

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2000-2002)**

**SRI LANKA**

**December 1999**

## FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for Sri Lanka covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of Sri Lanka, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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## CURRENCY EQUIVALENTS

(As of 30 November 1999)

Currency Unit	-	Sri Lanka Rupee (SLRs)
SLRs 1.00	=	\$ 0.0139
\$ 1.00	=	SLRs 71.90

The exchange rate of the Rupee is determined under a system of managed float against the currencies of Sri Lanka's major trading partners.

## ABBREVIATIONS

ADB	Asian Development Bank
ADF	Asian Development Fund
BIMSTIC	Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation
BOO	build-own-operate
BOT	build-operate-transfer
CATB	Cabinet Appointed Tender Boards
CEB	Ceylon Electricity Board
COS	Country Operational Strategy
CPCM	Country Program Confirmation Mission
CPRM	Country Program Review Mission
DMC	developing member countries
ERD	External Resources Department of MOFP
ESW	economic and sector work
GDP	gross domestic product
GNP	gross national product
GOSL	Government of Sri Lanka
ILO	International Labor Organization
IRDP	Integrated Rural Development Project
IRO-ARC	Indian Ocean Rim Association for Regional Cooperation
JICA	Japan International Cooperation Agency
LCF	local currency financing
MOFP	Ministry of Finance and Planning
NDC	National Development Council
OCR	Ordinary Capital Resources
OECF	Overseas Economic Cooperation Fund of Japan
O&M	operation and maintenance
OPEC	Organization of Petroleum Exporting Countries
PERC	Public Enterprise Reform Commission
PMU	Project Management Unit
PPRM	Project Performance Review Meeting
PSB	Procurement Support Bureau
QEQ	Queen Elizabeth Quay at Colombo Port
REAP	Regional Economic Advancement Program
SAARC	South Asian Association for Regional Cooperation
SACEP	South Asian Cooperation on Environment Programme
SLRM	Sri Lanka Resident Mission
TEC	Technical Evaluation Committee
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

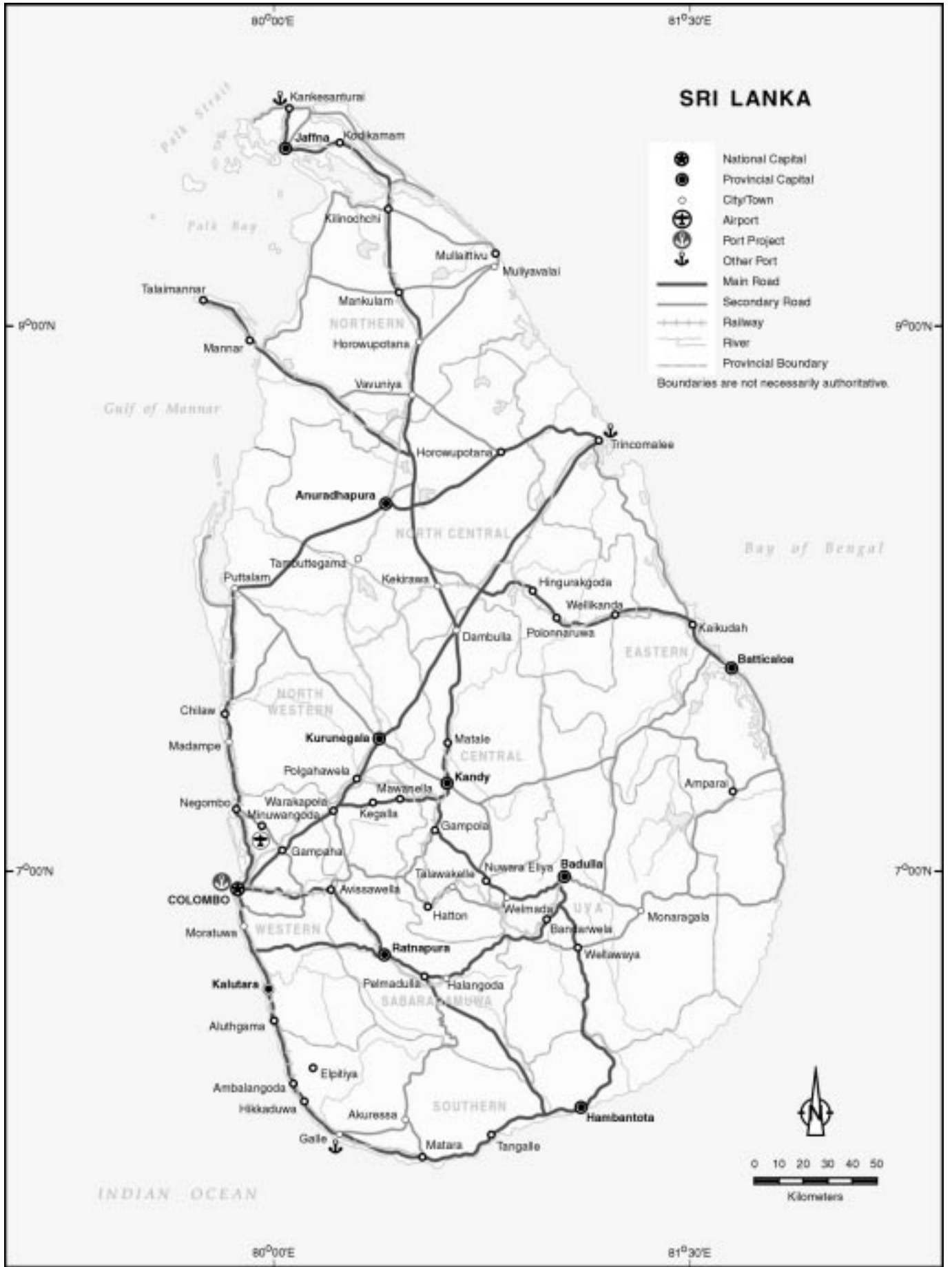
## NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollar.

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## APPENDIXES



## SRI LANKA

### I. Country Performance Assessment

#### A. Economic Performance Assessment <sup>1</sup>

1. In recent years, the macroeconomic performance in Sri Lanka has improved, in spite of the impacts of civil conflict in the north and east of the country. The economy has grown at an annual average of about 5.4 percent during the 1990s. However, economic growth slowed in 1998 to 4.7 percent, compared with 6.3 percent in 1997. This is a satisfactory outcome, in view of the economic and political instability in the Asia region during the year. The Asian financial crisis had an effect on Sri Lanka's export market, especially for coconut and rubber products and gems and jewelry because of increased competition and reduced demand for luxury goods from the crisis affected countries. Economic growth during the first quarter of 1999 is estimated to have slowed down to 2.7 percent with a major decline in tea sector growth.

2. In 1998, the budget deficit excluding grants and without privatization proceeds was 9.2 percent of gross domestic product (GDP) compared with 7.9 percent in 1997. The Government continued its privatization program, but obtained only SLRs4.3 billion in divestiture proceeds, which was well below the SLRs21.7 billion collected in 1997. The budget deficit including grants and with privatization proceeds was 8.1 percent of GDP compared with the 4.5 percent achieved in 1997. The widening of the overall fiscal deficit represents a significant reversal of the sound deficit reduction achievements in recent years.

3. The budget deficit increase was the result of increased security expenditures and revenue shortfalls. The civil conflict which continued in 1998 led to higher than normal budget expenditures for security purposes. Total security expenditures, including procurement of security equipment, was estimated to have increased from SLRs47.7 billion (5.4 percent of GDP) in 1997 to a record SLRs56.4 billion (5.6 percent of GDP) in 1998. Although military expenditure was curtailed to 3.7 percent of GDP in the 1999 budget, it may be difficult to achieve this target because of the continuing security problem in the country.

4. Revenue shortfalls were mainly due to lower than expected collection of the newly introduced goods and services tax (GST). Tax collections as a ratio of GDP declined to 14.5 percent in 1998 from 16 percent in 1997. Total revenue declined to 17.3 percent of GDP in 1998 from 18.5 percent in 1997. Higher expenditures in non-defense areas such as salaries and wages and loss of the state-owned enterprises (especially the railway and postal departments) also contributed to the increased deficit.

5. The Government is currently revising the 1999 Budget forecasts and an overall deficit of 7.8 percent (rather than 6 percent which was earlier projected) is envisaged. There is a pressing need to reduce the fiscal deficit to protect balance of payments viability, avoid high inflation and interest rates, and the crowding out of private sector investments as experienced in the early 1990s. This will be a major challenge for the Government, particularly with general elections scheduled to take place by mid-2000. Government's efforts on public service reform and fiscal reforms should be strengthened in the future to further reduce the fiscal deficit level.

6. Inflation remained at about 10 percent in 1998. Unemployment was reduced from over 10 percent in 1997 to about 9 percent in 1998, reflecting continued economic growth and the growth of employment opportunities in the country. Growth in private and foreign savings offset

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<sup>1</sup> Appendix 1 provides information on key economic, social and environmental indicators.

the public dissaving and resulted in a reduction of the national savings-investment gap from about 3 percent of GDP in 1997 to 2.2 percent in 1998.

7. The value of imports increased marginally and import prices declined sharply under depressed world market conditions. Exports recorded a modest growth of 2 percent in contrast to a 13 percent growth in 1997. As a result, the trade and current account deficits were reduced to about 7.4 and 1.8 percent of GDP, respectively, in 1998 from 8.1 and 2.6 percent in 1997.

8. Foreign long-term private capital inflows continued to increase, but there was a net outflow of short-term capital due to regional instability following international sanctions on India and Pakistan after the nuclear testing. Gross official reserves remained at about \$2 billion in 1998, which was equivalent to approximately four months of imports. The debt service ratio remained the same level as in 1997 at about 13.4 percent while the total external debt of the country was estimated at 55.6 percent of GDP at the end of 1998. Government debt and government-guaranteed debt accounted for 82 percent of the total external debt, which was over 45 percent of GDP.

9. Major policy initiatives needed to achieve sustainable growth and macroeconomic stability include public administration reform, pension reform, financial sector reform, and public enterprise reform. Public administration reform, including civil service pension reform, has become more important because of the increasing need for a better equipped public service to perform its role in promoting private sector growth and reduce fiscal deficit. Public administration reform should focus on both improving the management and streamlining the service, to improve the efficiency of the public sector. Pension reform aimed at a sustainable social security system should be a priority. This is not only because of its implications for the fiscal deficit and government savings, but also the generous pension scheme encourages pursuit of public sector employment in preference to private sector employment. External assistance has been made available by several donors for public administration and pension reforms, but only limited progress has been achieved.

10. The Government is actively pursuing financial sector reforms with external assistance, aiming to develop a sector that is large enough to mobilize the required capital, both domestic and foreign, and to allocate it efficiently to its most productive uses. The achievements in 1998 include progress in the development of a long-term debt market by increasing treasury bond issues and mobilizing private resources in the international debt market through the issuing of a 10-year floating rate note. Despite these achievements, the domestic capital market remains small. Traditional fund sources, i.e., the development finance institutions, continue to be the major sources of long-term finance. Limited access to financing, particularly long-term financing, and the high cost of funds in the country hinder private sector activities. The development of market-based financial institutions and instruments through financial market reforms will be important to facilitate private sector expansion.

11. Despite the successful implementation of the privatization program, especially since the Public Enterprise Reform Commission commenced work in 1995, public enterprises still maintain a strong presence in financial services, agriculture, manufacturing, and infrastructure. Public enterprise reforms through private sector participation warrant stronger support in the future. Public enterprise reforms need to be accompanied by vigorous labor market reforms. These should include the determination of labor compensation, the creation of labor retraining and reemployment programs aimed at helping workers displaced during public enterprise reform and the restructuring process, and the establishment of a safety net to make the labor market more flexible.

12. The country's medium-term prospects remain generally sound and annual target of GDP growth of about 4-5 percent appears achievable, provided fiscal discipline and the pace of economic liberalization is maintained. The country has not been significantly affected by the Asian financial crisis, partly because of restrictions on capital movements and also because short-term capital flows had been modest. However, in view of a softening of export prices and increased competition from regional producers, the critical issues are the reorientation of the existing productive structure towards higher value-added sectors and increasing overall productivity.

## **B. Assessment of Socio-Environmental Performance**

### **1. Poverty Issues**

13. Approximately 21 percent of Sri Lanka's population lives in poverty. Despite the high priority that the Government has attached to this issue, poverty levels have not declined significantly during the 1990's. The large-scale social transfer schemes that characterized past efforts in poverty reduction have been replaced with more targeted programs such as the Samurdhi Program, introduced in 1994. However, conclusive results on the development impact of efforts such as Samurdhi are not yet available, making it hard to render definitive judgments on its success thus far. The ongoing civil conflict in the north and east of the country has had a major impact on poverty. Although difficult to accurately quantify, it has substantially disrupted economic activity and over 5 percent of GDP is being used to finance the conflict. In addition, it has led to the displacement of hundreds of thousands of people from their homes and source of livelihood and many thousands of children have lost one or both parents.

