



Asian Development Bank & Sri Lanka

FACT SHEET

Table 1. Sri Lanka: Development Indicators

Non-MDG	
Population in millions	20.20 (2008)
Annual population growth rate (%)	0.8 (2006–2008)
Adult literacy rate (%)	91.5 (2007)
Percent of population in urban areas	15.1 (2007)
MDG	
Percent of population living on less than \$1.25 a day	14.0 (2002)
Percent of population living below the national poverty line	15.2 (2007)
Under-5 mortality rate per 1,000 live births	21 (2007)
Percent of population using an improved drinking water source	82 (2006)

MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.
UNESCO. 2009. Institute for Statistics Data Centre.
World Bank. 2009. World Development Indicators Online.

Sri Lanka's social indicators are among the best in the South Asian region. The country has achieved near universal literacy and, perhaps more remarkably, girls are on par with boys. Over the last two decades, substantial steps have been taken to improve the efficiency of the economy, and open it up to trade. Sri Lanka's poverty levels which were stagnant for over a decade at over 20%, came down to 15.2% by 2007. A civil conflict, falling agricultural labor productivity, a lack of income-earning opportunities for the rural population, and very poor infrastructure outside Colombo are the key impediments to poverty reduction.

The Government's 10-year development plan sees the key role of the state as promoting economic growth, with a focus on less developed regions. Key policy documents advocate infrastructure development and livelihood support in rural areas. State-owned enterprise reform—while ruling out privatization—is also on the agenda.

Relationship with ADB

Sri Lanka has received \$4.36 billion for 143 sovereign and nonsovereign loans and \$96.4 million for 229 technical assistance (TA) projects since joining the Asian Development Bank (ADB). As of December 2008, there were 41 ongoing sovereign loans for a total loan amount of \$1.81 billion, including \$60 million in one program loan from the Asian Development Fund (ADF) and a \$150 million grant from the Asian Tsunami Fund. Of these 41 loans, 10 were financed from Ordinary Capital Resources and 31 from the ADF. As of 31 December 2008, 51% of the total net loan amount had been disbursed.

Assistance to Sri Lanka has gradually moved from mainly agricultural support to assisting the power sector, building roads, and improving education. Work in the education sector has involved expanding access to higher education, improving skills, and modernizing the curriculum. The Education for Knowledge Society Project (EKSP) commenced in 2008 with ADB financing of \$80 million, which comprised of a \$65 million loan and a \$15 million grant. The EKSP will upgrade 150 secondary schools selected from the poorest Divisions of the country and continue to enhance Information and Communication Technology Education. In addition, the project will support HIV/AIDS health education.

In cooperation with other development partners, mainly Japan, but also Germany and others, ADB has invested considerable resources in the power sector. ADB's largest contribution has been to roads, and the Southern Transport Development Project is building the first limited access expressway in Sri Lanka. With a total length of 128 kilometers, it will connect Colombo to Matara in the Southern Province.

In October 2008, ADB approved a new Country Partnership Strategy (CPS) for Sri Lanka for 2009–2011. The new CPS was formulated in close consultation with the Government and is aligned to Mahinda Chintana, the Government's 10-year development plan.

Impact of Assistance

The delivery of ADB's post-conflict assistance, which started with the North East Community Restoration and Development Project (NECORD), has so far been very successful. Other development partners have imitated the model or have requested ADB to route financial assistance through NECORD's project implementation units. It adopts a structured "bottom-up" approach, whereby communities determine the kind of small-scale infrastructure needed for economic growth and poverty reduction, which is then screened by a provincial committee for consistency and strategic value. More than 58 village development plans and hundreds of small-scale rehabilitation projects have been approved for minor roads, hospitals, schools, water supply and sanitation, irrigation, and shelter. The use of existing government structures and a highly participatory approach, involving all stakeholders in the north and east, largely explains the successful implementation. The resurgent conflict has, however, slowed progress due to the displacement of people, escalation of construction costs, and difficulties in finding suitable contractors.

ADB's assistance to Sri Lanka's transport sector has addressed physical, institutional, and policy constraints. The contribution of ADB's assistance over the last two decades was assessed as "substantial" in the Country Assistance Program Evaluation conducted in 2007. Four projects have rehabilitated, upgraded, and improved 1,265 kilometers of national roads. The expected impacts in terms of efficiency gains and cost savings have been achieved. Adequate levels of traffic have used the completed roads and traffic growth reflects economic growth. Vehicle operating costs and travel times were reduced, and transport services improved.

