



# **Performance Report 2010**

**Department of External Resources  
Ministry of Finance & Planning**

## 01. Vision, Mission and Objectives of the Department

### **Vision**

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

### **Mission**

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

### **Objectives**

- Mobilize external resources on favorable terms and conditions with minimum cost And low risk to finance development projects identified in the Government’s Ten - Year Development Framework
- Facilitate the effective and efficient utilization of external resources
- Contribute to maintain long – term external debt sustainability of the country
- Contribute to the human resource development in the public sector by effective Utilization of foreign training opportunities
- Continue to strengthen the capacity of the Department to fulfil the responsibilities in an effective and efficient manner

### **Our Values**

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

Demand the highest standards of personal integrity, putting the departments Interest ahead of individuals

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

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

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

## Table of Contents

Vision, Mission and Objectives of the Department	i
Our Values	ii
<b>1 Overview</b>	<b>1</b>
1.1 Organizational Structure	1
1.2 Staff Development and Training	2
<b>2 Foreign Financing</b>	<b>4</b>
2.1 Foreign Financing Commitments	4
2.2 Trend of Foreign Financing	5
2.3 Committed Undisbursed Balance	6
2.4 Foreign Fund Disbursements	6
2.5 Utilization of Foreign Finance	7
2.6 External Debt Stock	9
2.7 External Debt Service Payment	9
<b>3 Performance by Divisions</b>	<b>11</b>
3.1 Asian Development Bank Division	11
3.1.1 Sectoral Analysis of the Portfolio	12
3.1.2 Key Projects being Implemented in 2010	12
3.1.2.1 Northern Road Connectivity Project	13
3.1.2.2 Fiscal Management Efficiency Project	14
3.1.2.3 Clean Energy and Access Improvement Project	14
3.1.2.4 Eastern and North Central Provincial Road Project	14
3.1.2.5 Local Government Infrastructure Improvement Project	15
3.1.2.6 Conflict Affected Region Emergency (CARE) Project	15
3.1.2.7 Education for Knowledge Society Project (EKSP)	16
3.1.2.8 Secondary Towns Rural Community Based Water Supply and Sanitation Project	16
3.1.2.9 Greater Colombo Waste Water Management Project	16
3.1.2.10 Dry Zone Urban Water and Sanitation Project	17

3.1.2.11	Colombo Port Expansion Project	18
3.1.3	The Key Projects to be implemented in 2011	18
3.1.3.1	Sustainable Power Sector Support Project	18
3.1.3.2	Jaffna & Kilinochchi Water Supply & Sanitation Project	19
3.1.3.3	Muttur Water Supply Projects	19
3.1.3.4	National Highway Sector Project (Supplementary)	20
3.1.3.5	Lagging Local Authorities Infrastructure Development Project	20
3.1.4	ADB Assisted Projects Completed in 2010	20
3.1.5	Special Events in 2010	22
3.2	Japan Division	22
3.2.1	Agreements Signed in 2010	22
3.2.2	Portfolio Analysis of Loans and Grants 2010	23
3.2.3	Actual Disbursements 2010	24
3.2.4	Ongoing Projects	24
3.2.4.1	Southern Highway Construction Project (II)	24
3.2.4.2	Upper Kotmale Hydropower Project	25
3.2.4.3	Outer Circular Highway to Colombo City	25
3.2.5	Completed Projects	26
3.2.6	Future Projects	26
3.2.7	Special Events Took Place during the Year 2010	26
3.2.8	Japanese Mission	27
3.3	World Bank Division	27
3.3.1	World Bank Assistance to Sri Lanka	27
3.3.2	Year 2010 Commitment	28
3.3.2.1	Small and Medium Enterprise Development Facility	29
3.3.2.2	North East Local Service Improvement	29
3.3.2.3	Provincial Roads (Uva, Eastern and Northern)	30
3.3.2.4	Emergency Northern Recovery Project	30
3.3.3	Year 2010 Disbursement	30
3.3.4	Future Projects	31
3.3.4.1	Road Sector Assistance-Second Additional financing	31
3.3.5	World Bank Missions	31
3.3.6	GOSL Communication with the World Bank and the	32

	<b>IMF</b>	
<b>3.4</b>	<b>Bilateral West Division</b>	<b>32</b>
3.4.1	Major Projects Signed in 2010.	34
3.4.1.1	Greater Trincomalee Water Supply Project	34
3.4.1.2	Provision of Oxygen Concentrators, Operating Theaters & Medical Equipments to Tsunami Affected and remote Hospitals project	34
3.4.1.3	Reconstruction of Water Supply-Galle District Project-Phase ii	34
3.4.1.4	Russian Line of Credit	35
3.4.1.5	Rehabilitation of Old Laxapana Hydroelectric Power plant	35
3.4.1.6	Rehabilitation of Eastern Railway line	35
3.4.1.7	Emergency Purchase Container Handling Equipments	35
3.4.2	Future Projects	35
<b>3.5</b>	<b>Bilateral East Division</b>	<b>36</b>
3.5.1	Project Being Implemented in the Year 2010	37
3.5.2	Projects Committed During the year 2010	38
3.5.2.1	Hambantota International Airport	38
3.5.2.2	Supply of 13 Nos. of DMUs	39
3.5.2.3	Supply of 2Nos. of MA60 Aircrafts	39
3.5.2.4	Northern Road Rehabilitation Programme	39
3.5.2.5	Procurement of Materials for the Power sector Development Programme (Uthuru Wasanthaya)	40
3.5.2.6	Integrated Water Supply Scheme for Unserved Areas of Ampara District Phase III	40
3.5.2.7	Hatton-Nuwara-Eliya Road Improvement Project	40
3.5.2.8	Rural Electrification Project (8)	40
3.5.2.9	Track Laying of Northern Railway Line	41
3.5.3	Completed Projects	41
<b>3.6</b>	<b>United Nations Division</b>	<b>41</b>

---

3.6.1	Current Portfolio	41
3.6.1.1	United Nations Development Programme (UNDP)	41
3.6.1.2	United Nations Children's Fund (UNICEF)	42
3.6.1.3	United Nations Population Fund (UNFPA)	42
3.6.1.4	International Fund for Agricultural Development (IFAD)	42
3.6.1.5	World Food Programme (WFP)	44
3.6.1.6	United Nations High Commissioner for Refugees (UNHCR)	45
3.6.1.7	Food and Agriculture Organization (FAO)	45
3.7	Technical Assistance Division	46
3.8	Policy and Information Systems Division	49
3.8.1	The Role of the Policy and Information Systems Division	49
3.8.2	Performance of the year	50
3.9	Debt Management Division	51
4	Financial Review	52
4.1	Financial Information on Expenditure	52
4.2	Advance Accounts	53
4.3	Auditor General's Queries	53
4.4	Appropriation Account 2010	53
	Annexure I	

## 1. Overview

The Department of External Resources (ERD) continued to enhance its contribution to achieve development targets of “Mahinda Chinthana -The Vision for the Future” by mobilizing necessary foreign resources for financing development projects in Sri Lanka. It has played a major role in sustaining public investment around 6-7 percent of GDP and achieving high economic growth in 2010 while reaching new record levels in foreign financing commitment and disbursements.

The total financial commitments secured by the ERD from development partners and lending agencies in 2010 reached to the level of highest annual commitments recorded so far, reporting 48 percent increase over the previous year. The total commitment of USD 3,289 million consists of project loans of USD 3,165 million and grants of USD 124 million.

The total disbursement also reached to USD 2,121 million in 2010 surpassing the previous highest level of USD 1,621.6 million reported in 2009. Of this amount, USD 1,972 million (93 percent) was disbursed through project loans and the balance USD 149 million (7 percent) was disbursed through grants. The total disbursement during 2010 has increased by 30 percent compared to the total disbursement of USD 1,633 in the year 2009.

Foreign financing to Sri Lanka comprised of concessionary loans, non-concessionary loans, grants and export credits. 12 multilateral agencies, 20 bilateral donors and number of export credit agencies closely worked with Sri Lanka as development partners. The Asian Development Bank, the World Bank, European Investment Bank and the United Nations Agencies were the main multilateral donors. The major bilateral donors were China, Korea, Japan, Hungary, the Netherlands, India and Australia.

The utilization of foreign financing has increased during the last 5 years. With the higher level of commitments, the utilization rate in relation to the infrastructure development projects has increased steadily since 2005 contributing to improvement in the overall aid utilization rate. The second international 5-Year sovereign bond of US\$ 1,000 million was issued in October 2010. The offer was over - subscribed by more than thirteen times, the highest over-subscriptions of any sovereign US dollar bond offering in 2010

### 1.1 Organizational Structure

The Department of External Resources (ERD) is headed by Director General assisted by 3 Additional Director Generals and 6 Directors in charge of the following Divisions;

1. Asian Development Bank Division



2. World Bank Division
3. Japan Division
4. Bi-Lateral West Division
5. Bi-Lateral East Division
6. Technical Assistance Division
7. Policy and Information Systems Division
8. Debt Management Division
9. UN Division
10. Administration and Finance Division

The cadre information of the Department of External Resources as at 31<sup>st</sup> December 2010 is given in the table 1.1 below;

**Table 1.1**  
**Cadre information as at 31<sup>st</sup> December 2010**

<b>Cadre</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Vacancies</b>
Staff Officers	44	33	11
Supporting Staff	70	43	27
Minor Staff	29	28	01
<b>Total</b>	<b>143</b>	<b>104</b>	<b>39</b>

Administration and Finance Divisions provide required supporting services for the smooth and efficient functioning of the Department. These supporting services are mainly link to the management and development of physical and human resources. The physical resources in the department are annually verified and updated through the process of Board of survey.

As indicated in Table 1.1, a 27 percent of the approved cadre had been vacant at the end of 2010. It has been a challenge to the Department in reaching the targets set out in the Annual Work Plan 2010. In spite of such vacancies, the Department performed well in 2010 and recorded highest disbursement and commitments.

## 1.2 Staff Development and Training

In the year 2010, the department has performed a significant role in development of human resources through the provision of local and foreign training opportunities for staff for capacity development and to enhance their efficiency. Foreign training opportunities provided are as follows;

**Table 1.2 Local and foreign training opportunities provided**

<b>Training Programme</b>	<b>Number of Staff</b>
Debt Management	02
Project Preparation Analysis Financing	01
Resource management & Budgeting	01
Managerial control & Management Information system	01
Other Areas	02

Recognizing the need for upgrading skills of the administrative and supportive staff of the department, the officers of the Management Assistance Service and supporting services have been provided with significant number of local training opportunities in 2010. The following table summarizes the areas on which they were trained;

**Table 1.3**

<b>Subject of Training</b>	<b>Number of Staff trained</b>
English Language	02
Disciplinary Procedure	01
Office Management	02
Pension Process	01
Public Finance Management	04
Good Governance & Human Resources Management	01
Tamil Language	01
Material Stores Management and Supply Chain Management	01
The Role of Office Assistant	02
Drivers Training	01

## 2. Foreign Financing

### 2.1 Foreign Financing Commitments

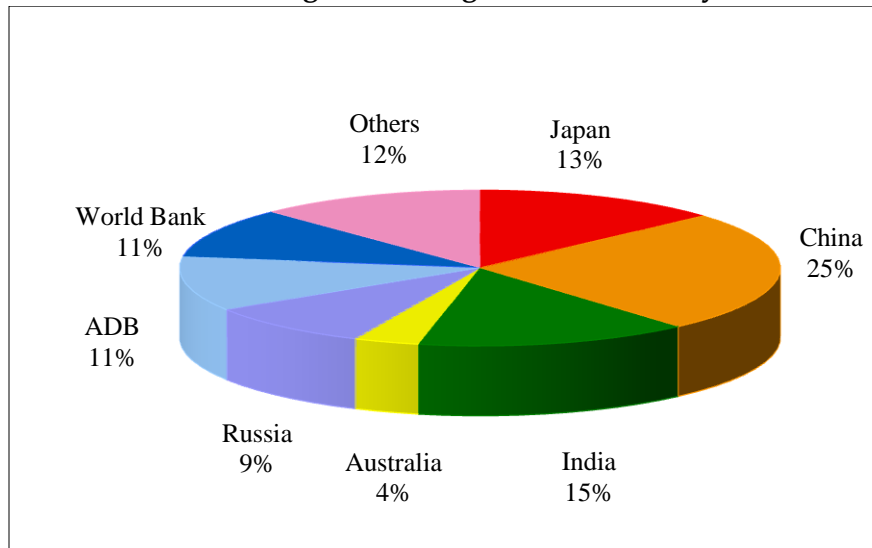
The total commitments made by development partners and lending agencies to Sri Lanka during the period of January to December 2010 was USD 3,261 million which is the highest annual commitments recorded so far. The total commitment consists of project loans of USD 3,137 million and grants of USD 124 million.

**Table 2.1 Foreign Finance Commitments in 2010 (USD million.)**

<b>Donor</b>	<b>Loan</b>	<b>Grant</b>	<b>Total</b>
<b><i>Bilateral</i></b>	<b>2,402.5</b>	<b>104.6</b>	<b>2,507.1</b>
Japan	396.6	42.3	438.9
China	821.4	7.5	828.9
India	483.8	-	483.8
Australia	105.2	10.5	115.7
France	16.3	-	16.3
Iran	111.2	-	111.2
Russia	300.0	-	300.0
Saudi Fund	46.1	-	46.1
Netherlands	-	0.1	0.1
USA	-	44.2	44.2
Korea	40.0	-	40.0
Other	81.9	-	81.9
<b><i>Multilateral</i></b>	<b>762.3</b>	<b>19.0</b>	<b>781.3</b>
ADB	366.7	5.5	372.2
World Bank	347.4	-	347.4
IFAD	24.2	-	24.2
OPEC Fund	24.0	-	24.0
UN Agencies	-	13.5	13.5
<b>Total</b>	<b>3,136.9</b>	<b>123.6</b>	<b>3,260.5</b>

The Governments of China, India, Japan, Russia, and multilateral donor agencies; Asian Development Bank, World Bank were the main donors and they accounted for USD 2,771 million which is 84 percent of the total commitment in 2010. Apart from the grant of USD 7.5 million, Chinese assistance was in the form of export credit and it accounted for 25 percent of the total commitment. Details of the agreements signed from January to December 2010 are given in Annexure I.