14. In 1998 the Government, with the assistance of United Nations Development Programme (UNDP) and the World Bank, initiated a poverty study that aims to develop a framework within which the Government and donor financed poverty reduction efforts would be focused. The study will conclude in February 2000 and the final results will be presented at a workshop. However, the study has already produced some new and valuable information on poverty trends in Sri Lanka. A draft paper, released in February 1999, noted a number of new findings including that: (i) poverty in Sri Lanka has only declined very slightly in recent years, i.e. from 22 percent in 1990/91 to 21 percent in 1995/96; (ii) rural poverty continues to be worse (qualitatively and quantitatively) than urban poverty; (iii) poverty in estate areas (e.g. tea, rubber and coconut plantations) is more closely linked to poor human and social development; (iv) most of the people living in poverty work in low skilled and low paying occupations; and (v) considerable variations in poverty exist at the provincial and district level. In addition to reviewing poverty trends, the draft paper also examined specific sectors including education, health, transportation, rural non-farming populations, small and medium scale industries and small-holder farming. The Government is planning to carry out an integrated household survey in 1999 and the results will be available in late 1999.

15. Another aspect of poverty is the incidence of child labor. The International Labor Organization (ILO) estimates that there are between 250,000 and 500,000 child laborers in Sri Lanka today<sup>2</sup>. The most common forms of child labor are domestic employment (i.e. as servants), involuntary begging on the streets, child prostitution, working in the informal sector, in the gemstones industry and in sectors such as tourism and fishing. It has been estimated

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<sup>2</sup> Background report prepared for the ILO-GOSL Tripartite Meeting on Convention 138. This Convention stipulates that the minimum age for employment should be 15 years.

by the Government and by international organizations such as the ILO and United Nations Children's Fund that there are 30,000 child prostitutes in Sri Lanka. The problem of child labor is especially prevalent in the plantation sector. In 1997, the total resident labor force of the plantation sector was estimated at 305,000 of which 33,000 (or 10 percent) were child laborers below 14 years of age. Overall, 4 percent of children between the ages of 10 and 14 are economically active. By comparison, 14 percent of children work in India, 30 percent in Bangladesh, 45 percent in Nepal and 18 percent in Pakistan.

16. Sri Lanka joined the ILO International Program for the Elimination of Child Labor (IPEC) in 1997, the 21<sup>st</sup> fully participating country to do so. ILO's efforts to eliminate child labor were implemented mainly through the IPEC program. A plan of action for 1998-99 is currently being implemented by the Government. It includes actions in policy, institutional strengthening and awareness raising. One activity is a survey of household child labor in Sri Lanka. The Bureau of Statistics has now completed two rounds but the results will only be published in 2000. The Government has established a Child Protection Authority (1997) which is trying to increase both reporting and awareness of this issue.

## 2. Gender Issues

17. Sri Lanka has relatively favorable indicators on the status of women.<sup>3</sup> Literacy (86 percent) and life expectancy (74 years) are high and the participation rate of women in the labor force has increased from 26 percent in 1971 to 35 percent in 1998. The introduction of free education and health services over 40 years ago made a significant contribution to the improvement in the overall status and well being of women in Sri Lanka. Female participation rates are satisfactory across education levels and compare favorably to that of males, including at the tertiary level, where women account for about 50 percent of university enrollments. However, women's unemployment in 1998 (15 percent) is higher than for men (7 percent). Underemployment for women also remains a serious problem. Health indicators are generally good, although the incidence of preventable diseases usually associated with poverty such as diarrhea, dysentery, respiratory diseases and malaria remain relatively high. An emerging concern for women is the general aging of the population and the related health and socioeconomic implications. This issue is particularly significant for women since they constitute a growing proportion of the aging population. Sri Lanka ranks 70<sup>th</sup> out of 146 countries (1998) on the UNDP gender development index. Despite this sound level of achievement, scope exists for the ADB to direct more attention to addressing key gender issues at the project design stage. Both the **Skills Development Project**<sup>4</sup> and the **Upper Secondary Education Development Project** (2001) will include components that address the specific education and training needs of women.

## 3. Human Development

18. Human development achievements in Sri Lanka have been impressive, considering the country's relatively low per capita income. Life expectancy (72 years) is higher than in most developing countries and infant mortality (16 per 1,000 live births) is relatively low. The population growth rate is about 1.3 percent per annum. According to the 1998 UNDP Human Development Report, Sri Lanka is ranked 90<sup>th</sup> among 174 countries in the world on the Human Development Index. Sri Lanka's social indicators have generally shown steady improvement during the 1990s. (See Appendix 1 for details). Noteworthy among these indicators is the improvement in the maternal mortality rate which declined from 80 to 30 per 100,000 live

<sup>3</sup> The Bank's Gender Profile for Sri Lanka has been finalized and will be published in 1999.

<sup>4</sup> Loan 1707-SRI: *Skills Development Project*, for \$18.8 million, approved on 28 October 1999.

births. Another significant achievement in this period was the increased access by the rural population to both safe water (from 29 percent to 49 percent) and sanitation (from 39 percent to 60 percent). Throughout the 1990s annual public health expenditure has remained fairly constant at about 1.7 percent of GDP. However, anecdotal evidence indicates that the quality and efficiency of health care delivery may have declined. Recent data indicates that the incidence of malaria has increased and there has also been a slight worsening (from 37 to 38 percent) in the rate of malnutrition in children under the age of five years. Under RETA 5671,<sup>5</sup> a study on child nutrition in Sri Lanka was completed in 1998.

19. Sri Lanka also has an enviable record in the equitable provision of basic education and this is in part reflected in the country's high literacy rate (90 percent) and high gross enrolment rates for primary and secondary education (101 percent and 70 percent, respectively). In contrast, however, the gross enrolment rate for higher education is only 3 percent, compared with an average in Asia of 7-8 percent. Despite annual public education expenditure remaining fairly constant at about 3 percent of GDP throughout the 1990s, concerns have recently been expressed about the quality and efficiency of the education system and its relevance to the future labor requirements of the country. For instance, at the senior secondary level the student dropout rate is 33 percent while the student repetition rates are about 40 percent at O level and 67 percent at A level. The Government is currently examining these matters.

#### **4. Environment**

20. Land degradation, deforestation, depletion of water, marine and coastal resources, loss of biodiversity and pollution associated with industrial and domestic activities, remain the most significant environmental problems faced by the country. The Ministry of Forestry and Environment has estimated that the annual damage caused to the environment is equivalent to about 2.4 percent of GDP. Although substantial effort has been placed on reforestation, the annual rate of deforestation between 1990-1995 was about 1.1 percent. In terms of the diverse varieties of species, Sri Lanka has greater biodiversity per unit area than many other Asian countries. This resource is, however, under severe threat due to the impact of deforestation, damage to coral reefs and the impact of urbanization and industrialization. Many species are seriously endangered. Coastal erosion is a particularly serious environmental concern in the western and southern regions, which are affected by the southwest monsoons. However, the adverse impact of the monsoons has increased over time because of the damage to the coral reefs and coastal vegetation caused by humans. In recent years, there has also been more intensive exploitation of the resources in this area because of the reduced access to the northern and eastern coastlines due to the civil conflict. In this context, the ADB will explore opportunities to assist the Government to develop environmentally sound industrial development policies and plans. In particular, the ADB may consider assistance to Sri Lanka for promoting cleaner production policies and projects.

21. Water resources play a significant role in stimulating economic growth, particularly in irrigated agriculture, hydropower generation and tourism development. Due to deforestation, the hydrological function in the catchment areas has declined and this has diminished the base flow of rivers and streams. The reduced quantity of water is compounded by the contamination of water resources due to agriculture, industrial and urban activities. As a result of increased competition among users, Sri Lanka is now beginning to encounter water shortages. It is an important example of how environmental problems, if left unchecked, pose a serious threat to the pace and direction of the country's development and to the quality of life of the population.

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<sup>5</sup> RETA 5671: *Reducing Child Malnutrition in Eight Asian Countries*, for \$750,000, approved on 29 January 1996.

### C. Governance: Sound Development Management

22. The structural and management weaknesses in the public administration system are beginning to reach levels where they are a constraint on development and reform is needed. There is a broad consensus on the measures required to improve public sector performance, including streamlining the central government institutions and agencies; downsizing of institutions; restoration of professionalism to the civil service; and ensuring that clear responsibilities, authority and resources are available to the provincial councils and local government authorities. Despite the weaknesses in the public administration system there remains a reasonable amount of accountability, transparency and predictability in the functioning of government. On assuming office in 1994, the current Government took a strong stance against public sector corruption, establishing a Permanent Commission for the Prevention of Bribery and Corruption and appointing a Special Presidential Commission to inquire into Malpractices and Irregularities in Public Bodies. The former had investigated about 6,000 cases for prosecution between 1995 and 1997. However, in the last two years, legal disputation and resource constraints have limited the Commission's capacity to carry out its mandate.

### D. Implementation Assessment

#### 1. The Portfolio

23. ADB operations commenced in Sri Lanka in 1968 and since then 85 loans (79 ADF and 6 OCR), amounting to about \$2.2 billion have been approved by the ADB. The first six loans were from OCR resources, but commencing in 1969 all public sector loans have been provided from ADF resources. The sectoral distribution of the lending program has been agriculture 38 percent, social infrastructure 20 percent, finance and industry 15 percent, energy 12 percent, and transport and communications about 14 percent. The ADB has also provided \$55.7 million for 162 TA projects, of which 94 were advisory and 68 for project preparation. The main sectors that have received TAs are agriculture and natural resources (42 percent), social infrastructure (20 percent), transport and communications (14 percent) and finance and industry (8 percent).

24. As of 31 December 1998, 25 ADB loans were under administration with total loan commitments of \$945.4 million and with net undisbursed funds of \$569 million (60 percent of the portfolio). The sectoral distribution of the ongoing loans is social infrastructure 33 percent, agriculture and natural resources 28 percent, transport 17 percent, finance and industry 12 percent, energy 10 percent. Appendix 2 provides details of the ongoing loans.

#### 2. Issues in Project Implementation

25. In the last three years (1996-1998) Sri Lanka's portfolio disbursement ratio has been among the best of all DMCs. In these three years the respective performance compared to the ADF ADB-wide average was — 24.2 percent, 20.8 percent and 25 percent, compared to 17.4 percent, 18.6 percent and 19.8 percent, respectively, ADB-wide. As of 31 December 1998, the implementation progress of two loans are partially satisfactory (**Second Power System Expansion (Sector) Project and Third Road Improvement Project**). However, it is estimated that up to one-third of the undisbursed loan funds are a result of previous delays in project implementation. The delays, which have been evident across most of the portfolio, were mainly caused by cumbersome and time consuming contracting and procurement rules and

procedures as well as non-compliance with some major financial loan covenants. Some sectors were affected by: (i) delays in timely action by the technical evaluation committees (TEC); (ii) poor quality of TEC reports; and (iii) delays in final clearance by the Cabinet Appointed Tender Boards (CATB).

26. Poor performance has also been observed in respect of recruitment of consultants. Delays in recruitment of consultants for the ongoing projects were over ten months, which is 65 percent of the active projects. These delays affected the start up operations and subsequently the completion of the projects. Another major delay in project implementation has been identified in setting up Project Management Units (PMUs). About 25 percent failed to establish PMUs even six months after approval of projects.

27. The Government, with ADB's technical assistance, has initiated measures to enhance and accelerate procurement and to remove other impediments to sound project implementation.<sup>6</sup> One of the key actions taken was the recent establishment of the Procurement Support Bureau (PSB). The Bureau's purpose is to speed up Government contracting and procurement, and to strengthen the capacity of the tender boards and tender evaluation committees to efficiently carry out this task.

28. In 1997 an ADB TA assisted in the preparation of an Action Plan for improved management of the portfolio.<sup>7</sup> The Action Plan was prepared in order to address generic and project specific implementation weaknesses in the Bank's loan portfolio. By the end of 1998, with the assistance of the Forum of ADB Project Directors and Sri Lanka Resident Mission (SLRM), the Government had made substantial progress in addressing the matters identified in the Action Plan. Of the 51 items listed in the Action Plan, 42 had been substantially completed. A detailed review and updating of the Action Plan was jointly undertaken by the Government and SLRM during the Country Portfolio Review Mission (CPRM) in August 1999.

29. The improvements in the portfolio performance, particularly over the last two years, is a reflection of the more intensive contact between the Government and the ADB on project implementation matters since the SLRM was established in October 1997. In this period, quarterly Project Performance Review Meetings (PPRM) have been undertaken by the Government and SLRM staff and they have also initiated special project review meetings when required. The August 1999 CPRM concluded that there had been clear evidence of improved portfolio performance, but that the extent of the improvements are not fully reflected in the statistical analysis because of the overhang of past delays and other portfolio weaknesses.

30. Out of the 28 projects that have been post-evaluated to-date, 43 percent were generally successful, 46 percent were partially successful and 11 percent unsuccessful compared to bank-wide averages of 53 percent, 41 percent and 6 percent, respectively. In 1997, the Bank's Operations Evaluation Office undertook a study of post-evaluation findings for Sri Lanka. The main conclusions were that: (i) project outcomes are highly influenced by economic policy and therefore the policy environment needs to be carefully assessed during project formulation; (ii) projects that involve new design options and technological changes would benefit from a pilot testing approach; (iii) the performance of the ADB's projects often depend on the capability of the executing agencies; and (iv) beneficiary involvement during project preparation and implementation is critical to project success.

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<sup>6</sup> TA 2433-SRI: *SSTA for Improvement of Contract Approval and Implementation Procedures*, for \$100,000, approved on 25 October 1995.

<sup>7</sup> TA 2745-SRI: *SSTA for Improvement of Project Implementation in Sri Lanka*, for \$45,000, approved on 7 January 1997.

