July. 2011 (USD Mn)

Donor	Loan	Grant	Total
Bilateral	<b>515</b>	<b>45</b>	<b>559</b>
Japan	396	0	396
Korea	92	4	96
Denmark	25	0	25
Netherlands	0	31	31
Finland	0	9	9
Germany	2	0	2
USA	0	1	1
Export Credit	<b>440</b>	<b>0</b>	<b>440</b>
Multilateral	<b>235</b>	<b>26</b>	<b>261</b>
ADB	<b>235</b>	<b>26</b>	<b>261</b>
<b>Total</b>	<b>1,190</b>	<b>71</b>	<b>1,261</b>

Source : External Resources Department

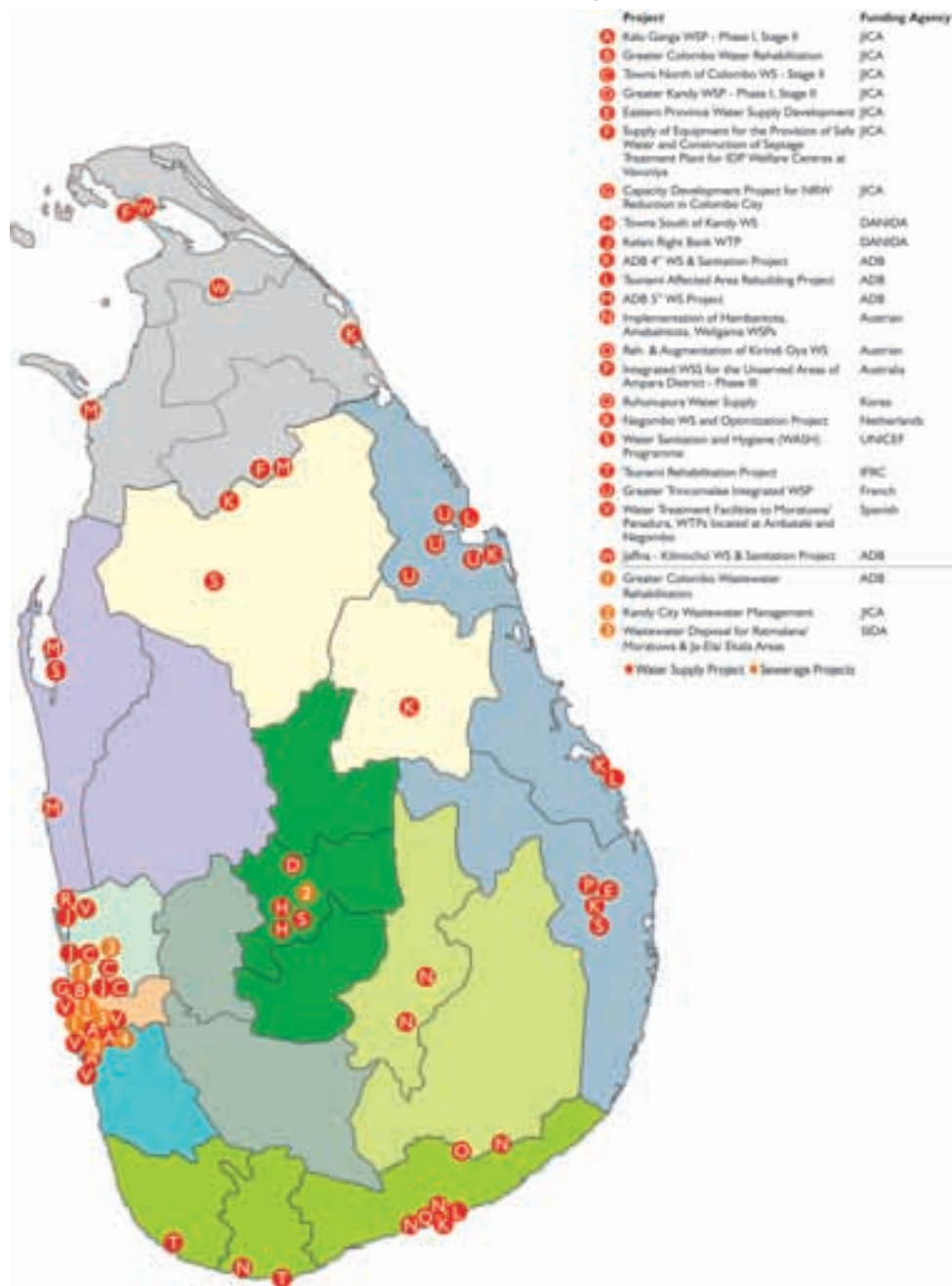
Government is gradually increasing domestic financing to meet the investment requirement of the water supply and sanitation sector. Meanwhile, Government encourages lending agencies to provide sufficient financing to fill the investment gap. Accordingly, the total investment made by lenders in this sector has significantly increased from USD 16.26 million in 2005 to USD 312.23 million in 2010. At present, about 70 percent of the capital investment on water supply and sanitation is financed through foreign funding.

Foreign financing received through loans is predominantly being used for implementation of new water supply schemes in large cities and small towns, augmentation of existing water supply schemes in order to widen their capacities, implementation of non-revenue water reduction programmes and improving sewerage systems in highly populated and industrialized cities.

During the last six years (2005 – 2011July), lending agencies have committed about USD 1,261 million to the water supply and sanitation sector. Of this amount, 94 percent or USD 1190 million is provided through loans while the remaining USD 71 million, is provided through grants. Grant funding is mainly used for capacity development of managerial and technical agencies involved in providing drinking water supply and sanitation facilities.

The Government of Japan has been the main donor in the water supply sector and its commitment during

## Geographical distribution of on-going foreign Funded Water Supply and Sanitation Sector Projects



Source : National Water Supply & Drainage Board

the last six years exceeded USD 396 million. Meantime, the Asian Development Bank and the Government of Korea have also provided USD 235 million and USD 92 million respectively during the same period.

In order to address the urgent water supply needs of water scarce areas such as Ampara and Kirindioya as well as highly populated and industrialized areas such as Ja-ela, Negombo, Ratmalana and Kandy, government has obtained a significant amount of financial resources in the form of export credit and mixed credit facilities

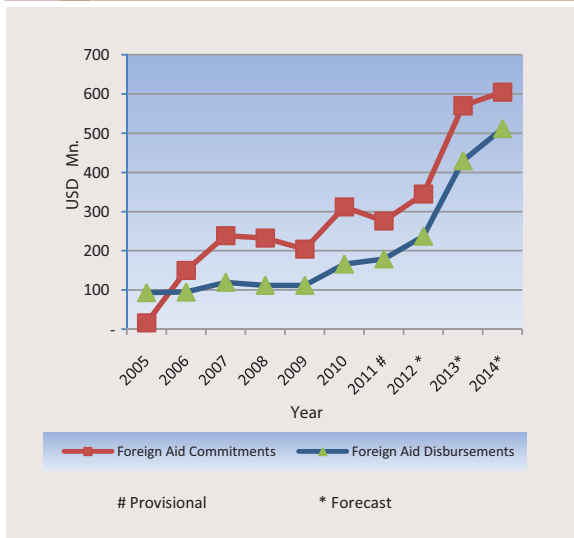
under favorable terms. Export Credit facilities have also been utilized to undertake urgent repairs to the Kalatuwewa and Kelani Right Bank water treatment plants Which are the main water sources supplying drinking water to Colombo and the suburbs.

The total amount of foreign financing received through Export Credit facilities accounts for about 35 percent of the total foreign funding received for the water supply and sanitation sector from 2005 to July 2011.

The total foreign aid disbursement in the last 6 year period from 2005 to July 2011 was USD 763 million. A major portion has been disbursed through the projects financed by the major donors; Japan, ADB and Korea. They have jointly disbursed about 50.7 percent of the total disbursements. The highest disbursement of USD 165.9 million was recorded in 2010.

**Chart 27**

Foreign Aid Commitments Vs Disbursements  
2005-2014 Water Supply & Sanitation Sector



Source : External Resources Department

## On-going Flagship Projects

### Secondary Towns Rural Community Based Water Supply and Sanitation Project

This project aims to provide safe drinking water and safe sanitation to people in Towns of Batticaloa, Hambantota, Muttur and Polonnaruwa and rural areas of Polonnaruwa, Anuradhapura and Batticaloa Districts. The Project will also augment existing water schemes and invest in new water schemes in rural and urban areas. More than 1.1 million people living in these areas will directly benefit from this project.

Total investment cost of the project is USD 282.86 million and the Government of Sri Lanka and Asian Development Bank are jointly financing the project. Most of the head works, raw water transmissions, distribution pipelines and elevated towers under the Hambantota and Batticaloa urban water supply schemes and all rural water supply schemes have almost been completed. The other on-going civil works in Polonnaruwa and Muttur are scheduled to be completed by 2013. The overall progress of the project at present is 92 percent.



Polonnaruwa Gallalla Water Tower

### Jaffna & Kilinochchi Water Supply & Sanitation Project

Together with the accelerated infrastructure development drive in North, Government has given high priority to provide much needed drinking water supply and sanitation facilities to the people in the Northern Province. The Jaffna and Kilinochchi Water Supply and Sanitation Project was specifically designed to improve water supply in the Jaffna and Kilinochchi Districts, provide sanitation infrastructure for residents living in the Jaffna Municipal Council area and strengthen water resources management in Jaffna Peninsula. The project will supply 60,000 new water connections (300,000 people) in the Jaffna and Kilinochchi Districts and connect 20,000 households (80,000 persons) in the Jaffna Municipal council area to the sewer network.



Pipe laying work in Jaffna



The total investment cost of the project is USD 184 million. The contribution of the Asian Development Bank is USD 90 million. The Agence Française de Développement of France has agreed to provide a loan of USD 48 million as part financing of the water supply subcomponent of the project and the International Fund for Agricultural Development (IFAD) will contribute USD 20 mn for the downstream development in the Iranamadu tank. The Government's contribution to this project is USD 26.04 million. The project is implementing with satisfactory progress and expected to be completed in 2016. At present the project is at the initial stage. The pipe laying activities along several roads that are being carpeted are underway.

### Ruhunupura Water Supply Development Project

Hambantota district is one of the districts in Sri Lanka which had been drastically affected by the lack of water. The Ruhunupura Water Supply project is one of the major projects that will address this water scarcity. It will provide drinking water facilities to the Mahaweli Development Zone, the Ruhunu Magampura International Harbour, Maththala new international airport complex, Sooriyawewa International Cricket Stadium, hotels, and the industrial development zone in Hambantota. It is estimated that around 112,000 people living in the Hambantota area will be supplied with 17,500 cubic meters of drinking water daily under the Ruhunupura water supply project. Accordingly, the project will play a major role in enhancing the living standards of people in the area.

