



# Performance Report

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# 2014

Department of External Resources

Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs

Sri Lanka

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# Vision

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

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# Mission

**Mobilize external financing at least possible cost with minimum conditionality in support of the economic and social development programme of 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
  - 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



# Overview

The Department of External Resources mobilises and manages external financing for accelerated economic growth while maintaining long term debt sustainability of the country. External development assistance, received in the form of loans and grants from bilateral and multilateral development partners plays an important role in meeting country's development financing needs as substantial level of public investment is essential to ensure robust and sustainable economic growth and the external financing provides resources to bridge domestic savings-investment gap.

Over the past several decades, the country has enjoyed concessional financing from multilateral financial agencies such as the International Development Association (IDA) of the World Bank, the Asian Development Bank (ADB), International Fund for Agricultural Development (IFAD), United Nations Development Programme (UNDP), OPEC Fund for International Development (OFID), European Investment Bank (EIB) and bilateral development partners such as Japan, South Korea, France, Austria, Germany, Denmark, the USA, Australia, Kuwait, Saudi Arabia, the Netherlands, Sweden, China and India. These concessional financing has been extended in the form of outright grants, credits with longer maturities and low or no interest and mixed credits (loan and grant combined). The concessional financing received from these development partners has been channelled to projects in the areas of poverty reduction, livelihood support, social welfare, education, health, economic infrastructure development projects such as power and energy, water supply, roads, bridges, ports, ground transport, aviation and other sectors such as agriculture, irrigation and environment protection.

The composition and the form of external development financing has substantially changed over the last few years with the gradual increase of per capita income of the county. With the reduction of concessional financing, steps have been taken to broaden the options for foreign financing for public investment with a proper mix of less or non concessional financing with the available concessional financing. Under this new development strategy, China and India have emerged as two lead development partners while the ADB, IDA and Japan are maintaining their support as in the past. With higher per capita income level, the concessional financing assistance from Western bilateral partners in general has diminished while financing in the form of export credits have taken a prominence. Similarly, the ADB's share of concessional financing is gradually declining while non concessional financing portion is increasing.

# Organizational Structure

The Department of External Resources (ERD) is headed by Director General assisted by an Additional Director General and 7 Directors in charge of the following Divisions;

- Asian Development Bank & China Division
- Japan, Korea Thailand, Vietnam, Malaysia & Singapore Division
- World Bank & IMF Division
- Middle East & South Asia Division
- Russia, Australia & West Division
- United Nation Agencies & Technical Assistance Division
- Capital Market Division
- Debt Management Division
- Policy Planning Division
- Administration & Finance Division

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.

The approved cadre percentage of 24 which has been vacant in the year 2013 had increased to 30 percent at the end of 2014. It has been a challenge to the Department in reaching the targets set out in the Annual Work Plan 2014. In spite of such vacancies, the Department performed well in 2014.

## Staff Development and Training

In the year 2014, 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 for the Department staff are as follows;

**Local and Foreign Training Opportunities Provided to Staff Officers**

Programme	Number of Staff
Modern Diplomacy for Small States - Malta	1
Seminar on ODA Official from South Asian Countries - China	2
Debt Management Performance Assessment (DeMPA) Training - China	1
4 <sup>th</sup> Asian Regional Public Debt Management Forum - Georgia	1
Seminar on Economic Restructuring and Adjustment for Asian Countries - China	2



Programme	Number of Staff
Journey to and from the Middle Income Status – The Challenges for Public Sector Managers - China	1
Seminar on Infrastructure Planning & Construction for Asian Countries - China	2
Seminar on Introducing Foreign Expertise & Developing Socio-Economy for Asian & European Countries - China	1

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 2014. The following table summarizes the areas on which they were trained;

Local Training Opportunities Provided to Supportive Staff	
Subject of Training	Number of Staff
Transport Management	1
Basic Procurement Procedure	1
Office Management & Attitudes Development	2
Salary Conversion	1
Computation & Payment of Civil Pensions	3
Certificate Course in English Language	1
Disciplinary Procedures	1
Basic Tamil Language	2
Financial Regulation No 104 Inquires	1

# Foreign Financing

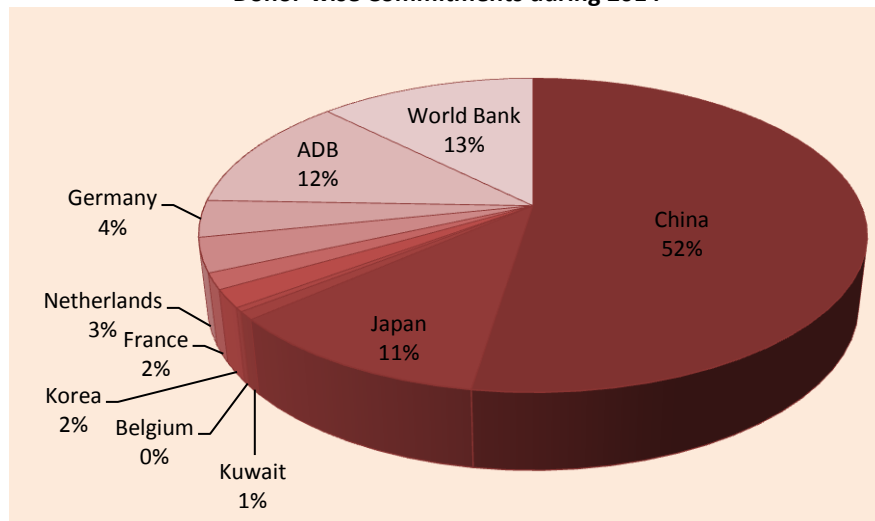
External financing makes a significant contribution towards sustainable development of the country while maintaining a substantial level of public investment, at present around 50 percent of public investment expenditure is financed through external financing. Ensure the government financial needs by mobilizing external finance at the lowest possible cost consistent with a prudent degree of risk is the key function of Department of External Resources and summary of a commitments made by government of Sri Lanka by intervention of Department of External Resources with the bilateral and multilateral development partners, utilization rates and debt payment for the year 2014 is illustrated from this chapter.

## Foreign Financing Commitments

The Government has entered into 51 financial agreements with external development partners and lending agencies during 2014. These agreements consist of 34 loan agreements with total committed amount of USD 5,777.8 million including two sovereign bond issuances worth of USD 1,500 million and 17 grant agreements with total committed amount of USD 76.5 million.

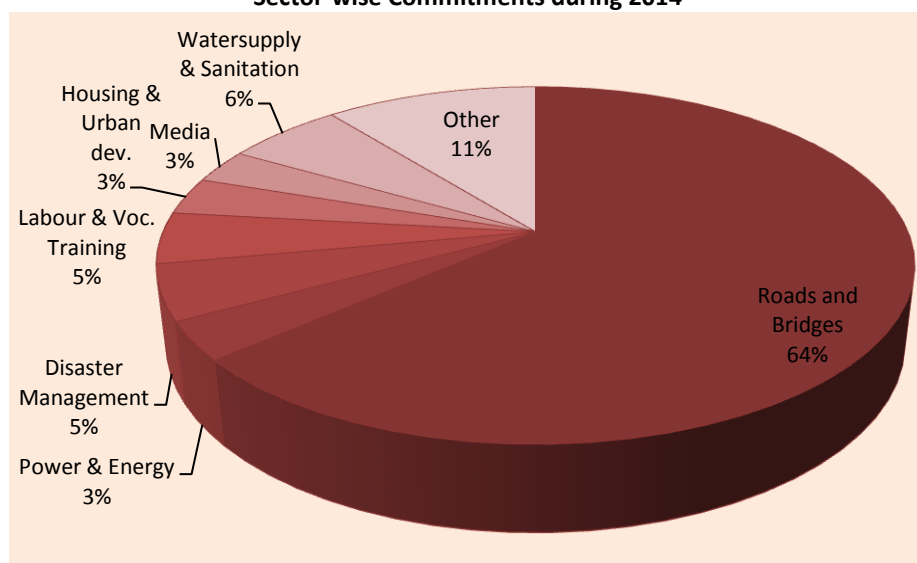
Out of the total commitments received for the implementation of development projects/programmes during 2014, major portion (52 percent) of the funds have been committed by China, followed by the World Bank, ADB and Japan, which contributed to 13 percent, 12 percent and 11 percent respectively.

**Donor-wise Commitments during 2014**



Almost 65 percent of foreign financing committed for the implementation of development projects/programmes (without funds raised through sovereign bond issuances) during 2014 was diverted to the development of roads and bridges in the country while water supply & sanitation, disaster management and vocational training sectors have received considerable funding commitments.

Sector-wise Commitments during 2014



## External Financing Disbursements

The total disbursements received by the government to channel the development project in 2014 were USD 1,395.29 million. Of which, 94 percent amounting USD 1,314.53 million was disbursed through loans and remaining USD 80.76 million disbursed through grants.

Out of total disbursement recorded in 2014, larger share of foreign financing disbursements, amounting to USD 308.92 million was recorded from the projects funded through the Chinese assistance followed by projects with funding assistance received from Asian Development Bank (ADB) and Japan, recording USD 247 million and around USD 240 million of disbursements respectively.

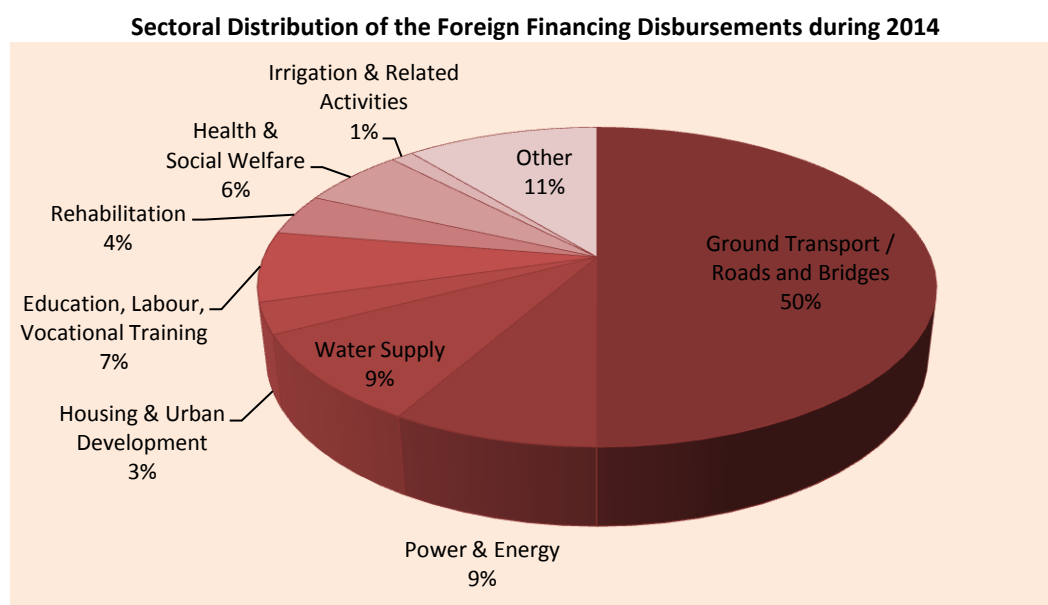
Foreign Financing Disbursements in Development Projects in 2014 by Development Partner (million)

Development Partner/ Lending Agency	Loan		Grant		Total Amount	
	Rs.	USD	Rs.	USD	Rs.	USD
<b>Bilateral</b>	<b>110,387.19</b>	<b>845.80</b>	<b>7,355.84</b>	<b>56.41</b>	<b>117,743.03</b>	<b>902.21</b>
China	40,315.24	308.92			40,315.24	308.92
Japan	31,308.09	239.89	2,179.01	16.68	33,487.10	256.57
India	15,076.92	115.50	3,564.71	27.35	18,641.63	142.85
United Kingdom	7,268.92	55.69			7,268.92	55.69
Netherlands	5,168.49	39.57			5,168.49	39.57
South Korea	2,644.74	20.27			2,644.74	20.27
Hungary	659.18	5.05			659.18	5.05
Sweden	467.22	3.58			467.22	3.58

Development Partner/ Lending Agency	Loan		Grant		Total Amount	
	Rs.	USD	Rs.	USD	Rs.	USD
Spain	1,003.72	7.69			1,003.72	7.69
France	1,374.92	10.54			1,374.92	10.54
Austria	894.08	6.85			894.08	6.85
Belgium	453.29	3.48			453.29	3.48
Denmark	285.53	2.19			285.53	2.19
Germany	194.66	1.49	148.01	1.14	342.67	2.63
Kuwait	193.76	1.48			193.76	1.48
Saudi Fund	1,415.21	10.84			1,415.21	10.84
United States of America	1,463.31	11.23	1,331.48	10.22	2,794.79	21.45
Australia	199.91	1.54			199.91	1.54
Pakistan			132.63	1.02	132.63	1.02
<b>Multilateral</b>	<b>61,155.52</b>	<b>468.73</b>	<b>3,177.56</b>	<b>24.35</b>	<b>64,333.08</b>	<b>493.08</b>
Asian Development Bank	32,225.24	247.07	934.64	7.16	33,159.88	254.23
World Bank - International Development Association (IDA)	21,084.19	161.5	2,011.39	15.42	23,095.58	176.92
World Bank - International Bank for Reconstruction and Development (IBRD)	2,434.92	18.67			2,434.92	18.67
International Fund for Agricultural Development (IFAD)	683.58	5.24	65.16	0.50	748.74	5.74
OPEC Fund for International Development (OFID)	1,973.90	15.14			1,973.90	15.14
European Investment Bank	2,753.69	21.11			2,753.69	21.11
United Nations Development Programme (UNDP)			18.40	0.14	18.40	0.14
United Nations High Commissioner for Refugees (UNHCR)			2.60	0.02	2.60	0.02
United Nations Population Fund (UNFPA)			17.04	0.13	17.04	0.13
Food and Agriculture Organization (FAO)			128.33	0.98	128.33	0.98
<b>Total</b>	<b>171,542.71</b>	<b>1,314.53</b>	<b>10,533.40</b>	<b>80.76</b>	<b>182,076.11</b>	<b>1,395.29</b>

**Note:** 1. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made  
2. Disbursements of loans obtained by State Owned Enterprises were not included

It was noticeable that roads, bridges and transport sector received about half of the total foreign disbursements for development projects during 2014.

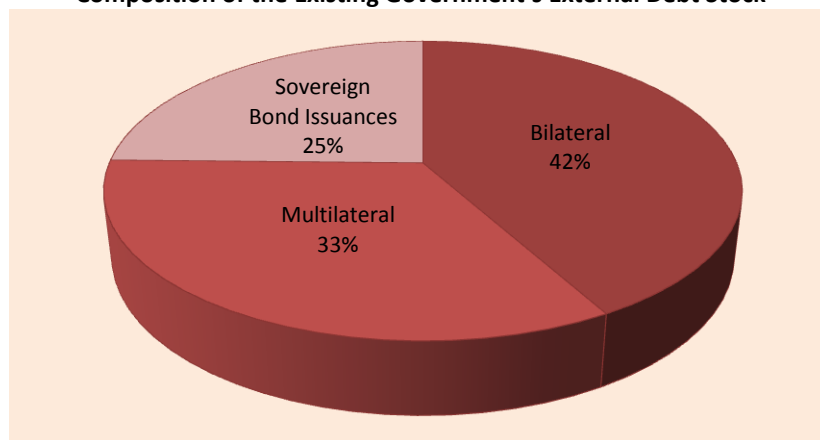


## Government Foreign Debt Stock

At the end of 2014, the foreign debt stock amounted to USD 20.2 billion<sup>1</sup>. Out of this, 42 percent was from bilateral development partners, of that 30 percent represented the loans obtained from bilateral development partners under Official Development Assistance (ODA) and the balance 12 percent from bilateral export credit. About 33 percent of the total debt stock consisted from the loans extended from multilateral development partners and lending agencies while the remaining 25 percent of the debt stock reflected the funds raised through international bond issuances as the actions were taken to tap financial resources from capital markets.

