



Performance Report 2011

Department of External Resources
Ministry of Finance & Planning

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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 with minimum cost and low risk to finance development needs in priority sectors highlighted in the Development Policy Framework of the government; Sri Lanka the Emerging Wonder of Asia.
- 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 and abide by all laws and regulations, adhering to the highest standards of governance, transparency, disclosure and ethical conduct

Maintaining 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

1. Overview

The Department of External Resources is the apex government institution that coordinates and mobilizes the foreign financing to Sri Lanka for financing development projects in order to achieve the development targets of “*Mahinda Chinthana – The Vision for the Future*”. In this path, the department has played a vital role in achieving a sustain economic growth created by increased public investment across all economic subsectors such as transport, ports, energy, aviation, water, sanitation and irrigation, as well as on human resources and social capital.

As the foreign financing through concessionary financing is in decreasing trend, financing options for public investment have been broadened further by trapping new financing sources. However, in considering a diverse range of terms and conditions, the Department has been carefully to secure a proper blend of non-concessional financing with available concessional funding in order to contain the cost of financing. The process of economic development in Sri Lanka has been complemented by the foreign aid substantially, and currently Asian Development Bank, World Bank, European Investment Bank and UN agencies work as multilateral development partners while Japan, China, Korea, India, Sweden, Netherlands and Australia work as the major bilateral development partners.

In line with large scale infrastructure development projects initiated by the government, the annual foreign financing commitments from development partners and lending agencies have gradually increased during the last few years. The total commitment in 2011 was USD 2,076 million in comparison to USD 3,261 million in 2010. This consists of project loans of USD 1,945 million and grants of USD 131 million. Commitments from China, Japan, Asian Development Bank and World Bank through loans accounted for USD 1,757 million which is 84 percent of the total commitment in 2011. Sri Lanka was able to secure USD 131 million of grants in 2011 which is 6 percent higher than the grants received last year. About 69 percent of total grants committed were reported from UN Agencies. However, the total commitments have declined slightly in 2011 in all type of financing compared with 2010 as some key lead projects have been secured foreign financing in 2010.

The total amount of foreign financing disbursements in 2011 was USD 1,901 million. Of this amount, 91 percent amounting to USD 1,731 million was disbursed through project loans and the remaining 9 percent amounting to USD 170 million through grants. About 20 percent of total disbursements in 2011 were reported through the projects funded by Japan and followed by China, Asian Development Bank and World Bank accounting for 22, 20, 15 and 12 percent respectively.

Average utilization rate of the bilateral development partners have decreased in 2011 to 20.5 percent from 27.4 percent in 2010. Utilization rate for multilateral development partners have increased to 82.5 percent in 2011 from 21.8 percent in 2010.

1.1 Organizational Structure

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

1. Asian Development Bank Division
2. Japan Division
3. World Bank Division
4. Bilateral West Division
5. Bilateral East Division
6. Middle East and SAARC Countries Division
7. Human Resource Development and United Nation Agencies Division
8. Economic and Policy Analysis Division
9. Administration and Finance Division

The cadre information of the Department of External Resources as at 31st December 2011 is given in the table 1.1 below;

Table 1.1 Cadre Information as at 31st December 2011

Cadre	Approved Cadre	Actual Cadre	Vacancies
Staff Officers	48	29	19
Supporting Staff	64	47	17
Miner Staff	29	26	03
Total	141	102	39

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 2011. It has been a challenge to the Department in reaching the targets set out in the Annual Work Plan 2011. In spite of such vacancies, the Department performed well in 2011 and recorded highest disbursement and commitments.

1.2 Staff Development and Training

In the year 2011, 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 and local training opportunities provided are as follows;

Table 1.2 Local and Foreign Training Opportunities Provided to Staff Officers

Training Programme	Number of Staff
Workshop on Non-Pacific ADF Countries on Country Performance Assessment & Performance-based Allocation	01
Workshop on Strengthening Negotiation Capabilities of Senior Officers from Developing Countries in Commonwealth	01
ODA Evaluation Workshop	01
Japanese ODA Loan Seminar	01
ADB Training Course on Regional Economic & Financial Monitoring	01
Training Program on Strategic Management	01
Seminar on Economic Policies	01
Commonwealth Regional Program on Diplomatic Training	01
Executive Training Program for MoFP Staff on Public Finance	02
Training Programme on Diplomatic Skills for Professionals in International Affairs	01
Debt Management Performance Assessment (DeMPA) Training AFDC	01
Seminar on International Economic and Trade Professionals of Developing Countries	01
Seminar on Disbursement under Japanese ODA Loan Projects in South Asia Region	01
Workshop on Administration of Environmental & Social Consideration Process for Implementation of Japanese ODA Loan Project	01
Seminar on China's Experience of Economic Development for Asian and European Countries	01
Group Training Programme on Economic Strategy Sri Lanka	01
Seminar on Chinese Culture & Economy for Officials from Developing Countries	01
Seminar on Finance & Economic Administration for Developing Countries	01

Seminar on Chinese Language for Commercial Officials from Developing Countries	01
Commonwealth Secretariat - Advance CS-DRMS workshop for outstanding e-Learning participants	01
Growth Accounting and Real Sector Forecasting	02
Japanese Language	01

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 2011. The following table summarizes the areas on which they were trained;

Table 1.3 Local Training Opportunities Provided to Supportive Staff

Subject of Training	Number of Staff trained
English Language	01
Tamil Language	30
E-mail and Internet	01
Computer Training	05
Office Management	02
Public Finance Management	03
Pension Process	04
Salary Conversions	04
Good Governance & Human Resources Management	01
The Role of Office Assistant	03
Drivers Training	10

2. Foreign Financing

2.1 Foreign Financing Commitments

In line with large scale infrastructure development projects initiated by the government, the annual foreign financing commitments from development partners and lending agencies have gradually increased during the last few years. The total commitment in 2011 was USD 2,076 million in comparison to USD 3,261 million in 2010. This consists of project loans of USD 1,945 million and grants of USD 131 million.

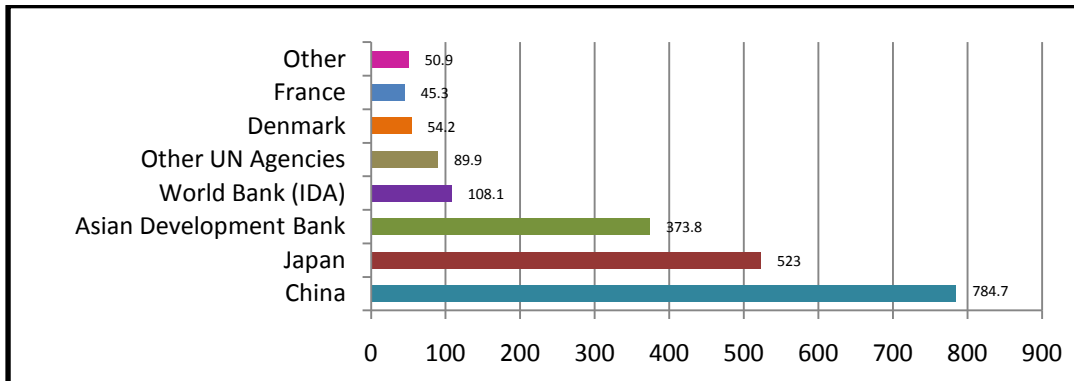
Table 2.1 Foreign Finance Commitments in 2011 (USD Mn)

Development Partner	Loan	Grant	Total
Bilateral	1,426	32	1,458
China	784.7	-	784.7
India	-	9.1	9.1*
Japan	500.0	23.0	523.0
Kuwait	10.9	-	10.9
France	45.3	-	45.3
Netherlands	12.9	-	12.9
Malaysia	4.0	-	4.0
Belgium	13.9	-	13.9
Pakistan	-	0.1	0.1
Sweden	54.2	-	54.2
Multilateral	473	189	662
Asian Development Bank	369.9	3.9	373.8
World Bank (IDA)	103.0	5.1	154.0
Other UN Agencies	-	89.9	89.9
FAO	-	14.6	14.6
UNDP	-	1.3	1.3
UNHCR	-	0.6	0.6
UNICEF	-	16.0	16.0
UNIDO	-	8.8	8.8
WFP	-	48.6	48.6
Total	1,945	131	2,076
*In December 2010 USD 484 Mn was committed and arrangements were made to commit USD 382 Mn in January 2012 by India.			

Commitments from China, Japan, Asian Development Bank and World Bank through loans accounted for USD 1,757 million which is 84 percent of the total commitment in 2011. Sri Lanka was able to secure USD 131 million of grants in 2011 which is 6 percent higher than the grants received last year. About 69 percent of total grants

committed were reported from UN Agencies. Details of the agreements signed from January to December 2011 are given in Annexure I

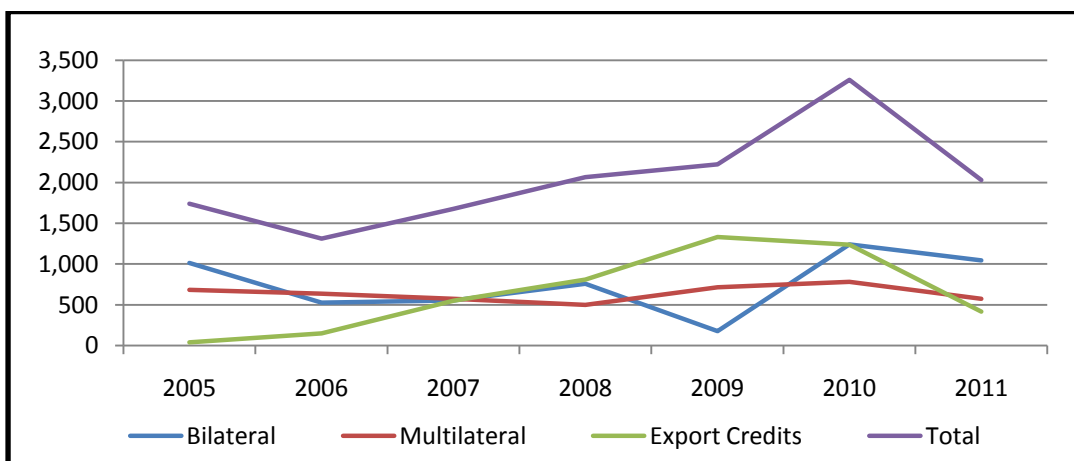
Figure 2.1 Commitments by Major Lenders 2011



2.2 Trends in Foreign Financing of Development Projects

During the previous five years, the annual total foreign financing commitments have gradually increased from USD 1,311 million in 2006 to USD 3,261 million in 2010, representing a 149 percent increase. The composition of foreign financing has changed significantly during the last few years due to the increase of export credit financings. The share of export credit facilities in the total foreign financing has increased from 2 percent in 2005 to 40 percent in 2010. A substantial amount of external assistance in 2010 was channelled to implement economic infrastructure projects. However, the total commitments have declined slightly in 2011 in all type of financing compared with 2010 as some key lead projects have been completed.

Figure 2.2 Foreign Financing Commitments 2005 -2011 (USD mn)



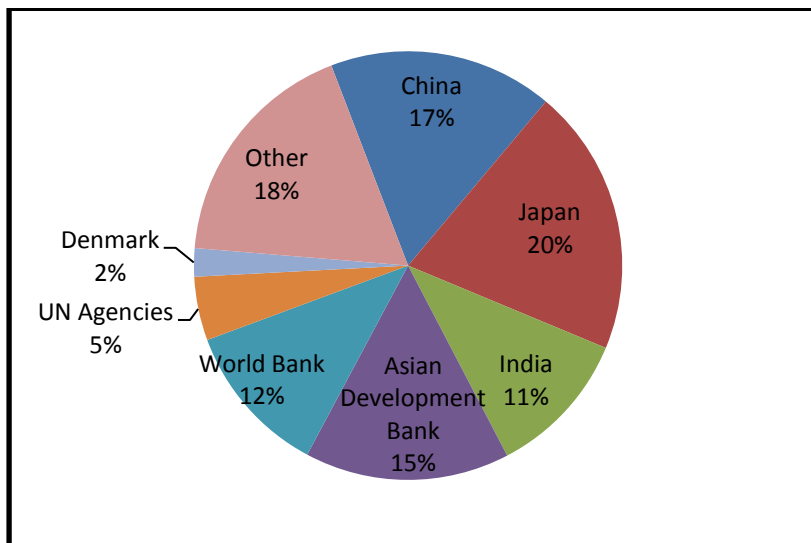
The total commitments have declined slightly in 2011 in all type of financing compared with 2010 as some key lead projects have been secured foreign financing in 2010.