The total investment cost of the project is USD 76.34 millions. The contribution of the Economic Development Cooperation Fund (EDCF) of EXIM Bank of Korea is USD 69.06 million and the contribution of GOSL is USD 7.28 million. The project will be completed by August 2013. At present about 18 percent of the project activities has been completed.

### Kelani Right Bank Water Supply Project

Government has accelerated the construction work of the Kelani Right Bank Water Supply Project which is expected to be completed in December 2013. The project will benefit nearly one million people in in Kelaniya, Ja-Ela, Ekala, Mahara, Wattala, Biyagama, Kiribathgoda, Kadawata, Ragama, Kandana, Seeduwa, Welisara, Ganemulla and Negombo areas. Once this

project is completed, additional water which comes from the Ambatale Treatment Plant will be added to the Colombo water supply. The treatment plant has a 180,000 cum daily capacity and the ground reservoir has a 380,000 cum capacity.



*Treated Water Pump House at Ambatale*

The project is jointly funded by the Government of Sri Lanka and Nordea Bank Danmark A/S of the Government of Denmark. The total investment cost of the project is USD 80.86 million. The contribution of the Nordea Bank Danmark A/S is USD 70.36 million (EUR 52.57 million) which is an interest free loan under the Danish Mixed Credit programme. The Government of Sri Lanka provides USD 10.5 million for this project. At present, about 88 percent project activities has been completed.

### Integrated Water Supply Scheme for Unserved Areas of Ampara District Phase III

This project will provide sufficient and reliable water supply to about 88,200 people living in semi urban and rural areas of the Ampara District, namely Paragahakele, Namaloya, Inginiyagala, Konduwadduwana, Uhana, Gonagalla, Bakkiella, Dadayanthalawa, Nawithanweli, Chawalkade, Damana, Hingurana, Madana, Thottama, Wadinagala. The project components include (a) construction of two water treatment plants with the capacity of 20,000 cum/day and 6,500 cum/day, (b) construction of pumping stations and storage reservoirs, (c) laying of 700 km long distribution network and (d) establishment of intakes.

The Australia & New Zealand Banking Group Limited (ANZ) and the Export Finance and Insurance Cooperation (EFIC) of Australia have provided a loan in a sum of USD 105.19 million for this purpose. The total cost of the project is USD 118.2 million. The remainder



of USD 13.3 million will be borne by the Government of Sri Lanka. The project is expected to be completed in 2015. The overall progress of the project at present is 15.2 percent.



*Water Transmission Mains in Ampara*

### Kaluganga Water Supply Project – Phase I Stage II

The objective of the project is to provide safe drinking water for 490,000 people in the project area including people in the areas of Kesbewa, Boralasgamuwa, Gonapola, Kahapola, Polgasowita, Ingiriya, Handapangoda, Diyagama, Piliyandala, Panadura East and Magammana and a reduction of the non-revenue water supply in Greater Colombo area.



*Filtration Unit at Horana*

The project includes the following components:

- Construction of a water treatment plant in Horana with the capacity of 60,000 cum/day.
- Laying of transmission main and distribution line.
- Construction of water towers at Kesbewa, Jamburaliya and Kumbuka.

The total investment cost of this project is approximately JY 10,846 million. The Government of Sri Lanka will provide USD 24.6 million (JY 2458 million)

while Japanese International Cooperation Agency (JICA) is providing JY 8388 million to implement this project. The project is expected to be completed by December 2013. At present, about 24 percent of project activities have been completed.

**Table 49** Water Supply and Sanitation sector Key projects to be implemented in 2012

Name of the Project	Lending Agency	Loan Amount (USD Mn)
Deduru Oya Water Supply Scheme	Korea	60
North and East Pilot (WASH) for post Conflict Resettlement	World Bank	2.2
Increasing Household Sewerage Connections & off Network Sanitary Solutions in Greater Colombo (GPOBA)	World Bank	5.1
Kollonna / Balangoda Water Supply Project	Belgium	15.5
Rehabilitation of Ambatale Water Treatment Plant	German	22.2
Greater Ratnapura Water Supply Project	France	18.5
Badulla / Haliela Water Supply Project	USA	57
Middeniya / Anguna-kolapellesa Water Supply Scheme	CDB*	24.2
Thambuttegama Water Supply Project	CDB*	16.4
Katana Water Supply Scheme	CDB*	15
Kururnegala Water Supply & Sanitation Project	CDB*	108.6
<b>Total</b>		<b>344.7</b>

Source : External Resources Department

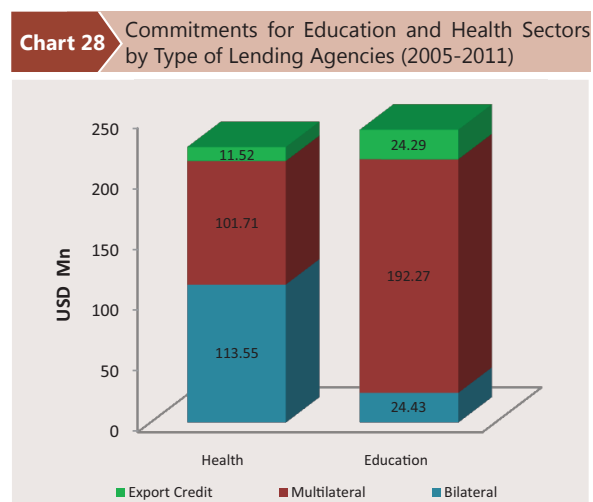
## Education and Health: Knowledge and Healthy Society

Sri Lanka needs to develop high quality human resources to serve the requirements of a modernized middle income country and education and health have been priority sectors of the development programme of the Government. During the last six years, a substantial share of the public

investment has been allocated by the government for this purpose. While government is providing a major share of education and health expenditure from government revenue, foreign financing has been utilized to improve the quality of infrastructure through a number of projects. On average, the foreign financing component of the capital investment for education development was about 45 percent of the total education sector investment while 55 percent of the health sector capital investment came from foreign financing.

The foreign financing has been mainly utilized for promoting equity by enabling all children in the country to access and complete basic and secondary education and enhancing the quality of education. A significant amount of foreign financing has been provided to enhance the quality of technical education and vocational training through provision of modern equipments to the Technical Collages and Advanced Technological Institutes.

The first university for the vocational and technical training sector was established in 2008 to offer higher educational opportunities up to graduate level for students and teachers in various technical fields. The National Vocational Qualification (NVQ) framework was introduced in 2007 to standardize the Vocational Training Programmes and to support the effort in enhancing the development of an internationally competitive work force in Sri Lanka.



Foreign financing borrowed for health sector development has predominantly been used to improve the quality of health services provided by hospitals through provision of necessary facilities and equipments. A new hospital; Korea Sri Lanka Friendship

Hospital has been constructed in Godagama in Mathara district with foreign financing obtained from Korea. The Anuradhapura Teaching hospital has recently been upgraded with Japanese assistance.

The new foreign financing commitment made for the education and health sectors during the period of 2005-2011 was USD 593 million and 42 percent or USD 251 million of this, was pledged as grant assistance.

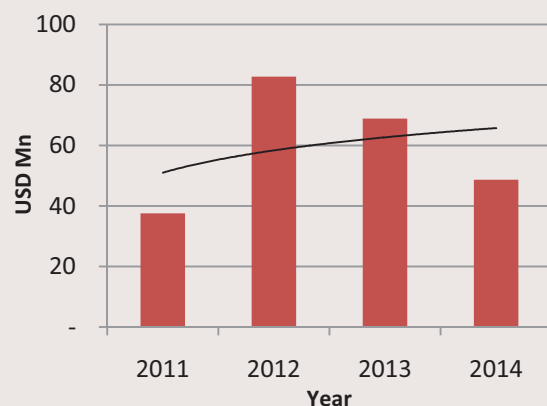
### Foreign Financing for Education (2005-2011)

The Education sector in Sri Lanka has benefited from a significant amount of foreign financing since 2005. This includes about 36 different programmes/projects and consists of foreign grants and loans. The total value of these projects is in the range of USD 265 million. The total amount of foreign financing disbursed in education and health sectors during the last six years has been around USD 303 million of which 26 percent was grants. This financing has been used to improve facilities in the secondary schools, strengthen provincial education offices, continue stipend programmes for disadvantaged students, streamline the national examination system and modernize the curriculum and teacher training with scholarship programmes.

**Table 50** Foreign Assistance for the Education Sector 2005-2011 (USD Mn.)

Lending Agency	Loan	Grant	Total
<b>Bilateral</b>	<b>6.92</b>	<b>41.34</b>	<b>48.26</b>
Japan	-	2.54	2.54
Kuwait	6.92	-	6.92
India	-	0.65	0.65
China	-	25.25	25.25
Germany	-	1.75	1.75
Netherland	-	5.31	5.31
Sweden	-	4.64	4.64
Korea	-	1.20	1.20
<b>Export Credit</b>	<b>24.08</b>	<b>0.12</b>	<b>24.20</b>
<b>Multilateral</b>	<b>115.88</b>	<b>76.49</b>	<b>192.37</b>
ADB	67.47	15.70	83.17
IDA	48.41	60.51	108.92
UN Agencies	-	0.28	0.28
<b>Total</b>	<b>146.88</b>	<b>117.95</b>	<b>264.83</b>

Source : External Resources Department

**Chart 29** Education Sector Disbursement Forecast 2011-2014**Table 51** Education Sector Projects to be implemented in 2012

Project	Lending Agency	Amount (USD Mn)
Education Sector Development Programme	World Bank	100.00
Technical Education & Vocational Training Sector Development Project	Asian Development Bank	40.00
Rehabilitation of Schools in Killinochchi District	Korea	5.00
Construction of Vocational Training Centre in Killinochchi	Japan	5.00
Reconstruction of Schools in Killinochchi & Mullaitive Districts	US AID	4.20
Construction of Skill Development Centre in Killinochchi	Germany	7.00

Source : External Resources Department

With these investments, the country has made a significant improvement in scaling up all of its primary and secondary education indicators during the past decade.

The Asian Development Bank (ADB) and the World Bank (WB) have been the key contributors to the development of the education sector over the past six years and they jointly account for about 73 percent of foreign assistance for education. The other contributors include the Governments of Kuwait, China, Sweden and Korea.

## On-going Flagship Investment Projects

### Education for Knowledge Society Project (EKSP)

This project will support Government's strategies to upgrade 1,000 secondary schools to fully fledged schools. This will yield positive benefits to children in

disadvantaged communities. The upgraded schools will provide them with high quality teaching in key subjects of Sciences, English, ICT and technical subjects. This will widen their options for tertiary education and ultimately their career path. The project has developed the Centre of Excellence in English Language Teaching as the headquarters of English language instruction.