<sup>1</sup> Contain outstanding debt of loans obtained to finance development projects/programmes and outstanding debt of international sovereign bonds. Outstanding external debt of SOEs and foreign investments on Treasury Bills/Bonds are not included.

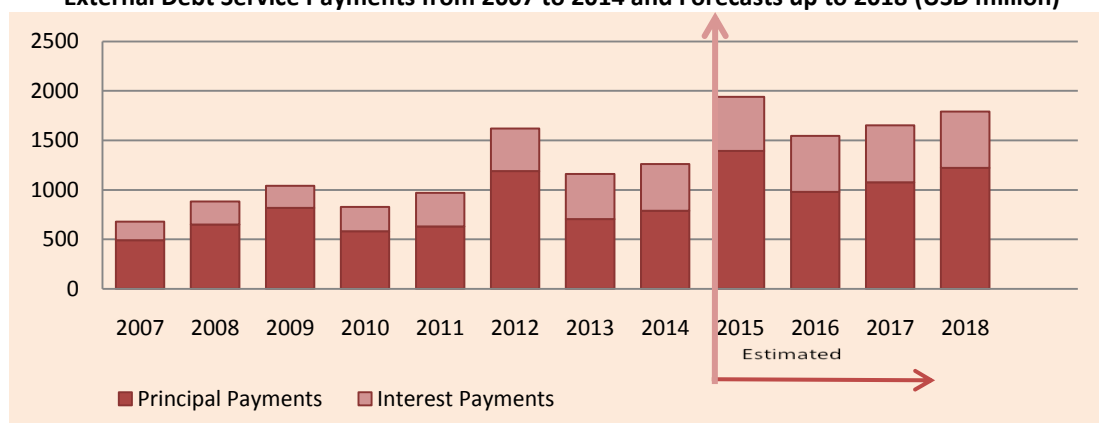
Composition of the Existing Government's External Debt Stock



## Debt Service Payments

With the gradual accumulation of foreign loans raised for development projects and programmes implemented during the past 6 decades after independence, debt servicing has become an important aspect of monetary and fiscal management of the country. Despite the setbacks stemming from external shocks and domestic hurdles, Sri Lanka has maintained default free status by settling all the debt service payments on time.

External Debt Service Payments from 2007 to 2014 and Forecasts up to 2018 (USD million)



From 2005 to 2014, the government has paid about USD 9,246 million<sup>2</sup> debt service payments. Of that, capital repayments amounted to USD 6,424 million and interest payments amounted to USD 2,822 million were made for the loans obtained for development projects and sovereign bond issuances. The debt service payments during 2014 for the loans obtained for development projects and international bond issuances amounted to USD 1,259 million of which principal payments amounted to USD 788 million and interest payments amounted to USD 471 million.

<sup>2</sup> Capital and interest payments with regard to the Treasury Bills/Bonds made to foreign parties were not included

# Performance by Divisions





# Asian Development Bank & China

## Division

## Asian Development Bank

### 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 48 years of productive partnership. Since its establishment in 1966, the bank has approved a total of 171 loans, with cumulative lending of USD 6.18 billion to Sri Lanka. In addition, ADB has provided USD 358 million grant assistance (including ADB administered co-financed grants) for projects and USD 124 million through 261 technical assistance grants. The annual borrowing from ADB currently stood around USD 300 million or 0.4 - 0.6 percent of the GDP.

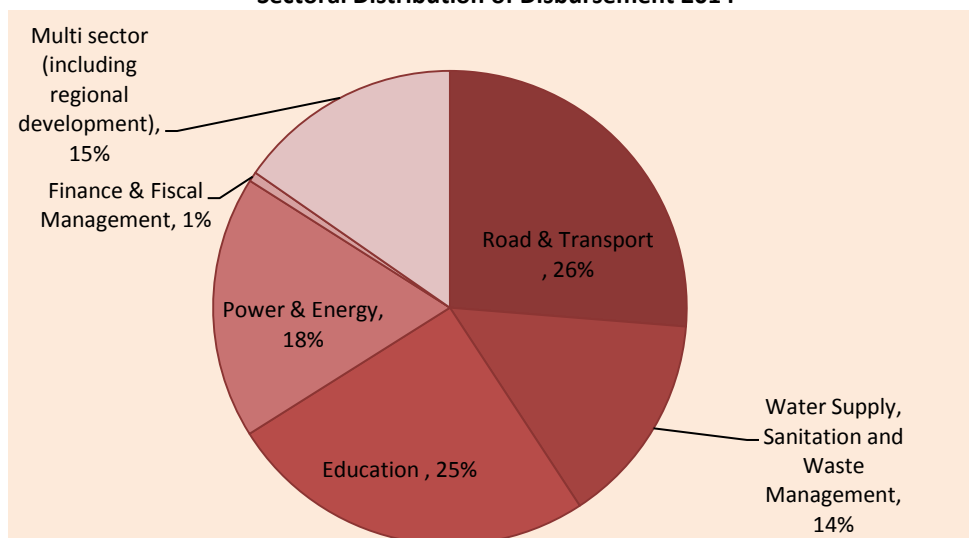
### Country Partnership Strategy 2015-2017

The medium-term Country Partnership Strategy developed jointly by the Government of Sri Lanka and ADB in 2014 for 2015-2017 focuses on three main objectives namely, (i) Promoting inclusive and sustainable economic growth, (ii) Catalyzing private investment and enhancing the effectiveness of public investment, (iii) Human resource and knowledge development. Accordingly, it reflects the country's transformation and addresses the priority agendas of middle-income countries, such as skills development, transport services optimization, and sustainable 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 300 million per year under concessional and non-concessional rates and out of the total USD 1,123 million earmarked for the period 2015-2017, a substantial portion will be utilized for roads and transport, irrigation and water resource management, power and energy, water supply sanitation and wastewater management sector, and the skills development sectors.

### Commitments and Disbursements in 2014

In the year 2014, the total commitment made by the Asian Development Bank was USD 513 million. It includes USD 150 million for the power & energy sector, USD 88 million for the water supply & sanitation sector, USD 100 million for the skills and education sector and USD 175 million for roads and transport sector. The current ADB portfolio contains 33 loans and 5 grants. The total disbursement in 2014 under these loans was USD 338 million.

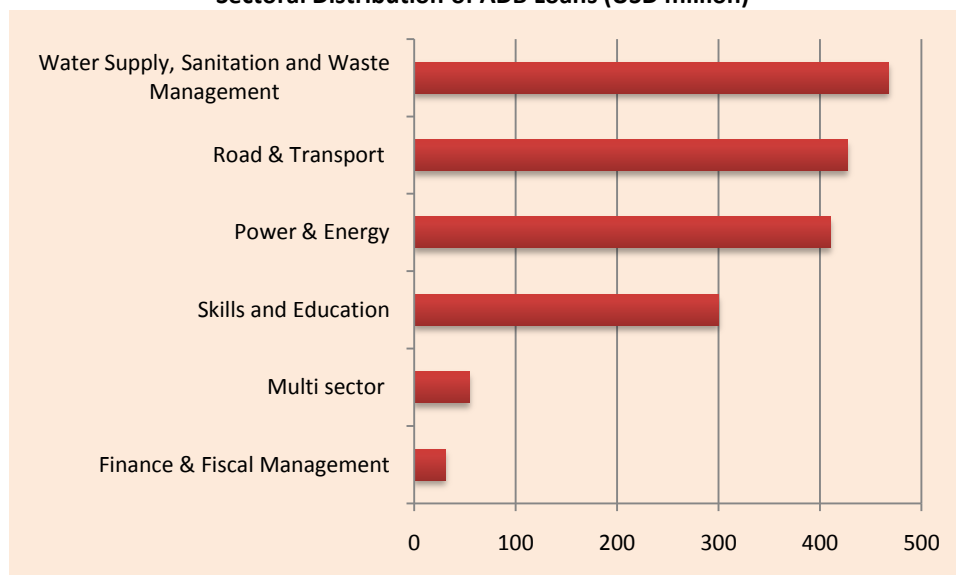
Sectoral Distribution of Disbursement 2014



## ADB Loan Portfolio in 2014

ADB portfolio for Sri Lanka is spread across 6 sectors with water supply and sanitation as the largest sector followed by roads & transport, power and energy, skills and education, multi sector including regional development & finance and fiscal management. Below figure illustrates the ADB sectoral portfolio as of 31<sup>st</sup> December 2014.

Sectoral Distribution of ADB Loans (USD million)



## Key Projects being Implemented in 2014

Project	Amount USD million
<b>Loans</b>	
Road Project Preparatory Facility TA	15.0
Northern Road Connectivity Project	154.0
National Highway Sector Development Project - 1 <sup>st</sup> Additional Financing	85.0
Northern Road Connectivity Project - Additional Financing	98.0
Southern Road Connectivity Project	75.0
Secondary Towns & Rural Community based Water Supply & Sanitation Project - Additional Financing	17.6
Greater Colombo Wastewater Management Project	88.0
Dry Zone Urban Water and Sanitation Project	60.0
Jaffna - Killinochchi Water Supply & Sanitation Project	90.0
Dry Zone Urban Water and Sanitation Project - Additional Financing	40.0
Greater Colombo Water & Wastewater Management Improvement Investment Programme - Project 1	84.0
Greater Colombo Water & Wastewater Management Improvement Investment Programme - Project 2	88.0
Clean Energy and Access Improvement Project	160.0
Sustainable Power Sector Support Project	120.0
Clean Energy and Network Efficiency Improvement Project	130.0
Fiscal Management Efficiency Project	30.8
Local Government Enhancement Sector Project	55.0
Skills Sector Enhancement Programme	100.0
Education Sector Development Programme	200.0
<b>Grants</b>	
Dry Zone Urban Water and Sanitation Project	25.0
Improving Community Based Rural Water Supply and Sanitation in Post-Conflict Areas of Jaffna and Killinochchi	2.0
Education for Knowledge Society Project	15.0
Clean Energy and Access Improvement Project	4.2
Clean Energy and Network Efficiency Improvement Project	1.5
<b>Total</b>	<b>1,738.1</b>

## Loans Approved and Made Effective in 2014

Three projects totaling USD 457 million were approved and 3 projects for USD 263 million were declared effective during 2014. 45 percent of the approved projects were for the roads and transport sector, 33 percent for the power and energy sector and 22 percent for the skills and education sector.

### Loans Approved and Made Effective During 2014

Loan	Amount USD million
<b>Approved</b>	
Green Power Development and Energy Efficiency Improvement Investment Programme – Tranche 1	150
Skills Sector Enhancement Programme - Results Based Lending	100
Integrated Road Investment Programme -Tranche 1	100
Integrated Road Investment Programme -Tranche 2	107
<b>Total</b>	<b>457</b>
<b>Made Effective</b>	
Skills Sector Enhancement Programme - Results Based Lending	100
Southern Road Connectivity Project	75
Greater Colombo Water and Wastewater Management Improvement Investment Programme – Tranche 2	88
<b>Total</b>	<b>263</b>

## The Key Projects to be Implemented in 2015

Project	Amount USD million
Greater Colombo Water & Wastewater Management Improvement Investment Programme – Tranche 3	128
Mahaweli Water Security Programme	150
Integrated Road Investment Programme -Tranche 2	107
Transport Project Preparatory Facility	15

## ADB Assisted Projects Completed in 2014

Project	Outcome
Education for Knowledge Society Project	Improved quality, relevance, effectiveness and equity of access to secondary and tertiary education, in particular in rural and disadvantaged locations
Eastern and North Central Provincial Road Project	(i) Improved road network in Eastern and North Central Provinces (ii) Improved institutional capacity at provincial level
Secondary Towns and Rural Community Based Water Supply and Sanitation Project – Additional Financing	Provide pipe-borne safe drinking water to 946,000 people and safe sanitation to 171,500 people in the project areas
Conflict Affected Region Emergency Project	Restored and improved livelihood, economic infrastructure, and administrative and legal services in conflict affected areas

## Special Events in 2014

- May 2014 – 47<sup>th</sup> ADB Annual Meeting held in **Astana, Kazakhstan**

- Loan Signing:

- May – Skills Sector Enhancement Programme - Results Based Lending (USD 100 million)
- May – Southern Road Connectivity Project (USD 75 million)
- June – Greater Colombo Water and Wastewater Management Improvement Investment Programme – Tranche 2 (USD 88 million)
- November – Integrated Road Investment Programme – Tranche 1 (USD 100 million)
- November – Green Power Development and Energy Efficiency Improvement Investment Programme (USD 150 million)

- High Level Consultation Missions:

- January – Mr. Wencai Zhang, Vice President (Operation 1) and Mr. Juan Miranda, Director General South Asia Department of ADB visited Sri Lanka for High Level Consultation Mission
- March – Executive Director of ADB Mr. Yeo Kwon Yoon visited for High Level Consultation Mission
- May – Mr. Juan Miranda Director General and Mr. Hun Kim, Deputy Director General visited Sri Lanka to conduct a joint review on the ADB funded projects

- June – Mr. Takehiko Nakao, President, ADB made his first official visit to Sri Lanka, he was accompanied by the Director General, Mr. Juan Miranda
  - August – ADB Vice President, Administration and Corporate Management Mr. Bruce L. Davis visited Sri Lanka on an invitation to attend a SAARC Chief Justices Roundtable on the Environment.
  - November – Mr. Bindu N. Lohani, Vice President, Knowledge Management and Sustainable Development visited for High Level Consultation Mission, he also attended the Asia Pacific Business Forum
  - November – Mr. Wencai Zhang, Vice President (Operation 1), ADB participated the opening of Highways Secretariat Building
- Including above High Level Missions, 102 ADB Missions visited Sri Lanka in 2014.

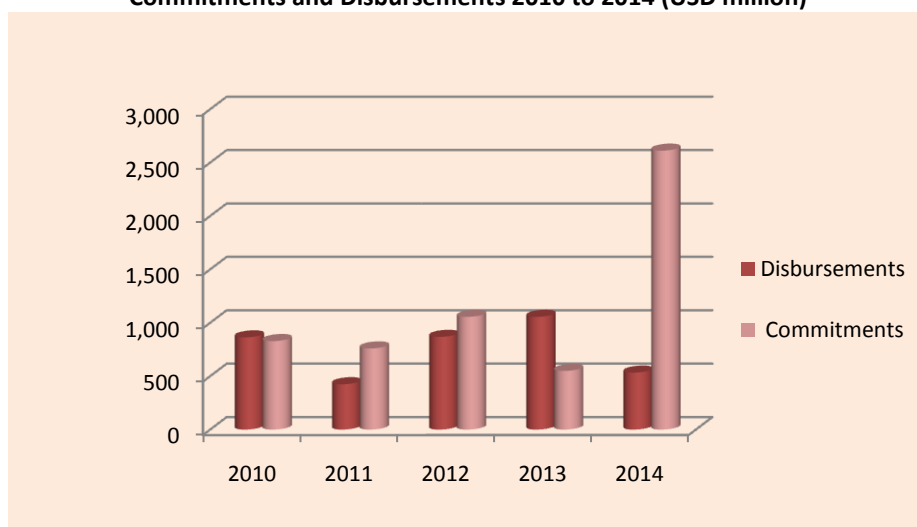
# China

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 commitments made from China for the last five year period from 2010 to 2014 was USD 5,806 million. Out of the total commitments made during the last five year period, the highest commitment, of USD 2,612 million was recorded in 2014 and it was followed by USD 1,056 million and USD 829 million in 2012 and 2010 respectively. The EXIM Bank of China committed for Construction of Outer Circular Highway Project Phase III, Extension of Southern Expressway Project (Section 1 & 4) and Hambantota Hub Development Project in 2014 while China Development Bank committed to Priority Road Project III (Phase I & II) Project.

