



Performance Report

2016

Department of External Resources

Ministry of National Policies and Economic Affairs
Sri Lanka

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**Department of External Resources
The Secretariat (3rd Floor)
P.O. Box 277
Colombo 00100
Sri Lanka**

**info@erd.gov.lk
<http://www.erd.gov.lk>**

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Vision

Shaping the future of Sri Lanka by mobilizing global knowledge, expertise and external financing for accelerated economic growth.

Mission

Facilitate mobilizing external financing at affordable cost with minimum conditionality in support of the economic and social development of Sri Lanka while supporting long term debt sustainability of the country.

Our 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

After graduated to the lower-middle income level country status, the concessional financial facilities that Sri Lanka has entertained through various multilateral development institutions as well as Bi-lateral development partners have remarkably been reduced. Prior to this situation, Sri Lanka has enjoyed the concessionality in the form of outright grants, credits with longer maturities and low or no interest and mixed credits (loan and grant combined).

Meantime, the Government of Sri Lanka had to divert considerable resources for the infrastructure development in the Northern and Eastern part of the country which areas were severely affected due to the prevailed conflict situation without interrupting the infrastructure development in the rest part of the country. However, Sri Lanka had to mostly rely on external financing to bridge the domestic savings-investment gap due to the continuous fiscal deficit and low private investment in the infrastructure development activities in the country.

The Department of External Resources is entrusted with mobilizing and managing external financing for accelerated economic growth while maintaining long term debt sustainability of the country. External financing plays an important role in meeting country's development financing needs. This Department has to play a crucial role in the accumulation of foreign financing as substantial level of public investment is essential to ensure robust and sustainable economic growth which have to be financed through external sources. In light of this, strategies have been formulated 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. Further, having an in-depth study on unsolicited proposals, the current regime took a policy decision to discourage those proposals and introduced competitive selection procedures in the selection of export credit financiers.

As per the mix foreign financing strategy, Sri Lanka gave much emphasis on comparatively low cost loan financing offered by emerging lenders such as China, India, France, Netherlands, Kuwait, Spain etc. while the ADB, IDA and Japan are maintaining their support as usual 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.

The depreciation of rupee during 2016 against its main borrowing currencies such as SDR, USD, JPY and EURO, the debt stock and loan repayment was increased. It is therefore, Sri Lanka has to prudently manage borrowing as well as debt repayment during 2016 and onwards.

The decrease in EURIBOR during 2016 has favourably caused to decrease the cost of borrowing of the country. Thus, Sri Lanka has selected EURIBOR option to finance several flagship projects which were committed during 2016. Moreover, the Government has raised Foreign Currency Term Financing Facility loan of USD 700 million during the year 2016.

In 2016, the loan commitments has been considerably increased in the sectors of Water Supply, SME and road compared to 2015 which is mainly due to the commencement of few flagship projects in line with the agenda of the new government. Meantime, the grant commitments have also shown a remarkable increase during the year under review when compared to 2015 commitments which was mainly due to the improvement of international relations. As the country possessed an undisbursed loan balance for a sum of USD 8,273.1 million at the end of 2016, it is adequate to continue the planned development activities within next few years as well.

ORGANIZATIONAL STRUCTURE

The Department of External Resources (ERD) is headed by Director General assisted by two Additional Directors General and 8 Directors in charge of the following Divisions;

1. Asian Development Bank Division
2. Japan, Korea Thailand, Vietnam, Malaysia and Singapore Division
3. World Bank and IMF Division
4. China and Asian Infrastructure Investment Bank (AIIB)
5. Middle East and South Asia Division
6. Russia, Australia and West Division
7. United Nation Agencies, Technical Assistance and NGO Division
8. Capital Market and Investment Division
9. Debt Management Division
10. Policy Planning Division
11. Information, Resources Coordination and Policy Research Studies Division
12. Administration Division
13. Finance Division

The “Information, Resources Coordination and Policy Research Studies Division” has been established as per the new re-structuring plan of the ERD and functions obliged by this division are expected to be implemented since 2017.

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 percentage of vacant positions of the approved cadre was 30 percent at the beginning of the year and was able to reduce at 21 percent by the end of the year. However, throughout the year, it was a challenging task to the department to find substitute officials for the experienced and competent officials who were under the transfer orders of the annual transfer schemes. In spite of such vacancies, the department was able to reach to a high level of performance in 2016.

Staff Development and Training

In the year 2016, 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.

The foreign and local training opportunities, seminars and conferences provided to Staff Grade Officers are as follows

Training Programme	Number of Staff trained
Foreign	
2016 Ministerial Workshop on Development Model for Developing Countries	01

Training Programme	Number of Staff trained
Sri Lanka UN-REDD Programme Regional Knowledge Exchange on REDD Financing	01
Directors of Training Meeting - IMF	01
The 14th Evaluation Workshop in Hanoi, Vietnam	01
Executive Training Programme on Macroeconomic Policies - Group 1	05
Executive Training Programme on Macroeconomic Policies - Group 2	07
Inclusive Growth in English, HQ16.11, which is organized by IMF's Institute for Capacity Development (ICD)	01
Program for Results (P for R) Training Program for Clients, Bangkok	01
Public Finance and Budgeting	01
11 th Asia Clean Energy Forum	01
Seminar on Financial Programming and Policies	03
Singapore - Qatar Third Country Training Programme (ICTP) - Economic Planning and Development	01
2016 Seminar on Economic Development and Financial Management for Sri Lanka	01
e-Government Training Program for Government Officials	01
Local	
Capacity Building Programme for Senior Management Level Officers of the Sri Lanka Planning Service Class I - SLIDA	01
Induction Training Programme - (SLAcS) 2015 Cadets	01
One day Programme on Finance Management for Non Finance Managers	04
Two day Programme on Essential IT for Non IT Executives - MILODA	02
Three month Training Bulletin - MILODA	05
Workshop on Project Management - Skill Development Fund	02
Wage Management and Salary Conversion - PRAG	01
Workshop on Stress Management - SL Foundation	03
Two day workshop on Effective Managerial skills - Skill Development Fund	01
ITMIS End-User Training for Asset Management, Cadre Management and Internal Audit Modules - MILODA	02

Recognizing the need for upgrading skills of the administrative and supportive staff of the department, the officers of the Management Assistance Service and supporting services have been provided with significant number of local training opportunities in 2016. The following table summarizes the areas on which they were trained;

Local training opportunities provided to non-Staff Grade Officials are as follows

Training Programme	Number of Staff trained
Advance Payment for Government Officers	01
One day programme on E-Code and its application	04
Workshop on Project Management - Skill Development Fund	02
Wage Management and Salary Conversion - PRAG	05
Annual Stock Survey - PRAG	01
Training on Responsibilities and Duties of Office Employment Service - Skill Development Fund	01
ITMIS End-User Training for Asset Management, Cadre Management and Internal Audit Modules - MILODA	07

FOREIGN FINANCING

During last decades, external financing has become one of the important sources of financing that bridged the Public Investment gap of Sri Lanka. Continuous lowering of government revenue has created lesser public savings which in-turn led for lesser public investment. Meantime, substantial investments by means of Foreign Direct Investment (FDI), private investments, and investments through the Public-Private Partnerships (PPP) have also not been achieved at satisfactory level for the infrastructure development of the country to maintain higher growth momentum to shift into developed status. In this juncture, foreign financing has to contribute substantially to sustain an adequate level of public investment expenditure. In this process, the Department of External Resources is entrusted the duty of ensuring the government financial needs by mobilizing external finance with minimum cost and low risk to finance development needs in priority development sectors. The Performance Report - 2016 elaborates a summary of overall commitments, disbursements and utilization rates achieved by government of Sri Lanka through the intervention of Department of External Resources with the bilateral and multilateral development partners. Moreover, it illustrates Division-wise performance of the Department giving more emphasis on commitments and disbursements made by each Division inclusive of some of the flagships projects as well.

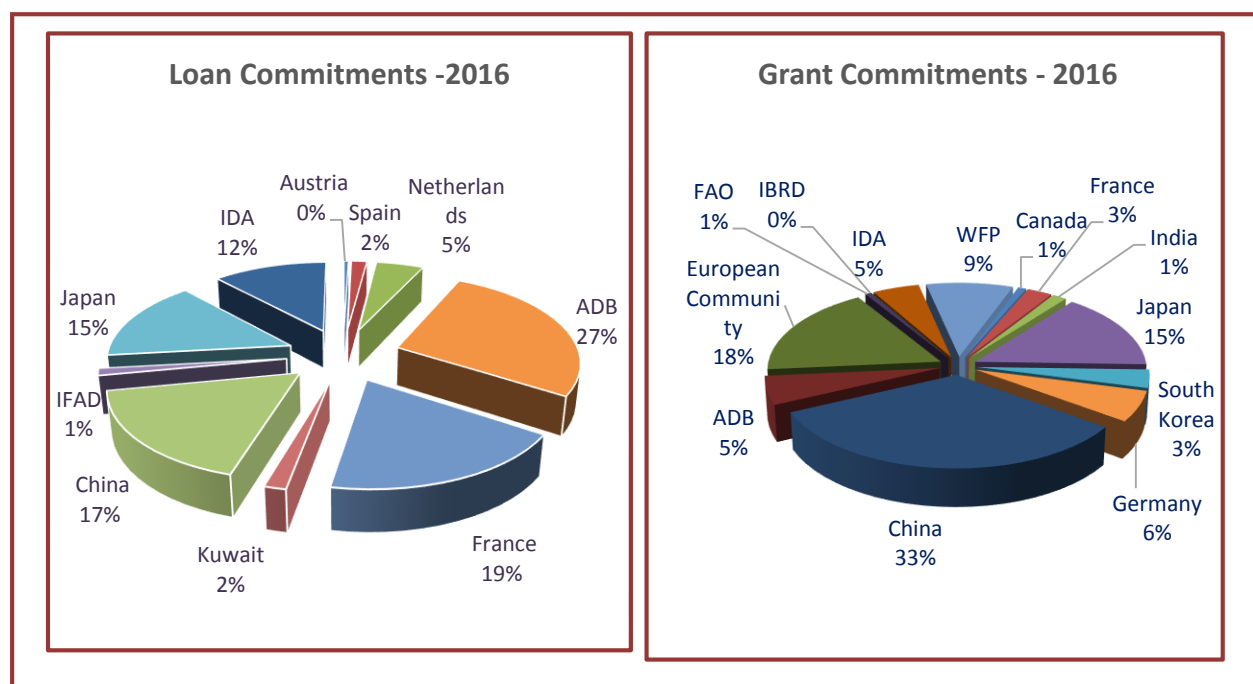
Foreign Financing Commitments

The total commitments made by the development partners and lending agencies to Sri Lanka supporting the Government Development Plan in 2016 was USD 2,305.8 million, of which Project and Programme loans amounted to USD 2,065.3 million and grants amounted to USD 240.5 million. Out of total commitments, the share of Programme loans was 89.6 percent and the share of grants was 10.4 percent. These funds were obtained through 24 loan agreements and 29 grant agreements. The total loan commitments made in 2016 was 62.8 percent higher than the commitments in 2015 which was around USD 1,268.4 million. This remarkable increase was mainly due to higher commitments made by the Netherlands, China, France, the Government of Japan and Asian Development Bank during 2016. Meantime, the grant commitments has also shown about four-fold increase (around 268.9 percent) when compared to USD 65.2 million of grant commitments in 2015. The major donors who contributed for this increase were; Japan, World Food Programme, IDA, European Community, China and ADB.

Some of the flagship projects which were committed during the period under review through loan financing comprised of; Anuradhapura North Water Supply Project-Phase 2 (USD 212.2 million) funded by the Government of Japan, Implementation of Greater Matale Water Supply Project (USD 139.1 million) which is a Syndicated loan with Natixis, BNP Paribas and Unicredit Bank Austria, Implementation of Kelani Right Bank Water Supply Project- Phase II (USD 108.5 million) funded by Calyon Credit Agricole CIB of France, Construction of Extension of Southern Expressway, Section 2 from Beliatta to Wetiya Project (USD 360.3 million) funded by the Export-Import Bank of China, and Small and Medium-Sized Enterprises Line of Credit (USD 100.0 million) and Grater Colombo Water and Wastewater Management Improvement Investment Programme - Project 3 (USD 128.0 million) funded by Asian Development Bank. Annexure I depicts the list of loan agreements signed during 2016

together with respective financial terms and Annexure II depicts list of grant agreements signed during the year under review.

Graphical Presentation of Loan and Grant Commitments by Lending Agencies - 2016



The Asian Development Bank (ADB) became the main financier in 2016 by injecting 27 percent of total loan commitments followed by France and China by recording 19 percent and 17 percent of the total commitments respectively. Foreign financing raised for Water Supply and Sanitation sector was relatively higher than the other sectors that recorded 34 percent of total loan commitments while Roads and Transport, and Financial Sector Development recorded 19 percent and 17 percent commitments respectively.

During the year 2016, the Government of China has become the highest grant provider by contributing 33 percent, followed by European Community and the Government of Japan by recording 18 percent and 15 percent respectively.

Further, International Sovereign Bonds (ISBs) worth of USD 1,500 million were issued and also a Foreign Currency Term Financing Facility loan of USD 700 million was signed during the year under review. These facilities were mainly utilized for the Balance of Payment settlement purposes.

Moreover, during the period, the Department of External Resources facilitated State Own Enterprises (SOE's) to obtain foreign financing facilities under Treasury Guarantees. So that USD 1,265.8 million was obtained by SOEs to implement 08 infrastructure development projects for the sectors of Aviation, Water Supply and Sanitation, and Power.

Foreign Financing Disbursements

During the year 2016, the total disbursements from commitments already made by various bilateral and multilateral development partners was USD 1,353.6 million (RS. 197,618.1 million), of which project loans accounted for USD 1,299.8 million, (96.02 percent of total

disbursement) and grant accounted for USD 53.8 million. Disbursement made during the year by each development partner is depicted in the below Table. Out of the total disbursement recorded during the period under review, 60.5 percent or USD 819.0 million was financed by the bilateral development partners and 39.5 percent or USD 534.6 million was financed by multilateral development partners.

Foreign Financing Disbursements in Development Projects in 2016 by Development Partner (USD million)

Development Partner/ Lending Agency	Loan		Grant		Total Amount	
	Rs.	USD	Rs.	USD	Rs.	USD
Bilateral	114,346.4	784.2	5,166.3	34.8	119,512.6	819.0
China	64,370.1	440.8	-	-	64,370.1	440.8
Japan	9,778.6	67.4	1,017.1	7.0	10,795.8	74.4
India	6,392.2	44.1	-	-	6,392.2	44.1
United Kingdom	1,400.8	9.7	-	-	1,400.8	9.7
Netherlands	152.4	1.0	-	-	152.4	1.0
South Korea	2,734.4	18.4	-	-	2,734.4	18.4
Hungary	1,657.9	11.4	-	-	1,657.9	11.4
Sweden	306.8	2.1	-	-	306.8	2.1
Spain	4,282.8	29.3	-	-	4,282.8	29.3
Austria	1,101.8	7.5	-	-	1,101.8	7.5
Belgium	7,272.4	50.1	-	-	7,272.4	50.1
Germany	786.2	5.4	578.8	4.0	1,365.0	9.4
Kuwait	1,250.0	8.6	-	-	1,250.0	8.6
France	339.1	2.3	-	-	339.1	2.3
Saudi Fund	2,050.5	14.1	-	-	2,050.5	14.1
Australia	430.7	3.0	-	-	430.7	3.0
Denmark	7,639.2	52.4	-	-	7,639.2	52.4
United States of America	2,400.5	16.6	3,570.4	23.8	5,970.9	40.4
Multilateral	75,325.5	515.6	2,780.0	19.0	78,105.5	534.6
Asian Development Bank	49,314.6	336.6	-	-	49,314.6	336.6
World Bank - International Development Association (IDA)	19,219.2	132.3	1,323.6	9.1	20,542.8	141.4
World Bank - International Bank for Reconstruction and Development (IBRD)	1,692.6	11.8	23.5	0.2	1,716.1	11.9
International Fund for Agricultural Development (IFAD)	3,304.2	22.6	220.6	1.5	3,524.8	24.1
OPEC Fund for International Development (OFID)	1,794.9	12.3	-	-	1,794.9	12.3
Food and Agriculture Organization (FAO)	-	-	26.7	0.2	26.7	0.2

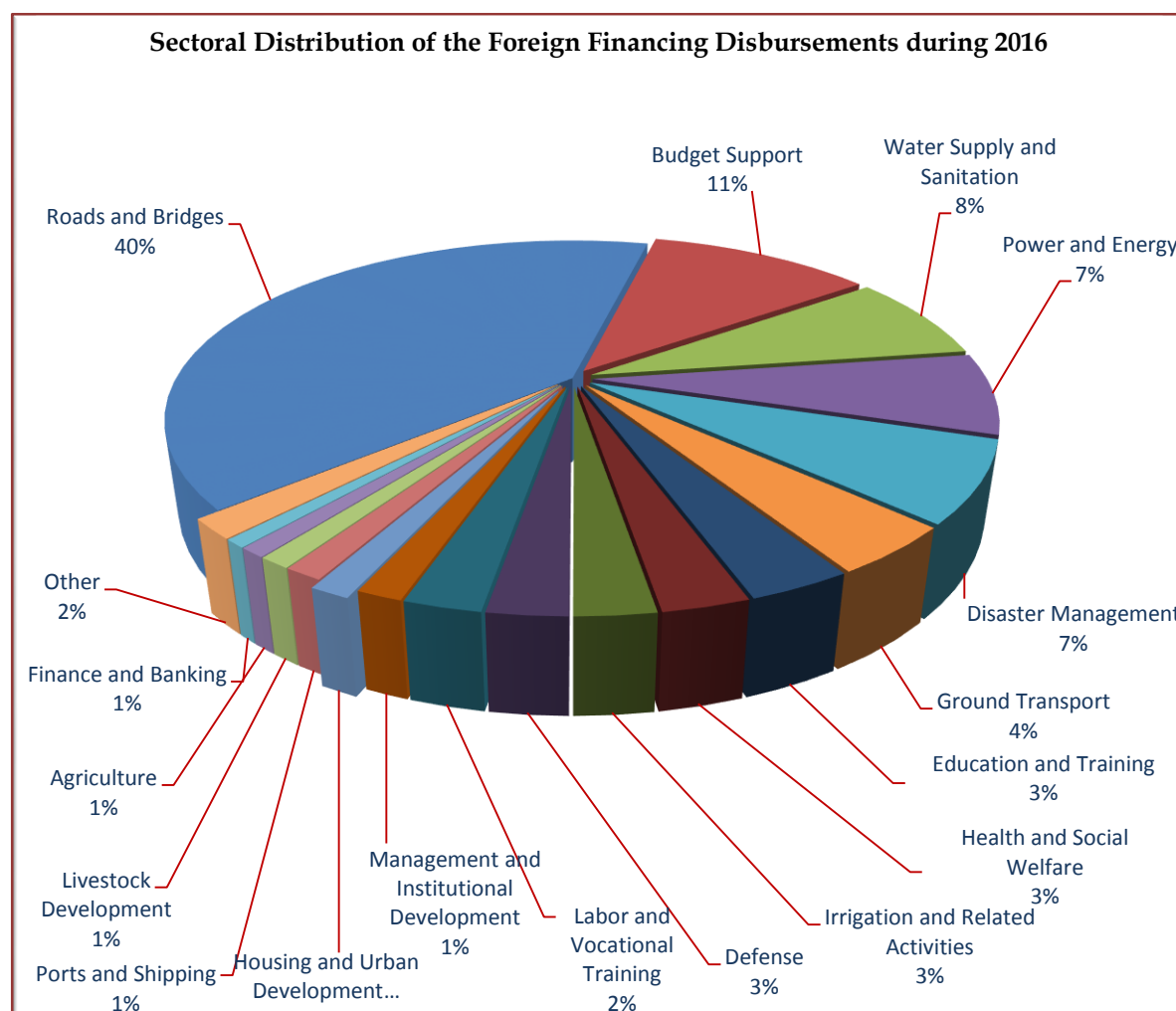
Development Partner/ Lending Agency	Loan		Grant		Total Amount	
	Rs.	USD	Rs.	USD	Rs.	USD
United Nations Development Programme (UNDP)	-	-	173.5	1.2	173.5	1.2
United Nations Children's Fund (UNICEF)	-	-	1,012.2	6.9	1,012.2	6.9
Total	189,671.8	1,299.8	7,946.3	53.8	197,618.1	1,353.6

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 Business Enterprises (SOBEs) are not included.