## II. Country Operational Strategy <sup>8</sup>

31. A new COS for Sri Lanka was finalized in March 1999. The strategy aims to assist Sri Lanka reduce poverty and achieve a sustainably higher level of economic growth by supporting: (i) policy and institutional reforms to promote private sector development and improved public sector management; (ii) human development to address the gap in marketable skills and thereby improve employment and income levels; (iii) enhancement of the country's infrastructure endowment through public and private investment; (iv) preservation of the country's natural resource base; and (v) measures to mitigate the social and environmental impact of the transition to a higher growth path. Although it is only the first year of the new COS, some significant steps have been taken towards achievement of the stated strategic objectives as the ADB's operations in 1998 and 1999 were already moving in these directions.

32. The strategy assumes that ADB operations will be geographically located away from areas directly affected by the civil conflict. However, flexibility will be allowed to enable rapid extension of ADB activities to those areas, if peace is achieved.

33. Expansion of the role of the private sector in the economy is a fundamental concern. The ADB's dialogue with the Government across all sectors has consistently emphasized the need to harness the resources and potential efficiency gains by opening up the economy to greater private participation. As noted in Chapter I, the public sector does not currently have the necessary resources or capacity to address the major development challenges facing the country. The Government has recognized this situation and constructive measures have been taken in recent years to increase the scope and depth of private participation in the economy. In the area of privatization, significant progress has been achieved in several sectors, including agriculture (plantation privatization), telecommunications (partial privatization of Sri Lanka Telecom) and aviation (partial privatization of Air Lanka). A private build-operate-transfer (BOT) operation, in which the ADB participates, has been introduced in the Colombo Port, as a first step in the future expansion of private sector operations in the sector. In addition, build-own-operate (BOO)/BOT operations have already been undertaken (Asia Power) and BOT operations are currently being developed (Kelantissa) in the power sector. These changes have occurred with the encouragement and support of the donor community, including the ADB.

34. Another area of policy dialogue concerns public sector efficiency and performance to overcome weaknesses in the public administration system and to take the actions required to increase its effectiveness. The ADB's policy discussions with the Government have emphasized the importance of improving public sector management. Some progress has been made at the sectoral level, particularly in the road, energy, water and urban development sectors.

35. Several Presidential Task Forces and special commissions have been established by the Government to identify the scope and direction of reforms in priority sectors, such as urban development and housing, local government, education and health. Sector analysis has also been undertaken by the National Development Council (NDC) Secretariat, covering areas such as agricultural reform, rail and road transportation policies. As a result of these measures, program of reform in key sectors has been identified. The ADB's technical assistance program

<sup>8</sup> Country Operational Strategy: Promoting the Environment for Growth, circulated to the Board of Directors on 23 March 1999.

has also been an important source of policy and planning advisory services, and will be expanded in the future to strengthen the orientation of the public investment program and the overall reform process.

### **III. Sector Strategies**

#### **A. Agriculture**

##### **1. Agriculture and Rural Development**

36. The contribution of agriculture to GDP has progressively declined from 22 percent in 1995 to about 18 percent in 1998. However, it continues to account for 40 percent of employment and 23 percent of the country's foreign exchange earnings. In December 1997 the Government adopted a revised agricultural policy, which placed emphasis on food security, improvement in farm incomes and an expanded role for the private sector. Consistent with the new policy, the Government undertook a review of past Integrated Rural Development Projects (IRDPs) to assess the strengths and weaknesses of this development assistance delivery modality, with particular attention on the impact on rural poverty. The review found that the IRDPs had not proven an effective mechanism for rural development and a sustainable reduction in poverty. It was generally concluded that many of the IRDP investments did not provide sustainable long-term benefits. These findings appear to have been generally corroborated by the initial outcome of the Government's ongoing poverty study (see para. 14).

37. The IRDP review concluded that the best results were achieved when: (i) there was a link in rural/urban investments under regional plans; (ii) the assistance included a strong market orientation and an impetus for an increase in agricultural productivity; (iii) there was support for non-farm enterprises; and (iv) when integrated development occurred at the village level. It is also found that the subsidy mentality that has been nurtured so long by successive Governments is partly responsible for the level of apathy among the rural population and the poor. In response to these findings, the Government formulated the Regional Economic Advancement Program (REAP) to guide future rural development in the country. The ADB is currently assisting the Government to develop a rural investment strategy that encompasses the REAP principles and at the same time will optimize the development linkages with other related ADB investments in the country.

##### **2. Forestry and Natural Resources**

38. Strong emphasis on forestry, natural resources and environmental management as a feature of the ADB's operations was derived from the recognition that some parts of the agriculture sector are experiencing a decline in productivity, while inter-sectoral competition for water resources is also emerging as a serious issue. Indicators, such as the incidence of human encroachment into protected areas, decline in forest cover and soil degradation indicate the growing and unsustainable imbalance between the supply and demand for the use of the country's natural resources.

39. Effectively integrating natural resources management and related economic concerns into Sri Lanka's development agenda is urgently required. There is a need to strengthen the policy development and strategic management capacity of public sector organizations. Government-wide systems to effectively integrate policy decisions are also needed. Modernization of the legislative framework, greater reliance on stakeholder involvement and shared roles with private sector agents, introduction of fast-track conflict resolution mechanisms, decentralization, minimization of transaction requirements, shifting from an

enforcement mode to a development mode, and introducing economic pricing mechanisms to the greatest extent possible as a tool for automatically allocating access to natural resources, are priority areas for improving the present management of natural resources.

40. Experience gained during the ongoing ADB project preparatory activities indicates that improvements can be made in the management of the country's natural resources, provided solutions are found on matters such as: (i) definitional issues with regard to institutional and legislative arrangements; (ii) clarity of purpose in institutional mandates; (iii) effective engagement of stakeholders in policy making and management functions; and (iv) development of workable mechanisms for effective coordination of agencies concerned with natural resources management. Recent ADB supported efforts to develop improved demand management mechanisms in the water sector has demonstrated the need for an integrated rather than sector specific approach to management of each natural resource. The recently approved Government National Environment Action Plan is a positive development, but there will need to be a concerted effort to translate the Plan into action.

41. The ADB's support for natural resources and environmental management over the next five years aims to: (i) achieve a sustainable balance between the economic and ecological functions of environment and natural resources; (ii) address poverty related causes of environmental degradation; and (iii) minimize environmental costs. ADB project support is to be provided for: (a) Coastal Resources Management: which will focus on implementing the revised Coastal Zone Management Plan (1997), and on strengthening of the sector institutions to address the issues of water pollution, coastal erosion, the deterioration of coastal habitats and improved marine fisheries management; (b) Forest Resource Management: which will encourage the planned use of forest resources in accordance with the recently developed Forestry Sector Master Plan covering controlled conversion of forest land into agriculture uses, expanded community forestry, and improved protection of restricted areas, while emphasizing community participation and private sector involvement; (c) Protected Area Management: which will improve the management of these areas by involving all of the stakeholders, developing income-generating alternatives for the communities, in close proximity to the protected areas, to prevent encroachment and poaching and to combine protection with other compatible uses, such as tourism; and (d) River Basin Management: which will aim to translate national policy and institutional arrangements into coordinated river basin level planning and implementation and the resolution of quantity and quality conflicts in water use.

## **B. Infrastructure**

### **1. Energy**

42. Severe economic and social dislocation occurred in the country in 1996, due to a power shortage resulting from the capacity constraints of the hydroelectricity grid at the time of a severe drought. To overcome the systemic weakness that led to the power cuts, the Government's Public Investment Program aims to reduce the level of dependence on the hydroelectricity part of the power system by expanding investments in thermal energy. However, severe budget constraints will continue to limit the public sector's ability to expand the power grid. Accordingly, substantial reliance is placed on private and concessional sources of finance to ensure that priority investment projects proceed in a timely manner. Three major private sector thermal power projects have been negotiated and one of the projects is already fully operational.

43. The Government has acknowledged the need for sector reforms and, with the ADB's assistance, has recently embarked on a program to restructure the sector.<sup>9</sup> Under the new arrangements all future thermal generation power projects are to be developed by the private sector, while major hydroelectric projects will continue to be developed by the public sector; the sector will be restructured to accommodate competition and private sector participation; and the assets and operations of the Ceylon Electricity Board (CEB) will be reorganized into generation, transmission and distribution units. The ADB, in close cooperation with the World Bank, is the principal dialogue partner of the Government concerning the reform program. The ADB's strategic objectives in the sector are to: (i) assist in developing a framework for ownership and management which will ensure adequate amounts of electricity at economic and affordable prices; (ii) promote and participate with loans and equity in private power projects, particularly in new power generation projects, in order to increase the total financial resources available for expansion of the sector and to improve efficiency of operations and management; (iii) provide continuing financial support for investments in transmission and distribution projects, particularly if they underpin important reforms in the sector; (iv) assist with financing rural electrification to ensure that the benefits of economic development reach the disadvantaged rural population; (v) improve the financial viability and management of power companies through implementation of an appropriate tariff policy, rate of return on capital and self-financing ratio; (vi) ensure that the tariff structure is reasonably close to the actual cost of service to each major consumer category, with minimum cross subsidies, in order to promote economic efficiency in consumption, and to reduce the heavy burden of paying cross subsidies for industrial and commercial consumers; and (vii) support reforms that will improve the operating efficiency of the sector through the promotion of competition and improved management of the power sector companies.

## 2. Transport

44. The ADB supports the improvement of key physical infrastructure through both public and private lending modalities. Financially viable investments will be considered under the ADB's private sector operations, while economically viable but financially marginal projects could qualify for public sector lending. Poor infrastructure in areas outside Colombo deter commercial and industrial investment, reduce the efficiency of private operations, and undermine the Government's objective of raising the level of economic growth and access to services. Therefore, to ensure an adequate level of basic services outside Colombo, the ADB will assist in the provision of catalytic physical infrastructure. In addition to investment finance, support will also be provided to undertake sector analysis and policy and institutional development to improve performance and sustainability. The results of project social and environmental impact assessments will also be important in determining the ADB's intervention in the infrastructure sector.

45. An efficient transportation system is essential for Sri Lanka to achieve a higher and sustainable growth path. The movement of agricultural inputs and products, decentralized industrial development and a viable tourist industry, all require an efficient transport system - a vital component of which is the road network. Improvements in the integration and cost-effective management of the country's road network will have important flow-on effects for other parts of the economy and would be a stimulus to continued and balanced economic development. About 90 percent of people and goods depend on the road network for conveyance which makes it the dominant transport mode in the country.

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<sup>9</sup> TA 3141-SRI: *Power Sector Restructuring*, for \$1 million, approved on 23 December 1998.

46. In the 1980s, the ADB's assistance in the transport sector focused on the improvement of the road network. However, the ADB strategy in the subsector has evolved over time in response to changed circumstances. Initially, ADB assistance was directed mainly toward efforts to preserve the national road infrastructure, through support for operation and maintenance (O&M) and rehabilitation works. In the late 1980s, however, more emphasis was placed on improvement and upgrading of the key road links to underpin national economic growth, while policy and institutional support continued to be a relatively minor part of the ADB's assistance. However, since the mid-1990s, the ADB's approach has broadened beyond investment financing and ad hoc policy engagement towards a wide-ranging and balanced dialogue that encompasses policy, institutional and investment matters of the entire road network. There has also been a stronger emphasis placed on selection of road links for upgrading according to assessed economic rates of return, taking into account the likely impact on national and regional development. It is widely recognized that as the economy has grown, all levels of the road network have experienced capacity constraints, which has become a major impediment to growth. In addition, scope exists for improvement in the capacity of the subsector institutions to plan and execute road works.

47. Accordingly, the ADB's strategy over the medium-term will aim to mobilize resources to remove the physical bottlenecks in the road network and also to support efforts to improve the policy and institutional environment and raise subsector efficiency and performance.<sup>10</sup> Toll road projects could also be considered for ADB participation through its private sector window. In the pursuit of this objective, key issues to be addressed include: (i) institutional reform and capacity building; (ii) subsector financing - road user charges, O&M financial allocations and practices, private sector participation; (iii) environmental and social impact of civil works; (iv) the optimum integration of the road network with other modes of transport; and (v) road safety.

48. The ADB continues to have a solid portfolio of projects in the pipeline for the road subsector, and is the main dialogue partner with the Government on subsector issues. As is the case in other sectors, the processing of the proposed road projects in 2001 and 2002 will depend on the effective implementation of the ongoing road projects and on the creation of a satisfactory policy and institutional environment.

49. In May 1999, the ADB approved equity and loan participation in the private sector development of the Queen Elizabeth Quay (QEY) at Colombo Port.<sup>11</sup> The Port has the potential to command a significant market share for regional container transshipment traffic and the Project would be a strategic investment towards this objective. However, capacity constraints will emerge in the Port in the near future, even with the QEY Project. Accordingly, the ADB has agreed to undertake a feasibility study to determine the viability of developing the south harbor at Colombo Port, through the building of a breakwater and the construction of additional container terminals which are being built and operated by the private sector.<sup>12</sup> The construction of a breakwater could be a megaproject necessitating joint public sector lending by several donors, including possibly the ADB.

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<sup>10</sup> TA 3110-SRI: *Reengineering of Road Sector Institutions*, for \$640,000, approved on December 1998, will assist the Government examine the key issues and options in the subsector.

<sup>11</sup> Loan 1689-SRI: *Colombo Port Development Project*, for \$36.1 million and equity of \$7.4 million, approved on 11 May 1999.

<sup>12</sup> TA 3276-SRI: *Colombo Port South Harbor Development Project*, for \$1.46 million, approved on 13 October 1999.

