PORTFOLIO AND SECTOR ASSESSMENT: NONSOVEREIGN

A. Introduction

1. This sector assessment reviews the contribution by the Private Sector Operations Department (PSOD) to the ADB program for Sri Lanka for the period 2006–2015. The previous country assistance program evaluation (CAPE) 2007 reviewed ADB’s activities in Sri Lanka over the period 1986–2006. That CAPE 2007 found that private sector operations were relatively limited with 11 transactions for $86.6 million approved over 1986–2006 and it did not present a separate private sector operations review or make any recommendations specifically focused on PSOD’s operations. During 2005–2015 there were 11 approvals totaling $368.2 million of financing commitments to be fully or partially invested in Sri Lanka in ADB’s targeted sectors of infrastructure and financial markets.¹

2. This introduction presents the overall private sector operations ratings and recommendations, followed by four sections: i) sector context, ii) sector strategy and portfolio, iii) evaluation of the assistance provided, and iv) key findings. The sector context is a brief overview of the sectors in which PSOD is active in Sri Lanka using the most recently available published data. The strategy and portfolio section presents PSOD’s strategy and its Sri Lanka portfolio of approvals, with the purpose and achievement to date of the approvals during 2006–2015. The evaluation section reviews the overall portfolio using the Guidelines for the Preparation of Project Performance Evaluation Reports on Nonsovereign Operations,² recognizing that the projects are designed to target these criteria. Due to limitations on the number of staff able to travel to Sri Lanka for the evaluation mission, this sector assessment is a desk review only; with the consent of PSOD, no evaluation mission was fielded to Sri Lanka to review of PSOD’s program. PSOD’s support for this sector assessment is greatly appreciated.

3. Evaluation rating for PSOD’s Sri Lanka program. The contributions of the individual approvals in the 2006–2015 portfolio are combined to result in an overall rating for PSOD’s Sri Lanka programs.

4. The nonsovereign operations ratings methodology uses four ratings categories to produce an overall rating: (i) development results, (ii) ADB investment profitability, (iii) ADB additionality, and (iv) ADB work quality. The ratings scale for the four ratings categories and their subcriteria components is excellent, satisfactory, less than satisfactory, and unsatisfactory. The overall ratings scale is highly successful, successful, less than successful, and unsuccessful. The portfolio of approvals includes some notable successes, as well as a range of projects in various stages of progress, along with some approvals that have clearly not produced intended development impacts for Sri Lanka.

5. The overall rating for the 2006–2015 portfolio of approvals is successful, the details of which are presented in the evaluation section of this sector assessment. The ratings matrix is in Table 1.


² These figures do not include (i) the 2009 $1.0 billion Trade Finance Facilitation Program (TFP) and (ii) the 2012 $100 million Asia Climate Partners (ACP, formerly CP3, reapproved 2014). TFP is available to support trade throughout ADB’s member countries including Sri Lanka. ACP intends to raise $750 million with one-third to be invested in each of the PRC, India, and other DMCs including Sri Lanka. If these approvals are included, the number of approvals is 13 and the amount is $1.483 billion to be fully or partially invested in Sri Lanka. These approvals are included this sector assessment’s portfolio and evaluation sections.

Table 1: Ratings Matrix

<table>
<thead>
<tr>
<th>Category</th>
<th>Development Results</th>
<th>ADB Investment Profitability</th>
<th>ADB Work Quality</th>
<th>ADB Additionality</th>
<th>Overall Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Successful</td>
</tr>
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</table>

Source: Independent Evaluation Department.

6. **Recommendations.** To sustain the success of the PSOD program in Sri Lanka, this sector assessment makes the following recommendations which are discussed in the paragraphs below:
   
   (i) develop local currency financing products
   (ii) increase PSOD staff resources to work on Sri Lanka
   (iii) continue commercial cofinancing
   (iv) consider direct equity investments
   (v) consider the role of equity investments through funds

7. **Develop local currency financing products.** Foreign exchange rate risk is an important component of borrowers’ or investee companies’ consideration in selecting PSOD for their required financing. Although PSOD is able to provide longer-term US dollar financing than some other sources of finance, the volatility of Sri Lanka’s currency and the very limited currency hedging markets in Sri Lanka excludes PSOD from many potential development opportunities. This particularly affects potential small infrastructure, energy, and agriculture projects, as well as transactions to support financial institutions which generally need to on-lend the financing in local currency in agreed sectors of small and medium-sized enterprise (SME) finance and mortgage lending. When US dollar financing has been achieved, borrowers report increased transaction costs and the inability to hedge the exposures as part of the experience of taking the financing, although the longer tenors and other program supports provided by ADB are important to their overall business plans. An additional complication for PSOD’s program is the ability of ADB’s South Asia Regional Department to work through government channels to offer local currency financings, some of which have been on-lent to private commercial banks. These offerings create confusion in the Sri Lanka banking sector about which ADB program to consider, and given the choice, borrowers often opt for local currency financings which affects PSOD’s ability to work in the same sectors. It is recognized that local currency financing to support PSOD’s activities is an on-going priority for PSOD and ADB’s Treasury Department, and this recommendation seeks to emphasize the critical importance this matter has for any expansion of PSOD’s Sri Lanka program.

8. **Increase PSOD staff resources to work on Sri Lanka.** PSOD staff resources are thinly stretched, with no international or national staff in ADB HQ able to focus solely on Sri Lanka, although there is one PSOD national officer in the Sri Lanka resident mission. From ADB HQ, part time focus on Sri Lanka is able to be given by approximately three–four international staff to identify, develop, implement, and monitor transactions. Over the 2006–2015 period, PSOD has obtained approvals for 1–2 transactions each year (except 2011, when no PSOD approvals were made). Therefore, the portfolio outstanding have been maintained at stable levels of $177.75 million at December 2006 and $189.1 million at December 2015. While PSOD has so far been able to manage its portfolio and develop new and relevant transactions in Sri Lanka, with so few staff resources there is the potential for operational risk and missed opportunities; it is not possible to suggest new sectors of focus for PSOD if there are no staff available to pursue them. In comparison, the International Finance Corporation (IFC) has an office in Colombo with six full-time investment officers, six advisory staff, and two general practitioners connected to both IFC and the World Bank. In addition, two additional positions are currently advertised for the IFC office, with the new roles intended to support the country manager on business development efforts. IFC’s website reports that its committed Sri Lanka portfolio has grown from $137 million in June 2011 to $517 million in January 2015.

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4. This estimate includes PSOD and OGC staff.
5. Portfolio information provided by PSOD.
9. **Continue commercial cofinancing.** With limited capital available to lend directly, commercial cofinancing is an important contributor to PSOD’s financing in Sri Lanka. The B-loan allows commercial financial institutions to lend to the same borrower as PSOD through a syndicated loan where ADB is the lender of record. A risk participation allows PSOD to reduce its A-loan exposure by offsetting part of the A-loan with a commercial financial institution. These programs have the additional benefit of increasing the experience and knowledge of the participants with Sri Lankan borrowers. Two of the more recent PSOD approvals have successfully incorporated ADB commercial cofinancing products into the approved financing: (i) Hatton National Bank; a $25 million B-loan and a $15 million risk participation; and (ii) LOLC Finance; a $45 million B-loan. Together these financings have attracted seven additional participants to these borrowers, including five financial institutions based in the Middle East. Their participation in a B-loan is particularly significant as all five are first-time B-lenders with no previous relationship with ADB or the borrower. These financing structures are an important contribution to PSOD’s Sri Lanka program and this recommendation supports continued emphasis on incorporating commercial cofinancing into transaction structures for Sri Lanka wherever possible.