Out of the total disbursement recorded from bilateral and multilateral development partners during the year 2016, the major portion of the fund was disbursed by China (USD 440.8 million), followed by the Asian Development Bank, World Bank, and Japan which contributed USD 336.6 million, USD 153.4 million and USD 74.4 million respectively.

Apart from the project loans, three programme loan disbursements amounted to USD 286.8 million received during the period under review. It included JPY 10,000 million (USD 85.3 million) of Development Policy Loan obtained from the Government of Japan, USD 101.5 million from IBRD of the World Bank for Disaster Risk Management Development Policy Loan and USD 100.0 million from IDA of the World Bank for Competitiveness Transparency and Fiscal Sustainability Development Policy Financing Programme.



Committed Undisbursed Balance (CUB) and Utilization Rates

The total Committed Undisbursed Balance (CUB) of foreign financing available to utilize in development projects as at end of 2016 was USD 8,273.1 million. Accordingly, altogether more than 65.2 percent of foreign loans which were provided by China, Asian Development Bank and Japan were to be disbursed as at December 2016.

Development Partner-wise Committed Financing yet to be utilized as at end of December 2016

Development Partner	USD Million	%
Bilateral	5,613	67.8 %
China	2,290	27.7%
Japan	1,452	17.5%
France	487	5.9%
Iran	399	4.8%
India	283	3.4%
Russia	135	1.6%
Saudi Arabia	116	1.4%
Kuwait	85	1.0%
Korea	84	1.0%
Spain	60	0.7%

Development Partner	USD Million	%
Netherlands	46	0.6%
United Kingdom	44	0.5%
Denmark	32	0.4%
Germany	28	0.3%
US	26	0.3%
Pakistan	15	0.2%
Australia	11	0.1%
Austria	9	0.1%
Hungary	5	0.1%
Belgium	3	0.0%
Sweden	3	0.0%
Multilateral	2,660	32.2%
ADB	1,657	20.0%
IDA	704	8.5%
OPEC	133	1.6%
IBRD	130	1.6%
IFAD	36	0.4%
Total	8,273	100.0%

Outstanding Foreign Debt

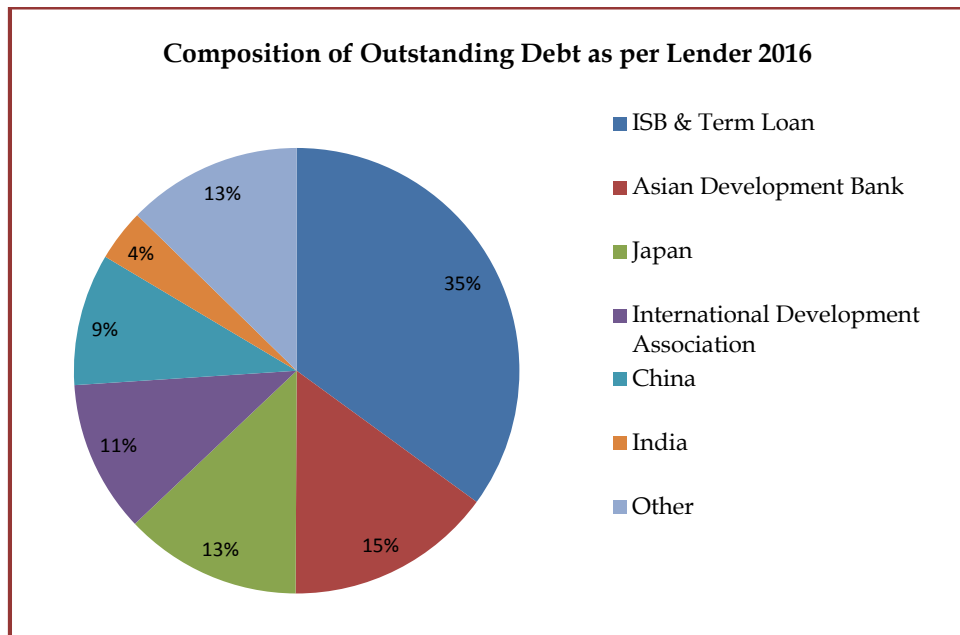
From the total accumulated foreign debt stock of the country, the foreign assistance acquired to finance development projects and for balance of support activities, at the end of 2016, amounted to USD 25.3 billion¹, which is an increase of USD 2.8 billion (or about 10 percent) when compared with the USD 22.5 billion as at the end of 2015. The commercial loans through the frequent issuances of international sovereign bonds during last few years has resulted commercial loans to represent about 30 percent of the total government foreign debt stock. In this circumstance, commercial loans obtained through international sovereign bond issuances are almost equivalent to the accumulated foreign debt obtained for a long period of time from multilateral donors as well as loans obtained from bilateral creditors.

Composition of the Government Debt Stock during 2010-2016 by Lender Category (USD billion)

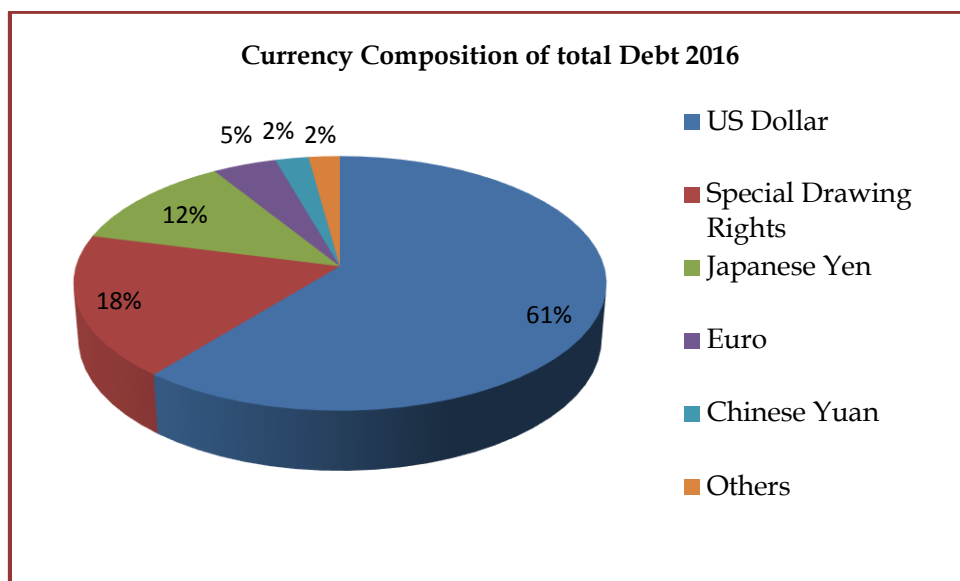
	2010	2011	2012	2013	2014	2015	2016
Bilateral	5.9	6.5	6.7	6.3	6.1	6.2	6.3
Multilateral	6.1	6.3	6.6	6.9	6.9	6.9	7.2
Export Credits	1.1	1.5	1.8	2.5	2.6	2.8	2.9
Commercial Credit	2.0	3.0	3.5	3.5	5.0	6.7	8.9
Total	15.2	17.3	18.6	19.2	20.6	22.5	25.3

¹ This Includes International Sovereign Bond Issuances worth of USD 8,150 million and foreign Currency Term Financing Facility of USD 700 million. Non-resident holdings of Treasury Bills/Bonds are not included. Financing commitments made by development partners and lending agencies to SOEs are also not included.

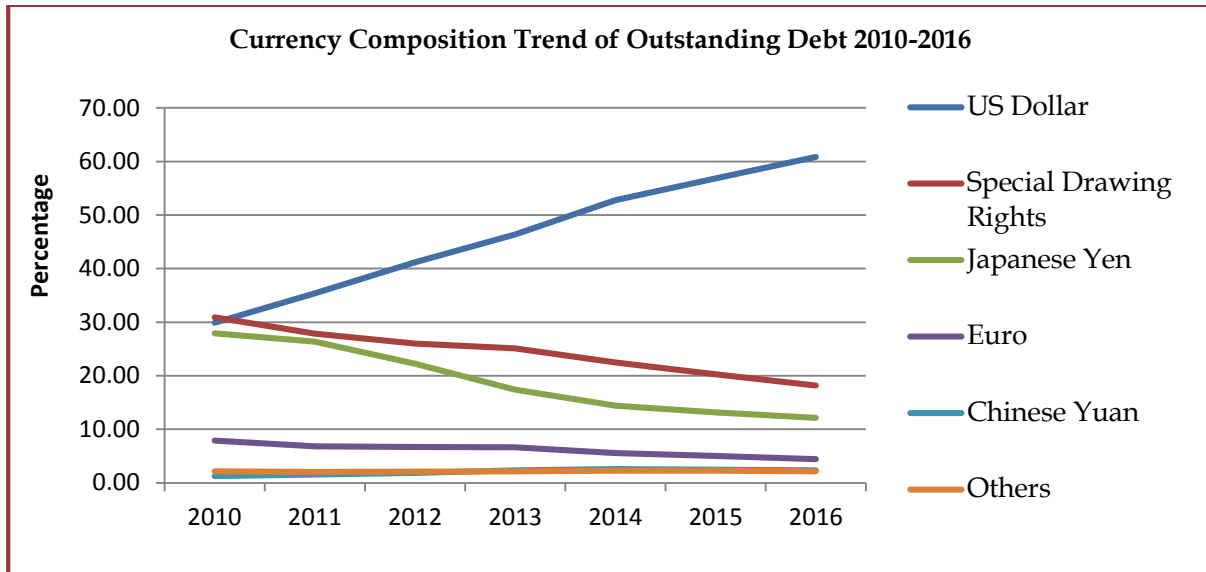
It seems that the composition of the Government Debt Stock by each Lender has been increasing gradually during 2010-2016.



Commercial financing facilities including International Sovereign Bond Issuances and Foreign Financing Term Loan facilities reflected the major portion of the foreign debt stock as at the end of 2016 which was about 35 percent. In the meantime, the Asian Development Bank became the main creditor among the lending agencies for project and programme financing with regard to the outstanding debt stock while the Government of Japan and few other lenders became the second highest creditors by the end of 2016. The International Development Association, China and India became the subsequent creditors who extended financial assistance towards the implementation of development projects in Sri Lanka.



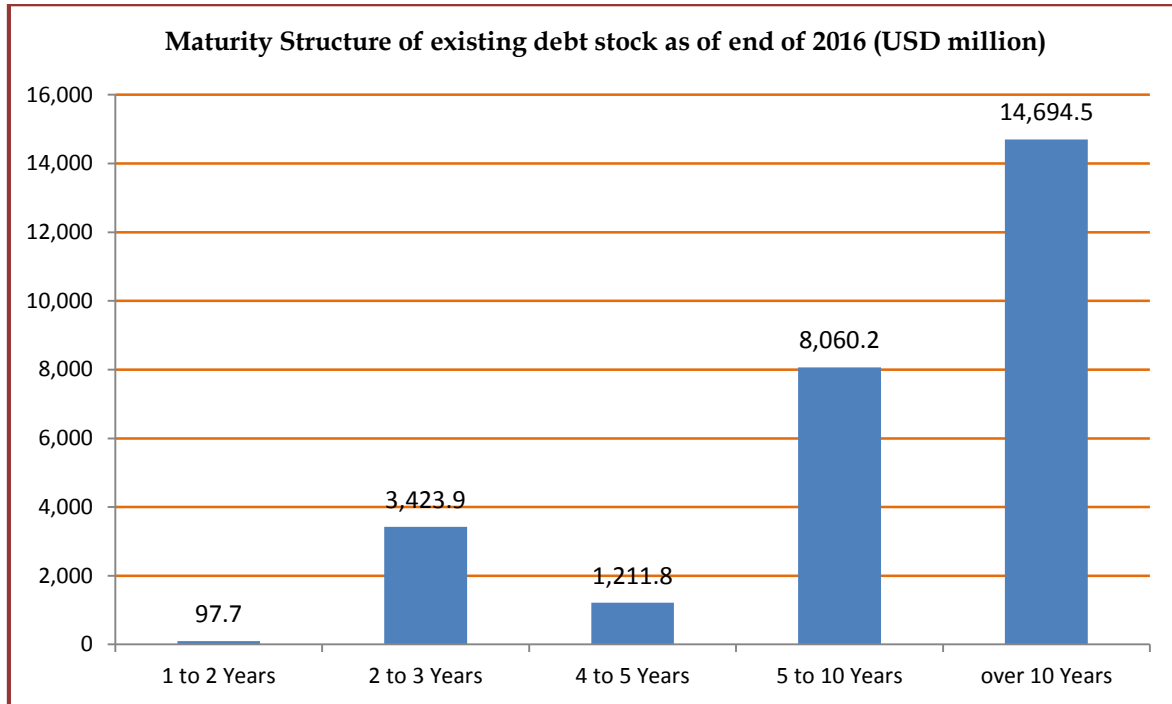
Since the majority of the debt stock as at end of 2016 was represented by USD denominated debt, it adversely affected to increase the Government’s debt stock due to sharp depreciation of Sri Lanka rupee against USD during the last two years.



When the currency composition trend of outstanding debt stock for last seven years is concerned, the USD denominated debt depicts an increasing trend over the period while other currency denominated debt stock behaves moderately.

Maturity Structure of existing debt stock as of end of 2016 (USD million)

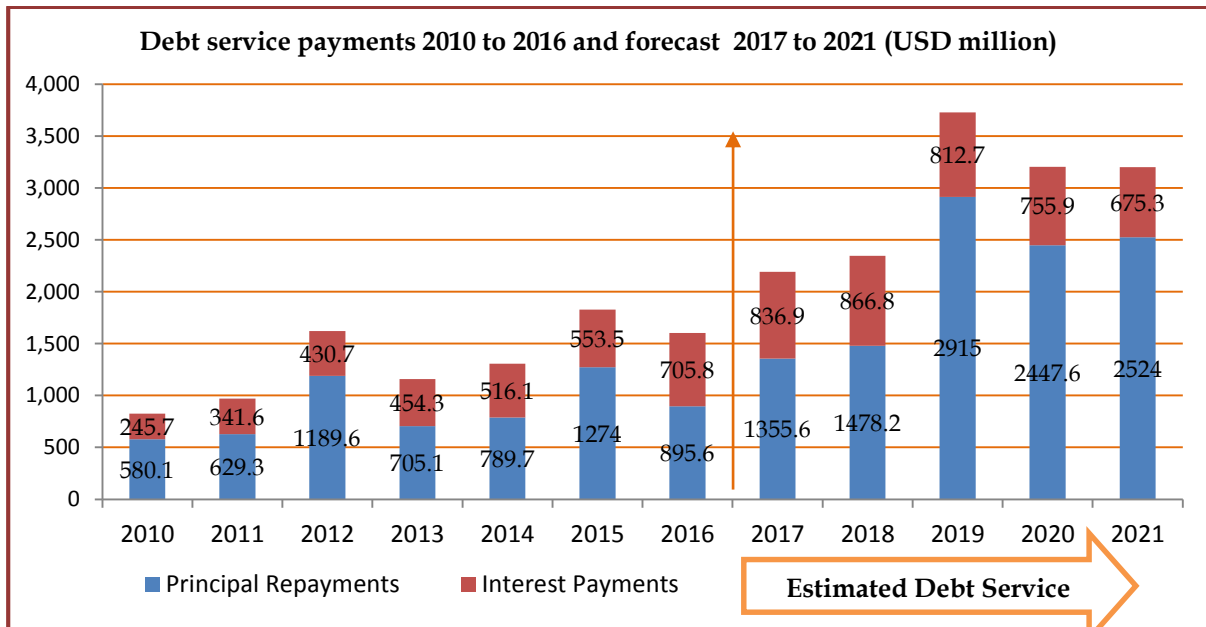
The government of Sri Lanka owes USD 25.3 billion total debt stock as of end of 2016. As illustrates in the below graph, majority of the debt stock (USD 14,694.5 million) will mature after next ten years period. Meantime, the Government has to take action to settle around USD 8,060.2 million debt stock within next 5-10 years. The debt stock within next 4-5 years will be around USD 1,211.8 million. However, Sri Lanka has nearly USD 3,423.9 million debt burden within next 2-3 years period. The remaining USD 97.7 million debt stock due within next 1-2 years.



Note: Calculation made as per remaining maturity. Includes International Sovereign bond Issuances and currency term loan

Debt service payments Actual from 2010 to 2016 and forecast from 2017 to 2021

In general, a gradual increase can be seen in the actual debt service payments between 2010 and 2016. Moreover, this situation will be getting worse after 2017 as there will be an incremental trend in the total debt service payments. The principle component of debt service is generally higher than the interest component.



Note: Includes development loans, ISBs and currency term loan, SOEs are not included

Performance by Divisions

ASIAN DEVELOPMENT BANK DIVISION

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

In 2016, ADB marked the 50th Anniversary. Since 1966, during the past half century ADB has evolved into a leading development banking institution in the global financial markets. ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Sri Lanka joined ADB in 1966 as a founding member of ADB. Both public and private sectors of the member countries receive ADB assistance through its main financing instruments i.e. loans, technical assistance, grants, equity investments and policy dialogues. Sri Lanka obtained first loan from ADB (USD 2.0 million) in 1968 for modernization of tea factories. As of December 2016, the Government has received more than USD 8.5 billion from ADB in project and policy-based loans, grants and technical assistance (TA).