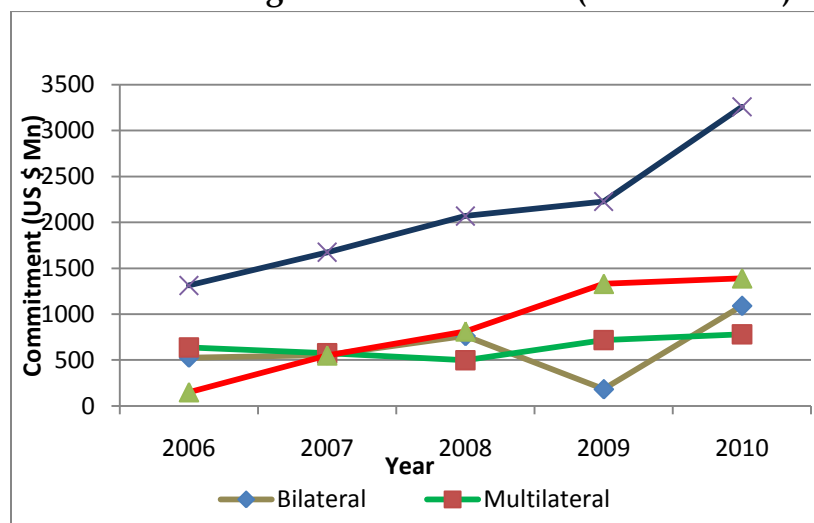
**Chart 2.1 Share of Foreign Financing Commitments by Donor in 2010**



## 2.2 Trend of Foreign Financing

During the previous five years, the annual total foreign financing commitments have gradually increased from USD 1,311 million in 2006 to USD 2,221 million in 2009 and rapidly increased to USD 3,261 million in 2010. This is an increase by 149 percent compared 2006. The landscape of the foreign financing has changed significantly during the last few years owing to the increase of export credit financings. As a percentage of total commitment, the export credit facilities increased from 2 percent in 2005 to 40 percent in 2010.

**Chart 2.2 Foreign Aid Commitment (USD million)**



## 2.3 Committed Undisbursed Balance

The total committed un-disbursed balance of foreign financing available for the development programmes as at December 2010 stood at USD 7,522 million of which the funds committed for the Roads and Transport, and the Power and Energy sectors alone accounted for 47 percent. The table 2.3 indicates the sector-wise details of the committed un-disbursed balances

**Table 2.3 Committed Undisbursed Balance as at 31<sup>st</sup> December 2010**

Sector	USD million	% share of total
Roads and Transport	2,451	32.6
Ports and Airport Development	591	7.8
Water Supply and Sanitation	845	11.2
Tsunami Rehabilitation	105	1.4
Conflict Affected Areas Rehabilitation	361	4.8
Health, Education & Vocational Training	233	3.1
Power and Energy	1,114	14.8
Private Sector Development	120	1.6
Agriculture, Fisheries, Irrigation and Land	713	9.5
Rural Development	94	1.2
Environment and Natural Resources	117	1.6
IT, Science and Technology	27	0.4
Housing and Urban Development	29	0.4
Other	722	9.6
<b>Total</b>	<b>7,522</b>	<b>100</b>

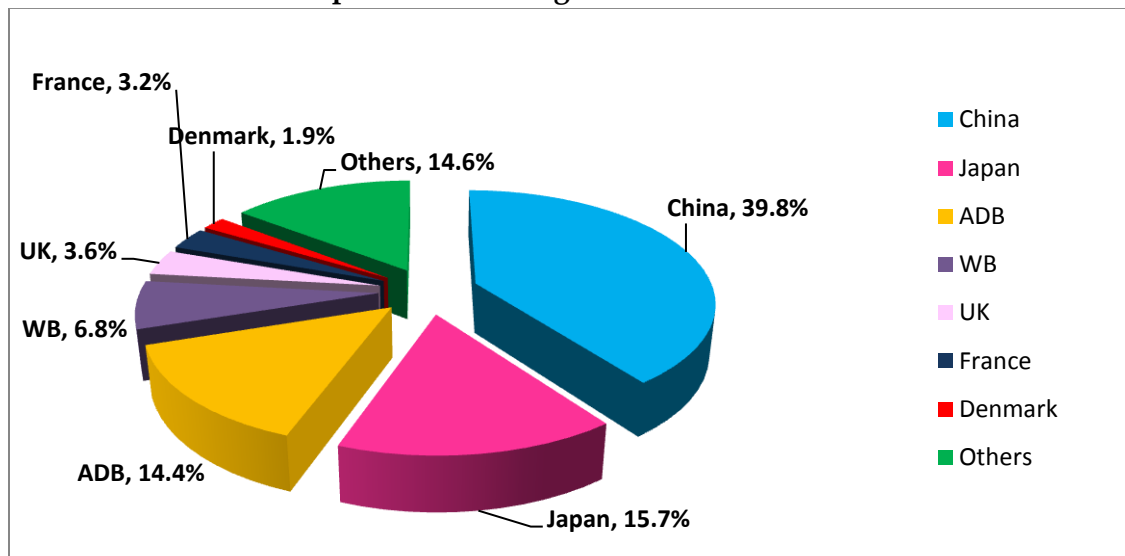
## 2.4 Foreign Fund Disbursements

The total foreign financing disbursement during 2010 was USD 2,121 million. Of this amount USD 1,972 million (93 percent) was project loans and the balance USD 149 million (7 percent) was grants. The total disbursement during 2010 has increased by 30 percent compared to the total disbursement of USD 1,633 in the year 2009.

About 70 percent of total disbursement in 2010, were reported through the projects funded by the Government of China, Japan and the Asian Development Bank. Disbursement of USD 845 million from the Government of China was reported mainly for implementation of Puttalam Coal Power Project (USD 451.5 million), Hambantota Port Development Project (USD 115 million), Mattala International Airport (USD 48.9 million), Colombo-Katunayake Expressway (USD 68.6 million) and Supply of 13 Nos of Diesel Multiple Units to Sri Lanka Railways (USD 30.3 million). The total fund

disbursement from the Government of Japan in 2010 was USD 325 million. Of this amount, USD 302 million was disbursed through loans and the balance 22.6 million was disbursed through grants.

**Chart 2.3: Composition of Foreign Finance Disbursements in 2010**



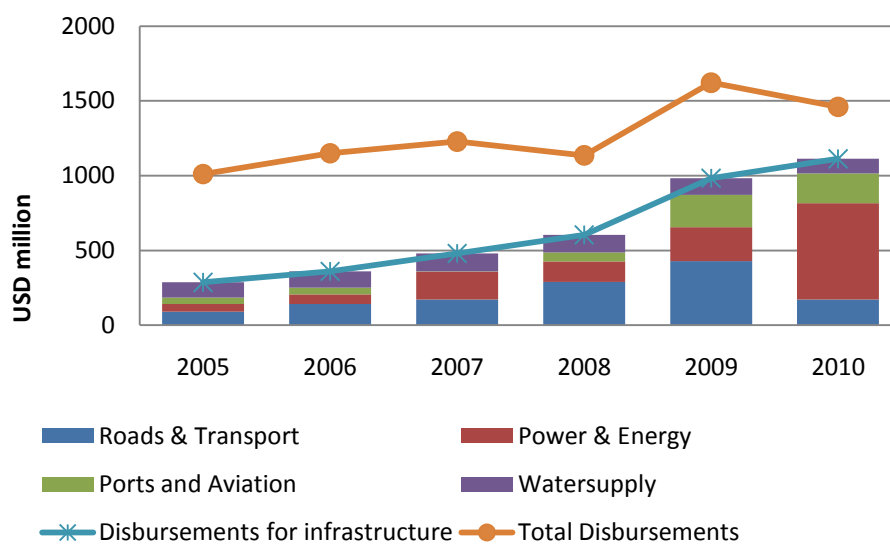
Water Sector Development Project (USD 52.8 million), Greater Colombo Transport Development Project (USD 52 million), Upper Kotmale Hydro Power Project (USD 58.4 million), Colombo City Electricity Distribution Development Project (USD 24.8 million) and Southern Highway Construction Project (USD 30.4 million) were the main Japanese funded projects that reported higher disbursements in 2010.

Asian Development Bank (ADB) disbursed USD 342 million in 2010. Of this amount, USD 306.3 million was disbursed through loans and USD 35.8 million through grants. Fairly higher disbursements were reported from the Colombo Port Expansion Project (USD 72.3 million), National Highway Sector Project (USD 35.4 million), Conflict Affected Areas Rehabilitation (USD 27.4 million), Tsunami Affected Areas Rehabilitation Project (USD 34.2 million) and Southern Expressway Project (USD 18.7 million).

## 2.5 Utilization of Foreign Finance

Foreign finance utilization rate (or foreign finance disbursement ratio) indicates the efficiency of utilization of foreign financing committed by donors and other lending agencies. The utilization ratio (total disbursement to total committed undisbursed balance) depends on the average project loan portfolio life. The average project period of the foreign financed portfolio is between 4-5 years and hence the satisfactory level of the overall utilization ratio should be between 20 to 25 percent.

Chart 2.4 Utilization of Foreign Financing by Economic Sectors 2005-2010



The utilisation of foreign financing has increased during the last 5 years. With the higher level of commitments, the utilisation rate in relation to the infrastructure development projects has increased steadily since 2005 contributing to improvement in the overall aid utilisation rate. In 2005, total utilisation ratio in relation to the infrastructure development projects was 28 percent and it has increased to 76 percent by 2010. This reflects acceleration of the implementation of infrastructure projects in line with the targets situated in the Economic Development Policy Framework of the Government: Mahinda Chintana-Vision for Future.

Table 2.4 Foreign Financing Utilization Rates (%)

Donor	2008	2009	2010
Bilateral	22.6	22.4	27.4
Japan	22.6	19.2	19.9
China	22.9	38.3	46.7
Germany	33.5	15.4	18.2
France	13.6	18.4	42.1
India	0.4	20.6	10.4
Netherlands	0.3	59.3	60.3
Korea	31.0	6.7	23.0
Kuwait	23.7	13.7	10.6
Denmark	32.0	45.1	42.4
Saudi Fund	10.0	31.2	5.09
USA	58.9	11.6	25.1
Other bilateral	6.5	29.5	0.19
Multilateral	24.9	30.4	21.8

Asian Development Bank	21.1	21.2	23.8
World Bank	29.0	40.9	20.3
European Investment Bank	30.5	29.4	15.5
UN Agencies	32.5	67.6	16.4
Other	20.9	13.3	21.3
Export Credit	11.7	26.0	46.0
Overall	21.1	25.9	25.7

Source: Department of External Resources

## 2.6 External Debt Stock

The government external debt stock as at 31<sup>st</sup> December 2010 stood at USD 16.3 billion. This was increased by 21 percent or USD 2.8 billion compared to the debt stock as at 31<sup>st</sup> December 2009. Of the total debt stock, 39 percent was owed to the bilateral donors, 37 percent to the multilateral donor agencies and 12 percent to the commercial banks. The balance 11 percent was owed to the export credit agencies.

Out of the total debt stock, 52 percent will mature during the 10 year period commencing from 2011 and 35 percent will mature during 10 year period commencing from 2021. The balance 13 percent will mature after 20 years.

## 2.7 External Debt Service Payment

The total external debt service payment made in 2010 amounted to USD 842 million. This included principal amount of USD 580 million and USD 262 million of interest payments.

**Table 2.5 Debt Service Payment Forecast on Existing Portfolio (USD million)**

Donor/Creditor	2010	2011	2012	2013	2014
<b>Bilateral</b>	<b>436.1</b>	<b>479.3</b>	<b>493.6</b>	<b>511</b>	<b>513</b>
Japan	290.8	310.9	318.9	324.8	319.6
Canada	4.2	4.1	4.1	4.1	4.1
Denmark	6	5.8	5.8	5.8	5.7
France	8.4	8.3	8.0	7.9	7.4
India	13.6	14.6	18.3	22.9	36.4
Italy	0.0	0	0	0	0



Kuwait	5.2	5.8	6.0	6.4	4.4
Korea	8.8	8.4	10.2	10.7	11.0
Germany	36.8	33.6	29.4	29.3	25.6
China	15.7	42.3	48.7	55.9	54.5
USA	40.4	39.8	39.2	38.0	37.4
Spain	1.8	1.8	1.7	1.7	1.7
Saudi Fund	2.4	2.6	2.8	3.5	4.2
Others	2	1.3	0.5	0	1
<b>Multilateral</b>	<b>227.9</b>	<b>256.9</b>	<b>285.3</b>	<b>307.3</b>	<b>322.4</b>
ADB	136.8	155.1	176.2	186.9	200.5
World Bank (IDA)	78.2	85.8	89.9	97.1	96.9
IFAD	2.9	3.7	3.8	3.9	3.9
European Investment Bank	6.5	8.7	11.8	15.9	17.9
Nordic Fund	0.7	0.8	0.8	0.8	0.8
OPEC Fund	2.8	2.8	2.8	2.7	2.4
<b>Commercial Banks</b>	<b>80.9</b>	<b>86.9</b>	<b>584.7</b>	<b>42.1</b>	<b>42</b>
<b>Export Credits</b>	<b>69.9</b>	<b>121.6</b>	<b>200.3</b>	<b>303.1</b>	<b>374.5</b>
<b>Grand Total</b>	<b>814.8</b>	<b>944.7</b>	<b>1563.9</b>	<b>1163.5</b>	<b>1251.9</b>

Source: Department of External Resources

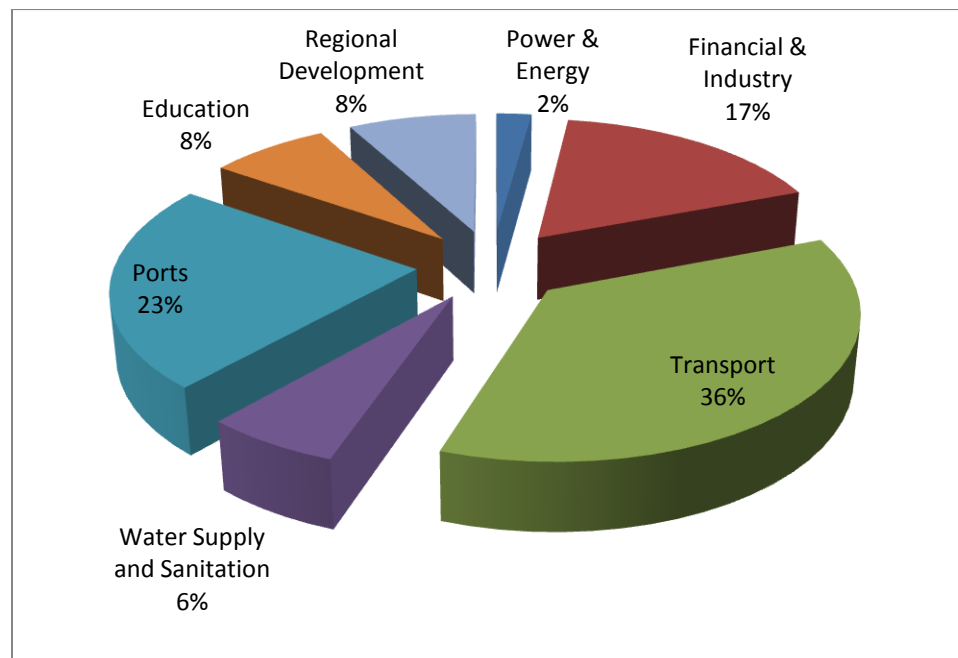
### 3. Performance by Divisions

#### 3.1 Asian Development Bank Division

Sri Lanka has received USD 5.14 billion for 155 sovereign loans and \$ 110.70 million for 245 technical assistance (TA) projects since joining the Asian Development Bank (ADB) in 1966. The Country Partnership Strategy (CPS) of the Asian Development Bank for the period 2009-2011 accommodates the need for development of infrastructure in Sri Lanka, especially, the need for development of transport, power and water supply sectors to support the government effort to achieve higher economic growth. The CPS focuses mainly on strengthening the investment climate and achieving socially inclusive development and is aligned with the Development policy framework of the Government; SRI LANKA-The Emerging Wonder of Asia. During the last five years, 2006-2010, ADB has provided around USD 1,715 million of 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. ADB has further enhanced its partnership to Sri Lanka by helping to bridge financing gaps by facilitating private sector investment for reaching the maximum potentials of the development projects such as Colombo Port Expansion Project.