Thousand Schools Development Programme

The capacity of 18 National Collages of Education and 10 Teacher Training Centres is being developed to provide Pre-service and in-service training in competency based teaching and assessment methods and ICT applications.

The EKSP Scholarship Programme provides about 36,000 scholarships for students in grade 10-13 in the school system and for those who have obtained scholarships under the Secondary Education Modernization Project, SEMP I and SEMP II, but did not qualify to proceed for higher education.

The financial assistance of USD 80 million comprising USD 65 million loan and USD 15 million grant has been extended by ADB to implement the EKSP project over a 5 year period from 2008 -2013.

### Higher Education for the Twenty First Century (2011-2016)

The project will address the current problems in the higher education sector through (a) supporting national level developments in the higher education sector, (b) assisting the development of universities, with a special emphasis on improving the quality of their programmes and the employability of graduates, (c) supporting the development of the alternative higher education sector, which provides employment-

oriented educational programmes in areas which are of importance for industry and (d) focusing on human resource development and capacity building. The project will deliver the following outputs/ outcomes-

1. Improved quality and relevance of degree programmes.
2. Quality assurance, assessment and accreditation as per the National Higher Education Quality Framework (NHEQF) for the higher education sector.
3. Developed linkages between different higher education institutions and the industry.
4. Enhanced research and innovation capacity of universities and improved creativity.
5. Interconnected and modernized network of Universities.
6. Increased number of students achieving the English language skill targets under the University Development Grant (UDG).
7. Increased number of students achieving the ICT skill targets under the UDG.
8. Expanded full time equivalent (FTE) enrolments in SLIATE.
9. Human Resource Development.

In general, the project will help to produce a knowledgeable and skilled workforce meeting emerging job market requirements. Thus it will help to reduce the rate of unemployment in the country.

The International Development Association (IDA) of the World Bank has provided in an amount of USD 40 million for this project as a loan. The project has commenced in 2011 and is scheduled to be completed in 2016.



*Newly Constructed Students Hostel - South Eastern University of Sri Lanka*

## South Eastern University of Sri Lanka Development Project – Phase 1A

The project aims to bring relevant tertiary education to the Eastern Province affected by the conflict and the tsunami, and act as a driver for regional development in line with the economic development strategy of the government.

Construction of a fully fledged university for the Eastern Province will expand the higher education opportunities for the rural areas in the Province and provide opportunities to study appropriate/demand driven degree courses for the students in Batticaloa and Ampara districts.

An additional 2,000 students in the region will get the opportunity to have a university education. The total student population in the university after the project will be 5,000. As a result, the economic activities and development process in the region will improve.

Kuwait Fund for Arabic Economic Development (KFAED) has granted a soft loan in an amount of Kuwait Dinars 2 million (approximately USD 7 million) for the improvement of infrastructure facilities under phase 1A of the University's Development plan. The construction of the Student Hostel to accommodate 500 students, 22 Staff Accommodation Units, Health Centre, Athletic Grounds and Pavilion, Faculty of Islamic Studies and Arabic, Faculty of Technology and Student Centre are almost being completed.

The project is expected to be completed in 2011 and Phase 1 "B" of this project will commence shortly with the KFAED financial assistance of USD 10.5 million.

## Foreign Financing for the Health Sector (2005-2011)

The capital investment on health has increased from Rs 9 billion in 2005 to Rs. 16 billion in 2011, indicating an increase of 77 percent. Of this investment, 43 percent came from foreign financing. The total commitment received for the health sector during the period of 2005 - 2011 was USD 328 million. The International Development Association of the World Bank, Saudi

***Foreign financing borrowed for health sector development has predominantly been used to improve the quality of health services provided by hospitals.***



**Table 52** Foreign Assistance to the Health Sector  
2005 - 2011 (USD Mn.)

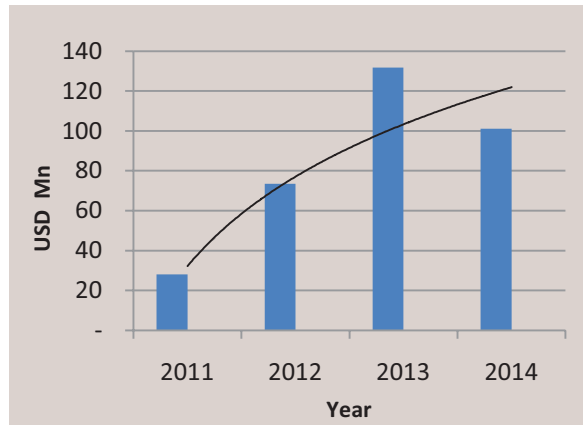
Lending Agency	Loan	Grant	Total
<b>Bilateral</b>	<b>35.86</b>	<b>117.34</b>	<b>153.20</b>
Japan	-	48.31	48.31
Saudi Fund	22.96	-	22.96
France	12.90	-	12.90
USA	-	37.33	37.33
India	-	8.53	8.53
Germany	-	3.03	3.03
Netherlands	-	13.44	13.44
Korea	-	6.70	6.70
<b>Export Credit</b>	<b>36.99</b>	<b>-</b>	<b>36.99</b>
<b>Multilateral</b>	<b>48.41</b>	<b>89.41</b>	<b>137.82</b>
ADB	-	3.40	3.40
IDA	25.32	4.16	29.48
UN Agencies	-	71.96	71.96
IFAD	23.09	-	23.09
FAO	-	9.89	9.89
<b>Total</b>	<b>121.2</b>	<b>206.75</b>	<b>328.01</b>

Source : External Resources Department

Fund, the Government of Japan, UN agencies and the Government of the United States account for about 83 percent of the total foreign financing commitments to the health sector during the last six years. Several other lending agencies which are active in the health sector include the Governments of France, India, Federal Republic of Germany and the Export Credit Bank of Austria.

*Upgraded Anuradhapura Teaching Hospital*

Foreign financing has effectively contributed to the development of healthcare facilities at both national and provincial levels and mainly spent for hospital

**Chart 30** Disbursement Forecast 2011-2014  
Health Sector

development and rehabilitation and supply of medical equipment and machinery to the hospitals.

Neuro Trauma Unit at the National Hospital Colombo, Improvements of Curative Health Services at Anuradhapura Teaching Hospital with JICA financing, construction of Korea - Sri Lanka Friendship Hospital at Matara Godagama with Korean financing and Supply of Medical Equipment to Kurunegala General Hospital with financing from the government of Austria are some of the key projects implemented in the recent past with foreign financing.

These projects have helped significantly to improve access to equitable healthcare services by minimizing regional inequalities.

### On-going Flagship Projects

#### Improvement of Central Functions of Jaffna Teaching Hospital

The Jaffna Teaching Hospital which is the only teaching hospital in Jaffna Peninsula was unable to perform its expected functions adequately during the past 30 years due to the conflict situation in the area. With the government decision to restore the health services in the Province to normal within a short period of time the Government of Japan provided grant assistance of USD 29 million (Japanese yen 2,298 million) for the development of the Jaffna Teaching Hospital.

It is expected to improve the central functions of the Jaffna Teaching Hospital. The project will help to transform the existing hospital in to a fully fledged hospital with state of art technologies through constructing a new four-storied building to house a



new Operation Theatre Complex including Intensive Care Units (ICUs) and Central Supply & Sterilizing Department (CSSD), a new Laboratory Complex, Radiological Diagnosis Department, Neurology Unit and Cardiology Unit, other supportive facilities such as water supply and sewerage and provision of necessary medical and laboratory equipment.

The proposed development will improve the access to specialized services by patients. This will minimize the difficulties faced by the patients who have travel long distances to obtain specialized services from other tertiary care institutions. Further, it will improve health status of people and minimize regional differences in relation to provision of health services.

### Epilepsy Hospital and Health Centres Project

The main objective of the project is to establish a state of the art tertiary care epilepsy centre at the National Hospital of Sri Lanka with a capacity of 242 beds and required facilities for intensive care, operation theatres, a High Dependency Unit, male and female wards and provision of medical equipments including MRI, CT Scanners and X-Ray machines. Around 300,000 Sri Lankans are currently affected by epilepsy, a serious yet treatable chronic neurological disorder. The psychological impact of the disease is immense.

However, the facilities, equipment, training, and referral system are currently inadequate to treat these patients effectively. The on-going project is specifically developed to address these limitations. The project will enhance quality, efficiency and safety of the existing services of the Hospital while improving access to specialized services by patients.

The Saudi Fund for Development has provided the financial assistance in an amount of USD 20 million for the implementation of the project and it is scheduled to be completed by June 2013.

### Provision of Oxygen Concentrators, Operating Theatres & Medical Equipment to Tsunami Affected and Remote Hospitals

The Government of France has provided 9.5 million Euros (approximately USD 12.9 million) for improving the efficiency of operation theatres and for the provision of oxygen concentrators to hospitals in remote areas such as Akkaraipattu, Anuradhapura,

Jaffna, Kalmunai, Kantale, Point Pedro, Mahaoya, Mannar, Karapitiya, Moneragala, Trincomalee and Vavuniya.

**Table 53** Health Sector Projects to be Implemented in 2012

Project	Lending Agency	Amount (USD Mn)
Health Sector Development Project II	World Bank	100.00
Improvement of Basic Social Services targeting the Emerging Region	Japan	60.00
Development of Hambanthota & Nuwara Eliya District Hospitals	Netherlands	57.72
High Quality Radio Therapy for cancer patients in Sri Lanka with High Energy Radiation	Denmark	33.87
Construction of Mahamodara General Hospital	Germany	20.72
Rehabilitation & Expansion of Production Capacity of State Pharmaceutical Manufacturing Corporation	Japan	10.00
Strengthening of the Patients Care Services of District General Hospital- Hambanthota, District Hospital - Tissamaharama & base Hospital Karawanalla	Spain	5.32
Supply, installation and Commission of High Capacity Generators in Selected Hospitals	Austria	4.07
Supply of two Cardiac Catheterization Systems & Echo Cardiology machines for National Hospital	Austria	1.99
Reconstruction of Hospitals in Kilinochchi & Mullaitive Districts	USAID	1.60

Source : External Resources Department

Providing 6 modular operating theaters, 10 on site oxygen production units, two cardiac catheterization laboratories, a CT scanner and 20 defibrillators under the project would enable those hospitals in Tsunami affected districts and remote areas to be self sustaining.

The project will decentralize the production of oxygen for medical purposes and enhance the capacity and efficiency in handling accidents and emergency situations in areas affected by the tsunami and located in most difficult areas. This project is scheduled to be completed in 2012.