Country Partnership Strategy (CPS)

Country Partnership Strategy is a planning document which guides ADB operations at the country level. Identification of priority projects for ADB financing are carried out in line with the Government Development Policy Framework as well as the Country Partnership Strategy prepared by ADB in consultation with the Government. During the last decade ADB assistance was based on the three country partnership strategies. In 2015 a new Interim CPS was introduced by ADB to adjust ADB operations in Sri Lanka to align them with the evolving needs of the country and the priorities of the new government. The new ICPS covers 2015-2016 and brought the agriculture and natural resources sector into the portfolio. An enhanced country operations business plan was introduced to extend the ICPS-2015-2016 until a new CPS is approved in 2017.

Commitments and Disbursements in 2016

The ADB portfolio has performed well in the year 2016 recording the highest commitment since 1966. The number of loan, technical assistance and grant agreements signed was 21 with a total commitment of USD 843.5 million. Five projects totaling USD 599.4 million were negotiated. Disbursements under the ADB portfolio recorded as USD 340 million and contract

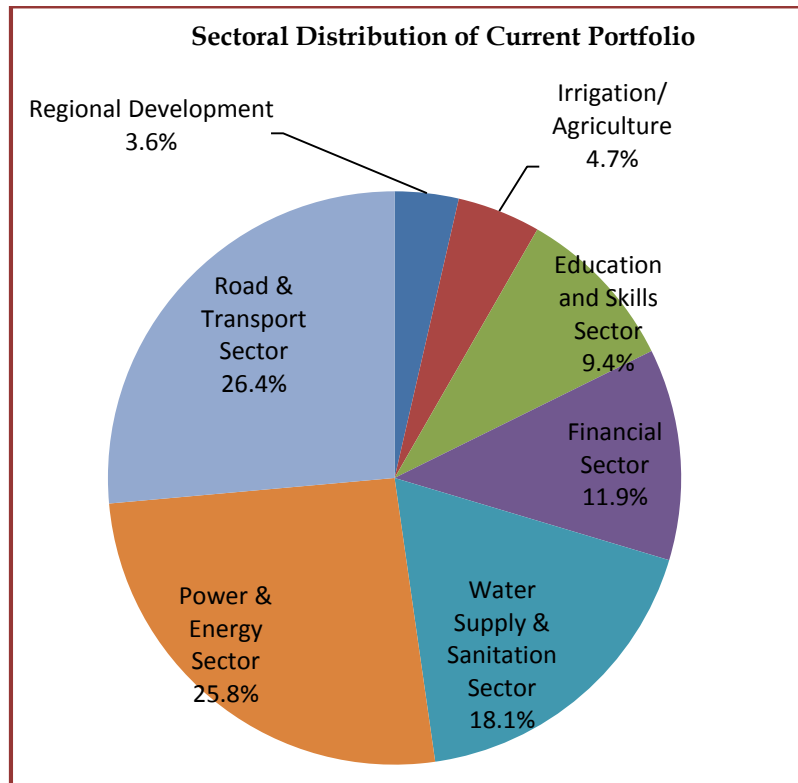
awards were amounting to USD 228.0 million. This department is facilitating more than 100 missions (104 missions in 2016) from ADB annually for consultations on formulation and processing of financial assistance as well reviewing the implementation of projects and also evaluation of these projects.

Agreements signed in 2016

Project / Programme	Amount (USD million)
Small and Medium sized Enterprises Line of Credit (OCR Loan)	100.0
Cluster Development and SME Finance Innovations (Technical Assistance)	2.0
Transport Project Preparatory Facility (ADF Loan)	24.4
Greater Colombo Water and Wastewater Management Improvement Investment Program Project 3 (OCR Loan)	123.0
Greater Colombo Water and Wastewater Management Improvement Investment Program Project 3 (ADF Loan)	5.0
Local Government Enhancement Sector Project - Additional Financing (ADF)	60.0
Capital Market Development Project (OCR Loan)	250.0
Supporting Electricity Supply Reliability Project (OCR Loan)	115.0
Supporting Electricity Supply Reliability Project (JFPR grant)	2.0
Supporting Electricity Supply Reliability Project (CEF grant)	1.8
Sri Lanka Flood and Landslide Disaster Response- Grant	2.0
Green Power Development and Energy Efficiency Improvement Investment Program - Tranche 2 - (ADF Loan)	55.0
Green Power Development and Energy Efficiency Improvement Investment Program- Tranche 2 - (OCR Loan)	95.0
Solar Rooftop Power Generation Project (Technical Assistance)	0.2
Developing the Capital Market (Technical Assistance)	2.0
National Port Master Plan (Technical Assistance)	1.5
Capital Market Development Program (Technical Assistance)	0.5
Mobilizing Finance for Sri Lanka (Technical Assistance)	0.5
Wind Power Generation Project (Technical Assistance)	2.0
Colombo Suburban Railway Project (Technical Assistance)	1.0
Northern Province Sustainable Fisheries Development Project (Technical Assistance)	0.6
Total	843.5

Current ADB Portfolio- 2016

The ongoing ADB portfolio includes 47 ongoing loans and 6 grants that have been invested in 29 projects with a total assistance of USD 3.19 billion. The ADB loan portfolio is currently spread across 7 sectors with the maximum investment of USD 843.4 million in the Roads and Transport Sector followed by Power and Energy and Water Supply and Sanitation Sectors.



Special Events in 2016

- May 2016 – 49th ADB Annual Meeting was held in Frankfurt, Germany
- High Level Consultation Missions received in 2016:
 - Visit of Mr. Won-Mok Choi, Executive Director of ADB (22nd - 31st January)
 - Visit of Mr. Takehiko Nakao, President of ADB and Mr Hun Kim, Director General of the South Asia Development and Mr. Naoya Jinda, Chief Advisor to the President (23rd -24th February)
 - Visit of Mr. Bambang Susantono Susanto, Vice President (17-19 March)
 - Visit of Mr. Thierry de Loguemar, Vice President (4-7 April)
 - Visit of Mr. Wencai Zhang, Vice President and Mr. Huiping Huang, Senior Advisor (5-9 July)
 - Visit of Mr. philaslak Yuktasemwong, Executive Director (1-5 August)
 - Visit of Mr. Shang Jin Wei, Chief Economist of ADB (16-21 August)

JAPAN, KOREA, THAILAND, VIETNAM, MALAYSIA AND SINGAPORE DIVISION

Japan

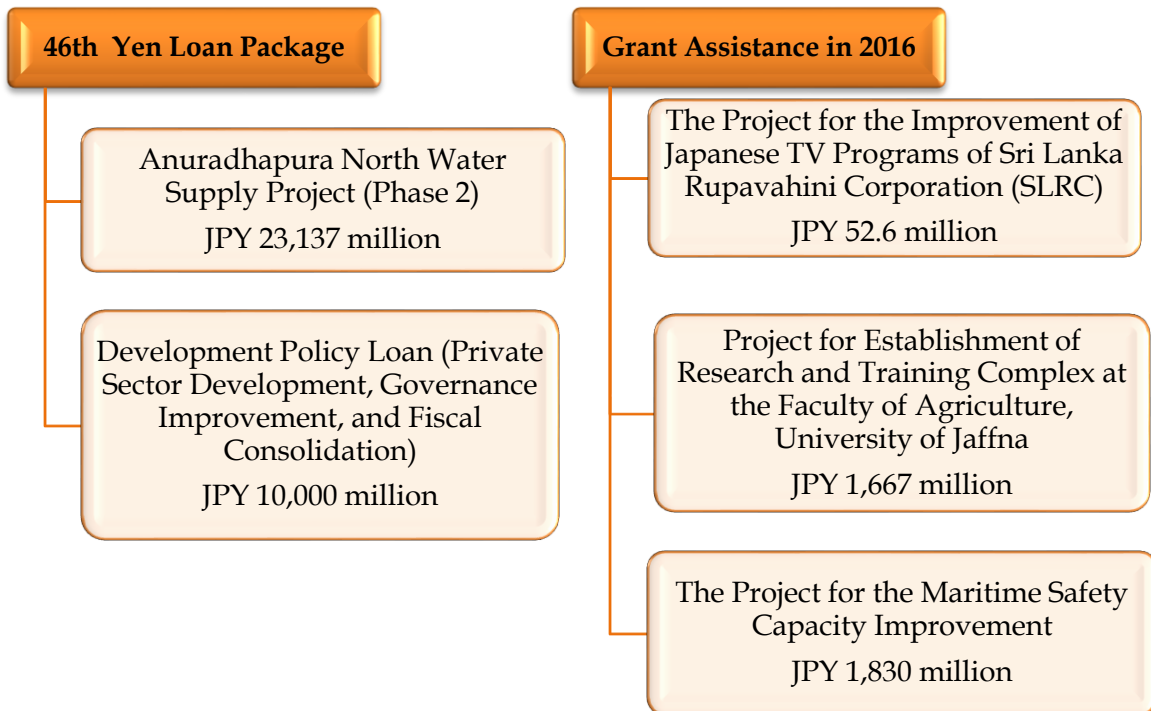
Japan - Sri Lanka long standing relationship has been playing a significant role in social and economic development of Sri Lanka for over 62 years. Japanese Assistance is provided through Japan International Cooperation Agency under the various schemes as Yen loans packages, Grant Aid, Development/ Feasibility Studies and Technical Cooperation Programmes.

Japanese Yen Loan Packages are extended on annual basis covering wide range of sectors including Power and Energy, Water Supply and Drainage, Ports, Roads, Transport, Aviation, Health, Agriculture and Irrigation, Disaster Management, Telecommunication and Rural Development etc. Since 1965, the Government has obtained ODA from Japan amounting USD 8,336 million for 117 development projects and 15 commodity loans at very concessionary rates along with USD 1359 million of grant assistance.

Assistance under the Japanese Technical Cooperation are highly reorganized for being result-oriented with the opportunity of sharing Japanese knowledge, experience and skills for the economic development of the country.

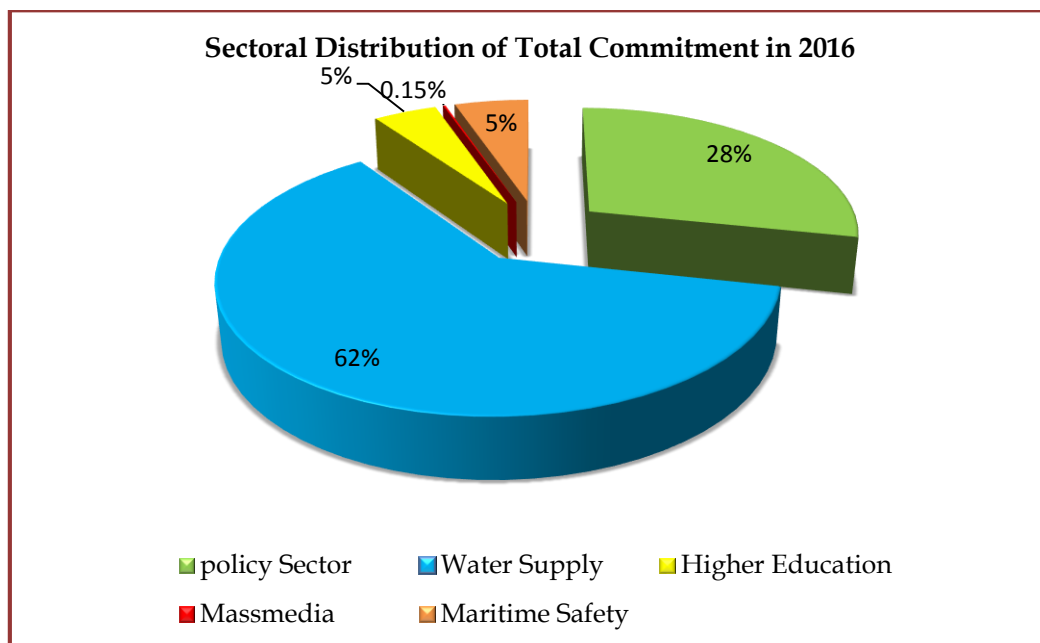
Japanese Development Cooperation in 2016

Recording the largest bilateral cooperation of USD 523 million in 2011, Japanese Yen Loan Package is significantly 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 2016 by signing two concessionary loans amounting to USD 309.3 million and three grants amounted to USD 33.6 million.



Commitments in 2016

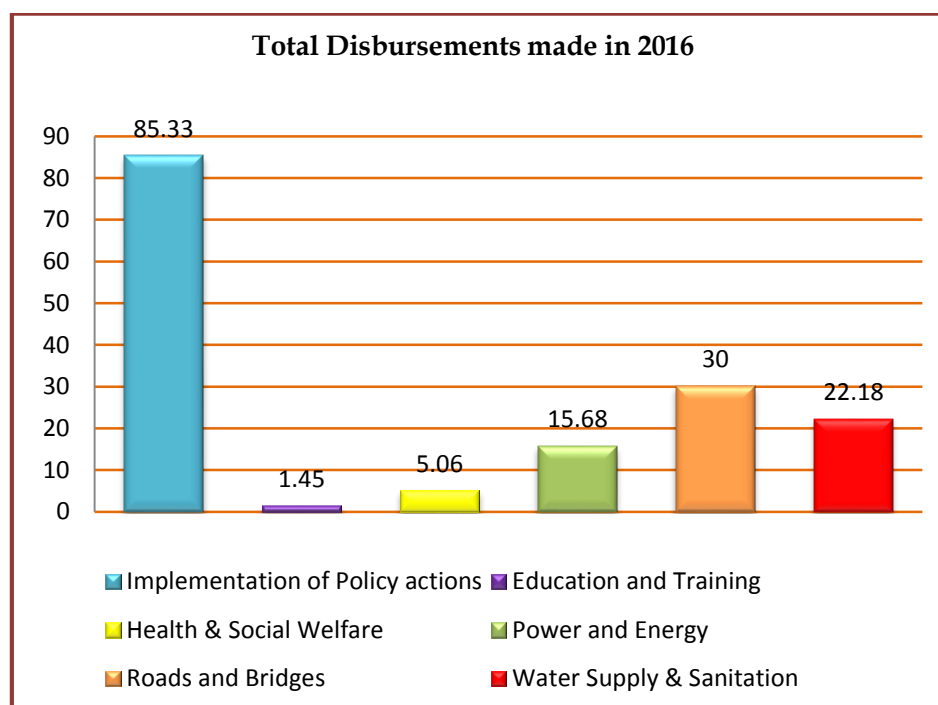
The total commitment of USD 342.9 million of Japanese ODA in 2016 was spread across the development priorities identified in Water Supply, Implementation of Policy actions, Higher Education and Training, Maritime Safety and Digital Media Broadcasting sectors.



The Government of Sri Lanka intends to obtain USD 397 million from the Government of Japan for Kalu Ganga Water Supply Expansion Project – I and Rural Infrastructure Development Project in Emerging Regions under 47th Yen Loan Package of Japanese ODA for the year 2017.

Disbursements in 2016

The total disbursement achievement in 2016 was USD 160 million indicating the highest disbursement achievements for the sectors of Implementation of Policy Actions, Water Supply and Sanitation, Roads and Bridges and Power and Energy.



Above total disbursement achievement in 2016 was consisted of USD 85.3 million for Implementation of Policy Actions, USD 30 million for Roads and Bridges, USD 22.2 million for Water Supply and Sanitation, USD 15.7 million for Power and Energy, USD 5.1 million for Health and Social Welfare, and USD 1.5 million for Education and Training sector.

Japanese Grant Assistance in 2016

Total commitment of USD 33.6 million of Japanese grant aids committed in 2016, includes the Project for the Maritime Safety Capability Improvement, Project for the Improvement of TV Programmes of Sri Lanka Rupavahini Cooperation and the Project for the Establishment of Research and Training Complex at the Faculty of Agriculture, University of Jaffna.

Development Assistance in 2016

Project Name	Loan/Grant	Amount (USD million)	Description
Anuradhapura North Water Supply Project (Phase 2)	Loan	212.2	Providing safe drinking water and increase water supply coverage in Padaviya, Kebithigollewa, Horowpothana and Kahatagasdigiliya Divisional Secretarial Divisions in Anuradhapura District by constructing a water supply system under Wahalkada Water Supply Scheme.

Project Name	Loan/ Grant	Amount (USD million)	Description
Development Policy Loan (Private Sector Development, Governance Improvement, and Fiscal Consolidation)	Loan	97.1	Improvement of fiscal sustainability, management of public resources, and private sector competitiveness of Sri Lanka by facilitating implementation of relevant policy actions, thereby contributing to promoting the economic stabilization and development efforts of Sri Lanka.
Project for the Maritime Safety Capability Improvement	Grant	17.8	Project will enhance the capacity of Sri Lanka Coast Guards for quick and appropriate response in search and rescue operations, investigation of marine crimes such as smuggling, fish poaching, and illegal migrants etc. Two units of 30 meters long diesel powered patrol vessels will be provided to Sri Lanka Coast Guard for the above purpose.
Establishment of Research and Training Complex at the Faculty of Agriculture, University of Jaffna	Grant	15.3	Expected to improve research programmes, education and promotion activities in dry zone agriculture in Northern Province in an effective manner. It is planned to construct a laboratory complex and two other buildings with necessary equipment to encourage research and training activities in the Faculty of Agriculture in Kilinochchi District.
Project for the Improvement of TV Programmes of Sri Lanka Rupavahini Cooperation	Grant	0.5	Japanese educational TV Programs will be provided to Sri Lanka Rupavahini Cooperation (SLRC) to build awareness on global knowledge of Sri Lankan viewers. This will help to increase the availability and wide use of education programmes in Sri Lankan citizens for various educational purposes.

Projects Agreed to be funded under 47th Yen Loan Package 2016/2017

1. Rural Infrastructure Development Project in Emerging Regions - USD 115 million

Project is expected to improve living standards and to develop livelihoods through improvement of basic infrastructure, such as rural roads, medium and small size irrigation and rural water supply facilities in Northern, Eastern, North Central and Uva Provinces, thereby contributing to development of rural economies and reducing regional disparities in the country.

2. Kalu Ganga Water Supply Expansion Project - I, USD 282 million

Project is expected to provide safe water and increase water supply efficiency in the southern area of the Western Province by expanding Kalu Ganga water supply facilities and restructuring water distribution networks, thereby contributing to the improvement of the living conditions of the people. Accordingly, it is expected to expand Kalu Ganga

Water Supply System and to reduce Non-Revenue Water by restructuring water distribution networks in Dehiwala and Moratuwa areas.