10. **Consider direct equity investments.** The government has recognized the need for broad sector reforms as well as increased foreign direct investment in order to grow the Sri Lankan economy. With a new government elected in 2015 and the lasting conflict resolution, strategic direct equity investments may be an additional part of PSOD’s program for Sri Lanka. PSOD has been successful in other parts of its portfolio with these investments, directly providing much needed capital as well as governance and safeguards requirements which have helped investee companies to improve and increase their operations, which in turn attracts additional investors. Subject to the availability of qualified staff to identify and monitor these investments, this recommendation considers that the timing may be very good during the next few years for PSOD to make direct equity investments into Sri Lankan entities.

11. **Consider the role of equity investments through funds.** From 2006–2015, six approvals were made for PSOD investments in seven private equity funds which include Sri Lanka as a target for a portion of the funds’ own investments.7 These approvals represent five of the eleven 2006–2015 approvals (or six of thirteen if Asia Capital Partners (ACP) and TFP are included as discussed in paragraph 29). Five funds specifically identify Sri Lanka among the list of investee countries while two state they will invest across Asia or across ADB’s developing member countries, which includes Sri Lanka. [CONFIDENTIAL INFORMATION DELETED] While not all of these funds were intended to be invested in Sri Lanka, these approvals must be considered as part of the Sri Lanka portfolio; they are nearly half of PSOD’s Sri Lanka portfolio. Considerable resources are expended to identify, develop, approve and monitor these investments, with funds that do not perform well requiring even greater staff resources to monitor the situation.

12. With so little investment activity in Sri Lanka resulting from these approvals, and with so many of the funds’ performances below expectations for profitability and development results, consideration of the role of equity investments through funds in Sri Lanka may be required. On the other hand, it may also signal that Sri Lanka’s domestic investment climate is not yet mature enough for equity investments of this type. Even so, it is not possible for these funds to catalyze future private equity investments or to contribute to other sector developments in Sri Lanka if no investments are made in Sri Lanka. Any future PSOD investments through funds may benefit from a narrower focus: the five funds specifically identifying Sri Lanka as an investment target included Sri Lanka as one of three to nine target countries. [CONFIDENTIAL INFORMATION DELETED] It is also noted that in 2015, IFC and the Entrepreneurial

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7 Funds investments approved 2006–2015: ADB Maculus Fund II–regional; Asia Clean Energy Fund–regional; Asia Climate Partners (formerly climate Public-Private Partnership Fund)–regional; Aureous South Asia Fund–regional; Mekong Brahmaputra Clean Development Fund–regional; ShoreCap II–regional; South Asia Clean Energy Fund–regional.
Development Bank (FMO) both made investments in Emerald Sri Lanka Fund I Limited, managed by NDB Zephyr Partners, a fund focused solely on Sri Lanka.8,9

B. Sector Context

13. Sri Lanka’s GDP has increased from SLRs2.94 trillion in 2006 to SLRs9.78 trillion in 2015.10 For the private sector in Sri Lanka, the period 2006–2014 was affected by on-going recovery from the 2004 tsunami, civil conflict from 1983–2009, and a post-conflict return to stability that has supported rapid economic growth in recent years. State owned business enterprises (SOBEs) are significant players in energy, banking, insurance, ports, transport, water, health, and media. In its 2014 Annual Report,11 the Ministry of Finance (MOF) stated that Sri Lanka has 245 state-owned enterprises (SOEs), of which 55 are strategically important SOBEs. Of these, 44 were profitable while 11 were loss-making, with losses in energy, aviation, commuter transport and plantations. These losses place strain on government budgets and the need for SOE reforms to transform the enterprises into viable commercial enterprises is recognized by the MOF as “important as never before”. The MOF report particularly cites governance concerns as a key area for needed change in order to allow the SOBEs to make and be accountable for business decisions, rather than for these functions to be performed by the respective SOBE’s ministry. The lack of SOBE accountability contributes to numerous practices that are not in line with sound business management. Additional areas of concern are the ability of the SOBEs to adjust prices to reflect market conditions, related on-going government subsidies, and well as lack of transparency. In their current state, the SOBEs depend on borrowings from state banks and crowd out private investments. Reforms will enhance the country’s public financial management which will allow increased investment in needed public services such as health and education.

14. The overall situation impedes the development of public-private partnership modalities (although some concessions have been achieved in the ports sector), and the MOF recognizes that until these reforms are achieved, targets for foreign direct investment (FDI) are unlikely to be met. FDI is permitted across almost all areas of the economy, subject to percentage ownership restrictions and achievement of approvals as required by the Board of Investment of Sri Lanka. The US State Department reports that privatizations have been generally halted in 2015 as the government preference is to maintain state-owned enterprises, while reducing government stakes in privately managed businesses such as domestic private commercial banks.12 The MOF reports that Sri Lanka’s 2014 FDI of about 2% of GDP is below that of peer countries such as Myanmar and Viet Nam and Myanmar. On-going fiscal imbalance contributes to Sri Lanka’s currency depreciation, with the value of the Sri Lanka rupee deteriorating from SLRs102.77 to US$1 in March 2006 to SLRs143.27 to US$1 in December 2015. Since February 2012, the rupee has been allowed to trade freely, coupling deteriorating exchange rates with additional volatility. The exchange rate risk is difficult and expensive to hedge and inhibits the ability of many of Sri Lanka’s businesses to make use of investment that is denominated in foreign currency.

15. This sector context discussion focuses on the two broad sectors in which ADB focuses its private sector operations, (i) infrastructure and (ii) financial market development. Country-level subsector overview discussions for each are briefly presented. These are necessarily limited to general overviews of the sectors in which ADB’s country partnership strategy (CPS) has indicated possible financing from PSOD, including those in which PSOD has made financial commitments. PSOD’s approvals are generally

16. **Infrastructure.** The infrastructure sector includes renewable energy, waste to energy, thermal power, electricity transmission, port terminals, and telecommunications.