In the year 2010, Sri Lanka was able to disburse USD 308.38 million. This was an achievement of 97% compared with the annual target. The sector-wise percentages of the total disbursements are depicted in the Chart 3.1.1.

**Chart 3.1.1 ADB Disbursements in 2010**



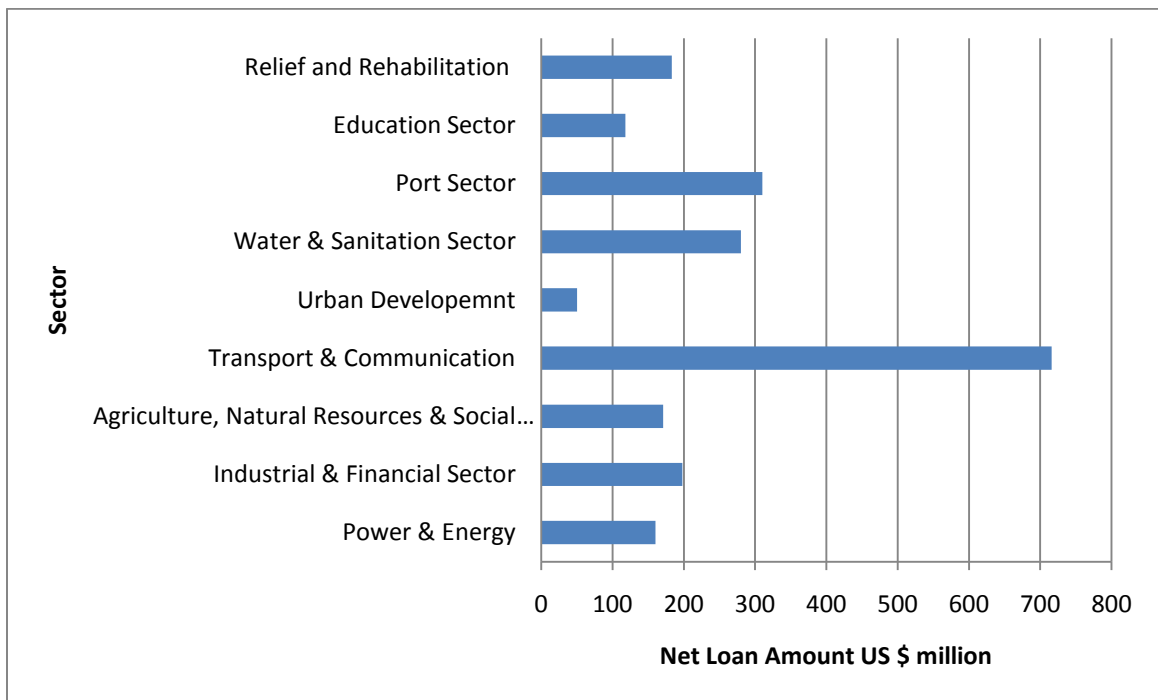
The total contract awards were about USD 240.69 million. This was an achievement of 115% compared with the annual target.

### 3.1.1 Sectoral Analysis of the Portfolio as of 31<sup>st</sup> Dec 2010

The total value of all ongoing projects is approximately USD 2.315 billion. It includes USD 930 million concessional loans, USD 1,171 million semi concessional loans and USD 214 million grants.

In the year 2010, total commitment from the Asian Development Bank accounted for USD 460 million. It includes USD 155 million for the Road Sector, USD 90mn for the Water Supply, Sanitation Sector, USD 50 million for the Finance Sector and USD 165 million for the Multi Sectoral activities. Chart 3.1.1 illustrates the ADB sectoral portfolio for 2010.

**Chart 3.1.2 ADB Sectoral Portfolio 2010**



### 3.1.2 Key Projects being Implemented in 2010

Table 3.1.1 shows the list of key projects which are being implemented under the ADB assistance during 2010.

Table 3.1.1 Key Projects being Implemented in 2010

Project	Cost USD million
Colombo Port Expansion Project	300
Southern Transport Development Project	180
Clean Energy and Access Improvement Project	160
National Highway Sector Project	150
Secondary Towns Rural Com. Based Water Supply & Sanit. Project	120
Greater Colombo Wastewater Management Project	100
Eastern and North Central Provincial Road Project	70
North East Coastal Community Development Project	20
Local Government Infrastructure Improvement Project	50
Conflict Affected Region Emergency Project	150
Fiscal Management Efficiency Project	50
Northern Road Connectivity Project	154
Dry Zone Urban Water and Sanitation Project	60
North East Community Restoration and Development Project II	12
North East Community Restoration and Development Project II SUP	12
Secondary Education Modernization Project - II	36
Education for Knowledge Society Project	62
Technical Education Development Project	21

### 3.1.2.1 Northern Road Connectivity Project

The total investment cost of this project is USD 173 million. The contribution of the Asian Development Bank includes a loan of USD 24.4 million from the Asian Development Fund (ADF) and a loan of USD 130 million from Ordinary Capital Resources (OCR). The Government contribution will be USD 18.6 million.

The main objective of the project is to improve road connectivity within the Northern Province and between the Northern Province and the Southern region in Sri Lanka. The activities covered under this project are; rehabilitation and improvement of about 170 km of National Highways comprising 108 km in Northern Province and 62 km in North Central Province; rehabilitation of about 140 km of provincial roads with rehabilitation or replacement of selected bridges in Northern Province and rehabilitation and improvement of the office of Northern Provincial Road Development Department.

### **3.1.2.2 Fiscal Management Efficiency Project**

The total investment cost of this project is USD 60 million. It includes a loan of USD 50 million from the Ordinary Capital Resources of ADB and USD 10 million of the Government contribution. In addition, a Technical Assistance (TA) of USD 2 million will be provided on grant basis from the Japan Special Fund, funded by the Government of Japan and administered by ADB.

The objective of the project is to enhance the Government's fiscal space and efficiency in the public resource management system. The project will support to improve tax administration, revenue management, public financial management and develop human resources in the relevant departments through the implementation of two management information systems; Revenue Administration Management Information System and Integrated Treasury Management Information System.

### **3.1.2.3 Clean Energy and Access Improvement Project**

The total investment cost of this project is USD 188.2 million. It includes a loan of USD 25 million from the Asian Development Fund (ADF), a loan of USD 135 million from Ordinary Capital Resources, a grant of USD 4.2 million from the Climate Change Fund. Of the total cost of the project, the Government contribution will be USD 24.0 million.

The loan supports to realize affordable and reliable power supply by improving the coverage and service efficiencies of the Ceylon Electricity Board (CEB) and Lanka Electricity Company (Pvt) Ltd. (LECO) through improving power transmission and distribution network in Sri Lanka. The activities covered under this project are System Control Modernization, Transmission System Strengthening, Augmentation of Distribution Substations, Demand-side Management for Municipal Street Lighting, Network Capacity Augmentation for Renewable Energy Projects and Rural household connections.

### **3.1.2.4 Eastern and North Central Provincial Road Project**

The total estimated cost of the project is USD 78 million of which USD 70 million is provided by the ADB. The balance of USD 8 million will be provided by the Government of Sri Lanka to meet the expenses of taxes and duties. In addition, ADB has agreed to provide a grant of USD 800,000 for institutional development of provincial road agencies in Eastern North Central Province while the Government will make a contribution an equivalent to USD 150,000.

The proceeds of the loan will be utilized to rehabilitate 150 km of provincial roads in the Eastern Province and 220 km of provincial roads in the North Central Province in order to improve the transport system in the Eastern and North Central Provinces. The proposed rehabilitation includes improvement of road pavements, bridges, drainage and replacement of culverts of the proposed roads.

### **3.1.2.5 Local Government Infrastructure Improvement Project**

Asian Development Bank has provided the financial assistance of USD 50 million for the implementation of the Local Government Infrastructure Improvement Project to increase the growth potentials and reduce poverty in the local authority areas of Sri Lanka. The total cost of the project is USD 66.7 million and the project period is from 2006-2012.

The project involves improving, upgrading and expanding urban infrastructure facilities and basic urban services (water supply, urban roads, urban drainage and sewage, solid waste management and small-scale community infrastructure such as basic health clinic etc.) in local authorities. The project also involves institutional strengthening and capacity building of state, provincial and local agencies in urban management and urban services provision as well as poverty reduction initiatives developed through stakeholder participation.

During project implementation, the project will provide infrastructure development planning and financial management support to local authorities, project development assistance support to provincial councils and strengthening Local Loans and Development Fund (LLDF).

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

The Asian Development Bank has invested USD 150 million for the implementation of Conflict Affected Region Emergency Project which is scheduled to be completed in 3 years by 2013. The total estimated cost of the project is USD 168 million while the Government Contribution is USD 18 million.

The objective of this multi-sector project is to significantly expand and strengthen the urgently needed reconstruction of essential economic and social infrastructure & administrative services creating livelihood and sustainable economic opportunities in the Northern area by supporting the recovery of the region's economy.

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 includes restoring medium and small irrigation schemes, rebuilding administrative offices with related facilities and

rehabilitating of 5 court houses with related facilities in Northern Province and North Central Provinces.

### **3.1.2.7 Education for Knowledge Society Project (EKSP)**

The EKSP commenced with the total estimated cost of USD 105.3 million of which the ADB financial assistance of USD 80 million comprising USD 65 million loan and USD 15 million Grant, while the Government contribution is USD 25.3 million. The project period is from 2008 to 2013.

The expected impact of the project is the increased relevance of secondary & tertiary education to the labour market requirements which will lead to increase employability of educated youth. Determining the Education Quality Development is one of the Government's strategy to upgrade utmost priorities in Isuru Schools Concept, the EKSP envisaged to support upgrading the 150 secondary schools selected from the most disadvantaged administrative divisions in Sri Lanka in line with "Isuru Schools Program."

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

The overall goal of the Project is to reduce poverty and promote human development by reducing the incidence of waterborne diseases and reducing the time and resources that households spend in acquiring water. The Project objectives are to provide safe drinking water and safe sanitation to people in project areas. The Project will also augment existing water schemes and invest in new water schemes in rural and urban areas.

The project shall benefit people living in the rural areas of Anuradhapura, Polonnaruwa and Batticaloa Districts in the North Central and North Eastern Province and in the towns of Batticaloa, Hambantota, Muttur and Polonnaruwa.

The revised Total Estimated Cost (TEC) of the project is USD 175.20 million. The ADB contribution is USD 170.24 million, while the counterpart financing is USD 55.16 million. The project is expected to be completed by 30<sup>th</sup> June 2012.

### **3.1.2.9 Greater Colombo Waste Water Management Project**

Total Estimated Cost of the project is USD 116.6 million the Asian Development Bank will make a contribution of USD 100.0 million while the Government of Sri Lanka will invest USD 16.6 million. The project is expected to be completed by 31<sup>st</sup> December 2014.

The objectives of the Project are to improve urban environment and public health for residents of Greater Colombo through improved wastewater management services to residents within the Project area. The Project comprises three major interrelated areas of intervention; upgrading sewerage infrastructure by rehabilitating the main sewerage system in Greater Colombo, Strengthening institutional and operational capacity and project Management and Implementation support and comprehensive capacity building of the wastewater service provider.

The Project will assist the Government to improve the living conditions of the urban population in Greater Colombo, and to minimize the negative environmental impacts of increasing levels of domestic waste.

The expected impact of the Project is improved urban environment and public health for 1.5 million urban and suburban residents in Greater Colombo through improved marine and inland water quality and resulting improvement in hygiene and sanitary conditions.

#### **3.1.2.10 Dry Zone Urban Water and Sanitation Project**

Total Estimated Cost of this project is USD 113.33 million. Contribution from the Asian Development Bank (ADB) is made up of a Grant of USD 25.22 million and a loan of USD 59.78 million. The Government investment for the project is USD 28.33 million. The project is expected to be completed by 30<sup>th</sup> June 2014.

The project supports for the rehabilitation, expansion and development of water and sanitation infrastructure in the major towns of Vavuniya, Mannar, Puttalam, Chilaw in the dry zone. It covers the urban and peri-urban water supply and septage management and sanitation of these areas.

The expected outcome of the Project is improved water supply and sanitation infrastructure and services in North Western dry zone of Sri Lanka. To this end, the Project will (i) improve and expand infrastructure and services, (ii) strengthen institutions for service delivery and water resource management, and (iii) build project management and implementation capacity. The loan also supports for activities of decentralization of service delivery functions to regional offices of the National Water Supply and Drainage Board as well as capacity development for water resources management, coordination and the project management.



### 3.1.2.11 Colombo Port Expansion Project

The total estimated cost of the project is USD 781 million. It consisted of a loan of USD 300 million from the Asian Development Bank (ADB) and the Government investment of USD 180 million. The private sector investment for this project is USD 301 million. The project is expected to be completed by 10<sup>th</sup> April 2010.

With the completion of the project, Colombo Port will become a major internationally competitive port in South Asia by (i) expanding private sector participation in the port sector; (ii) commercializing public sector operations and thereby improving efficiency; (iii) adopting a strategic approach to enlarging Colombo Port and maximizing private sector funding. It will increase the capacity of Colombo Port so that it continues to act as a hub port for the region. The loan is financing the dredging, reclamation, breakwater construction and related ancillary works construction.

The major activities of the project are (a) Dredging an approach channel and inner harbour west of the existing harbour, (b) Constructing a break water to the west of the existing harbour, (c) Relocating the existing submarine oil pipe line near the entrance to the new terminal, (d) Establishing a new marine operations centre, (e) Provide navigational aid and (f) Constructing shore utilities.

### 3.1.3 The Key Projects to be implemented in 2011

Table 3.1.2 shows the list of key projects which are to be implemented under the ADB assistance in 2011.