Key Projects Implemented in 2016

Loans	JPY million
Kandy City Wastewater Management Project	14,087.0
Greater Colombo Urban Transport Development Project Phase II	31,688.0
Improvement of Basic Social Services Targeting Emerging Regions	3,935.0
Habarana - Veyangoda Transmission Line Project	9,573.0
Greater Colombo Transmission and Distribution Loss Reduction Project	15,941.0
Major Bridges Construction project of National Road Network	12,381.0
Landslide Disaster Protection Project of National Road Network	7,619.0
Anuradhapura North Water Supply Project - Phase I	5,166.0
Bandaranaike International Airport Development Project Phase II Stage I	28,969.0
Bandaranaike International Airport Development Project Phase II Stage II	45,428.0
New Bridge Construction Project over the Kelani River	35,020.0
Digitalization of Terrestrial Television Broadcasting Project	13,717.0
Galle Port Development Project	14,495.0
National Transmission and Distribution Network Development and Efficiency Improvement Project Phase I	24,930.0
Development Policy Loan (Private Sector Development, Governance Improvement, and Fiscal Consolidation)	10,000.0
Grants	
Rehabilitation of Killinochchi Water Supply Scheme	8.3
Project for the Maritime Safety Capability Improvement	1,830.0
Establishment of Research and Training Complex at the Faculty of Agriculture, University of Jaffna	1,667.0
Project for the Improvement of TV Programmes of Sri Lanka Rupavahini Cooperation	52.6
Project for construction of Dredger	988.0

Republic of Korea

Government of Republic of Korea provides concessional loans through Economics Development Cooperation Fund (EDCF) of the Export Import bank of Korea (KEximbank) and the grant assistance is extended through the Korea International Cooperation Agency (KOICA).

Since 1990 the EDCF of KEximbank has provided concessional loans amounting to approx. USD 600 million through 27 loan projects in Sri Lanka.

As per the Country Partnership Strategy for the period of 2016-2020 Education, Transportation Water Management and Sanitation, Rural Development are identified as priority sectors by the both Governments.

Current Terms and Conditions of EDCF Loan Assistance

Terms and 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 percent of total project cost		
Currency	Korean won		
Feasibility Study	Support by grant basis for potential projects		

Committed Projects in 2016

Project Name	Donor Agency	Amount USD million
Matara District Maternal and Newborn Healthcare Strengthening Project	KOICA -Grant	8.5

The KOICA has agreed to provide an additional Grant aid of USD 8.5 million to enhance the capacity of Korea Sri Lanka Friendship Hospital Godagama, Matara by reallocating the maternal and newborn health care units of Matara General Hospital.

The objectives of the project are to construct an additional building and renovate the existing Korea Sri Lanka Friendship Hospital building to transfer the all functions of maternal and newborn health care units of Matara General Hospital. Training and expert dispatching programme will also be implemented under the project to share the Korean experience and know-how in maternal and newborn health care.

Key projects being implemented during 2016

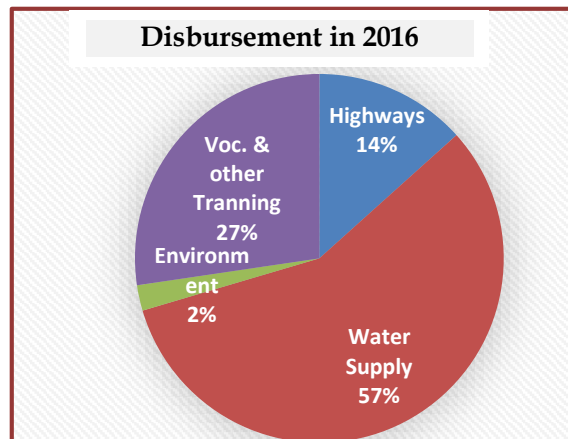
Name of the project	Amount USD million
EDCF Financing	
1 Hatton – Nuwara Eliya Road Improvement Project	57.0
2 Construction of Solid Waste Disposal Facilities (4 Sanitary Land Fill Sites) Project	33.5
3 Establishment Gampaha College of Technology and Colombo Central Vocational Training Centre Project.	26.0
4 Deduru Oya Water Supply Project	58.1
5 Ruwanwella Water Supply Project	20.5
KOICA Grant Aid	
6 Modernization and Upgrading of Automobile Centers in the Colleges of Technology and Technical Colleges	3.0
7 Technical Assistance for Advanced Traffic Management System (ATMS) in Colombo Metropolitan Region	2.5
8 The Capacity Building Project for Sri Lanka Forensic Science Agency and relevant Officials	3.2

Projects being negotiated during 2016

Name of the project	Estimated Amount USD Million
1 Construction of Kandy City Traffic Diversion Tunnel to connect Colombo Kandy and Kandy Mahiyangana roads	200.0
2 Setting up national e-learning Platform	50.0
3 Establishment of Ocean University	50.0
4 Construction of Northern Provincial Council Complex	34.0
5 Construction of small-sized Water Treatment Facility	5.0
6 Supply of Waste Collection Vehicle (151Units for Local Authorities)	15.0
7 Policy Consultation to Improve Kandy City Transport Network (Elevated Road)	Grant
8 Establishment of National College Of Education And Technology Teacher Training System for Technology Stream	13 Grant

Disbursements in 2016

The current portfolio of the Government of Korea consists of 05 loan projects and 3 grant projects. The total disbursement of the 2016 was USD 18.3 million. Disbursement was mainly reported for the sectors of Water Supply (57 percent) and Vocational Training (27 percent).



Special Events in 2016

18th January 2016 - Symbolically declared open the Colombo Representative Office of the KEximbank with the participation of Chairman of KEximbank.

18th March, 2016- The Sixth Asian Development Forum “The 2030 Agenda for Sustainable Development: Voice From Asia” was conducted with the assistance of JICA and EDCF.

13th July 2016 - Signing of Framework Arrangement 2016-18 to obtain loans through KEximbank up to USD 300 million to finance projects mutually agreed.

06th October 2016 - Record of Discussion of the Matara District Maternal and Newborn Health Care Strengthening project was signed.

15th November 2016 - Sri Lanka - EDCF Policy Dialogue 2016 to discuss the matters related to the on-going and candidate projects was held.

WORLD BANK AND IMF

Development Partnership with the World Bank Group

The World Bank Group has been partnering with Sri Lanka since 1954 supporting socio-economic development challenges mainly focusing on reducing extreme poverty and promoting shared prosperity. The transition of Sri Lanka in to the status of a Middle Income Country widened the potential to obtain blend borrowing from the International Development Association (IDA) which offers concessional financing terms and International Bank for Reconstruction and Development (IBRD) which offers market rate financing terms, during the recent past. However, the assistance from the IDA is likely to be ended in IDA 17 cycle which ends in June 30, 2017 to alarm the Country's graduation from the IDA/IBRD blend to an IBRD only status. The IDA transitional support will be provided during FY 2017 - 2020 as graduation will take place in the IDA 18. Consultative discussions are going on with regard to this. The World Bank has also opened up other financing instruments such as Development Policy Lending and Program for Results (PforR) in addition to the traditional lending; Investment Project Lending (IPL) to offer the best solution for each situation.

The World Bank Group supports Sri Lanka continually through its Country Partnership Framework during the period of 2017-2020. The active portfolio of the World Bank program amounts at USD 1,826.9 million by the ways of Loans for 18 projects and Grants for 4 projects.

World Bank Active Loan Portfolio in 2016

Program/Project	Duration	Loan (L) / Grant (G)	Amount (USD million)	Disbursement up to 2016/12/31 (%)
Skills Development Project	2014-2019	L	101.5	30
Strategic Cities Development Project - Original	2014-2021	L	147.0	15
Development Policy Loan with Catastrophe Deferred Drawdown Option (DPL with CatDDO)	2014-2017	L	102.0	100
Climate Resilience Improvement Project	2014-2019	L	110.0	35
Climate Resilience Improvement Project - Additional Financing	2016-2019	L	42.0	5
Transforming the School Education as Foundation of a Knowledge Hub Project	2012-2017	L	100	83
Second Health Sector Development Project	2013-2018	L	200.0	52
Metro Colombo Urban Development Project	2012-2017	L	213.0	44.5
Dam Safety and Water Resources Planning Project - Additional Financing	2015-2018	L	83.0	67
Early Childhood Development Project	2016-2020	L	50.0	3
Water Supply and Sanitation Improvement Project	2015-2020	L	165.0	6

Program/Project	Duration	Loan (L) / Grant (G)	Amount (USD million)	Disbursement up to 2016/12/31 (%)
North East Local Service Improvement Project - Additional Financing	2015-2017	L	20.0	97
Strategic Cities Development Project - Additional financing	2016-2019	L	55.0	1.2
Ecosystems Conservation and Management Project	2016-2021	L	45.0	3
Social Safety Nets Project	2017-2021	L	75.0	-
Improving Poverty Estimation Project	2016-2017	G	0.16	100
Support to Mainstream Disaster Risk Management Project	2014-2016	G	0.4	21
Transforming the School Education as Foundation of a Knowledge Hub Project	2012-2017	G	37.0	78
GPOBA - Sri Lanka Access to Sanitation Project	2011-2018	G	5.1	29
PHRD Grant for Metro Colombo Towards a Flood Resilient Environment Project	2012-2017	G	0.9	100
Competitiveness, Transparency, and Fiscal Sustainability Development Policy Financing (DPF) Programme	2016	L	100	100
Total			1,652.0	

Commitments

Sri Lanka was able to mobilize USD 317 million from the World Bank by ways of loans and grants in 2016, which was 35 percent increase from the World Bank's commitment in 2015.

Sri Lanka marked a milestone in its commitments' pattern with the World Bank in 2016, by receiving the financial assistance of USD 100 million to help the Government's reform agenda in providing a more stable macroeconomic and policy environment that is critical to strengthening the country's competitiveness, through the Development Policy Financing (DPF) instrument.

In addition, USD 55 million was committed in 2016 to scale up the Strategic Cities Development Project with the special emphasis to include Jaffna City in to the Project for urban development. With the aim of streamlining all social safety net programs of the Country, World Bank also extended its financing assistance of USD 75 million to manage the programmes efficiently.

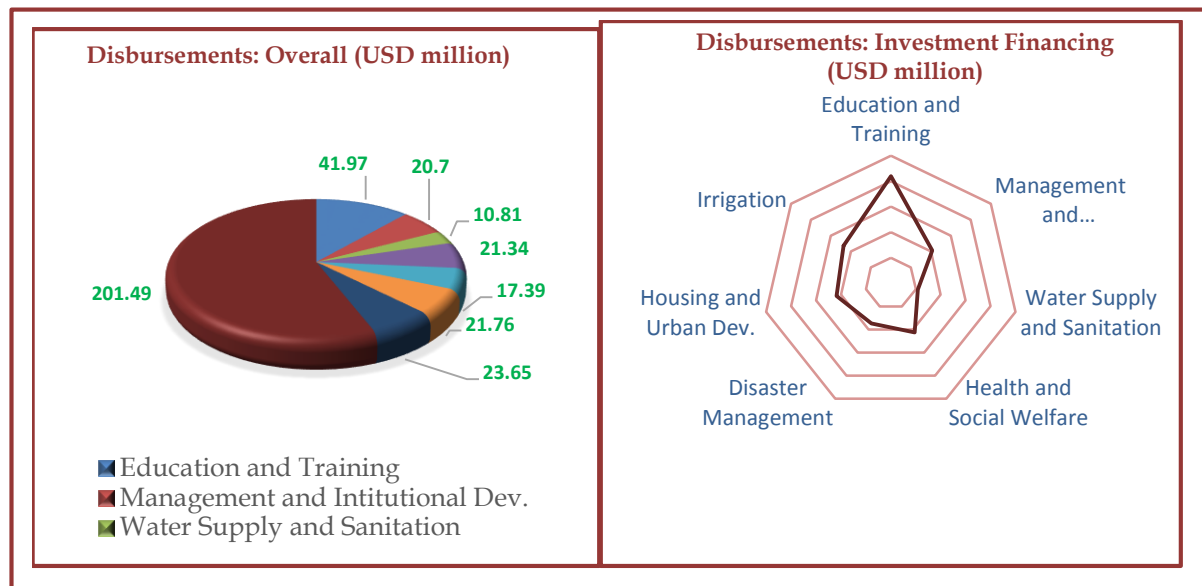
Projects committed with the World Bank in 2016

Project	Loan/ Grant Amount USD million	Objectives
Climate Resilience Improvement Project - Additional Financing	42.0 Loan	The additional financing will assist to cover the increase in costs associated with flood control, repair and disaster proofing of irrigation, road infrastructure that were damaged due to extreme rainfall in 2014 and to close a financing gap caused by cost escalation of operational works under the parent project.
Strategic Cities Development Project - Additional financing	55.0 Loan	Additional financing helps to finance the costs associated with the scale-up of Strategic Cities Development Project to include the city region of Jaffna, which was severely affected during the decades-long civil conflict in Sri Lanka and will play a crucial role in strengthening the system of cities in particular for the northern part of the country. This is an important element in the Government's broader peace building and reconciliation efforts and program.
Ecosystems Conservation and Management Project	45.0 Loan	The project will help to improve the management of ecosystems in selected locations in Sri Lanka for conservation and community benefits. It contributes to key national strategies and actions plans, including: (a) Punarudaya which identifies the importance of conservation of the country's natural resources, particularly forest and wildlife resources, and institutional strengthening and reform; (b) Reducing Emissions from Deforestation and Forest Degradation; and (c) other sectoral strategies on water, agriculture and energy.
Competitiveness, Transparency, and Fiscal Sustainability Development Policy Financing (DPF) Programme	100.0 Loan	This financing is to support the long-term development of the Sri Lankan economy through a renewed engagement on reforms to eliminate obstacles to private sector competitiveness, enhance transparency and public sector management and improve fiscal sustainability.
Social Safety Nets Project	75.0 Loan	This project assists to improve the equity, efficiency and transparency of Sri Lanka's social safety net programmes for the benefit of the poor and vulnerable.
Improving Poverty Estimation Project	0.16 Grant	This project assists in improving poverty measurement through piloting the use of technology to improve data collection.

Disbursements in 2016

During 2016, a total disbursement amounting to USD 354.85 million was disbursed by the IDA and the IBRD of the World Bank Group which is a significant achievement, a 129 percent increase, compared to the previous year. Budget support financing contributed for this increase and dominated overall disbursement of 2016 over investment project financing. Due to severe weather conditions occurred in May 2016, Government of Sri Lanka declared a state of emergency and subsequently made a request to the World Bank enabling them to provide a single tranche disbursement of USD 101.49 million under the Development Policy Loan with a Catastrophe Differed Drawdown Option (DPL with a Cat - DDO) supporting the immediate liquidity requirement of the Government subsequent to such situation. The Competitiveness, Transparency, and Fiscal Sustainability Development Policy Financing, amounting to USD 100 million also contributed to budget support financing.

Sectorial Distribution of Disbursement in 2016



The pie chart illustrates the quantitative distribution of the disbursements across the identified sectors. According to the radar chart, the skewed radar towards the sectors such as education and training as well as health and social services reflects the shift in disbursements on social infrastructure over economic infrastructure.

Way forward

The Executive Directors of the World Bank Group decided to graduate Sri Lanka from IDA to IBRD, considering the increase in Per Capita Gross National Income of the country above the level established by IDA in three consecutive years and also the country is being considered to be worthy of IBRD lending. The Government made several representations to obtain smooth and successful graduation. As a result, Sri Lanka will receive exceptional transitional support during IDA18 cycle on IBRD lending terms in the amount of 2/3 of the resources that received in IDA17 cycle while graduating from IDA at the end of IDA17 cycle. Accordingly, the total transitional support package will be USD 1,340 million with non-concessional IDA

financing of USD 440 million and IBRD financing of USD 900 million for the IDA18 cycle which begins in July 2017. Requirement for the acceleration of the repayments of the loans obtained from IDA which triggers along with the graduation has temporarily been suspended and the decision on the acceleration has been postponed until Mid-Term Review discussion which is due in 2018.

Following to the GoSL's successful engagement in obtaining Competitiveness, Transparency, and Fiscal Sustainability Development Policy Financing (DPF) Programme in 2016, the discussions will continue in 2017 targeting several sector reforms for obtaining the second development policy financing programme which is scheduled for 2018.

The GOSL conducted extensive discussions on the following programmes with the World Bank and other relevant stakeholders which will materialize in 2017.

- ✓ Financial Sector Modernization Project - USD 75 million
- ✓ Transport Connectivity and Asset Management Project - USD 125 million
- ✓ Agriculture Sector Modernization Project - USD 125 million
- ✓ Accelerating Higher Education Expansion and Development (AHEAD) Operation - USD 100 million

CHINA AND ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

China

The bilateral economic relations between China and Sri Lanka spans 60 years. Through the years, China has become one of the major development partners of Sri Lanka. Financial Assistance from China is of three major forms namely; loans, grants and interest free loans. There are two main institutions that provide loans, which are the Export and Import Bank of China (EXIM Bank) and China Development Bank (CDB). The EXIM Bank provides loans under three categories;

1. Preferential Buyer's Credits (PBC)
2. Government Concessional Loans (GCL)
3. Buyer's Credit (BC)

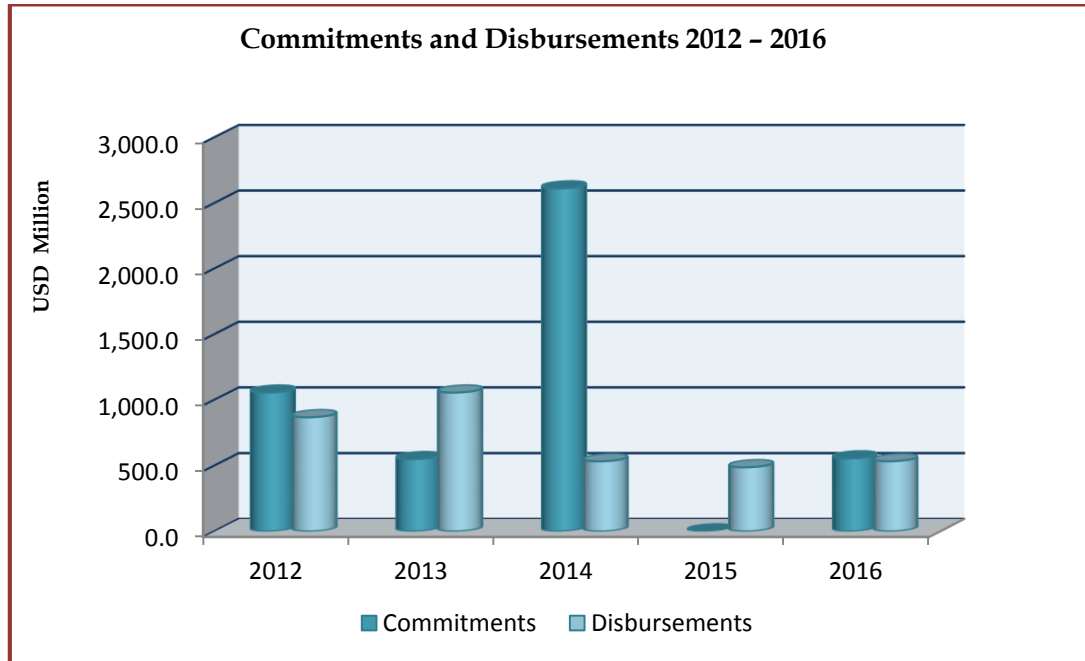
In addition to EXIM Bank and CDB, Industrial and Commercial Bank of China (ICBC) also has provided loan assistance to Sri Lanka.