17. **Renewable energy.** The Ministry of Power and Renewable Energy sets energy policy for Sri Lanka. The ministry has set a goal of 100% energy self-sufficiency by 2030, to be achieved by sector reform and increased energy supply from renewable energy, shifting the country’s power generation to a cleaner energy mix. The intent is to shift to a cleaner energy mix with renewables, biomass, and domestic gas-powered electricity (using the Dorado gas discovery) to displace fuel imports by 2030. The ministry’s sector plans build on earlier sector changes, including the 2007 establishment of the Sustainable Energy Authority (SEA). The SEA is to develop policy for renewable energy development, energy efficiency, and energy conservation. In 2008, the government introduced new technology-specific, multi-tier tariffs to attract more private investment to renewable energy. The Public Utilities Commission of Sri Lanka (PUCSL) is the sector regulator. The MPRE reported that 15% of Sri Lanka’s 2013 power mix was from renewable energy sources (composed of: hydro- and small-hydro (13%), wind- and solar-power (2% together)); 43% from biomass; 41% fossil fuel (imported coal and oil). By 2020, the ministry plans to develop 873 MW installed capacity of mini-hydro projects, 161 MW of small solar power projects, and 401 MW of small wind power projects. Four 20–120 MW hydro projects have been identified, along with one multi-staged development for a 375MW wind power farm. The rest are expected to be very small projects, in-line with existing renewable energy capacity. PUCSL reported that in 2012, renewables capacity included 95 small hydro plants with installed capacity of 206 MW; six wind power projects with installed capacity of 36.2 MW; three solar plants with installed capacity of 1.36 MW. Many of these small plants provide power to the 2% of Sri Lanka that is not yet connected to the national power grid; future sector plans contemplate eventual grid connection for these rural areas, including connection of these plants to the national grid.

18. **Waste-to-energy.** Biomass projects are a key component of Sri Lanka’s energy plans. In addition to the plans to increase renewable energy, the MPRE plans to develop 153 MW installed capacity of small biomass projects by 2020. SEA’s policy mandate also includes the biomass sector. The SEA reports that the most common forms of biomass in Sri Lanka are fuel wood, municipal waste, industrial waste, and agricultural waste (tea, rubber, and coconut). The PUCSL reported that in 2011, three biomass plants had been installed with capacity of 11.5 MW (with a further 18 under construction at the time, expected to increase capacity by 91.75 MW. The critical issue is to bring the biomass power supply into the formal electricity market by continuing to attract investment to build plants using up-to-date technology. SEA planned to release a study targeting this issue in 2011, but the results of the study could not be located for this discussion.

19. **Port terminals.** The Ministry of Highways Ports & Shipping oversees the ports sector. The Sri Lanka Ports Authority (SLPA) is the state-owned operator of Sri Lanka’s major ports, founded in 1979 to develop, maintain, and operate specified ports. SLPA is responsible for larger ports at Colombo, Trincomalee, and Galle, and three smaller ports at Kankesanthurai, Point Pedro, Oluvil and Hambantota. Colombo is the largest port (operations have grown from handling 3 million containers in 2006 to 5 million in 2015) and

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13 Formerly the Ministry of Power & Energy.
17 Sri Lanka Ports Authority website. [www.slpa.lk](http://www.slpa.lk). Sri Lanka. The Hambantota port is being developed in two phases. Phase I commenced construction in 2008 with $501 million of financing from Exim Bank of the PRC and SLPA. Phase II construction commenced in 2012; estimated project cost is $800 million.
was SLPA’s primary focus, but government policy to develop Sri Lanka’s regional areas has increased its focus on the regional ports. Colombo operations are carried out through four terminals, Jaya Container, Unity Container, SouthAsia Gateway, and South Terminals. SLPA still owns and operates the Jaya terminal. The Unity Container Terminal is operated by P&O Ports (commissioned in 2003, its construction was funded by Japan International Cooperation Agency). The SouthAsia Gateway Terminal 30-year build-own-transfer concession was awarded to the private sector operator APM Terminals’ consortium in 1999. To allow for the expansion of the South Terminal, ADB’s public sector operations and SLPA cofinanced the port’s new breakwater in 2008 dredging the channel and adding the breakwater for the South Terminal. In 2011, the 35-year build-own-transfer concession was awarded to a joint venture between SLPA (15% ownership) and China Merchants Holdings International (85%), which invested $500 million to build Colombo’s first deep water terminal. Activities to construct a new terminal, the East Container Terminal, began in 2015. In 2016, ADB was awarded the mandate to develop a PPP concession for this terminal.

20. **Telecommunications.** The Ministry of Telecommunication and Digital Infrastructure sets policy for telecommunications, digital, and IT technologies. The Telecommunications Regulatory Commission of Sri Lanka regulates the telecommunications sector, granting operator licenses, setting tariffs and monitoring sector activities. At September 2015, 38 licenses had been granted. These include three to fixed line operators, and five to mobile telephone operators, with the rest to support data communication services as well as cable and satellite TV. At September 2015, there were 2.6 million fixed line phones, equal to fixed line phones for 12.6% of the population. Fixed line subscriptions peaked at 3.6 million in 2011 and have been steadily declining. There were 23.7 million mobile subscribers, equal to mobile subscriptions for 113.4% of the population. In 2007, government policy changed to allow foreign investors to own 100% of a mobile telephone operator, with 4 such operators granted licenses. Telekom Malaysia’s 91%-owned subsidiary Dialog Telekom is Sri Lanka’s largest mobile provider with 9.5 million subscribers in 2014. Mobile phone subscriptions have rapidly and steadily increased from 5.4 million in 2006. Sri Lanka Telecom (SLT) is Sri Lanka’s national provider of ICT services, with 6 million corporate and retail customers across all ICT platforms, including mobile service through SLT’s separately licensed Mobitel subsidiary. SLT’s shareholders are the government of Sri Lanka (49.5%), Global Telecommunications NV of Curacao (44.98%), and publicly traded shares for the remainder. SLT is continuing its investments in broadband and other wireless technologies, as well as sub-sea cable systems for regional and international connectivity. The SEA-ME-WE-5 cable system in which SLT has invested will link 17 countries.


22. **Banking.** The Central Bank of Sri Lanka’s (CBSL) role was streamlined in 2002 to enable it to pursue two core objectives: i) maintaining economic and price stability; and ii) maintaining financial system stability. Financial system stability requires a stable macro-economic environment, effective regulatory framework, well organized financial markets, sound financial institutions, and safe and robust payments infrastructure. The CBSL regulates Licensed Commercial Banks (LCBs; deposit taking), and Licensed Specialized Banks (LSBs; deposit taking) (as well as non-bank financial institutions: Licensed Finance Companies (LFCs; deposit taking) and Specialized Leasing Companies (SLCs) discussed below under financial leasing). At January 2016, there were 25 LCBs and 7 LSBs. The LCBs are the single most important category of financial institutions; in 2014 these institutions held 49% of the entire financial system’s assets (and 84% of the banking sector’s assets). The six largest LCBs (Bank of Ceylon People’s Bank, Commercial Bank of Ceylon, Hatton National Bank, Sampath Bank, and Seylan Bank. Bank of Ceylon

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and People’s Bank are government owned.) are referred to as systemically important banks and represent 75% of the LCB sector assets. Considering loans from the various types of institutions operating in Sri Lanka, the MOF reports that in 2014 approximately SLR521.4 billion was lent by state, private, and development banks to SMEs. Of this amount, approximately 12% was to the agriculture sector, 14% to the industry sector, 25% to services sector, and 49% to other SME sectors (footnote 5). The CBSL reports that in 2014 non-performing loans improved to 4.2% from 5.6% in 2013. In 2014, the CBSL required implementation of Basel II and advised increased capital requirements would be in effect from 2016 onward in accordance with Basel III requirements.  