The total disbursements recorded from development projects funded by China for the last five year period was USD 3,745 million. Out of this amount, the total disbursements in 2014 were USD 533.5 million<sup>3</sup>. Of this amount, the highest volume of USD 147 million was disbursed for the Hambantota Port Development Project. Disbursements for Priority Road Project - 2 and Puttalam Coal Power Phase II were USD 113.5 million and USD 51 million respectively.

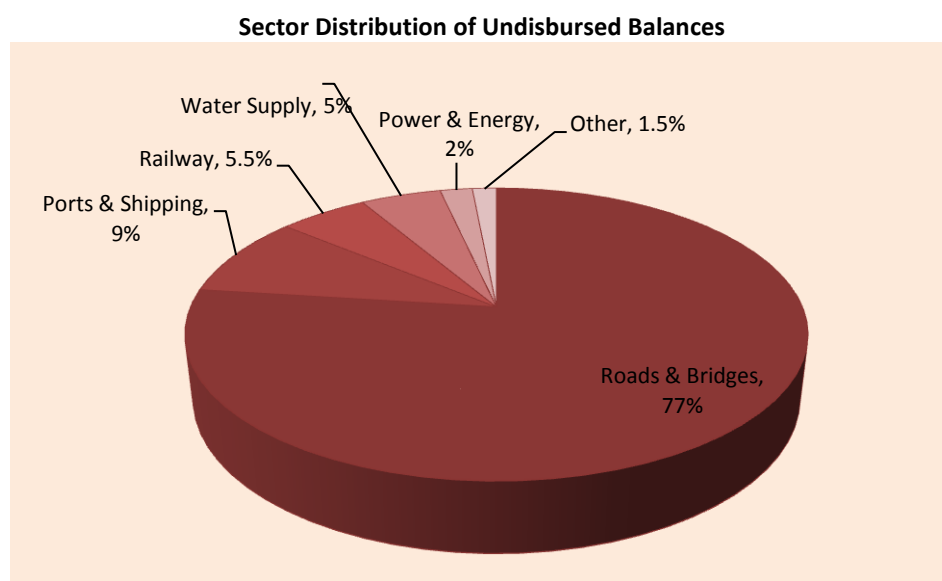
**Commitments and Disbursements 2010 to 2014 (USD million)**



<sup>3</sup> Disbursement of loans obtained by State Owned Enterprises are included

## Sector Distribution

During last five year period Chinese assistance was obtained mainly for development of roads & bridges, power & energy, ports & shipping and aviation sectors. The undisbursed balance of Chinese financial assistance obtained for development projects currently stands at USD 3,020 million. Of this amount the highest amount stands for development of roads & bridges sector. It is USD 2,330 million or 77 percent of the total amount of China. The second largest amount of the total stands under development of ports & shipping. It is 9 percent of the total amount. The railway sector stands around 5.5 percent.



The following projects were commenced in 2014.

- Construction of Outer Circular Highway Project Phase III
- Extension of Southern Expressway , Section 1 from Matara to Beliatta
- Extension of Southern Expressway , Section 4 from Mattala to Hambantota via Andarawewa Project
- Hambanthota Hub Development Project
- Priority Road Project III (Phase I) Project
- Priority Road Project III (Phase II) Project



# Japan, Korea, Thailand, Vietnam, Malaysia & Singapore Division

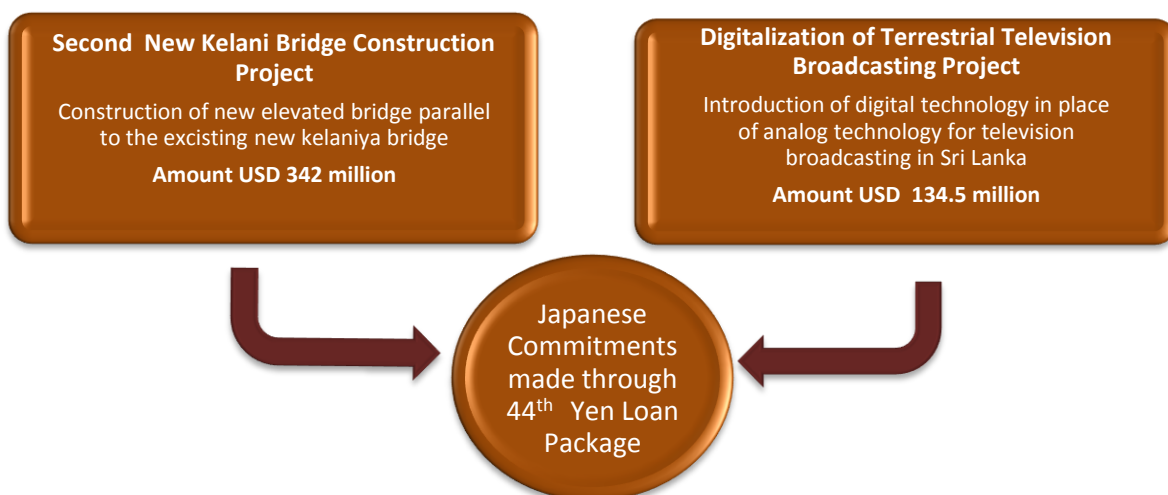
## Japan

Being one of the leading development partners of Sri Lanka over 60 years, the Japanese Official Development Assistance is extended by the Government of Japan through Japan International Cooperation Agency (JICA) in terms of Loan Aid (Yen Loans), Grant Aid, Technical Cooperation and Development Studies. Japanese current total portfolio, as of December 2014 consists of USD 2,443.1 million through 21 loan projects amounted to USD 2,341.5 million and 11 grant projects with USD 101.6 million.

Japanese investment portfolio is aligned with the development priorities of the Government, whilst maintaining a relative balance among the priority sectors of power & energy, water supply, roads, ports & aviation, healthcare, agriculture, irrigation, disaster management and small and medium enterprises.

### Japanese Development Cooperation in 2014

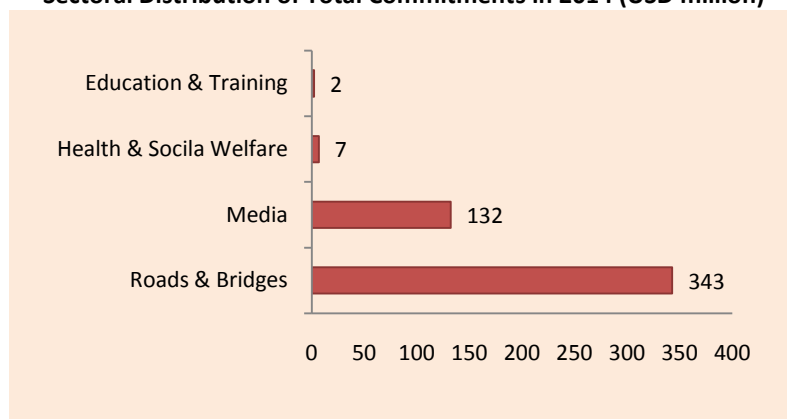
Recording the largest bilateral cooperation of USD 523 million in 2011, Japanese annual yen loan package is increased from the range of USD 350-400 million to over USD 500 million. Accordingly, the existing portfolio of Japanese financial assistance was improved in 2014 by signing two concessionary loans amounting to USD 475 million and two grants amounting to USD 6.54 million. The annual average commitment extended by the Government of Japan in last ten years was around USD 308 million.



## Total Commitments and Disbursements in 2014

Japanese total commitments in 2014 was spread across the development priority sectors of education & training, health & social welfare, media and roads & bridges.

**Sectoral Distribution of Total Commitments in 2014 (USD million)**



The Government of Sri Lanka intends to obtain USD 206 million and USD 375 million from JICA for National Transmission and Distribution and Efficiency Development Project and Bandaranaike International Airport Development Project – Phase 2(II) under 45<sup>th</sup> Yen Loan Package of Japan ODA for the year 2015.

## Japanese Grant Assistance in 2014

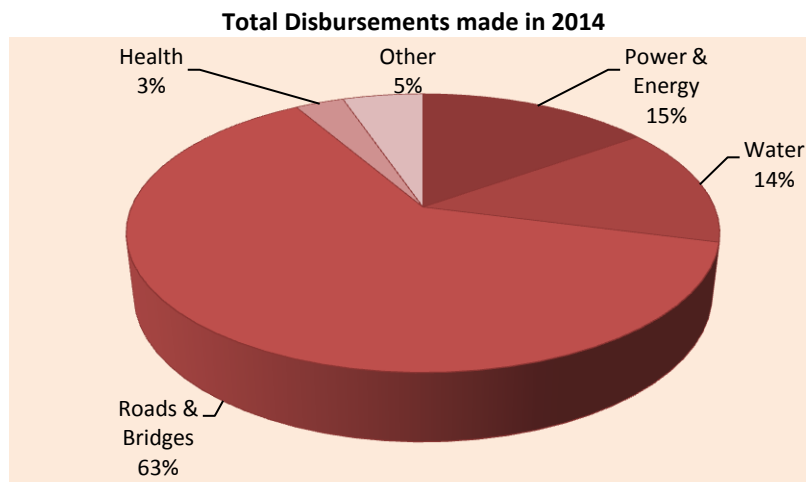
Japanese total grant aid committed in 2014 includes the Non-Project Grant Aid for Provision of Japanese SME's Product (USD 1.7 million) and Medical Equipment and Welfare Apparatus Package (USD 4.8 million).

**Japanese Commitment made through 44<sup>th</sup> Yen Loan Package**

Project	Loan/ Grant	Amount USD million	Description
New Bridge Construction Project over the Kelani River	Loan	342.0	Construction of a new bridge across the Kelani river, linking Colombo city and Colombo Katunayake Highway to mitigate and disperse the increased traffic congestion in the city areas. This will also expect to improve the accessibility to Colombo Port and Expressway Network.
Digitalization of Terrestrial Television Broadcasting Project - "Ru-Sankya"	Loan	134.5	This project is concerned to offer enhanced services such as better picture and sound quality and a wider choice of channels and programs for users while contributing to reduce the operating cost and the transmission cost of television broadcasters as well as to upgrade the Sri Lanka Rupavahini Corporation.

## Disbursements in 2014

The total disbursements achievement in 2014 was USD 239.9 million indicating the highest disbursement achievement of USD 150.1 million for the sector of roads and bridges.



Above total disbursement achievement in 2014 was consisted of USD 150.1 million for roads and bridges development, USD 36.4 million for power and energy, USD 33.2 million for water supply, USD 7.6 million for health and USD 12.6 million for other sectors such as poverty alleviation and rehabilitation sector.

### Projects Completed in 2014

Project	Amount USD million
Emergency Natural Disaster Rehabilitation Project	91.0
Upper Kothmale Hydropower Project	40.0
Energy Diversification Enhancement Project	7.0

### Key Projects being Implemented in 2014

Project	Amount USD million
<b>Loans</b>	
Greater Colombo Urban Transport Development Project (Phase I, 2 & 2-I)	743.5
Kandy City Wastewater Management Project	152.4
Provincial/Rural Road Development Project (Central, Sabaragamuwa & Eastern Provinces)	142.0
The Galle Port Development Project	124.0
Upper Kotmale Hydro Power Project II	300.0

Project	Amount USD million
Vavuniya-Kilinochchi Transmission Line Project (I & II)	29.5
Water Sector Development Project (I & II)	190.8
Poverty Alleviation Micro-finance Project (PAMP II)	23.9
Energy Diversification Enhancement Project (Engineering Services)	7.6
Eastern Province Water Supply Development Project	53.0
Habarana-Veyangoda Transmission Line Project	115.3
Improvement of Basic Social Services Targeting Emerging Regions	47.4
Small & Micro Industries Leader & Entrepreneur Promotion Project III	93.0
Environmentally Friendly Solution Fund II	50.6
Greater Colombo Transmission and Distribution Loss Reduction Project	154.8
Major Bridges Construction Project of the National Road Network	120.2
Landslide Disaster Protection Project of the National Road Network	74.0
Anuradhapura North Water Supply Project (Phase I)	50.2
New Bridge Construction Project over the Kelani River	342.0
Digitalization of Terrestrial Television Broadcasting Project	134.5
<b>Grants</b>	
Rehabilitation of Kilinochchi Water Supply Scheme	8.3
Non-Project Grant Aid for Provision of Medical Equipment	11.0
Project for Construction of Dredger	10.4
Provision of Industrial Products	3.7
Non-Project Grant Aid for Provision of Japanese SME's Product	2.1
Development of Intelligent Transport Information System for Expressways in Sri Lanka	9.9

## Greater Colombo Urban Transport Development Project

The Government of Japan has committed for the development of Sri Lanka's road network financing large national roads and expressways.

The Outer Circular Highway (OCH) is 29.1 km in length and it is on ultimate 6 lane limited access highway approximately 20 km away from city of Colombo connecting all expressways and 'A' class highways radiating from the city of Colombo. Due to rapid increase of traffic in Colombo city area, the Outer Circular Highway is to disperse traffic congestion and encourage development away from the highly populated urban areas in the Western Province achieving a better balance for growth.

Construction of 12 km section from Kottawa to Kaduwela has already been completed mobilizing Japanese financial assistance of USD 186 million and the construction of 8.9 km road section from Kaduwela to Kadawatha is still in progress with the assistance of Japan. The road section from Kaduwela to Kadawatha of OCH will facilitate to ease traffic congestion in the Colombo Metropolitan region and improve the connectivity with Southern Expressway, Kandy-Colombo Expressway, Colombo-Katunayake Expressway and other national roads connected to Colombo city. In addition, the Greater Colombo Urban Transport Development Project includes the development of three townships in Makumbura (Kottawa), Kaduwela and Kadawatha areas with necessary infrastructure facilities such as road, water and electricity to achieve the maximum benefits of the project.

## Habarana-Veyangoda Transmission Line Project

Habarana-Veyangoda Transmission Line Project will ensure continuous power supply without interruption and contribute directly and indirectly to economic development of the country by creating opportunities for business community and producers to maintain their economic activities in more organized and productive manner.

The Government of Japan has provided USD 115 million for the construction of new Habarana Switching Station (SS) and 220 KV Transmission Line between New Habarana SS and Veyangoda Grid Station which helps to meet the power requirement of the country transmitting the power generate in the proposed coal power plant at Sampur, Trincomalee to the national grid.

## New Bridge Construction Project over the Kelani River

The traffic congestion at new Kelani Bridge is expected to increase further as a result of opening of Colombo-Katunayake Expressway and the future traffic demand will exceed the capacity of existing new Kelani Bridge. Therefore with the assistance from the Government of Japan, a six lane bridge across the Kelani River adjacent to the existing new Kelani Bridge will be constructed in order to increase the transport efficiency around the existing new Kelani Bridge and to establish a link between Colombo-Katunayake Expressway and the city transport network.

## Kalu Ganga Water Supply project

Kalu Ganga as a new water resource is being developed under Japanese financial assistance of Japanese Yen 19,666 million (approximately Rs. 25,369.14 million). The 60,000 m<sup>3</sup>/day water treatment plant, transmission and distribution pipelines and water towers have been constructed under this project in order to increase the water capacity up to 120,000 m<sup>3</sup>/day.

The project also aims to raise service levels by reducing water leakages. Further, the project assists in updating the Western Province Master Plan, which gives direction for future water sector development. The project covers the areas of Bandaragama, Piliyandala, Kesbewa, Jaburaliya and southern part of Colombo.

# Korea

The Government of Korea is a productive bilateral development partner of Sri Lanka contributing to the strategic development priorities of the Government. Since 1990, the Government of Korea is extending its loan assistance to Sri Lanka through Economic Development Cooperation Fund (EDCF) of the Export-Import Bank (Exim Bank) of Korea and Korean grant assistance is extended through the Korean International Cooperation Agency (KOICA).