### 3. Industry and Finance

50. The domestic capital market has achieved sound progress since liberalization measures were first instituted by the Government in the early 1990s. The market infrastructure compares favorably with those found elsewhere in the South Asian subregion, but the equities and private debt securities markets remain thin and underdeveloped. There is good potential for capital market development - with a large number of unlisted companies; considerable long-term financing needs; and a sizable pool of savings mobilized by contractual savings institutions, such as the Employees Provident and Trust Funds and insurance companies. These sources should be channeled to meet the long term financing needs of the private sector and shift gradually away from funding public sector deficits. Appropriately regulated development of new financial instruments and mechanisms would also contribute to broadening and deepening the market, while an effective competition policy must be in place to facilitate a reduction in intermediation costs.

51. However, the development of the capital market should be seen as part of an overall strategy to achieve a market friendly policy environment through the removal of structural constraints to expanded investment and economic growth. Reforms should be pursued with the principal objective of improving the efficiency of resource allocation in the economy and enhancing savings, and a secondary objective of strengthening the fiscal situation through privatization revenues and termination of subsidies. One of the essential ingredients is the need to develop a coherent strategy for public enterprise reform and to strengthen the Government's capacity to exercise ownership, asset management and corporate governance functions for those enterprises that remain under public control. These matters are being examined by the Government with support from ADB technical assistance<sup>13</sup> and may lead to the formulation of a Private Sector Development Program loan in 2000.

### C. Social Infrastructure and Environment

#### 1. Education

52. As noted in Chapter I, Sri Lanka has impressive human development indicators (paras. 18-19). However, there are signs that the quality and efficiency of the education system has deteriorated. Skills in the English language as well as in computers and mathematics, all of which are vital in a modern economy, are poor. These weaknesses act as barriers to Sri Lanka's participation in the global economy and in attracting foreign investment. Donors, including the ADB<sup>14</sup>, are helping to address these issues. The quantity and quality of the output of the post-secondary system is also a matter of concern, as there continues to be a mismatch between the skills provided by the educational system and the needs of industry. This issue will also be addressed in the proposed Secondary Education Project of the ADB.

53. Since 1997 and 1998, three major reports have been published by the Government aimed at the reform of the education system. *Reforms in General Education*, released by the National Education Commission, focused on five main areas that included: extending educational opportunities, improving the quality of education, providing technical and practical skills in education, teacher education, and management of education and resource provision. The second report was the *Presidential Task Force on University Education Reforms*. It examined the expansion of university education, the diversification of university courses and

<sup>13</sup> TA 3075-SRI: *Private Sector Development Program*, for \$830,000, approved on 23 September 1998.

<sup>14</sup> Loan 1247-SRI: *Secondary Education Development Project*, for \$31 million, approved on 24 August 1993.

curricula reform, encouragement of linkages with the private sector, career guidance for students and improved university administration and management. The third report was on *Technical Education and Vocational Training Policy Formulation*. The report addressed the changing role of Government in technical and vocational training, private sector participation, skills development fund, and improving linkages between general education and vocational training. Many of the reforms recommended by these three reports are now being implemented throughout the educational system. A significant result of the reform process is the legislation passed by the Parliament to make school attendance compulsory for all children in Sri Lanka aged 6 to 14 years.

54. Consistent with the strategic objectives of the new COS, the ADB's proposed assistance for the sector in the period 2000-2002 includes technical assistance and loans to improve the efficiency and output of the sector and to attain a better match between the quality and skill level of the labor force and the human resource requirements of the modernizing economy. In addition, the ADB has continued policy dialogue on the sector, specifically with regard to internal and external efficiency as identified in the above mentioned reports of the Government.

## 2. Urban Development

55. The dominance of the Greater Colombo region has resulted in Colombo's infrastructure being overburdened. At the same time, secondary towns are deprived of a growth impetus because investment and employment opportunities are drawn to Colombo. The ADB's strategy is to improve the infrastructure and services of the main urban centers outside Colombo, and at the same time upgrade the road network that links the towns with the rest of the economy. However, a crucial element in the successful application of this strategy is to ensure that new or improved infrastructure is efficiently operated and maintained and that the management and financial capacity of the responsible urban administrations is sufficient to sustain the urban infrastructure and services.

56. The ADB approved a project in 1998<sup>15</sup> to improve the urban infrastructure in the country's secondary towns and the project mobilization phase has proceeded satisfactorily. However, the needs of the urban sector are substantial and therefore, subject to satisfactory performance of the ongoing project, the proposed loan and TA program includes provision for a follow-up PPTA (2001) and loan (2002/2003). The basic principles that govern the ADB's continued support for the sector include (i) continued strong commitment and ownership at the national and local government levels for the reform and capacity building process, (ii) ADB's role as a change agent in facilitating policy and institutional reforms, and (iii) equity (both socioeconomic and gender) considerations will be accorded priority in the selection of urban projects for financing.

## 3. Water Sector

57. The ADB approved the **Third Water Supply and Sanitation Sector Project** in 1997.<sup>16</sup> This includes establishing a regulatory authority and introduction of private sector management of Greater Colombo Water Supply and Sewerage. During the preparation of the Project, the Government issued a Water and Sanitation Sector Policy Statement and also entered into an agreement with the ADB on a specific program of sector reforms to be implemented over a

<sup>15</sup> Loan 1632-SRI: *Urban Development and Low Income Housing*, for \$70 million, approved on 24 September 1998.

<sup>16</sup> Loan 1575-SRI: *Third Water Supply and Sanitation Project*, for \$75 million, approved on 6 November 1997.

five-year period. The Project, together with the results of the ongoing TA on Comprehensive Water Resources Management,<sup>17</sup> are expected to provide a sound basis for the future development of the sector. This is particularly important in the parts of the country where water shortages are beginning to emerge and highlights the need for careful planning and coordination of competing water users.

58. It is proposed to continue the ADB's partnership with the Government and the local communities to address unmet sector investments outside the Colombo region and provision has been made for this purpose in the operational program. In preparation for the follow-up assistance, the Government has been requested to: (i) review the unmet needs in the water and sanitation sector and identify the investment priorities, with particular emphasis on addressing the needs of the poor and isolated communities; (ii) review the assistance programs of the other external funding agencies to ensure that there is a clear demarcation between the proposed new ADB assistance and that of the others; and (iii) ensure continued satisfactory implementation of the ongoing water resources assistance provided by the ADB.

#### **D. Governance Dimensions of ADB Operations**

59. The ADB is assisting at two levels on governance issues in Sri Lanka. At one level support is being given to improve key segments of the public administration system, particularly the institutions in the sectors where ADB operations are focused. In 1999, a cluster TA was approved to strengthen the public expenditure management system in the Ministry of Finance and Planning.<sup>18</sup> At another level, assistance is being provided to strengthen capacity and performance across the public sector. The ADB's ongoing support for the improvement of procurement practices and procedures is an example.<sup>19</sup> The ADB has reaffirmed its willingness to consider a more substantial and broader program of reform for the public administration system, provided there is strong commitment by the Government to the reform process.

60. In order for Sri Lanka to successfully achieve self-sustained growth, it will need to take measures to re-establish the capacity of the public sector and effectively harness the efficiency gains inherent in the expansion of the role of the private sector in the economy. With respect to the former, the ADB, in recent years, has recognized the potential for a wider and more sustainable impact on public sector performance if a multi-dimensional approach is adopted, including ensuring the appropriateness of the policy environment, rationalization of the institutional setup, improving the procedural arrangements of the public administration system, facilitating technology modernization and manpower development. This approach is increasingly being applied in the sectors where ADB operations are focused, such as the power, water, urban development, roads and natural resources management sectors.

61. Similarly, since the mid-1990s, the ADB has sought to play a more innovative and catalytic role in expanding the opportunities for the private sector to participate in the economy and to correspondingly ease the fiscal burden on the public sector. The type of measures supported to bring about important changes in the area have included policy and legislative reform, direct loan equity participation, application of the ADB's guarantee facility, technical advisory assistance and moral suasion. The new COS excludes ADB public sector financing of projects where the financial rates of return are sufficiently attractive to interest the private sector. The earlier application of this approach in specific sectors had a noticeable impact in

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<sup>17</sup> TA 2422-SRI: *Institutional Strengthening for Comprehensive Water Resources*, for \$1.4 million, approved on 12 October 1995.

<sup>18</sup> TA 3301-SRI: *Public Expenditure Management Systems*, for \$3.0 million, approved on 16 November 1999.

<sup>19</sup> TA 2950-SRI: *Establishment of the Tender Support Bureau*, for \$1 million, approved 12 December 1997.

several sectors, including telecommunications, ports and power. The ADB's loan and TA program in Sri Lanka will continue to support measures to improve the environment for private sector development and a key intervention in this regard is expected to be the proposed Private Sector Development Program loan in 2000.

### **E. Gender Dimensions of ADB Operations**

62. The new COS includes a revised gender strategy for Sri Lanka. Some of the strategy's main components are: (i) strengthening the Government's capacity to analyze the situation and needs of poor women, especially aging women, in order to identify some of the main issues and how they can be incorporated into the ADB's future lending program; (ii) supporting the Government's efforts to collect, monitor and evaluate data on the impact of poverty reduction programs on women; (iii) if feasible, to document the impact of the civil conflict on women, particularly the economic impact of the creation of thousands of female-headed households; and (iv) assessing the needs of returning women migrant workers and how they could best be reintegrated into the economy.

63. The first step towards implementing the gender strategy will be the inclusion of a study by the ADB on women and poverty in 2000. Other matters will be discussed with the Ministry of Women's Affairs to determine how the ADB can assist and the most appropriate timing. The outcome of these discussions will be reflected in the ADB's work program at the time of the 1999 Country Program Confirmation Mission (CPCM).

### **F. Private Sector Operations**

64. Financial sector policy and institutional reform and other measures to create a favorable environment for private sector development are accorded high priority in the new COS. Consistent with this approach, the ADB places strong emphasis on creating a suitable environment for the expansion of private participation in the economy and to identify specific opportunities for private investment. Noteworthy examples include support for the plantation privatization program and TA to examine the feasibility of private sector provision of advisory services for perennial crops, fisheries harbor management and services, development of the private construction industry and private participation in Colombo water supply. In 1997 and 1998, the ADB approved market-based lending (OCR) of \$5 million and partial credit guarantees for the Sri Lankan private sector to borrow from the international capital market to onlend to domestic industries.<sup>20</sup> Further, in 1999 the ADB approved a loan and equity participation in the private development of the Queen Elizabeth Quay at Colombo Port (para. 49). This project is in addition to the ADB's six previous equity investments in Sri Lanka.

65. In recent years the Government has been active in promoting private participation in the economy. In 1995 the Government set up the Public Enterprise Reform Commission (PERC) to oversee the orderly divestiture of public corporations and agencies. PERC has had considerable success in the last few years, particularly in the plantation, telecommunication and aviation sectors, and its operations have had a positive impact on business confidence in the country. As a result, there has been a noticeable expansion of private participation in many parts of the economy. The most noteworthy examples are in telecommunications, power and aviation.

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<sup>20</sup> Loan 1522-SRI: *Small and Medium Enterprise Assistance Project*, for \$5 million, approved on 5 June 1997 and Loan 1629-SRI: *Credit Enhancement Facility for Private Enterprises*, for \$5 million, approved on 8 September 1998.

66. The ADB is monitoring the project proposals that are emerging to ascertain whether there is a catalytic role for the ADB. In several cases the ADB's public sector operations are assisting to prepare the way for the emergence of BOO/BOT projects. Two major examples include the proposed **Colombo Port South Harbor Development Project**<sup>21</sup> where the ADB is assisting the Government to prepare a feasibility study, and the Power Sector Restructuring Project,<sup>22</sup> that may lead to disaggregated utility companies emerging with possible private sector management or equity participation. The ADB's ongoing analysis of the road sector<sup>23</sup> may also lead to future private participation in the construction and management of selected highways in the country. Similarly, the feasibility of private involvement in the water sector is being examined under an ongoing ADB project.<sup>24</sup> In addition, the ADB will consider health, education and financial sector projects on a case-by-case basis for its future private sector operations.

#### IV. Regional Cooperation

67. As an island country with a limited domestic market, Sri Lanka looks to regional organizations such as South Asian Association for Regional Cooperation (SAARC), Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMSTIC) and Indian Ocean Rim Association for Regional Cooperation (IRO-ARC) as potential avenues to expand markets for its products. Sri Lanka also hopes to fully exploit its locational advantages over the medium- to long-term to establish itself as a regional hub for shipping, aviation and financial services. Trade liberalization under SAARC has made slow progress, although the Sri Lankan Government continues to make reforms. In early 1999 there was a major breakthrough in trade negotiations with India when agreement was reached on the removal of trade restrictions on a broad range of goods. Sri Lanka's participation in BIMSTIC and IRO-ARC has been quite recent, but the Government is hopeful that both initiatives will give priority to opening up markets to enable a freer movement of commodities and services across the Indian Ocean region. The Government indicated that it would welcome the strengthening of ties between the ADB, the SAARC Secretariat, and other regional cooperation initiatives. The ADB is also involved in sub-regional environmental cooperation. The ADB is assisting in the development of a SAARC protocol on air quality management. The ADB has also been requested by the South Asian Cooperation on Environment Programme (SACEP) to assist in the development of a regional coastal and marine resource management agreement. Potential opportunities for regional cooperation with the Indian Ocean countries will also be explored with the aim to expand the country's economic activities and share development experiences.