23. **Micro-finance.** The MOF reports five major government micro-finance institutions (MFIs) in 2014: Department of Divineguma, Department of Co-operative Development, Department of Agrarian Development, Regional Development Bank, and Lankaputhra Development Bank which together had 4,064 branches, 23.3 million depositors (SLRs271 billion in deposits), 9 million borrowers (SLRs200 billion in borrowings) (footnote 5). The LCBS also disbursed SLRs106 billion in microfinance loans in 2014 (including SLRs55 billion by Bank of Ceylon and SLRs9 billion by People’s Bank). Various government-led and subsidized micro-finance programs have been implemented, including the new comprehensive rural credit scheme, the poverty alleviation micro finance project, and the Saubhagya loan scheme. A program initiated in March 2014, the Liya Isura scheme, targets women entrepreneurs who do not have collateral but do have profitable businesses or business proposals. Loans of up to SLRs250,000 are available through the Regional Development Bank; loans of SLRs2.3 billion were made to 14,421 women in 2014. The CBSL website advises that it does not currently regulate the MFIs; however the site also has a link to the MRI Act of May 2016. This Act will enable the CBSL to become the regulator for the MFIs as ministerial ordinances are gazetted (footnote 22). Deposit taking is also allowed for rural banks and thrift and co-operative credit societies; these institutions are registered with the Department of Co-operative Development and are not regulated by the CBSL.

24. **Financial Leasing.** Leasing is undertaken by LFCs and SLCs. As of January 2016, there were 46 LFCs and eight SLCs. In 2014, these institutions represented 7% of the financial sector. Also in 2014 a financial sector consolidation program was implemented with a plan to reduce the number of non-banking financial institutions to around 20 from 58; 10 mergers were completed and 22 were in process at the end of 2014, but the program was put on hold given concerns raised in the process, although the CBSL credits this program with increasing the stability of the leasing sector.

25. **Private equity funds.** In Sri Lanka, private equity funds are mostly in the form of venture capital. The CSLB recorded SLRs 6.2 billion (US$47 million; 0.1% of the financial system) of assets under management by venture capital funds at December 2014, but does not regulate the sector itself and does not indicate which regulator has oversight of these funds. No single listing of venture capital funds in Sri Lanka could be located, and it is not clear if CSLB figures include only those funds that are incorporated in Sri Lanka. Although growth is noted (CSLB reported SLRs1.2 billion of venture capital assets in 2011), the sector is very small in Sri Lanka. In its project details for its investment in the Emerald Sri Lanka Fund I, FMO states “Why we fund this project: Sri Lanka is a post-conflict country, without an established private equity industry. Emerald Sri Lanka Fund I will be the largest private equity fund dedicated to Sri Lanka.” (footnote 9) The Emerald Fund’s target size was $50 million; FMO and IFC are each reported to have funded $10 million commitments; it is not possible to confirm the fund’s total commitments. The Inland Revenue Service has a specific rate of income tax applicable to Venture Capital

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24 In addition, the Lanka Microfinance Practitioners’ Association was formed in 2006 and is recognized by the CBSL as the coordinating body for private microfinance institutions in Sri Lanka with 64 member institutions. At July 2015, the association reported results from 26 MFIs: 104,401 depositors; SLR923.5 million in deposits; 299,411 active borrowers (31,234 male; 268,177 female); SLR7.4 billion in loans outstanding.

25 Unit trusts are not part of the venture capital sector. Unit trusts invest in various combinations of publicly listed securities and are regulated by the Securities Exchange Commission.
Companies (12%), but no other specific regulations or industry association for these activities could be located.

C. **ADB Sector Strategy and Portfolio**

26. **Sector strategy.** The PSOD strategy is to support ADB’s Strategy 2020 by working closely with private sponsors, investors, and financiers in promoting investment opportunities that contribute to reducing poverty throughout the region. PSOD works within ADB’s private sector development strategy. Under this strategy, ADB public sector projects and technical assistance can provide support to the government to develop the required enabling environment for private sector projects under ADB’s broad sectors of infrastructure and financial market development. PSOD monitors the progress of public sector projects and identifies opportunities in the private sector to build on the public sector projects. PSOD also monitors broader government policy developments and changing market conditions in its sectors to identify development opportunities beyond those tracked through ADB’s public sector. Private sector projects supported by PSOD are intended to provide clear development impacts, and to be financially viable and to fit within the infrastructure and financial market development sectors.

27. At the country level, focus areas for PSOD are included in country partnership strategies (CPS). Over the review period ADB’s CPSs have evolved, reflecting the country’s changing situation from recovery from the 2004 tsunami to a civil war conflict to a post-conflict environment. ADB’s country strategy and program update 2006–2008 added specific focus on targeted poverty reduction to the three key focus areas of the country strategy and program 2004–2008: (i) economic reform, (ii) governance, and (iii) social development. ADB’s CPS 2009–2011 was based on two pillars: (i) strengthening the investment climate, and (ii) achieving socially inclusive development, with two major crosscutting themes (i) governance (including innovative capacity development), and (ii) private sector development through improvement in the investment climate. ADB’s CPS 2012–2016 for Sri Lanka is based on three pillars: (i) inclusive and sustainable economic growth, (ii) catalyzing private investment and enhancing the effectiveness of public investment, and (iii) human resource and knowledge development. Because the timing for private sector transactions depends upon a combination of factors and that the PSOD pipeline is commercially sensitive, private sector transactions are not identified in the CPS. Rather, the broad sectors of infrastructure and financial market development are recognized and agreed subsectors are noted; projects that are not within agreed specific areas are not pursued without express approval. The specific areas noted in the CPSs over 2006–2015 reflect the government areas of preference for ADB focus and the evolving scope of private sector opportunities (summarized in Table 2).

<table>
<thead>
<tr>
<th>CPS Period</th>
<th>Agreed Strategy/Private Sector Activities</th>
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<tr>
<td>2012–2016*</td>
<td>“ABD’s private sector operations will explore potential projects in areas of renewable energy, thermal power, waste to energy, cargo handling and logistics, trade finance, housing, finance, leasing, and telecommunications.” Additionally, “ADB will explore cofinancing opportunities in all projects. Private investments will be catalyzed through cofinancing using ADB’s credit enhancement products.”</td>
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| 2009–2011† | Catalyzing of private investment through the PSOD. “There is potential for PSOD to expand its presence in Sri Lanka through investments and financing. Building on its existing loan portfolio, PSOD is working with a leasing company to provide longer-term financing for SMEs. ADB’s Trade Finance Facilitation Program is active in Sri Lanka. Currently, the major opportunities for private sector interventions seem to be in power generation and potentially transmission (if

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the Government is prepared to open that market to private investments), and in port terminals. To facilitate investments in the power sector, where the Government is supporting small-scale renewable power projects as part of its climate change initiatives, PSOD is working on four small demonstration projects that are being processed in parallel to reduce transaction costs. The energy sector road map also integrates public and possible private sector investments. In the past, ADB’s private and public sector departments have worked hand in hand in Sri Lanka’s port sector, and intend to continue this approach.”