Since 2008, the Framework Arrangement has been signed between the Government of Korea and the Government of Sri Lanka indicating a ceiling for total loan funds to be financed under EDCF for a specified time period. Accordingly, the Government secured financial assistance of USD 140 million, USD 200 million and USD 290 million from the Government of Korea signing three Framework Arrangements for the periods of 2008-2009, 2009-2012 and 2012-2015 respectively.

**Current Terms and Conditions of Korean Loan Assistance**

Terms & Conditions	Normal Conditions	Korean Consultant is hired	Bio-energy Sector
Interest Rate	0.20%	0.15%	Free of Interest
Repayment	30 years	40 years	
Grace Period	10 years		10 -15 years
Loan Amount	Up to 100% of total project cost		
Currency	Korean won		
Feasibility Study	Support by grant basis for potential projects		

In line with the Development Policy Framework of the Sri Lankan Government, economic and social infrastructure, education in areas of technical, vocational education, training and secondary education and good governance are identified as priority sectors to be financed under the Country Partnership Strategy for the period of 2012-2016.

**Committed Projects in 2014 for EDCF Financing**

Project	Loan Amount USD million	Objective
Deduru Oya Water Supply Project	58.1	To Provide safe drinking water to residents in Mahawa, Polpithigama divisions in Kurunegala district by developing piped water supply system
Ruwanwella Water Supply Project	20.5	To Provide safe drinking water to residents in Ruwanwella division, Kegalle district by developing piped water supply system

## Korean Grant Assistance

The grant assistance from the Government of Korea is extended to Sri Lanka through the Korean International Cooperation Agency (KOICA) in order to finance small scale projects and conducting technical training programmes and dispatching experts and volunteers. Sanitary Landfill Construction Project at Dompe and Construction of Schools in Kilinochchi District which are built under the grant assistance of KOICA were declared open in 2014.

**Funding Secured Grant Projects for 2014-2015**

Project	Amount USD million
Establishment of Teacher Training Centre for Technological Subjects	13.0
Waste Management Project Kotikawatta - Mulleriyawa	5.2
Establishment of Digital Multimedia Crime Investigation Centre	3.2

## Sanitary Landfill Construction Project at Dompe

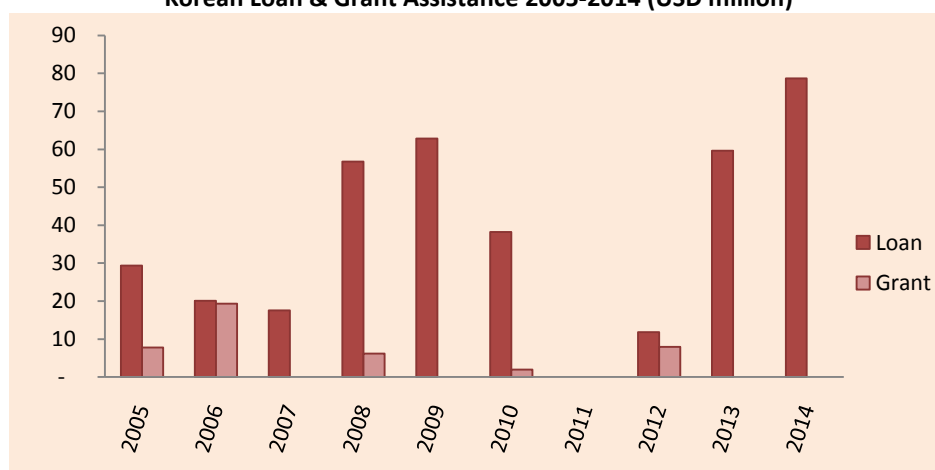
New solid waste management system in the form of a sanitary landfill project has been introduced under this project to address the age-old garbage as an environment friendly solution. It facilitate a treatment capacity of 10 metric tons of waste per day and hold an estimated 20,000 metric tons of solid waste within a targeted period of 10 to 15 years by the time the landfill is completed.

KOICA has facilitated USD 4.5 million as a grant and Sri Lanka Government has provided USD 1.5 million from the counterpart fund. It will be the first integrated solution to the solid waste management in Sri Lanka using advanced state of the art sanitary landfill technology.

The construction works related to landfill, treatment plant, and maintenance building including test runs were completed by March 2014 and operations have been planned to commence in early 2015.

## Commitments in 2014

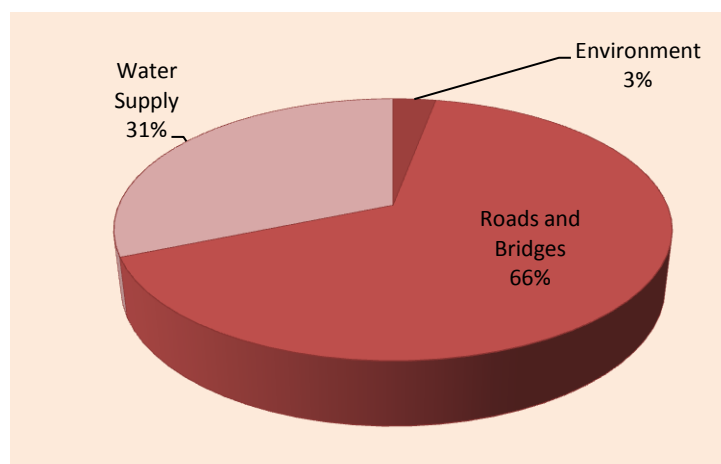
**Korean Loan & Grant Assistance 2005-2014 (USD million)**



The loan commitments made in 2013 and 2014 were amounted to USD 59.5 million and USD 78.6 million showing a significant achievement in comparison to Korean loan commitments during last ten years. Accordingly, the loan financing for Deduru Oya – (USD 58.2 million) and Ruwanwella (USD 20.5 million) water supply projects were signed in December 2014 to supply clean pipe water facilities in Kurunegala and Kegalle districts.

## Disbursements in 2014

**Sectoral Distribution of Loan Disbursements in 2014**



The total disbursement made under Korean assistance in 2014 was USD 20.2 million and 66 percent of disbursements of 2014 was allocated to road and bridges sector.

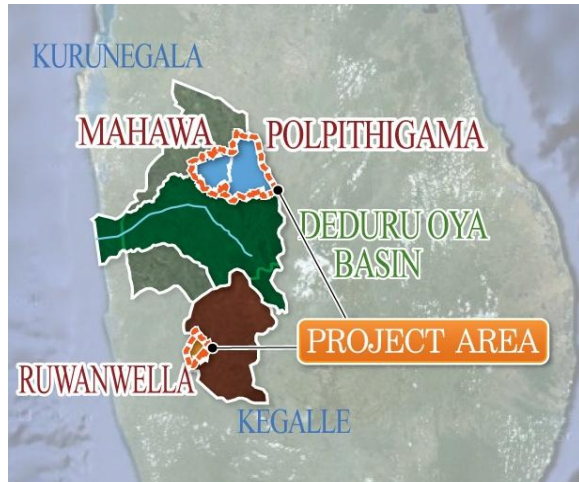
## Deduru Oya and Ruwanwella Water Supply Projects

The objective of the Deduru oya water supply project is to provide safe drinking water to residents in the Mahawa & Polpithigama areas by developing piped water supply systems, with the capacity of intake 16,500 m<sup>3</sup>/day, water treatment plant 15000 m<sup>3</sup>/day, water tower 750 m<sup>3</sup>, 1000 m<sup>3</sup>, 1500 m<sup>3</sup> and 266 km total distribution network. Project will facilitate to decrease the incidence of water borne diseases and solve drinking water issues in Mahawa & Polpithigama areas.

Ruwanwella, a town in Kegalle District of Sri Lanka is using dug wells as the main source of drinking water. During the dry period, dug wells get dry and people in the area suffer from shortage of drinking water. Mainly residents living in hilly areas face difficulties in obtaining water during the dry periods. A piped water supply system will be established by Ruwanwella water supply project and it will be able to decrease this drinking water issues and thereby improve the living conditions of the people.



In order to achieve above objectives the Economic Development Cooperation Fund (EDCF) of the Export-Import Bank (Exim Bank) of Korea has agreed to provide loans of USD 58,155,000 and USD 20,530,000 to finance Deduru Oya and Ruwanwella Water Supply Projects respectively. Financial agreements were signed on 30<sup>th</sup> December 2014 and projects will be implemented by the National Water Supply & Drainage Board under the Ministry of Water Supply and Drainage.



# World Bank & IMF Division

## Development Partnership with the World Bank Group

The World Bank Division helps mobilize and manage the World Bank Group and IMF financing for accelerated economic growth of Sri Lanka as the country elevates to middle income status.

Sri Lanka has a long partnership with the World Bank in mobilizing external resources for the support of the country's socio economic development. These assistances are channelled as loans or grants either through the International Development Association (IDA) or the International Bank for Reconstruction and Development (IBRD) of the World Bank under the working arrangement named; Country Partnership Strategy (CPS). The current such strategy is in force during the period of July 2013-June 2016. The active portfolio under the current Country Assistance Strategy is USD 1931.1 million.

Though the IBRD financings are blend of concessional and non-concessional terms, the Government has taken all efforts to utilize much of the World Bank funding under concessionary IDA financing terms or as grants in year 2014.

**World Bank Active Loan Portfolio in 2014**

<b>Programme/Project</b>	<b>Amount USD million</b>
Skills Development	99.7
Dam Safety and Water Resources Planning	148.8
Strategic Cities Development Project	144.4
Catastrophe Deferred Drawdown Option	102.0
Improving Climate Resilience	110.9
Support to Mainstream Disaster Risk Management	0.4
Education Sector Development Framework and Programme	128.3
North East Local Service Improvement Project	70.8
Health Sector Development Programme	196.0
Diri Sawiya	0.9
Metro Colombo Urban Development Project	213.9
Warehouse Receipts Financing Project	6.5
GPOBA - Sri Lanka Access to Sanitation Project	5.1
Strengthening Institute of Chartered Accountant Accountants	0.5
Local Level Nutrition Interventions for Northern Province	2.7
Road Sector Assistance Project	298.1

Programme/Project	Amount USD million
SMEs Development Facility	57.4
Provincial Roads Project	105.0
Higher Education for Twenty-first Century	40.0
Second Community Development & Livelihood Improvement Project	75.0
Reawakening Project	124.7
<b>Total</b>	<b>1,931.1</b>

## Commitments

Sri Lanka mobilized USD 570 million from the World Bank by ways of loans and grants in 2014. Those commitments, however, stand as the sole contributor to the climate financing sector as a sum of USD 295.5 million and a major contributor to the urban development, focusing cities development, as a sum of USD 147 million which injected to underpin the country's middle income demands and living style. These commitments, otherwise, well reflects the Government aim to utilize non-commercial but concessional financing sources of the World Bank in investment sectors such as climate financing and urban development where it takes medium-long term period to give economic returns.

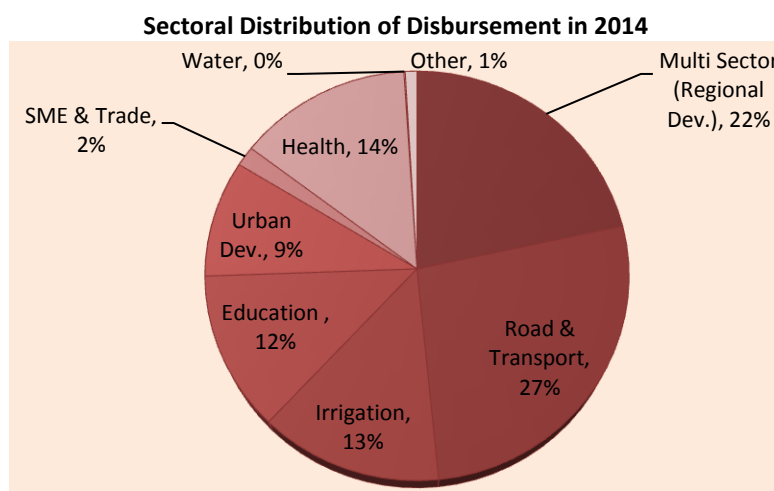
### Financing/Grant Agreements Signed with the World Bank in 2014

Project	Loan/Grant Amount USD million	Objective
Sri Lanka Education Sector Development Framework and Programme-Enhancements	16.3 Grant	To support and strengthen the activities of the ongoing "Transforming the School Education System as the Foundation of a Knowledge Hub Project" committed with USD 100 million in 2012.
Strategic Cities Development Programme	144.4 Loan	To improve Kandy and Galle city regions. Priority improvements in Kandy city are to relieve traffic congestion and upgrade municipal services to enhance livability and to sustain the world heritage city, and in Galle that of are to reduce flooding, and upgrade public urban spaces.
Additional Financing for Dam Safety and Water Resources Planning Project (DSWRP)	81.5 Loan	To assists further the already commenced Dam Safety and Water Resources Planning Project as it extended its coverage to Northern and Eastern Provinces that were not included under the original project.

Project	Loan/Grant Amount USD million	Objective
Improving Climate Resilience Programme	110.9 Loan	To strengthen the fiscal and physical resilience over potential natural catastrophe, Sri Lanka adopted the Comprehensive Climate Financing Framework with the World Bank;  (i). Fiscal Resilience through Catastrophe Deferred Drawdown Option of USD 102 million which is a line of credit that can be drawn on partially or in full if the Country declares a state of emergency after a natural Catastrophe  (ii). Physical Resilience through Climate Resilience Improvement Project of USD 110 million is aimed to address the urgent rehabilitation of hydrological infrastructures to increase the resilience to climate risks while investing on long-term capital investments
Catastrophe Deferred Drawdown Options (CATDDO) Programme	102.0 Loan	
Skills Development Programme	99.7 Loan	To provide an overarching strategic framework for building an efficient skills development system by 2020 that can meet local and foreign labor market demand. The primary aim of this loan is to give a technical and vocational education and training for 823,000 youths
Additional Grant Financing for North East Local Service Improvement Project	20.3 Grant	To fill the financing gap in improving service delivery at selected local governments under the North East Local Service Improvement Project which has extended its coverage to Uva, North Central and North Western Provinces.
Disaster Reduction & Recovery Support to Mainstreaming Disaster Risk Management Project	0.4 Grant	To build the technical capacities of disaster management agencies while carrying out risk assessments for 10 urban councils in Eastern Province and carrying out landslide risk management for the central highland region.

## Disbursements

The current portfolio of the World Bank consists of 21 projects and they could disburse a sum of USD 195.6 million during the period of 2014. The highest disbursement of USD 52.4 million (27 percent) in 2014 was reported for the roads & transport sector. It is the Multi Sector (Regional Development) that reported the second highest disbursement of USD 42.3 million (22 percent). Next to the Multi Sector disbursement, health, irrigation and education sectors reported significant disbursements during the year 2014.i.e. USD 26.8 (14 percent), USD 26.5 (13 percent) and USD 24.4 (12 percent) millions respectively.



## Special Events in 2014

First time in South Asia, Sri Lanka could mobilise an innovative financial facility of USD 102 million (Rs.13,260 million) as Development Policy Loan (DPL) with a Catastrophe Deferred Drawdown Option (CATDDO), which is a line of credit that can be drawn on partially or in full if a Country declares a state of disaster after a natural disaster. This financing has revolving feature, which means that amounts repaid during drawdown period are available for subsequent withdrawal.

## Way Forward

The Government was able to engage series of discussions at the preparation stages of the following loans which are expected to be signed in 2015.

**Coming up Projects in 2015**

Project	Amount USD million	Source
Water and Sanitation Project	100	IDA
Early Childhood Development Project	50	IDA
Transport Connectivity Project	125	IBRD/IDA
Additional Financing to North East Local Services Improvement Project	20	IDA

# Middle East & South Asia Division

## Middle East

Developing partners of the Middle East Region have played a significant role towards social and economical development of the country. Focusing on the development priorities of the country, USD 1,177 million has been provided by development partners of the Middle East Region since mid 1970s. The continuous development cooperation after 2005 is highly remarkable and major portion of borrowings has been invested in the sectors of irrigation, roads and bridges, power and energy and health sectors.