## Railway: Continues Development and Modernization

**R**ail transport service in Sri Lanka, which has a history of over a century, is currently playing a dominant role in the provision of both passenger and freight transport. Although it initially played a prominent role in transporting traditional export crops today it provides a valuable service to the travelling public. Railway currently carries about 105 million passengers and around 1.6 million metric tons of freight per annum. Rail transportation is making a substantial contribution to the growth of the economy of the country.

With the defeat of terrorism in 2009 the country has been developing speedily and economic activities have largely been expanding throughout the country. It is required to develop transport facilities in the country parallel with the expansion of economic activities of the country to meet the increasing demand for transport and also to make the required contribution to economic development. Rail transportation has a great potential to enhance its contribution. The railway service has not been able to provide an efficient and satisfactory service to the people of the country for many reasons.

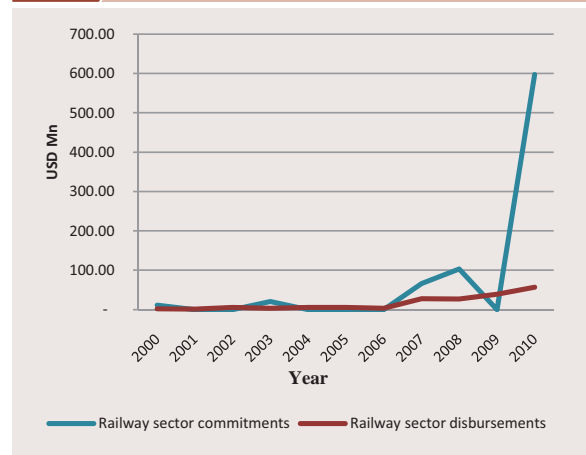
The Tsunami severely damaged the rail track, signalling system and building infrastructure of the Colombo - Matara coastal railway line. The rail track in the Northern Province was completely destroyed by the terrorists. As a result, the railway service currently operates only on 1,200 km lines of the existing railway network of 1,640 km. On many railway lines trains operate at an average operating speed of 40 km per hour due to the poor condition of the rail tracks, railway bridges and the signalling system. On some important railway lines operation of trains is long delayed due to absence of double lines. Passenger Carriages and Diesel Multiple Units available at present are not sufficient to meet the increasing demand. The railway service is currently available only in limited places of the country and it has not expanded throughout the country.

Sri Lanka Railways plans to increase the number of passenger and volume of freight transport by taking necessary measures to address the above issues. It is also required to develop the railway transport service

to enable it to provide safe, reliable and punctual transport service for both passenger and freight traffic. For this purpose, the Government has increased investment through foreign financing on railways, especially for rehabilitation of the existing tracks and modernization of the signalling system, extension of track, procurement of Diesel Multiple Units (DMUs), locomotives and passenger carriages.

### Foreign Financing for the Railway Sector

**Chart 31** Commitments and Disbursements for the Railway Sector from 2000 - 2010



It is noted that investment in the railway sector over the period of 2001 to 2006 was very marginal and it sharply increased after 2007. The total foreign financing commitment made for the railway sector during the period of 2001 to 2010 was around USD 800 million. Of this amount, only USD 44 million or 6 percent of the total commitment was made during the period of 2001 to 2006 and the remaining USD 766 million or around 94 percent was made during the period from 2007 to 2010. It is obvious that the investment through the foreign financing between 2001 and 2006 was only made to maintain the existing facilities and the real investment through foreign financing for improvement of the railway service was made during the last 4 year period from 2007 to 2010. Asian Development Bank (ADB), Netherlands, Austria, India and China have contributed to the railway sector during this period. Of the total commitment the highest amount of USD 584 million or 76 percent was India and USD 168 million or 21 percent was China. In addition it is expected to obtain Indian assistance of USD 150 million and USD 87 million for the reconstruction of the railway line from Pallai to Kankesanthurai, and the installation of a Railway Signalling and Telecommunications system in

the Northern Province, and USD 278 million from China for extension of railway track from Matara to Beliatta, within 2011 and 2012. Apart from that, action is being taken to construct a Double Line from Polgahawela to Maho with Indian assistance.

Major projects that are being implemented with foreign assistance to improve the railway transport service are given below.

**Table 54** Major Projects that are being Implemented

Projects	Donor	Loan Amount (USD Mn.)
Upgrading of Southern Railways	India	167.4
Restoration of Northern Railways	India	416.4
Supply of 13 Numbers Diesel Multiple Units	China	102.5
Rehabilitation of the Eastern Railway Line	Austria	13.5

Source : External Resources Department

### Upgradation of Southern Railways

The main objective of the project is to upgrade the railway track from Colombo to Matara to run trains at a maximum speed of 100 kmph. It will increase the average operating speed from 40 kmph to 80 kmph allowing the express trains to cover the distance from Colombo to Galle in around 2 hours. Upgrading of the track from Galle to Matara covering 42 km has already been completed and upgrading of the track from Galle to Kalutara commenced in May 2011 and is scheduled for completion in 2012.



Upgraded Matara Railway Line

Further, it is proposed to import 20 Diesel Multiple Units (DMUs) and 3 locomotives under the project. Out of 20 DMUs 9 DMUs have already been imported from India and the remainder are expected to be delivered within this year. The DMUs and locomotives will

increase the train capacity as well as the frequency of train operations. The DMUs are specially designed for long distance and intercity travel and they will improve the long distance and intercity train service. It was also proposed to train 600 personnel of Sri Lanka Railways in India under the project. About 400 personnel have already been trained. The project will also provide rolling stock maintenance facilities at Alutgama, Galle and Colombo.



Upgraded Katugoda - Matara Railway Line

The total cost of the project is estimated at USD 212.4 million of which USD 167.4 million has been provided by the Exim Bank of India.

### Restoration of Northern Railways

Objective of the project is to restore the Northern Railway Service destroyed by the terrorists. The main components of the project are reconstruction of the railway line from Omanthai to Pallai with a distance of 90 km, and Maddawachchiya to Talaimannar with a distance of 106 km. The project is scheduled for completion in 2013. The Government of India provides USD 416.4 million to implement this project. The project commenced in early 2011 and is scheduled to be completed in 2013.



A train reaching at Renovated Omanthai Station

Action is being taken to obtain USD 150 million and USD 87 million from the Government of India for the reconstruction of the railway line from Pallai to Kankesanthurai, and the installation of a Railway Signalling and Telecommunications system in the Northern Province.



**Reconstruction of Omantha - Pallai Railway Line**

### Diesel Multiple Units to Sri Lanka Railways from China

A concessional loan of RMB Yuan 700 million (approximately USD 102.5 million) has been obtained from the EXIM Bank of China for the procurement of 13 Diesel Multiple Units (DMUs) for the Sri Lanka Railways. Of these, 7 units are especially designed for use on the main line, 4 units on the Kelani Valley line and the remaining 2 units for tourist transportation. Delivery of the 13 DMUs is scheduled by September 2012. The procurement of the 13 DMUs will strengthen the passenger transport service of Sri Lanka Railways.

### Rehabilitation of the Eastern Railway Line – Austria

Rehabilitation of the Eastern railway line is one of the major infrastructure development projects in the Eastern Province. The objective of the project is to purchase high quality rails and other equipment for the rehabilitation of the eastern railway line. The Uni Credit Bank of Austria has provided a financing facility of USD 13.5 million to cover 85 percent of the total project cost.

### Matara – Kataragama Railway Extension Project – Phase 1

The Government has assigned high priority to the above project with the objective of extending the railway service up to Kataragama. It is proposed to construct a new railway line from Matara to Beliatta under Phase 1 of the project. The total cost of Phase 1 is USD 278.2 million and negotiations are underway to obtain the required financial assistance from the Government of China.

### Double Line from Polgahawela to Maho

Sri Lanka Railways has identified that the operation of trains on the northern line is very often delayed due to the absence of double lines from Polgahawela to Maho. It is required to construct double lines for the above railway section to make the railway service on the northern line more efficient, especially with the restoration of railway service in the Northern Province. Arrangements have been made to obtain a Line of Credit from the Government of India to construct double lines from Polgahawela to Maho.

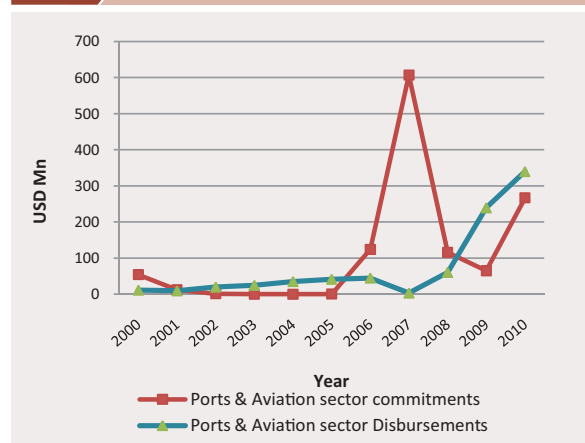
## Ports and Aviation: Expanding the Horizons

The Ports and Aviation sector is making a significant contribution to the growth of the economy of the country. It has much room and great potential to further enhance its contribution. Growing trade in the Indian sub-continent and the rest of the world has created an increasing demand for enhanced port facilities in Sri Lanka. As the existing facilities of the ports located in Colombo, Galle, Trincomalee, Kankasanturai and Point Pedro are not sufficient to cater the increasing demand for port facilities it was considered important to construct new ports with modern facilities and increase the efficiency of cargo handling facilities at ports in Sri Lanka. Therefore, with a view to increasing the contribution for economic development government has assigned high priority to the construction of new ports and the expansion and upgrading of ports related facilities in the existing ports. The Government has increased



investment through foreign financing in the ports and aviation sector, particularly for the above purposes.

**Chart 32** Commitments and Disbursements for the Ports & Aviation Sector from 2000 - 2010



**Table 55** Major Projects that are being Implemented

Projects	Donor	Loan Amount (USD Mn.)
<b>Port Development</b>		
Magampura Port Development	China	306.7
Bunkering Facilities and Tank Farm in Magampura Port	China	65.0
Colombo Port Expansion Project	ADB	300.0
Galle Port Development Project (1)	Japan	124.1
Oluvil Port	Denmark	72.5
<b>Aviation Development</b>		
Mattala Hambantota International Airport	China	190
<b>Total</b>		<b>1,058.3</b>

Source : External Resources Department

## Foreign Financing

It is evident that capital investment through foreign financing for this sector during the period from 2000 to 2005 was limited to maintain the existing facilities of ports and aviation services rather than construction and upgrading of ports and airports. Investment through foreign financing for Ports and Aviation sector was increased substantially after 2005. The total investment through foreign financing for this sector was USD 1,247 million for the period from 2000 to 2010. Of this amount, USD 68 million was made for the period from 2000 to 2004 and USD 1,179 million was made for the period from 2005 to 2010 representing 5 percent and 95 percent respectively. China, Asian

Development Bank (ADB), Japan and Denmark have made considerable commitments for the development of ports and the aviation sector in Sri Lanka from 2000 to 2010. Among them China has committed the largest amount, which is more than 50 percent of the total commitment of this sector for the period from 2005 to 2010. In addition, a new commitment of USD 27 million was made for the rehabilitation of the harbor at Kankasanturai and purchase of 50 units of terminal tractors from Malaysia in 2011 by India and Malaysia respectively. Arrangements have been made to secure another USD 1,293 million from China and Japan for the development of Hambantota Port- Phase II and the Bandaranaike International Airport - Phase II projects during the period from 2012 to 2013.