<table>
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<th>CPS Period</th>
<th>Agreed Strategy/Private Sector Activities</th>
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<tr>
<td>2006–2008</td>
<td>Catalyzing of private investment through ADB’s PSOD.</td>
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ADB = Asian Development Bank, CPS = country partnership strategy, SME = small and medium-sized enterprises.


b Thermal power was included in response to a specific identified opportunity that did not proceed. Thermal power projects are not part of PSOD’s current strategy for Sri Lanka.


d Electricity transmission continues to be nearly all owned and operated by the public sector state utility Ceylon Electricity Board. Sri Lanka has grid connectivity of 98%.

e These projects were small-scale agricultural and biomass waste-to-energy power projects that did not proceed.


28. At the project level, PSOD staff are organized into three divisions: Private Sector Infrastructure Finance Division 1 (PSIF1), Private Sector Financial Institutions (PSFI), and Private Sector Investment Funds and Special Initiatives (PSIS). An agriculture unit has also been set up under PSOD’s Office of the Director General. A fourth division, Private Sector Transaction Services (PSTS), includes cofinancing product specialists and safeguards specialists to bring particular experience as needed to transactions originated by PSIF1, PSFI, PSIS, and PSOD’s agriculture unit. A fifth division, Private Sector Portfolio Management (PSPM), contributes to ongoing portfolio management.

29. Portfolio. Over the period 2006–2015, there were 11 PSOD approvals totaling $368.2 million of financing commitments to be fully or partially invested in Sri Lanka (footnote 2). A complete list of approvals over 2006–2015 is in Appendix 2. The number and investment amount of approvals by year is shown in Table 3.

Table 3: Private Sector Operations Department Approvals by Year, 2006–2015

<table>
<thead>
<tr>
<th>Approval Year</th>
<th>Number of Approvals</th>
<th>Equity ($ million)</th>
<th>Loan ($ million)</th>
<th>B Loan / Unfunded Risk Participation ($ million)</th>
<th>Total by Year ($ million)</th>
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<td>2015</td>
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<td>1</td>
<td>15</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>2008</td>
<td>1</td>
<td>40</td>
<td></td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>2007</td>
<td>2</td>
<td>30.5</td>
<td></td>
<td></td>
<td>30.5</td>
</tr>
<tr>
<td>2006</td>
<td>2</td>
<td>42.7</td>
<td></td>
<td></td>
<td>42.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11 b</td>
<td>107.7 b</td>
<td>175.5</td>
<td>85 a</td>
<td>368.2 b</td>
</tr>
</tbody>
</table>

a The approved loan is $75 million. Exposure is offset by $15 million risk participation included in B-Loan/Unfunded Risk Participation amount of $40 million ($25 million B Loan).

b Figure does not include $1 billion approved for the Trade Finance Facilitation Program (TFP) or $100 approved for Asia Capital Partners (ACP). If they are included the number of approvals for 2009 is 2 (TFP), the number of approvals for 2012 2 (ACP), the total number of approvals is 13, the B loan/unfunded risk participation for 2009 is $1 billion, the total 2009 approvals is $1.015 billion, the 2012 equity approvals is $100 million, the total B Loan/unfunded risk participation for the period 2006–

The PSFI and PSIS divisions were created in 2012, dividing the former Private Sector Capital Markets (PSCM) into two groups to allow increased specialization and to separate investments made through financial institutions (PSFI) from those made through equity funds (PSIS). For the purposes of this sector assessment, the current divisional structure is used for portfolio attribution.
2015 is $1.085 billion, the total equity approvals for the period 2006–2015 is $207.7, and the total of all approvals is $1.468 billion. 
Source: Asian Development Bank database.

30. **Portfolio by sector.** The approvals contribute to ADB’s country and sector strategies and programs. The approvals 2006–2015 approvals for Sri Lanka by sector are in Table 4 and Table A1.2.

<table>
<thead>
<tr>
<th>Approval Sector</th>
<th>Number of Approvals</th>
<th>$ millions</th>
<th>% of approvals by $ volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td>2(^a)</td>
<td>55</td>
<td>15</td>
</tr>
<tr>
<td>Fi/Infrastructure</td>
<td>1</td>
<td>100</td>
<td>27</td>
</tr>
<tr>
<td>Fi/MSME</td>
<td>7(^b)</td>
<td>198.2</td>
<td>54</td>
</tr>
<tr>
<td>Fi/Housing</td>
<td>1</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11(^c)</td>
<td>368.2</td>
<td>100</td>
</tr>
</tbody>
</table>

\(^{a}\) Excludes ACP. If ACP is included the number of renewable energy approvals is 3, the amount is $155.
\(^{b}\) Excludes TFP. If TFP is included the total number of Fi/MSME approvals is 8, the amount is $1.198 billion.
\(^{c}\) Excludes ACP and TFP. If they are included, the total number of approvals is 13, to total amount is $1.468 billion.
Source: Asian Development Bank database.

31. **Portfolio by individual approval 2006–2015.** This sector assessment’s evaluation of PSOD’s 2006–2015 approvals and their contribution to the Sri Lanka program for 2006–2015 is based on the results of each approval. Each approval is analyzed for its fit with ADB’s country and sector strategies, noting the type of financing approved, the purpose of the financing, any direct links between ADB’s South Asia Regional Department’s work and the PSOD approval, and the progress each has made toward development results. For each approval, its reports and recommendation of the President (RRPs), extended annual review report (XARRs), extended validation report (XVRs), and/or project performance evaluation reports (PPERs) were reviewed and the results summarized here, including the ratings using the ratings scale for nonsovereign operations evaluations (para 4). If XARRs and XVRs/PPERs have not been completed, recent annual monitoring reports (AMRs) were reviewed. (Financial results for individual transactions are confidential and are not presented in this sector assessment.) Each approval is categorized by sector (as indicated in the approval documents) in order as follows: (i) renewable energy; (ii) Fi/infrastructure; (iii) Fi/MSME; and (iv) Fi/housing. Individual sector approvals are presented in chronological order by product (loan, equity investments through funds).

32. **Renewable energy.** The renewable energy sector approvals in PSOD’s Sri Lanka portfolio contribute to the development of small hydropower, and energy efficiency. All of these approvals were for equity investments through funds and are presented in chronological order by approval date.\(^{34}\)

(i) **Clean Energy Private Equity Funds–regional**
(ii) **Mekong Brahmaputra Clean Development Fund–regional**
(iii) **Asia Climate Partners (formerly Climate Public-Private Partnership Fund)–regional**

33. **Clean Energy Private Equity Funds–regional.** This 2008 approval\(^{35}\) is for equity investments in five clean energy-focused private equity funds for the lesser of $20 million or 25% of the fund’s total capital, for each of the five funds. The program supports ADB’s Energy Efficiency Initiative among other programs.