The concessional financial terms, longer maturity as well as the flexible condition of financing facility of Middle East Region are more favorable to the country.

## Development Partners of the Middle East Countries

Development partners of the Middle East Region such as Saudi Fund for Development (SFD), OPEC Fund for International Development (OFID), Kuwait Fund for Arab Economic Development (KFAED) and the government of Iran have their own institutional priorities for granting development assistance and SFD & OFID have focused on poverty deduction. With the purpose of expand the bilateral relationship with Middle East Region; the initial negotiations have been with Israel, Abu-Dhabi.

## Saudi Fund for Development

The Saudi Fund was set up by royal decree in October 1974, to stimulate economic growth in developing nations. The basic objectives of the fund are to participate in financing of development projects in developing countries through granting of loans to said countries and to encourage national non-crude-oil exports by providing finance and insurance in support of such exports.

Development priorities under irrigation, roads, and health sectors of Sri Lanka has been focused to financed by SFD and the current total portfolio is USD 123 million.

Five development projects amounting approximately USD 180 million are at the initial stage, which are proposed to be financed by SFD. These projects scheduled to be implemented on 2015

## OPEC Fund for International Development

Since 1976 number of development projects particularly road, irrigation, power and energy have been implemented with the assistance of OFID to facilitate the rapid economic growth of the country.

The Fund extended four different types of loans to the public sector such as Project Loan, Programme Loan, and Balance of payment.

Accordingly, USD 187 million has been extended as public sector loan facilities and out of that, the contribution for road sector development is USD 107 million, it is 57 percent of total financing.

USD 55 million has been allocated for the private sector organization such as National Development Bank, LOLC Micro Credit Limited, The Lanka Orix Leasing Company under the Agreement for “the Encouragement and Protection of Investment”.

## Kuwait Fund for Arab Economic Development

Sri Lanka entered into its first bilateral agreement with KFAED in 1976. Since then KFAED has extended 195.5 million for the development project of the country since 1976 and more than 95 percent of KFAED development financing has been invested for the development of irrigation sector of the country, mainly for Mahaweli System “C” Development Project and Kalu Ganga Development Project.

The development cooperation has been strengthened with KFAED by entering into another financial agreement for Rehabilitation of 25 bridges in 2014.

## Commitments and Disbursements

The KFAED has made a substantial commitment of USD 35 million for rehabilitation of 25 bridges in national road network in 2014. In addition SFD has been agreed to provide financial assistance to construct Thattuthurai Bridge by utilizing the remaining loan balance of Batticaloa Trincomalee Road Development Project.

Moreover, giving high consideration for the country's development initiatives towards the infrastructure development of the country, OFID has agreed to provide USD 77 million for the development of national road sector of the country. Of which USD 17 million for Western Province Road Development Project and USD 60 million for Rehabilitation of Badulla–Chenkaladi Road. The financial agreement of them is to be signed in 2015

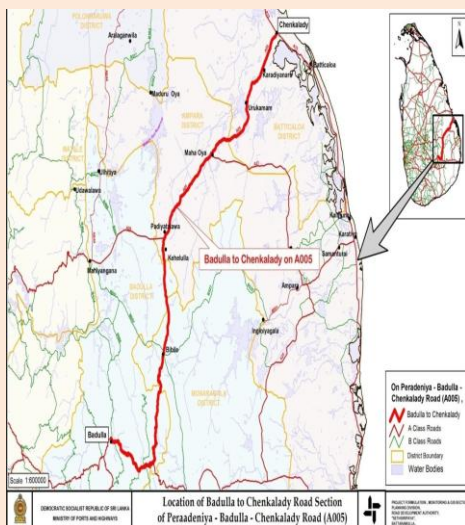


### Towards Regional Integration through Efficient Transportation

Understanding efficient transportation system as a main prerequisite for inclusive economic growth as well as for trade, regional integration and employment generation, the government has identified the necessity of development of national road network in the country including narrow bridges on the national road network. In order to contribute the government development effort, Kuwait Fund for Arab Economic Development has contributed to widening and improvement of the narrow bridges in the national road network which are very old and have reached their maximum services period by providing USD 16 million. The funds have been channeled to rehabilitate 65 bridges and up to now construction work of 37 bridges have been completed. In 2014, USD 37 million has been provided to rehabilitation of 25 bridges project by KFAED and the project is to be implemented under three packages including 9 bridges in Sabaragamuwa Province, 5 bridges in Western and North Western Provinces, 2 bridges in Southern and Northern Provinces and one bridge in Eastern and Central Provinces.



#### Rehabilitation of A 5 Road Corridor from Badulla to Chenkaladi



Peradeniya–Badulla–Chenkaladi Road is identified as one of the major highways link from Eastern Province to Central Province through Uva Provinces which are attractive for tourists. Peradeniya to Badulla section of this road corridor has already developed and remaining 151.1 km from Badulla to Chenkaladi is to be financed by development partner of the Middle East Region. The total cost of the project is USD 140 million and the OFID fund for International Development has agreed to provide USD 60 million and remaining is to be financed by SFD and GOSL



### Grant Assistance from Middle East Region

Grant Assistance from Middle East Region in 2014 is significant and the fund has been channeled to contraction of Housing Schemes for protracted IDPS in Mannar, Mulathive & Vauniya Districts.



Government of Baharain  
USD 1.1 million



Government of Khazakaztan  
USD 0.2 million



Government of Oman  
USD 1.0 million

### Projects under Negotiations



- Widening and Improvement of Badulla - Chenkaladi Road
- Loan amount USD 60 million
- Co-financed with OFID and GOSL



- Intergrated Rural Development through Improvement of Export Agriculture and Dairy Sector in Kurunegala and Gampaha Districts
- Loan amount USD 25 million



- University Township Project (Wayamba University)
- Loan amount USD 30 million



- Mahaweli Left Bank Lower Basin Development Project (Kantale and Kinnia)
- Loan amount USD 60 million

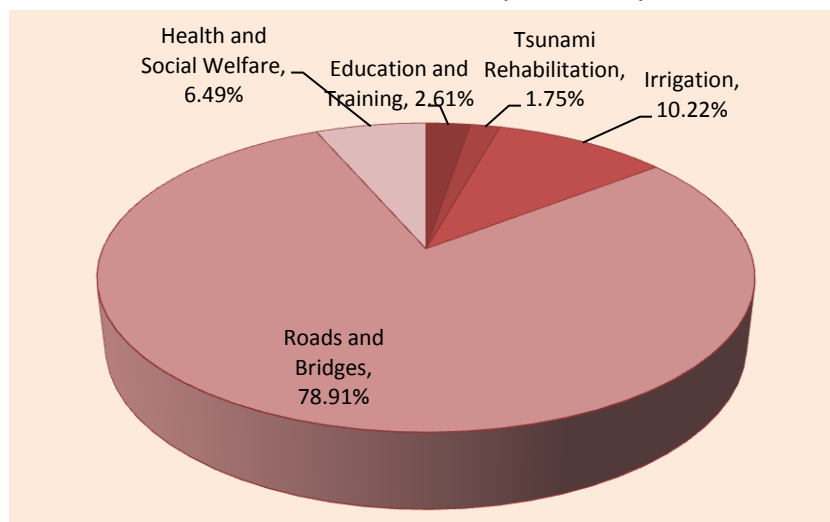


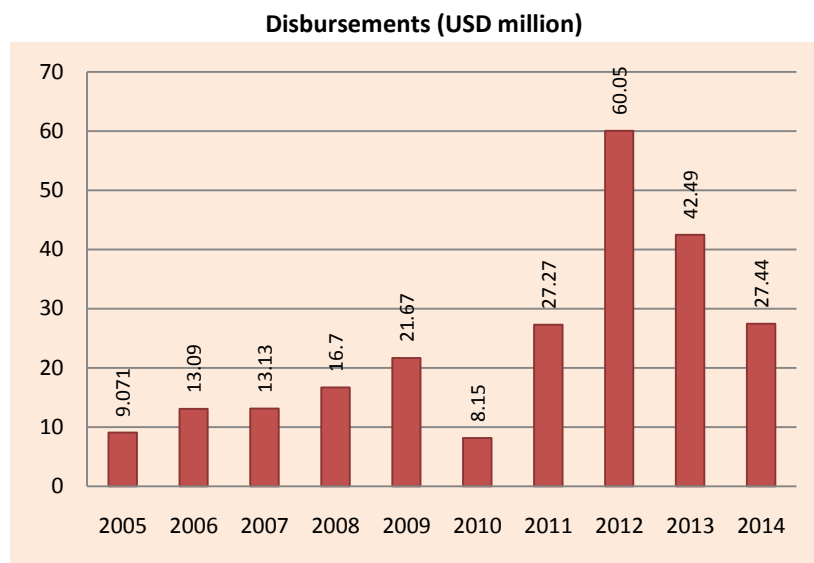
- Towns East of Polonnaruwa Water Supply Project.
- Loan amount USD 420 million

## Disbursements

The total disbursement in 2014 was USD 27.45 million. Of which 78.91 percent has been disbursed for the road development sector.

**Sectoral Disbursement (USD million)**





## Special Events

On the request of Government of Republic of Iraq, Department of External Resources organized a workshop on Sharing Sri Lankan Experience in Budget Preparation. The Iraqi delegation was headed by Dr. Gazi Radi Rekan, Deputy Minister of Agriculture of the Government of Iraq. A panel of Financial Experts and Head of Departments in Government of Iraq was participated for the workshop from Iraqi side and officials of the Ministry of Finance enriched the workshop as resource persons.

# South Asia

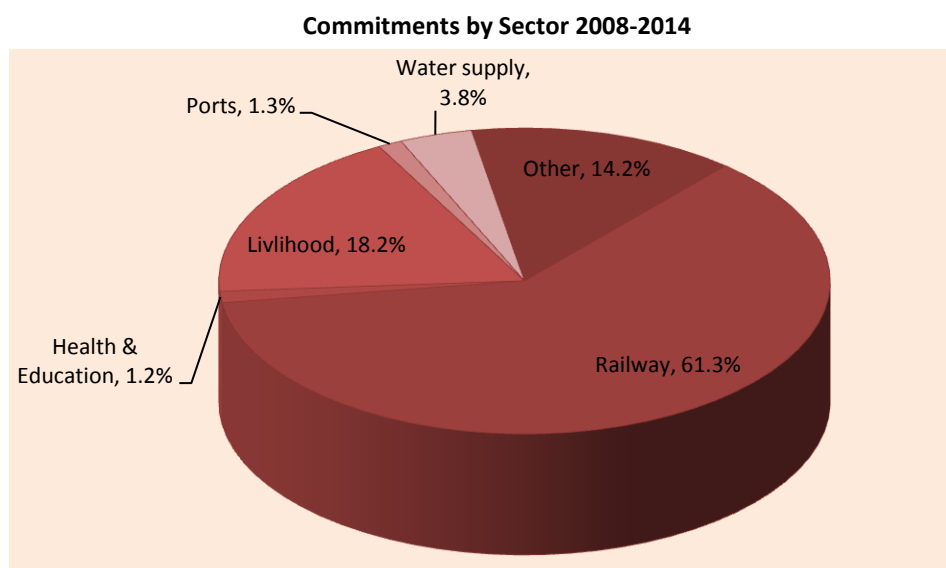
## India

The development cooperation between India and Sri Lanka has a history of more than four decades. Indian assistance for economic development has been significantly increased after 2008. The total assistance committed by India during the period since 2008 is USD 1,576 million. Out of which USD 1,250 million has been provided as loans and USD 326 million has been committed as grants.

The loan assistance is provided by the EXIM Bank of India while the grant assistance is provided by the Government of India through the scheme of Special Development Projects and Small Development Projects. Currently Indian development assistance flows mainly focusing on improvement of economic infrastructural facilities, livelihood development, education, healthcare, capacity building and economic renewal.

## Commitments in 2014

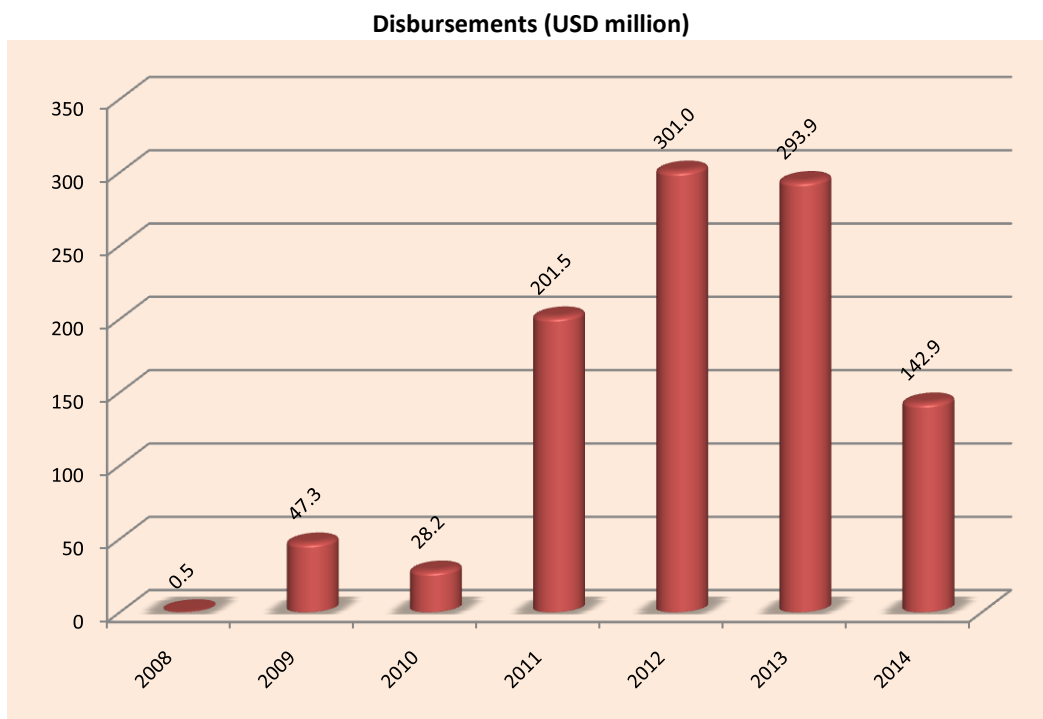
Government of India has committed to provide Rs. 600 million Improving Facilities in Faculty of Agriculture and Faculty of Engineering, University of Jaffna during the year 2014. Accordingly the Memorandum of Understanding was signed in June 2014.