2.3 Foreign Financing Disbursements

The total amount of foreign financing disbursements in 2011 was USD 1,901 million. Of this amount, 91 percent amounting to USD 1,731 million was disbursed through project loans and the remaining 9 percent amounting to USD 170 million through grants.

About 58 percent of total disbursements in 2011 were reported through the projects funded by Japan, China and the Asian Development Bank. The total fund disbursement in relation to Japanese financing in 2011 was USD 380.4 million. Of this amount, USD 351 million was disbursed through loans and the balance USD 26 million through grants. The Upper Kothmale Hydro Power Project (USD 80 million), Greater Colombo Urban Transport Development Project Phase 2(I) (USD 66 million), Greater Colombo Transport Development Project (USD 44 million), Emergency Natural Disaster Rehabilitation Project (USD 42 million) were the main Japanese funded projects that reported higher disbursements in 2011.

Figure 2.3 Compositions of Disbursements 2011 by Major Development Partner



The main projects benefiting from the disbursements of Chinese assistance of USD 317.3 million include (a) Improvement & Rehabilitation of Priority Roads Projects (USD 60.5 million), (b) Colombo – Katunayake Expressway Project (USD 53 million), and (c) Northern Roads Rehabilitation Project (USD 91 million).

In 2011, the Asian Development Bank (ADB) disbursed USD 289 million of which USD 269 million was disbursed through loans and remaining USD 20 million through grants. Fairly high disbursements were reported from the Colombo Port Expansion Project (USD 77 million), National Highway Sector Project (USD 42 million), Eastern &

North Central Provincial Road Project (USD 21 million) and Northern Road Connectivity Project (USD 25 million).

2.4 Utilization Rate of Foreign Finance

Foreign finance utilization rate or foreign finance disbursement ratio indicates the efficiency of utilization of foreign financing committed by development partners and lending agencies. The utilization ratio which represents total disbursement to total committed undisbursed balance depends on the average life of the project. The average period of the foreign financed projects is between 4-5 years and hence the satisfactory level of the overall utilization ratio should be between 20 to 25 percent. The utilization of foreign financing has increased during the last five years. The utilization rate in relation to the infrastructure development projects has increased steadily since 2005 due to improved project management, better cash flow arrangements, and the use of foreign market borrowings to address funding gaps in infrastructure projects financing through development partners.

Table 2.2 Utilization Rate for each Development Partner

Lender/ Donor	2009	2010	2011
Bilateral	22.4	27.4	20.39
Japan	19.2	19.9	19.57
China	38.3	46.7	18.59
Germany	15.4	18.2	14.6
France	18.4	42.1	42.63
India	20.6	10.4	82.21
Korea	6.7	23	15.97
Kuwait	13.7	10.6	12.43
Denmark	45.1	42.4	58.60
Saudi Arabia	31.2	5	1.12
USA	11.6	25.1	27.52
Other	29.5	0.2	11.15
Multilateral	30.4	21.8	25.66
ADB	21.2	23.8	20.07
WB	40.9	20.3	31.54
EU	29.4	15.5	30.87
UN Agencies	67.6	16.4	51.36
Other	13.3	21.3	4.91
Total	25.9	25.7	21.84

2.5 Committed Undisbursed Balance

The total committed undisbursed balance of foreign financing available for the development programmes as at December 2011 stood at USD 7,327 million of which

the funds committed for the Roads, Transport, and Power & Energy sectors alone accounted for 45 percent. Table 5.3 indicates the sector-wise details of the committed undisbursed balances.

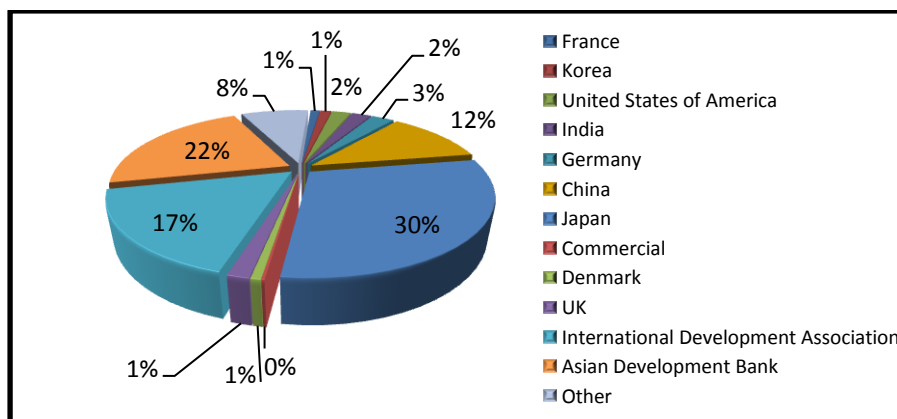
Table 2.3 Committed Undisbursed Balance (CUB) as at 31st December 2011 (USD Mn)

Economic Sector	CUB	% of Total
Roads and Transport	3,227.0	44.0
Ports and Airport Development	298.8	4.1
Water Supply and Sanitation	843.3	11.5
Tsunami Rehabilitation	58.8	0.8
Conflict Affected Area Rehabilitation	229.8	3.1
Health, Education & Vocational Training	105.2	1.4
Power and Energy	1,078.0	14.7
Private Sector Development	32.3	0.4
Agriculture, Fisheries, Irrigation and Land	662.6	9.0
Rural Development	48.5	0.7
Environment and Natural Resources	97.4	1.3
IT, Science and Technology	15.2	0.2
Institutional Development	105.6	1.4
Other	524.7	7.2
Total	7,327.2	100

2.6 External Debt

The external debt of the Government accumulated to USD 18.6 billion by the end of 2011 which includes project loans and international Bond Issues. It increased by 13 percent (USD 2.2 billion) in 2011 compared with the debt stock as at 2010. Of the total debt stock, 37 percent was held by bilateral government lenders while another 34 percent and 16 percent were held by multilateral lending agencies and commercial lending agencies respectively. The remaining 12 percent was held by the export credit agencies.

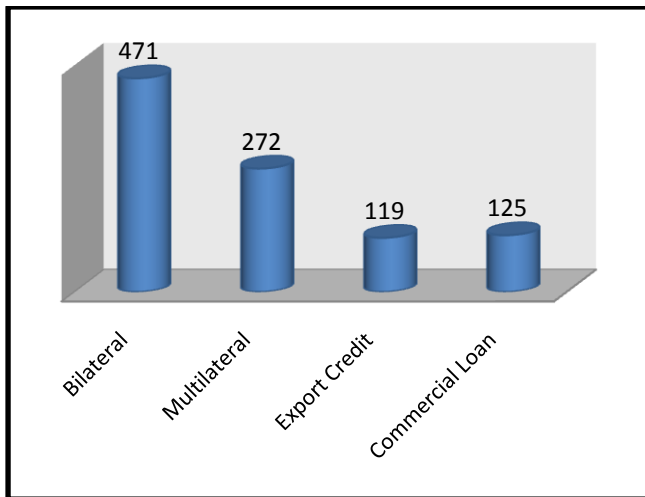
Figure 2.4 Outstanding Debt 2011 -By Lenders



2.7 External Debt Service Payment

The total external debt service payment in 2011 amounted to USD 987.5 million based on the utilization of foreign financing for implementation of development projects and issuance of international bonds. This included the principal of USD 629.6 million and USD 357.9 million in interest payments.

Figure 2.5 Debt Service Payments in Year 2011 by Creditor Category (USD Mn)



3. Performance by Divisions

3.1 Asian Development Bank Division

3.1.1 Asian Development Bank (ADB) as a Development Partner of Sri Lanka

Asian Development Bank (ADB) is one of the major multilateral development partners of Sri Lanka with over 45 years of productive partnership. Since its establishment in 1966, the bank has made available USD 5.3 billion to Sri Lanka through 157 loans with another USD 115 million through 245 technical assistance projects. The annual borrowing from ADB currently stood around USD 300 million or 0.7 - 0.8 percent of the GDP.

Country Partnership Strategy 2012-2016

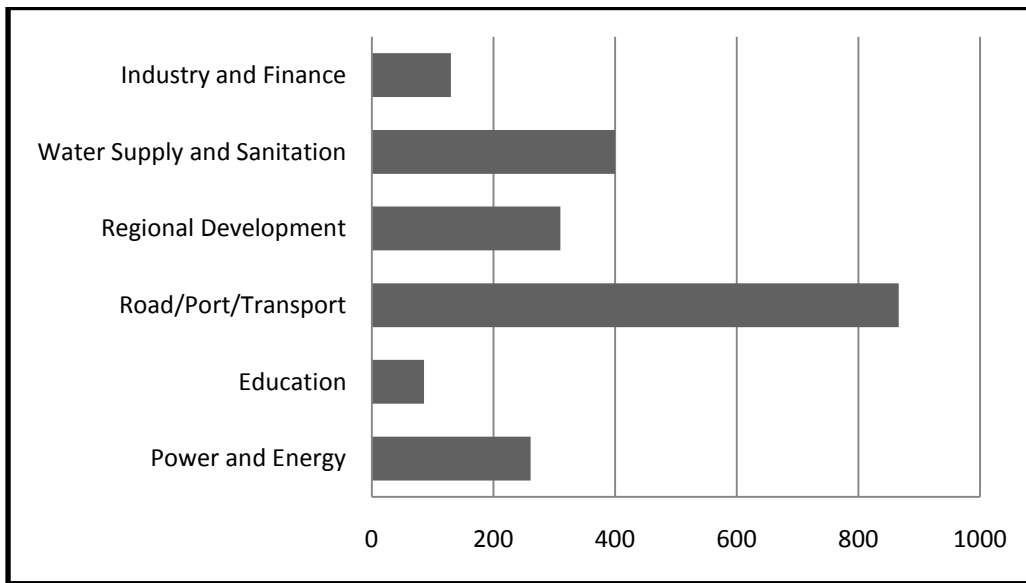
The medium-term Country Partnership Strategy developed jointly by the Government of Sri Lanka and ADB in 2011 for 2012-2016 focuses on three main objectives namely, (i) inclusive and sustainable economic growth, (ii) catalyzing private investment and enhancing the effectiveness of public investment, (iii) human resource and knowledge development. Accordingly, it assures continuous support for infrastructure development including roads and transport, water supply and sanitation, and energy, as development of these sectors is vital to meet the high demand for such services resulting from the accelerated economic growth. Accordingly, Sri Lanka will receive around USD 300mn per year under concessional and non-concessional rates and out of the total USD 900mn earmarked for the period 2012-2014, a substantial portion will be utilized for the transport and energy sectors.

In addition, Sri Lanka received a grant assistance of USD 3 million from the ADB's Asia Pacific Disaster Response Fund (APDRF) in 2011 as an emergency assistance to improve livelihood of people affected by the heavy flood occurred in early 2011. The funds received under the above grant were fully utilized for the relief work and livelihood improvement carried out in Ampara, Anuradhapura, Polonnaruwa and Batticaloa districts that suffered heavily by this flood disaster.

3.1.2 ADB Commitments and Disbursements in 2011

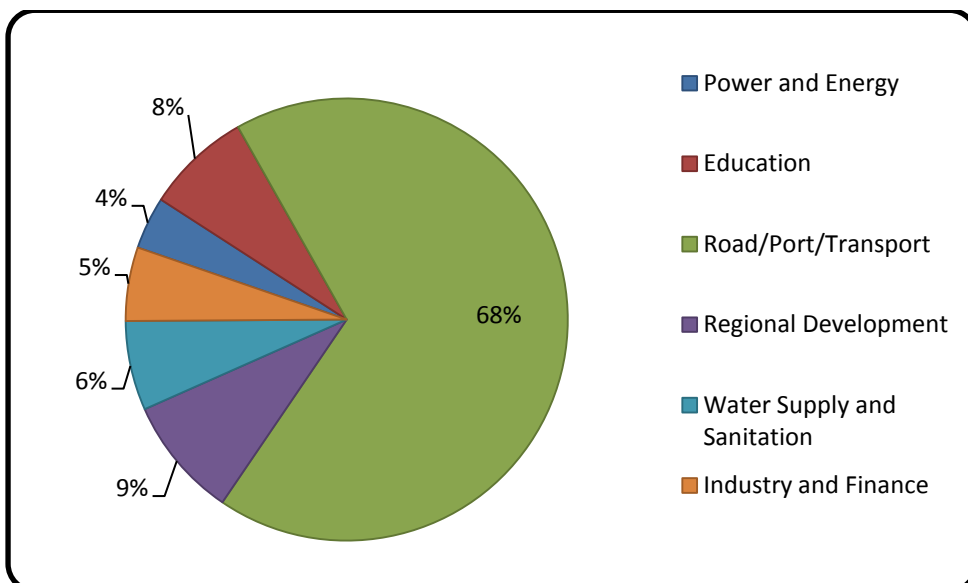
In the year 2011, the total commitment made by the Asian Development Bank was USD 382.6 million. It includes USD 120 million for the Power Sector, USD 85 million for the Road Sector, USD 117.6mn for the Water Supply & Sanitation Sector, USD 70 million for the Regional Development Sector. Figure 3.1 illustrates the ADB sectoral portfolio as of 31st December 2011.