#### V. Donor Activities and Aid Coordination

68. The principal donor coordination mechanism in Sri Lanka is the Development Forum, chaired by the World Bank. The Development Forum is held every 1-2 years. The ADB actively participates in the Development Forum, and since the opening of the Resident Mission in Colombo in October 1997, has also been prominent in local donor coordination, particularly in the sectors where the ADB has a major role, such as water, roads, energy, urban development, and natural resources and environment.

<sup>21</sup> TA 3276-SRI: *Colombo Port South Harbor Development*, for \$1.46 million, approved on 13 October 1999.

<sup>22</sup> TA 3141-SRI, *Power Sector Restructuring*, for \$1 million, approved on 23 December 1998.

<sup>23</sup> TA 3110-SRI: *Re-engineering of Road Sector Institutions*, for \$640,000, approved on 8 December 1998.

<sup>24</sup> Loan 1575-SRI: *Third Water Supply and Sanitation Sector Project*, for \$75 million, approved on 6 November 1997.

69. Japan, the ADB and the World Bank continue to be the largest donors to Sri Lanka, but significant assistance also continues to be provided by bilateral funding agencies.<sup>25</sup> Due to the significant economic and financial impact of the civil conflict and the Government's efforts to reduce the budget deficit, donor-financed projects constitute a significant proportion of the overall public sector investment program. This situation is expected to continue in the medium-term. In view of the substantial assistance programs provided by Japan, the ADB and the World Bank, special attention is paid to close coordination to ensure compatibility of policy advice and avoidance of duplication of investments. Specifically, broad understandings have been reached between the ADB and the World Bank on areas of respective sectoral focus and cooperation and these were reinforced during interagency consultations on the South Asia subregion, held in Manila in 1998 and again in July 1999 in Islamabad.

70. Japanese development assistance continues to place emphasis on supporting improvements in key physical infrastructure, but in more recent times has also broadened their interventions to include social infrastructure and environment. Accordingly, there are several sectors where cofinancing is being explored, including roads, port development, energy, natural resources management and rural development. The World Bank assistance, through International Development Association (IDA), amounted to \$341 million during 1996-1996, focusing mainly on general education and teacher education, health, irrigation rehabilitation, telecommunications reform, and urban transport. About \$440 million is programmed by the World Bank for Sri Lanka for the period of 1999-2001, targeting legal reform, postal service reform, land titling, port efficiency improvement, water and sanitation, power restructuring (in cooperation with the ADB), food marketing, and health. Additional programs include Y2K assistance and irrigation rehabilitation in north and east. Depending on the commitment of the Government to reforms, the World Bank is also considering providing assistance for civil service and pension reforms. Details of external assistance provided to Sri Lanka are at Appendix 3.

## **VI. Cofinancing and Catalyzing External Resources**

71. The ADB will continue its efforts to mobilize resources from other sources in relation to its operations in Sri Lanka. In the past, official cofinancing played the major role and it will continue to do so, while the ADB will pursue commercial cofinancing, including financing from export credit agencies, for commercially viable projects. Since the mid-1990s more attention has been accorded to closer coordination of donor policies and programs in Sri Lanka. Simultaneously, the ADB has placed greater emphasis on the identification of opportunities for project cofinancing. Japan, France, Norway, OPEC Fund and Australia are donors that have ongoing cofinancing arrangements with the ADB. Sweden, Netherlands, Nordic Development Fund, Germany, OPEC Fund and UNDP, among others, have expressed interest in exploring cofinancing arrangements in specific sectors. In the years 1996-1998 about \$200 million in commercial and official cofinancing was mobilized for six projects approved by the ADB. This was equivalent to a cofinancing leverage ratio of about 0.5:1. In the period 1999-2002 it is estimated that cofinancing would amount to about \$408 million, representing a cofinancing leverage ratio of about 0.8:1.

72. The 1999 Country Programming Mission of the ADB had extensive discussions with the Government and the donor community regarding cofinancing possibilities. It was confirmed that significant potential for cofinancing exists in the period 2000-2002. All of the 10 projects in the pipeline in this period have the potential to secure cofinancing from the World Bank,

<sup>25</sup> Among the other leading bilateral and multilateral donors are Germany, Norway, Netherlands, USA, Sweden and the United Nations agencies.

OECD, Sweden, Netherlands<sup>26</sup>, Norway, Australia and others. Details are contained in Appendix 4. The ADB, with the assistance of SLRM, will actively follow-up on the cofinancing opportunities.

## VII. ADB's Operational Program

### Proposed Lending Level

73. During the 1990s the average annual ADB public sector lending to Sri Lanka amounted to \$140 million. In the first lending cycle of the decade (1990-1992) the average annual lending was at its highest at \$171 million. Thereafter, it declined to an average in the 1996-1998 period of \$130 million. All the lending has been on ADF terms. In the mid-1990s the lending level declined because of a weakening in portfolio performance. However, in the last three years (1996-1998) portfolio performance improved to be among the best of the ADB's DMCs and there was also a strengthening of the lending pipeline. The rise in the lending level in these years generally reflected the sound macroeconomic performance and increased absorptive capacity of the country.

74. In 1998, the ADB's public sector lending amounted to \$185 million, which was one of the highest annual commitment levels since ADB lending operations began in the country. In late 1998, Sri Lanka was graduated to B1 country status.<sup>27</sup> In addition, the ADB faced constraints on the availability of ADF resources, which necessitated a reduction in ADF lending to several ADF eligible DMCs, including Sri Lanka. However, in recognition of the sound country performance and the improvements made in the implementation of the existing loan portfolio, the 1999 lending level is likely to be about \$150 million, with an expectation that if ADF resource constraints persist this level would gradually decline in future years. However, it is envisaged that the overall lending level would be retained and possibly increased through the selective use of the ADB's OCR resources to finance suitable revenue generating projects commencing in 2000. Despite the reduction in the ADB's overall lending level from that achieved in 1997-1998, the planned project pipeline has been largely retained through the judicious use of cofinancing to bridge the gap in project financing.<sup>28</sup> In the medium-term, the ADB is expected to remain one of the three largest donors in Sri Lanka, together with Japan and the World Bank.

75. The proposed ADB lending program for the period 2000-2002 consists of 13 loans in five sectors within the COS framework.<sup>29</sup> (Project profiles for the year 2000 are at Appendix 6). These projects have been selected to improve economic efficiency, reduce poverty, improve environmental management and enhance the enabling environment for the development of the private sector. The sectoral focus of the program is closely aligned with the strategic objectives of ADB operations in Sri Lanka and takes into account the Government's development priorities and commitment to sector reform, the ADB's role as a long-term development partner, and the assistance provided by other donor Governments and agencies. The program has also

<sup>26</sup> The Netherlands Government is considering entering into a strategic partnership with the Bank in the planning and implementation of its development program in Sri Lanka.

<sup>27</sup> B1 Country Status allows borrowing on Asian Development Fund (ADF) terms, with limited access to Ordinary Capital Resources (OCR).

<sup>28</sup> The 1998 Southern Transport Development Project is an example. OECD has agreed to cofinance the Project with a resource input significantly larger than the Bank financing share.

<sup>29</sup> Six of the 10 projects have economic growth as the primary development objective and five have poverty as a secondary development objective. Accordingly, the thrust of the proposed operational program is consistent with the COS emphasis on poverty reduction through the achievement of a higher level of economic growth.

been designed to achieve a narrower sectoral focus, stronger and more consistent linkages between the projects that make up the program, and higher priority for sectors where the ADB is well placed to assist in institutional and policy reforms.

### SRI LANKA

**Table 1: Lending and Technical Assistance Program, 1998-2002**

#### A. Public Sector Lending Program

	1998 (Actual)		1999		2000		2001		2002 <sup>1/</sup>	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	No.	(\$ million)
Lending Program <sup>a/</sup>	3	185	3	150	4 *	120	5	210	4	170
ADF	3	185	3	150	4	110	4	150	3	150
OCR	-	-	0	0	2	10	1	60	1	20
Lending Pipeline <sup>b/</sup>	3	185	3	150	5 *	150	5	210	4	170
ADF	3	185	3	150	5	140	4	150	3	150
OCR	-	-	0	0	2	10	1	60	1	20

<sup>1/</sup> Excludes one loan with tbd amount.

#### B. Technical Assistance Program

	1998		1999		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
Technical Assistance Program <sup>a/</sup>	9	7,168	11	7,515	9	6,950	8	7,200	1	1,000

<sup>a/</sup> The Program comprises firm projects only.

<sup>b/</sup> The Pipeline comprises both firm and standby projects.

\* Blend loans are counted as one.

76. The sectoral allocation of the 2000-2002 program, in terms of loan amount, is agriculture 24 percent, transport 24 percent, social infrastructure 27 percent, finance 14 percent, energy 10 percent. In terms of loan amount, about 14 percent of the loan program has economic growth as the primary strategic development objective, while human development and environment account for 27 and 12 percent respectively and projects with economic growth and cross-cutting concerns account for 47 percent (Appendix 5).

77. The main focus of the ADB's TA program is to strengthen economic and policy analysis in key sectors and to prepare a robust pipeline of projects. The TA program for the period 2000-2002 currently consists of 18 TAs (9 PPTAs and 9 ADTAs) amounting to about \$15.2 million. However, this program is only indicative and will be further reviewed with the Government at the end of 1999 during the ADB's CPCM (para. 63). Details of the Loan and TA program are provided in Appendix 4.

78. Although portfolio performance has improved in recent years, project implementation delays still exist in various forms including delays in procurement and recruitment of consultants. The ADB therefore needs to follow a strict performance-based approach in determining the level of new ADB assistance in Sri Lanka. The ADB is also paying more attention to the policy environment in which projects are formulated, in addition to the performance of specific projects. In this regard, cross-cutting issues, such as governance, capacity building and achievement of development objectives will be more intensively monitored and taken into consideration in preparing the operational program of the ADB. Furthermore, postevaluation findings will also be considered prior to approval of new projects.

## VIII. Economic and Sector Work Program

79. Economic and Sector Work (ESW) in the areas of energy, governance, gender and NGOs was undertaken as part of the preparation of the new COS. In addition, however, the COS identified specific areas of ESW that would assist the ADB achieve its strategic development objectives in the country.<sup>30</sup> In the first year after the COS was finalized there has been sound progress in the development of the ESW program, particularly in the areas of private sector development, public enterprise reform, skills development, road transport institution and policy analysis, and rural development. When completed, the respective studies will provide a basis for dialogue with the Government and will be reflected in the design of relevant ADB-financed projects, such as the **Private Sector Development Program** and the **Skills Development Projects**.

## IX. Local Cost Financing

80. Throughout the 1990s<sup>31</sup>, the ADB has approved lending for local currency financing (LCF) amounting to about \$352 million or 28 percent of total ADB lending for 24 projects. The LCF level has been determined based on the medium-term economic prospects of the country and the Government's ability to finance the public investment program required for the country to undergo the economic and social transition to a higher level of development and to reduce the high rate of poverty.

81. In recent years, the Government has recognized that there are severe limits on the extent of public sector financing of the country's investment program. Accordingly, it has taken a number of important actions to mobilize non-budget investment, including the implementation of an ambitious privatization program in key sectors such as civil aviation, telecommunications and the plantation industry. In 1997 and again in 1998, the Government counter-guaranteed private sector borrowing on the international capital market under the ADB's guarantee scheme. In addition, the Government has secured substantial private investment in capital intensive industries such as power supply and ports. However, despite these actions, the overall capacity of the Government to self-finance the public investment program in the coming years is expected to remain limited, as debt servicing and the costs related to the ongoing civil conflict continue to absorb about 50 percent of budget outlays. A significant reduction in outlays was achieved through the retirement of public debt in 1997 and a 10 percent cut in expenditures other than salaries, pensions and education and health activities. In addition, a goods and service tax was also introduced in 1998 to increase Government revenue. However, in spite of continued Government's efforts, the budget deficit remained 9.2 percent of GDP in 1998 and is expected to be 7.8 percent of GDP in 1999.

82. In recent years, most ADB-financed projects have received adequate counterpart funds, although some delays in the release of funds have occurred, which slowed project implementation. However, continued ADB support for LCF is considered to be justified in view of the prevailing difficult country circumstances and the need for a substantial program of rehabilitation, replacement and improvement of the country's capital stock, for it to successfully undergo a transition to a higher growth path. Over the medium-term the ADB's lending program will include several environment projects that will produce national as well as global benefits and they may warrant special consideration with respect to local cost financing.

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<sup>30</sup> *Country Operational Strategy: Promoting the Environment for Growth*, circulated to the Board of Directors on 23 March 1999. See pages 39 and 40.

<sup>31</sup> Covering the period 1990 to 1998.