ADB's assistance to the sector helped the Government to increase Sri Lanka's electrification ratio from 67% in 2003 to 79% by 2007. The ongoing ADB-funded Power Sector Development Project has created 150,000 new rural household connections. The project has also allowed the Government to build five new grid substations, improve 13 existing

grid substations, and construct 53.5 kilometers of new transmission lines. Apart from increasing the electrification ratio, ongoing and future assistance is designed to build and improve new grid substations and transmission lines and reduce current technical losses from 16.7% to 13.5% by 2009 and 12% by 2016. ADB is also working with the Government to introduce further efficiency improvement measures in the sector.

Investment in education has been a central pillar of Sri Lanka's development policy for decades. ADB's education sector projects support the modernization of secondary education through the development of computer laboratories, teacher training, curriculum development, and introducing school-based assessment and management. Under the Distance Education Modernization Project, ADB supported the development of a distance education network. The network has enabled students from less developed districts, including two districts in the East, to connect to the hub in Colombo and access study material, take quizzes, and complete entrance examinations from a center located in their district. The Secondary Education Modernization Project (SEMP II) commenced in 2005 with the goal of modernizing the

Table 2. Sri Lanka: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	1,070	1,200	1,350	1,540	...
GDP growth (% change per year)	5.4	6.2	7.7	6.8	6.0
CPI (% change per year)	9.0	11.0	10.0	15.8	22.6
Unemployment rate (%)	8.3	7.7	6.5	6.0	5.2
Fiscal balance (% of GDP)	-7.9	-8.4	-8.0	-7.7	-6.8
Export growth (% change per year)	12.2	10.2	8.5	11.0	6.5
Import growth (% change per year)	19.9	10.8	15.7	10.2	24.0
Current account balance (% of GDP)	-3.1	-2.7	-5.3	-4.5	-7.1
External debt (% of GNI)	54.2	46.7	41.7	43.9	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. ADB staff estimates.
World Bank. 2009. World Development Indicators Online.

Table 3. Sri Lanka: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
149.8	–	1.9	27.2	178.9

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$4,355.5 million
Cumulative Disbursements (as of 31 Dec 2008) : \$3,161.7 million

Table 4. Sri Lanka: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	38	797.65	18.31
Education	11	351.90	8.08
Energy	11	397.75	9.13
Finance	20	483.50	11.10
Health, Nutrition, and Social Protection	2	35.40	0.81
Industry and Trade	11	243.15	5.58
Law, Economic Management, and Public Policy	6	183.00	4.20
Multisector	17	439.30	10.09
Transport and Communications	19	1,048.80	24.08
Water Supply, Sanitation, and Waste Management	8	375.07	8.61
Total	143	4,355.53	100.00

^a Total may not add up because of rounding.

Table 5. Sri Lanka: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	28.6	28
Education	83.3	6
Energy	85.7	7
Finance	57.1	7
Health, Nutrition, and Social Protection	100.0	2
Industry and Trade	80.0	5
Law, Economic Management, and Public Policy	50.0	2
Multisector	33.3	6
Transport and Communications	80.0	5
Water Supply, Sanitation, and Waste Management	100.0	2
Total	54.3	70
By Year of Approval		
1960s	50.0	2
1970s	41.7	12
1980s	50.0	24
1990s	62.1	29
2000s	66.7	3

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

secondary education system and assigned a high priority to spreading IT education throughout the island, upgrading 1,200 secondary schools as class A and AB schools to increase equity access for quality secondary education. The other main areas of the project are strengthening the Zonal/Provincial Education Offices, continuation of a stipend program for up to 50,000 disadvantaged students, streamlining the national examination system, modernizing the secondary education curriculum, and capacity building within the Ministry of Education.

Safe water supply and improved sanitation access for all is one of Sri Lanka's poverty reduction goals, and ADB's assistance program has helped 2 million people access safe water. It has also built institutional capacity and supported sector reforms. In 2008, ADB approved a new loan for the four major towns of Vavuniya, Mannar, Chilaw, and Puttalam in the driest zones of the island, covering a population of 300,000.

Future Directions

The core of the Government's 10-year development plan, the Mahinda Chintana, is to achieve high growth rates through investment in large-scale infrastructure and the knowledge economy, and to focus on rural development. ADB's operations in Sri Lanka over the next 3 years will be guided by the CPS 2009–2011. The new CPS focuses on infrastructure, including roads, water supply and power, with a project pipeline of \$210 million annually. There is also a planned program for fiscal management and one standby project in education, both areas that received earlier support from ADB.

ADB and the World Bank identified the lack of infrastructure and connectivity as two major obstacles to private sector development, alongside the lack of macroeconomic stability and peace.

Work has been affected by the conflict, but continues wherever possible. Ongoing projects in the east of the country are picking up again (such as Batticaloa water supply) bringing urgently needed basic social infrastructure to badly neglected areas in the country.