Figure 3.1 Sectoral Distribution of ADB Loans/ USD millions



The current ADB portfolio contains 37 loans and 6 grants. The total disbursement in 2011 under these loans was USD 289,337,069.43.

Figure 3.2 Sectoral Distribution of Disbursement 2011



3.1.3 Key Projects being implemented in 2011

Table 3.1 shows the list of key projects which are being implemented under the ADB assistance during 2011.

Table 3.1 Key Projects Implemented in 2011

Project Name	Amount USD Mn
Colombo Port Expansion Project	300
Southern Transport Development Project	180
Clean Energy and Access Improvement Project	160
Northern Road Connectivity Project	154
National Highway Sector Project	150
Secondary Towns Rural Community Based Water Supply and Sanitation Project	120
Conflict Affected Region Emergency Project	150
Sustainable Power Sector Support Project	120
Greater Colombo Wastewater Management Project	100
Jaffna & Kilinochchi Water Supply & Sanitation Project	90
National Highway Sector Project - SF	85
Eastern and North Central Provincial Road Project	70
Education for Knowledge Society Project	62
Dry Zone Urban Water and Sanitation Project	60
Fiscal Management Efficiency Project	50
Pura Naguma Project	50
Secondary Education Modernization Project – II	36
Mutur Water Supply Project	17
North East Community Restoration and Develop Project II – Sup	12

3.1.4 Brief Description of the Key Projects being implemented in 2011

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 Sustainable Power Sector Support Project will contribute to a reliable, adequate and affordable power supply for balanced and sustainable economic growth in Sri Lanka and increase electricity connections in rural areas, specifically in the Eastern, North Central, Southern and Uva Provinces. Construction of substations at Galle, Pollonnaruwa, Vavunathivu and Monaragala and transmission lines from Ambalangoda to Galle, Mahiyangana to Vavunativu (via Ampara), Monaragala to Madagama will be carried out under this project while improving the distribution system covering 486 rural electrification schemes to electrify about 12,190 households in 113 remote villages in Ampara district.

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 14th February 2017.

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.

Muttur Water Supply Projects

The total estimated cost of the project is USD 19.6mn. The Asian Development Bank will contribute USD 17.6mn and the Government of Sri Lanka will contribute USD 2.0mn.

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.

National Highway Sector Project- Additional Financing

Asian Development Bank has decided to provide a supplementary financing loan of USD 85 mn to the National Highway Sector Project which is proposed for the year 2011.

The proceeds of Additional financing to the National Highway Sector Project will be used for rehabilitation of six main link roads to the Southern Expressway namely, Matara-Akuressa (3.40 km), Hikkaduwa-Baddegama (14.34 km), Horana-Anguluwathota-Aluthgama (3.48 km), Katukurunda to Neboda, (2.72 km), Kirulapona-Goadagama (5.33 km), and Colombo-Horana (12.70 km). Also, the Muthur Water Supply scheme will be fully completed with the additional financing obtained under the Secondary Towns and Community based Water Supply and Sanitation Project.

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 Sothern Expressway reduces time from cities to Colombo and Galle/ Matara. Improved access to economic opportunities and services will contribute to poverty reduction.

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.

Pura Neguma project

The project focuses on institutionalization of new systems in simplified taxation, licensing, and transparent approval systems while updating the capacities of Local Governments to manage these systems. Capital grants will be provided to about 100 selected local authorities under this project to improve local infrastructure such as water supply and sanitation (including sewerage), drainage, solid waste management, roads and bridges (including suspension bridges), improvement of maternity and health centres and other local authority infrastructure facilities such as public markets.

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.

Clean Energy and Access Improvement Project

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

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.

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.

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).

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.

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 strategies to upgrade utmost priorities in Isuru Schools Concept, the EKSP envisaged supporting upgrading the 150 secondary schools selected from the most disadvantaged administrative divisions in Sri Lanka in line with "Isuru Schools Program."

North East Community Restoration and Development Project II – Supplementary

The total investment of this project is USD 16.6 million including a supplementary loan of USD 12.77 million from the ADB and USD 3.8 million from the Government. The project is scheduled to be completed by 31.12.2011.

The objective of this project is to improve the living conditions of the people in the conflict affected areas by restoring basic social infrastructure, community and public services and livelihoods. The activities funded under the project include rehabilitation of hospitals, schools, agriculture related services, rural electrification, institutional infrastructure, rural roads and irrigation infrastructure.

Secondary Towns Rural Community Based Water Supply and Sanitation Project

Total Estimated Cost of the project is USD 175.20mn. The Asia Development Bank (ADB) contribution for the project is USD 120.04mn and the Government investment for the project is USD 55.16mn. The project is expected to be completed by 30th June 2012.

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.

Greater Colombo Waste Water Management Project

Total Estimated Cost of the project is USD 116.6mn the Asian Development Bank will make a contribution of USD 100mn while the Government of Sri Lanka will invest USD 16.6mn. The project is expected to be completed by 31st 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.

Dry Zone Urban Water and Sanitation Project

Total Estimated Cost of this project is USD 113.33mn. Contribution from the Asian Development Bank (ADB) is made up of a Grant of USD 25.22mn and a loan of USD 59.78mn. The Government investment for the project is USD 28.3mn. The project is expected to be completed by 30th 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.

Colombo Port Expansion Project

The total estimated cost of the project is USD 781mn. It consisted of a loan of USD 300mn from the Asian Development Bank (ADB) and the Government investment of

USD 180mn. The private sector investment for this project is USD 301mn. The project is expected to be completed by 10th April 2010.

The Project will assist the Government to realize the potential of Colombo Port to 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. The objective of this Project is to improve the economic growth of Sri Lanka and facilitate private sector investment in Sri Lanka. It will increase the capacity of Colombo Port so that it continues to act as a hub port for the region. The Proposed Loan will finance the dredging, reclamation, breakwater construction and related ancillary works construction.

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

3.1.5 The Key Projects to be Implemented in 2012

Table 3.2 shows the list of key projects which are to be implemented under the ADB assistance in 2012.

Table 3.2 Key Projects to be Implemented in 2012

Project	Amount (USD mn)
Clean Energy and Network Efficiency Enhancement Project	100
Northern Road Connectivity Project- Additional Financing	92
National Highway Sector Project(Second Additional Financing)	40
Technical Education and Vocational Training Sector Development Project	40
Greater Colombo Water and Wastewater Improvement Management Project	42

3.1.6 ADB Assisted Projects Completed in 2011

The list of completed projects which were funded by the ADB in 2010 is shown in Table 3.3

Table 3.3 Projects Completed in 2011

Project Title	Outcome
Technical Education Development Project	Establishment of 6 Colleges of Technology (COTs) offering 12 new technician programs; Strengthening the Ministry of Technical Education & Skills Development and relevant institutions by improving technical & vocational training system and establishment of the University of Vocational Technology (UNIVOTEC) offering new degree programs, starting with a Bachelor of technical Education and a Bachelor of Technology.
North East Community Restoration & Development Project II	Improved the living conditions and well-being of the people in Northern and Eastern Provinces by rehabilitation of access roads, development of institutional infrastructure and restoring basic infrastructure.

3.1.7 Special Events in 2011

- May 2011 – 44th ADB Annual Meeting held in **Hanoi, Vietnam**
- Loan signing:
 - December 2011-Sustainable Power Sector Support Project
 - June 2011- National Highway Sector Project
 - Feb 2011 - Jaffna and Killinochchi Water Supply and Sanitation Project
 - July 2011- Secondary Towns Rural Community Based Water Supply and Sanitation Project
 - August 2011- “Pura Neguma” – Local Government Enhancement Sector Project
- September 2011 - Vice President Mr Xiaoyu Zhao Visited for the Opening Ceremony of the Southern Expressway
- 152 ADB Missions visited in 2011.

3.2 Japan Division

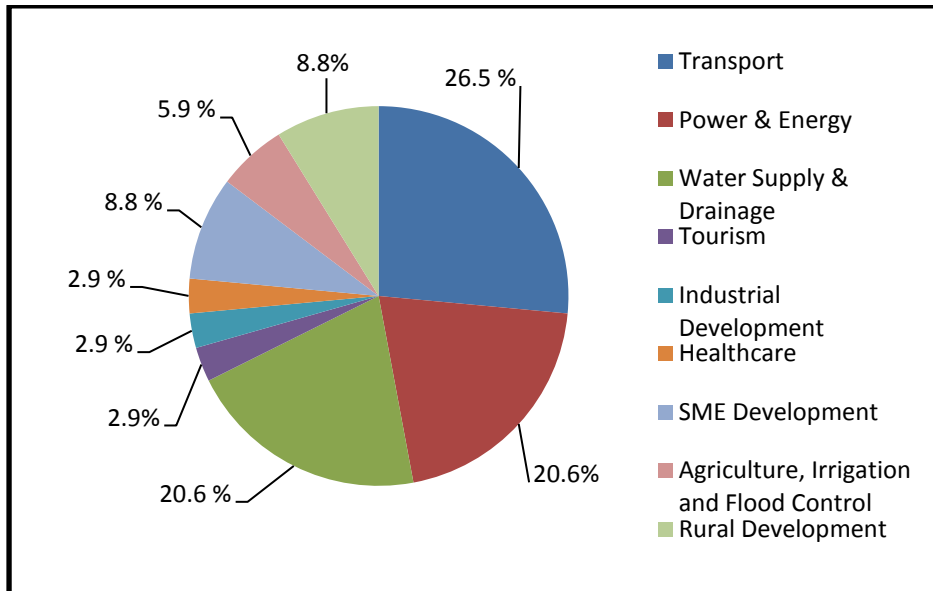
Japan division is responsible for mobilizing of Japanese Official Development Assistance (ODA) from the Government of Japan, which are extended through the Japan International Cooperation Agency (JICA) for the implementation of development projects.

3.2.1 Portfolio Analysis by Sectors

As of December 2011, the current active portfolio of the Japan division consists of 31 projects funded by Government of Japan with a value of USD 2,230mn, playing a

very significant role in the Sri Lanka economy by investing in major sectors such as Port, Power & Energy, Water Supply and Road sector etc. Of this total portfolio, 24 are loan projects amounting to around USD 2,123 million and 07 are grant projects amounting to around USD 107mn.

Figure 3.3 Project Portfolio by Sector



3.2.2 Commitments in 2011

With the signing of three loan agreements for Greater Colombo Urban Transport Development Project Phase 2 (USD 391mn), Vavuniya - Kilinochchi Transmission Line Project (II) (USD 17.5mn), Emergency Natural Disaster Rehabilitation Project (USD 91.5mn) and three grant agreements for Improvement of Cartoon Production Facilities at Sri Lanka Rupavahini Corporation (USD .5mn), the Food Security Project for Underprivileged Farmers (USD 4.3mn), Project for Construction of Manmunai Bridge Across the Batticaloa Lagoon (USD 15.7mn), the total commitments from Japanese Government accounted USD 520.5 million in 2011. Of this total amount, higher commitments have covered a wide spectrum of sectors of Road and Power & Energy due to the priority given by the Government to provide urgent basic infrastructure needs of the country.

3.2.3 Disbursements in 2011

The total amount of disbursements made under Japan funded projects in 2011 was USD 380.4mn which is 102.8 percent achievement over the annual disbursement target. This amount accounted about 52 percent of the total bilateral donor's disbursements to Sri Lanka and about 13 percent of the total foreign disbursements to Sri Lanka. Of this total disbursement, 95 percent (USD 355.6mn) were recorded

through the loan projects and 5 percent (USD 18.4mn) were recorded through the grant projects.