**Table 3.1.2 Key Projects to be implemented in 2011**

<b>Project</b>	<b>Loan Amount (USD million)</b>
Jaffna & Kilinochchi Water Supply & Sanitation Project	90.0
Sustainable Power Sector Support Project	120.0
National Highway Sector Project( Supplementary Loan)	154.4
Transport Project preparatory Facility( TA Loan)	12.0
Muttur Water Supply Project	17.6
Lagging Local Authorities Infrastructure Development Project	50.0

#### 3.1.3.1 Sustainable Power Sector Support Project

The total loan from the ADB includes a loan of USD 10 million from the Asian Development Fund (ADF) and a loan of USD 110 million from Ordinary Capital

Resources (OCR). The total investment cost of this project is USD 162.03 million and the Government contribution will be USD 42.03 million.

The outputs of the proposed Project will include three components namely; Transmission system strengthening, Expansion of rural electrification and distribution system improvement and Energy efficiency and renewable energy. Transmission system strengthening component includes Transmission Development in New Galle and North East. Strengthening and development of distribution in Eastern and Uva Provinces are included in Expansion of rural electrification and distribution system improvement component. In addition, Estate Micro-Hydro Rehabilitation and Repowering Pilot, Energy Appliance Testing Laboratory, Training of Energy Auditors, Reactive Power Management, Energy Efficient Lighting and review of feasibility study and preparation detailed design and bidding documents for Monaragolla Hydropower Station will be carried out under the Energy efficiency and renewable energy component.

### **3.1.3.2 Jaffna & Kilinochchi Water Supply & Sanitation Project**

The total investment cost of the project is USD 164.04 million. The contribution of the Asian Development Bank includes a loan of SDR 44,286,000 (USD 70 million) from the Asian Development Fund and a loan of USD 20 million from Ordinary Capital Resources). The Agence Francaise de Development of France has agreed to provide a loan of Euro 35 million (USD 48 million) to part finance the water supply subcomponent of the project and associated consulting services for design and supervision. The Government's contribution for this project is USD 26.04 million. The project is expected to be completed by mid of 2016.

The objective of the project is 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.

### **3.1.3.3 Muttur Water Supply Projects**

The total estimated cost of the project is USD 19.6 million. The Asian Development Bank will contribute USD 17.6 million and the Government of Sri Lanka will contribute USD 2.0 million. This project will be implemented as a supplementary to the Secondary Towns Rural Community Based Water Supply and Sanitation Project. The objective of the project is to build the Muttur Water Treatment Plant.

### 3.1.3.4 National Highway Sector Project (Supplementary)

The Government has decided to obtain a loan of USD 85 million from the Asian Development Bank as a supplementary financing to the ongoing National Highway Sector Project which is proposed for the year 2011. This supplementary loan is supposed to finance Southern Expressway Link roads and Colombo link road. The proposed roads to be financed under the project are Matara -Godagamda, Hikkaduwa-Southern Highway, Alutgama-Southern Highway, Katukurunda-Nagoda, Vilasita Nivasa-Horana, Kirulapona-Godagama. The impact of this project is improved performance and efficiency of the road sector. The wide range of other economic activities that make use of transport service will be also benefitted from the outcome of this project. Easy access to Southern Expressway reduce time from cities to Colombo and Galle/ Matara. Improved access to economic opportunities and services will contribute to poverty reduction.

### 3.1.3.5 Lagging Local Authorities Infrastructure Development Project

The Lagging Local Authorities Infrastructure Development Project is expected to be commenced in 2011 under financial assistance of USD 50 million from ADB directing to improve the quality of life in particular in lagging local authorities of Sri Lanka.

The project aims at delivering better local services in an effective, efficient and affordable manner by improving basic infrastructure & service facilities mainly in the lagging local authorities of the country. Eligible local authorities will implement subprojects in the areas of roads and bridges, water supply & sanitation, drainage & sewerage, solid waste management and other basic facilities including health centres, libraries, local government institutions and markets by receiving a combination of grants and loans from the Local Loans and Development Fund.

### 3.1.4 ADB Assisted Projects Completed in 2010

The list of completed projects which were funded by the ADB in 2010 is shown in Table 3.1.3

**Table 3.1.3 Projects Completed in 2010**

Project Title	Outcome
<b>North East Coastal Community Development Project</b>	129 Village Development Plans were prepared & 15 fisheries specific infrastructure subprojects & about 63 skill training programs have been completed in Trincomalee, Batticaloa and Ampara districts. Micro credit facility (Rs. 261 Mn) has been provided through Nation Development Trust Fund.18 environment

	<p>studies and 65 environmentally related subprojects were completed. 12 tourism subprojects were completed and 6 Coastal Resources Management training programs were conducted. Rehabilitation works of Valaichchenai &amp; Cod-bay fishery harbours have been completed.</p>
<p><b>Tsunami Affected Areas Rebuilding Project</b></p>	<p>Village Development Plans have been prepared for 322 Grama Niladari Divisions. 1391 community infrastructure subprojects &amp; 28 subprojects based on the damage done to coastal stabilization structure have been completed. Rehabilitated, reconstructed &amp; improved about 300km of major coastal road links &amp; 200 km of provincial roads in tsunami-affected areas.</p>
<p><b>Aquatic Resources Development &amp; Quality Improvement Project</b></p>	<p>Construction of Central Fish Market at Peliyagoda. 276 seasonal tanks, 25 mini hatcheries and 50 Community based organizations were established and supported. Rehabilitated &amp; improved NAQDA's 3 Regional Aquaculture Development Centres at Inginiyagala, Udawalawe &amp; Dambulla.</p>
<p><b>Secondary Education Modernization Project II</b></p>	<p>48 A-level &amp; 50 O-level science laboratories, 107 multi media rooms, 78 multi study rooms, 31 libraries, 39 office rooms, 61 electricity installation for office rooms and 477 subprojects in water supply &amp; sanitation have been established for around 800 schools. Zonal Education Offices were strengthened with computers and equipments and 92 short term fellowships were offered.</p>
<p><b>Colombo Port Efficiency and Expansion Project</b></p>	<p>Completed; Reform study for Jaya Container Terminal Corporatization including a Business Plan, Preparation of Business Plan for Colombo South Harbour, Preparation of Tender Documents completed. Funding source identified for public sector works. Construction contract signed 31 March 2008. Supervision consultant contract signed on 26 February 2008. Negotiations completed for Terminal RFP &amp; LOI issued on 16th September 2010. Formulated Legal and institutional reforms, developed distribution hub strategy, completed Project preparation for the South Harbour Development Project (SHDP), and developed Private sector participation plan for SHDP</p>
<p><b>Financial Markets Program for Private Sector Development</b></p>	<p>Development of financial market through increasing the availability of financial products and services. Improvement of insurance industry regulation. Improvement in corporate governance of BOC and people's Bank and Restructuring of People's Bank</p>

<b>Small &amp; Medium Enterprise Regional Development Project</b>	Accelerate the development of SMEs outside of Western Province by improving their access to credit through the participating banks; DFCC, Commercial Bank, NDB, Sampath Bank
<b>Strengthening of Fiscal Management Institutions Project</b>	Foreign training opportunities were given to around 1700 officers from the Ministry of Finance and Planning, Inland Revenue Department, Excise Department, Sri Lanka Customs, Finance Commission and Provincial Councils

### 3.1.5 Special Events in 2010

- i. May - ADB Annual Meeting:  
43<sup>rd</sup> Annual meeting of the Asian Development Bank was held in Tashkent, Uzbekistan from 03<sup>rd</sup> to 04<sup>th</sup> May 2010. The Sri Lankan Delegation comprised of the MOF officials; DG/ERD , ADG/ERD (ADB Division) and D/ERD (Policy Division).
- ii. June - Loan signing:  
Conflict Affected Region Emergency Project, Fiscal Management Efficiency Project, Supplementary Financial Assistance for North East Community Restoration and Development Project II.
- iii. May-Visit of ADB President
- iv. August- Visit of ADB Vice President
- v. October- Visit of ADB Executive Director
- vi. 71 Missions visited in 2010

## 3.2 Japan Division

Japan Division is playing a major role in development of Sri Lanka with assistance of the Government of Japan. In the year 2010, Japan Division portfolio consisted of eight projects amounting to USD 437 million. Of the total portfolio five were loan projects amounting to USD 397 million and three were grant projects amounting to USD 40 million.

### 3.2.1 Agreements Signed in 2010

**Table: 3.2.1 Loan Agreements : Total Amount in USD million 397**

Project	Amount (USD Million)
Provincial/ Rural Road Development Project (Central and Sabaragamuwa Provinces)	99.04
Provincial/ Rural Road Development Project (Eastern Province)	42.89
Eastern Water Supply Development Project	53.05

Kandy City Water Management Project (I)	52.39
Upper Kothmale Hydro Power Project (II)	49.24

**Table: 3.2.2 Grant Agreements: Total Amount in USD million 40**

Project	Amount (USD Million)
Reconstruction of Five Bridges in Eastern Province (Detailed Design)	0.32
Improvement of Central Function of Jaffna Teaching Hospital	24.86
Reconstruction of Five Bridges in Eastern Province	14.58

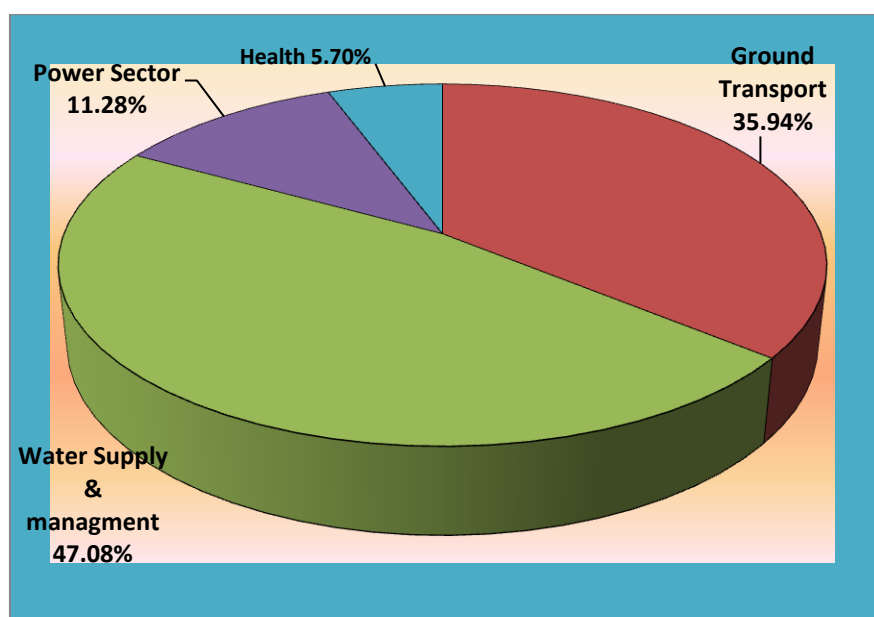
Out of the total amount of Japan assistance in 2010, 90 percent were provided in the form of loans, covering two major sectors, Rural Road Development and Water Supply. During the period, 10 percent of assistance provided as grants for ground transport development and health.

### 3.2.2 Portfolio Analysis of Loans and Grants 2010

Sector	Amount in USD million
Ground Transport	156.40
Water Supply and Management	205.43
Power Sector	49.24
Health	24.85

Chart 3.2.1 illustrates the sectoral foreign aid distribution from the government of Japan in 2010.

**Chart 3.2.1 Sectoral Japanese Aid Distribution 2010**



### 3.2.3 Actual Disbursements 2010

During the period from 2005 to 2010 the annual average disbursement was about USD 280 million. Total disbursement made in the year 2010 was USD 325 million. Of this amount, loans accounted for USD 303 million and grants accounted for USD 22 million. The disbursement in 2010 was reported as the highest ever disbursement in the recent past.

### 3.2.4 Ongoing Projects

Japan Official Development Assistance mainly focuses on building the economic infrastructure in the country. Some of the key projects being implemented are listed below:

Table: 3.2.3 ongoing projects

Project	Amount (USD Million)
Upper Kothmale Hydro Power Project	250.27
The Galle Port Development Project (I)	124.05
Greater Colombo Transport Development Project	186.64
Water Sector Development Project	112.67
Southern Highway Construction Project (II)	162.92
Kandy City Wastewater Management Project	152.38
Non Project Grant Aid Relief Rehabilitation Project	77.32
Provincial Rural Road Development Project (Central)	99.04
Water Sector Development Project (II)	78.09
Vavuniya-Kilinochchi Transmission Line Project	11.96

#### 3.2.4.1 Southern Highway Construction Project (II)

The Southern Expressway is the longest (125.6km) and the first access controlled expressway, being built out of the proposed Expressway Network. The construction of a four-lane highway from Colombo, the Capital in the West, to the South of the country will act as a catalyst in encouraging and attracting industries including fisheries, agriculture, tourism and services for the economic and social development of the region and promote inter-regional transport facilities contributing to the future development of Southern Region.

This new highway will help reducing the traffic congestion on the existing Colombo - Matara road and develop townships in 11 interchanges on the new highway as Economic Centers and also enhance the value of land and property in the region and

reduce the travel time from Colombo to South. The road safety aspects have also been considered in implementing the southern expressway project.

The funds for the construction of the road section from Kottawa to Kurundugahahetekma, including installation of toll system and the required technical assistance have been provided by the Japan Bank for International Cooperation (JBIC), while the Asian Development Bank (ADB) provided the financial assistance for the construction of road section from Kurundugahahetekma to Godagama (Matara).

### **3.2.4.2 Upper Kotmale Hydropower Project**

The Government of Japan has provided approximately USD 420 million (Japanese yen 37,817 million) for implementation of the Upper Kotmale Hydropower Project (UKHP). The UKHP is a run of river hydropower project with an installed capacity of 150MW (consisting of two 75MW units) and It will produce 409GWh per year. The project also provides new houses for the displaced people with all utilities i.e. electricity, water, solid waste disposal, internal roads. The Thalawakele area itself is being developed by reconstructing the access roads and constructing other amenities.

Construction of houses and common amenities, road improvement works has already been completed. Handing over ceremony of entitlements for housing for the 495 displaced families was held in July 2009. The main civil works and hydro and electro mechanical works of the project are underway. The power plant is expected to be commissioned in the end of 2011.

### **3.2.4.3 Outer Circular Highway to Colombo City**

In order to mitigate the traffic congestion in the Colombo Metropolitan area and enhance the connectivity with other regions, the Government decided to construct 28km long Outer Circular highway (OCH) from Kottawa to Kerawalapitiya linking seven trunk roads and expressways which are being built. This highway will be a four-lane access controlled road which can be widened up to six-lanes in the future.

The Government of Japan has already provided USD 300 million (Japanese yen 27,635 million) for construction of approximately 19km road section from Kottawa - Kaduwela - Kadawatha. The Government of Japan has pledged another USD 500million (balance funding for Kaduwela - Kadawatha road section and funding for Kadawatha - Kerawalapitiya road section) in the next two years to construct the entire length of the road.

The construction work in the Kottawa to Kaduwela section is in progress and expected to be completed by 2013. It is expected to commence the construction work of Kaduwela - Kadawatha section and Kadawatha - Kerawalapitiya section in 2011 and



2012 respectively. The Kaduwela – Kadawatha road section will be ready for traffic in 2014 while Kadawatha – Kerawalapitiya road section will be ready by 2015.