Major Ports and Aviation development projects that are currently being implemented with foreign assistance are highlighted below.

### Magampura Port Development Project

The Magampura Port Development project is a flagship project in the development programme of the country. It would be a landmark project built inland in dry conditions. The project consists of two Phases. Phase I consists of construction of East breakwater (315m length) and West breakwater (950m length), two berths with total length of 600m, a marine structure to accommodate 100,000DWT container vessels and 1km length approach channel with 210m width and 16m depth.



Ship at the Magampura Port

The total cost of Phase I is USD 360.8 million. Of this amount Export - Import (Exim) Bank of China has provided USD 306.7 million. The remaining USD 54.1 million has been financed by the Sri Lanka Ports Authority. Phase I of the project commenced in 2008 and around 97 percent of the work is completed.



The total estimated cost of Phase II of the project is USD 808 million and negotiations are under way to obtain a concessional loan from the EXIM Bank of China for financing Phase II.

### Bunkering Facility and Tank Farm at Magampura Port



*Bunkering and Tank Farm*



*Oil loading arms*

A Bunkering Facility and a Tank Farm are also established as an integral part of the Magampura Port Development project. This will provide facilities to supply and store marine fuel, aviation fuel and LP gas and bunkering services for the vessels passing by Sri Lanka. The main components of the project are construction of a bulk storage tank farm with a capacity of 82,000 cubic metres with mixing facilities for fuel oil, connection of pipe lines from the tank farm to the oil terminal, loading/unloading facilities and other service connections. The project is scheduled to be completed in 2011. The total cost of the project is USD 76.58 million. The Export – Import (Exim) Bank of China has financed USD 65 million to finance 85 percent of the project cost.

### Colombo Port Expansion Project

Under the proposed Colombo Port Expansion project, Colombo South Harbour will be located west of the present south west Breakwater in an area of approximately 600 hectares. The proposed harbour will have 4 terminals of over 1,200m in length, each to accommodate 3 berths with alongside depths of 18m and provision to deepen them to 23m to accommodate deeper draft vessels in the future.

The ADB has provided a Loan amounting to USD 300 million for the implementation of this project. These funds are utilized for dredging the approach channel and inner harbor west of the existing harbor, constructing a breakwater to the west of the existing harbor, relocating the existing submarine oil pipe line near the entrance to the new terminal, establishing a new marine operations centre providing navigational aid, and constructing shore utilities.

The development of Phase-1 of the Colombo South Harbour is to be carried out in two stages. The first stage of development of infrastructure is with public funds using an ADB loan of USD 300 million. The second stage is the construction of terminal facilities under Public Private Partnership. Under stage two, first Container Terminal will be constructed on a Build Operate and Transfer (BOT) basis. The handling capacity of this terminal will be 2.4 million TEU per year. The investment is estimated at USD 450 million. The first terminal is expected to be in operation in 2012.



*Colombo Port Expansion Project*

### Oluvil Port

The Government of Denmark has provided an interest free loan under its Mixed Credit Facility to finance construction of the Oluvil Port. The total Project cost is Euro 46 million and Port will form the south-eastern link in a chain of coastal harbours in the country. Furthermore, this project will provide more convenient

and cost effective access to the south-eastern region for goods and cargo originating in the west coast.

The project commenced in July, 2008 and will be completed in September 2012. The project includes the construction of a Commercial harbour and a basin for fishing craft and will cover a land area of 60 ha in the first stage and 105 ha in the second stage. The harbour basin would cover an area of 16 ha of the sea and would spread 1.2 km along the coast line.

### Mattala Hambantota International Airport



*Construction of Terminal Building*

Construction of second International Airport at Mattala has been considered important to support international and domestic travel and air-sea cargo transshipment in conjunction with the Magampura Port.

The main objective of the construction of the Mattala International Airport is to develop an alternative international airport for the Bandaranaike International Airport. The total contract price is USD 209 million of which USD 190 million has been provided by the Government of China at concessional terms. The remaining of USD 19 million is financed by Airport and Aviation Services (Sri Lanka) Limited. This project consists of several stages and Stage I and Stage II have been designed to handle short and medium term requirements.

Under Stage I of the project 800ha of land has been acquired and under the Stage II further 1,200ha of land will be acquired. Under Stage I, it is planned to facilitate one million passengers and 45,000MT of Cargo annually. After completion of Stage I, Hambantota International Airport will be equipped with a runway 3,500m in length and 75m in width, two sub taxiways, apron to accommodate 10 aircraft, 10,000 square metre terminal building and 5,000 square metre cargo

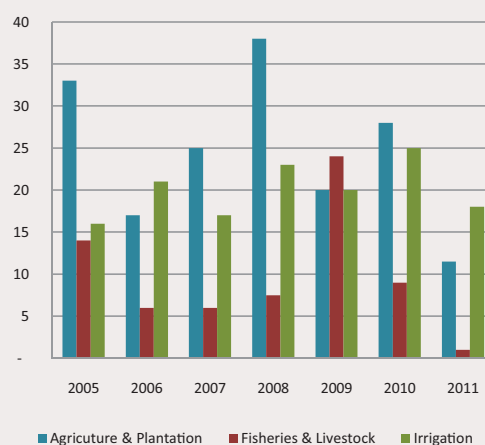
terminal with modern 'State of the Art' facilities which include Ground Navigational services and Fire and Rescue facilities. Stage I of the project is progressing as scheduled. The project will commence commercial operations by end of 2012.

## Agriculture and Irrigation : Feeding the Nation

Agriculture, including Plantation and Irrigation sectors significantly contributes to the national economy of the country by creating employment opportunities, maintaining food security and earning a large amount of foreign exchange. At present the agriculture sector contributes about 11 percent to the country's Gross Domestic Product (GDP) and employs about 32 percent of the workforce while generating about 28 percent of the total export earnings.

Government has placed a high priority on modernization of agricultural practices, improvement of productivity and competitiveness, enhancing value addition and product diversification with the aim of generating new income avenues and employment opportunities. In order to achieve these targets, government has invested a substantial amount of financial resource, including foreign finance in the agriculture during last 5 years.

**Chart 33** Foreign Financing Mobilization from 2005-2011 (USD Mn)



The Agriculture sector has received about USD 705 million of new foreign financing commitments during last 5 years mainly from the bilateral and multilateral agencies such as International Fund for Agricultural Development (IFAD), the Government of Iran, Saudi Fund for Development, the OPEC Fund for Development, Asian Development Bank, Japan and World Bank.

### Achievements

Since 2005, a number of important agricultural development projects have been implemented with the assistance of foreign financing.

The Plantation Development Project completed in 2009 has provided long-term financing for the Regional Plantation Companies (RPCs) through a credit line and a revolving fund, formed under the Project. The financing was utilised for field development and mechanization of tea, rubber, and coconuts; crop and non-crop diversification including spices and coffee as well as for forestry and estate tourism; factory consolidation and process automation, effluent treatment for rubber, and marketing ventures. The project directly contributed to more than 100 tea factories achieving certification standards required by the market. Replanting and infilling of tea (7,861 ha), rubber (25,816 ha) and coconut (1,131 ha) will generate an incremental gross revenue of Rs. 9,540 million within 10 years. Regional Plantation Factory modernization has contributed to significant improvement in worker-manager relationships. Under this programme, 172 tea and rubber factories have been improved and 31,330 worker housing units were reroofed. Project has provided a large amount of social infrastructure by constructing 189 water supply schemes, 874 factory and field rest rooms, 1,825 sanitary facilities and 45 social development centres, 37 play grounds, 13 electricity supply facilities and 31 places of worship. The project investments had a major impact on meeting some of the short-term needs of estate worker housing, especially the reroofing and sanitation activities. Field and factory rest rooms have improved the working conditions of the plantation workers, especially women. The mobility of plantation workers and access to estate worker housing have been improved by rehabilitating 520 km of estate roads, 60 km of gravel roads, and 58,400 feet of concrete foot paths.

The income of people living in the Walawe left bank area has substantially improved after implementation of the Walawe Left Bank Irrigation Upgrading and Extension project. This project was implemented with the foreign financing obtained from the Government of Japan. The subsistence agricultural practices prevailing in the area have been improved and modernized significantly due to the large network of irrigation canals and rural infrastructure provided by the project. Trading of Agricultural products in the area has increased remarkably due to the facilities provided by the project thus creating a regular inflow of cash to the communities. The project constructed 493 km of irrigation canals, 18,244 related structures, and 600 km of drainage canals. Similarly the project has provided social infrastructure for 9000 newly settled families which includes 48 km of market roads, 03 water supply scheme, and 09 schools and other facilities such as play grounds, community centres, market places, health centres, cooperatives etc. In addition to those, electricity has been provided to all households by constructing 35 km of high voltage and 160 km of low voltage power lines and 11 Transformer substations. The main spillway of the Udawalawe reservoir, spillway gates and operation room have been rehabilitated under the project benefiting a large number of people living in the area.



*Small scale tea cultivation at Doluwege*

### On-going Flagship Projects

#### Smallholder Plantations Entrepreneurship Development Programme

Government has launched the Smallholder Plantations Entrepreneurship Programme to benefit about 9,000 households embodying over 39,000 persons. This programme covers 3,500 hectares in

the Kegalle, Kandy and Nuwara Eliya Districts, and 5,000 hectares in the Moneragala District, making all together 8,500 hectares. The total project will cover 85 Grama Niladhari Divisions and 11 Divisional Secretariat Divisions in all the four districts. Under this programme, Government plans to expand rubber cultivation into non-traditional areas where the dry season prevails for most parts of the year. This will enhance the rubber production as well as income of the farmers as dry weather help them to tap more rubber latex during the year. The project also aims to improve the land tenure status of smallholder tea and rubber growers, increase producers' profit through improved post harvest handling, storage, processing and marketing of their products while developing and expanding rural finance and credit services.