3.2.4 Key Projects being Implemented in 2011

Table 3.4 List of Key Projects being Implemented in 2011

Project Name	Amount USD Mn
Loans	
Emergency Natural Disaster Rehabilitation Project	100
Greater Colombo Urban Transport Development Project (Phase I & II)	577.6
Kandy City Wastewater Management Project	152.4
Pro-poor Economic Advancement & Community Enhancement Project (PEACE)	49.6
Provincial / Rural Road Development Project (Central, Sabaragamuwa & Eastern Provinces)	142
The Gall Port Development Project	124
Upper Kotmale Hydro Power Project (I & II)	300
Vavuniya Kilinochchi Transmission Line Project	29.5
Water Sector Development Project (I & II)	190.8
Grants	
Improvement of Central Function of Jaffna Teaching Hospital	24.8
Improvement of Cartoon Production Facilities at Sri Lanka Rupavahini Corporation (SLRC)	.5
Project for Construction of Manmunai Bridge across the Batticaloa Lagoon	15
The Project for Reconstruction of 5 Bridges in Eastern Province	14.6

Kandy City Wastewater Management Project

Construction of a piped sewerage system and sanitation facilities will be supported gradually to preserve of water resources and improvement of living environment in urban areas. Since the Country's piped water supply is extended, effluence of wastewater is increasing in Sri Lanka. Even though Greater Colombo area has a comparatively well developed sewerage system, in outside of the Greater Colombo areas, wastewater is mostly released to the sea and rivers after being treated inadequately or even without any treatment means, the national sewerage service ratio remains at only 3 – 4 percent. This situation results in deteriorating sanitary conditions in these areas and water pollution in water source rivers.

Kandy city is Sri Lanka's second largest city and one of the most popular tourist destinations. However, since wastewater is not being sufficiently treated in Kandy, water quality of Mahaweli River - the city's water source is getting worse and health,

sanitation condition and living environment of the people living in the city also not as good as required level for a healthy life. Having considering this situation Sri Lanka Government has obtained USD 152.3mn from Japan to implement the Kandy City Wastewater Management Project.

The objectives of the project are to prevent pollution of the Kandy City water sources (Mahaweli River and Kandy Lake) through domestic and industrial wastewater by constructing a proper system for collection, treatment and disposal of wastewater in Kandy City including rehabilitation of sanitation facilities in densely populated areas and thereby enhance the standard of living, health and well-being of the people in the area.

The infrastructures associated with this project are wastewater treatment plant, main pump station, 12 manhole pump stations, sanitary facilities for low-income groups and 94km long collection pipe network. The volume of wastewater expected to be treated daily through biological treatment is 14,000 cubic meters.

Project for Construction of Manmunai Bridge across the Batticaloa Lagoon

The Government has obtained grant assistance of USD 15mn from Japan, for construction of Manmunai Bridge and Causeway across the Batticaloa Lagoon. Accordingly, it is expected to construct a new bridge with the span of 210 meters in length and 9.8 meters in width. In addition, the bridge is to be connected to the Thalankadu – Mawadimunrai, a C class provincial road by constructing a causeway with the span of 9.8 meters in width, 195 meters in length from Western approach and 293 meters from Eastern approach.

The main objectives of this project are, to minimize travel time across the lagoon between Western and Eastern shores by 30 minutes, to provide safe traffic across the lagoon available for 24 hours and to reduce of interrupted period of traffic after flood up to one to two days from two weeks.

The construction of new bridge will reduce the distance between Western and Eastern shores of the lagoon from 32km to 300 meters and Manmunai Western shore to Batticaloa town from 27km to 15km and improve the access to emergency medical services and educational services for residence. Accordingly, this new bridge will increase transportation capacity across the lagoon and it will provide transportation facilities directly 90,000 and indirectly 10,000 beneficiaries.

Emergency Natural Disaster Rehabilitation Project

As a result of heavy rainfall occurred during the period of December 2010 – January 2011, 14 districts were experienced severe flood and landslide, which are caused to

damage 3,000km of national roads, 3,237km of provincial roads and around 12,00km of rural roads in the flood affected districts. In addition, it was badly affected to the irrigation system of the country by damaging fully or partially of 139 major, medium irrigation schemes and around 1,613 minor tanks, anicuts and canals. The Emergency Natural Disaster Rehabilitation Project is implementing with the aim of restoring socio economic activities, which are badly affected due to the heavy rain, and providing protection from further damages in the affected areas, thereby contributing a sustainable living environment.

It is expected to rehabilitate 30Km of national roads, 90Km of provincial roads, 14Km of rural roads in North Central Province, 50Km of national roads, 40Km of provincial roads, 14Km of rural roads in Central Province and 46Km of national roads, 100Km of provincial roads, 23Km of rural roads in Eastern Province under this project. In addition, 50 small-scale irrigation schemes from each North Central Province and Eastern Province and 70 medium and large-scale irrigation schemes in North Central and Eastern Province will be rehabilitated.

The total investment of this project is around USD 100mn and the Government of Japan has provided a soft loan of USD 85mn with a concessionary interest rate of 0.01 percent. The Road Development Authority, Department of Irrigation, Provincial Road Development Authorities of North Central, Central, and Eastern Provinces, Provincial Departments of Irrigation in North Central and Eastern Provinces are the implementing agencies of this project and they will perform the activities of the project, under the supervision of Department of National Planning, Ministry of Ports and Highways, Ministry of Irrigation and Water Resources Management and Ministry of Local Government and Provincial Councils.

Improvement of Cartoon Production Facilities at Sri Lanka Rupavahini Corporation

The media has a major role to play in creation of well-informed and self-reliant population. In Sri Lanka, electronic media, especially television broadcasting is an effective method of disseminating information, knowledge and entertainment. At present, cartoon production and 3D animation is done at a minimal level in Sri Lanka and it needs to be uplifted to a professional level.

This project aims to establish a new 3D animation studio for the Sri Lanka Rupavahini Corporation (SLRC) enabling them to produce 2D and 3D cartoon programmes and new TV programmes with animation. This will help to raise the quality of cartoon production in Sri Lanka to international standards. In addition, this project will strengthen the SLRC by not only providing full technical equipment but also giving

personnel training opportunities to talented artists on 3D animation to improve their skills.

The Government of Japan has extended grant assistance of USD .5mn to implement this project under the Japanese Cultural Grant Aid Programme and the project will be completed within three years. The project is implementing by Sri Lanka Rupavahini Corporation under the supervision of Ministry of Mass Media and Information.

Greater Colombo Urban Transport Project Phase 2 (II)

Greater Colombo Urban Transport Project Phase 2 (II) which was signed in 2011 focuses on the construction of 8.9 km length of road section from Kaduwela to Kadawata on the Outer Circular Highway (OCH) to ease traffic congestion in the Colombo Metropolitan Region and improve the connectivity with the Southern Expressway, Colombo – Katunayake Expressway and other national roads connected to Colombo City. The length of the OCH will be 29 km and financial assistance for the construction of Southern Section of OCH between Kottawa to Kadawata (11 Km) has been provided by the Government of Japan in 2007 and 2008.

Vavuniya – Kilinochchi Transmission Line Project

Vavuniya – Kilinochchi Transmission Line Project which was also finalized in 2011 will contribute to the reinforcement of the transmission network in the Northern area of the country, by reconstructing the 132 KV transmission line from Vavuniya to Kilinochchi and construction grid substation at Kilinochchi. It is also expected to provide reliable, adequate and efficient electricity supply to consumers in the Northern Province (approximately 1.2 million) through this project. The construction of this project is expected to be commissioned by end of 2012.

3.2.5 Projects Completed in 2011

The following Project was completed during the Year 2011.

- Provincial Road Improvement Project

3.2.6 Projects to be Implemented in 2012

Yen Loan Package

Based on the Consultation carried out between the Government of Sri Lanka and JICA, following projects have been finalized for financing under the 42nd Yen Loan Package in 2012.

- Development of Bandaranaike International Airport – Phase 2
- Habarana – Veyangoda 220kV Transmission Line Project
- The Project for the Improvement of Basic Social Services Targeting the Emerging Regions

These projects are identified with the intention of high Economic and Social Development of Sri Lanka. The total estimated commitments for these projects would be around JPY 42,400 million (approximately USD 509 million). This would be the first allocation of Yen Loan funds, which exceed the value of USD 500 million pledged by Japan.

Annual Grant Aid Programmes

In consultation with National Planning Department and the relevant line Ministries, Japan division has submitted the official request of twenty project proposals to Embassy of Japan for consideration under Japanese General Grant Aid, Technical Cooperation and Development Study Programmes for fiscal year 2011/2012.

3.2.7 Special Events Taken Place in 2011

Missions

Japan division has cleared and facilitated around 100 missions in 2011, with the recommendations of relevant line Ministries. Of these Missions, most of Missions were Supervision and Implementation Support Missions and they have given support to the project staff to maintain the smooth implementation of the projects. Also these Mission has finalized the future projects after reviewing the progress of the current portfolio.

Farewell to his Excellency Ambassador of Japan to Sri Lanka

H E the Ambassador of Japan in Sri Lanka, Mr. Kunio Takahashi returned to Japan in October 2011, after completing his successful Mission of three years. Department of External Resources organized a farewell party in honour of H E the Ambassador, with the Secretary to the Treasury's Chieftainship.

Opening Ceremony of Southern Highway

Sri Lanka's first Expressway was ceremonially declared open by Sri Lankan President Mr. Mahinda Rajapakse on 27th November 2011, from the Pinnaduwa interchange of Galle. Japan's Special Peace Envoy to Sri Lanka, Mr. Yasushi Akashi represented the Japanese Government at this historic milestone event. Since a while range of commitments has made difficulties Ms. Sadako Ogata – the President of Japan International Cooperation Agency, to participate to this occasion, Mr. Yuji Okazaki,

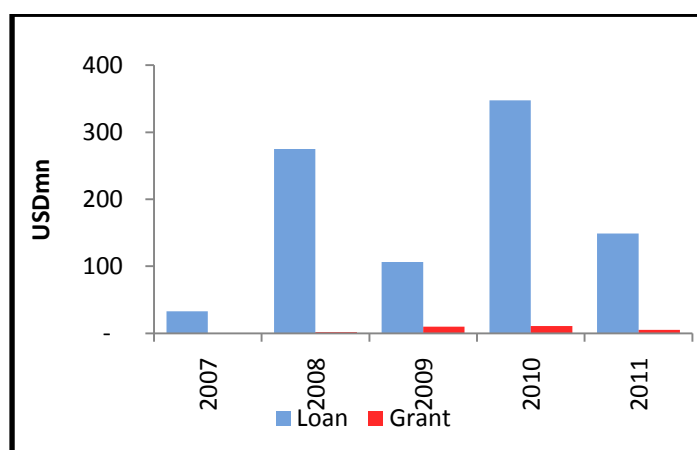
Special Advisor of JICA, responsible for Economic Infrastructure Development attended the opening ceremony on behalf of Ms. Sadako Ogata.

3.3 World Bank Division

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

As per the Government development priorities, the Country Assistance Strategy (CAS) 2009 -2012 of the World Bank has earmarked USD 900 Mn in concessional terms for infrastructure, human resources and regional development sectors. In addition, Sri Lanka's transition to middle income country (MIC) status opens potential to obtain blend borrowing from International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) from December 2010.

Figure 3.4 Commitments 2007-2011



During the last five years, World Bank has provided USD 910.5Mn loan and USD 27.4Mn grants as an annual average of USD 187.6 Mn. Twenty nine agreements have been signed during 2007-2011 period, of which five agreements have been signed in 2011 are given in the table below.

Table 3. 5 Agreements signed in 2011

Project Name	Amount USD Mn
Second additional financing for Road Sector Assistance Project	110
Second and Third Additional Financing for Livelihood Development in Conflict Affected Areas	48
Nutrition Level Improvement	2.7
NE WASH	2.0
Health Sector Development project	0.4

Out of the total resource envelope of USD 900Mn agreed in the present CAS 2009 – 2012 of the World Bank, USD 148Mn was allocated for year 2011.

As at 31st December 2011, 24 development projects have been implemented with an investment of USD 1,097Mn. Using the above loans and grants, around 134 km of road sections of the A6 roads and 600 km of rural roads are being rehabilitated. In addition, arrangements have been made to improve 275 small scale irrigation schemes and 54 safe drinking water schemes.

Furthermore, a considerable amount of borrowings has been utilized for the promotion of e-governance enabling the communities living in rural and remote areas to access online public services through newly established tele-centers. Also, substantial amount of loans have been provided to improve access in SME financing, risk sharing and strengthen the tourism related SMEs.

Grant assistance mainly focused the improvement of nutrition level of 7,100 expectant women, 12,600 children under age of five in the Northern area and sanitation facilities in Mannar and Trincomalee districts. Moreover, grants assistant has been used in the preparation of national health development plan for provincial and national health agencies to overcome challenge of non-communicable diseases, malnutrition and strengthen the health system.

In 2011, disbursement is exceeded the target by USD 40Mn and achieved USD 211Mn. The disbursement ratio has increased from 90 percent in 2010 to 119 percent in 2011. The projects are being implemented in 4 major sectors disbursed around USD 184Mn out of USD 211Mn. The highest disbursement was for the Regional Development sector and the second highest was for the Infrastructure Development sector, USD 113Mn and USD 29Mn respectively. Also a considerable amount of USD 24Mn was disbursed for the SME sector.