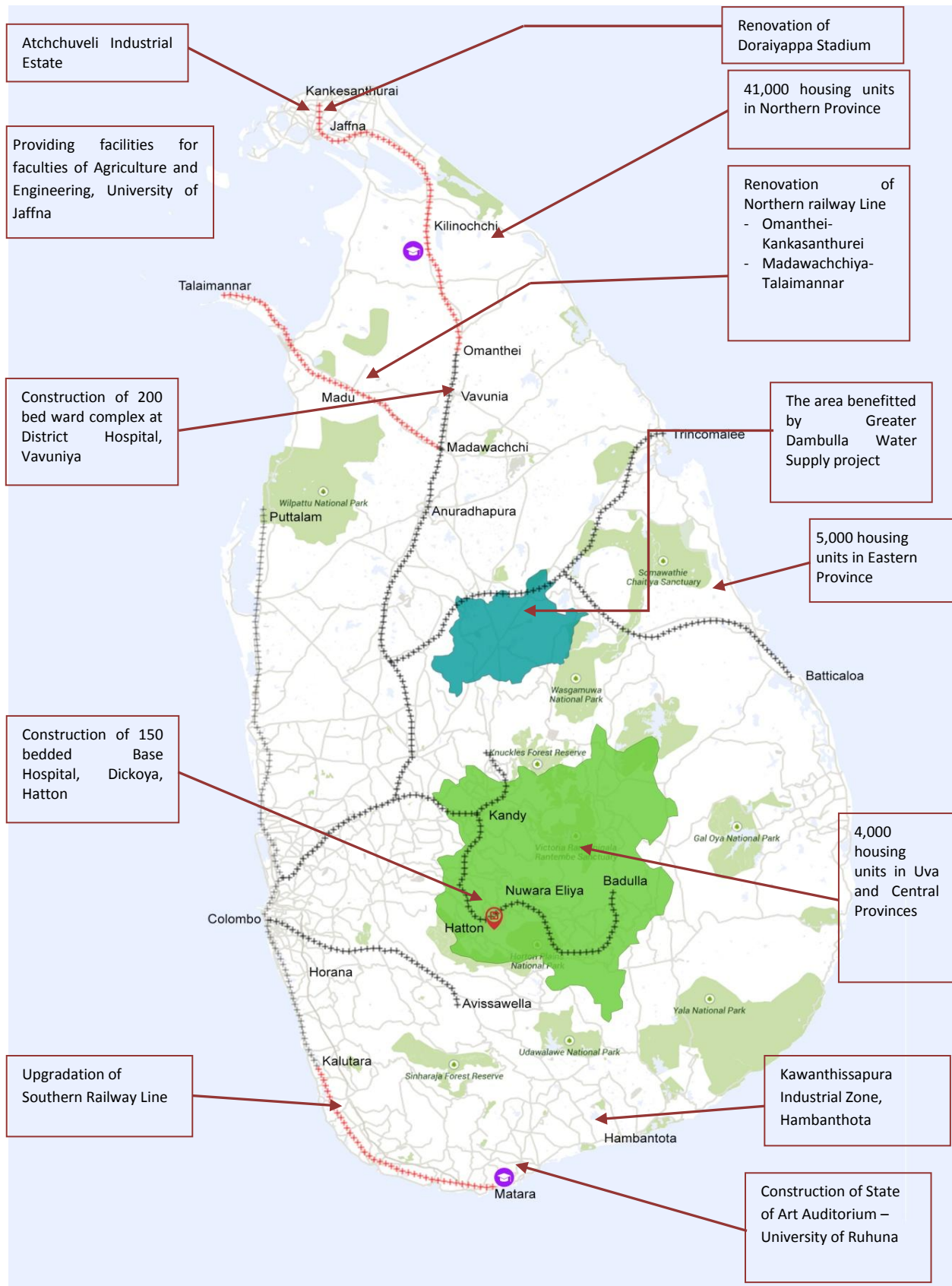


## Disbursements in 2014

The Disbursements for the year 2014 has been totally recorded to the tune of USD 142.86 million. Of which out USD 106.14 million was mainly disbursed for Reconstruction of Railway Lines Omantha-Pallai, Madawachchiya-Madhu & Madhu-Thalaimannar, Pallai-Kankasenthurai, Signaling & Telecommunications of Northern Railway Services, Greater Dambulla Water Supply Project and Defence related loans.

Another USD 24.20 million was disbursed for reconstructions of 49,000 housing units in Northern, Eastern, Central and Uva Provinces. These funds have been channeled as grant assistance to the Government of Sri Lanka.





## Restoration of Northern Railways

The Restoration of Northern Railway Services was identified most important factor to connect the northern region to the rest of the country. In 2010 immediate after the 3 decades of conflict the Government of Sri Lanka has obtained a credit facility from the Government of India through the EXIM Bank of India to rehabilitate the entire northern railway network. Therefore, a Credit Line was signed of USD 416.39 million for the track laying of Madawachchiya to Madhu road, Madhu to Thalaimannar and Omantha to Pallai sections. The total length of railway track is 196 km. Another Line of Credit worth of USD 382.37 million was signed in 2012 for the track laying of Pallai to Kankasanthurei 56 km and to complete signaling and telecommunications to the Northern Lines. All rehabilitation work has been completed and opened for operation.

## Pakistan

Pakistan and Sri Lanka being located in South Asian region and Sri Lanka has obtained Assistance from Pakistan by way of grants and loans. The first Loan assistance from Pakistan was obtained in 1991 amounting USD 5 million for railway wagons.

The Government of Pakistan has provided grant assistance for improvement of infrastructure facilities of Babusalam Maha Vidyalaya in Gampaha District amounting USD 125,000 in 2011 and Al/Aksha Maha Vidyalaya in Vavuniya District in 2012 amounting USD 90,000.

In 2013, the assistance from Pakistan was further extended by providing a grant of USD 72,000 to support Handloom Sector in Diwulapitiya, Gampaha. Under this Self-Sustaining Handloom Setups will be provided to 75 beneficiaries in this area.

The Government of Pakistan has provided grant assistance for following projects in 2014.

Project	Amount USD
Housing Programme for the IDPs in Mannar and Vavuniya Districts	1,000,000
Construct Additional Two Storeys in the School Building at V/Al-Aksha Maha Vidyalayam, Vavuniya	30,000
Strengthening of Health Care Services at Zia Hospital, Akurana, Kandy	17,000
Assistance for K/Bathiudeen Muhammed Girls College, Kandy	6,500

# Russia, Australia & West Division

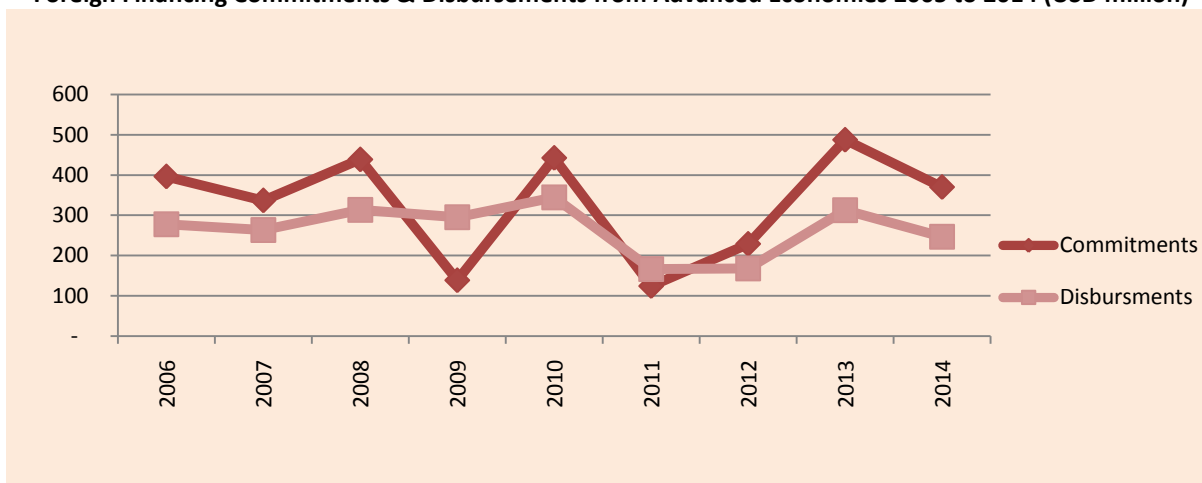
Financial Assistance from the countries in the western hemisphere to Sri Lanka is mobilized through the Advanced Economies Division of the External Resources Department. The major lenders who provide financial assistance to Sri Lanka comprise of Germany, Netherlands, Sweden, European Union, USA, France, Spain, Austria, Denmark, Belgium, Russia, Australia, United Kingdom, and Hungary.

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.

This financing was obtained mainly in the form of i. export credits, ii. commercial credits iii. traditional loan assistance iv grant assistance. Foreign financing under export credits have basically been invested in commercially viable project which can generate sufficient economic benefits and or revenue flows to cover loan repayments. Accordingly, most of the commercial borrowings from western countries have been utilized to complete the urgent and prioritized development projects in the sectors of roads, bridges and water supply and social infrastructure such as development of hospitals and improvement of healthcare facilities with a view to providing quality, high-tech and reliable healthcare facilities to the people.

## Commitments and Disbursements

Foreign Financing Commitments & Disbursements from Advanced Economies 2005 to 2014 (USD million)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Commitments	513.0	398.5	337.0	439.0	138.0	547.2	124.0	234.0	487.5	370.0	3476
Disbursements	193.0	283.0	264.0	313.0	295.0	361.0	202.0	223.0	312.4	246.3	2573

## Foreign Financing Commitments made in 2014

Necessary steps were taken in 2014 to conclude financial arrangements in order to implement the following projects under commercial and export credit facilities as well as grant assistance from western countries.

Development Partner	Project	Amount USD million
Deutsche Bank AG	Construction of 537 Rural Bridges Project	150.0
AFD, France	Ambatale Water Supply System Improvement and Energy Saving Project	70.0
KBC Bank of Belgium	Monaragala-Buttala Water Supply Project	13.6
Rabobank of the Netherlands with a EFIC Guarantee	Importation of 2500 Diary Animals Project	20.7
Government of Germany	SME Sector Development Project	2.1
Government of Germany	Facilitating Initiatives for Social Cohesion and Transformation ( FLICT)	2.6
Rabo Bank of the Netherland	Construction of 463 Rural Bridges Project	110.6
<b>Total</b>		<b>369.76</b>

## Key Projects Negotiated in 2014

A list of key projects negotiated during 2014 under loan assistance from western countries is as follows.

Development Partner	Project	Amount USD million
Export Finance Insurance Corporation (EFIC) of Australia and Rabobank of Netherlands	Importation of 20,000 Cattles	73.0
Export Finance Insurance Corporation (EFIC) of Australia and ANZ Bank of Australia	Ampara Water Supply Project – Phase III (Additional Financing)	7.5
Credit Agricole Corporate and Investment, Natixix, BNP Paribas Banks of France and Unicredit bank of Austria	Greater Matale Water Supply Scheme	130.7
Government of Spain and BBVA Bank of Spain	Construction of Flyovers at Rajagiriya, Polgahawela and Ganemulla	49.0
Agence Franciase de Development (AFD)	Construction of 4 Substations	32.0
Agence Franciase de Development (AFD)	Green Power Development and Energy Efficiency Improvement Investment Programme	23.0



Development Partner	Project	Amount USD million
Government of Spain	Anamaduwa Water Supply Project	32.0
Hongkong and Shanghai Banking Corporation Limited (HSBC) and HSBC Colombo Branch	Construction of New Complex to the Ocean University at Kalamatiya in Hambantota	82.4
Hongkong and Shanghai Banking Corporation Limited (HSBC) and HSBC Colombo Branch	Relocation of New Milk Factory at Badalgama	78.4
Rabo Bank of the Netherlands	Purchasing 4000m <sup>3</sup> Trailing Suction Hopper Dredger	39.6
Rabo Bank of the Netherlands	Development of District Hospital Beliattha as a Specialized Maternal and Children Hospital	30.4
<b>Total</b>		<b>497.5</b>

## Major Projects being Implemented in 2014

### Monaragala-Buttala Water Supply Project

Monaragala Districts records comparatively low pipe-borne water supply coverage of 20 percent compared to the national coverage of 43.5 percent. The existing drinking water supply neither has the capacity to provide continuous water supply for Monaragala-Buttala towns nor to cover the drinking water requirement of suburban areas such as Madulla and Okkampitiya. Under the proposed water supply scheme, a water treatment plant of 6000 m<sup>3</sup>/day and 110 km of water distribution network to cover 43 Grama Niladari divisions will be constructed to provide pipe-borne water to 50,000 families as well as the commercial industrial sector. Monaragala-Buttala Water Supply Project is being implemented through loan facilities extended by KBC Bank of Belgium (Euro 12.9 million) and Hatton National Bank (USD 8.98 million).

### Construction of 1000 rural Bridges

The Government has accorded high priority for connectivity improvement within the country with a view to provide full benefits to the remote villages as well from mainstream development activities in the country. Accordingly, Government of Sri Lanka entered into loan agreements with Deutsche Bank AG London and Rabo Bank B.A. of Netherlands to finance construction of 1000 bridges in rural areas to establish connectivity for transportation. A large number of lagging villages will be facilitated with transport facilities through this initiative which will in turn facilitate easy access to market, education and healthcare facilities to villages.

## Importation of Dairy Animals

Domestic dairy Industry has a potential to produce substantial amount of quality milk products to the prevailing market at affordable prices while keeping reasonable profit margins to all stakeholders in the production marketing chain without causing damage to the environment. However, acute shortage of quality dairy animals in the country has hampered the development of the dairy industry in Sri Lanka. Also it is difficult to obtain good breeding animals to upgrade animal stock.

The importation of 2,500 dairy animals from Australia under the proposed project will ensure production of substantial amount of quality milk and milk products to the local market. Also, under this project Ridiyagama farm will be developed in order to meet breeding requirements of the dairy farms in the Southern region. With the implementation of the project, it is expected to increase the annual milk production. Also, foreign exchange could be saved annually. The proposed project will create large number of employment opportunities and it will greatly contribute to minimize rural poverty and malnutrition.

# United Nation Agencies & Technical Assistance Division

## United Nation Agencies

Since 1952 Sri Lanka has been receiving a significant amount of financial and technical assistance from United Nations (UN) agencies such as United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), United Nations Children's Fund (UNICEF), World Food Programme (WFP), United Nations Population Fund (UNFPA), United Nations High Commissioner for Refugees (UNHCR), World Health Organization (WHO), UN Habitat, International Labour Organization (ILO) and International Fund for Agriculture Development (IFAD) for the implementation of the various projects and programmes mainly in the field of agriculture, fisheries, environment, health, education, livelihood development, disaster relief etc. The UN pegs its assistance through the United Nations Development Assistance Framework (UNDAF) which is jointly agreed by the Government of Sri Lanka and the UN Agencies. Under the current framework UN Agencies have agreed to raise approximately USD 405 million over five year period starting from 2013. The UN assistance to Sri Lanka comes mainly in the form of grants. However, the foreign financing provided by IFAD is extended through not only grants but also concessionary loans.

## Commitments

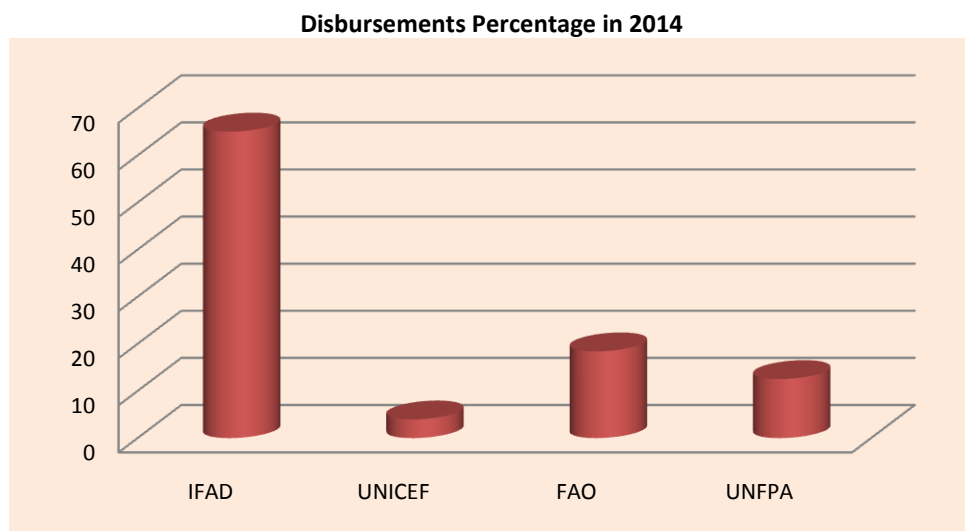
The following key projects were signed between GOSL and UN agencies in 2014.