Table 6. Sri Lanka: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)		41
Contract Awards/Commitments	116.0	611.0
Disbursements	137.8	249.5
Loans at Risk (%)	15.2	4.9

Table 7. Sri Lanka: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
Kaegnam Enterprises, Ltd.	Transport and Communications	90.40
China Geo-Salcon-Access JV	Water Supply, Sanitation, and Waste Management	52.22
National Water Supply and Drainage Board	Water Supply, Sanitation, and Waste Management	22.72
Sierra Construction Company, Ltd.	Multisector	21.69
ICC China Harbour Joint Venture	Transport and Communications	19.73
International Construction Consortium	Multisector	19.58
Consulting Engineering and Contractors (Pvt.), Ltd.	Multisector	19.23
K.D.A. Weerasinghe and Company	Transport and Communications	14.68
E-W Information System, Ltd.	Multisector	13.12
Hovael Construction (Pvt.), Ltd.	Transport and Communications	11.11

Operational Challenges

Sri Lanka's educational achievements are substantial and, in contrast to other countries in the region, corruption has not been found to be a major impediment to private sector growth.

With work accelerating in the east and the possibility of resuming work in the north with the ending of major military operations, it is crucial that projects do not worsen tensions between communities and every effort is made to reduce them. Civil society and trade unions play a very active role, and projects must ensure such stakeholders are fully consulted and consensus is generated as much as possible. Lengthy procurement procedures—a frequent reason for implementation delays—are now being addressed through the harmonization and streamlining of approaches.

Partnership

Cooperation between development partners in Sri Lanka remains very good and has been strengthened by tsunami-related reconstruction efforts. ADB coordinates closely with other major donors in policy and strategy matters to ensure policy alignment and to avoid duplication. In 2007, ADB prepared the environmental assessment for the new CPS jointly with the World Bank.

ADB cooperates extensively with civil society organizations in Sri Lanka to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, nongovernment organizations, together with community-based organizations and the local government, will implement the rural water supply program in the North Central Province under the Secondary Towns and Rural Community Water Supply and Sanitation Project.

Table 8. Sri Lanka: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
PricewaterhouseCoopers Pvt., Ltd	4	3.85
Resources Development Consultants, Ltd.	5	1.61
Sri Lanka Individual Consultants*	34	1.20
Green Tech Consultants (Pvt.), Ltd.	3	0.60
Central Bank of Sri Lanka	2	0.50
Industrial Services Bureau	1	0.26
ITDG	1	0.26
Architectural Engineering Consultancy	1	0.20
Agromart Foundation	1	0.20
Sarvodaya Economic Enterprise Development Services	2	0.14

* Consultant may have one or more contracts within the period covered.

Table 9. Sri Lanka: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Sri Lanka Individual Consultants*	70	1.79
PricewaterhouseCoopers Lanka (Pvt.)	3	1.38
Infotech-Ideas Pvt., Ltd.	1	0.42
Centre for Poverty Analysis (CEPA)	2	0.35
Energy Forum (Guarantee), Ltd.	1	0.33
Sahanaya National Council for Mental Health	1	0.06

* Consultant may have one or more contracts within the period covered.

A Consultation and Participation plan was prepared for ADB in Sri Lanka, in consultation with all stakeholders in 2007, to identify best practices and improve communication. An initial stakeholder analysis workshop was held with the Sri Lanka Resident Mission staff to further develop the identification of key strategic stakeholders in 2008.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for Sri Lanka amounted to \$857.3 million for 26 investment projects, and \$9.9 million for 25 TA projects.

In 2008, the Netherlands, under the Water Financing Partnership Facility, provided \$2.0 million grant cofinancing for the Dry Zone Urban Water and Sanitation Project.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at www.adb.org/Documents/Fact_Sheets/SriLanka/cofinancing.asp.

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 463 contracts were awarded to consultants from Sri Lanka worth \$34.9 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB TA projects worth \$2.33 billion, of which 262 contracts were awarded to consultants from Sri Lanka worth \$15.0 million.

A summary of procurement contracts awarded to companies and consultants from Sri Lanka for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/SriLanka/procurement.asp.

About Sri Lanka and ADB

Sri Lanka is the 16th largest shareholder among regional members and the 24th largest overall.

ADB Membership

Joined	1966
Shares held	20,520 (0.58%)
Votes	33,752 (0.76%)

Kyung-Hoh Kim is the Executive Director and **James Tsuen-Hua Shih** is the Alternate Executive Director representing Sri Lanka on the ADB Board of Directors.

Richard W.A. Vokes is the ADB Country Director for Sri Lanka. The Sri Lanka Resident Mission (SLRM) was opened in 1998 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. SLRM engages in policy dialogue and acts as a knowledge base on development issues in Sri Lanka.

The Sri Lanka government agency handling ADB affairs is the Ministry of Finance and Planning.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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Asian Development Bank
www.adb.org

Country website
www.adb.org/srilanka

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2009/SRI.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2008/

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