Figure 3.5 Disbursements 2007 - 2011 (USDmn)

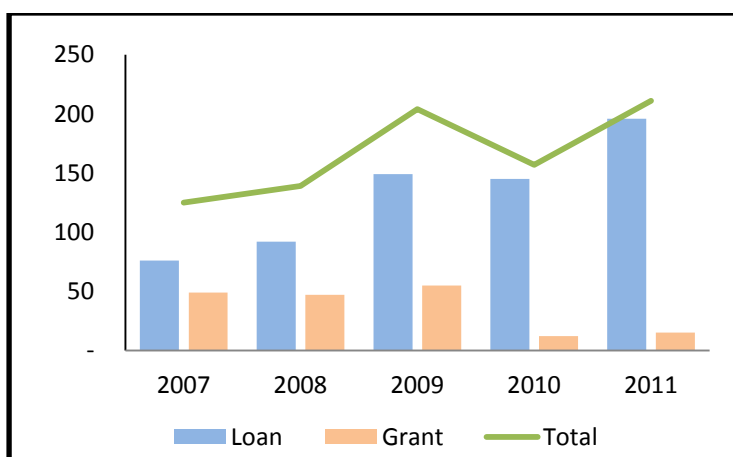
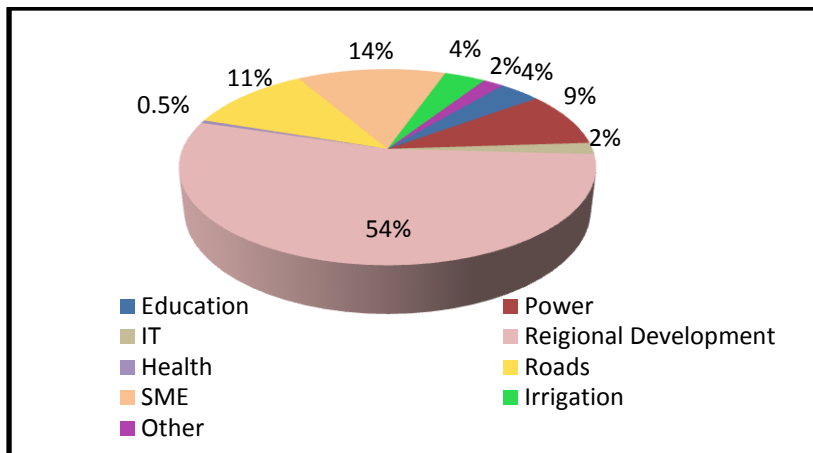


Figure 3.6 Disbursements 2007 – 2011 by Sector



3.3.1 Completed Projects

The following projects have been completed during the concerned year.

1. Renewable Energy for Rural Economic Development Project (RERED)
2. North East Housing Reconstruction project
3. Public Sector Capacity Development Project

3.3.2 Special Events and World Bank Missions in 2011

- i. 07 no of World Bank workshops have been held.
- ii. 132 no of missions and more than 196 no of visas cleared for World Bank mission members.

3.4 Bilateral West Division

The Official Development Assistance (ODA) from countries in the western hemisphere to Sri Lanka is mobilized through the Bilateral West Division of the External Resources Department. The major lenders who provide financial assistance to Sri Lanka comprise of 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.

The composition and the form of foreign financing received from the Western countries and lending agencies has been substantially changed with the graduation of Sri Lanka to a middle income level economy in 2010. Due to the reduction of concessional financing or soft loans with low interest rates, the development assistance obtained from these countries and agencies has been deviated towards a

mix of non-concessional and concessional funds and export credit facilities. The foreign financing borrowed under Export Credit facilities have generally been invested in commercially viable projects which can generate sufficient economic benefits or revenue flows to facilitate loan repayment. Accordingly, most of the commercial borrowings from western countries have been utilized to complete the urgent and prioritized development projects such as increased access to safe drinking water, expanding rural electrification, construction of railway and highway bridges, provision of waste water treatment plants, upgrading of National, provincial and rural hospitals and supply of essential medical equipment.

This financing was obtained mainly in the form of i. Commercial loans, ii. Zero interest loans with certain connected fees and iii. Subsidized credits/ loans taking into consideration the strategic importance of the particular project in term of the social economic development and value of the expected technological transfer and other relevant factors.

However, the total disbursement in 2011 has remarkably come down followed by the low commitment made in the same year. The main reason for this backward trend is that the Government has changed its external financing strategy to borrow from low cost financing sources with favorable conditional precedents .Therefore, the government has increased borrowing from china, India, Korea and other Middle East countries where we can fulfill these objectives.

Figure 3.7 Commitment & Disbursement of the Bilateral West Division (USD)

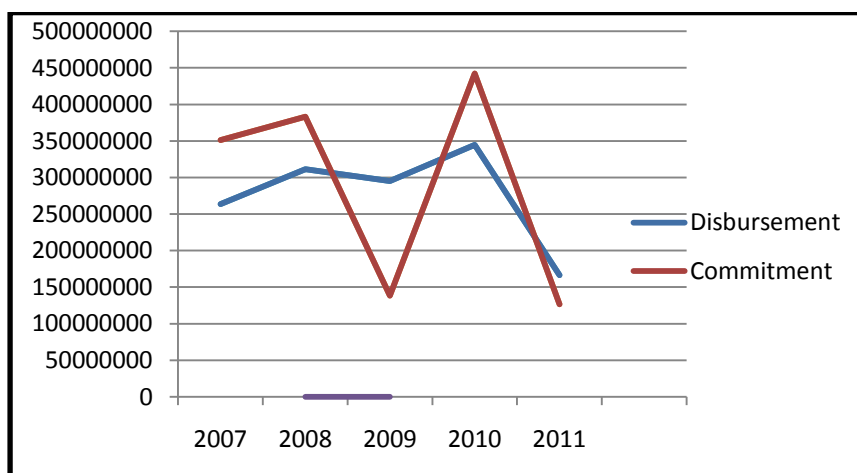
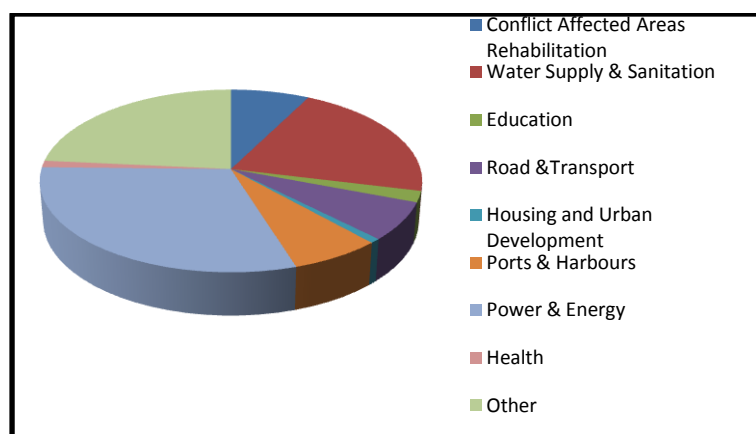


Figure 3.8 Sectoral Distribution of Commitment (From 2007 to 2011)

3.4.1 Commitments in 2011

In the year 2011, the total commitment made by the lenders was USD 141.5 million. It includes USD 72.5 million for the water supply and sanitation sector, USD 54 million for the power sector and USD 15 million for other sectors.

Table 3.6

Project	Lender	Cost (USD Mn)
Nordea Bank Sweden	Rural Electrification IV extension	54.0
Fortis Bank Belgium	Kolonna – Balangoda Water Supply	13.5
People's Bank	Kolonna – Balangoda Water Supply	14.0
USAID	Promoting Private Sector Growth – Grant Social Integration – Grant	7.5 7.5
AFD - France	Jaffna – Killinochchi Water Supply	45.0
Total		141.5

3.4.2 Key Projects being implemented in 2011

The list of key projects which are being implemented during 2011 under loan assistance from western countries is as follows.

Table 3.7

Project	Lender	Cost (USD Mn)
Greater Trincomalee water supply project	France	3.38
Enhancement provision of oxygen concentrators, operating Theatres & medical Equipments to	France	12.90

Tsunami effected and remote hospitals project		
Re contraction of water supply – Galle District project – phase II	Germany	1.60
Russian Line of credit	Russia	300
Rehabilitation of old Luxapana Hydroelectric power plant	Austria	34
Rehabilitation of Eastern Railway line	Austria	10.5
Emergency purchase container Handling Equipments	HSBC Bank PLC (UK)	35
Rural Electrification project – 4	Sweden	54
Ja-Ela/Ekala and Ratmalana, Moratuwa waste water disposal system – Phase I	Sweden	91
Jaffna & Killinochchi water supply and sanitation project	AFD	45.5

3.4.3 Brief Description of some of the key Projects being implementation in 2011

Ratmalana / Moratuwa and Ja-Ela/ Ekala Waste Water Treatment Project

This project was implemented in 2008 with the objective of this project is to improve the urban environment and public health in the urban areas of Ja-Ela/Ekala and the Ratmalana/Moratuwa industrial and residential areas through establishment of a proper waste water discharging system.

Swedish International Development Agency (SIDA) has provided US \$ 91 million financial assistance for the implementation of this project. The Government's contribution for this project is about US\$ 46.5 (approximately Rs. 5122 Million).

Construction of main sewers, treatment plants and pump stations are the main activities of this project. At present, about 95 percent of physical works of Ja-Ela / Ekala area and 65 percent of Ratmalana/ Moratuwa area have been completed. The balance works of the project is scheduled to be completed by January, 2013.

Rehabilitation of Old Laxapana Power Station

The Old Laxapana Hydro Power Station is more than 58 years old and already beyond its accounting lifetime. The recommendation was to rehabilitate the power station before it reaches 65 years of operation. Accordingly, it is planned to replace turbines, generators, and other main equipment. 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. The total cost of this project is USD 37.7 million. Of this, 85 percent is provided by the UniCredit Bank Austria AG through a Credit Facility Loan of USD 32.5 million. At present, the project is at the design stage and construction work of the project will commence in near future.

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 from Valachenai to Batticalo. The UniCredit Bank of Austria AG as provided 85% of the total cost.

Galle Water Supply Project

The objective of the project is to rehabilitate and improve the extension services of Galle water supply schemes, which are severely damaged due to Tsunami, in order to improve the living conditions of the Tsunami affected people in the area. The German Government has provided a grant of USD27 million for the implementation of this project.

Rural Electrification Project – 4

The Nordea Bank of Sweden has agreed to provide an export credit facility of USD 53,493,454 to finance this project.

The objective of the project is to expend the electrification coverage of North Central province up to 100 percent by launching 550 New Rural Electrification schemes as an extension to the on – going Rural Electrification project 4.

The expected output of the project is to provide 110,000 domestic electricity connections and 10,000 industrial connections.

National Languages Project (NLP)

CIDA has agreed to provide C\$ 5.7 for the National Languages Support Project. The objective of the Project is to support the Sri Lankan government and civil organisations to strengthen their policies and implement programs that protect and promote language rights as a means to fostering social harmony and contributing to sustainable peace in Sri Lanka.

The project, now in its design phase, is expected to contribute to greater public access to government services in both national languages, Sinhala and Tamil, as well as English. The project will work with selected governmental organizations to increase their capacities to implement Official Languages Policy of Sri Lanka and to promote bilingualism, trilingualism and language rights. The lead Sri Lankan

institution in this regard will be the Ministry of National Languages and Social Integration.

This project will provide opportunities for Sri Lankans to interact with and learn from Canadian government and non-governmental organizations involved with bilingualism, language policy implementation and language rights in Canada, and to lead to sustainable partnerships and networking.

3.4.4 Grants assistance from Western Donors

Except for loans, following Grant projects have been implemented in 2011 that produce mainly intangible deliverables in the field of Good Governance and Human Rights.

Table 3.8

Project	Donor	USD Mn
Restoration, conservation & publishing of Dutch Records in one National Archives of Sri Lanka	Netherlands	0.114
Increased competitiveness in the Global Market place (Enhancement)	America	11.689
Improved Integration of Targeted Disadvantaged Groups into the community	America	9.347
Peace, Good Governance & Citizens Rights	America	8.99
Peace process supported project	America	12.13

3.4.5 Key Projects to be implemented in future

The following projects have been identified to be implemented in future years with the assistance of Western donors.