Agency	Project	Amount USD million
UNDP	Comprehensive Disaster Management Programme 2014-2018	0.78
	Strengthening the Resilience of Post Conflict Recovery and Development to Climate Change Risks in Sri Lanka	3.12
	Technical Assistance for the Introduction of Quinoa toward Improved Food Security	0.12
FAO	Reduction of Post-harvest Losses in Horticultural Chains in SARRC Countries	0.49
	Promotion of Appropriate Feeding Techniques to Dairying Cattle	0.27
	Improving Seabass Aquaculture in Sri Lanka	0.34
WFP	Protracted Relief and Recovery Operation (PRRO)	23.48

In addition to the above UNDP, UNICEF and UNFPA have agreed to commit USD 60 million, USD 60 million and USD 12 million respectively under the Country Programme Action Plan (CPAP) for the period of 2013-2017 in line with the United Nations Development Assistance Framework.

## Disbursements

As shown in the following graph the major share of total disbursements has been recorded in IFAD assisted projects and programmes especially in the field of plantation, fisheries and irrigation etc.



## Key projects completed in 2014

The following key projects implemented with the assistance of UN agencies in the field of agriculture, livelihood development, and environment etc. were completed in 2014.

Agency	Project	Amount USD million
<b>Grant</b>		
FAO	Integrated Irrigation and Agricultural Livelihood Development in Killinochchi and Mullaitivu	5.10
UNDP	Institutional Strengthening for Phase-out of Ozone Depleting Substance ( Phase – IX)	0.13

# Technical Assistance

The future development agenda of the country will mainly focus on building a knowledge based economy. Continuous development of human resources and capacity building in the public sector is vital to achieve this goal. Accordingly, the Department of External Resources which is the National Focal Point of Sri Lanka for the mobilization of foreign training opportunities, time to time negotiate with the bilateral development Partners such as Australia, China, Japan, Korea, India, Singapore, Thailand, Malaysia, Indonesia and the multilateral development partners such as Asian Development Bank, Colombo Plan, World Bank, and Commonwealth Secretariat and maintain a strong relationship with those partners.

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. Accordingly, a total of 1,086 foreign training opportunities were received in 2014 and out of them 71 have been long term training opportunities and the balance were short term training opportunities. The following table shows the number of training opportunities received to the government of Sri Lanka during the period of 1<sup>st</sup> January to 31<sup>st</sup> December 2014.

**Number of Foreign Training Opportunities awarded by Development Partners in year 2014**

Donor	Short Term	Long Term
Asian Development Bank (ADB)	64	
Colombo Plan	11	1
Commonwealth Fund for Technical Cooperation (CFTC)	29	
Government of Australia		35
Government of China	453	
Government of Malaysia	9	
Government of Singapore	35	1
Government of Thailand	26	8
Government of the Republic of Korea	199	9
India	64	
Japan	101	17
SAARC Secretariat	16	
Government of Egypt	4	
UNDP	3	
World Bank	1	
<b>Total</b>	<b>1,015</b>	<b>71</b>

During past few years, there is an unexpected and unprecedented improvement in the training opportunities. For instance, from January to end of December 2014, more than 453 officials have been selected to obtain foreign exposure in China and maximum 8 officials per programme have been selected. This represents about 42 percent of total training opportunities available to Sri Lanka in 2014. The Chinese Government has made its maximum effort to select all nominees who have applied for those programmes.

The Government of Australia has increased the intake of Australian Development Scholarships in the areas of Health, Education and Sustainable Economic Development and for the year 2014, 35 officials have been selected to follow the Masters degree. The Government of Korea, through Korean International Cooperation Agency (KOICA) had provided 199 short term training opportunities and 09 long term opportunities. This represents about 16 percent of total training opportunities available to Sri Lanka in 2014. While the Government of Japan has provided 118 training opportunities which includes short and long term and accounts for 11 percent of the total training opportunities. Also the Government of India, Singapore and Asian Development Bank has offered a significant number of training opportunities in 2014.

Considering the long term training opportunities received by 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.

## Volunteer Service

Apart from the training programmes, technical assistance division coordinates the programmes of services of foreign experts and volunteers with the donors and line ministries. Based on the requests made by line ministries, suitable experts/volunteers are identified and necessary steps are taken to recruit them. During the year 2014, the Government of Sri Lanka has received Volunteers from Korea, Japan and Australia which accounts for 51, 58 and 02 respectively in the fields of health, social, community development, sports, education, language, textile and IT.

# Capital Market Division

Capital Market Division is Responsible for mobilizing domestic financing from local banks for the implementation of development projects, facilitate better accessibility for capital by the State Owned Enterprises (SOE), monitoring domestic debt capital market and better understanding of the International financial markets to facilitate the accessing of the markets by the sovereign.

## Mobilizing Domestic Financing from Domestic Banks

Road Development Authority was granted Cabinet Approval to access the local banks up to Rs.151.7 billion to finance 64 priority road development projects. In the year of 2014 Capital Market Division arranged local bank financing amounting to almost Rs.33.4 billion for 22 Priority Road Development Projects.

Other than these priority road development projects, Road Development Authority also accessed local bank financing for part financing of three foreign funded projects named Implementing variations to the scope of works of construction of Colombo - Katunayake Expressway Project (CKE), Outer Circular Highway Project (OCH) - Phase III Kadawatha to Kerawalapitiya. Financing of consultancy services for construction supervision

The National Water Supply and Drainage Board (NWS&DB) was also granted approval in 2013 to access the domestic banks for water projects amounting to Rs.29.1 billion and in June 2014, granted approval for additional 04 water supply projects amounting to Rs. 10.0 billion. During the year 2014, cabinet of ministers granted approval to NWS&DB to enter in to 11 loan agreements with local banks amounting to Rs. 39.2 billion.

Ceylon Shipping Corporation Limited (CSCL) was granted approval to purchase of 2 Ships (2 Panamax Bulklers) from M/s. Avic International Beijing Co. Ltd. to expand their operations by using local bank financing. Accordingly, CSCL entered into a loan agreement with the People's Bank to obtain a loan amounting to USD 70 million. These ships are expected to be utilized for carriages of coal, which will be needed to import in large quantities to feed the phase II of Norochcholai Coal Power Plant and Sampur Coal Power Plant in next few years in addition to already existing phase I of Norochcholai Coal Power Plant.

During the year, Cabinet of Ministers grant approval for the Ministry of Higher Education to relocate and develop the Institute of Technology at University of Moratuwa (ITUM) with the funding secured from local banks. Accordingly, International Construction Consortium (ICC), the contractor engaged in to two loan agreements with the Commercial Bank and the Hatton National Bank to obtain a loan of Rs.10.3 billion. The Ministry of Higher Education opened a Standby Letter of Credit with the Bank of Ceylon to secure the loan repayment and the interest payment and the General Treasury will be issued a letter of comfort to secure back the Standby Letter of Credit. The project aims at relocating and developing the ITUM with a main objective of increasing the output diplomats and thereby supporting further development of both University of Moratuwa and the Institute of Technology.

The Sri Lanka Land Reclamation and Development Corporation also entered into the loan agreement with National Savings Bank to secure funding of Rs. 14.2 billion for its Weras Ganga Storm Water Drainage and Environment Project which is due to be completed by 2016.

## Domestic Borrowings by SOEs for Infrastructure Development

Name of SOE	Bank	Commitments as at 31.12.2014 (Rs. Bn)	Total Disbursements as at 31.12.2014 (Rs. Bn)
Road Development Authority (RDA) - Priority Road Development Projects	Bank of Ceylon	36.7	23.6
	Peoples' Bank	14.6	13.6
	National Savings Bank	51.4	21.3
	Hatton National Bank	32.2	12.0
	Commercial Bank of Sri Lanka	7.2	4.5
	DFCC	1.3	0.9
	National Development Bank	8.3	4.2
RDA - Colombo Katunayake Expressway Project	Peoples' Bank	USD 44.7 Mn	USD 21.3 Mn
RDA - Outer Circular Highway Project	Bank of Ceylon	1.8	0.2
Sri Lanka Land Reclamation and Development Corporation	National Savings Bank	14.2	1.6
National Water Supply & Drainage Board	National Savings Bank, Bank of Ceylon, Peoples' Bank, Hatton National Bank, National Development Bank, Commercial Bank	18.0	1.5
National School of Business Management	Bank of Ceylon	8.6	2.9
Kotalawala Defence University	National Savings Bank	USD 201.6 Mn	Rs. 3.16 Bn + USD 76.59 Mn
Ceylon Shipping Corporation Ltd	Peoples' Bank	USD 70.0 Mn	USD 35.0 Mn
Ministry of Higher Education	Commercial Bank, Hatton National Bank	10.3	2.0

## Facilitate better accessibility for Capital by SOE's (Banks)

As has been the case since 2007 with the Sovereign accessing the international market for funds, in June 2014 Sri Lankan Airlines Limited (SLA) issued a USD 175 million 5 year Fixed Rate Senior Unsecured Reg S notes guaranteed by Democratic Socialist Republic of Sri Lanka due 2019 at a pricing of 5.3 percent.

10<sup>th</sup> September 2014, National Savings Bank (NSB) the only local bank with a credit rating of AAA (Fitch) and with an issuance rated at B+(S&P) and BB-(Fitch) issued an international bond worth of USD 250 million at a rate of 5.15 percent with tenure of 5 years. The proceeds of this bond is to be utilized to invest in their capital assets.



## Details of Sri Lankan Corporates' International Bond Issuances

Name	Date of Issuance	Ratings*	Amount (USD Mn)	Coupon Rate (%)	Tenure (Years)	Maturity Date	Price as at 31.12.2014	Yield as at 31.12.2014 (%)
BoC'17	03/05/2012	--/--/BB-	500	6.875	05	03/05/17	103.4	5.306
BoC'18	16/04/2013	--/--/BB-	500	5.325	05	16/04/18	99.4	5.533
NSB'18	18/09/2013	--/B+/BB-	750	8.875	05	18/09/18	111.0	5.539
DFCC'18	31/10/2013	--/B/B+	100	9.625	05	31/10/18	106.4	7.661
Airlines	23/06/2014	--/B+/BB-	175	5.300	05	23/06/19	98.7	5.620
NSB'19	10/09/2014	--/B+/BB-	250	5.150	05	10/09/19	98.0	5.641

Source: Barclays Bank

\*Moody's/S&amp;P/Fitch

## Monitoring Domestic Debt Capital Market and Facilitating Sri Lanka Sovereign Bond Issuances

Sri Lanka accessed the international debt capital market through the issuance of an International Sovereign Bond in 2007, where the country was able to raise USD 500 million at 8.75 percent with a tenure of 5 years. Subsequently, the country also tapped the international bond market in 2009, 2010, 2011 and 2012.

During last quarter of the year 2013 and early in the year 2014, studied the International Debt Capital Market and facilitated to launch the International Sovereign Bonds worth of USD 1,000 million in January 2014 and USD 500 million in April 2014 respectively. Two bonds were priced as at 6.0 percent and 5.125 percent respectively, which was the lowest coupon rates since first sovereign bond issuance in year 2007. Tenures of the bonds are 5 years.

## Details of Sri Lanka Sovereign Bond Issuances

Name	Date of Issuance	Ratings (Moody's/S &P/Fitch)	Amount (USD million)	Coupon Rate (%)	Tenure (Years)	Maturity Date	Price As at 31.12.2014	Yield as at 31.12.2014 (%)
SL'12	17/10/2007	--/B+/BB-	500.0	8.250	5	17/10/12	Retired	Retired
SL'15*	22/01/2009	--/B+/BB-	500.0	7.400	6	22/01/15	Retired*	Retired*
SL'19	06/01/2014	B1/B+/BB-	1,000.0	6.000	5	14/01/19	103.7	4.959
SL'19	07/04/2014	B1/B+/BB-	500.0	5.125	5	07/04/19	100.0	5.123
SL'20	30/10/2010	B1/B+/BB-	1,000.0	6.250	10	30/10/20	103.0	5.629
SL'21	27/07/2011	B1/B+/BB-	1,000.0	6.250	10	27/07/21	103.0	5.694
SL'22	25/07/2012	B1/B+/BB-	1,000.0	5.875	10	25/07/22	101.4	5.648

Source: Barclays Bank, HSBC and Citi Bank (Joint Lead Managers for the Issuances)

\*Retired in January 2015

# Debt Management Division

## The Role of the Debt Management Division

- Recording new commitment details to the debt management system known as Commonwealth Secretariat Debt Management and Recording System (CS-DRMS) database and updating details in relation to subsequent amendments such as cancellations and enhancement of loan/grant commitments, extension of drawdown periods
- Cross-checking the payment claimed by donor agencies with CS-DRMS forecasts, authentication of payments and making necessary recommendation for CBSL to pay the due amounts on time
- Obtaining necessary clarifications for the payment claims made by donor through the respective donor desk for the cases where there are discrepancies between donor claims and CS-DRMS forecasts which are set in line with the provisions of the Loan Agreement
- Entering disbursements, loan repayments, interest payments and other payments related to loan agreements to the CS-DRMS
- Preparing a summary on terms and conditions of the new loan commitments and submit them to the Economic Research Department of the CBSL with copies of agreement. Publish a list of loan/grant agreements
- Providing debt statistics to the Treasury Operations Department (TOD) and other relevant agencies and publishing 814 report generated from CS-DRMS on disbursements (project-wise) on the ERD public web
- Compilation and publishing of Foreign Aid Review and preparation of write-up on foreign debt for Performance Report, Annual Report, Budget Publication and other publications
- Completion of required economic analytical reports and data relevant to foreign debt in Sri Lanka on time and at a satisfactory level requested by other Divisions of ERD and other Treasury Departments
- Preparation of answers to the Parliament Questions pertaining to external Government's Debt
- Provision of foreign debt data recorded in CS-DRMS database for CBSL in required formats to be used for debt management/analyzing tool known as "Horizon" developed by the Commonwealth Secretariat
- Preparation of Cabinet Observations for Hon. Minister of Finance and Planning which are relevant to foreign debt matters
- Communicating with donor agencies with the consent of the respective donor desk of ERD to get clarifications/submit clarifications for the foreign debt related issues
- Taking appropriate actions for various requests made by the outside agencies which referred to the Secretary to the Treasury and DG/ERD regarding foreign financing and debt
- Facilitating the Missions fielded by the Commonwealth Secretariat as their routine work and on request of CBSL in order to improve the debt management capacity of the country
- Provision of required data on foreign debt on quarterly basis in separate format requested from IMF/World Bank through Quarterly External Debt Statistics Initiative in order to publish official foreign debt data

## Performance of the Year 2014

- Recorded new commitments in the debt management database (CS-DRMS) with regard to the year 2014 and updated as per the subsequent amendments
- Authenticated payment advices received throughout the year from development partners and lending agencies and sent CBSL after cross-checking the payment claims with CS-DRMS forecasts and referencing respective loan agreements in order to make the due repayments and other charges on time
- Obtained necessary clarifications for the payment claims made by donor agencies through the respective donor desks for the cases where there are discrepancies between donor claims and our records
- Recorded disbursements, loan repayments, interest payments and other payments related to loan agreements in CS-DRMS during 2014
- Prepared and published a list of loan/grant agreements with terms and conditions for the new loan commitments during 2014
- Provided required debt statistics to the other Divisions of ERD and Treasury Operations Department (TOD) and other relevant agencies where it is necessary.
- Prepared and published 814 report generated from CS-DRMS on disbursements (project-wise) on the ERD public website
- Prepared the write-up on foreign debt for Performance Report, Annual Report, Budget Publication and other publications in 2014
- Prepared and compiled various economic analytical reports and data relevant to foreign debt on time required by other Divisions of ERD and other Treasury Departments
- Prepared answers for 5 Parliamentary Questions pertaining to external Government's Debt
- Provided the foreign debt data recorded in CS-DRMS database for CBSL to be used for debt management tool known as "Horizon"
- Communicated with donor agencies with the consent of the respective donor desk of ERD to get clarifications/submit clarifications for the foreign debt related issues
- Taken timely and appropriate actions for various requests made by the outside agencies which referred to the Secretary to the Treasury and DG/ERD regarding foreign financing and debt
- Facilitated 2 Missions fielded by the Commonwealth Secretariat and the World Bank/IMF in order to improve the debt management capacity of the country
- Provided the required data on foreign debt on quarterly basis requested from IMF/World Bank

# Policy Planning Division

## The Role of the Policy Planning Division

The Division is responsible for enhancing foreign aid coordination, mobilization, 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. In order to achieve these objectives, following tasks are undertaken by the Division:

- 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.
- Obtaining the recommendations of the Department of National Planning for the project proposals submitted by the Line Ministries.
- Submitting the project proposals recommended by the Department of National Planning to prospective development partner desks in consultation with senior staff of the Department to secure foreign financing.
- Preparation and maintenance of updated project pipeline which are to be implemented with foreign assistance.
- Preparation and coordination of publications; Performance Report and Budget Publication of the Department.
- Providing inputs for the Foreign Financing Chapter for Ministry of Finance and Planning Annual Report.
- Issuing necessary Circulars relevant to foreign aid utilization.
- Coordinating of submission of Cabinet Observations on the Cabinet Memorandum submitted to the Ministry of Finance and Planning.
- Coordination of foreign aid meetings and development forums.
- Compilation of required economic analytical reports and data relevant to foreign financing in Sri Lanka on time and at a satisfactory level

## Performance of the Year

- Prepared and published of Annual Performance Report for the year 2013.
- Prepared of Foreign Financing Chapter for Ministry of Finance and Planning Annual Report 2013.
- Submission of 68 project proposals cleared by the Department of National Planning to the development partner desks to obtain foreign finance.
- Clearance of 4 Memorandum of Understanding (MOUs).
- Issued a circular on Acceptance of Donor Assistance.
- Prepared and compiled various economic analytical reports and data relevant to foreign financing on time.