### 3.2.5 Completed Projects

The following Projects were completed during 2010

1. Lunawa Environment Improvement and Community Development Project
2. Plantation Reform Development Project
3. Provincial Road Improvement Project
4. Kerawalapitiya Kotugoda Transmission Line Project
5. Small & Micro Industries Leader & Entrepreneur Promotion Project
6. Pro- Poor Rural Development Project

### 3.2.6 Future Projects

In order to achieve a high Economic and Social Development, the following key projects have been finalised for funding under 41st Yen Loan Package in 2011

1. Greater Colombo Urban Transport Development Project Phase 2
2. Vavniya- Kilinochchi Transmission Line Project Phase 2

### 3.2.7 Special Events Took Place during the Year 2010

1. January - Grant was signed for Reconstruction of Five Bridges in Eastern Provinces-Detailed Design
2. March
  - A. Japan's 40th Yen Loan Package for 2010. A Loan Negotiation Mission of JICA was visited to Sri Lanka on March 2010. Following projects were considered for financing under 40th Yen Loan Package.
    - I. Provincial Rural Road Development Project (Sabaragamuwa and Central Provinces)
    - II. Provincial Rural Road Development Project (Eastern Province)
    - III. Eastern Province Water Supply Development Project
    - Iv. Kandy City Waste Water Management Project
    - v. Upper Kothmale Hydropower Project – II
  - B. Signed of Exchange of Notes with the Government of Japan for 40th Yen Loan package amounting Japanese yen 36,664 million. This was signed by Ambassador for Japan in Sri Lanka Mr. Kunio Takahashi and Dr. P. B. Jayasundara, Secretary, Ministry of Finance and planning.

3. November - Grant was signed – Reconstruction of Five Bridges Eastern province (USD 14.58 million)

### **3.2.8 Japanese Mission**

There were several project associated with these missions. Two major assignment were concluded with the government of Sri Lanka during the year 2010. A JICA Mission was dispatched to conduct the appraisal for the projects considered for financing under 41st Yen loan package.

## **3.3 World Bank Division**

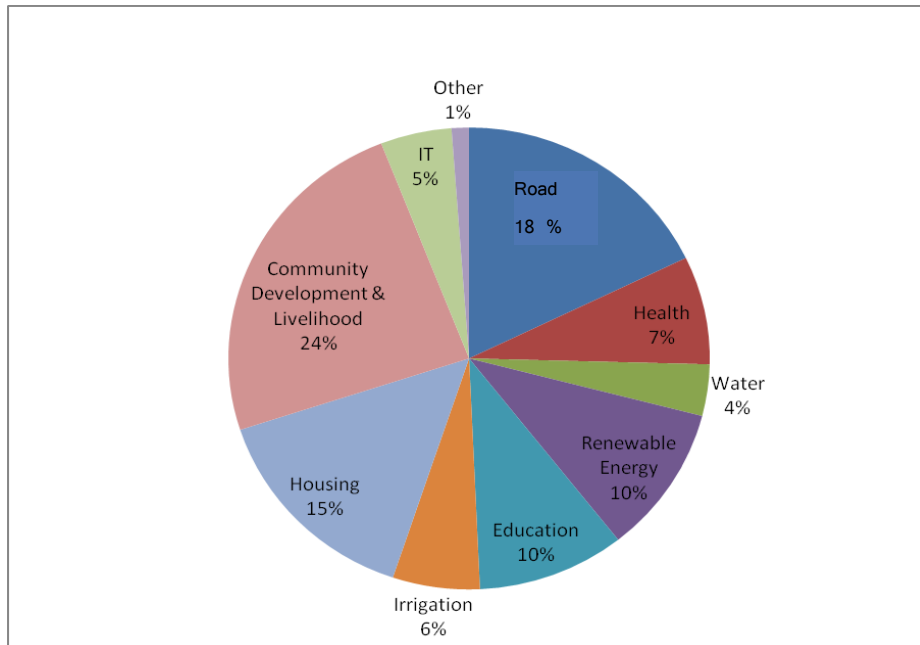
The World Bank division is responsible for mobilizing of development assistance from the World Bank for the implementation of the development projects.

### **3.3.1 World Bank Assistance to Sri Lanka**

Present World Bank portfolio comprises of 32 projects with an average project implementation period of four years. The total value of the envelope is approximately US \$ 1346 million of which about US \$ 260 million is in the form of grants. These projects aim to provide infrastructure, public services in particular health and education, community development and livelihood at the national and the provincial level. In line with the government priorities, the projects are particularly emphasis the improving connectivity and market access through rehabilitation and enhancement of the national and rural roads. And also funds have allocated more to rehabilitation of Northern and Eastern Provinces.

In the mean time, Sri Lanka is graduated to “IDA Gap Country” category since year 2006 as GNI per capita of Sri Lanka has exceeded the cut off for IDA eligibility, i.e US \$ 1,025. Accordingly, now Sri Lanka is enjoying IDA-IBRD blend status with regarding World Bank assistance. Concessional terms and conditions remain nearly the same but grace period and maturity period reduced by 10 years and 20 years respectively. Most probably the next Country Assistance Strategy (CAS) would have to consider this enhancement of the economy. Chart 3.3.1 illustrates the sector analysis of the portfolio of the World Bank for the year 2010.

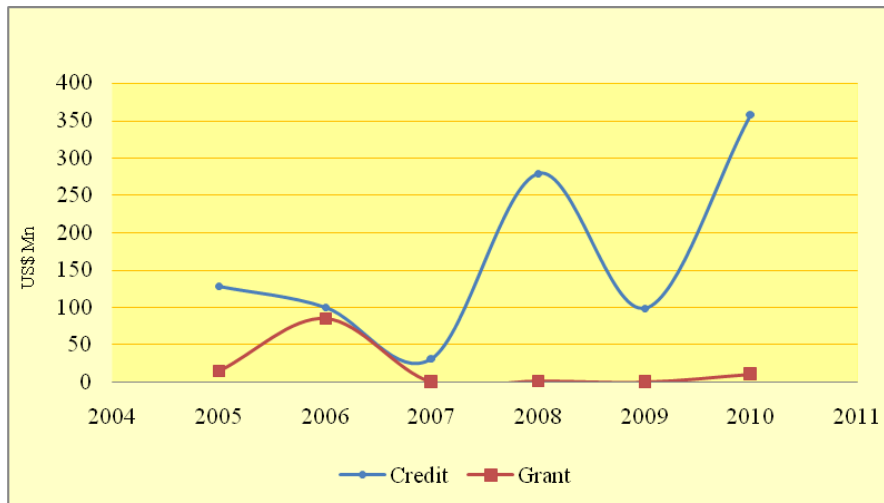
**Chart 3.3.1 Sector Analysis of the World Bank Portfolio for the year 2010**



**3.3.2 Year 2010 Commitment**

According to the present CAS for years 2009 - 2012 of the World Bank, the total resource envelope is US \$ 900 million. Of which, an amount of US \$ 357.7 million was allocated for year 2010. Chart 3.3.2 indicates the total commitment made by the World Bank from 2005 to 2010.

**Chart 3.3.2 World Bank Commitment 2005-2010 -Trend**



The blend status of IDA-IBRD clearly illustrates in the Chart 3.3.2, that Sri Lanka is getting few or nearly zero grants as ODA. The only grant received during 2010 was for

the Emergency Northern Recovery Project, as that US \$ 10.3 million was funded by AusAID. Table 3.3.1 shows the projects for which the funds were committed by the World Bank during the year 2010 and following a brief note of the important projects.

**Table 3.3.2 Committed Projects during 2010**

	<b>Financing/Projects</b>	<b>US \$ million</b>
1	Sustainable Tourism Development	18.0
2	Small and Medium Enterprise Development Facility	57.4
3	North East Local Services Improvement	50.0
4	Higher Education for Twenty-first Century	40.0
5	Provincial Roads (Uva, Eastern and Northern)	105.0
6	Emergency Northern Recovery Project	75.3
7	Additional financing for Community Livelihoods in Conflict Affected Areas	12.0

### **3.3.2.1 Small and Medium Enterprise Development Facility**

The World Bank has agreed to provide a credit facility of US \$ 57.4 million to implement the Small and Medium Enterprise Development Facility. Development Finance Department of Ministry of Finance and Planning will implement project from November 08, 2010 to March 31, 2014. The main objective of the project is to extend the access of medium and long term credits to SMEs which are affected by the global financial crisis.

The project has two major components. Component one is the financing and risk sharing facility (US \$ 41 million). This provides lines of credit to SMEs through licensed commercial and specialized banks. A maximum of Rs 60 million can be borrowed by a SME under this instrument. Further a risk sharing facility is also established to share risk and it will be carried out by the Sri Lanka Insurance Company. Component two is the policy and capacity enhancement for SMEs' banking with an investment of US \$ 12 million.

### **3.3.2.2 North East Local Service Improvement (NELSIP)**

Objective of the NELSIP is to improve the local infrastructure services provided by the local authorities in the Northern and Eastern Provinces. The project would cover 65 Pradeshiya Sabhas, among which districts of the Northern and Eastern Province. In addition, it covers 9 urban councils in the North and 3 in the East together 3 Municipal Councils, i.e. Jaffna, Kalmunai and Batticaloa.

The estimated project cost is US \$ 86 million. The World Bank agreed to provide US \$ 50 million while the rest will be funded by domestic sources.

### **3.3.2.3 Provincial Roads (Uva, Eastern and Northern)**

The objective of the Provincial Roads Project is to improve access to socio-economic centres in Eastern, Northern, and Uva Provinces through the sustainable management of improved road infrastructure. Total investment will be US \$ 105 million and that will be funded by the World Bank. Financing Agreement was signed on January 11, 2010 and the all development activities will be completed by March 31, 2015

Rehabilitation of 350 km provincial roads in Uva province (US \$ 50 million), Ampara district (US \$ 20 million) in Eastern province and Jaffna district(US \$ 20 million) in Northern province will be completed. For road maintenance another US \$ 10 million has been allocated

### **3.3.2.4 Emergency Northern Recovery Project**

The project is to support the resettlement and re-establishment of the livelihoods of internally displaced people and the conflict affected people in the Northern Province.

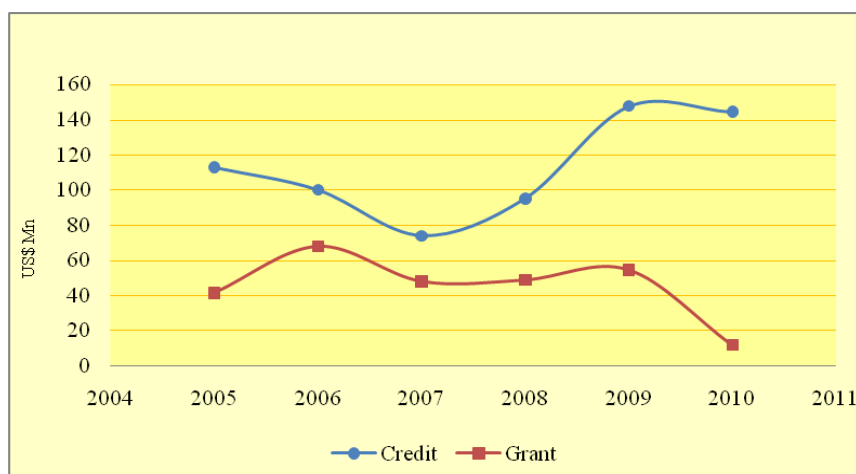
The Financing Agreement of US \$ 65 million was signed on January 11, 2010. However later, a Co-financing Agreement was also signed between the World Bank and Australian Agency for International Development to provide further US \$ 10.5 million.

The project is expected to reach a total of about 100,000 IDPs. Emergency assistance to IDPs, rehabilitation and reconstruction of essential public and economics infrastructure, work-fare program will be completed by December 31, 2012.

### **3.3.3 Year 2010 Disbursement**

During the year 2010, the Government was able to disburse an amount of US \$ 156.3 million. But this was lower than when compared to US \$ 202.1 million which was disbursed in 2009. Of this amount loans accounted for US \$ 144.5 million and grants accounted for US \$ 11.8 million. Grant disbursing is also lower as most of grants were in the last disbursement stage during year 2010. Chart 3.3.3 shows the World Bank disbursement during 2005-2010.

Chart 3.3.3 World Bank Disbursement-Trend 2005-2010



### 3.3.4 Future Projects

Total of US \$ 220 million is anticipated to be committed during year 2011. Most of them are appraising and Financing Agreements would be entered before mid of the year. Following projects are indentified as the future projects to be funded by the World Bank.

Financing/Projects	US \$ million
1 Road Sector Assistance-Second Additional financing	105.0
2 Health Sector Development Project II	35.0
3 Education Sector Development Project II	50.0

Health Sector Development Project II and Education Sector Development Project II are in the initial appraising stage. However, Education Sector Project would focus on development of 1000 secondary schools.

#### 3.3.4.1 Road Sector Assistance-Second Additional financing

Road Sector Assistance Project was launched in 2006 with the total investment of US \$ 198 million for rehabilitation of 620 km national roads and 160 km rural roads. Extending the same project, appraising is ongoing to have funds from the World Bank for US \$ 105 million, to resurface and rehabilitate road sections from Ambepussa to Dambulla (91 km) and Kanthale to Trincomalee (43 km) of the Ambepussa- Trincomalee road (A6).

### 3.3.5 World Bank Missions

The World Bank division has facilitated more than 80 Missions visited to the Country and these Missions have given the support to the project staff to maintain the smooth implementation of the projects. Most of the Missions were Supervision and

Implementation Support Missions and they have reviewed the progress of the current portfolio and have finalized the future projects.

### 3.3.6 GOSL Communication with the World Bank and the IMF

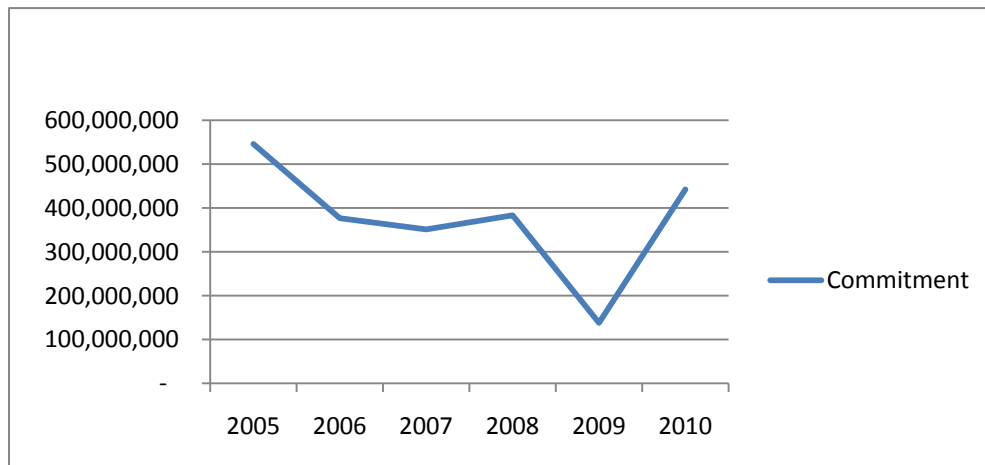
The World Bank division has facilitated to send various votes on behalf of the government of Sri Lanka for the resolutions of the World Bank, International Bank for Reconstruction and Development (IBRD), International Development Association (IDA) and International Centre for Settlement of Investment Disputes (ICSID) with regard to policy decisions as well as amendments of the Articles.