Table 3.9

Project	Currency	USD Mn
Energy conservation project at Ambatale water Treatment plant	EUR	31
Greater Ratnapura water supply project	EUR	25
Mahiyangana Water Supply Project	EUR	10
Construction of Veyangoda flyover	EUR	11
Construction of Rural Bridges	GBP	35
Badulla Haliela Water Supply Project	USD	80
Development of Hambantota District General Hospital	EUR	46
Development of N'eliya District General Hospital	EUR	39
Rural Bridges project	USD	55

3.5 Bilateral East Division

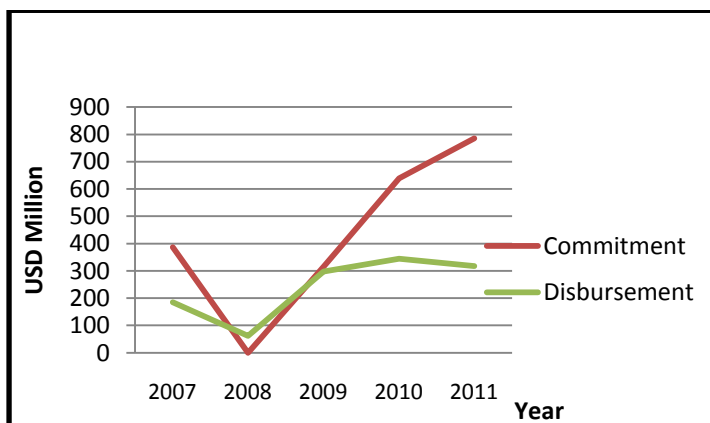
3.5.1 China

The Government of Sri Lanka receives financial assistance from China in the form of grants and loans. Grants and interest free loans are provided by the Government of China while loans are provided by the Export – Import (EXIM) Bank of China, China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC).

The total commitment made from China for the last five year period from 2007 to 2011 was USD 2,126 million. Out of the total commitment made during the last five year period, the highest amount of commitment was made in 2011. It was USD 785 million and it accounted for 37% of the total commitment made during the period from 2007 to 2011. The Exim Bank of China committed USD 285 million for rehabilitation and improvement of 67km length of Navathkuli – Karaitivu – Mannar (A-32) road, rehabilitation and improvement of 113km length of Puttalam-Marichchikadde –Mannar (B 379) road, construction of Southern Expressway from Pinnaduwa to Godagama and procurement of material for lighting Sri Lanka Uva Province Project (Uva Udanaya) in 2011 while China Development Bank committed USD 500 million to finance improvement of Priority Road Projects II.

The total disbursement from China for the last five year period was USD 1,206 million. Out of this amount, the total disbursement in 2011 was USD 317 million. Of this amount, the highest volume of USD 91 million was disbursed for the Northern Road rehabilitation Project. Disbursements for Improvement of Priority Road Project and Colombo Katunayake Expressway Project were USD 60.5 million and USD 53 million respectively.

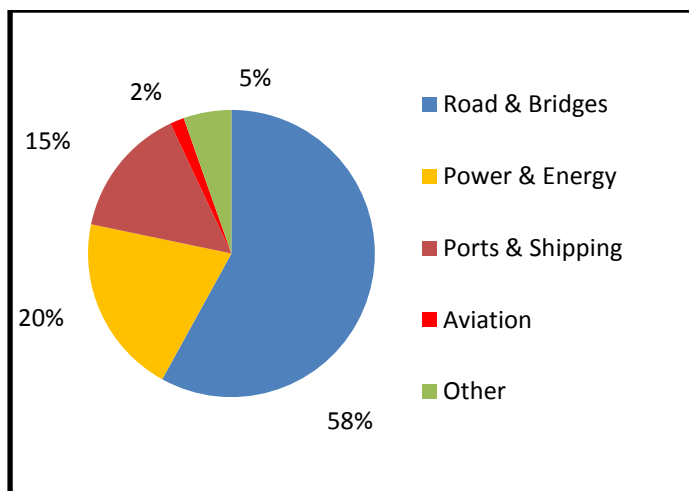
Figure 3.9 Commitment and Disbursement from China - 2007 to 2011 (USD Mn)



Sector Distribution

During last five year period Chinese assistance was obtained mainly for development of roads & bridges, power & energy and ports & aviation sectors. The total project portfolio funded by China in 2011 was USD 2,522 million. Of this amount the highest amount was used for development of roads & bridges sector. It was USD 1,463 million or 58 percent of the total portfolio of China in 2011. The second largest amount of the total portfolio of China in 2011 was used for development of power & energy sector. It was 20 percent of the total portfolio of China during this period. The ports & aviation sectors used around 17 percent.

Figure 3.10 Portfolio Distribution



The following two projects were completed in 2011.

1. Magampura Mahinda Rajapaksa Port – Phase I
2. Nelum Pokuna Mahinda Rajapaksa Theatre

3.5.2 Korea

Korea provides development assistance to Sri Lanka by way of grants and loans. Grant assistance is provided through Korean International Cooperation Agency (KOICA) and loan assistance is provided through Economic Development Cooperation Fund (EDCF) of the Export – Import Bank ((EXIM Bank) of Korea.

The portfolio of Korean assistance in 2011 was USD174.3 million and the total disbursement in 2011 was 33.2 Million. The Korean financing in 2011 was mainly obtained from EDCF for improvement of roads, provision of water supply and upgrading of vocational training institutes. The special feature of the EDCF loans obtained during the last few years, especially in 2009, 2010 and 2011 was that they were obtained at more concessionary interest rates with a longer repayment period

compared to the EDCF loans obtained in early 2000. The interest rate for EDCF loans during the last few years was 0.15 % per annum and the repayment period was 40 years including a 10 year grace period.

Second Framework Arrangement was signed in 2010 allowing to obtain loans from EDCF upto USD 200 million for the years 2009 - 2012. Necessary arrangements were made to commit USD 33.5 million for Construction of Solid Waste Disposal Facilities project and USD26.0 million for Establishment of Colombo Vocational Training Centre and Gampaha College of Technology project in 2011. Accordingly, arrangements were made in 2011 to commit around USD69.5 million out USD200 million available under the Framework Arrangement for 2009 to 2012.

Ministry of Strategy and Finance of the Republic of Korea introduced in 2011 Knowledge Sharing Programme (KSP) in order to share Korea's development experience and thereby promoting socio-economic development of the country. Under this programme, 10 officials representing relevant Government Ministries and affiliated institutions were obtained opportunity to undergo a one week study tour on the areas of promoting export and foreign direct investment and enhancing the competitiveness of SME sector in 2011.

3.5.3 Australia

Sri Lanka is maintaining more than 30 years of relationship with Government of Australia and the country has benefited in various development activities under several foreign aids and commercial loans.

Australia continues to provide long term development assistance to support job creation, agricultural production and community development for vulnerable communities. In 2011, their assistance focused on key priority areas such as rehabilitation of conflict affected areas including resettlement of displaced people reconstruction destroyed infrastructure (schools, housing water and sanitation facilities), providing support to people to find livelihood or restart sustainable farming and fishing activities through vocational education assistance and training and strengthening social protection for displace people, housewives, disability people through improved access to health, education and government services.

In order to promote dairy industry by introducing improved breeds , feed resources , better animal health and well developed farms, action was taken to implement a project on Importation Dairy Animals in 2011. The loan agreement for this project was signed in 2011 with The Cooperative Central Raiffeissen – Boerenleenbank of Netherlands and the Export Finance Insurance Corporation (EFIC) – Australia to obtain US \$ 12,944,058 for the project.

In considering the request made by the Government, the Government of Australia provided 18 scholarships in 2010 and 29 scholarships in 2011 to Government Officials and young professionals to follow master degree programs in Australian Universities to enhance the human resources capacity in Key sectors.

3.5.4 Malaysia

The first loan obtained by the government of Sri Lanka amounted to USD2 million from the Government of Malaysia in 2007 to introduce a Disaster Recovery Backup system for Passport Printing and Personalization System. Further, Buyer Credit Facility of USD 4.0 million loan was also obtained for supply of 50 units of Terminal Tractors to the Sri Lanka Port Authority in 2011.

3.6 Middle East and SAARC Division

3.6.1 Middle East Region

The Development partners of the Middle East region consist of countries such as Iran, Kuwait, Saudi Arabia and agencies like OPEC Fund for Arab Economic Development. Development assistance from this region has been obtained in the form of concessionary loans and grants. A substantial amount of foreign assistance is obtained from these bilateral and multilateral development partners mainly for development of roads, irrigation, education, and health sectors.

The Disbursements of the Projects in the Middle East Division 2011

Table 3.10

Development Partner	USD mn
Saudi Fund	0.8
Kuwait Fund	5.5
OPEC	3.8
Iran	17

A total commitment of USD 10.88 million was made by the Kuwait Fund for Development in 2011 for the South Eastern University phase I-B project. In 2011 USD 27 million was disbursed from the Middle East countries which is USD 20 million higher than the amount disbursed in 2010.

Project Being Implemented in the Year 2011

Table 3.11 Projects Being Implemented by the Middle East Countries in 2011

Donor	Name of the Project	Loan / Grant in USD Mn
Iran	Uma Oya Hydro Electric and Irrigation Project	450.00
	Rural electrification Project 8	82.90
	Sub Total	532.9
Kuwait	Bridges Reconstruction & Rehabilitation Project	11.13
	Strengthening of Tertiary Education &	20.54
	Moragolla Hydropower Project –Feasibility	0.85
	South Eastern University of Sri Lanka	6.92
	South Eastern University of Sri Lanka	10.5
	Kalu Ganga Development Project	35.00
	Sub total	84.94
Saudi Fund	Epilepsy Hospital & Health Centers Project	20.02
	Kalu Ganga Development Project	46.00
	Sub total	66.02
OPEC	National Highway Sector Development project	8.00
	Kalu Ganga Development Project	16.00
	Sub total	24.00
	Grand Total	707.86

Projects Committed During the year 2011

South Eastern University of Sri Lanka

The Kuwait Fund for Development has provided USD 10.5 million for phase 1 –B of the South Eastern University Development Project and the Loan Agreement was signed 2011. The phase 1-B of the project develops essential academic infrastructure and introduces new demand driven degree programmes at the South Eastern University of Sri Lanka in Ampara District to reflect regional and national needs of the country and thereby support the social and economic development of Sri Lanka.. The project is planned for completion by 31.12.2014.

Special Events Took Place during the Year 2011

January: Hon. (Prof) G.L. Peiris Ministry of External Affairs visited to the KFAED.

March: Opening ceremony of the Neuro Truma unit at the General Hospital, Eng. Mohamad S. Al-Arifi

Director General of the Technical Department of the Saudi Fund for Development attended for the opening ceremony.

December: Mr. Hesham Al-Waqayan , Deputy Director General, KFAED and Mr. Waleed Al-Bahar, Regional Manager for East South Asia & Pacific Countries, KFAED visited to Sri Lanka to sign the loan agreement for South Eastern University 1-B project.

3.6.2 SAARC Countries

India

India provides development assistance to Sri Lanka by way of loans and grants. Loan assistance is provided through Export Import Bank (Exim Bank) of India under Credit Lines and grant assistance is provided directly by the Government of India.

The total commitment from India for the year 2011 was grant assistance of USD 9 million. Although there was no any commitment made for loan funds from India in 2011, arrangements were made to commit USD 382 million during this year.

The total disbursement from India from 2007-2011 was USD298.1 million. Out of the total disbursement during the last five year period, the highest amount of disbursement was recorded in 2011. It was USD 208 million or about 70% of the total disbursement made during the last five year period.

The portfolio of Indian assistance in 2011 was USD 708 million of which USD 680 million was loan assistance. Indian loan financing was mainly obtained for development of railways, power generation, and provision of water supply and importation of capital goods from India.

India has significantly increased grant financing as well during the last five years. Out of the total portfolio of Indian financing of USD 708 million in 2011, USD 38 million was grant financing. Grant funds are provided by the Government of India under Special Development Projects and Small Development Projects. Under Special Development Projects India provides grant assistance for large scale development projects. Accordingly, the Government obtained grant funds from India last year period for financing of construction of 1000 pilot houses at a cost of Rs 1,200 mn and rehabilitation of KKS harbour at a cost of Rs.2,600 mn, setting up facilities of Vocational Training centers at Vantharamoolai and Onthachchimadam at a cost of Rs. 309.81 and setting up facilities of Vocational Training Center at Nuwara Eliya at a cost of Rs. 205.39

Under Small Development Projects the Government of India provides maximum Sri Lanka Rupees 300 million for a project. Supply of medical equipment, fishing equipment, roofing sheets, rehabilitation of Palmyra Development Institute, repairs of schools in the Northern Province and rehabilitation of Achchuvely Industrial Zone etc. were some of the projects implemented during 2011 with grant assistance provided by India under Small Development Projects.