*Saddle Dam*

In districts of Kegalle, Kandy and Nuwara Eliya, identification of potential crops for value addition has been initiated with service providers, and coordination is being done to establish market linkages. In this regard, dairy cattle have been distributed among farmers, who opt for diary farming in Kandy District.

The International Fund for Agricultural Development (IFAD) has provided USD 22.5 million for implementation this project through the Ministry of Plantation Industries. About 20 percent of the total allocation has been utilized so far and the programme is expected to be completed in 2018.

Under the sub - programme implemented in Moneragala District new rubber plantation programme covering 1640 (ha) has been completed supporting 3213 beneficiaries while cultivation of rubber and intercrop on farther 1,000 (ha) is in progress. In addition to that intercrops and income generating activities for 3,326 families have been introduced.

## Pro-Poor Economic Advancement and Community Empowered (PEACE) Project

Government has obtained Japanese Yen 6010 million loan from Japan to achieve sustainable development of regional agriculture and improve socio economic status of the farming community.

The project covers Anuradhapura, Kurunegala, Killinochchi, Mullaitivu, Vauniya, Mannar, Ampara, Batticaloa and Trincomalee districts. In the Kurunegala and Anuradhapura area 8 major, 12 medium and 80 minor irrigation schemes are being rehabilitated covering an area of 18,186ha and benefiting 25,300 farmers.

Thenniyankulam, Nampankulam, Mamaduwa, Thadchamaruthamadhu Kulam, Akkarayankulam, Borapola, Pulugunavi, Morawewa, Akathimurippu and Kurangupanchan Kulam areas in the Northern and Eastern Provinces are being rehabilitated under this project covering an irrigable area of 8,726ha and 7,322 beneficiary farmer families. The project is expected to be completed in 2013.

## Moragahakanda – Kalu-Ganga Development Project

The Moragahakanda - Kalu Ganga Development Project aims at irrigating 81,422 hectares in the Central and North Central Provinces benefiting over 100,000 families, in addition to providing drinking water and generating hydro-power.

The project will generate 20MW to be connected to the National Grid and consequent annual fuel cost savings in terms of the hydropower produced will be around USD 2.49 million. The Moragahakanda reservoir project will increase the island's agricultural productivity from 165 percent to 185 percent, with a total output value of USD 17 million. The average annual fish production potential of the reservoir is estimated to be around 4,700 tons per year, representing a net benefit of USD 1.67 million annually. Farmer income is expected to increase by 80 percent, once the Moragahakanda reservoir project is completed. It is also expected to supply water to households and for industrial purposes.

The project has three phases. The total cost of phase I of the project is estimated at USD 167 million. The estimated cost of the Kalu - Ganga Dam is USD 102.2 million. Of this amount USD 37 million has been obtained from the Kuwait Fund for Arab Economic Development. Of the remaining USD 46 million,



USD 19.0 million is expected to be obtained from the Saudi Fund for Development and OPEC Fund for International Development.

Further, infrastructure development activities, relating to environmental conservation and watershed management are being carried out. Irrigation and Social Infrastructure development activities in the resettlement area are also in progress. The project is scheduled to be completed by 2015.

### Projects to Commence in 2012

In addition to the above on-going projects, the following projects are expected to be implemented in 2012.

#### Importation of Dairy Animals Project

It is expected to increase the milk production of Sri Lanka by importing 4,500 dairy animals from Australia and developing farms belonging to National Livestock Development Board (NLDB) at Bopaththalawa, Nikaweratiya and Siringapatha. This project will be implemented in two Phases. Under Phase I, 2,000 dairy animals will be imported and the Bopaththalawa farm will be developed at a total cost of USD 13 million. The implementation of Phase I of the project will be carried out in 2 stages. Under Stage I, it is expected to develop necessary infrastructure facilities at the Bopaththalawa farm and implement a pilot project for 9 months with importation of 500 dairy animals to the Boopaththalawa farm. Under Stage 2, it is expected to import the balance 1500 dairy animals to the Bopaththalawa farm after completion of the pilot projects based on the performance of the dairy animals imported under Stage 1. Under Phase 2 of the project, the remaining 2,500 dairy animals will be imported and the Nikaweratiya and Siringapatha farms will be developed based on the performance of Phase 1 of the project. The loan agreements for financing this project have been already signed with Cooperative Centrale Raiffeisen Boerenleenbank (Robobank) - Netherlands and Export Finance Insurance Corporation (EFIC)- Australia. This project will be completed by 2016.

#### Iranamadu Smallholder Irrigation and Livelihood Development Project

This project was planned with the objective of improving the livelihood and incomes of households living in Kilinochchi District, particularly the Iranamadu tank area. The project will rehabilitate the irrigation

infrastructure fed by the Iranamadu tank to attain its full productivity level. Accordingly, 30 km of main channel, 135 km of Branch channels and 123 km of field channels of the Iranamadu tank will be rehabilitated under this project. The project will improve agricultural production and water and land productivity in the area. The total project cost is USD 32 million of which USD 20 million will be funded by IFAD. The remaining will be met by the Government of Sri Lanka through local financing arrangements.

#### Emergency Natural Disaster Rehabilitation Project

The main objective of this project is to restore socio economic activities of the families affected by floods and landslides in affected areas in the North Central, Central and Eastern provinces and provide necessary protection to avoid further damage by rehabilitating the damaged national, provincial and rural road networks and irrigation schemes. This project will be implemented through a loan of Rs 9800 Million from Japan International Cooperation Agency (JICA).

## Balanced Regional Development

In the effort to achieve balanced regional development, it is required to ensure growth in income and output levels among regions providing the opportunity to utilize local resources and expertise. In addition it should support equal access for the people of different regions to economic and social services, employment opportunities and participation in development as well. Having considered this concept, national, provincial and local authority development plans are being implemented to accelerate provincial and rural development activities throughout the country.

With the aim of realizing the goal of balanced regional development, Sri Lanka has made significant progress during the recent years through several projects and programmes which are being implemented by the government with financial assistance obtained from various donors.

Implementation of these projects and programmes have helped to reduce regional disparities through accessibility for service delivery by means of enhanced connectivity through expanded provincial and rural



roads networks. As a result, all backward regions have improved access to health services, education, water supply sanitation and IT services which enables maintenance of a balanced level of achievement in reaching Millennium Development Goals (MDGs).



*Ralkuli Bridge - Trincomalee*

With the purpose of improving the quality of education, number of development projects have been initiated throughout country. Being the main contributors for education sector Asian Development Bank and the World Bank assisted the Government in improving the quality of primary and secondary education as well as tertiary education through new development and rehabilitation of projects. Further, Sweden assistance obtained for development of 475 Plantation Schools in 7 districts, greatly contributed to enhance the education facilities for less privileged communities in plantation areas.

Recognizing the need for developing the health sector, steps have already been taken to improve health care facilities in all regions by construction and rehabilitation of hospitals and provision of medical equipments to remote hospitals. Jaffna Teaching Hospital in the Northern Province is being developed under the financial assistance of Japan while several other hospitals in Killinochchi and Mullaitive districts have been selected for reconstruction with USAID grant assistance. In the same way, some major projects are to be implemented in other provinces for development of Hambantota, Nuwara Eliya and Mahamodara hospitals and supply of medical equipment to National Hospital etc are to be implemented in year 2012.

Government has taken measures to provide safe drinking water to all citizens by implementing water supply projects covering the entire island. Jaffna

Killinochchi water supply project is being implemented in Jaffna Peninsula while several other projects including secondary towns and community water supply project and Dry zone water supply project are being implemented in other areas. Ampara Navalapitiya, Koggala, Negambo, Greater Kandy, Kalani Right Bank and Kalu Ganga water supply schemes are some of the major projects among them. Further, Kolonna - Balangoda, Badulla - Haliela - Ella and Greater Ratnapura water supply projects will be commenced in next year.

In the three – year Eastern Province Development Program, the government has emphasized the necessity of improving the rural road network to achieve its objectives of improving the connectivity between production and market places, linkages with the other provinces, increasing producer surplus by reducing transport cost, opening backward area for economic development and reducing poverty. Having implemented the Eastern Province Rural Road Development Project with the financial assistance of Rupees 4,895 million from Japan, it is expected to improve 650 km of rural roads in Ampara, Batticaloa and Trincomalee districts.

Accordingly the Government have taken measures to provide necessary facilities including health, education, water supply, roads and bridges for all provinces with the aim of reducing disparities between the regions and to maintain a balanced regional development.

Details of some of the new and ongoing flagship projects with this aim are given below.

### **Conflict Affected Region Emergency (CARE) Project**

The Asian Development Bank has provided USD 150 million for the implementation of the Conflict Affected Region Emergency Project which started its activities in 2010 and is scheduled to be completed in 3 years, by 2013.

The project will focus on significantly expanding and strengthening the urgently needed reconstruction of essential infrastructure and administrative services and will create livelihood and sustainable income earning employment opportunities for Internally Displaced Persons (IDPs) in the conflict affected areas by supporting the recovery of the region's economy.

Determining the emerging outcomes of this project, it will support poverty reduction by improving the living conditions and sustainable livelihood prospects in the Northern Province, Eastern Province and some adjoining villages in the North Central Province.

Accordingly, the loan will be utilized for the reconstruction and rehabilitation of National, Provincial and Municipal/Urban Council roads, two essential utilities such as power and water supply, basic social services which include restoring medium and small irrigation schemes, rebuilding administrative offices and related facilities and the rehabilitation of 3 court houses with related facilities in the Northern Province.

Under re-establishing connectivity, the project includes the rehabilitation of (a) 65 km of National Roads in the Northern Province (Pooneryn – Paranthan Road, 25.3 km & Mankulam – Vellankulam Road, 38 km) (b) 100 km of provincial roads in the Mannar, Vavuniya, Mullativu & Kilinochchi districts and (c) 100 km of municipal/urban council roads in the Northern Province, and the rural roads in North Central Province.

In restoring utilities, the project will support the reconstruction of the Chunnakum grid station and Kilinochchi – Chunnakum transmission line which were destroyed in the conflict. Further, it will support the water supply scheme at Echchalampattu in Trincomalee District and Point Pedro in the Jaffna District. Restoration of 10 medium and small irrigation schemes and rebuilding of 10 administrative offices including selected staff quarters and the divisional secretary's quarters in Jaffna, Kilinochchi, Mullaitivu and Mannar districts will be done.

In addition, court houses are proposed for rehabilitation with related facilities in nine strategic locations in the Northern Province.

The project will provide improved access to a power supply to about 750,000 people in the Northern Province and about 35,000 people will gain access to safe drinking water in the Northern and Eastern Provinces. By investing in small and medium irrigation schemes, the project will enable 6,000 families to restart cultivation on approximately 6,500 hectares of land.