**SRI LANKA**  
**COUNTRY PERFORMANCE INDICATORS**

Item	1993	1994	1995	1996	1997	1998 <sup>u</sup>
<b>Economic Indicators</b>						
<b>A. Income</b>						
GNP per Capita (\$, current prices)	588	652	710	748	804	823
GDP Growth (%)	6.9	5.6	5.5	3.8	6.3	4.7
Agriculture	4.9	3.3	3.3	-4.6	3.0	2.5
Industry	9.8	8.2	7.8	5.6	7.2	6.6
Services	6.3	5.2	5.1	5.8	7.1	5.2
<b>B. Saving and Investment</b>						
	(Percent of GDP)					
National Saving	20.2	19.1	19.5	19.0	21.5	23.2
Domestic Investment	25.6	27.0	25.7	24.2	24.4	25.4
<b>C. Money and Inflation</b>						
	(Annual percent change)					
Consumer Prices <sup>a</sup>	11.7	8.4	7.7	15.9	9.6	9.4
Money Supply (M2)	23.4	19.7	19.2	10.8	13.8	9.7
<b>D. Government Finance</b>						
	(Percent of GDP)					
Revenue	19.7	19.0	20.4	19.0	18.5	17.3
Expenditure	28.1	29.0	30.0	27.8	23.8	26.4
Overall Surplus/Deficit (-) (before grants & w/o privatization)	-8.7	-10.5	-10.1	-9.4	-7.9	-9.2
<b>E. Balance of Payments</b>						
Merchandise Trade Balance (% of GDP)	-11.1	-13.3	-11.6	-9.7	-8.0	-7.3
Current Account Balance (% of GDP)	-4.8	-7.3	-6.0	-4.9	-2.6	-1.8
Export (\$) growth (%)	16.4	12.0	18.6	7.6	13.3	2.1
Import (\$) growth (%)	14.5	18.8	11.4	2.4	7.8	0.5
<b>F. External Payments Indicators</b>						
Total Official Assets (\$ million)	1,675	2,022	2,063	1,937	2,029	1,984
(months of import of goods and services )	4.5	4.5	4.1	3.8	3.7	4.0
Debt Service Ratio	15.5	13.7	16.5	15.3	13.3	13.4
External Debt (% of GDP)	73.4	70.8	66.7	61.1	54.3	55.6
<b>Memorandum Items:</b>						
GDP (current prices, US\$ million)	10,354	11,718	13,030	13,898	15,096	15,715
Exchange Rate, annual average (SLRs per \$)	48.25	49.42	51.25	55.27	58.99	64.59

<sup>a</sup> annual average

<sup>b</sup> provisional

Source: Central Bank of Sri Lanka Annual Report 1998

**SRI LANKA**  
**COUNTRY PERFORMANCE INDICATORS**

<b>Population Indicators</b>	<b>1993</b>	<b>1998</b>
Total Population (million)	17.6	18.8
Annual population growth rate	1.2	1.2
<b>Social Indicators</b>	<b>1990</b>	<b>latest year</b>
Total fertility rate (births per women)	2.4 (1993)	2.3 (1996)
Contraceptive prevalence rate	62.0	66.0 (1990-95)
Maternal mortality rate (per 100,000 live births)	80.0 (1980-92)	30.0 (1990-96)
Infant mortality rate (per 1,000 live births)	17.0 (1993)	17.0 (1996)
Life expectancy at birth (years)	72.0 (1993)	73.0 (1996)
Adult literacy rate (%)	89.0	91.0 (1995)
Primary school enrollment (% of school age population)	108.0 (1987-92)	113.0 (1995)
Secondary school enrollment (% of school age population)	74.0 (1987-92)	75.0 (1995)
Child malnutrition (% of under age five)	36.6 (1987-92)	38.0 (1990-97)
Population with access to safe water (%)		58.0 (1990-96)
Rural	29.0 (1985-87)	49.0 (1990-95)
Urban	82.0 (1985-87)	87.0 (1990-95)
Population with access to sanitation (%)		63.0 (1990-96)
Rural	39.0 (1985-87)	60.0 (1990-95)
Urban	65.0 (1985-87)	67.0 (1990-95)
Public education expenditure as % of GDP	3.3 (1992)	2.6 (1998)
Public health expenditure as % of GDP	1.7	1.4 (1998)
Human Development Index	0.704 (1992)	0.716 (1995)
Human Development Ranking		90 / 174 (1995)
<b>Environmental Indicators</b>	<b>1980</b>	<b>1995</b>
Energy Efficiency of Emissions		
GDP per unit of energy use (1987 \$ per kg oil equivalent)	3.4	3.8
Traditional fuel use (% of total energy use)	54.3	48.4
Carbon dioxide emissions (total metric tons)	3.4	5.9 (1993)
(per capita metric tons)	0.2	0.3 (1993)
Water Pollution		
Emissions of organic pollutants (kg/day)	30,000	51,300 (1993)
Industry share of emissions of organic water pollutants		
Wood		0.7 (1993)
Primary Metals		1.4 (1993)
Pulp and Paper		8.0 (1993)
Chemical		6.4 (1993)
Food and Beverages		52.0 (1993)
Textiles		28.9 (1993)
Land Use		
Cropland (% of land area)	29.0	29.0
Permanent Pasture (% of land area)	7.0	7.0 (1994)
Forest area (thousand sq. km.)	-	18.0
Annual deforestation (sq. km.)	-	202.0 (1990-95)
Annual deforestation (average % change)	-	1.1 (1990-95)
Nationally protected area (% of total land area)		12.3 (1994)
Threatened species		
Mammals		4.0 (1994)
Birds		11.0 (1994)
Higher Plants		436.0 (1994)

Sources: UNDP's Human Development Report 1998, World Bank's World Development Report 1998 and World Bank's World Development Indicators, 1998.

**SRI LANKA  
PORTFOLIO PERFORMANCE**

**Table 1 : Implementation, Disbursement Performance and Postevaluation Results  
Public Sector Projects only  
(as of 31 December 1998)**

A. Project Portfolio	Net Loan Amount \$ million      %		Rating (No.) <sup>a</sup>												
			Total No.      %		Implementation Progress				Development Objectives						
					HS	S	PS	U	HS	S	PS	U			
Agriculture and Natural Resources	266.3	28.2	10	40.0		10						10			
Energy	97.7	10.3	2	8.0		1	1					2			
Finance and Industry	108.5	11.5	2	8.0		2						2			
Social Infrastructure	308.6	32.6	8	32.0	1	7						8			
Transport and Communications	164.4	17.4	3	12.0		2	1					3			
Others/Multisector	0.0	0.0	0	0.0											
<b>Total</b>	<b>945.4</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>1</b>	<b>22</b>	<b>2</b>	<b>0</b>				<b>0</b>	<b>25</b>	<b>0</b>	<b>0</b>
<b>B. Disbursements</b>		<b>OCR</b>		<b>ADF</b>				<b>Total</b>							
(1) Total funds available for withdrawal (\$ mn, active loans only)		0.0		945.4				945.4							
(2) Disbursed amount (\$ mn, cumulative, active loans only)		0.0		376.6				376.6							
(3) Percentage disbursed [(2)/(1)] (%)		0.0		39.8				39.8							
(4) Disbursements (\$mn, active loans only, latest year)		0.0		116.5				116.5							
(5) Disbursement ratio (%) <sup>b</sup>		0.0		25.0				25.0							
<b>C. Net Transfer of Resources<sup>c</sup> (\$ million)</b>		<b>OCR</b>		<b>ADF</b>				<b>Total</b>							
Net transfer in 1995		-		66.5				66.5							
Net transfer in 1996		-		126.9				126.9							
Net transfer in 1997		5.0		66.0				71.0							
Net transfer in 1998		-0.47		92.9				92.4							
<b>D. Post-Evaluated Projects ( By Year of Loan Approval)</b>		<b>1968 - 1977</b>		<b>1978 - 1987</b>		<b>1988 - 1998</b>		<b>1968 - 1998</b>							
<b>1. Postevaluation Rating</b> (as of 31 December 1998)		No.	%	No.	%	No.	%	No.	%						
Rated Generally Successful (GS)		5	50.0	7	43.8	0	0.0	12	42.9						
Rated Partly Successful (PS)		3	30.0	8	50.0	2	100.0	13	46.4						
Rated Unsuccessful (US)		2	20.0	1	6.3	0	0.0	3	10.7						
No Rating		0	0.0	0	0.0	0	0.0	0	0.0						
<b>Total</b>		<b>10</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>						
<b>2. Postevaluation Rating by Sector</b> 1968-present (as of 31 December 1998)		<b>GS</b>		<b>PS</b>		<b>US</b>		<b>NR</b>		<b>Total</b>					
		No.	%	No.	%	No.	%	No.	%	No.	%				
Agriculture and Natural Resources		3	25.0	10	76.9	3	100.0	0	0.0	16	57.1				
Energy		4	33.3	1	7.7	0	0.0	0	0.0	5	17.9				
Finance and Industry		3	25.0	2	15.4	0	0.0	0	0.0	5	17.9				
Social Infrastructure		1	8.3	0	0.0	0	0.0	0	0.0	1	3.6				
Transport and Communications		1	8.3	0	0.0	0	0.0	0	0.0	1	3.6				
Others/Multisector		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0				
<b>Total</b>		<b>12</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>28</b>	<b>100.0</b>				

<sup>a</sup> HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

<sup>b</sup> Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

<sup>c</sup> Includes private sector projects for countries with private sector operations.

Source : Programs (A), CTD (B & C), OEO (D)

**SRI LANKA  
PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation  
Public Sector Projects Only  
(As of 31 December 1998)**

Sector a/	Project Name	Net Ln Amt (\$Mn)	Loan Approval Date	Loan Effectivity Date	Closing Date		Physical Progress (%)	Cumulative Contracts Awards (\$Mn)	Cumulative Disbursement Amt. (\$Mn)	Project Performance Rating <sup>b/</sup>	
					Original Ln Clsing Date	Revised Ln Clsing Date				Implement Progress	Development Objective
	<b>Agriculture</b>										
AGR	1 Smallholder Tea	18.152	Feb-89	Oct-89	Dec-95	Dec-98	92%	17.009	17.192	S	S
AGR	2 Southern Province Rural Dev.	39.472	Nov-91	Feb-92	Dec-99	-	82%	30.279	33.249	S	S
AGR	3 Northwest Prov. Water Res. Dev.	22.653	Jun-92	Sep-92	Dec-99	Jun-00	88%	12.298	13.151	S	S
AGR	4 Plantation Reform Program	57.319	Nov-95	May-96	Dec-02	-	20%	56.258	17.446	S	S
AGR	5 NCP Rural Development	19.205	Sep-96	Feb-97	Jun-04	-	18%	3.985	4.286	S	S
AGR	6 Second Perennial Crops	20.749	Sep-97	Aug-98	Jun-04	-	na	0.000	1.500	S	S
AGR	7 Tea Development	37.067	Nov-98	nye	Jun-05	-	na	0.000	0.000	S	S
AGR	8 Participatory Forestry	8.158	Nov-92	Aug-93	Jun-99	-	99%	5.577	5.198	S	S
AGR	9 Fisheries Sector	26.273	Dec-92	May-93	Dec-99	-	70%	24.441	21.234	S	S
AGR	10 Upper Watershed Mgt.	17.223	Sep-97	May-98	Dec-04	-	2%	1.129	0.320	S	S
SOC	11 Water Supply & Sanitation II	39.988	Jun-93	Oct-93	Sep-98	Mar-99	93%	37.555	30.884	S	S
SOC	12 Third Water Supply & Sanitation	77.34	Nov-97	Jul-98	Jun-05	-	2%	0.000	0.500	S	S
SOC	13 Urban Development Sector	27.174	Dec-92	Apr-93	Jun-98	Jun-99	90%	25.891	23.990	S	S
SOC	14 Urban Dev't and Low Income Housing	74.39	Sep-98	nye	Jun-05	-	0%	0.000	0.000	S	S
SOC	15 Second Health and Population	25.235	Nov-92	Mar-93	Jun-98	Sep-98	100%	24.679	21.913	S	S
SOC	16 Secondary Education Dev.	30.876	Aug-93	Nov-93	Jun-99	-	82%	23.684	24.237	HS	S
SOC	17 Financial Mgt Training	12.861	Nov-93	Apr-94	Mar-99	Jun-99	88%	10.312	10.471	S	S
SOC	18 Science & Technology Personnel	20.698	Sep-97	Jun-98	Jun-03	-	5%	0.000	0.502	S	S
T&C	19 Third Road Improvement	53.46	Sep-94	Jul-95	Dec-99	-	30%	36.930	19.669	PS	S
T&C	20 Southern Provincial Roads Improv	31.028	Oct-97	Apr-98	Dec-03	-	0%	4.059	1.038	S	S
T&C	21 Road Network Improvement	79.937	Dec-98	nye	Jun-05	-	0%	0.000	0.000	S	S
ENE	22 Power System Exp. Sector II	74.787	Dec-95	Jun-96	Dec-00	-	21%	34.843	19.245	PS	S
ENE	23 Emergency Rehab of Petroleum Facilities	22.906	May-96	Jul-96	Dec-99	-	57%	21.824	12.589	S	S
F&I	24 Second Small and Medium Industries	32.065	May-91	Oct-91	Oct-96	Oct-98	na	31.494	29.352	S	S
F&I	25 Fourth Development Financing	76.402	Jun-94	Nov-94	Nov-98	Feb-99	na	72.821	68.669	S	S
	<b>Total</b>	<b>945.418</b>						<b>475.068</b>	<b>376.635</b>		

<sup>a</sup> Sector:

AGR: Agriculture & Natural Resources

ENE: Energy

SOC: Social Infrastructure

F&I: Finance and Industry

T&C: Transport and Communications

<sup>b</sup> HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

SRI LANKA  
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Strategic Dev't Objectives <sup>a/</sup>		Projects Division	PPTA Year	PROJECT COST (\$ million)					
	Primary	Secondary			TOTAL	Bank			Govern-ment	Co-financing Requirement
						OCR	ADF	Total		
<b>2000 FIRM LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1 Protected Area Management and Wildlife Conservation	ENV	POV	AWFN	1997	23	0	10	10	4	9
2 Forestry Resource Management	ENV	POV	AWFN	1998	31	0	20	20	9	2
3 Western River Basin (Sector)	ENV	-	AWFN	1998	52	0	40	40	12	tbd
<b>Subtotal</b>					<b>106</b>	<b>0</b>	<b>70</b>	<b>70</b>	<b>25</b>	<b>11</b>
<b>Industry and Finance</b>										
4 Private Sector Development (Program)	ECO	-	IWFI	1998	143	10	40	50	43	50
<b>Subtotal</b>					<b>143</b>	<b>10</b>	<b>40</b>	<b>50</b>	<b>43</b>	<b>50</b>
<b>Total</b>					<b>249</b>	<b>10</b>	<b>110</b>	<b>120</b>	<b>68</b>	<b>61</b>
<b>2000 STANDBY LOAN</b>										
<b>Social Infrastructure</b> Upper Secondary Education Development	HD	-	AWEH	1999	71	0	30	30	21	20
<b>2001 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1 Rural Economic Advancement (Sector)	ECO	POV	AWAR	1999	39	0	30	30	9	tbd
<b>Subtotal</b>					<b>39</b>	<b>0</b>	<b>30</b>	<b>30</b>	<b>9</b>	<b>tbd</b>
<b>Social Infrastructure</b>										
2 Upper Secondary Education Development	HD	-	AWEH	1999	71	0	30	30	21	20
3 Secondary Towns Water Supply and Sanitation	HD	POV	AWWU	2000	57	0	40	40	17	
<b>Subtotal</b>					<b>129</b>	<b>0</b>	<b>70</b>	<b>70</b>	<b>39</b>	<b>20</b>
<b>Transport</b>										
4 Provincial Roads Improvement	ECO	POV	IWTC	1997	86	0	40	40	26	20
<b>Subtotal</b>					<b>86</b>	<b>0</b>	<b>40</b>	<b>40</b>	<b>26</b>	<b>20</b>
<b>Energy</b>										
5 Power Sector Restructuring	ECO	HD	IWEN	1998	143	40	10	50	43	50
<b>Subtotal</b>					<b>143</b>	<b>40</b>	<b>10</b>	<b>50</b>	<b>43</b>	<b>50</b>
<b>Finance</b>										
6 SMAP II	ECO	-	IWFI	-	120	20	0	20	0	100
<b>Subtotal</b>					<b>120</b>	<b>20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>100</b>
<b>Total</b>					<b>516</b>	<b>60</b>	<b>150</b>	<b>210</b>	<b>116</b>	<b>190</b>
<b>2002 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1 Marine Resources Development	ECO	POV	AWFN	2000	39	0	30	30	9	tbd
<b>Subtotal</b>					<b>39</b>	<b>0</b>	<b>30</b>	<b>30</b>	<b>9</b>	<b>tbd</b>
<b>Social Infrastructure</b>										
2 Secondary Towns Infrastructure Improvement	HD	POV	AWWU	2001	78	0	60	60	18	tbd
<b>Subtotal</b>					<b>78</b>	<b>0</b>	<b>60</b>	<b>60</b>	<b>18</b>	<b>tbd</b>
<b>Transport</b>										
3 Primary Roads Improvement	ECO	POV	IWTC	2000	104	20	60	80	24	tbd
4 Colombo Port South Harbor Development	ECO	-	IWTC	1999	tbd	tbd	tbd	tbd	tbd	tbd
<b>Subtotal</b>					<b>104</b>	<b>20</b>	<b>60</b>	<b>80</b>	<b>24</b>	<b>tbd</b>
<b>Total</b>					<b>221</b>	<b>20</b>	<b>150</b>	<b>170</b>	<b>51</b>	<b>tbd</b>

<sup>a/</sup> ECO = Economic Growth; ENV= Environmental Protection; GAD = Gender and Development ; HD = Human Development; and POV = Poverty Reduction.

<sup>b/</sup> Excluding Protected Area Management and Wildlife Conservation which is standby a loan for 1999.

**SRI LANKA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)			
			Bank	Others	Total	
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>						
<b>Agriculture and Natural Resources</b>						
1	Capacity Building for Natural Resources Management	AWFN	ADTA	1,500	-	1,500
2	Marine Resources Development	AWFN	PPTA	1,000	-	1,000
	<b>Subtotal</b>			<b>2,500</b>		<b>2,500</b>
<b>Transport and Communication</b>						
3	Primary Roads Improvement	IWTC	PPTA	1,000	-	1,000
4	Road Sector Management	IWTC	ADTA	600	-	600
	<b>Subtotal</b>			<b>1,600</b>		<b>1,600</b>
<b>Social Infrastructure</b>						
5	Postsecondary Education	AWEH	PPTA	600		600
6	Housing Finance	AWWU	PPTA	500	-	500
7	Capacity Building for Urban Local Authorities	AWWU	ADTA	500	-	500
8	Secondary Towns Water Supply and Sanitation	AWWU	PPTA	1,000	-	1,000
	<b>Subtotal</b>			<b>2,600</b>		<b>2,600</b>
<b>Energy</b>						
9	Promotion of Private Participation in Oil/Gas Exploration	IWEN	ADTA	250	-	250
	<b>Subtotal</b>			<b>250</b>		<b>250</b>
	<b>Total</b>			<b>6,950</b>	<b>-</b>	<b>6,950</b>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>						
<b>Agriculture and Natural Resources</b>						
1	Sustainable Eco- Management	AWFN	PPTA	1,500	-	1,500
2	Integrated Protected Area Management	AWFN	PPTA	1,000	-	1,000
3	Institutional Strengthening of EIA at Provincial Level	ENVD	ADTA	600	-	600
4	Rural Financial Policy and Institutional Development	AWAR	ADTA	800	-	800
	<b>Subtotal</b>			<b>3,900</b>		<b>3,900</b>
<b>Social Infrastructure</b>						
5	Secondary Towns Infrastructure Improvement	AWWU	PPTA	800	-	800
	<b>Subtotal</b>			<b>800</b>		<b>800</b>
<b>Finance</b>						
6	Institutional Support for Capital Market Reforms	IWFI	ADTA	1,000	-	1,000
	<b>Subtotal</b>			<b>1,000</b>		<b>1,000</b>
<b>Energy</b>						
7	Integrated Energy Sector Masterplan	IWEN	ADTA	1,000	-	1,000
	<b>Subtotal</b>			<b>1,000</b>		<b>1,000</b>
<b>Other</b>						
8	Training in Project Contract Management	COPP	ADTA	500	-	500
	<b>Subtotal</b>			<b>500</b>		<b>500</b>
	<b>Total</b>			<b>7,200</b>	<b>-</b>	<b>7,200</b>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>						
<b>Agriculture and Natural Resources</b>						
1	River Basin Management	AWFN	PPTA	1,000	-	1,000
	<b>Subtotal</b>			<b>1,000</b>		<b>1,000</b>
	<b>Total</b>			<b>1,000</b>	<b>-</b>	<b>1,000</b>

<sup>29</sup> Another ADTA (Traffic Accident Reduction) may be considered for the road sector , if resources permit.

**SRI LANKA**  
**LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002**

Classification	2000 (Firm)		2001-2002	
	No.	%	No.	%
<b>I. By Type</b>				
A. Economic growth	1	25	2	22
B. Projects directly aimed at social concerns	0	0	3	33
C. Projects directly aimed at environmental concerns	2	50	0	0
D. Economic growth-oriented projects with social and/or environmental concerns	1	25	4	44
<b>Total</b>	<b>4</b>	<b>100</b>	<b>9</b>	<b>100</b>
<b>By Sector</b>				
A. Agriculture and Natural Resources	2	50	2	22
B. Energy	1	25	0	0
C. Finance	1	25	1	11
D. Transport and Communications	0	0	3	33
E. Social Infrastructure	0	0	3	33
F. Others/Multisector	0	0	0	0
<b>Total</b>	<b>4</b>	<b>100</b>	<b>9</b>	<b>100</b>

## SRI LANKA

<b>PROJECT PROFILE</b>																								
<b>1. Project Name:</b> Protected Area Mgt. & Wildlife Conservation		<b>2. Sector/Subsector:</b> Agriculture/Natural Resources Conservation																						
<b>3. Dev. Objective:</b> Primary: ENV      Secondary: POV																								
<b>4. Rationale:</b>  The Government recognized the need to substantially strengthen the country's system of protected areas in the face of increasing threats and pressure upon wildlife resources. Reorganization, legal reform and policy changes in relation to DWLC will also be required to make the institution administratively and technically capable and at the same time facilitate effective linkages with other Government departments, the private sector and nongovernment organizations. Infrastructure improvement will be required for effective management of protected areas and the surrounding buffer zones. Supportive economic activities will need to be undertaken to lessen the dependence of local people on resources protected areas provide. Training in wildlife, park, nature reserve and buffer zone management; design and implementation of visitor-friendly plans for park improvement; and an understanding of tourism markets will all be required to overcome the constraints currently faced by the sector.		<b>5. Beneficiary Participation in Formulation:</b>  Beneficiary participation/consultation is being carried out as part of Project preparation. A number of project design workshops have been held and the Institute of Participatory Development is being engaged to undertake further stakeholder consultation.																						
<b>6. Objectives and Scope:</b>  The Project is expected to stimulate nature based tourism and to contribute to the development of a sustainable protected area management and wildlife conservation system for Sri Lanka. It comprises four components. Component A aims at: (i) strengthening DWLC to become a credible and effective modern department fully able to manage its policy development and operational responsibilities for results; (ii) enabling DWLC to actively coordinate with various Government ministries, agencies, and the private sector engaged in wildlife mgt., biodiversity conservation, and the development of nature tourism; and (iii) assisting the Government to meet the country's international commitments and other policy goals for biodiversity conservation. Under Component B, the Project will pilot-test decentralized, participatory protected area management in two clusters in the Mahaweli and Central Montane regions. Integrated mgt. plans will be implemented under this component through a process of public consultation and in close cooperation with the bufferzone communities. Under Component C, a sustainable financing mechanism will be established and project management as well as supporting facilities will be provided under Component D.																								
<b>7. Estimated Cost &amp; Financing Plan (\$):</b> a) TA: Amount      \$330,000 Source          GEF (TA 3273-SRI: Approved on 13 Oct. 1999) Loan Project Cost (\$m)		<b>Remarks</b>																						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Financing (Source)</th> <th style="text-align: center;">FC</th> <th style="text-align: center;">LC</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td></td> <td></td> <td style="text-align: center;">8</td> </tr> <tr> <td>Cofinancing</td> <td></td> <td></td> <td style="text-align: center;">10</td> </tr> <tr> <td>Borrower</td> <td></td> <td></td> <td style="text-align: center;">7</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td style="text-align: center;"><b>25</b></td> </tr> </tbody> </table>		Financing (Source)	FC	LC	Total	Bank			8	Cofinancing			10	Borrower			7	<b>Total</b>			<b>25</b>	<ul style="list-style-type: none"> <li>• Proposed Processing Schedule: <ul style="list-style-type: none"> <li>- Fact-Finding (April 1999)</li> <li>- MRM (10 June 1999)</li> <li>- Appraisal (10-30 May 2000)</li> <li>- SRC (03 July 2000)</li> <li>- Board Circulation (10 August 2000)</li> </ul> </li> </ul>		
Financing (Source)	FC	LC	Total																					
Bank			8																					
Cofinancing			10																					
Borrower			7																					
<b>Total</b>			<b>25</b>																					
<b>8. Estimated Benefits and Beneficiary Groups:</b>  Improvement of wildlife conservation in Sri Lanka for the well being of current and future generations, in a way that also equitably enhances the livelihood of people living in the areas surrounding protected areas.																								
<b>9. Executing Agency:</b> Department of Wildlife Conservation		<b>10. Project Implementation Period:</b> Start:      2001 End:        2006																						
<b>11. Environment Category:</b> B		<b>12. Processing Year:</b> 2000																						

## SRI LANKA

<b>PROJECT PROFILE</b>				
<b>1. Project Name:</b> Forestry Resource Management			<b>2. Sector/Subsector:</b> Natural Resources	
<b>3. Dev. Objective:</b> Primary: ENV Secondary: POV				
<b>4. Rationale:</b>  Improved resources management is important in Sri Lanka's fuel wood and timber needs, and preserving the natural environment. Success has been achieved in Bank-assisted Participatory Forestry Project, and further assistance has now been requested to address a broad range of forestry sector issues. The PPTA will prepare a project which will include the following: (i) policy and regulatory reforms to achieve greater involvement of the private sector in commercial timber production and processing; (ii) expanded tree planting for farmers and small scale enterprises; (iii) commercialization and privatization options to achieve improved efficiency in existing timber plantations and processing operations; (iv) suitable administrative reforms; and (v) an investment package to support a five year time slice of the Forestry Sector Master Plan (FSMP).			<b>5. Beneficiary Participation in Formulation:</b>  Intensive consultation will be undertaken with prospective beneficiaries, including farmers and the private sector during the TA implementation. Plantation activities will be carried by local farmers and private sector. Project implementation will also rely on people outside the Forest Department (FD), such as local motivators and villagers engaged in nursery activities, and companies involved in forest product processing, and end market users.	
<b>6. Objectives and Scope:</b>  (i) Preparation of a feasibility report for a sector by assessing sector issues, lessons learned from previous forestry project, and reforms in related sectors, including the privatization of plantations. (ii) Preparation of suitable policy and institutional reforms which can be implemented to facilitate tree planting, forest product processing, and management activities. (iii) Design and formulation of an investment package for the sector project based on subprojects supported by economic, financial, social, technical and environmental justification. The FSMP's proposed 5-year implementation plan will provide the basis for the investment package.				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>				<b>Remarks</b>
Loan Project Cost (\$m)				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank			20	
Cofinancing (AUSAID/NORAD)			2	
Borrower			9	
<b>Total</b>			<b>31</b>	
<b>8. Estimated Benefits and Beneficiary Groups:</b>  The Project is expected to increase the production of fuelwood and timber and rehabilitates environmentally degraded lands. It is also expected to create the policy and regulatory environment for expanded private sector operations, and improve efficiency of commercial timber production and processing, in line with market demand.				
<b>9. Executing Agency:</b> The Ministry of Forest and Environment			<b>10. Project Implementation Period:</b> Start: 2000 End: 2005	
<b>11. Environment Category:</b> tbd			<b>12. Processing Year:</b> 2000	