Pakistan

The Government of Pakistan provided a grant of USD 125,000 to improve infrastructure facilities to the Babusalam Maha Vidyalaya, Gampaha in 2011. In addition to that, the Government of Sri Lanka initiated discussions with the Pakistan Government to obtain an export credit facility of US \$ 200 million to import cattle, machinery and capital equipment from Pakistan.

3.7 United Nations Division

Sri Lanka has built a productive relationship with the agencies coming under the umbrella of the United Nations such as International Fund for Agricultural Development (IFAD), United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), United Nations Children's Fund (UNICEF), World Health Organization (WHO), World Food Programme (WFP), United Nations Population Fund (UNFPA), United Nations High Commissioner for Refugees (UNHCR), UN Habitat and International Labour Organization (ILO). UN assistance to Sri Lanka comes mainly in the form of grants. However, the foreign financing provided by the IFAD is extended through concessionary loans. The total foreign financing obtained from IFAD and other UN agencies during the last five year period was USD 91.55 million and USD 655.14 million respectively.

In every five year period UN Agencies and the Government of Sri Lanka jointly conclude a pipeline and prepare the United Nations Development Assistance Framework (UNDAF) based on the priorities highlighted in the development policy framework of the government. Accordingly, the UNDAF 2008 – 2012 which was signed between GOSL and UN agencies in 2007 has allocated USD 434 million for development activities in Sri Lanka.

3.7.1 Commitments in 2011

Based on the UNDAF 2008 - 2012, priority projects and programmes in the fields of agriculture, education, environment, disaster relief, water, rural and livelihood development were identified for implementation. Agreements for the following key projects were signed between the GOSL and UN agencies in 2011. The commitments

made by WFP in 2011 were USD 48.9 million and it represents the largest share (71.77 percent) of total commitments made by all UN agencies.

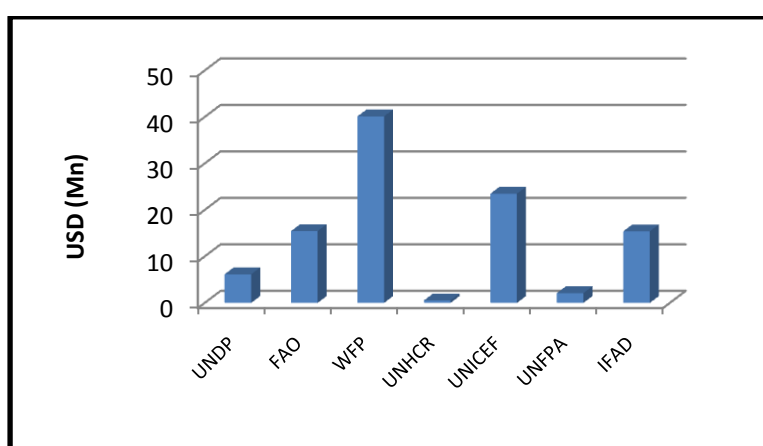
Table 3.12 Commitments in 2011 (USD Mn)

Agency	Name of the Project	Amount (USD Mn)
FAO	Urgent Provision of Essential Agricultural Inputs for IDPs in North	5.0
	Northern Integrated Agricultural Recovery and Growth	4.0
	Sustainable Land Management and Climate Change Adaptation in South Asia (Regional Project)	0.5
	Emergency agriculture assistance to IDPs in Northern Province	0.1
UNHCR	Assistance return and reintegration of IDP's in Sri Lanka	0.83
WFP	Protected Relief and Recovery Operation	40.0
	Emergency Operation	8.9
UNIDO	Country Programme of Technical Cooperation	8.8

3.7.2 Disbursements in 2011

As shown in the following chart, the disbursements made by WFP and UNICEF in 2011 were USD 40.14 million and USD 23.5 million respectively. The highest disbursement (38.86 percent of total disbursement) was recorded from WFP assisted projects while the second highest (22.75 percent) disbursement was recorded from UNICEF assisted projects.

Figure 3.11 Disbursements in 2011 (USD Mn)



3.7.3 Completed Projects in 2011

The following projects in the fields of fisheries, livestock, environment, and livelihood development were completed in 2011.

Table 3.13

UN Agency	Name of the Project	Amount (USD Mn)
FAO	Restoration and Improvement of Fish Landing Centers with Stake holder Participation in Sri Lanka	4.7
	Dairy Cattle and Buffalo Improvement	0.3
	Aquaculture Development in the Southern province	0.4
UNDP	Preparation of HCFC Phase out Management Plan	0.1
	Second National Communication on Climate Change	0.4
WFP	Protected Relief and Recovery Operation	40.0

3.7.4 Emergency Assistance

In 2011, almost 300,000 families were displaced due to the exceptionally heavy rains fell in the areas of North Western and Eastern Provinces. In this grave situation, the Sri Lankan Government sought assistance from UN agencies mainly from WFP, FAO, UNICEF, WHO, UNOPS and UNFPA to assist those families. For instance, WFP provided 1,267 metric tons of mixed food to 500,000 beneficiaries and fortified foods to 16,500 mothers and young children to help avoid the deterioration of their nutritional level. In addition, FAO played vital role in increasing the production of paddy, vegetables and other food crops by way of providing seed paddy and home garden packages for 40,000 families, and other food crops for 24,000 families and repair to minor irrigation tanks. This helped to reduce the market price of vegetables and other crops. The Government of Sri Lanka also obtained assistance from UNICEF for school equipment such as 19,000 learner kits, 414 blackboards, 257 recreation kits and USD 7,000 for school cleaning.

3.7.5 Projects / Programmes to be implemented

Food Donation from the Government of Sri Lanka to the Famine Stricken People in Somalia and Eastern Africa

GOSL has obtained assistance from World Food Programme (WFP) to enhance the nutritional status of internally displaced people in war affected areas. Because of the exclusive rehabilitation programmes launched by the government, the resettlement process had made a commendable progress. As a result, Sri Lanka does not have internally displaced people in war affected areas.

Currently Sri Lanka has surplus of local paddy harvest and it is expected to generate surpluses in future seasons too. Accordingly GOSL is in the process of providing assistance to people who are affected by famine and drought in Somalia and Eastern Africa through WFP's food aid efforts.

Restoration and Improvement of Fish Landing Centers with Stakeholder Participation in Management

“Restoration and Improvement of Fish Landing Centers with Stakeholder Participation and Management Project” was one of the main projects funded by the FAO and the project focused on reconstruction and development of the marine fisheries sector.

The key achievements of this project include rehabilitation of 40 fish landing centres in 13 coastal districts covering those in the Northern and Eastern part of the country; building the new fisheries office in Mullaittivu and capacity building.

A total of USD 4.9 million grant was provided by the Canadian International Development Agency (CIDA) through FAO for this project and the project was completed at the end of September 2011 achieving desired objectives.

South- South Cooperation Programme

The Government has implemented the South South Cooperation programme in collaboration with UNDP to improve the capacity of Government officials. It assists public officials to participate in overseas training programmes by way of providing airfare. In addition, the South South Cooperation programme helps Government agencies to acquire technical knowhow of international experts.

Accordingly, 11 Government officials were sent to South countries for short term training programmes in the areas of e-government, environment and clean technologies in 2011. In addition, the Ministry of Traditional Industries & Small Enterprises Development has been provided assistance under this programme to obtain the services of two Indian natural fibre technologists to improve the knowledge and skills of Sri Lankan farmers on Banana fibre processing and development of a value added product which can be help to develop the banana fiber industry in Sri Lanka.

3.7.6 United Nations Volunteers (UNV) Sri Lanka

The United Nations Volunteers (UNV) has been an active partner in the development of Sri Lanka for more than 35 years. In 2011, about 50 international and national UN volunteers served in many and diverse development areas such as disaster risk management, project management, knowledge management, community services, programme development, social mobilization, education and health. Additionally, the UNV has played a key role in creating opportunities for Sri Lankans to serve both locally and internationally as Un Volunteers. Over 40 Sri Lankans were engaged as

Overseas UN Volunteers in 2011. Apart from providing employment opportunities, the programme helped to expose the volunteers to other cultures, while providing the opportunity to share knowledge and experience and the application of that knowledge back in the Sri Lankan context.

3.7.7 International Fund for Agricultural Development (IFAD)

International Fund for Agricultural Development (IFAD) is one of the prominent development partners of Sri Lanka since 1978. IFAD has been a strong partner in Sri Lanka with a total financial assistance of about USD 400mn in poverty reduction projects in rural areas of the country benefiting some 550,000 rural households.

Currently, five projects with a total portfolio value of USD 113 million are being implemented with IFAD funding. They are; the Dry Zone Livelihood Support and Participatory Programme (USD 22.5 million), the Post Tsunami Coastal Rehabilitation and Resource Management Programme (USD 30 million), the Post Tsunami Dry Zone Livelihood Support and Partnership Programme (USD 4.9 million), and the Small Holder Plantation Entrepreneurship Development Programme (USD 22.5 million). Two Loan Agreements were signed with GEF and CIDA on 10th September 2009 to obtain additional funding of USD 7.8 million for the Post Tsunami Coastal Rehabilitation and Resource Management Programme. In addition, Loan Agreement was signed with the IFAD in 2010 to obtain a Loan amounting USD 25 million to provide financial assistance for the implementation of National Agri-business Development Programme.

The agriculture sector contributes a major share for the economy of the Northern Province in Sri Lanka and therefore, irrigation sector plays a vital role in this Province. Due to satisfactory maintenance in Iranamadu irrigation scheme could not be carried out over the last two decades, it is now functioning well below its potential level and at a high risk of failure. After ending the disturbing situation prevailed in the Northern Province, IFAD has come forward to provide financial assistance to implement the Iranamadu Irrigation Development Project in Kilinochchi in response to a request made by the Government in 2011. Under this project, it is expected to rehabilitate the irrigation infrastructure of the downstream of Iranamadu tank and improve the agriculture production and marketing in Kilinochchi area.

The Loan Negotiations were successfully concluded with IFAD from 1st-2nd December, 2011 at IFAD Head Quarters in Rome to obtain financial assistance to implement the project. The total cost of the project is USD 29.3 mn of which, IFAD agreed to provide USD 22.2 mn at highly concessional terms and conditions. The duration of the project is 5 years while the rehabilitation of irrigation infrastructure

of the project area will be completed during first 3 ½ years. The Loan Agreement was scheduled to be signed in early 2012.

3.8 Human Resources Development Division

At the outset of the year 2011, as one of the results of the restructuring process of the External Resources Department, the name of the “Technical Assistance Division” has been modified as the “Human Resources Development (HRD) Division”. The key role of the Division is administering of all Foreign Training Opportunities (FTO) offered by the multilateral and bilateral donors for human resource development under the Technical Cooperation. In addition to that, the division is designated as the National Point of Contact (POC) on behalf of the Government of Sri Lanka to achieve the government’s development targets by making productive decisions and to deliver efficient and productive services to the general public through the development of human resources in the public sector.

Mobilization of foreign training opportunities from various development partners and distribute available opportunities among line Ministries, Provincial Councils, Departments, and other government agencies is one of the major responsibilities of HRD Division. HRD 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, HRD Division 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.

The Government of Sri Lanka annually receives around 600 foreign training awards by way of long – term (8 months or over) and short – term training opportunities under the Technical Assistance Programmes from more than 15 development partners. After modification of the division, the training opportunities secured in 2011 have been increased compared to the previous years.

Table 3.14 Training Opportunities

Donor	Number of Awards	
	Long Term	Short Term
Asian Development Bank (ADB)	-	70
Colombo Plan	-	55
Commonwealth Fund for Technical Cooperation	-	40

(CFTC)		
Government of Australia	18	-
Government of Brazil	-	7
Government of China	4	87
Government of Japan	1	4
Government of Singapore	-	66
Government of Thailand	5	37
Government of the Republic of Korea	8	99
India – Colombo Plan	-	16
India - ITEC	-	16
Japan International Cooperation Agency (JICA)	17	152
SAARC Secretariat	-	10
Others		11
Sub Total	53	670
Total	723	

Accordingly, a total of 723 foreign training opportunities were received in 2011 and out of them 53 have been long term programmes and the balance were short term programmes. The following table shows the number of training opportunities received to the government of Sri Lanka in the period of 1st January to 31st December 2011.