### 3.4 Bilateral West Division

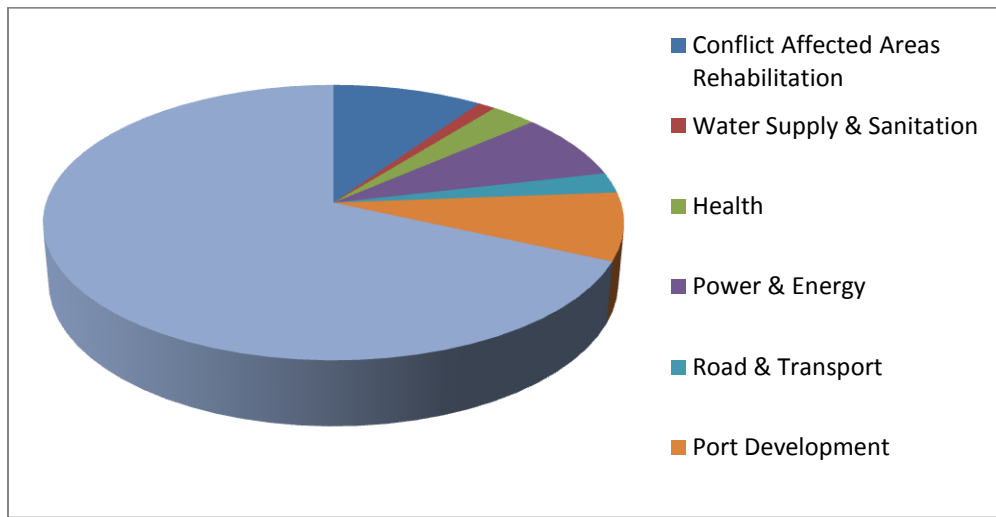
The Bilateral West Division is responsible for the mobilization of development assistance from countries in the western hemisphere. The major donors handled by the division are; Germany, Netherlands, Sweden, European Union, USA, France, Spain, Austria, Denmark, Belgium, Russia, Canada, Switzerland, United Kingdom, Hungary, Nordic Investment Bank, Nordea Bank and European Investment Bank.

Most of the project proposals received by the Bilateral West division are unsolicited proposals in the fields of water, Infrastructure and Health. Even though the commitment from western donors significantly reduced in 2009, it was quickly recovered in 2010. There is a rapid increase in the commitments made by western donors in year 2010 due to the current strong macro economic condition of the country.

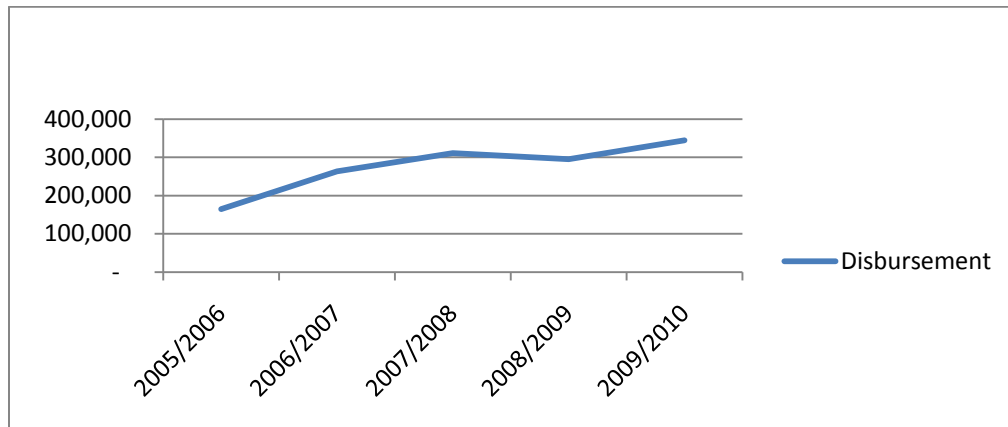
**Chart 3.4.1 Commitment Pattern of the Bilateral West Division**



**Chart 3.4.2 Sectoral Distribution of Commitment**



**Chart 3.4.3 Disbursement Pattern of the Bilateral West Division**



**Agreements Signed in 2010**

Donor	Project Name	US \$ million
<b>Grant</b>		
Netherlands	Restoration ,Conservation& Publishing of Dutch Records in the National Archives of Sri Lanka	0.114
America	Increased Competitiveness in the Global Market Place(Enhancement)	11.689



	Improved Integration of Targeted Disadvantaged Groups into the Community (Enhancement)	9.347
	Peace, Good Governance & Citizens Rights	8.99
	Peace Process Supported Project	12.130
<b>Sub total</b>		<b>42.26</b>
<b>Concessionary Loans / Export Credit</b>		
<b>France</b>	Greater Trincomalee Water Supply Project (Enhancement)	3.385
	Provision of Oxygen Concentrators, Operating Theaters & Medical Equipments to Tsunami Affected and remote hospitals project	12.90
<b>Germany</b>	Reconstruction of Water Supply-Galle District Project-Phase ii	1.60
<b>Russia</b>	Russian Line of Credit	300.0
<b>Austria</b>	Rehabilitation of Old Laxapana hydroelectric Power plant	34.0
	Rehabilitation of Eastern Railway line	10.5
<b>HSBC Bank PLC (UK)</b>	Emergency Purchase Container Handling Equipments	35.0
<b>Sub total</b>		<b>397.385</b>
<b>Grand Total</b>		<b>439.645</b>

### 3.4.1 Major projects signed in 2010.

#### 3.4.1.1 Greater Trincomalee Water Supply Project

The project will facilitate to increase the supply of the treated water from 5.5 to 12 million gallons per day and will cover Kantale, Tanpalakamam, Kinniya, Trincomalee Town, Gravets and the north of the Kunchaveli Division.

#### 3.4.1.2 Provision of Oxygen Concentrators, Operating Theaters & Medical Equipments to Tsunami Affected and remote hospitals project

The project will decentralization of production of Oxygen for medical purpose and enhance capacity and efficiency in handling accident and emergency situations in hospitals affected by tsunami and located in remote areas.

#### 3.4.1.3 Reconstruction of Water Supply-Galle District Project-Phase ii

The project concerns the reconstruction of the Water Supply in the Galle District after the Tsunami. The purpose of the project is large-scale rehabilitation and extension works for medium term improvements of the water supply in the project area.

#### 3.4.1.4 Russian Line of Credit

The project procurement military related goods and services from Russia.

#### 3.4.1.5 Rehabilitation of Old Laxapana Hydroelectric Power plant

This project will enhance hydropower generation in the country and also reduce the cost of power generation. Further, it will also reduce the number of failures due to enhanced efficiency of the new system.

#### 3.4.1.6 Rehabilitation of Eastern Railway line

The Government of Sri Lanka secured USD 13.5 million Credit Facility to purchase of high quality rails and other equipments for the Rehabilitation of Eastern Railway line. The UniCredit Bank of Austria AG has provided 85% of the total cost.

#### 3.4.1.7 Emergency Purchase Container Handling Equipments

Under this project 06 container handling Cranes and 30 Rubber Tyred Gantry Cranes were purchased for the Ports Authority for the efficient operation of the Jaya Container Terminal.

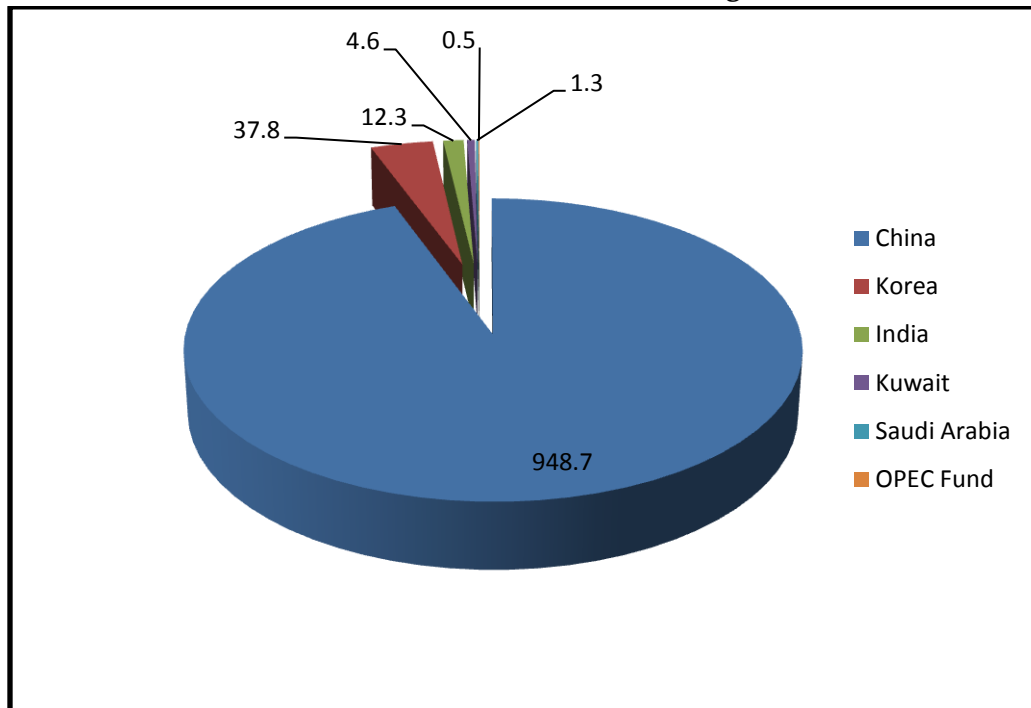
#### 3.4.2 Future Projects

<b>Project Name</b>	<b>Million</b>
1. Jaffna Killinochchi Water Supply Project	EUR 35
2. Energy Conservation Project at Ambathale Water Treatment Plant	EUR 30.8
3. Rural Electrification project 4	US\$ 54
4. Greater Ratnapura Water Supply Project	EUR 25
5. Strengthening the Patient care services of District General Hospital-Hambantota, Tissamaharama and Base Hospital- Karawenella by providing essential medical equipment	EUR 7
6. Mahiyangana Water Supply Project	EUR 10
7. Construction of Veyangoda Flyover	EUR 10.89
8. Construction of Rural Bridges	GBP 35
9. Badulla Haliela Water Supply Project	US\$ 80
10. Development of Hambanthota District Hospital	EUR 46
11. Development of Nuwaraeliya District Hospital	EUR 39

### 3.5. Bilateral East Division

The Bilateral East Division is responsible for coordination, negotiation and mobilization of all forms of development assistance from Asian and Middle Eastern countries (other than Japan) such as China, India, Pakistan, Australia, Korea, Malaysia, Thailand, Iran, Kuwait, Saudi Arabia and OPEC Fund to Sri Lanka. Development assistances from these bilateral donors are obtained in the form of grants, concessionary loans and buyer’s credits. The total commitment of USD 1649.65 million was made by these countries in 2010. Out of the total commitment, an amount of USD 828.87 million was accounted for by China recording the highest individual share. The total commitment of year 2010 increased by 21 percent compared to that of year 2009. Meanwhile, the total disbursement during 2010 stood at USD 1005.2 million. This is an increase of disbursement by USD 632 million compared to the previous year. Chart 3.5.1 shows the disbursement of the projects in the Bilateral East Division during 2010.

**Chart 3.5.1 Disbursements During 2010**



### 3.5.1 Project Being Implemented in the Year 2010

**Table 3.5.1 Projects Being Implemented by the Bilateral East Countries in 2010**

<b>Donor</b>	<b>Name of the Project</b>	<b>Loan / Grant in USD</b>
<b>China</b>	Hambantota Port Development	306.73
	Bunkering Facility & Tank Farm at Hambantota	65.09
	Colombo-Katunayake Expressway Project	248.20
	Puttalam Coal Power Project - Phase II	891.00
	Puttalam Coal Power Project- Phase I	455.00
	Mattala Hambantota International Airport	190.00
	Supply of 13 Nos Diesel Multiple Units	100.00
	National Performing Arts Theatre	17.00
	Construction of Few Selected Roads	10.00
	Maintenance Requirements at BMICH	7.20
	<i>Sub total</i>	<b>2,290.22</b>
<b>Iran</b>	Uma Oya Hydro Electric and Irrigation Project	450.00
	Rural electrification Project 8	82.9
	<i>Sub Total</i>	532.9
<b>India</b>	Indian Line of Credit	25.00
	India Dollar Credit Line Agreement	100.00
	Upgrading of Railway Line Colombo - Matara	167.4
	Establishment of 150 - Bedded District Hospital (G)	8.300
	Humanitarian Assistance for Northern and Eastern Provinces (G)	9.70
	Demining Assistance (G)	2.34
	Track laying of Northern railway lines	416.39
	<i>Sub total</i>	<b>729.13</b>
<b>Korea</b>	Establishment of the Korea Sri Lanka Friendship Hospital	6.70
	Construction of Storm Water Drainage	3.90
	The Construction of the International Convention Centre	6.00
	Upgrading of Niyagama National Vocational Centre	10.33
	Lanka Government Net-work Stage II Project	5.59

	Improvement of Padeniya – Anuradhapura Road	51.19
	Establishment of the Emergency Response System	1.85
	Integrated Waste Management System in High-level road	4.31
	Ruhunupura Water Supply Development Project	76.33
	Upgrading Jaffna Technical College	2.73
	Establishment of Emergency Response Systems	2.00
	<i>Sub total</i>	<b>170.93</b>
<b>Kuwait</b>	Bridges Reconstruction & Rehabilitation Project	11.13
	Strengthening of Tertiary Education & Administrative	20.54
	Moragolla Hydropower Project –Feasibility Study	0.85
	South Eastern University of Sri Lanka Development	6.92
	Kalu Ganga Development Project	34.09
	<i>Sub total</i>	<b>73.53</b>
<b>Saudi</b>	Development Health Facilities Colombo Hospital	12.00
	Development Health Facilities Colombo Hospital - Additional loan	2.93
	Bataloa – Trincomalee Road Project	10.70
	Epilepsy Hospital & Health Centres Project	20.02
	<i>Sub total</i>	<b>45.65</b>
<b>Australia</b>	North East Community Restoration (G)	7.15
	Emergency Northern Reconstruction (G)	10.73
	Supply & Installation of 5000 Solar Units	16.1
	Integrated Water Supply Scheme for Unserved Areas of Apmara District Phase III	105.19
	<i>Sub total</i>	<b>139.17</b>
	<b>Grand Total</b>	<b>3981.41</b>

### 3.5.2 Projects Committed During the year 2010

#### 3.5.2.1 Hambantota International Airport

The Government of China extended a concessional loan of Yuan 1,300 million (approximately USD 190 million) for the construction of International Airport at Mattala. The main objective of construction of the International Airport is to develop an alternative international Airport for the Bandaranaike International Airport. The project includes the construction of a 4km long runway, parking apron, a taxiway connecting the runway and the apron, terminal building, cargo storage, fuel farm and fire service building.