The grants and interest free loans are provided directly by the Government of China through the Ministry of Commerce of China.

The total commitment made from China for the last five-year period from 2012 to 2016 was USD 4,217.7 million. Out of the total commitment 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 555.4 million in 2012 and 2016 respectively.

Two loan agreements were signed in 2016; Extension of Southern Expressway Project (Section 2) from Beliatta to Wetiya with the EXIM Bank of China and Gampaha, Attanagalla and Minuwangoda Integrated Water Supply Scheme Project with the China Development Bank.

The total disbursement recorded from development projects funded by China for the last five year period was USD 3,479.4 million. EXIM Bank and CDB together account for a total disbursement of foreign funds for Sri Lanka, which is USD 533.7 million in 2016. The total commitment from Chinese side for 2016 was USD 555.4 million.



Notes: Disbursements of loans obtained by State Owned Enterprises are included
Commitments for 2016 include a loan obtained by National Water Supply and Drainage Board (NWSDB)

In addition to the project performances, the Working Group on Economic Cooperation between the Government of Sri Lanka and the Government of People's Republic of China, functioning under the Joint Committee was held in Colombo on 06th January 2016. The meeting was co-chaired by Mr. R M P Rathnayake, Director General, Department of External Resources and Mr. Yang Weiqun, Commercial Counsellor, Department of Asian Affairs, Ministry of Commerce of Peoples Republic of China.

The objective of the Joint Committee is to further strengthen and develop friendly relations between two countries and promote the economic and trade cooperation. This has been a productive platform for resolving various issues and obstacles pertaining to economic and trade relations between the two countries.

Based on the discussions held during Working Group Meeting on Economic Cooperation, a Memorandum of Understanding (MOU) was signed between the Ministry of Development Strategies and International Trade of GOSL and the Ministry of Commerce of Government of People's Republic of China on "Comprehensive Implementation of Investment Economic and Technological Cooperation" during the Hon. Prime Minister's official visit to China in April 2016. As per the above MOU, parties agreed to jointly formulate a bilateral Medium and Long-term Development Plan for Investment, Economic and Technological Cooperation to promote the cooperation between the two countries.

Grant Assistance from the Government of China

A major portion of financial assistance provided by China consists of Grant Assistance. These assistance mainly focus on the non-revenue generating projects such as public sector services i.e. health sector and also other projects that are of historic importance to the relationship between the two countries such as Bandaranayake Memorial International Convention Hall (BMICH), Nelum Pokuna National Performing Arts Theatre and Superior Courts Complex.

In April, an Economic and Technical Cooperation Agreement for a grant of RMB Yuan 500 million was signed between the Government of Sri Lanka and Government of People's Republic of China for the project of Comprehensive Refurbishment of the Superior Courts Complex. Also Exchange of Letters were signed for the Supply of 8 Kidney Disease Mobile Screening Laboratories (RMB Yuan 15 million) and for the Preliminary Feasibility Study of the Construction of China - Sri Lanka Joint Research and Demonstration Centre for Water Technology (RMB Yuan 700,000) in 2016. Further, the Exchange of Letter for the implementation of China - Sri Lanka Joint Research and Demonstration Centre for Water Technology was also signed in 2016.

Asian Infrastructure Investment Bank (AIIB)

The Asian Infrastructure Investment Bank (AIIB) was established from December 2015 to ensure regional cooperation for sustainable economic and social development in Asia as well as to strengthen regional resilience against potential financial crises and other external shocks.

On behalf of the Government of Sri Lanka, the Hon. Minister of Finance signed the Articles of Agreement (AoA) on 29th June 2015 confirming the country's desire to be part of the AIIB and subsequently AIIB is ratified in Sri Lanka by the Parliament Act No 7 of 2016 on 30th May 2016.

Dr. D J Pandian, Vice President and Chief Investment Officer of AIIB visited Sri Lanka in October 2016 and had discussions with Hon. Prime Minister, Hon. Minister of Finance and Hon. State Minister of National Policies and Economic Affairs about potential development projects that Sri Lanka expects to seek AIIB assistance. During these meetings six projects were proposed to be financed by AIIB.

MIDDLE EAST AND SOUTH ASIA DIVISION

Middle East

Development partners of the Middle East have been playing a significant role towards social and economical development of the country focusing on the development priorities of the country, since mid 1970s.

Bilateral Donor Agencies such as Saudi Fund for Development (SFD), Kuwait Fund for Arab Economic Development (KFAED) and Export Development Bank of Iran (EDBI) as well as Multilateral Donor Agencies such as OPEC Fund for International Development (OFID) enrich the Middle East portfolio through Concessional Loans and Export credits while Government of Bahrain, Kazakhstan, Oman have provided few grants to construct houses specially for the IDPs resettlement. Also with the purpose of expand the bilateral relationship with Middle East Region; the initial negotiations been taken place with Israel, Abu-Dhabi and Qatar.

KFAED has commenced its lending to Sri Lanka in 1975 by extending KDR 7.5 million for urea fertilizer manufacturing project which is one fifth of the total cost of the project. Since then GOSL has obtained fourteen number of loans worth if USD 263.49 million from KFAED and it has provided two grant assistance worth of USD 1.85 million for feasibility studies of Moragahakanda Agricultural Development Project and Moragolla Hydropower (27 MW) Project.

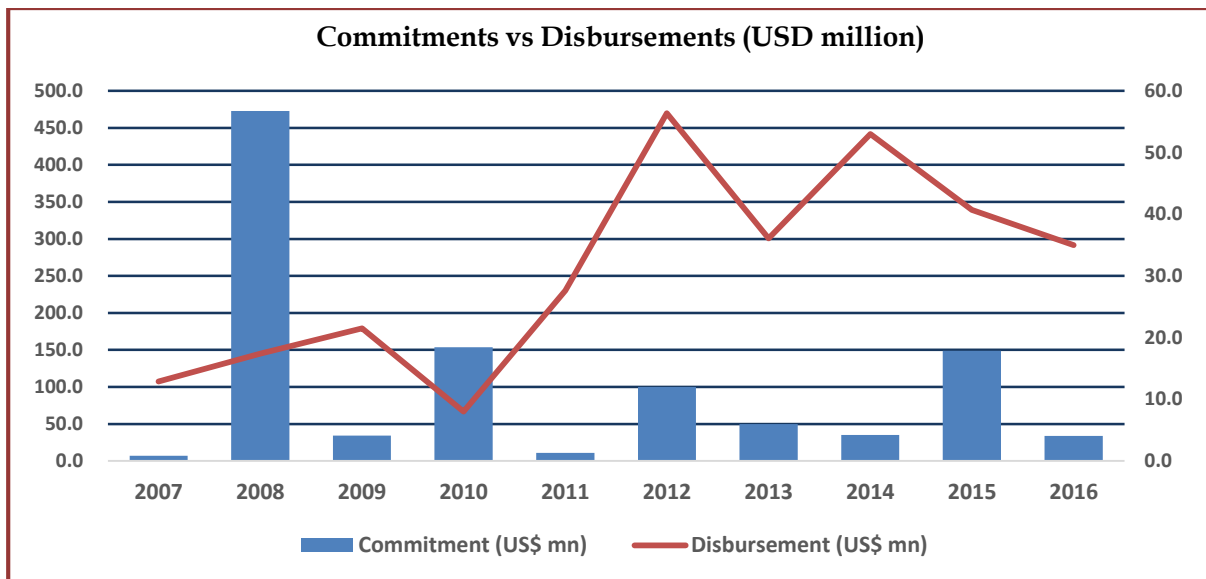
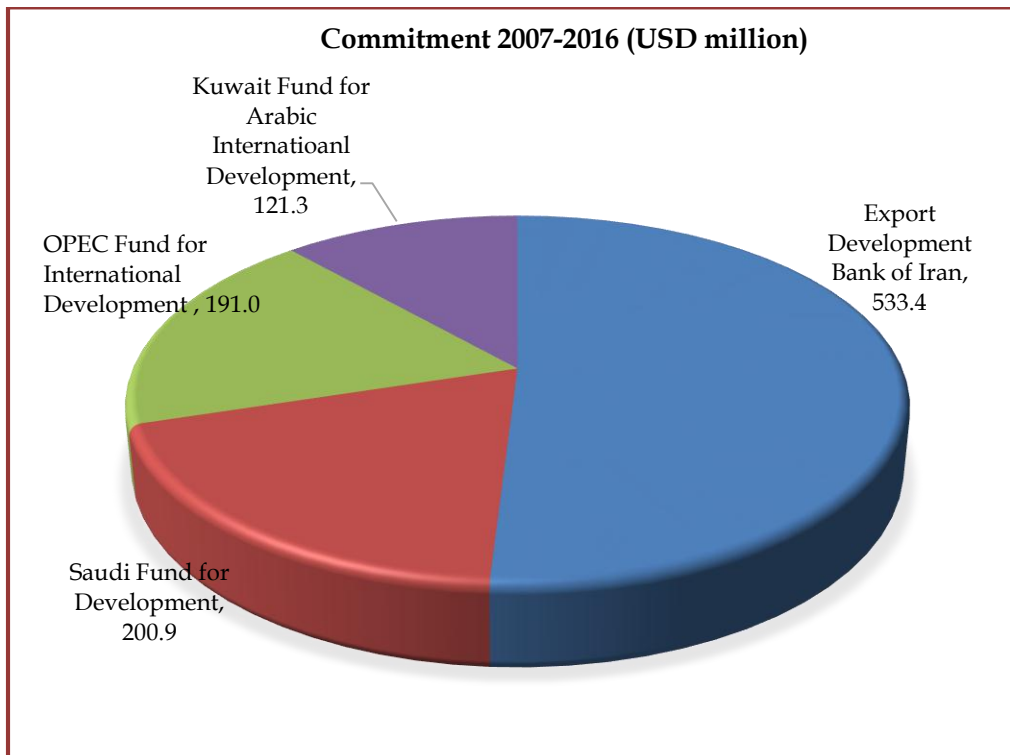
The SFD was initiated its financial assistance to Sri Lanka by extending a loan of USD 29.7 million for Second Water Sector and Sewerage project in 1981. The total amount of loans extended by the SFD as at end of 2016 is USD 297.9 million. The priority areas of the SFD assistance are; Road, Health, Irrigation and Community Development sectors, etc.

The OFID was established by the Member States of the Organization of the Petroleum Exporting Countries (OPEC) in 1976. Since its inception USD 264.68 million has been extended as public sector loan facilities to Sri Lanka and out which the majority has been given for development of roads. Other priority areas of OFID are irrigation, power and energy, tea development and science and technology.

Uma Oya Multipurpose Development Project and the Rural Electrification-8 Projects were financed under two loans amounting approximately USD 530 million by EDBI.

Major portion of borrowings from Middle East has been invested in the sectors of irrigation, roads, bridges power and energy and health sectors. The concessional and fixed financial terms, longer maturity as well as the flexible conditions of procurement guidelines of Middle East Donors are more advantageous to the country.

Commitments and Disbursements



Establishment of the Faculty of HealthCare Sciences in Eastern University of Sri Lanka

Faculty of Health Care Sciences in the Eastern University was established in 2004 with six departments. The faculty is situated in the Batticaloa District and currently five batches of students are following the Bachelor of Medicine, Bachelor of Surgery (MBBS) course and four batches are following Bachelor of Science Nursing Degree Course. The present student population is about 510 and staff population is about 68 and already 204 medical graduates and 35 nursing graduates are the successful outcome of this faculty.

Since the faculty is being operated at a temporary building taken over from the previous Paddy Marketing Board and the Mill house and the Paddy stores were renovated and being used as Laboratories and Lecture halls the government has identified the establishment of the faculty is vital. As per the request made by Government of Sri Lanka, a loan agreement was signed with the KFAED to obtain KWD 10 million (approximately USD 34 million) on March 2016.

This will enhance the quality of studies as well as the living environment of the students and staff in order to provide an appropriate environment for the University students with quality academic activities and living standards which will ensure the production of high quality medical and nursing graduates.

KFAED has agreed to provide USD 16.4 million to finance a part of the additional funding requirement for the Kaluganga Development Project while OFID has agreed to provide USD 18 million for the same and the shortfall will be covered under the financing of the SFD.

Projects in pipeline

Following projects has been identified for the financing of Middle East Donors and anticipated to conclude financing agreements during 2017.

Project	USD million
Wayamba University Township Development Project (SFD)	28.0
Mahaweli Left Bank Lower Basin Development Project (SFD)	45.0
Kalu Ganga Development Project -Additional Financing (SFD, KFAED, OFID)	50.5
Sri Lanka Technological Development Project (OFID)	90.0

South Asia

India

The Government of India is the major trading collaborator of Sri Lanka in South Asian region over 40 years since 1973. Currently Indian development assistance flows by the ways of loans, grants and technical assistance, mainly focusing on improvement of economic infrastructural facilities, livelihood development, education, healthcare, capacity building and economic renewal.

Currently, the loan assistance is provided by the Export Import (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.

Government of India has extended a fresh Line of Credit of USD 318 million for the railway sector development in Sri Lanka through its EXIM Bank. The EXIM bank of India has already offered approximately USD 967 million by four Lines of Credit for the same purpose at the concessional terms since 2008 and this were utilized for Southern and Northern railway lines.

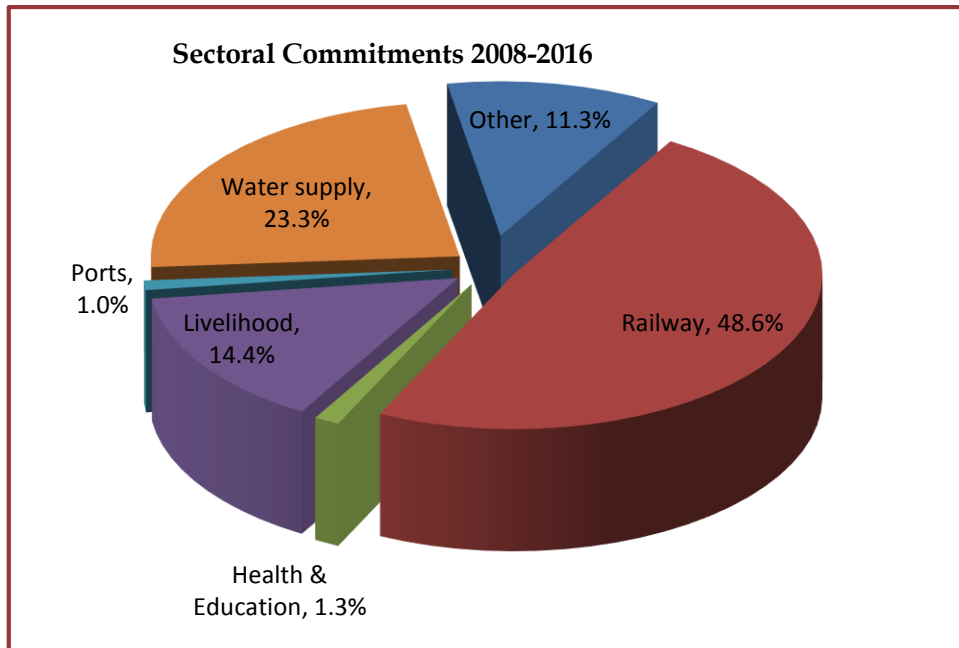
The government of India has offered many development projects under its grant scheme. 50,000 Housing project worth of USD 267 million, Renovation of Jaffna Cultural Center, Renovation of 27 schools in Northern Province, Construction of a Surgical Unit and Supply of Medical Equipment at Teaching Hospital Batticaloa, Construction and supply of Medical equipment for the Dickoya Hospital, 200 bedded ward complex and the medical equipment to the District Hospital Vavuniya, Building complexes and necessary facilities for the Faculties of Agriculture and Engineering at the Jaffna University and a state of Art Auditorium at the Ruhuna University of Sri Lanka are some of recently implemented projects with Indian assistance.

Commitments in 2016

MOUs were signed with Government of India to obtain following grants worth of approximately Rs 1.1 billion for the following projects.

- Renovation of 27 schools in Northern Province (Rs. 250 million)
- Construction of a Surgical Unit and Supply of Medical Equipment at Teaching Hospital Batticaloa (Rs. 275 million)
- Supply and Delivery of boats and fishing equipment in Mullaithivu District of Sri Lanka (Rs. 100 million)
- Support to livelihood of fishing and farming communities in Hambantota District (Rs. 300 million)
- Establishment of a training school for Dalada Maligawa at Pallekele, Kandy (Rs. 120 million)

Further, National Water Supply and Drainage Board entered into three loan agreements worth of USD 403 million with the EXIM Bank of India in March 2016 for implementation of three major water supply projects in Kalutara, Kurunegala and Kandy Districts.



Setting up of Emergency Pre Hospital Care Ambulance Service in Sri Lanka

In Sri Lanka, there is a rising demand for emergency medical care due to various reasons such as road accidents, heart attacks, traumas, poisoning, disaster victims, etc. In these situations immediate medical attention is needed to save the lives of such victims. Having recognized the necessity, Government of Sri Lanka has taken initiative to establish an Emergency Pre Hospital Care Ambulance Service in Sri Lanka with the support of the Government of India. Hon. Prime Minister of India during his visit to Sri Lanka in March 2015 agreed to provide a grant of USD 7.6 million (Rs. 1,000 million) to initiate an Emergency Pre Hospital Care Mobile Ambulance Service in Sri Lanka

This project is planned to be implemented in 4 Phases by deploying 297 ambulances island wide. Government of India has consented to donate USD 7.6 million to implement phase I of the project which covers the Western and Southern Provinces with the deployment of 88 ambulances. Depending on the success of the Phase I, the next Phases would be continued. The project was launched on 28th July 2016 with the participation of Hon. Prime Minister of Sri Lanka. Hon. Prime Minister of India also joined the occasion through satellite communication. Currently, 96 ambulances are in operation in Westerns and Southern Provinces.

EXIM Bank's Assistance to implement Water Supply Projects in Sri Lanka**Aluthgama, Mathugama and Agalawaththa Integrated Water Supply Project (USD 164.9 million)**

This Project is mainly scheduled to be implemented to avoid the salinity problem during the dry period of the year in the areas of Bombuwala, Philaminawatta, Kalutara North, Wadduwa, Kalutara South, Payagala, Beruwala, Aluthgama and Dharga Town for the total connections around 51,000. Further, this project plans to construct a new water intake and addresses the short supply hours and low pressure in the distribution system by rehabilitation/ augmentation of current systems. The total contract cost of the project will be USD 194 million.