The majority of training opportunities (24 percent) have been provided by the Government of Japan, mainly through the Japan International Cooperation Agency (JICA). The Japanese foreign training opportunities included 156 short term and 18 long term opportunities. The Government of Korea, through Korean International Cooperation Agency (KOICA) had provided 99 short term training opportunities and 8 long term opportunities. This represents about 15 percent of total training opportunities available to Sri Lanka in 2011. The Peoples Republic of China has provided 87 short term training opportunities and 4 long term training opportunities (about 13 percent of the total training opportunities) while Asian Development Bank and Government of Singapore offered a significant number of training opportunities in 2011 representing about 10 percent and 9 percent respectively of the total training received. In 2011, attempts taken by Sri Lanka were succeeded in attracting some new development partners such as Brazil to provide foreign training opportunities to Sri Lanka.

Considering the long term training opportunities received to the government of Sri Lanka, most of the 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 of the relevant fields. Mostly, these training courses are conducted at the best leading training institutions and universities in the world. 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.

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 JICA and the KOICA for the year 2011.

3.8.1 KOICA Group Training Programmes

- i. Economic Development Strategy for 20 participants (08th – 28th June 2011)
- ii. Sri Lanka Port Management and Maritime Safety for 12 participants (20th June – 03rd July 2011)
- iii. Local Public Sector Development for 20 participants (20th March - 09th April 2011)
- iv. Capacity Building for Educators for 12 participants (06th November - 03rd December 2011)
- v. Development of Sri Lanka Technical College Teachers for 14 participants (30th July – 19th August 2011)

3.8.2 JICA Group Training Programmes

- i. Training Programme for Young Leaders for 26 participants (25th January – 11th February 2011)
- ii. Training Programme for Young Leaders - "Local Governance Course" 2011 for 19 participants (5th – 22nd October 2011)
- iii. CFT : Solid Waste Management in Sri Lanka for 8 participants (10th October – 1st November 2011)

Apart from the training opportunities, human resources development 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 2011, the Government of Sri Lanka received 26, 24 & 8 Volunteers from Korea, Japan and UN Agencies respectively in the fields of Health, Social, Community Development, Sports, Education, Language, Textile and IT. Also the government of Korea has agreed to provide 4 experts to the government of Sri Lanka to the field of Agriculture and IT sector. The deployments of the above experts are still processing.

3.9 Economic and Policy Analysis Division

3.9.1 The Role of the Economic and Policy Analysis

The Division is responsible for enhancing foreign aid coordination, mobilisation, management of external Official Development Assistance (ODA), attracting new foreign financing sources for implementation of priority projects identified in line with the Development Policy Framework of the Government. Further, division is maintaining efficient and effective information systems including Debt Recording and Management Systems (CS - DRMS) provided by Commonwealth Secretariat.

In order to achieve these objectives, following tasks are undertaken by the Division:

- i. Coordination with line Ministries and development partners to obtain the necessary funding facilities for the development projects and programmes that are to be implemented as government development initiatives.
- ii. Obtaining the recommendations of the Department of National Planning for the project proposals submitted by the line Ministries.
- iii. Submitting the project proposals recommended by the Department of National Planning to respective 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. Maintaining efficient and effective management information records on foreign financing such as financing commitments, disbursements, debt stock and debt service payments in order to ensure loans are being servicing on time and accurately.
- vi. Using the Commonwealth Secretariat Debt Recording and Management Systems (CS - DRMS), to facilitate requirements of various end users of debt data & information including the Central Bank, Department of Treasury Operations, Department of State Accounts, Department of Project Management and Monitoring, Department of Fiscal Policy, Parliament, Auditor General and Department of Census and Statistics.
- vii. Perform various analysis with regard to foreign loans and grants

- viii. Preparation and coordination of publications; Foreign Aid Review, Performance Report and Budget Publication of the Department.
- ix. Providing inputs for the Foreign Financing Chapter for Ministry of Finance and Planning Annual Report.
- x. Providing inputs for the midyear and year Fiscal Responsibility report which are published by Department of Fiscal Policy.
- xi. Issuing necessary Circulars relevant to foreign aid utilisation.
- xii. Coordinating of submission of Cabinet Observations on the Cabinet Memoranda submitted to the Department.
- xiii. Coordination of foreign aid meetings and development forums.
- xiv. 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.
- xv. Maintaining hardware and software services and providing user support.
- xvi. Maintaining Technical Assistance Information System
- xvii. Arranging frequent meetings with the staff of the Department under the Chairmanship of the Director General in order to evaluate and enhance the performance of duties of the Department.

3.9.2 Performance of the Year 2011

- i. Prepared and published the report on “Global Partnership in Development”.
- ii. Prepared and published of Annual Performance Report for the year 2010.
- iii. Prepared and published of Foreign Aid Review for the year 2007-2009.
- iv. Prepared of Foreign Financing Chapter for Ministry of Finance and Planning Annual Report 2010.
- v. Provided inputs for the midyear and year 2011 Fiscal Responsibility report which are published by Department of Fiscal Policy
- vi. Provided inputs for monthly cash flow meetings.
- vii. Various reports were prepared on aid commitments and utilisation and submitted to the higher authorities and the other decision making agencies.

- viii. Submission of 89 project proposals cleared by the Department of National Planning to the donor desks to obtain foreign finance.
- ix. Clearance of three Memorandum of Understanding (MOUs).
- x. Organised a meeting with major development partners to establish a formal process.
- xi. Issued a circular under Secretary to the Treasury's Signature along with guidelines on the process of obtaining foreign assistance for foreign financing management functions.
- xii. Recorded detail and payment conditions with regard to 63 of foreign aid agreements and their subsequent amendments in to CS-DRMS, of which 37 were loan agreements and 26, were grant agreements.
- xiii. Servicing 687 live loans in respect of USD 18.6 billion debt stock.
- xiv. Recording disbursements of 195 ongoing loans and 157 grants.
- xv. Answered for 08 Parliamentary Questions.
- xvi. Provided clarifications for 03 Audit Queries.
- xvii. Re-established the CS-DRMS connection with the Department of Treasury Operations which had been disconnected due to technical reasons.

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 2011 is given in Table 1, 2, 3 and 4.

Table 4.1 Personnel Emoluments

	RS.
Original Provision	35,800,000
Add:	
Transfers under FR.66 and Supplementary Provision	2,000,000
Less:	
Transfers under FR.66 and Supplementary Provision	0
Total Provision	37,800,000
Expenditure during the year	37,220,388

Table 4.2 Other Recurrent Expenditure

	RS.
Original Provision	501,580,000
Add:	
Transfers under FR.66 and Supplementary Provision	33,400,000
Less:	
Transfers under FR.66 and Provision Frozen	639,000
Total Provision	534,341,000
Expenditure during the year	234,765,151

Table 4.3 Capital Expenditure

Object Code	Object title	Provision Rs.	Expenditure Rs.
2002	Rehabilitation & Improvement of plant, machinery & equipment	90,000	86,900
2003	Rehabilitation & Improvement of vehicles	900,000	683,495
2102	Acquisition of furniture and office equipment	150,000	110,500
2202(13)	Capital Transfers – Sweden Consultancy	2,975,000	0

	Assistance		
2204(21)	Asian Development Bank Ordinary Capital Increasing	585,000,0 00	584,926,623
2401	Training and capacity building	249,000	248,450
2401(13)	Training and capacity building	2,425,000	2,365,020
2502(17)	Reimbursement of VAT for residence missions	5,540,000	4,677,961

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 4.4

Maximum limit of expenditure	Rs. 5,800,000
Actual expenditure	Rs. 3,241,749
Minimum limit of receipts	Rs. 2,500,000
Actual receipt	Rs. 3,632,639
Maximum limit of debit balance	Rs. 32,000,000
Actual balance	Rs. 19,411,081.25

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 2010.

4.4 Appropriation Account 2011

The Appropriation Account for the year 2011 was submitted to the Auditor General on 30th March 2012.

Annexure I

List of Committed Projects during 2011 (USD Million)

Development Partner	Project	Loan	Grant	Total
<i>Japan</i>	Greater Colombo Urban Transport Development Project Phase 2	391.0	-	391.0
	Vavuniya- Kilinochchi Transmission Line Project (II)	17.5	-	17.5
	Emergency Natural Disaster Rehabilitation Project	91.5	-	91.5
	Improvement of TV Production Equipment of the Sri Lanka Rupavahini Corporation	-	0.5	0.5
	The Food Security Project for Underprivileged Farmers	-	4.3	4.3
	Project for Construction of Manmunai Bridge Across the Batticaloa Lagoon	-	15.7	15.7
	Human Resource Development Scholarship	-	2.6	2.6
<i>ADB</i>	Jaffna & Kilinochchi Water Supply & Sanitation Project	89.2	-	89.2
	Sustainable Power Sector Support Project	120.3	-	120.3
	Secondary Towns & Rural Com-Based Water Supply –Additional Financing	17.7	-	17.7
	Local Government Enhancement Sector Project (Pura Neguma)	57.6	-	57.6
	National Highways Sector Project (Additional Finance)	85.0	-	85.0
	Conflict-Affected Regions Emergency Project	-	1.5	1.5
	Rural Water Supply and Sanitation in Jaffna & Kilinochchi	-	2.0	2.0
	Food Security for Returning IDPs in Mannar District.	-	0.4	0.4
<i>World Bank (IDA)</i>	Second Additional Financing for Road Sector Assistance Project	103.1	-	103.1
	2 nd & 3 rd Additional Financing for Community Livelihood in Conflict Affected Areas	45.8	-	45.8
	Local Level Nutrition Interventions for the Northern Province (JSDF) Project-	-	2.7	2.7
	AusAid Grant for North East Pilot WASH Project for Post-conflict Resettlements (NEP WASH)	-	2.0	2.0
	Multi-Donor Grant for Second Health Sector Development Programme – HRITF	-	0.4	0.4
<i>China</i>	Improvement and Rehabilitation of Priority Roads Highway Section from Pinnaduwa to Kodagoda (30 KM to 45 KM)	500.0	-	500.0
	Highway Section from Kodagoda to Godagama (45 KM to 61 KM)	75.1	-	75.1
	Highway Section from Kodagoda to Godagama (45 KM to 61 KM)	63.1	-	63.1
	Rehabilitation & Improvement of 67km Length of Navatkuli-Karaitivu-Mannar Road	48.4	-	48.4
	Rehabilitation & Improvement of 113km Length	73.2	-	73.2

	of Puttalam-Marichchikade-Mannar Road			
	Procurement of Material for Lighting Sri Lanka - Uva Province	24.9	-	24.9
<i>India</i>	Vocational Training Centre Vantharamoolai, Onthachchimadam & Batticaloa	-	3.1	3.1
	Vocational Training Centre at Nuwara Eliya	-	2.0	2.0
	Women's Trade Facilitation & Community Learning Centre. Batticaloa.	-	1.9	1.9
	Rehabilitation of the Harbour at Kankasanthurai.	-	2.2	2.2
<i>Kuwait</i>	South Eastern University of Sri Lanka Development Project Phase 1 "B"	10.9	-	10.9
<i>France</i>	Implementation of Jaffna Kilinochchi Water Supply and Sanitation Project	45.3	-	45.3
<i>Netherlands</i>	Importation of Dairy Animals	2.4	-	2.4
	Importation of Dairy Animals (Netherland & Australia)	10.5	-	10.5
<i>Malaysia</i>	Purchase of 50 units of Terberg terminal tractors (Malaysia)	4.0	-	4.0
<i>Belgium</i>	Implementation of Kolonna and Balangoda Water Supply Projects	14.0	-	14.0
<i>Pakistan</i>	Pakistan Grant for Construction of Three Storied School Building	-	0.1	0.1
<i>Sweden</i>	Rural Electrification Project 4 Extension	54.2	-	54.2
<i>FAO</i>	Enhancing food security among Farm Families in Eastern Sri Lanka	-	1.9	1.9
	Emergency Agriculture & Food Security Assistance for IDPs.	-	2.8	2.8
	Improvement of Food Security & Livelihoods in Northern Sri Lanka	-	0.3	0.3
	Urgent provision of essential agricultural inputs for IDPs in the North	-	5.0	5.0
	Sustainable Land Management & Climate Change adaptation in South Asia	-	0.5	0.5
	Emergency Agricultural Assistance to IDPs in the Northern Province.	-	0.1	0.1
	Northern Integrated Agricultural Recovery & Growth	-	4.0	4.0
<i>UNDP</i>	Local Governance Project	-	1.3	1.3
<i>UNHCR</i>	Assistance to return & reintegration of IDPs in Sri Lanka.	-	0.6	0.6
<i>UNICEF</i>	Country Programme 2008-2012 UNICEF	-	16.0	16.0
<i>UNIDO</i>	Country Programme of Technical Cooperation 2010 - 14	-	8.8	8.8
<i>World Food Program</i>	Emergency Operation (EMOP)	-	8.9	8.9
	Protected Relief & Recovery Operation Sri Lanka	-	39.8	39.8
	Total	1,944.7	131.1	2,075.8