## "Pura Neguma" – Local Government Enhancement Sector Project

The "Pura Neguma" project is expected to commence in late 2011 under ADB financial assistance of USD 59 million for improving local infrastructure and services delivered effectively by local authorities in less-developed areas of Sri Lanka.

The project will improve the quality of life and help enhance economic activities in less developed areas in the country through effective delivery of improved local infrastructure and services by more accountable and financially and technically strengthened local authorities.

Under the project, about 100 local authorities selected from the seven provinces will implement sub-projects including environmental infrastructure such as water supply & sanitation (including sewerage), drainage and solid waste management; economic infrastructure such as roads and bridges (including suspension bridges); public health infrastructure such as maternity and health-care centres and other local authority facilities such as public markets.

## Small scale infrastructure Rehabilitation and upgrading project (SIRUP)

The SIRUP project implemented with Japanese assistance of yen million 11,776 helped to improve the basic conditions for living and socio-economic activities in rural and urban areas through rehabilitation and upgrading of small scale infrastructure of education, health and rural development. These improvements paved the way to (i) enhance access to ensure quality, achievement and management of education at provincial levels, (ii) to ensure quality of health services through improved cost effective diagnosis and treatment (iii) facilitated the decentralization projects of social services.

## Emergency Northern Recovery Project

The International Development Association (IDA) of the World Bank entered into an agreement with the Government of Sri Lanka to provide USD 65 million for the implementation of this project.

The objective of the project is to support the Government of Sri Lanka's effort in the Northern Province for resettlement and re-establishment of

the livelihoods of internally displaced people (IDP) and the conflict affected people. It will be achieved through assistance of emergency cash support for conflict affected households to enable them to restart their lives: medium term economic security through rehabilitation of agriculture and other livelihood assets and restoration and improvement of essential public infrastructure and facilities. The project will be completed by December 2011.

### North East Housing Reconstruction Program (NEHRP)

NEHRP facilitates the reconstruction of 50,091 houses in the Northern and Eastern provinces over a seven year period through the provision of housing support of a Cash Grant. In doing so, it would support the return of displaced population in the North and East and the regularization of land titles to targeted beneficiaries. It would contribute to the training of skilled construction workers, consequently allowing the resumption of economic activities in the war devastated region through increased construction activity. "Owner Driven" is the concept used in this project as the implementation methodology on Reconstruction activities.

Total investment has been met by domestic and external financing; USD 118 million from IDA, USD 22.05 million from EC and domestically USD 6.52 million.

### Construction of 210 Rural Bridges in Sri Lanka

It is expected to construct 210 permanent Steel bridges varying in lengths from 6 – 30 meters covering the whole Island.

Construction of these bridges connecting number of villages will greatly facilitate poor communities residing in the remote areas by having opportunities to make their economic activities more easily and it will invariably contribute to enhance the socio-economic standards of them. Due to the increased accessibility and reduction of travel time and travelling distance, communities living in rural areas will be able to send their products to markets without difficulty as well as to get other required services efficiently which will enhance their living standard.

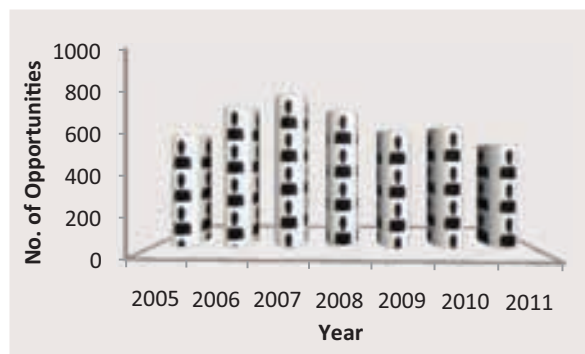
The total estimated cost will be GBP 35 million will be financed through/ by HSBC (Hongkong and Shanghai Banking Corporation Limited) of UK and the People's Bank. Ministry of Economic Development will implement the project in 2012.

## Human Resource Development in the Public Sector

The future of the nation relies basically on human resource development. Together with a gradual transformation of Sri Lanka from a lower income county to middle income country, the capacity of the public sector to carry out a wide range of development tasks, which are necessary for rapid economic development in the country, needs to be improved. A productive human resource base with new knowledge, skills and right attitudes is an important factor to develop Sri Lanka as a Knowledge Hub. Accordingly, the necessity for continuous development of human and functional capacities of the public service has been well recognized by the government's policies.

Countries like Japan, Korea, China, Singapore, Malaysia, Australia, Thailand, India, Indonesia and the multilateral development agencies such as ADB,

**Chart 34** Foreign Training Opportunities received from 2005 - 2010

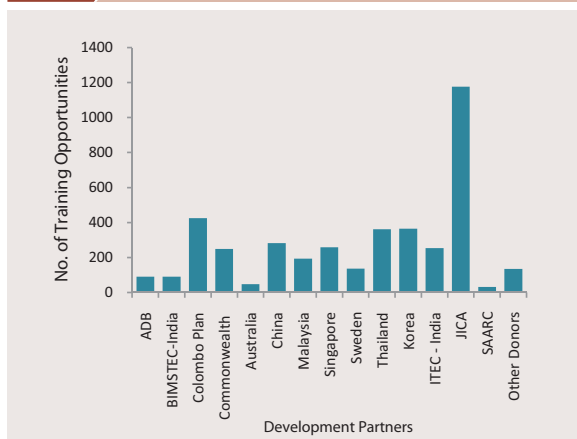


Colombo Plan, Commonwealth Secretariat have accumulated a good base of technical knowledge and a large number of specialists in various fields. Therefore, Sri Lanka is utilizing the technical assistance programmes provided by those countries and Development Partners to improve the public services by providing new knowledge and skills to public servants enabling them to cope with the emerging challenges in the new economic era.

At present, there are around 1.3 million state officials in Sri Lanka. The capacity of these officers is continuously being upgraded by the government

through long-term as well as short term foreign and local training programmes. The External Resources Department of the Ministry of Finance and Planning is the focal point for mobilizing the foreign training opportunities among the relevant agencies.

**Chart 35** Foreign Training Opportunities received from Development Partners in 2010



Source : External Resources Department

Sri Lanka annually receives a significant number of foreign training opportunities for state officials from development partners such as Japan, Korea, India, Thailand, Singapore, Indonesia, the Commonwealth Secretariat, the Colombo Plan etc. These programmes consist of both long term such as Masters Degree Programmes and short term training programmes. In addition, Sri Lanka benefits from international workshops, seminars, conferences and volunteer programmes which are assisted by the development partners.

These training opportunities are distributed among all relevant agencies including Line Ministries, Departments, District and Divisional Secretaries, Provincial Councils and Agencies coming under them. ERD operates a regularly updated database to improve the efficiency and ensure the transparency and accountability of the foreign training management process. Details of all relevant training programmes provided by the development partners are annually circulated among line ministries to review their training plans and identify appropriate officers in advance to avoid delays in the selection process. In order to fulfill the increasing demand for capacity development of public servants, the Department of External Resources regularly negotiates with multilateral and bilateral development partners an increase in the foreign training opportunities for Sri Lanka in various technical

fields. In addition to that the ERD has negotiated with the Development Partners to provide demand driven training programmes which can contribute to the enhancement of the quality of the programmes and improve the capability of trainees to make effective decisions in the government priority areas and their duties.

Sri Lanka receives technical assistance from more than 15 development partners in various fields. Sri Lanka annually receives around 600 foreign training opportunities. During the last 5 years from 2005 to 2010, Sri Lanka has benefited from around four thousand foreign training opportunities including long term and short term training programmes, seminars, workshops and conferences conducted by reputed donor agencies. Around 200 long term scholarships have been mobilized by the Department of External Resources during the same period to improve the capacity of state officials.

### Training Opportunities from Japan



Japan Development Scholarship Programme (2011 Batch)

The Government of Japan which is recognized as one of the countries with well developed human resource practices has been the biggest provider of foreign training opportunities to Sri Lanka during the last 5 years. 33 percent of foreign training opportunities available for Sri Lanka are offered by Japan. This consists of around 200 foreign training opportunities in the fields of agriculture, power and energy, environment, livestock, health, governance, transport, etc. This includes about 18-20 long term Masters Degree programmes in public policy and public finance, public administration, macroeconomics and development economics, and regional development. Recently Government has successfully negotiated with the Japanese Authority to increase the annual training opportunities available for Sri Lanka and to change areas and the universities for long term programmes as per the government's priority.

### Training Opportunities from Korea

Sri Lanka annually receives around 60 foreign training opportunities from the Government of Korea. The majority of the training opportunities provided by Korea are short term programmes. About 10 Masters Degree programmes in the areas of international development, fisheries and aquatic resources development, public policy, information technology and agriculture are also provided by Korea annually. Since 2010, the foreign training opportunities provided by the Korean Government have increased.

### Training Opportunities from the Colombo Plan Secretariat

The Colombo Plan which was established in Sri Lanka on 1<sup>st</sup> July 1951 through the excellent participation of its seven commonwealth and non commonwealth nations to improve the capacity of the human resources of its member countries and improve the mutual cooperation among the member countries, also provides training opportunities to Sri Lankan state officials in the fields of public administration, environment, private sector development, and drug advisory programmes. During the period 2005 to 2010 around 450 training opportunities have been provided to Sri Lanka. In addition, the Colombo Plan Secretariat annually hosts a training programme in Sri Lanka. In 2011, the Colombo Plan Secretariat hosted a training programme on "Small and Medium Enterprise Development" in Sri Lanka for the celebration of the 60th Anniversary of Colombo Plan and 25 participants from its member countries participated in this programme. The Government of Sri Lanka obtained assistance also from the United Nations Development Programme to host this programme in Sri Lanka.

### Training Opportunities from Other Development Partners

Australia is one of the key countries that provides Masters Degrees to Sri Lankan officials in worldwide recognized universities in Australia. Sri Lanka annually receives around 18 training opportunities in the areas of governance, education, environment, and health. It is expected to increase the number of opportunities of Masters Degrees in future and for this purpose the Department of External Resources is in the process of holding awareness programmes among line Ministries to prepare their officials to face

the interviews.

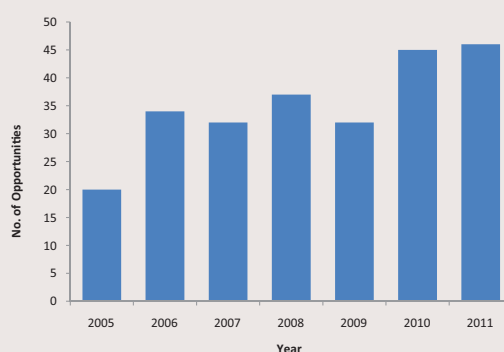
China has become a major development partner of Sri Lanka during the last decade. Accordingly, China provides a significant number of foreign training opportunities annually. A large number of Sri Lankan state officials in the areas of agriculture, finance and economics have benefited from these programmes.