Polgahawela, Pothuhera and Alawwa Integrated Water Supply Project (USD 91.8 million)

This Water Supply Project aims to address the increasing demand for drinking water in Polgahawela, Pothuhara and Alawwa areas. The rapid urbanization, increased commercial activities and the industrial zones have raised the need for dependable and improved water supply scheme in the concerned areas. The existing Polgahawela and Alawwa Water Supply Schemes do not meet the current demand. Currently partial treatment is being done. Accordingly, the proposed project is coming up to cater the excessive demand for water connections as well as the demand for more quality water supply. This project covers Divisional Secretariat Divisions namely; Polgahawela, Alawwa, Kurunagala (Part) and Weerambagedara (Part). The total contract cost of the project is estimated at USD 108 million

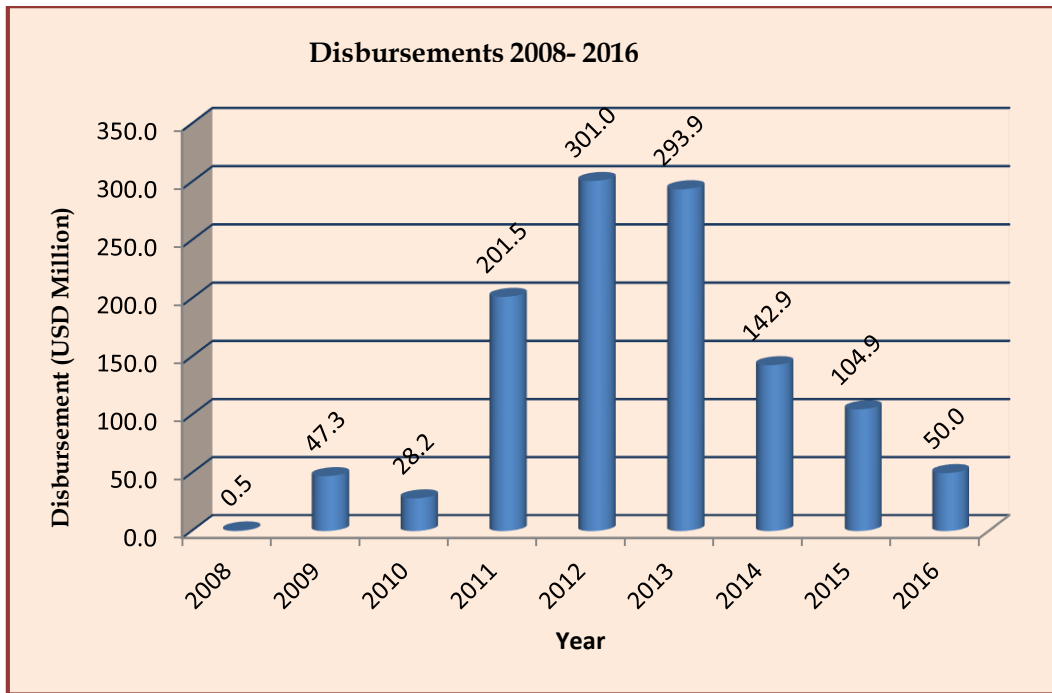
Kundasale, Haragama Water Supply Project (USD 146.31 million)

It has been decided to develop Kundasale - Balagolla - Haragama areas as Administrative city and industrial area of Central Province to avoid the high traffic congestion and protect the environment of Heritage City, Kandy. The proposed project is to design and build a water supply scheme to cater to the water demand for Kundasale- Haragama areas for next 20 years. A 380 km distribution network will have the capacity to provide 50,000 connections in total covering 250,000 domestic consumers and cater the present commercial and industrial demand 10,000 cu.m./ day. The total contract cost of the project is estimated at USD 172.13 million.

EXIM Bank of India has agreed to provide 85 percent of the total contract of the above projects amounting to USD 403 million.

Disbursements in 2016

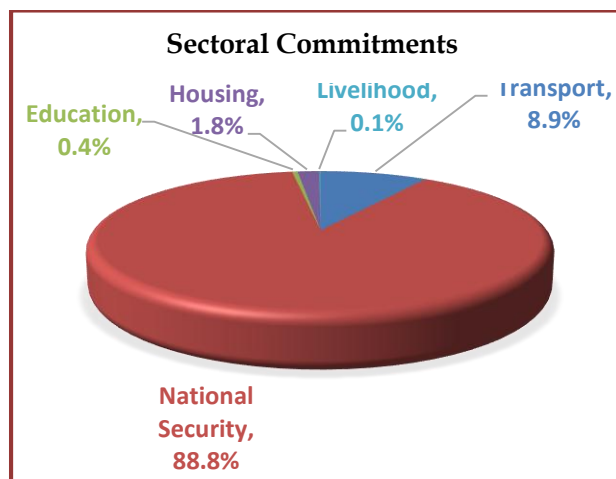
The total disbursement for 2016 has recorded approximately USD 50 million as loans and grants.



Pakistan

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. Further, the government of Pakistan has offered USD 50 million as a Line of Credit in 2006. A grant assistance of USD 1 million has obtained from Pakistan for the Housing Programme for the IDPs in Mannar and Vavuniya Districts in 2014. In addition, a total of USD 350,000 has been offered as grants for 6 development projects by 2014.

Further, Government of Pakistan has agreed to provide a Credit of USD 200 million to Sri Lanka to implement development projects in areas of construction, Science and Technology, Roads, Livestock Development with a national priority.



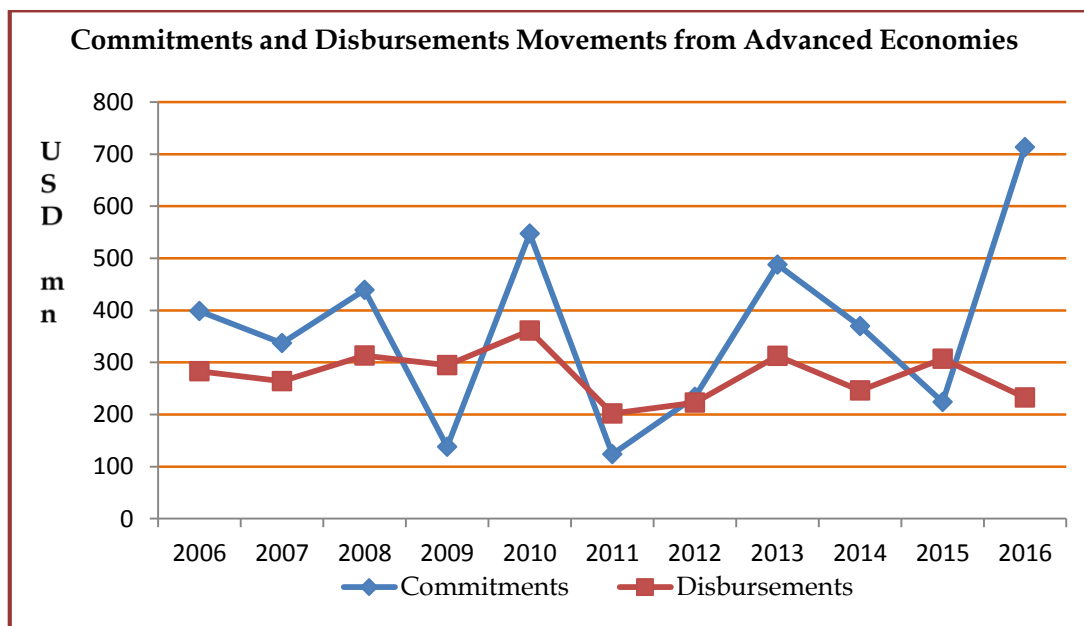
RUSSIA, AUSTRALIA AND WEST DIVISION

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

The composition and the form of foreign financing received from Governments and respective lending agencies of these countries have 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.

These financing were obtained mainly in the form of i. export credits, ii. commercial credits iii. concessional 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 non-concessional 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 and Disbursements from Advanced Economies 2006 to 2016 (USD million)

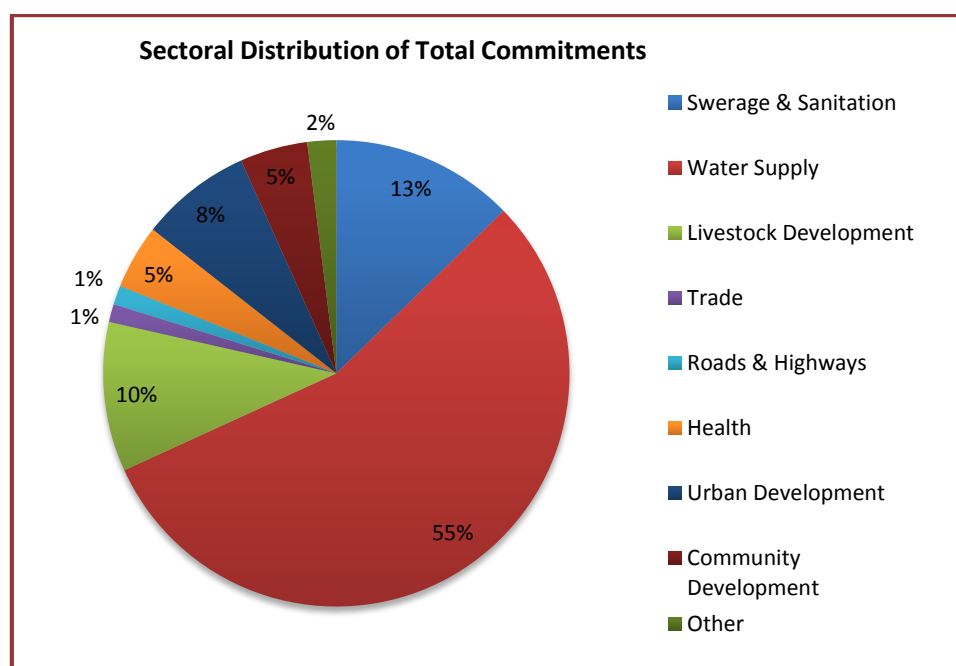
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Commitments	398	337	439	138	547	124	234	488	370	224	713
Disbursements	283	264	313	295	361	202	223	312	246	307	233

Foreign Financing Commitments made in 2016

Necessary steps were taken in 2016 to conclude financial arrangements in order to implement the following projects under export credit facilities, concessional financing as well as grant assistance from western countries.

Development Partner	Project	Amount USD million
Credit Facilities		
French Agency for Development (AFD)	Implementation of Sanitation Hygiene Initiative for Towns Project - Phase I	84.50
	Implementation of Anuradhapura Integrated Urban Development Project	55.08
Government of Spain	Implementation of Anamaduwa Intergrated Water Supply Project	32.95
Cooperative Rabobank U.A	Development of General Hospital Kaluthara - Export Credit Facility	27.21
	Implementation of Importation of 20,000 Dairy Animals Project - Export Credit Facility	62.86
	Implementation of Importation of 20,000 Dairy Animals Project - Commercial Facility	11.09
Credit Agricole Corporate and Investment Bank	Implementation of Greater Matale Water Supply Project - Export Credit Facility	139.11
	Implementation of Kelani Right Bank Water Supply Project- Phase II - Export Credit Facility	108.45
Raiffeisen Zentral Bank	Construction of the Kochchikade Bridge - Export Credit Facility	9.41
Hatton National Bank	Implementation of Anamaduwa Intergrated Water Supply Project - Commercial Facility	14.44
	Implementation of Greater Matale Water Supply Project - Commercial Facility	25.29
	Implementation of Kelani Right Bank Water Supply Project- Phase II - Commercial Facility	75.10
	Development of General Hospital Kalutara - Commercial Facility	4.66
Sub- Total (Loan)		650.30
Grant Assistance		
Germany	Technical Cooperation - Government of Germany	14.25
European Union	Implementation of Sanitation Hygiene Initiative for Towns Project - Phase I	6.32
	Support to Integrated Rural Development in the Most Vulnerable Districts of Central and Uva Provinces in Sri Lanka	33.51

	Trade Related Assistance in Sri Lanka	8.88
Sub- Total (Grant)		62.96
Total Commitment		713.26



Key Projects Negotiated in 2016

A list of key projects negotiated during 2016 under loan assistance from western countries is as follows.

Development Partner	Project	Amount USD million
European Investment Bank	Greater Colombo Water and Wastewater Management Improvement Program - Project 3	54
ING Bank N.V. of the Netherlands	Hemmathagama Water Supply Project - Export Credit Facility	89
	Hemmathagama Water Supply Project - Export Credit Facility - Commercial Credit Facility	13
Raboank U.A. of the Netherlands	Establishment of a Ground Water Monitoring Network in three selected districts - Export Credit Facility	22
	Establishment of a Ground Water Monitoring Network in three selected districts - Commercial Credit Facility	3
French Agency for Development (AFD)	Green Power Development and Energy Efficiency improvement Investment Program - Phase II	30
HSBC Bank	Construction of Nuwara - Eliya High Altitude Sports Complex - Export Facility	58
Credit Agricole and Corporate Investment Bank	Implementation of a Neonatal and Obstetrics Reference Center for the de Zoyza Maternity Hospital Project - Export Facility	22

Development Partner	Project	Amount USD million
Hatton National Bank	Construction of Nuwara - Eliya High Altitude Sports Complex - Commercial Facility	22
	Implementation of a Neonatal and Obstetrics Reference Center for the de Zoyza Maternity Hospital Project - Commercial Facility	7
Total		317

Major Projects being implemented in 2016

1. Kelani Right Bank Water Supply Project - Phase II

The existing Kelani right bank water treatment plant with a capacity of 180,000 m³ /day provides water to the towns north of Colombo areas and it is operating at full capacity level. Therefore, NWS&DB is unable to meet increasing demand from households, industries and commercial sectors.

Water requirement for Bandaranaike International Air Port, Export Processing Zone in Biyagama and Katunayaka, Air Force base at Bandaranaike International Airport is also being supplied by this plant. Forecasted demand for Water in proposed areas is 390,000 m³ /day by 2040 and the available capacity of the existing water supply scheme is not adequate to cater the increasing demand at present.

Considering the above requirements, it is expected to construct 180,000 m³/day capacity water treatment plant together with 25 km transmission line, inflatable rubber balloon for salinity barrier and wastewater and sludge treatment facilities including all accessories under this project.

Credit Agricole Corporate and Investment Bank of France and Hatton National Bank of Sri Lanka (HNB) provide their financial assistance to implement this project.

2. Construction of Kochchikade Bridge

The Government of Sri Lanka has assigned a higher priority for an efficient transport system for the rapid economic development of the country and for improving quality of life of people. The Peliyagoda - Puttalam Road (A3) wherein bridge No. 38/3 lies over Maha-oya at Kochchikade is one of the trunk road which links several districts and provinces, catering high volume of traffic. The existing Kochchikade Bridge provides only two lanes (carriageway width 6.8m) creating a bottleneck on the Peliyagoda - Puttalam road resulting in undue delays for travelers, reduced mobility along the corridor. With the recent development activities in the Puttalam district and improvement of other national/ provincial highways in the region, it is expected that traffic volume on this road will further increase in future. Accordingly, the existing bridge which is not only narrow and structurally weak but also located at a sharp curve is required to be reconstructed to cater to increasing traffic volume on the Peliyagoda - Puttalam road.

The cost of this project is Euro 8.7 million which is raised under concessional credit facility provided by Raiffeisen Bank of Austria. Under this project a new bridge having an overall

length of 105 m with four traffic lanes, each having width of 3.5 m and foot walks on either side will be constructed.

3. Rural Development Programme in Central and Uva Provinces

European Union (EU) has agreed to provide grant assistance of Euro 30 million to finance a program namely “Support to Integrated Rural Development in the most Vulnerable Districts of the Central and Uva Provinces of Sri Lanka (Rural Development Programme in Central and Uva Provinces)” under the European Union’s Multi-annual Indicative Program (MIP) 2014 - 2020. Objectives of this program are to improve livelihoods, household income levels, health, nutrition and to strengthen socio-economic service delivery by local authorities, community organizations and private institutions. To achieve these targets, activities such as improvement of rural infrastructure, local business development, job creation and diversification and setting up an enabling business environment will be initiated under the programme. Further, setting up sustainable water management systems that promotes safe drinking water, hygiene and nutrition specific activities will also be carried out.

UNITED NATION AGENCIES, TECHNICAL ASSISTANCE AND NGO DIVISION

United Nation Agencies

Since 1952, the Government of Sri Lanka has been working closely with the United Nation's 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), 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. 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 for over five year period starting from 2013. The UN assistance to Sri Lanka comes mainly in the form of grant assistance. However, the foreign financing provided by IFAD is not only the grant assistance but also concessionary loans.

Commitments in 2016

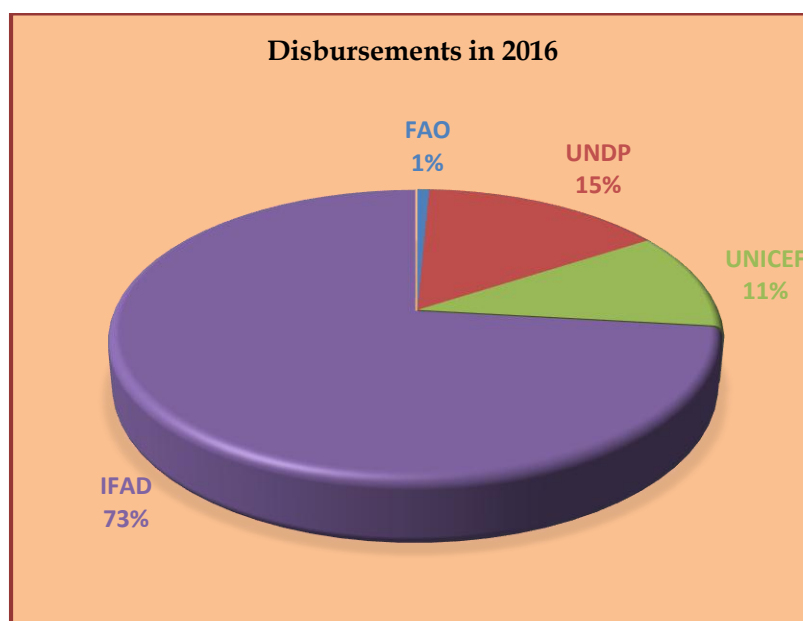
The following key projects were signed between GOSL and UN agencies in 2016.

Project	Agency	USD million
Grants		
Country Programme Action Plan (CPAP)- (2016-2017)	WFP	19.70
Emergency Operation (EMOP)	WFP	1.80
Rehabilitation of degraded agricultural lands in Kandy, Badulla and Nuwara Eliya districts of the Central Highlands	FAO	1.34
Strengthen the e- agriculture environment and development ITC-mediated agricultural solutions for countries in Asia- Pacific	FAO	0.04
Loans		
Sri Lanka Smallholder Tea and Rubber Revitalization Project	IFAD	25.7

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 which was signed between GOSL and the relevant agencies in 2013 in line with the United Nations Development Assistance Framework.