## SRI LANKA

<b>PROJECT PROFILE</b>				
<b>1. Project Name:</b> Western River Basin (Sector)			<b>2. Sector/Subsector:</b> Natural Resources	
<b>3. Dev. Objective:</b> Primary: ENV Secondary: -				
<b>4. Rationale:</b>  The increasing water demand in the Greater Colombo area and its neighboring towns requires sustainable management of its water resources for different uses. The PPTA will prepare an investment project to improve water resources management and strengthen institutional capability and private agencies.			<b>5. Beneficiary Participation in Formulation:</b>  - Public and private agencies - National Water Resources Council and Secretariat.	
<b>6. Objectives and Scope:</b>  The TA will design a project to improve water resources management in five western river basins surrounding the capital city of Colombo, including building capacity in national and local water sector institutions, and infrastructure development. To achieve this, the TA project will include two phases: (i) a river basin planning study, and (ii) preparation of an investment project. The TA will be supervised by the National Water Resources Council and Secretariat, which were established in 1996 with assistance under a JSF-financed advisory TA. The TA will build on the results of the ongoing ADTA 2422-SRI: Institutional Strengthening for Comprehensive Water Resources Management.				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>				<b>Remarks</b>
Loan Project Cost (\$m)				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank			40	
Cofinancing (OECF/AUSAID)			tbd	
Borrower			12	
<b>Total</b>			<b>52</b>	
<b>8. Estimated Benefits and Beneficiary Groups:</b>  The TA will help the Government design the first river basin management project based on the emerging national water policy and law. The TA will put in place the necessary linkages among public sector agencies, and partnerships between the public and private sector, to improve the development and management of water resources in these priority basins, and establish conditions for water service providers in subsectors to function with increased autonomy and accountability.				
<b>9. Executing Agency:</b>  National Water Resources Council and Secretariat under the National Planning Department			<b>10. Project Implementation Period:</b> Start: 2000 End: 2005	
<b>11. Environment Category:</b> tbd			<b>12. Processing Year:</b> 2000	

## SRI LANKA

<b>PROJECT PROFILE</b>				
<b>1. Project Name:</b> Private Sector Development (Program)			<b>2. Sector/Subsector:</b> Finance	
<b>3. Dev. Objective:</b> Primary: ECO Secondary: -				
<b>4. Rationale:</b>  The proposed Program will broaden the role of the private sector in economic activity to accelerate economic development. It will seek to reinforce and expand the enabling environment for increased private sector participation and greater reliance on the use of market mechanisms.			<b>5. Beneficiary Participation in Formulation:</b>  The divergent perspectives of the stakeholders, including Government, management, labor and stakeholders of enterprises, and the general public will need to be reconciled to engender support for the success of policy reforms.	
<b>6. Objectives and Scope:</b>  <ul style="list-style-type: none"> <li>(i) Support the Government's public enterprises reform program by building the Government's institutional capacity in formulating and implementing a coherent public enterprise reform strategy, and in exercising its ownership, asset management, and corporate governance functions;</li> <li>(ii) Support for strengthening regulatory frameworks and competition policy;</li> <li>(iii) Support in labor market reforms through the creation of a labor retraining and reemployment programs aimed at helping workers displaced during the public enterprise reform and restructuring process in the medium term, and the establishment of a safety net to create conditions favorable for eventual reform of the TEWA in the longer term; and</li> <li>(iv) Support for developing market based institutions and instruments for long-term financing of the private sector expansion and restructuring.</li> </ul>				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>				<b>Remarks</b>
Loan Project Cost (\$m)				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank			50	
Cofinancing (OECF)			50	
Borrower			43	
<b>Total</b>			<b>143</b>	
<b>8. Estimated Benefits and Beneficiary Groups:</b>  By improving the environment for private sector development, economic efficiency, productivity and growth will be increased. Continuing privatization will reduce the public deficit and positively impact on interest rates. The beneficiary groups include consumers and the workers of privatized enterprises assisted through termination compensation.				
<b>9. Executing Agency:</b>  Ministry of Finance and Planning			<b>10. Project Implementation Period:</b> Start: 1999 End: tbd	
<b>11. Environment Category:</b> C			<b>12. Processing Year:</b> 2000	

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2000-2002)  
PIPELINE UPDATE**

**SRI LANKA**

**June 2000**

**SRI LANKA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Strategic Dev't Objectives <sup>a/</sup>		Projects Division	PPTA Year	PROJECT COST (\$ million)					
	Primary	Secondary			TOTAL	Bank			Government	Cofinancing Requirement
						OCR	ADF	Total		
<b>2000 FIRM LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1 Protected Area Management and Wildlife Conservation	ENV	POV	AWFN	1997	29.5	-	11.5	11.5	4.0	14.0
2 Forest Resources Management Sector Project	ENV	POV	AWFN	1998	38.6	-	27.0	27.0	11.6	-
3 Water Resource Management	ENV	-	AWFN	1998	33.0	-	21.0	21.0	12.0	-
<b>Subtotal</b>					<b>101.1</b>	<b>-</b>	<b>59.5</b>	<b>59.5</b>	<b>27.6</b>	<b>14.0</b>
<b>Industry and Finance</b>										
4 Private Sector Development (Program)	ECO	-	IWFI	1998	71.4	10.0	40.0	50.0	21.4	-
<b>Subtotal</b>					<b>71.4</b>	<b>10.0</b>	<b>40.0</b>	<b>50.0</b>	<b>21.4</b>	<b>-</b>
<b>Social Infrastructure</b>										
5 Secondary Education Modernization	HD	-	AWEH	1999	62.9	-	40.0	40.0	18.9	4.0
<b>Subtotal</b>					<b>62.9</b>	<b>-</b>	<b>40.0</b>	<b>40.0</b>	<b>18.9</b>	<b>4.0</b>
<b>Total</b>					<b>235.4</b>	<b>10.0</b>	<b>139.5</b>	<b>149.5</b>	<b>67.9</b>	<b>18.0</b>
<b>2001 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1 Southern Province Rural Economic Advancement (Sector)	ECO	POV	AWAR	1999	39.0	-	30.0	30.0	9.0	tbd
<b>Subtotal</b>					<b>39.0</b>	<b>-</b>	<b>30.0</b>	<b>30.0</b>	<b>9.0</b>	<b>tbd</b>
<b>Social Infrastructure</b>										
2 Secondary Towns Water Supply and Sanitation	HD	POV	AWWU	2000	57.1	-	40.0	40.0	17.1	
<b>Subtotal</b>					<b>57.1</b>	<b>-</b>	<b>40.0</b>	<b>40.0</b>	<b>17.1</b>	
<b>Transport</b>										
3 Provincial Roads Improvement	ECO	POV	IWTC	1997	85.7	-	40.0	40.0	25.7	20.0
<b>Subtotal</b>					<b>85.7</b>	<b>-</b>	<b>40.0</b>	<b>40.0</b>	<b>25.7</b>	<b>20.0</b>
<b>Energy</b>										
4 Power Sector Restructuring	ECO	HD	IWEN	1998	143.0	40.0	10.0	50.0	42.9	50.0
<b>Subtotal</b>					<b>142.9</b>	<b>40.0</b>	<b>10.0</b>	<b>50.0</b>	<b>42.9</b>	<b>50.0</b>
<b>Finance</b>										
5 Small and Medium Enterprise Assistance Plan II	ECO	-	IWFI	-	120.0	20.0	-	20.0	-	100.0
<b>Subtotal</b>					<b>120.0</b>	<b>20.0</b>	<b>-</b>	<b>20.0</b>	<b>-</b>	<b>100.0</b>
<b>Total</b>					<b>444.7</b>	<b>60.0</b>	<b>120.0</b>	<b>180.0</b>	<b>94.7</b>	<b>170.0</b>
<b>2002 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1 Marine Resources Development	ECO	POV	AWFN	2000	39.0	-	30.0	30.0	9.0	tbd
<b>Subtotal</b>					<b>39.0</b>	<b>-</b>	<b>30.0</b>	<b>30.0</b>	<b>9.0</b>	<b>tbd</b>
<b>Social Infrastructure</b>										
2 Secondary Towns Infrastructure Improvement	HD	POV	AWWU	2001	78.0	-	60.0	60.0	18.0	tbd
<b>Subtotal</b>					<b>78.0</b>	<b>-</b>	<b>60.0</b>	<b>60.0</b>	<b>18.0</b>	<b>tbd</b>
<b>Transport</b>										
3 Primary Roads Improvement	ECO	POV	IWTC	2000	104.0	20.0	60.0	80.0	24.0	tbd
4 Colombo Port South Harbor Development	ECO	-	IWTC	1999	tbd	tbd	tbd	tbd	tbd	tbd
<b>Subtotal</b>					<b>104.0</b>	<b>20.0</b>	<b>60.0</b>	<b>80.0</b>	<b>24.0</b>	<b>tbd</b>
<b>Total</b>					<b>221.0</b>	<b>20.0</b>	<b>150.0</b>	<b>170.0</b>	<b>51.0</b>	<b>tbd</b>

<sup>a/</sup> ECO = Economic Growth; ENV= Environmental Protection; GAD = Gender and Development ; HD = Human Development; and POV = Poverty Reduction.

<sup>b/</sup> Excluding Protected Area Management and Wildlife Conservation which is standby a loan for 1999.

**SRI LANKA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			Bank	Others	Total
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 East Coast Natural Resources Management	AWFN	PPTA	1,000.0	-	1,000.0
<b>Subtotal</b>			<b>1,000.0</b>		<b>1,000.0</b>
<b>Transport and Communication</b>					
2 Re-engineering of Road Sector Institution (Supplementary)	IWTC	ADTA	360		360
3 SSTA to Establish Public-Private Partnerships for Railways	IWTC	ADTA	150.0	-	150.0 *
<b>Subtotal</b>			<b>510.0</b>		<b>510.0</b>
<b>Finance</b>					
4 Small and Medium Enterprise Support for Employment Generation and Poverty Reduction	IWTC	PPTA	150.0	-	150.0
5 Accounting Review of the Natl Water Supply & Drainage Board	AWWU	ADTA	100.0		100.0
6 Governance and Institutional Support for Private Sector Devl.	IWTC	ADTA	2,000.0	-	2,000.0
<b>Subtotal</b>			<b>2,250.0</b>		<b>2,250.0</b>
<b>Social Infrastructure</b>					
7 Postsecondary Education	AWEH	PPTA	600.0		600.0
8 Secondary Towns Water Supply and Sanitation	AWWU	PPTA	1,000.0	-	1,000.0
<b>Subtotal</b>			<b>1,600.0</b>		<b>1,600.0</b>
<b>Energy</b>					
9 Promotion of Private Participation in Oil/Gas Exploration	IWEN	ADTA	325.0	-	325.0
<b>Subtotal</b>			<b>325.0</b>		<b>325.0</b>
<b>Total</b>			<b>5,685.0</b>	-	<b>5,685.0</b>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 Sustainable Eco- Management	AWFN	PPTA	1,500.0	-	1,500.0
2 Integrated Protected Area Management	AWFN	PPTA	1,000.0	-	1,000.0
3 Institutional Strengthening of EIA at Provincial Level	ENVD	ADTA	600.0	-	600.0
<b>Subtotal</b>			<b>3,100.0</b>		<b>3,100.0</b>
<b>Social Infrastructure</b>					
4 Secondary Towns Infrastructure Improvement	AWWU	PPTA	800.0	-	800.0
<b>Subtotal</b>			<b>800.0</b>		<b>800.0</b>
<b>Finance</b>					
5 Institutional Support for Capital Market Reforms	IWFI	ADTA	1,000.0	-	1,000.0
<b>Subtotal</b>			<b>1,000.0</b>		<b>1,000.0</b>
<b>Energy</b>					
6 Integrated Energy Sector Masterplan	IWEN	ADTA	1,000.0	-	1,000.0
<b>Subtotal</b>			<b>1,000.0</b>		<b>1,000.0</b>
<b>Other</b>					
7 Training in Project Contract Management	COPP	ADTA	500.0	-	500.0
<b>Subtotal</b>			<b>500.0</b>		<b>500.0</b>
<b>Total</b>			<b>6,400.0</b>	-	<b>6,400.0</b>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 River Basin Management	AWFN	PPTA	1,000.0	-	1,000.0
<b>Subtotal</b>			<b>1,000.0</b>		<b>1,000.0</b>
<b>Total</b>			<b>1,000.0</b>	-	<b>1,000.0</b>

\* Approved.