The foreign training provided by the Asian Development Bank (ADB) focuses mainly on senior level officers in the financial and economic sectors. Sri Lanka annually receives about 50 training opportunities from ADB.

In addition, the foreign training provided by India, Thailand, Singapore, Malaysia, Sweden, Germany, Netherland, Pakistan, Egypt, Ishrael, Brazil, SAARC and the Commonwealth Secretariat help significantly to address long term human resource development needs of Sri Lanka.

**Chart 36**

Long Term - Foreign Training Opportunities received from 2005 - 2010



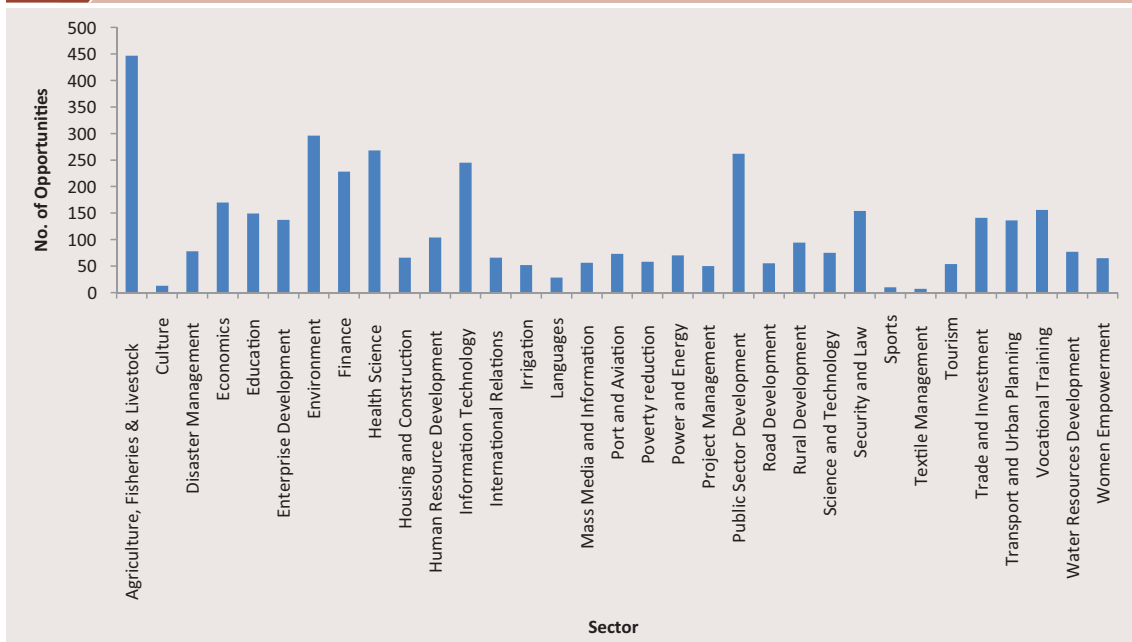
Source : External Resources Department

### Sector-wise distribution of Foreign Training Opportunities

About 11 percent of the total foreign training opportunities received by the Government during the period of 2005– 2010 was in the agriculture, fisheries and livestock sector. This training has contributed significantly to knowledge transfer and thereby improved agricultural productivity through priority on modernization of agricultural practices and improvement of competitiveness while enhancing value addition and product diversification.

The public administration and governance sector also received a significant number of foreign training opportunities during the last 5 years. Under these programmes, 366 officials from line agencies and provincial agencies have been trained on management



**Chart 37** Foreign Training Opportunities received from 2005 - 2010 - Sector wise

Source : External Resources Department

skills and leadership development. About 330 training opportunities have been provided to the education, higher education and vocational education sectors.

The other main trainings opportunities that Sri Lanka has received from development partners were in the subject areas of mass media and information technology, environment, enterprise development, health, transport, urban planning, finance and economics. Around 1,800 state officials (45 percent of the officials trained abroad) have been trained in these fields during the period 2005 to 2010. They also have gained the experience and knowledge of modern technologies from reputed international organizations in the selected fields and this experience and knowledge have helped them to improve their capacities.

In addition to the above major sectors, foreign training opportunities have also been obtained for other sectors such as culture, disaster management, international relations, irrigation and water resources management, port and aviation, power and energy, project management, rural development, science and technology, security and law, sports, tourism and women empowerment. These programmes have assisted the beneficiaries to improve their performance and develop their career prospects.

### Volunteer Service

Apart from the foreign training opportunities, the Government of Sri Lanka has received support from the development partners to obtain the services of volunteers such as computer instructors, web design engineers, language instructors, sports coaches, community development specialists, vocational training instructors, and other experts as part of regular technical cooperation. Currently Sri Lanka receives volunteer services from the Government of Japan, Government of Korea and United Nation Agencies. Annually Sri Lanka receives around 30, 60 and 20 volunteers from Japan, Korea and UN respectively. In addition to the improvement of the skills and knowledge of the students and the officials, these volunteer programmes have helped to enhance the living standards of the community through knowledge sharing, as these volunteers have been working with communities at grass roots level for a considerable time.



KOICA Volunteers

### Way Forward

- To circulate updated information on the foreign training programmes among line Ministries towards the end of each year enabling them to allocate each programme to the appropriate officer, avoiding delays. Meetings are also being conducted with the line Ministries to make them aware of the future programmes and to prepare their officials for these programmes.
- A Draft Evaluation form has been developed for participated candidates and their respective Ministries to monitor the effectiveness of the programmes in the future. This will improve the quality of the programme while ensuring that the trainee applies the acquired knowledge to his/her official duties.
- Negotiate with the existing Development Partners to increase the number of training programmes and the number of trainees and to focus on the government priority areas to be trained in future.
- To attract more Development Partners from European Countries, North America and Latin America to improve the quality and the quantity of the training programmes particularly Masters and Ph.D Programmes and short term training programmes.
- To attract more volunteers from Native English Speaking Countries to improve the English knowledge of Sri Lankan state officials, Students of Schools, Technical Colleges and Universities. Negotiations are underway to obtain the services of volunteers from Australia.
- To negotiate with the development partners to utilize the skills of the Sri Lankan experts to conduct training programmes in other countries as Resource persons and volunteers. Negotiation is already underway with the Commonwealth Secretariat.
- To negotiate with the development partners to host training programmes in Sri Lanka with the assistance of the Government of Sri Lanka.
- Draft Evaluation form has been developed to submit to the line Ministries to obtain their views and comments to help improve the quality of the services of the Volunteers.
- Currently skills of a substantial number of state officials in various fields in Sri Lanka have been enhanced through the assistance of development partners. In future it is expected to obtain foreign assistance only for essential areas and those skills will be used to host training programmes in other developing countries.



# Abbreviations

ADB	Asian Development Bank
ADF	Asian Development Fund
AFD	Agence Francaise de Development (of France)
ATI	Advanced Technological Institution
AusAid	Australian Agency for International Development
AusTrade	Australian Trade Development Commission
BOT	Build Operate and Transfer
BPO	Business Process Outsource
CARE	Conflict Affected Region Emergency Project
CDB	China Development Bank
CEB	Ceylon Electricity Board
CKE	Colombo Katunayake Expressway
CMC	Colombo Municipal Council
CPS	Country Partnership Strategy
CSSD	Central Supply and Sterilizing Department
CT Scan	Computerised Tomography Scan
DANIDA	Danish International Development Agency
DMUs	Diesel Multiple Units
DRNP	Disaster Response Network Project
EDBI	Export Development Bank of Iran
EDCF	Economic Development Cooperation Fund
EFIC	Export Finance Insurance Corporation of Australia
E-Friends	Environmentally Friendly Solution Fund
EKSP	Education for Knowledge Society Project
EU	European Union
EXIM	Export Import
EXIM Bank of China	Export – Import Bank of China
Exim Bank of Korea	Export Import Bank of Korea
FAO	Food and Agriculture Organization
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GIZ	German International Cooperation (Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) GmbH)
GOSL	Government of Sri Lanka
HSBC	Hongkong & Shanghai Banking Corporation Plc
IBRD	International Bank for Reconstruction and Development
ICT	Information & Communication Technology
ICU	Incentive Care Units
IDA	International Development Association
IDPs	Internally Displaced People
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFRC	International Federation of Red Cross
IJT	International Jewellery Tokyo
ILO	International Labour Organization
IRDP	Integrated Rural Development
IT	Information Technology
JICA	Japan International Cooperation Agency
KFAED	Kuwait Fund for Arabic Economic Development
KfW	Kerditanstalt Fur Weideraufbau
KOICA	Korean International Cooperation Agency

MDGs	Millennium Development Goals
MIC	Middle Income Country
MOU	Memorandum of Understanding
MRI	Magnetic Resonance Imaging
NARA	National Aquatic Research and Development Agency
NCRE	Non-Conventional Renewable Energy
NHEQF	National Higher Education Quality Framework
NLDB	National Livestock Development Board
NTPC	National Thermal Power Cooperation
NVQ	National Vocational Qualification
NWSDB	National Water Supply and Drainage Board
OCH	Outer Circular Highway
OCR	Ordinary Capital Resources
ODA	Official Development Assistance
OPD	Outdoor Patients Department
OPEC	Organisation of Petroleum Exporting Countries
ORET	Development Related Export Transaction Program
PEACE	Pro-poor Economic Advancement & community Enhancement project
RDA	Road Development Authority
SAARC	South Asian Association for Regional Cooperation
SCARC	Standing Cabinet Appointed Review Committee
SEMP	Secondary Education and Modernization Project
SFD	Saudi Fund for Development
SIDA	Sweden International Development Agency
SLIATE	Sri Lanka Institute of Advanced Technology for Education
SME	Small and Medium Enterprises
SOE	State Owned Enterprises
STEP	Special Terms for Economic Partnership
SMILE	Small & Micro Industries Leader & Entrepreneur Promotion Project
SYRUP	Small Scale Infrastructure Rehabilitation and Upgrading Project
TEVT	Technical Education & Vocational Training Sector Development
UDG	University Development Grant
UK	United Kingdom
UN Agencies	United Nations Agencies
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children Fund
USA	United States of America
USAID	United States Agency for International Development
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WS	Water Supply



# Currencies and Measurement Units

USD	United States Dollar
GBP	Great British Pounds
JPY	Japanese Yen
RMBY	Renminbi Yuan
GWh	Giga Watt hours
Ha	Hectares
Km	Kilometres
MW	Mega Watt
Cum	Cubic Meters