Disbursements in 2016

As shown in the following chart the major share of total disbursement among the key agencies has been recorded by IFAD and UNDP assisted projects and programmes especially in the field of Irrigation, Plantation, Education, Agriculture, Disaster and Child Protection etc.



Projects/ Programmes to be signed in 2017

Project Title	Agency	(USD million)
Grant		
Climate Resilient Integrated Water Management Project (CRIWMP)	UNDP	38
National REDD+ Investment Framework and Action Plan (NRIFAP)	UNDP	38
Loan		
Smallholder Agribusiness Partnership Project	IFAD	31

Key Projects Implemented in 2016

Sri Lanka Smallholder Tea and Rubber Revitalization Project (STAR)

The Financial Agreement between IFAD and GOSL was signed to obtain loan assistance to finance the Smallholder Tea and Rubber Revitalization (STARR) Programme. The main objective of this programme is to assist tea and rubber smallholders to increase their income and strengthen their resilience by building profitable farm enterprises that are sustainable. Further, this project would increase the national production of tea, rubber and address issues relevant to productivity and market linkages in selected districts under the following three main components: (a) Tea Smallholder Development; (b) Rubber Smallholder Development and (c) Inclusive Rural Financing.

The total investment of this programme is USD 65.40 million. Of which USD 25.76 million will be provided by the IFAD. The Government contribution (including staff salaries, operating costs, duties and taxes, and Government subsidy on tea and rubber cultivation) is USD 32.76 million. The rest of the amount will be provided by commercial banks, private sector who are involved in rubber marketing and related business and beneficiaries by participating this

project. The project period would be 06 years and it is expected to benefit about 32,000 households (Approx. 144, 000 people).

Country Programme Action Plan - World Food Programme

The Country Programme Action Plan was signed between WFP and GOSL in January 2016 to improve food and nutrition security, and build resilience of vulnerable communities to protect them from climate shocks. The total cost of this Country Programme Action Plan for the period of 2016 - 2017 is USD 19.71 million.

Accordingly, WFP is extended their support to implement this programme by using in-kind and cash-based transfer modalities. The expected total number of beneficiaries are approximately 274,000. The programme consisted of school meals programme, nutrition support to children under-five and pregnant and lactating women, resilience building for disaster affected community and capacity development for policy development as major components.

This programme is being executed by the Ministry of National Policies and Economic Affairs and implemented through the Presidential Secretariat, Ministry of Health, Nutrition and Indigenous Medicine, Ministry of Education, Ministry of Mahaweli Development and Environment, relevant Ministries of the Northern Provincial Council and the respective District Secretariats.

Emergency Operation (EMOP) Programme - WFP

As the response to the request made by the Government of Sri Lanka, WFP has agreed to provide assistance for up to 10,000 poorest and most vulnerable households (40,000 beneficiaries) in the four worst impacted Districts (Colombo, Gampaha, Kegalle, Ratnapura) by recent floods and landslides through cash based transfer programme subject to the availability of funding. This cash assistance will allow them to buy their preferred, nutritious food in order to fulfill the daily calorie requirements. The total cost of the above programme is USD 1.8 million and a cash transfer of USD 60 per month is designed for a family based on the prices of basic food commodities in the market.

This programme is being executed by the Ministry of National Policies and Economic Affairs and implemented through the Ministry of Disaster Management, Department of Divinaguma Development of the Ministry of Social Empowerment and Welfare and the respective District Secretariats.

For this purpose, a grant Agreement was signed between GOSL and WFP on 05th July 2016.

Special Projects to be implemented in 2017

Smallholder Agribusiness Partnerships (SAP) Programme - IFAD

The overall goal of Smallholder Agribusiness Partnerships (SAP) programme is to contribute to competitiveness of smallholder's and livelihood development. The development objective of this project is to sustainably increase the income and quality of diet of smallholder households involved in commercially oriented production and marketing systems.

The target group of this programme comprises 57,500 poor rural households (representing 230,000 individuals) with the potential to become active economic players. The Presidential Secretariat will implement this project in collaboration with the Ministry of Agriculture, Ministry of Mahaweli Development and Environment, and Central Bank of Sri Lanka. The total cost of this project is USD 100.2 million. Of which USD 31 million will be financed by IFAD. The duration of the project is 6 years.

Climate Resilient Integrated Water Management Project (CRIWMP)

This project will support the government to implement integrated solutions to water management in three river basins in dry zone of Sri Lanka. The project aims to achieve higher levels of foods, livelihood and water security for flood and drought affected poor communities.

The project will benefit 750,000 people living in three river basins directly through investments in irrigation, drinking water and disaster risk management. Moreover, around 770,000 people living these districts will indirectly benefit from the project interventions in capacities and early warning systems. Target areas are mainly Kurunegala, Puttalam, Anuaradhapura, Vauniya, Mannar and bordering of Polonnaruwa and Trincomalee. The duration of the project will be 2017 to 2024.

The UNDP secured USD 38.1 million financing from the Green Climate Fund (GCF), to implement this programme in consultation with the Ministry of Mahaweli Development and Environment.

Special Tasks in 2016

2016 Comprehensive Analysis and Needs Assessment for the Northern Province

Sri Lanka has made notable strides in social and economic development over the past decade in terms of Economic Growth, reducing poverty, human development indicators such as educational and health outcomes. However, these advancements mask several pockets of the country where progress is lagging.

As such, on the request of the Hon. Chief Minister of the Northern Province, the Government has decided to conduct a Comprehensive Analysis and Needs Assessment for the Northern Province in collaboration with the United Nations, World Bank, Asian Development Bank, the European Union, the Japan International Cooperation Agency and the Government of India.

Accordingly several donor coordination meetings were arranged with the partners to identify the important assessments conducted by the government and non-government agencies.

The objective of the Comprehensive Analysis and Needs Assessment is to identify socio-economic and other development needs in the Northern Province, with a view to coordinate, prioritize, design, streamline and deliver development initiatives and investments in a cost-effective and sustainable manner.

Technical Assistance

As the focal point of Sri Lanka for the mobilization of foreign training opportunities, the key role of the TA Division is to administrate the of all foreign training opportunities offered by the multilateral and bilateral development partners and distribute available opportunities among line Ministries, Provincial Councils, Departments and other government agencies in a transparent manner.

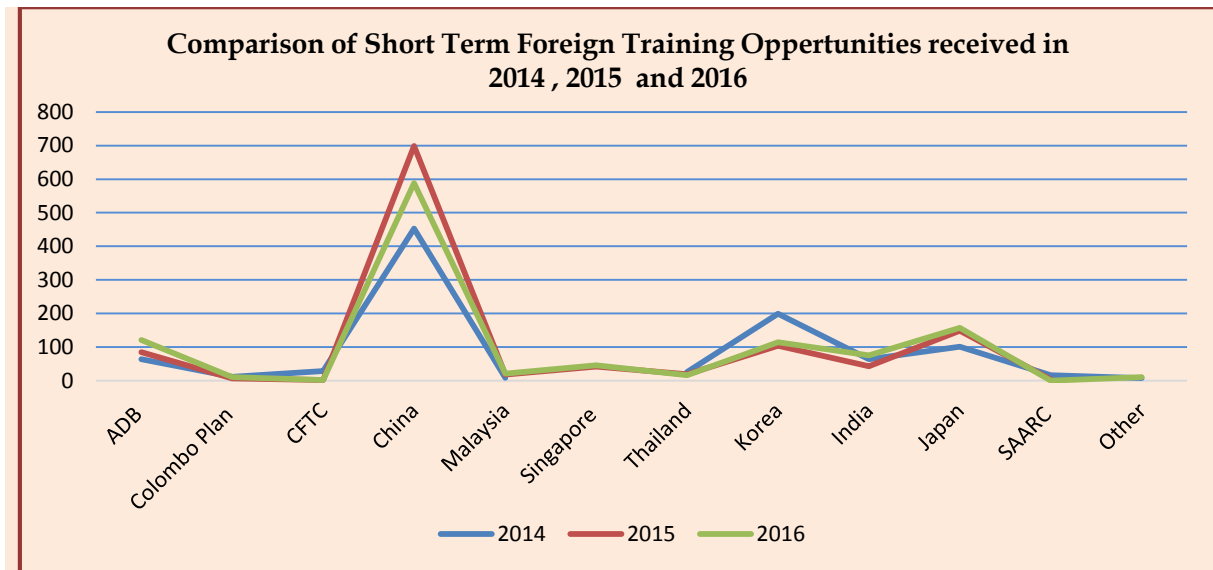
Conduct time to time negotiations with the Bilateral Development Partners such as Australia, China, Japan, Korea, India, Singapore, Thailand, Malaysia, and the Multilateral Development partners such as Asian Development Bank, Colombo Plan, World Bank, and Commonwealth Secretariat and maintain a strong relationship with those partners are also the major role of this division.

The Government of Sri Lanka annually receives around 1000 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 10 development partners. Accordingly, a total of 1,230 foreign training opportunities were received in 2016. Of which 70 officials were selected for the long term training programmes and rest of them were selected for the short term training programmes. The following table shows the number of training opportunities received by the government of Sri Lanka during the period of 1st January to 31st December 2016.

Number of Foreign Training opportunities awarded in 2016

Development Partner	Short Term	Long Term
Government of China	588	4
Government of Japan	157	21
Asian Development Bank (ADB)	121	
Government of the Republic of Korea	114	08
Government of India	75	
Government of Singapore	46	
Government of Malaysia	21	
Government of Thailand	16	07
Colombo Plan	10	
Commonwealth Fund for Technical Cooperation(CFTC)	2	
Government of Australia		30
Government of Indonesia	04	
World Bank	04	
Government of Pakistan	02	
Total	1,160	70

During the year 2016, 588 officials were selected to obtain foreign exposure in China, representing 50.69 percent of total foreign training opportunities available in 2016. The Government of Korea, through Korean International Cooperation Agency (KOICA) had provided 114 short term training opportunities and 8 long term opportunities and the Government of Japan has provided 178 training programmes which include short term and long term trainings. The Government of India, Singapore and Asian Development Bank have also offered a significant number of training opportunities in 2016.



The short term training programmes, seminars, conferences and workshops are offered to middle and senior level public officers to enhance their existing knowledge and skills specially in the areas of Agriculture, Livestock, Fisheries and Irrigation, Road and Transport, Health, Enterprise Development, Environment, Education, Public Administration and Governance and Development and Public Policy. 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. Mostly, these training courses are conducted at the best leading training institutions and universities in the world.

Volunteer Service

Apart from the training programmes, technical assistance division coordinates facilitate to obtain services of foreign experts and volunteers for the line ministries. Based on the requests made by the line ministries, suitable experts/ volunteers are identified and necessary steps will be taken to dispatch them. During the year 2016, the Government of Sri Lanka has received Volunteers from Korea, Japan, Canada and Australia which accounts for 90, 44, 40 and 15 respectively in the fields of Health, Social, Community Development, Sports, Education, Language, Textile and IT.

Special Achievements

Japan-Asia Youth Exchange Program in Science (SAKURA Exchange Program in Science)

With the aim of raising the interest of Asian youths toward the leading Japanese science and technologies at Japanese universities, research institutions and private companies the Japan Science and Technology Agency (JST) has invited outstanding High School students with accompanying supervisors from Sri Lanka to take part in the Sakura Science programme which was held in Japan. Accordingly, 20 high school students and 4 supervisors were participated this programme in 2016.

Capacity Building Program to “Make the Right Real”

In 2016, 10 were participated in the Capacity Building Programme on “Make the Right Real” in Korea which was funded by Korea Disabled people’s Development Institute”. The participants of this programme consists of 04 participants from Civil Organizations, 06 from Government Officials and out of this 04 are differently abled participants.

Strengthen Low Income Families through Women in Rural Area

With the objective of Monitoring and following up the performance and efficacy of the previous two invitational fellowship courses, three days programme consisting of study visits, lectures and workshops has been successfully conducted in Colombo from December 14 to December 16, 2016. 50 participants contributed to this in-country programme and it was able to exchanges of ideas and opinions on the progression of future programme.

CAPITAL MARKET DIVISION

Capital Market Division is Responsible for mobilizing domestic financing from local banks for the Implementation of development projects and facilitating Foreign Currency loans from International Markets.

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. Up to 31st December 2016 Road Development Authority has disbursed Rs. 143.1 million and has completed 43 road rehabilitation and improvement projects.

Other than these priority road development projects, Road Development Authority also has accessed local bank financing for part financing of two foreign funded projects named Implementing variations to the Scope of works of construction of Colombo - Katunayake Expressway Project (CKE) and 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. As the government is very keen about increasing the provision of safe drinking water facility of the country it was expedite the arranging local bank financing for implementation of Water Supply Projects through Local Contractors. Accordingly, by end of year 2016, NWS&DB was granted approval of the Cabinet of Ministers to enter into loan agreements with local banks for 19 Water Supply Projects with a cost approximately about Rs. 80 billion.

Other than these Priority Water Supply Projects, in year 2016, National Water Supply and Drainage Board also accessed local bank financing for part financing of three Indian Exim Bank funded Projects named Aluthgama, Mathugama and Agalawatta Integrated Water Supply Project, Polgahawela, Pothuhera, Alawwa Integrated Water Supply Project and Kundasale - Haragama Integrated Water Supply Project.

Details of the Water Supply Projects Funded By the Local Banks (Rs. Million)

Water Supply Projects (WSP)	Contractor	Bank	Cost
Implementation of Colombo City Water Supply Improvement Project - Phase 1	V.V. Karunaratne & Company	BOC	2,792.1
Town's East of Colombo- Package I (Diyagama and Padukka Balance Area)	Access Engineering PLC	BOC	5,170.0
Bentota WSP	K.D.A.Weerasinghe & Co (Pvt) Ltd	NSB	1,239.5

Water Supply Projects (WSP)	Contractor	Bank	Cost
Ruhunupura Distribution WSP	K.D.A.Weerasinghe & Company (pvt) Ltd	Commercial Bank	1,929.6
Ampara Distribution Network WSP	Sunpower Construction (pvt) Ltd	NDB, BOC and DFCC	6,848.1
Implementation of 22 Water Supply Projects for the enhancement of Piped Water Supply Service Coverage by the NWS&DB	National Water Supply and Drainage Board	BOC	3,499.0
Laggala Water Supply Project	Hovael, CML-MTD Joint Venture	HNB	4,495.9
Wilgamuwa Water Supply Project	Hovael, CML-MTD Joint Venture	HNB, NDB	3,580.4
Town's East of Colombo- Package III - Supply and laying of HDPE/DI pipes for distribution network in Homagama, Padukka and Seethawaka DS areas	Sierra Construction (Pvt) Ltd	BOC	10,049.4
Uragasmanhandiya, Gonapinuwala, Dikkumbura, Weligama WSP	Squire Mech Engineering (Pvt) Ltd	BOC, People's Bank	1,754.8
Town East of Colombo District WSP Package II	Maga Engineering Ltd	BOC	4,823.0
Galagedara/ Mawathagama WSP	Maga Engineering (pvt) Ltd	DFCC	3,126.2
Kosgama, Avissawella Integrated WSP	International Construction Consortium (pvt) Ltd	BOC	1,382.4
Medirigiriya Water Supply Project	Sanken Construction (Pvt) Ltd	BOC	1,500.0
Ettampitiya Water Supply Project	Tudawe Brothers (Pvt) Ltd.	People's Bank	2,243.9
Kundasale - Haragama Integrated Water Supply Project	Pratibha Industries Limited	BOC	3,378.0
Matara Stage IV Water Supply Project	Kolon-Samsung C&T JV	NDB	Rupees equivalent to USD 76.8 million + LKR 2,448.8 million
Aluthgama, Mathugama and Agalawatta Integrated WSP	Ion Exchange India Limited	BOC	Rupees equivalent to USD 29.1
Polgahawela, Pothuhera, Alawwa Integrated Water Supply Project	Va Tech Wabag Limited	BOC	Rupees equivalent to USD 16.2

Source: DFCC, People's Bank, BOC, NDB, HNB, Commercial Bank, NSB

Majority of these Water supply projects have been financed by local banks with an interest of Average Weighted Prime Lending Rate (AWPLR) plus 2.25 percent margin with tenure of 14

and ½ years with a 2 and ½ years grace period. Some of these projects covered the areas vulnerable to chronic kidney diseases (CKD).

Domestic Borrowings by SOEs for Infrastructure Development Projects

Name of SOE	Bank	Commitment as at 31.12.2016 (Rs. Billion)	Total disbursement as at 31.12.2016 (Rs. Billion)
Road Development Authority (RDA)- Priority Road Development Projects	BOC	36.7	33.9
	Peoples Bank	14.6	15.3
	NSB	55.4	54.8
	HNB	28.3	23.9
	Commercial Bank of Sri Lanka	7.2	6.9
	DFCC	1.3	1.3
	NDB	8.5	6.9
RDA- Colombo Katunayake Expressway Project	People's Bank	USD 44.7 million	USD 43.6 million
RDA- Outer Circular Highway Project (Financing of consultancy services for construction supervision)	Bank of Ceylon	1.8	0.5
Sri Lanka Land Reclamation and Development Corporation- Weras Ganga Storm Water Drainage and Environment project	NSB	14.2	2.8
National Water Supply and Drainage Board	NSB, BOC, P/B, HNB, NDB, Commercial	Rs.60.2 Billion + Rupees equivalent to USD 122.1 million	20.8
National School of Business Management(NSBM)- Construction of Proposed university Complex of National school of Business Management Limited (NSBM) at Homagama	BOC	8.6	7.9
Kotalawala Defence University (KDU)-	NSB	USD 201.6 million	Rs. 3.2 Billion (USD 129.6 million)
Ceylon Shipping Corporation Ltd-purchase of 2 Ships (02 Panamax Bulklers)	People's Bank	USD 80.0 million	USD 75.4 million
Ministry of Higher Education - relocate and develop the Institute of Technology at University of Moratuwa	Commercial, HNB	10.3	8.2

Source: DFCC, People's Bank, BOC, NDB, HNB, Commercial Bank, NSB

Foreign Currency Term Loan Facilities from International Markets

Cabinet Subcommittee on Economic Affairs at its meeting held on 19.05.2015 instructed the Ministry of Policy Planning, Economic Affairs, Child Youth and Cultural Affairs to raise a Foreign Currency Term Loan Facility for the purpose of meeting corresponding import elements of External Funded Projects. Further, the committee instructed to call request for proposals from major International Banks who are willing to lend at lower interest rates.

Accordingly, this division with the support of the cabinet appointed Steering Committee and Technical Evaluation Committee worked for the success of the Foreign Currency Term Financing Facility and raised USD 700 million successfully in two tranches in July (first tranche USD 300 million) and September (Syndication USD 400 million) within the approved borrowing limits for 2016. (Cabinet of Ministers granted approval to raise up to a USD 1000 million through the foreign currency term Financing Facility in 2016.)