### 3.5.2.2 Supply of 13 Nos. of DMUs

The Government of China provided a concessional loan of Yuan 700 million (approximately USD 100 million) for the procurement of 13 Diesel Multiple Units (DMUs) for Sri Lanka Railways. This procurement will strengthen the passenger transport service of Sri Lanka Railways by adding 13 DMUs to its present fleet of rolling stock. These units specially designed for specific service sectors of Sri Lanka Railways such as 7 units will be deployed for the main line, 4 units for the Kelani Valley line and the balance 2 units will be used for tourist transportation. It is scheduled to procure 13 DMUs in four batches by September 2012.

### 3.5.2.3 Supply of 2Nos. of MA60 Aircrafts

The Government of China provided a concessional loan of Yuan 280 million (approximately USD 40.95 million) for the procurement of two MA 60 Aircrafts to operate domestic and regional destinations.

### 3.5.2.4 Northern Road Rehabilitation Programme

The Government of China through the Exim Bank of China committed USD 302 million to finance the following 3packages which include rehabilitation and improvement of 332 km of the major national roads in the Northern Province.

Package Name	Loan Amount (USD million)
1. Northern Road Package No. 1 Rehabilitation & Improvement of 153km length of Kandy- Jaffna Road(A009) Kandy – Jaffna (A-9)	141.61
2. Northern Road Package No. Rehabilitation & Improvement of 84 km length of Jaffna- Point Pedro Road (AB020); Puttur- Meesalai Road (AB032); Jaffna- Kankesanthurai Road (AB 016) & Jaffna- Palaly Road (AB018)	75.42
3. Northern Road Package No. 11 Rehabilitation & Improvement of 42.4 km length of Mulativu- Kokilai- Pulmudai Road (B297) and 52.6 km length of Oddusuddan- Nedunkerny Road (B334) & Mulativu- Puliyankulam Road (B296)	85.29

### **3.5.2.5 Procurement of Material for the Power sector Development Programme - Northern Province (Uthuru Wasanthaya)**

The Government of China through the Exim Bank of China provided USD 31.66 million for to finance the project. The purpose of this project is to provide electricity to 80,000 consumers living in Northern Province by constructing 400 rural electrification schemes.

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

The Australia & New Zealand Banking Group Limited(ANZ) and the Export Finance and Economic Coporation (EFIC) of Aistralia have provided a loan in a sum of USD 105.19 million for implementation of Integrated Water Supply Scheme for Unserved Areas of Apmara District under the Australian Export Finance Facility. The total cost of the project is USD 118.19 million. The balance USD 13.34 million will be borne by the Government of Sri Lanka.

The objective of the project is to provide sufficient and reliable water supply to about 88,200 people living in Semi urban and rural areas of the Ampara District. With the implementation of this project the health and living standards of the people served under this project will improve.

### **3.5.2.7 Hatton-Nuwara Eliya Road Improvement Project**

The objectives of this project are to rehabilitate the road section between Hatton and Nuwara Eliya to improve the accessibility to the people living in the area , eliminate traffic congestions and enhance road safety between Hatton and Nuwara Eliya. Widening and improvement of 46.7 km long road is expected to de done under this project.

The Economic Development Corporation Fund (EDCF) of the Export and Import Bank of Korea has agreed to provide USD 40 million as a concessionary loan to finance the project. The project is scheduled to be implemented within 33 months

### **3.5.2.8 Rural Electrification Project**

The Government of Islamic Republic of Iran has provided a loan facility equivalent of USD 88,746,450 in EURO through the Export Development Bank of Iran to finance the project. . The balance USD 24,905,492.70 will be paid by the Government of Sri Lanka.

The objective of the project is to electrify 1000 rural villages with provision to provide service connections for 180,000 new consumers. The project is aimed at providing electricity to rural areas including the North and Eastern Provinces.

### **3.5.2.9 Track Laying of Northern Railway Line**

The Government of India through the Export Import (Exim) Bank of India committed USD 416.39 million for financing track laying of 92kms from Omanthai to Pallai sector, track laying of 60kms from Madhu Church to Tallaimannar sector and track laying on the Madawachchiya to Madhu railway line. The Dollar Credit line Agreement was signed on 26<sup>th</sup> November 2010.

In addition, USD 67.4 million for up gradation of Southern railway Corridor from Colombo to Matara was committed by the Export Import (Exim) Bank of India and the Dollar Credit line Agreement was signed on 10<sup>th</sup> March 2010. Further government of India was committed USD 292.3million grant assistance to finance 18 projects in Northern Province.

### **3.5.3 Completed Projects**

The following projects were completed during 2010.

- I. Administrative Complex in Hambantota Project
- II. Re-engineering Government Component of e-Sri Lanka Project
- III. Mahaweli Ganga Development Project System "B" Left Bank

## **3.6 United Nations Division**

In order to provide necessary assistance for the development priorities of the Government, the United Nations Development Assistance Framework (UNDAF) for 2008 - 2012 was finalized in September 2007. As per this agreement, USD 365 million is being raised by UN since 2008 to sustain the Sri Lanka's development priorities. The Country Programme Action Plans (CPAP) for 2008 - 2012 UN agencies including UNDP, UNICEF and UNFPA has also been finalized for this purpose.

### **3.6.1 Current Portfolio**

#### **3.6.1.1 United Nations Development Programme (UNDP)**

In order to execute the CPAP, the UNDP provides USD 13.1 million grant assistance from its regular resources and USD 56.9 million is expected to be raised from other



resources. Under the UNDP country programme, the following new projects are planned to be implemented.

- i. Support to National Action Plan for Plantation Community (Joint UN Programme),
- ii. Support to Implement the Official Language Policy and second National Human Development Report.

The following projects were completed during the year 2010.

- i. Strengthening Community Based Organizations and Partnership Enhancement-(USD 0.1 million)
- ii. Institutional Strengthening for Phase - out of Ozone Depleting Substances(ODS) -(Phase vii) (USD 0.1 million)
- iii. Incentive Programme for Commercial Refrigerator End -User Sector (USD 0.2 million)
- iv. MDG - Campaigning and Capacity Building - ( USD 0.6 million)

Further, UNDP has agreed to strengthen the national capacities for information collection, planning, budgeting, and monitoring for the attainment of the MDGs, and to provide assistance to strengthen the capacity of the auditor general's department.

### **3.6.1.2 United Nations Children's Fund (UNICEF)**

UNICEF will provide USD 4 million grant assistance from their regular resources and raise another USD 35 million from other resources to implement the education, health and nutrition, water and sanitation and child protection programmes under CPAP during the period 2008-2012. UNICEF has disbursed USD 7 million in 2010 for these programmes.

### **3.6.1.3 United Nations Population Fund (UNFPA)**

USD 9 million grant assistance will be provided from UNFPA's regular resources and raise USD 9 million from other resources to implement the health, gender, and population related programmes under the CPAP (2008-2012). The actual disbursement in 2010 is USD 0.5 million.

### **3.6.1.4 International Fund for Agricultural Development (IFAD)**

At present, five projects with a total portfolio value of USD 106 million are being implemented with IFAD funding.

### **Dry Zone Livelihood Support and Participatory Programme**

The project will increase the income level and thereby improve the living condition of about 80,000 poor households in the selected Grama Niladhari divisions in the districts of Anuradhapura, Badulla, Kurunegala and Monaragala where poverty is widespread and income generating possibilities are limited. Under this project, activities including rain-fed upland agricultural development, marketing and enterprise development, irrigation rehabilitation, micro finance and income generating activities and community infrastructure development are being undertaken. IFAD will provide SDR 15.1mn (approximately USD 23 mn) for this project.

### **Post Tsunami Livelihood Support and Partnership Programme**

This programme was initiated in response to the devastation caused by the tsunami in 2004 on the livelihoods of coastal communities in 7 districts. The objective of the project is to assist tsunami affected communities to recover their physical and financial assets and to re-establish their economic activities. The total cost borne by IFAD is USD 5 mn. All project activities were completed during 2010

### **Post Tsunami Coastal Rehabilitation and Resource Management Programme**

The objective of this project is similar to the above Post Tsunami Livelihood Support and Partnership Programme. This project has been implemented under the IFAD Loans No 665-LK and 693-LK. The total amount to be provided by IFAD is USD 30 mn. These loans became effective in 2006 and this project is scheduled to be completed in 2013.

### **Small Holder Plantation Entrepreneurship Development Programme**

This project consists of two components namely, tea development in mid country region in Kandy, Kegalle and Nuwara Eliya districts and Monaragala district for rubber development. The objectives of this project are to improve the land tenure status of smallholder tea and rubber growers, increase producers profits through improved post harvest handling, storage processing and marketing of their products, develop and expand rural finance and credit services and improve the beneficiaries institutional capacity and negotiation skills. The total cost of the project is USD 22.5 mn and it is being implemented by the Ministry of Plantation Industries.

## National Agribusiness Development Programme

The objective of this project is to reduce rural poverty and improve the livelihood of rural households in the target areas. The small-scale farmers, producers, women, the landless and youth in Sri Lanka except in the Western Province and urban areas will benefit from this project. The total cost of the project is USD 32 mn, of which around US\$ 25 mn will be provided by IFAD. This project is implemented by the CBSL. The duration of the project is 6 years commencing from 2011.

### 3.6.1.5 World Food Programme (WFP)

The Letter of Understanding (LOU) was signed in 2009 between GOSL and WFP to provide food aid assistance of USD 135 million to implement WFP food aid programme in Sri Lanka for the period of 2009 and 2010. The main activities of this programme were as follows -

- i. Food distribution for people displaced or recently affected by the conflict
- ii. Mother - child health and nutrition
- iii. Food for education for all primary students in selected schools
- iv. Food for work and food for training
- v. Strengthening the capacity of the government counterpart to manage food assistance programme

This programme was successfully completed on December 2010.

WFP has distributed following food items to the North and Eastern Province in the year 2010.

Table 3.6.1

District	Canned Fish	Rice	Corn Soya Blend	Sugar	Vegetable Oil	Wheat Flour	Pulses
Ampara		1,184,855	948,506	86,312	46,448	701,884	265,823
Batticaloa		2,264,358	931,167	172,328	175,161	812,491	528,882
Jaffna	2,557	9,447,077	1,094,036	799,893	846,484	7,853,461	2,683,040
Mannar		2,140,600	166,863	192,467	222,824	2,053,387	672,534
Mullaitivu			78,419				797,838

		2,448,780		275,694	233,016	2,503,785	
<b>Trincomalee</b>	2,324	2,069,792	942,746	143,814	144,264	1,189,375	<b>489,858</b>
<b>Vavuniya</b>	33,310	8,694,655	190,496	683,524	717,473	5,762,764	<b>2,198,164</b>
<b>Kilinochchi</b>		3,897,243	99,744	383,406	456,899	4,278,264	<b>1,379,514</b>
<b>Grand Total</b>	38,191	32,147,360	4,451,977	2,737,438	2,842,569	25,155,411	9,015,653

It is expected to sign an agreement with a total portfolio value of USD 39 million WFP Food Assistance to implement the Relief and Early Recovery in Former Conflict Affected Areas in Sri Lanka Project for the year 2011.

### 3.6.1.6 United Nations High Commissioner for Refugees (UNHCR)

UNHCR has agreed to provide grant assistance of Rs 304 million to implement the shelter grant programme to distribute shelter cash grant of Rs. 5,000 for the Returnees through the Ministry of Resettlement.

The details of the cash grant paid for the people in the Jaffna, Killinochchi, Mannar, Mullativu and Vauniya Districts in 2009 and 2010 are as follows-

**Table 3.6.2. details of the cash grant paid**  
**LKR**

District	Yaer 2009	Year 2010
<b>Jaffna</b>	117,845,000	23,600,000
<b>Kilinochchi</b>	26,000,000	115,780,000
<b>Mannar</b>	20,895,000	14,535,000
<b>Mullaitivu</b>	17,665,000	71,745,000
<b>Vavuniya</b>	14,975,000	21,925,000
<b>Total</b>	<b>197,380,000</b>	<b>247,585,000</b>

### 3.6.1.7 Food and Agriculture Organization (FAO)

Details of the grant assistance provided by FAO to implement various programmes in relation to the agriculture and fisheries sector are as follows:

- i. Surveillance for Accreditation of Freedom from Rinderpest - USD 0.06 million
- ii. Provision of Seed and Other Essential Agricultural Inputs for Livelihoods Recovery in the North - USD 0.8 million

- iii. Dairy Cattle and Buffalo Improvement - USD 0.3 million
- iv. Improving Post Harvest Practices and Sustainable Market development for Long-line Fisheries for Tuna and Other Large Pelagic Fish Species in the Indian Ocean - USD 0.08 million
- v. Emergency Agriculture and Food Security Assistance in Support of Returnees, IDPs, Host Families and other Vulnerable Families in Northern Sri Lanka. - USD 4.2 million

The following projects were completed in 2010 -

- i. Minimum Standards for Fish Handling and Reduced Post-Harvest Losses in Selected Tsunami-affected Communities - USD 0.5 million
- ii. Provision of Seed and Other essential Agricultural Inputs for Livelihoods Recovery in the North - USD 0.8 million
- iii. Emergency Agriculture and Food Security Assistance in Support of the Returnees, IDP's Host Families and Other Returnable Families in the Districts of Vavuniya, Mannar and Jaffna in Northern Sri Lanka - USD 0.7 million

FAO has disbursed USD 13.6 million for the year 2010.

### 3.7 Technical Assistance Division

The Technical Assistance Division of the Department of External Resources is the designated National Point of Contact (POC) for administering of all Foreign Training Opportunities (FTO) offered by the multilateral and bilateral donors for human resource development under the Technical Cooperation. These opportunities are of immense benefit to the country in enhancing human resource development in the Public Sector as well as the Private Sector.

The Government of Sri Lanka received about 583 foreign training awards by way of long-term (8 months or over) and short - term training opportunities under the Technical Assistance Programmes for the year 2010. The following table shows the number of training opportunities received in the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2010.