\(^{34}\) PSOD’s loan to Hatton National Bank (HNB) is to support a broader sector of infrastructure, including but not limited to renewable energy. Therefore, the HNB approval is presented in the infrastructure section.

under the Clean Energy and Environment Program and follows three previous ADB investments in clean energy funds. All of the funds had a general focus on clean technology, renewable energy, and energy efficiency, with some also including energy storage and environmental services. These funds were identified to address the limited capital invested in clean energy projects in Asia when compared with similar investments in OECD countries. ADB issued a call for proposals in 2007 both to increase the awareness in the investment community of ADB’s increased focus on the clean energy sector and to encourage an integrated approach by equity fund managers to clean energy investments. From the 19 respondents to the call for proposals, eight were selected to make presentations in Manila. Following these presentations, the five funds were selected for approval under this program. Two of the five funds planned investments in the Sri Lanka; (i) Asia Clean Energy Fund (ACE), and (ii) GEF South Asia Clean Energy Fund (SACEF). [CONFIDENTIAL INFORMATION DELETED]

34. **Mekong Brahmaputra Clean Development Fund, LP—regional.** The 2009 approval is for an equity investment of up to the lesser of $15 million or 25% of the fund’s total share capital. The purpose of the fund is to invest in the clean energy and environment sectors in the Greater Mekong Subregion and South Asia, including renewable energy, energy efficiency, water conservation and waste recycling projects. The Dragon Capital Clean Development Investments Ltd., a subsidiary of the Dragon Capital Group, is the fund manager. The fund targeted a size of $100 million with geographic focus [CONFIDENTIAL INFORMATION DELETED] Bangladesh, Bhutan, Cambodia, Lao People’s Democratic Republic (Lao PDR), Sri Lanka, Viet Nam. [CONFIDENTIAL INFORMATION DELETED]

35. **Asia Climate Partners (ACP; formerly climate Public–Private Partnership Fund (CP3)—regional.** This 2012 approval is for an equity investment in ACP of up to the lesser of $100 million or 25% of the fund’s capital. [CONFIDENTIAL INFORMATION DELETED]

36. **Financial Institution/Infrastructure.** The infrastructure sector approval in PSOD’s portfolio contributes to development of Sri Lanka’s physical infrastructure by contributing to the commercial banking market’s ability to finance infrastructure projects. Financing for the following financial institution is presented in this section:

   (i) **Hatton National Bank**

37. **Hatton National Bank.** This 2014 approval is for a 7-year $100 million loan comprised of a $75 million A-loan and a $25 million B-loan to Hatton National Bank (HNB). The purpose of the financing is increase the funding available for finance of small infrastructure projects and to address the funding mismatch created by the need to provide longer-term finance for infrastructure projects while most of HNB’s borrowings are for tenors of five years or less. Many of the anticipated infrastructure projects in Sri Lanka are small, and therefore international financial institutions (IFIs) cannot fund these projects on a direct basis. ADB met with several banks to identify suitable financial institutions to support long-term infrastructure financing and selected HNB. HNB began operations in 1888 and grew over the years to be the second largest private commercial bank and an established market leader in the infrastructure sector, including financing of renewable energy, roads, water, transport, and health care projects. Since 1990, ADB has had a relationship with HNB as a participating financial institution in several ADB programs, most recently ADB’s TFP, which HNB joined in 2008. The HNB project finance team has its own technical

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36 FE Global Asia Clean Energy Fund (ADB investment—$10 million); China Environment Fund 2002 (CEF I) (ADB investment—$4 million) and China Environment Fund 2004 (CEF II) (ADB investment—$7 million).
37 The other three funds covered by this approval are China Clean Energy Capital (which plans 8–12 investments in the PRC); China Environment Fund III (which plans 15–20 investments in PRC); and MAP Clean Energy Fund (which plans 10–12 investments across Asia, specifically Indonesia and Southeast Asia).
experts and hires independent experts to assess technical risks; the credit administration unit also has a dedicated infrastructure cell of six people. With this financing, HNB committed to enhancements in its environmental and social management system for compliance with ADB’s Safeguards Policy Statement (2009). HNB will not use ADB’s funding for financing projects that are category A for any of ADB’s Safeguards Policy Statement categories. This is ADB’s first nonsovereign financial institution initiative to target the infrastructure sector in Sri Lanka. [CONFIDENTIAL INFORMATION DELETED]

38. **Financial Institution/Small and Medium-sized Enterprise.** Finance for financial institutions and SMEs in PSOD’s Sri Lanka portfolio are designed to develop financial markets and financing for SMEs. This section also includes an approval specifically targeting micro enterprises. Financing for the following financial institutions, sponsors, and programs is presented in this section in chronological order by (i) direct loans; (ii) finance guarantees for financial institutions; (iii) equity investments through funds:

1. Lanka ORIX Leasing Company Limited
2. People’s Leasing Company
3. Commercial Leasing Company
4. Nations Trust Bank
5. LOLC Finance and LOLC Micro Credit
6. Trade Finance Facilitation Program (TFP)
7. ADB Maculus Fund II—regional
8. Aureos South Asia Fund, L.L.C.—regional
9. ShoreCap II Limited—regional

39. **Lanka ORIX Leasing Company Limited South Asian SME Leasing Facility—regional.** This 2007 approval is for a 5.5 year loan of up to $10 million to Lanka ORIX Leasing Company Limited (LOLC) in Sri Lanka. LOLC was Sri Lanka’s first specialized leasing company, established in 1980 by the IFC and Bank of Ceylon in technical collaboration with Orient Leasing Company of Japan (which later became ORIX). In 2007 ORIX owned 30%, a private investor owned 53%, and the remaining shares were widely held through public share trading. The loan is to support the SME sector by expanding the leasing industry funding resources and financial services available to SMEs, especially rural-area SMEs with longer-term finance to meet SME needs. ADB has had a long relationship with LOLC, selecting LOLC as a participating financing institution for the ADB funded Tea Development Project as well as for the ADB funded Plantation Development Program. LOLC was identified for the SME loan during the 2006 country programming mission during which PSOD conducted a comprehensive review of the financial sector and met with private banks and leasing companies. LOLC also has developed financing relationships with a number of development financial institutions, many of whom provided financing to support SME financing, particularly in the aftermath of the 2004 tsunami and in line with government strategy to stimulate SME growth. [CONFIDENTIAL INFORMATION DELETED] In May 2008, LOLC acquired a 97% stake in Commercial Leasing Company (CLC), significantly expanding its group leasing business. [CONFIDENTIAL INFORMATION DELETED] LOLC opened 16 new branches to increase services to rural areas and conflict-affected regions in the northern and eastern parts of Sri Lanka (in addition to other branches

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41. ADB. 2007. *Report and Recommendation of the President to the Board of Directors Proposed Secured Loans Republic of the Maldives and Democratic Socialist Republic of Sri Lanka: South Asian SME Leasing Facility,* Manila. This RRP approved two loans; the second is a 5.5 year, $4.5 million loan to Maldives Finance Leasing Company Pvt. Limited supporting primarily fisheries-related SMEs in the Maldives. The loans were approved together for operational efficiency based on the geographic proximities of the two countries and the similar business of each borrower, however monitoring and reporting was done separately and only the Sri Lanka loan is presented here.

42. The Tea Development Project (1999–2005) focused on institutional reforms as well as more funding for replanting and infilling on smallholdings plantations, intended to increase the income of tea smallholders by allowing access to financing replanting and related sector modernization. The Plantation Development Project (2003–2009) was a credit program to allow borrowings by plantation companies.