The cost of borrowing of this facility was 6 Month USD LIBOR plus margin of 2.50 percent p.a., interest Rate, Upfront fee of 1.65 percent and Agency fee of USD 19,000 p.a. As this is a Syndicated loan a consortium of 5 international banks including Citigroup Global Markets Asia Limited, Credit Suisse AG Singapore Branch, Emirates NBD Capital Limited, The Hongkong and Shanghai Banking Corporation Limited and Mashreqbank PSC appointed as Mandated Lead Arrangers and Book runners (MLABs). The process was quite complicated given that the government had to procedure laid down for executing such transactions. As such, Capital Market Division was engaged in formulating a procedure that was transparent, efficient and effective and was acceptable to the stakeholders.

At the end, this division was managed to successfully raise USD 700 million and this transaction was awarded the best syndicate transaction for 2016 in South Asia by a leading International Bank.

Monitoring Domestic Debt Capital Market and Facilitating SL 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, 2012, 2014, 2015 and 2016.

During the year 2016 International Sovereign Bonds (ISBs) worth of USD 500 million and USD 1,000 million in July 2016 were issued. The Two bonds were priced at 5.750 percent and 6.825 percent at par value with a tenure of 5.5 years and 10 years respectively.

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 31.12.2016	Yield as at 31.12.2016 (%)
SL'19	06/01/2014	B1/B+/B+	1,000.0	6.000	5	14/01/19	102.63	4.62
SL'19	07/04/2014	B1/B+/B+	500.0	5.125	5	11/04/19	100.73	4.78
SL'20	30/10/2010	B1/B+/B+	1,000.0	6.250	10	04/10/20	102.54	5.49

Name	Date of Issuance	Ratings (Moody's/S&P/Fitch)	Amount (USD million)	Coupon Rate (%)	Tenure (Years)	Maturity Date	Price As at 31.12.2016	Yield as at 31.12.2016 (%)
SL'21	27/07/2011	B1/B+/B+	1,000.0	6.250	10	27/07/21	101.36	5.96
SL'22	25/07/2012	B1/B+/B+	1,000.0	5.875	10	25/07/22	98.26	6.25
SL'22	11/07/2016	B1/B+/B+	500.0	5.750	5.5	18/01/22	98.46	6.11
SL'25	28/05/2015	B1/B+/B+	650.0	6.125	10	03/06/25	94.24	7.04
SL'25	27/10/2015	B1/B+/B+	1,500.0	6.850	10	03/11/25	98.67	7.05
SL'26	11/07/2016	B1/B+/B+	1,000.0	6.825	10	18/07/26	98.17	7.09

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

Details of Sri Lankan Corporates' International Bond issuances

Name	Date of Issuance	Ratings*	Amount (USD million)	Coupon Rate (%)	Tenure (Years)	Maturity Date	Price As at 31.12.2016	Yield as at 31.12.2016 (%)
BoC'17	03/05/2012	B1/--/B+	500	6.875	05	03/05/17	100.75	4.54
BoC'18	16/04/2013	--/--/B+	500	5.325	05	16/04/18	100.38	5.02
NSB'18	18/09/2013	--/B+/B+	750	8.875	05	18/09/18	105.63	5.38
DFCC'18	31/10/2013	--/B/B+	100	9.625	05	31/10/18	-	-
NSB'19	10/09/2014	--/B+/B+	250	5.150	05	10/09/19	98.50	5.76
Airlines	23/06/2014	--/B+/B+	175	5.300	05	23/06/19	98.13	6.12

Source: Barclays Bank

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 National Policies and Economic Affairs and Hon. Minister of Finance 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 2016

- Recorded 56 new commitments in the debt management database (CS-DRMS) with regard to the year 2016 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 2016
- Prepared and published a list of loan/grant agreements with terms and conditions for the new loan commitments during 2016
- 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 2016
- 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 4 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 4 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 Statement articulated by the Government of Sri Lanka.

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

- Coordination with line Ministries and relevant sector heads of the Department of External Resources 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
- Maintain up-to-date project concept database
- Preparation and maintenance of updated project pipeline which are to be implemented with foreign assistance
- Preparation of Performance Report of the Department
- Providing inputs for the Ministry of National Policies and Economic Affairs Reports
- 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 the Ministry of National Policies and Economic Affairs
- Compiling and preparing Foreign Financing Budget Estimates for the ongoing and new project proposals for the year 2017
- Taking appropriate actions for various requests made by the outside agencies which referred to the Secretary to the Treasury, Secretary to the Ministry of National Policies and Economic Affairs and DG/ERD regarding foreign financing
- Completion of required economic analytical reports and data relevant to foreign financing in Sri Lanka on time and at a satisfactory level requested by higher authorities
- Coordination of foreign aid meetings and development forums

Performance of the Year 2016

- Studied 135 project proposals received from the line Ministries
- Submission of 79 project proposals cleared by the Department of National Planning to the development partner desks to obtain foreign finance
- Maintained up-to-date project concept database
- Updated project pipeline which are to be implemented with foreign assistance

- Prepared and published of Annual Performance Report for the year 2015
- Coordinating of submission of Department of External Resources Chapter for the publication of the Ministry of National Policies and Economic Affairs "Progress Report 2016"
- Studied 10 Cabinet Memorandums submitted by the line Ministries and prepared 04 observations and 06 comments to the relevant department of the Ministry of Finance
- Compiled and prepared Foreign Financing Budget Estimates for the ongoing and new project proposals for the year 2017
- Taken timely and appropriate actions for various requests made by the outside agencies which referred to the Secretary to the Treasury, Secretary to the Ministry of National Policies and Economic Affairs and DG/ERD regarding foreign financing
- Prepared and compiled various economic analytical reports and data relevant to foreign financing on time required by higher authorities
- Coordinated of foreign aid meetings

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 2016 is given in following tables.

Personnel Emoluments

	Rs.
Original Provision	61,400,000
Add:	
Supplementary Provision	7,730,000
Transfers under F.R.66 & F.R.69	-
Less:	
Transfers under F.R.66	-
Total Provision	69,130,000
Expenditure during the year	67,461,351

Other Recurrent Expenditure

	Rs.
Original Provision	281,380,000
Add:	
Supplementary Provision	1,900,000
Transfers under F.R.66 & F.R.69	8,350,000
Less:	
Transfers under F.R.66	9,375,000
Total Provision	282,255,000
Expenditure during the year	151,059,796

Capital Expenditure

	Rs.
Original Provision	2,183,430,000
Add:	
Supplementary Provision	250,000,000
Transfers under F.R.66 & F.R.69	1,700,000
Less:	
Transfers under F.R.66	675,000
Total Provision	2,434,455,000
Expenditure during the year	2,344,136,807

Summary of Utilization of Budgetary Provision

Description of Expenditure	2016 Estimates	2016 Net Provision	2016 Actual	
	Rs.	Rs.	Expenditure	Rs.
Recurrent Expenditure	342,780,000	351,385,000	218,521,147	
Capital Expenditure	2,183,430,000	2,434,455,000	2,344,136,807	
Total	2,526,210,000	2,785,840,000	2,562,657,954	

Advance Account of Public Servants

The details of the Advance Account of the Public Servants of this department for the year 2016 are given below.

Description	Approved Limit	Actual Expenditure
	Rs.	Rs.
Maximum limit of expenditure	5,000,000	4,735,403
Minimum limit of receipts	3,000,000	3,782,204
Maximum limit of debit balance	27,000,000	19,570,402

Auditor General's Queries

During the year, 08 audit queries from the Auditor Generals Department were received and all the queries were answered.

Appropriation Account 2016

The Appropriation Account for the year 2016 was submitted to the Auditor General on 29th March 2017.

List of Foreign Financing Loan Agreements Signed during January-December, 2016 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 year (including grace period)
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type	Rate					
France	2016/06/01	Implementation of Sanitation Hygiene Initiative for Towns Project - Phase I	EUR	76.0	12,333.8	84.5	Variable	EURIBOR 6 months	1.31	N/A	Appraisal fee 0.5%	7	25
Japan	2016/10/10	Development Policy Loan (Private Sector Development, Governance Improvement and Fiscal Consolidation)	JPY	10,000.0	14,264.0	97.1	Fixed	1.40	N/A	N/A	Front end fee 0.1%)	7	25
	2016/11/17	Anuradhapura North Water Supply Project (Phase 2)	JPY	23,137.0	31,346.0	212.2	Fixed	1.40	N/A	N/A	N/A	7	25
Kuwait	2016/03/16	Building Complex for The Faculty of Healthcare	KWD	10.0	4,801.4	33.4	Fixed	1.00	N/A	N/A	Service fee 0.05%	5	25

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 year (including grace period)
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type	Rate					
		Sciences, Eastern University, Sri Lanka Project											
Spain	2016/02/16	Implementation of Anamaduwa Integrated Water Supply Project	EUR	29.5	4,743.1	32.9	Fixed	0.15	N/A	N/A	Availability Commission 0.10 % , Management Commission 0.05%	5	40
Bilateral - Commercial Loans													
Citicorp International Limited Singapore	2016/06/27	Foreign Currency Term Financing Facility	USD	300.0	43,575.0	300.0	Variable	LIBOR 6 months for USD	2.50	N/A	N/A	1	3
	2016/08/15	Foreign Currency Term Financing Facility (Enhancement)	USD	400.0	58,200.0	400.0	Variable	LIBOR 6 months for USD	2.50	N/A	N/A	1	3
International Bond Issues	2016/07/18	International Sovereign Bond	USD	1,000.0	145,250.0	1,000.0	Fixed	6.83	N/A	N/A	N/A	10	10

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 year (including grace period)
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type	Rate					
		2016 - USD 1000 million											
	2016/07/18	International Sovereign Bonds 2016 - USD 500 million	USD	500.0	72,625.0	500.0	Fixed	5.75	N/A	N/A	N/A	6	6
Bilateral - Export Credit Facilities													
Agence Francaise De Developpement (France)	2016/12/01	Implementation of Anuradhapura Integrated Urban Development Project	EUR	52.0	8,150.0	55.1	To be selected by GOSL upon starting of disbursements		0.5 %	Appraisal Fee 0.5%		7	20
Calyon Credit Agricole CIB (France)	2016/04/25	Implementation of Greater Matale Water Supply Project (Syndicated loan with Natixis, BNP Paribas and Unicredit Bank Austria)	EUR	123.7	20,019.7	139.1	Variable	EURIBOR 6 months	1.70	- 0.75 %	Management Fee 0.1%	3	14

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 year (including grace period)
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type	Rate					
Co-op Centrale Raiffeisen-Boerenleen bank (Netherlands)	2016/02/19	Development of General Hospital Kaluthara	EUR	24.5	3,917.6	27.2	Variable	EURIBOR 6 months	1.50	N/A	N/A	3	13
	2016/12/06	Implementation of Importation of 20,000 Dairy Animals Project (Balance Part-62.86 USD million)	USD	62.9	9,322.3	62.8	Variable	LIBOR 6 months for USD	2.00	0.25 %	Establishment Fee 0.25%	2	8
	2016/12/06	Implementation of Importation of 20,000 Dairy Animals Project (Advance Payment- 11.09 USD million)	USD	11.1	1,645.1	11.1	Fixed	5.00	N/A	N/A	N/A	3	4

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 year (including grace period)
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type	Rate					
RAIFFEISEN ZENTRAL BANK (Austria)	2016/01/13	Implementation of the Kochchikade Bridge	EUR	8.7	1,353.0	9.4	Interest free		0.45 %	Management Fee 0.45 % , Guarantee fee of EURO 11,962.50 , Guarantee margin 1%	9	17	
The Export-Import Bank of China (China)	2016/04/07	Construction of Extension of Southern Expressway, Section 2 from Beliatta to Wetiya Project	USD	360.3	51,846.3	360.2	Fixed	2.00	N/A	-0.25 %	Management Fee 0.25%	5	20
Multilateral													
Asian Development Bank	2016/02/23	Small and Medium-Sized Enterprises Line of Credit	USD	100.0	14,391.9	100.0	Variable	LIBOR 6 months for USD	0.15	0.15 %	N/A	10	13

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 year (including grace period)	
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type						Rate
	2016/08/11	Grater Colombo Water and Wastewater Management improvement programme - Project 3	SDR	3.6	727.0	4.9	Fixed	2.00	N/A	N/A	N/A	5	24
	2016/08/11	Grater Colombo Water and Wastewater Management Improvement Investment Programme - Project 3 (OCR)	USD	123.0	17,908.8	123.0	Variable	LIBOR 6 months for USD	0.15	0.15 %	N/A	5	25
	2016/10/28	Technical Assistance Loan Agreement - (Transport Project Preparatory Facility)	SDR	17.5	3,548.0	24.1	Fixed	2.00	N/A	N/A	N/A	5	25
	2016/11/02	Local Government Enhancement	SDR	43.3	8,794.3	59.6	Fixed	2.00	N/A	N/A	N/A	5	25

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 year (including grace period)
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type	Rate					
		Sector Project - Additional Financing											
	2016/11/24	Capital Market Development Program	USD	250.0	36,987.0	250.0	Variable	LIBOR 6 months for USD	0.15	0.15 %	N/A	3	15
International Fund for Agricultural Development	2016/04/26	Sri Lanka Smallholder Tea and Rubber Revitalization Project	SDR	18.4	3,740.3	25.9	Fixed	1.25	N/A	N/A	Service fee 0.75%	5	25
International Development Association	2016/07/20	Additional Financing for Strategic Cities Development Project	SDR	39.9	8,106.9	55.8	Fixed	1.25	N/A	N/A	Service fee 0.5%	5	25
	2016/09/05	Additional Financing for Climate Resilience Improvement Project	SDR	30.5	6,193.9	42.6	Fixed	1.25	N/A	N/A	Service fee 0.5%	5	25
	2016/09/05	Ecosystem Conservation and	SDR	32.6	6,620.4	45.5	Fixed	1.25	N/A	N/A	Service fee 0.75%	5	25

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 year (including grace period)	
			Currency	Original Amount Million	Rs. Million	USD Million	Interest Type						Rate
		Management Project											
	2016/09/05	Competitiveness Transparency and Fiscal Sustainability Development Policy Financing	USD	100.0	14,549.1	100.0	Fixed	3.67	N/A	N/A	N/A	8	27
Total						4,265.3							

Note : Exchange rates prevailed to each agreement signing date have been used to convert loan amount into USD and Sri Lanka Rupee equivalent in this report

LIBOR = London Interbank Offer Rate

EURIBOR = Euro Interbank Offer Rate

N/A = Not Applicable

List of Foreign Grant Agreements Signed during January - December, 2016

Development Partner	Agreement Date	Project	Amount committed			
			Currency	Amount Million	Rupees Million	USD Million
Bilateral						
Canada	2016/03/03	Uniterra 2015 - 2020 Volunteer Cooperation Program	CAD	2.8	298.5	2.1
France	2016/03/16	Implementation of Sanitation Hygiene Initiative for Towns Project - Phase I	EUR	5.7	910.6	6.3
India	2016/02/05	Construction of a surgical unit and Supply of Medical Equipment at Teaching Hospital Betticaloa	LKR	275.0	275.0	1.9
	2016/02/05	Renovation of 27 Schools in Northern Province Sri Lanka	LKR	250.0	250.0	1.7
Japan	2016/07/04	The Project for Human Resource Development Scholarship	JPY	231.0	326.8	2.3
	2016/05/18	The Project for the Establishment of Research and Training complex at the Faculty of Agriculture, University of Jaffna	JPY	1,667.0	2,225.1	15.3
	2016/06/30	The Project for the Maritime Safety Capability Improvement	JPY	1,830.0	2,588.0	17.8
	2016/09/13	The Project for the Improvement of TV Programmes of Sri Lanka Rupavahini Corporation	JPY	52.6	75.2	0.5
South Korea	2016/10/06	Matara District Maternal and Newborn health Care Strengthening Project	USD	8.5	1,247.4	8.5
Germany	2016/07/25	Technical Cooperation	EUR	13.0	2,077.7	14.3
China	2016/04/07	Provide Eight Kidney Disease Mobile Screening Vehicles	CNY	15.0	333.3	2.3
	2016/04/07	Economic and Technical Cooperation	CNY	500.0	11,111.5	77.2
Multilateral						
Asian Development Bank	2016/06/13	Sri Lanka Flood and Landslide Disaster Response	USD	2.0	290.0	2.0
	2016/12/09	Technical Assistance for Developing Capital Market	USD	2.0	297.4	2.0
	2016/09/21	Technical Assistance for National Port Mast	USD	1.5	218.7	1.5
	2016/06/02	Technical Assistance for Preparing the Capital Market Development Program	USD	0.5	73.0	0.5

Development Partner	Agreement Date	Project	Amount committed			
			Currency	Amount Million	Rupees Million	USD Million
	2016/05/23	Technical Assistance for Mobilizing Finance for Sri Lanka	USD	0.5	72.9	0.5
	2016/02/17	Technical Assistance for Enhancing Access to Finance for Small and Medium - Sized Enterprises	USD	2.0	287.8	2.0
	2016/01/21	PPTA - Colombo Suburban Railway Project (TA 9021 - SRI)	USD	1.0	143.9	1.0
	2016/12/19	Supporting Electricity Supply Rehabilitatee Improvement Project	USD	1.8	268.4	1.8
	2016/12/19	Supporting Electricity Supply Reliability Improvement Project	USD	2.0	298.2	2.0
European Community	2016/02/16	Support to Integrated Rural Development in the Most Vulnerable Districts of Central and Uva Provinces in Sri Lanka	EUR	30.0	4,823.2	33.5
	2016/03/16	Trade Related Assistance in Sri Lanka	EUR	8.0	1,278.0	8.9
Food and Agriculture Organization	2016/03/02	Strengthening the e-agriculture environment and developing ICT-mediated agricultural solutions for countries in Asia-Pacific	USD	0.0	6.5	0.0
	2016/03/18	Rehabilitation of degraded agricultural lands in Kandy, Badulla and Nuwara Eliya districts of the Central Highlands	USD	1.3	193.5	1.3
International Bank for Reconstruction and Development	2016/03/24	Trust Fund for Statistical Capacity Building Improving Poverty Estimation Project (IBRD/IDA Blended)	USD	0.2	23.0	0.2
International Development Association	2016/08/18	AusAid, DFAT+IDA Grant Transforming the School Education System as the Foundation of Knowledge Hub Project (Enhancement)	USD	11.6	1,682.9	11.6
World Food Programme	2016/07/05	Emergency Operation (EMOP)	USD	1.8	261.4	1.8
	2016/01/01	Country programme action plan 2016-2017(CPAP)	USD	19.7	2,839.0	19.7
Total						240.5

Note: 1. Exchange rates prevailed to each agreement signing date have been used to convert loan amount into USD and Sri Lanka Rupee equivalent in this report