**Table 3.7.1 -Training Opportunities**

Donor	Number of Awards
Asian Development Bank (ADB)	47
Colombo Plan	71
Commonwealth Fund for Technical Cooperation (CFTC)	26
Government of Australia	18
Government of China	26
Government of Federal Republic of Germany	1

Government of Japan	1
Government of Malaysia	20
Government of Singapore	37
Government of Thailand	56
Government of the Republic of Korea	75
India - ICCR	3
IITEC - India	46
Japan International Cooperation Agency (JICA)	152
SAARC Secretariat	2
UNESCAP	2
<b>Total</b>	<b>583</b>

These training programmes mainly focus on the areas of Agriculture, Livestock, Fisheries & Irrigation, Road & Transport, Health, Enterprise Development, Environment, Education, Public Administration & Governance and Development & Public Policy. Accordingly, Ministry of Agriculture Development & Agrarian Services, Ministry of Local Government & Provincial Councils, Ministry of Finance & Planning, Ministry of Environment, Ministry of Health, Ministry of Public Administration & Home Affairs, Ministry of Highways & Road development, and Ministry of Industrial Development have largely benefited from these foreign training programmes. The following table shows the details of selected training fields/areas and the benefitted line ministries and agencies.

**Table 3.7.2- selected training fields/areas and the benefitted agencies**

	<b>Area</b>	<b>Ministry/ Agency</b>
<b>1</b>	Agriculture, Livestock, Fisheries & Irrigation	Agriculture Development and Agrarian Services Local Government and Provincial Councils Plantation Industries Livestock Development Fisheries and Aquatic Resources Development Irrigation and Water Management Irrigation and Water Resources Management
<b>2</b>	Road and Transport	Highways and Road Development Local Government and Provincial Councils Transport Construction and Engineering Services
<b>3</b>	Health	Healthcare and Nutrition Local Government and Provincial Councils
<b>4</b>	Enterprise Development	Enterprise Development and Investment Promotion Industrial Development Industry and Commerce Rural Industry and Self Employment Promotion Local Government and Provincial Councils

5	Environment	Environment and Natural Resources Local Government and Provincial Councils
6	Public Administration & Governance	Local Government and Provincial Councils Public Administration and Home Affairs Finance and Planning Auditor General's Department
7	Tourism	Tourism Local Government and Provincial Councils Economic Development
8	Education	Education Local Government and Provincial Councils
9	Water Supply	Water Supply and Drainage
10	Poverty Reduction	Local Government and Provincial Councils/ Nation Building & Infrastructure Development
11	HRD	Public Administration & Home Affairs Finance and Planning Public Service Commission
12	Disaster Management	Disaster Management & Human Rights Irrigation and Water Management
13	Power & Energy	Power & Energy
14	Waste Management	Local Government and Provincial Councils

More than 80 percent of the total technical assistance programmes were offered by major donors such as Government of Japan, Government of the Republic of Korea, Government of Thailand, Colombo Plan, Asian Development Bank (ADB), Government of Singapore and ITEC - India. The Government of Japan is the main provider of training opportunities with the duration of one week to six months. Most of these programmes are offered by the Government of Japan through the Japan International Cooperation Agency (JICA).

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

In addition to the individual training programmes, development partners provide group training, workshops and study visits for the public sector employees. The following group training opportunities were offered by the KOICA for the year 2010.

- i. Policy Administration Improvement for 12 participants (07<sup>th</sup> April – 01<sup>st</sup> May 2010)
- ii. Tax Administration Development for 12 participants (15<sup>th</sup> July – 03<sup>rd</sup> August 2010)
- iii. Trade Promotion for 12 participants (22<sup>nd</sup> August - 11<sup>th</sup> September 2010)

Apart from the training opportunities, technical assistance division coordinates the programmes of services of foreign experts and volunteers with the donors and line ministries. Based on the requests made by line ministries, suitable experts / volunteers are identified and necessary steps are taken to recruit them. During the year 2010, the Government of Sri Lanka received 82 Volunteers and 18 Experts from the donors such as Japan and Korea in the field of Health, Social, Community Development, Sports, Education, Language, Textile and IT.

Technical Assistance Division performs as the National Point of Contact of the Technical Cooperation for coordinating the donors and line ministries / agencies in identifying suitable candidates for foreign training opportunities. For smooth functioning and improving the efficiency and ensuring transparency and accountability of this task, External Resources Department maintains a database to record all information in relation to the foreign training opportunities and the selection of candidates. A demand survey to identify the ministries, departments or institutions for foreign training is carried out at the beginning of the every year. The data collected through the survey is feed into the database and subsequently, it is match with the offers made by donors to identify suitable agencies.

## **3.8 Policy and Information Systems Division**

### **3.8.1 The Role of the Policy and Information Systems Division**

The Policy and Information System Division of the Department is responsible for enhancing foreign aid coordination, mobilisation, management of external Official Development Assistance (ODA), attracting required foreign funding sources for the implementation of priority projects identified in line with the Development Policy Framework of the Government and developing and maintaining of an efficient and effective information technology systems. In order to achieve these objectives, following tasks are undertaken by the Division:

- i. Coordination of line Ministries and funding agencies to obtain the necessary funding facilities for the development projects and programmes that are to be implemented as government development initiatives.



- ii. Forwarding the project proposals submitted to the Department by the line Ministries to the Department of National Planning to be appraised them in line with the government policies and priorities obtaining their recommendations for these proposals.
- iii. Forwarding of the project proposals recommended by the Department of National Planning to prospective donor desks in consultation with senior staff of the Department to secure foreign financing.
- iv. Preparation and maintenance of updated project pipeline which are to be implemented with foreign assistance.
- v. Preparation and publication of Foreign Aid Review and Performance Report of the Department annually.
- vi. Issuing necessary Circulars relevant to foreign aid utilisation.
- vii. Coordinating the timely submission of observations of the Department to the Cabinet Memoranda requested by other Department in the Treasury.
- viii. Coordination of foreign Aid meetings and development forums.
- ix. Maintaining and updating the departmental intranet and internet <http://www.erd.gov.lk> to disseminate information on external debt, donor-funded projects and highlights of the department activities.
- x. Maintaining hardware and software services and providing user support.

### **3.8.2 Performance of the year**

- i. Preparation and publication of a report on “Development Partnership towards an Emerging Economy in Sri Lanka”.
- ii. Preparation and publication of Annual Performance Report for the year 2009.
- iii. Various reports were prepared on aid commitments and utilisation and submitted to the higher authorities and the other decision making agencies.
- iv. Submission of 68 project proposals cleared by the Department of National Planning to the donor desks to obtain foreign finance
- v. Clearance of five Memorandum of Understanding (MOUs)
- vi. Make available document for information security policy for the Department

### **3.9 Debt Management Division**

Division responsible for maintaining efficient and effective management information records on foreign aid such as aid commitments, disbursements, debt stock and debt service payments ensure loans were being serviced properly. The department uses the Commonwealth Secretariat Debt Recording and Management Systems (CSDRMS) to facilitate requirements of various uses of debt data & information including the Central Bank of Sri Lanka, Department of Treasury Operations, Department of State Accounts and Department of Foreign Aid and Budget Monitoring. Under this, following were among the main activities of the division during the period under review.

- i. Servicing 624 live loans in respect of USD16.9bn debt stock.
- ii. Recording disbursements of 191 ongoing loans and 142 grants
- iii. Updating records in CSDRMS and generate reports for ERD and other agencies including the World Bank.
- iv. Maintaining of debt moratorium

## 4 Financial Review

### 4.1 Financial Information on Expenditure

This Department is not collecting revenue to the government and therefore, it is not identified as a revenue collecting agency. Financial information on expenditure against provision on Personnel Emoluments, Other Recurrent Expenditure, Capital Expenditure and Advance Accounts Operations of the Department under Budget Head No. 239 in the year 2010 is given in Table 1, 2, 3 and 4.

**Table 4.1.1 Personnel Emoluments**

	RS.
Original Provision	33,770,000
<b>Add:</b>	
Transfers under FR.66 and Supplementary Provision	2,368,000
<b>Less:</b>	
Transfers under FR.66 and Supplementary Provision	0
<b>Total Provision</b>	<b>36,168,000</b>
Expenditure during the year	35,753,987

**Table 4.1.2 Other Recurrent Expenditure**

	RS.
Original Provision	501,955,000
<b>Add:</b>	
Transfers under FR.66 and Supplementary Provision	5,117,887
<b>Less:</b>	
Transfers under FR.66 and Provision Frozen	5,063,887
<b>Total Provision</b>	<b>502,009,000</b>
Expenditure during the year	500,012,843

**Table 4.1.3 Capital Expenditure**

Object Code	Object title	Provision Rs.	Expenditure Rs.
2001	Rehabilitation and improvement of buildings	100,000	92,361
2002	Improvements to plant, machinery & equipment	50,000	41,444
2003	Improvements to vehicles	1,720,000	1,716,636
2101	Acquisition of vehicle	4,914,000	4,914,000
2102	Acquisition of furniture and office equipment	1,924,000	1,917,732
2202	Capital Transfers - Sweden Consultancy Assistance	133,000	132,100
2204	Asian Development Bank Ordinary Capital Increasing	460,000,000	300,001,208
2401	Training and capacity building	6,103,000	6,085,154
2502	Reimbursement of taxes of residence missions	5,614,000	5,613,364

## 4.2 Advance Accounts

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

**Table 4.2**

Maximum limit of expenditure	Rs. 9,000,000
Actual expenditure	Rs. 3,411,230
Minimum limit of receipts	Rs. 3,000,000
Actual receipt	Rs. 4,704,711
Maximum limit of debit balance	Rs. 35,000,000
Actual balance	Rs. 19,801,971

## 4.3 Auditor General's Queries

During the year, 4 audit queries were received and all the queries were answered. Queries were raised on utilization of foreign aids, Appropriation Account and Public Officers Advance Account of 2009.

## 4.4 Appropriation Account 2010

The Appropriation Account for the year 2010 was submitted to the Auditor General on 30<sup>th</sup> March 2011.

## Annexure I

## List of Committed Projects During 2010 (USD million)

Donor	Project Name	Grant	Loan	Total
ADB	Improving Connectivity to Support Livelihoods and Gender Equality	3.0		3.0
	Fiscal Management Efficiency Project		50.0	50.0
	Post-Conflict Emergency Assistance for IDPs in North	2.5		2.5
	North - East Community Restoration and Development Project II - Supplementary		12.3	12,3
	Conflict Affected Region Emergency Project		150.0	150.0
	Northern Road Connectivity Project		154.0	154.0
Australia	Integrated Water Supply Scheme for Un-served Areas of Ampara District - Phase III		105.0	105.0
	Emergency Northern Recovery Project		10.5	10.5
Austria	Rehabilitation Old Laxapana Hydroelectric Power Plant		34.8	34.8
	Rehabilitation of Eastern Railway Line		10.5	10.5
China	Mattala - Hambantota International Airport Project		190.8	190.8
	Supply of 13 Nos. Diesel Multiple Units to Sri Lanka Railway Project		102.7	102.7
	Supply of two MA-60 Aircrafts		41.1	41.1
	Procurement of Material for the Northern Province Power Sector Development Programme		31.7	31.7
	Northern Road Rehabilitation Project - A9 (From Galkuma to 280km Post)		71.0	71.0
	Northern Road Rehabilitation Project - Contract 11A		42.8	42.8
	Northern Road Rehabilitation Project - Contract 11B		42.5	42.5
	Northern Road Rehabilitation Project - (AB20), (AB32), (AB16) and (AB18)		75.4	75.4
	Northern Road Rehabilitation Project -A9 (from 230km to Post to Jaffna)		70.6	70.6
	Economic and Technical Cooperation	7.5		7.5
FAO	Rehabilitation and improvement of Priority Road Project		152.8	152.8
	Surveillance for Accreditation of Freedom	0.2		0.2

	from Rinderpest			
	Dairy Cattle and Buffalo Improvement Project	0.3		0.3
	Provision of Seed and Other Essential Agricultural Inputs in North	0.9		0.9
	Improving Post-harvest and Sustainable Market Development for Fisheries	0.1		0.1
	Emergency Agriculture and Food Security Assistance for IDPs	4.3		4.3
	Agro-enterprise Development Project	0.4		0.4
	Improvement of Food Security and Livelihoods in Northern Sri Lanka	1.2		1.2
<b>France</b>	Grater Trincomalee Water Supply Project - Supplementary		3.4	3.4
	Provision of Oxygen Concentrators, Operating Theatres and Medical Equipment to Tsunami Affected & Remote Hospital Project		12.9	12.9
<b>Germany</b>	Reconstruction of Water Supply in Galle District		1.6	1.6
<b>India</b>	Upgrading of Railway Line Colombo Matara Phase II		67.4	67.4
	Railway Line Omathai-Pallai, Madhu-Tallaimanar and Medawachchiya		416.4	416.4
<b>IFAD</b>	National Agribusiness Development Programme		24.2	24.2
<b>Iran</b>	Implementation of Rural Electrification Project 8		83.3	83.3
<b>Japan</b>	Provincial/Rural Road Development Project (Central Province and Sabaragamuwa Province)		99.1	99.1
	Provincial/Rural Road Development Project (Eastern Province)		42.9	42.9
	Eastern Province Water Supply Development Project		53.1	53.1
	Kandy City Wastewater Management Project		152.4	152.4
	Upper Kotmale Hydro Power Project (II)		49.2	49.2
	Reconstruction of 05 Bridges in Eastern Province (Detailed Design)	0.3		0.3
	The Project for the Improvement of Central Function of Jaffna Teaching Hospital	24.9		24.9

	Project for Human Resources Development Scholarships	2.5		2.5
<b>Netherlands</b>	Restoration, Conservation and Publicizing of Dutch Records in National Archives of Sri Lanka	0.1		0.1
<b>Russian Federation</b>	Russian Credit Line		300.0	300.0
<b>Saudi Fund</b>	Kalu-Ganga Development Project		46.0	46.0
<b>UNDP</b>	Contribution to the UNDP Mine Action Project	3.2		3.2
	Capacity Building for South -South Cooperation	0.3		0.3
<b>UNHCR</b>	Assistance to Resettlement of IDPs in Sri Lanka	0.5		0.5
<b>USA</b>	Increased Competitiveness in the Global Market Place - Enhancement	13.7		13.7
	Improved Integration of Targeted Disadvantaged Groups into the Community - Enhancement	0.3		0.3
	Peace, Good Governance & Citizens Rights - Enhancement	0.6		0.6
	Peace Process Supported - Enhancement	12.1		12.1
<b>HSBC Bank Plc UK</b>	Emergency Purchase of Container Handling Equipments- Jaya Terminal		35.0	35.0
<b>World Bank</b>	Provincial Roads Project		103.3	103.3
	Additional Financing for Community Livelihoods in Conflict Affected Areas		11.9	11.9
	Emergency Northern Recovery Project		63.9	63.9
	Higher Education for the Twenty-First Century Project		38.8	38.8
	Sustainable Tourism Development Project		18.2	18.2
	North East Local Services Improvement Project		51.9	51.9
	Small and Medium Enterprise Development Facility Project		57.4	57.4
	<b>Total</b>	<b>123.6</b>	<b>3136.9</b>	<b>3260.5</b>