# Financial Review

## Financial Information on Expenditure

This Department is not identified as a revenue collecting agency and 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 2014 is given in following tables.

### Personnel Emoluments

	Rs.
Original Provision	40,900,000
<b>Add:</b>	
Supplementary Provision	5,204,000
Transfers under F.R.66 & F.R.69	71,840
<b>Less:</b>	
Transfers under F.R.66	-
<b>Total Provision</b>	46,175,840
Expenditure during the year	46,174,213

### Other Recurrent Expenditure

	Rs.
Original Provision	215,000,000
<b>Add:</b>	
Supplementary Provision	3,794,000
Transfers under F.R.66 & F.R.69	-
<b>Less:</b>	
Transfers under F.R.66	(71,840)
<b>Total Provision</b>	218,722,160
Expenditure during the year	138,702,484

## Capital Expenditure

Object Code	Object Title	2014 Estimates Rs.	2014 Net Provision Rs.	Expenditure Rs.
2002	Rehabilitation & Improvement of Plant, Machinery & Equipment	600,000	600,000	492,977
2003	Rehabilitation & Improvement of Vehicles	1,000,000	1,000,000	653,545
2102	Acquisition of Furniture and Office Equipment	200,000	173,194	161,016
2103	Plants, Machinery & Equipment	3,200,000	3,125,180	3,125,176
2204(21)	Asian Development Bank Ordinary Capital Increasing	521,000,000	521,000,000	516,481,703
2204-2-(11)	Construction of a Road in Maldives	310,769,000	280,769,000	128,296,716
2204-3-(11)	Vocational & Training Centre in Uganda	20,000,000	50,000,000	18,415,026
2204-5-(11)	Food Aid to World Food Programme	400,000,000	400,000,000	219,839,869
2401	Training and Capacity Building	1,100,000	1,201,626	1,201,625
2502 (17)	Reimbursement of VAT for Residence Missions	5,000,000	5,000,000	1,642,202
2502-4-(13)	Transfers Abroad – (Investment)	9,380,000	9,380,000	0
<b>Total</b>		<b>1,272,249,000</b>	<b>1,272,249,000</b>	<b>890,309,855</b>

## Summary of Utilization of Budgetary Provision

Description of Expenditure	2014 Estimates Rs.	2014 Net Provision Rs.	2014 Actual Expenditure Rs.
Recurrent Expenditure	255,900,000	264,898,000	184,876,697
Capital Expenditure	1,272,249,000	1,272,249,000	890,309,855
<b>Total</b>	<b>1,528,149,000</b>	<b>1,537,147,000</b>	<b>1,075,186,552</b>

## Advance Account of Public Servants

The details of the Advance Account of the Public Servants of this Department for the year 2014 are given below.

Description	Approved Limit Rs.	Actual Expenditure Rs.
Maximum limit of expenditure	4,500,000	4,497,735
Minimum limit of receipts	2,500,000	3,185,811
Maximum limit of debit balance	30,000,000	18,154,668

## Auditor General's Queries

During the year, 06 audit queries from the Department of Management Audit of the Ministry of Finance and Planning and 06 audit queries from the Auditor Generals Department were received and all the queries were answered.

## Appropriation Account 2014

The Appropriation Account for the year 2014 was submitted to the Auditor General on 31<sup>st</sup> March 2015.

## List of Foreign Financing Loan Agreements Signed during January-December, 2014 with their Financial Terms

Development Partner/ Lending Agency	Agreement Date	Project	Loan Amount				Interest Rate per Annum		Margin (100 basis points)	Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount Million	Rs. million	USD million	Interest Type	Rate					
Bilateral													
Government of Japan	28/03/2014	New Bridge Construction over the Kelani River	JPY	35,040	44,808.10	342.8	Fixed	Tranche 1 - 0.10% Tranche 2- 0.01%	N/A	—	Front- End Fee (0.2% of the loan amount, payable one time)	10	40
	23/08/2014	Digitalization of Terrestrial Television Broadcasting Project	JPY	13717	17,199.76	132.1	Fixed	Tranche 1–0.10% Tranche 2 –0.01%	N/A		Front- End Fee (0.2% of the loan amount, payable one time)	10	40
China Development Bank Corporation (CDB)	11/03/2014	Improvement and Rehabilitation of Priority Road Project 3 (Phase I)	USD	300	39,166.44	300	Variable	LIBOR 6 Months for USD	2.95%	—	Management Fee (0.5% of the loan amount, payable one time)	3	15
	24/11/2014	Improvement and Rehabilitation of Priority Road Project 3 (Phase II)	USD	100	13,100.00	100	Variable	LIBOR 6 Months for USD	2.95%	—	Management Fee (0.5% of the loan amount, payable one time)	3	15
Government of France	29/09/2014	Ambatale Water Supply System Improvement and Energy Saving Project	USD	70	9,124.50	70	Variable	LIBOR 6 Months for USD	1.76%	0.50%	Front- End Fee (0.5% of the loan amount, payable one time)	7	25
Government of the Republic Korea	30/12/2014	Deduru Oya Water Supply Project	USD	58,155.00	7,622.83	58.15	Fixed	0.15%	N/A	—	—	10	40
	30/12/2014	Ruwanwella Water Supply Project	USD	20.53	2,691.02	20.53	Fixed	0.15%	N/A	—	—	10	40
Kuwait Fund for Arabic Economic Development (KFAED)	30/01/2014	Reconstruction of 25 Bridges	KWD	10	4,630.10	35.4	Fixed	2.00%	N/A	0.50%	—	5	25
Export Credit													
KBC Bank of Belgium	16/01/2014	Implementation of Monaragala- Buttala Water Supply Project	EUR	12.99	2,291.76	17.6	Fixed	1.20%	N/A	0.50%	-	2.5	10
The Export – Import Bank of China	16/09/2014	Construction of Outer Circular Highway Project – Phase III	USD	494.03	64,363.19	494.03	Fixed	2.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	5	20
	16/09/2014	Southern Expressway Extension-Section 4 from Mattala to Hambantota	CNY	2,528.17	53,585.87	411.4	Fixed	2.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	5	20



## List of Foreign Financing Loan Agreements Signed during January-December, 2014 with their Financial Terms, Cont...

Development Partner/ Lending Agency	Agreement Date	Project	Loan Amount				Interest Rate per Annum		Margin (100 basis points)	Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount Million	Rs. million	USD million	Interest Type	Rate					
The Export – Import Bank of China	16/09/2014	Hambantota Hub Development Project	CNY	1,555.99	32,980.10	253.2	Fixed	2.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	5	20
	09/12/2014	Southern Expressway Extension-Section I from Matara- Beliatta	USD	684.00	89,538.03	683.49	Fixed	2.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	5	20
Deutsche Bank of UK	10/10/2014	Construction 537 Rural Steel Bridges	USD	161.2	21,074.17	161.7	Variable	LIBOR 6 Months for USD	1.5% (export credit) 4.15 % (commercial credit)	0.25%	Arrangement Fee (0.5 % of the loan amount, payable one time)	3	13
Co-op Centrale Raiffeisen - Boerenleenbank	10/10/2014	Sri Lankan Dairy Development Project Phase II	USD	17.6	2,298.09	17.6	Variable	LIBOR 6 Months for USD	2.00%	0.25%	Management Fee (0.25% of the loan amount, payable one time)	2	10
	14/11/2014	Sri Lankan Dairy Development Project Phase II	USD	3.1	407.52	3.1	Fixed	5.00%	N/A	0.25%	Management Fee (0.25% of the loan amount, payable one time)	2.5	3.5
	05/12/2014	Construction of 463 Rural Bridges	EUR	105	17,026.93	129.95	Variable	LIBOR 6 Months for USD	1.45% (export credit) 4% (commercial credit)	0.25%	Management Fee (0.5% of the loan amount, payable one time)	2.5	12.5
Multilateral													
Asian Development Bank	27/05/2014	Skills Sector Enhancement Programme - Result Based Lending	USD	50	6,520.70	50	Variable	LIBOR 6 Months for USD	0.60%	0.15%	-	5	26
	27/05/2014	Skills Sector Enhancement Programme - Result Based Lending	XDR	32.6	6,597.71	50.6	Fixed	2.00%	N/A	-	-	5	25
	27/05/2014	Southern Road Connectivity Project	USD	70	9,129.06	70	Variable	LIBOR 6 Months for USD	0.60%	0.15%	-	5	26
	27/05/2014	Southern Road Connectivity Project	XDR	3.32	673.8	5.2	Fixed	2.00%	N/A	-	-	5	25
	06/03/2014	Greater Colombo Water & Wastewater Management Project 2	USD	70	9,124.70	70	Variable	LIBOR 6 Months for USD	0.60%	0.15%	-	5	26
	06/03/2014	Greater Colombo Water & Wastewater Management Project 2	XDR	11.83	2,376.90	18.2	Fixed	2.00%	N/A	-	-	5	25
	05/11/2014	Integrated Road Investment Programme Tranche 1	XDR	64.77	12,527.88	95.74	Fixed	2.00%	N/A	-	-	5	25

## List of Foreign Financing Loan Agreements Signed during January-December, 2014 with their Financial Terms, Cont...

Development Partner/ Lending Agency	Agreement Date	Project	Loan Amount				Interest Rate per Annum		Margin (100 basis points)	Commitment Fee (from the undisbursed balance)	Other Payments	Grace Period (Years)	Maturity (Including Grace Period) (Years)
			Currency	Original Amount Million	Rs. million	USD million	Interest Type	Rate					
Asian Development Bank	20/11/2014	Green Power Development and Energy Efficiency Improvement Investment Programme	XDR	18.76	3,630.29	27.7	Fixed	2.00%	N/A	-	-	5	25
	20/11/2014	Green Power Development and Energy Efficiency Improvement Investment Programme	USD	121	15,851.00	121	Variable	LIBOR 6 Months for USD	0.60%	0.15%	-	5	26
International Bank for Reconstructions & Development (IBRD) of the World Bank	10/07/2014	Disaster Risk Management Development Policy Loan with a Catastrophe Differed Drawn Option CAT - DDO	USD	102	13,282.50	102	Variable	LIBOR 6 Months for USD	0.63%	-	Front- End Fee (0.25% of the loan amount, payable one time)	3	20
International Development Association (IDA) of the World Bank	10/07/2014	Climate Resilience Improvement Management	XDR	71.7	14,442.70	110.9	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	25
	12/09/2014	Strategic Cities Development Project	XDR	95	18,780.36	144.2	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	25
	12/09/2014	Additional Financing for Dam Safety & Water Resources Planning Project	XDR	53.7	10,615.84	81.5	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	25
	12/09/2014	Skills Development Project (Portion B)	XDR	14.1	2,787.4	21.4	Fixed	1.40%	N/A	0.50%	Service Fees (0.75%)	5	25
	12/09/2014	Skills Development Project (Portion A)	XDR	51.6	10,200.70	78.3	Fixed	1.25%	N/A	0.50%	Service Fees (0.75%)	5	25
Commercial Bank													
International Bond Issuances	01/01/2014	Sovereign Bond Issuance	USD	1,000.00	130,681.10	1,000.00	Fixed	6.00%	N/A	-	-	-	5
	07/04/2014	Sovereign Bond Issuance	USD	500	65,281.20	500.00	Fixed	5.13%	N/A	-	-	-	5
Total					754,412.3	5,777.8							

**Note:** 1. LIBOR = London Interbank Offer Rate (Average LIBOR 6 Months rate from January to December 2014 was 0.33 percent)

2. EURIBOR = Euro Interbank Offer Rate (Average EURIBOR 6 Months rate from January to December 2014 was 0.27 percent)

3. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made

4. Foreign loans commitments received by State Owned Business Enterprises are not included

5. N/A = Not Applicable

## List of Foreign Grant Agreements Signed during January – December, 2014

Development Partner/ Lending Agency	Agreement Date	Project	Loan Amount			
			Currency	Original Amount million	Rs. million	USD million
Bilateral						
Government of Japan	11/3/2014	Medical Equipment and Welfare Apparatus Package - 2014	JPY	500	631.60	4.84
	26/11/2014	Non - Project Grant Aid for Provision of Japanese SME's Project - 2014	JPY	200	222.36	1.69
	02/06/2014	The Project for Human Resource Development Scholarship 2014	JPY	215	274.75	2.11
Government of Pakistan	23/06/2014	Heath Service Central Province	USD	0.017	2.21	0.017
	28/05/2014	Construction of 220 Houses for Internally Displaced People in North Province	USD	0.98	128.80	0.99
Multilateral						
Food & Agriculture Organization	07/01/2014	TA for the Interdiction of Quinoa toward Improved Food Security	USD	0.12	16.07	0.12
	12/02/2014	Reduction of Post - Harvest Losses in Horticultural Chains in SAARC	USD	0.48	63.70	0.49
	27/03/2014	Promotion of Appropriate Feeding Techniques to - Dairying	USD	0.27	35.81	0.27
	29/08/2014	Improving Sea bass Aquaculture in Sri Lanka	USD	0.34	44.92	0.34
UNDP	18/06/2014	Comprehensive Disaster Management programme 2014-2018	USD	2.03	265.41	2.04
	25/06/2014	Strengthening the Resilience of Post Conflict Recovery and Development to Climate Change Risk in Sri Lanka	USD	3.00	390.00	3.00
World Food Programme	05/08/2014	Protracted & Recovery Operation(PRRO)	USD	23.48	3,058.07	23.48
International Development Association (IDA) of the World Bank	27/05/2014	Ausaid + IDA Grant Transforming the School Education System as the Foundation of Knowledge Hub Project (Enhancement)	USD	6.11	797.35	6.11
	09/12/2014	Ausaid + IDA Grant Transforming the School Education System as the Foundation of Knowledge Hub Project (Enhancement)	USD	10.29	1,349.34	10.3
	08/05/2014	Ausaid + IDA Additional Financing for North East Local Services Improvement Project - NELSIF	USD	18.8	2,455.28	18.8
	05/08/2014	Ausaid + IDA Additional Financing for North East Local Services Improvement Project - NELSIF(Enhancement)	USD	1.5	195.34	1.5
	11/07/2014	Disaster Reduction & Recovery Support to Mainstreaming Disaster Risk Management Project	USD	0.42	54.69	0.42
Total					9,985.70	76.52