43. In December 2011, CLC obtained approval as a licensed finance company and in 2012 CLC became the sole originator of leases within the LOLC Group. ADB’s loan to CLC is discussed separately in para 41. CLC was one of 13 subsidiaries and affiliates acquired by LOLC during 2008–2012 as the company sought to expand and diversify its business.
opened across the country) and broadened its services to provide factoring, bill discounting, insurance and microfinance. [CONFIDENTIAL INFORMATION DELETED]

40. **Leasing Facility: People’s Leasing Company Limited.** This 2007 approval is for secured 5-year loans of up to $10 million to each of People’s Leasing Company Limited (PLC) and Commercial Leasing Company Limited (CLC). The purpose of the loans is to support the leasing industry by expanding the funding resources and financial services available to the SME sector and support ADB’s Private Sector Development Program for Sri Lanka. The tenor is intended to allow longer-term finance to meet the requirements of SME lessors. PLC is a wholly-owned subsidiary of state-owned People’s Bank and was the largest leasing company in Sri Lanka at the time of approval. ADB has had a long relationship with PLC, selecting PLC as a participating financing institution for the ADB funded Tea Development Project as well as for the ADB funded Plantation Development Program. [CONFIDENTIAL INFORMATION DELETED] ADB’s loan required corporate governance improvements including audit and compensation committees and the appointment of two outside directors, which PLC achieved. PLC also launched a successful initial public offering (IPO) in 2011, diluting the People’s Bank ownership to 75% and strengthening PLC’s capital structure. ADB’s presence as a lender and requirements for improved corporate governance are considered to have contributed to PLC’s successful IPO. ADB’s loan facilitated rapid growth of PLC’s activities of providing financing to SMEs (90% of PLC’s revenues are from SMEs, and about 70%-80% of its revenue came from rural areas by opening PLC windows in People’s Bank branches), contributing to PLC’s growth during 2008–2013, during which PLC maintained its market leadership position in a growing market. [CONFIDENTIAL INFORMATION DELETED]

41. **Leasing Facility: Commercial Leasing Company Limited.** This approval is for a 5-year $10 million loan to Commercial Leasing Company Limited (CLC) (footnote 45). In 2007, CLC was Sri Lanka’s third largest leasing company with three major stakeholders: Commercial Bank of Ceylon (30%), Singer Sri Lanka (30%), and Chemanex (37%). These stakes were acquired by Lanka ORIX Leasing Company (LOLC) in May 2008. LOLC integrated CLC’s treasury and some back-office functions into LOLC’s operations, but CLC continues to operate as a separate legal entity with management independent of LOLC. [CONFIDENTIAL INFORMATION DELETED] CLC expanded its business to 11 new branches in conflict-affected Northern and Eastern provinces, supported by financing from ADB and that of other IFIs which followed ADB’s lead to lend to CLC. ADB’s requirements for an environmental management system as well as CLC’s compliance with financial and corporate governance covenants helped CLC adjust its operations to a business model attractive to IFIs (one of the few sources of attractive long-term financing at the time). CLC’s leasing transactions increased [CONFIDENTIAL INFORMATION DELETED] demonstrating its commitment to the SME sector and contributing to Sri Lanka’s 17% per annum leasing sector growth over 2008–2013. In December 2011, CLC became a licensed finance company (renamed Commercial Leasing & Finance Limited, able to take deposits) which required CLC to be publicly traded. In June 2012, CLC floated 10% of its shares to the public, reducing LOLC’s stake to 90%. LOLC became the holding company of the LOLC Group, transferring its leasing portfolio to its LOFC subsidiary while CLC continued to grow its leasing business. [CONFIDENTIAL INFORMATION DELETED]

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44. ADB. 2007. Report and Recommendation of the President to the Board of Directors Proposed Loan Democratic Socialist Republic of Sri Lanka: Leasing Facility. Manila. This RRP approved the loans to both People’s Leasing Company Limited and Commercial Leasing Company Limited. The loans were approved together for efficiency reasons, with the intent that PSOD implement the PLC loan and SARD implement the CLC loan. In practice, both loans were implemented by PSOD; CLC is discussed in paragraph 41.


46. The Tea Development Project (1999–2005) focused on institutional reforms as well as more funding for replanting and infilling on smallholdings plantations, intended to increase the income of tea smallholders by allowing access to financing replanting and related sector modernization. The Plantation Development Project (2003–2009) was a credit program to allow borrowings by plantation companies.

47. There appears to be an error in the XARR (para 7) which states that at the time of the XARR “CLC is now the sole originator of leases within the LOLC Group.” Although the LOFC portfolio was small, it does appear that LOFC continued with its own leasing business, with both LOFC and CLC contributing to LOLC Group results in the leasing sector.
42. **Nations Trust Bank.** This 2013 approval\(^{48}\) is for a 5-year $15 million senior unsecured loan to Nations Trust Bank (NTB). The purpose of the loan is increase private commercial bank lending to SMEs. In 2011 ADB met with several banks to identify a suitable financial institution to support ADB’s Small and Medium-Sized Enterprises Finance Project. NTB was selected because it was the first commercial bank to emphasize SME lending across the country, especially in post-conflict regions. At the time of approval, NTB had a 53-branch network including 18 branches outside of Colombo (6 branches in Northern and Eastern provinces), with all branches supporting SME finance. ADB’s loan to NTB includes geographic targets (50% outside Colombo; 30% of this 50% to be in Northern and Eastern provinces) and gender lending targets (20% to SME’s owned or controlled by women) to promote inclusive financial development. NTB is also a participating institution in ADB’s TFP. The International Finance Corporation (IFC) was also a key development partner to NTB, establishing the institution in 1999 with John Keelis Holdings and Central Finance. At the time of approval IFC did not have an ownership stake, but was still providing technical assistance support for NTB’s SME business, including risk management and SME advisory services. IFC’s assistance was expected to contribute to NTB’s successful use of ADB’s loan. [CONFIDENTIAL INFORMATION DELETED]

43. **LOLC Finance and LOLC Micro Credit.** This 2015 approval\(^{49}\) is for loans to LOLC Finance (LOFC) and LOLC Micro Credit (LOMC), both substantially owned by Lanka ORIX Leasing Company Group. The LOFC approval is for a 7-year A-loan of up to $30 million and a 3-year B-loan of up to $45 million. The LOMC approval is for a 5-year $25 million loan. The purpose of the loans is to provide longer-term financing to nonbank financial institutions for the purpose of on-lending to SMEs (for LOFC) and micro-and small-to-medium enterprises (MSMEs; for LOMC). LOFC has 140 branches and service outlets offering leasing and hire purchase financing as well as Islamic financing products to moderate to middle-income clientele (average loan size was $15,000 for financial year 2014). LOMC is a specialized leasing company providing loans and leases to MSMEs. LOMC has 128 branches and service outlets (average loan size was $4,000 for FY2014; women are 70% of LOMC’s borrowers). Technical assistance will also be provided for development of an environmental and social management system, product development for mobile banking, and financial literacy training through an existing TA.\(^{50}\) These loans are aligned with ADB’s inclusive growth and gender equality initiatives and include gender targets for the use of ADB’s funds. The approval was made in October 2015; all loans were signed in January 2016, including the B-Loan which attracted five commercial financial institutions.\(^{51}\) These institutions are all based in the Middle East; all are first-time lenders to LOFC (and the LOLC Group), and all are first-time B-lenders. [CONFIDENTIAL INFORMATION DELETED]

44. **Trade Finance Facilitation Program (TFP)—regional.** This 2009 approval\(^{52}\) is for a major change in scope and amount to enable the TFP to extend its term of operation to December 2013, increase the overall exposure limit for the program from $150 million to $1 billion, and to increase the maximum tenor of loans and guarantees under the TFP from 2 years to 3 years. The purpose of the TFP is to address the lack of access to trade finance by developing member countries, providing support for trade throughout ADB member countries. The significant program increase in 2009 for the TFP was approved as a direct response to the global financial crisis that severely affected the availability of trade finance. In the context of this sector assessment, the TFP has supported trade finance for exports from and imports to Sri Lanka of $787 million through 339 transactions over the period 2006–2015, contributing to ADB’s strategies and programs for Sri Lanka.

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\(^{49}\) ADB. 2015. *Report and Recommendation of the President to the Board of Directors Proposed Senior Loans LOLC Finance and LOLC Micro Credit (Sri Lanka).* Manila.

\(^{50}\) ADB. 2014. *Technical Assistance for Promoting Capacity Building in Financial Institutions in Emerging Countries in South Asia.* Manila.


45. **ADM Maculus Fund II—regional.** This 2006 approval\(^{53}\) is for an equity investment of up to $25.2 million in the fund, following ADB’s 2004 investment in the ADM Maculus Fund. The purpose of the fund is to invest in financially troubled but potentially viable companies throughout Asia; particularly India, Indonesia, Pakistan, the Philippines, the PRC, Thailand, Sri Lanka, Viet Nam, and Pakistan. [CONFIDENTIAL INFORMATION DELETED]

46. **Aureos South Asia Fund, L.L.C.—regional.** This 2006 approval\(^{54}\) is for an equity investment of up to the lesser of $17.5 million or 25% of the fund’s total share capital. The purpose of the fund is to catalyze foreign and domestic investment into long-term equity finance for SMEs in Bangladesh, India, and Sri Lanka [CONFIDENTIAL INFORMATION DELETED]

47. **ShoreCap II Limited—regional.** The 2010 approval\(^{55}\) is for an equity investment of up to the lesser of $10 million or 25% of the fund’s total capital commitments. The fund is to invest in microfinance institutions (MFIs) and small business banks (SBBs) in Asia and Africa. About half of the fund’s investment capital is expected to be invested in Asia, and ADB funds will only be used to support investments in ADB DMCs. The key ADB DMCs identified are Bangladesh, the PRC, India, Indonesia, Pakistan, the Philippines, Sri Lanka, Thailand, and Viet Nam. Equator Capital Partners (ECP) is the fund’s manager, an entity comprised of the former ShoreCap Management team which was reconstituted as ECP in 2010. The investment is aligned with ADB’s Poverty Reduction Strategy and ADB’s Microfinance Development Strategy. The fund’s target size was $75 million for a 10-year fund with options for two 1-year extensions. [CONFIDENTIAL INFORMATION DELETED]

48. **Financial Institution/Housing Finance.** The financial institution/mortgage lending sector approval in PSOD’s Sri Lanka portfolio contributes to development of mortgage finance for home mortgages. Financing for the following financial institution is presented in this section:

   (i) **DFCC Vardhana Bank**

49. **DFCC Vardhana Bank.** This 2012 approval\(^{56}\) is for a 10-year senior unsecured loan of $15 million to DFCC Vardana Bank (DVB) for the Housing Finance Project in Sri Lanka. In 2012, DVB was a subsidiary of Development Finance Corporation of Ceylon (DFCC) and is separately licensed as a commercial bank and able to accept deposits. The purpose of the loan is to increase the availability of longer-term funding for mortgage loans to serve the middle- and lower-middle-income segments of the market. At the time of the approval, Sri Lanka was experiencing a housing shortage as well as a need to rehabilitate homes damaged during the conflict in the northern and eastern provinces, and in the south as a result of the 2004 tsunami. At the same time, the government intended to reduce its role in the provision of housing finance, expecting the private sector to increase its services in this sector. To respond to the situation, in 2011, ADB met with several banks to identify a bank that could serve these sectors, particularly the specific needs of the Northern, Eastern and Southern provinces. DVB is a participant in the Trade Finance Program and already had a presence in the home mortgage sector through its 127-branch network (105 branches are outside of Colombo, including eight in the Northern and Eastern provinces). DVB’s average mortgage was $27,500 at the time of approval, a smaller average size mortgage than many larger banks. ADB’s loan includes a target for DVB of smaller average mortgages ($20,000) to encourage continued focus on the target borrower segment. [CONFIDENTIAL INFORMATION DELETED]

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\(^{53}\) ADB. 2005. Report and Recommendation of the President to the Board of Directors: Proposed Equity Investment in the ADB Maculus Fund II. L.P. Manila. The fund also planned investments in Turkey, from which ADB would automatically opt out.

\(^{54}\) ADB. 2006. Report and Recommendation of the President to the Board of Directors Proposed Equity Investment Aureos South Asia Fund, L.L.C. Manila.

\(^{55}\) ADB. 2010. Report and Recommendation of the President to the Board of Directors Proposed Equity Investment ShoreCap II Limited. Manila.

\(^{56}\) ADB. 2012. Report and Recommendation of the President to the Board of Directors Proposed Senior Unsecured Loan DFCC Vardhana Bank Housing Finance Project (Sri Lanka). Manila.
D. Evaluation of ADB Assistance

50. This evaluation section reviews the overall portfolio using the ratings methodology in the *Guidelines for the Preparation of Project Performance Evaluation Reports on Nonsovereign Operations*. The projects were designed taking these criteria into account. The XARRs and XVRs that have been prepared for projects in the PSOD portfolio also follow this methodology. The evaluation considers the RRP, XARR, XVR, PPER, and AMR on file for the approvals over the review period 2006–2015. The review of the portfolio as a whole combines the contributions of the individual approvals to result in an overall rating for PSOD’s Sri Lanka strategies and programs with the weighting based on the approval’s financial commitments to Sri Lanka.

51. The nonsovereign operations ratings methodology requires a discussion of the rationale and objectives of the approvals which is followed by ratings in four categories to produce an overall rating: (i) development results, (ii) ADB investment profitability, (iii) ADB additionality, and (iv) ADB work quality. For these four subcriteria, the ratings scale is excellent, satisfactory, less than satisfactory, and unsatisfactory.

52. **Rationale and objectives.** All of the RRP document the proposals’ intended rationale and objectives, citing the specific Sri Lanka and ADB policies and strategies the proposals are intended to support, including the work done with and by other ADB departments on which the approval builds. The overall approach is guided by the ADB’s private sector development strategy (paragraph 26), and, with the exception of the equity investments through funds, these proposals are generally producing or are expected to produce most of the intended demonstration effects. The equity investments through funds have generally not delivered the expected returns or development results, and therefore do not appear likely to catalyze future equity investments through funds in Sri Lanka. The five approvals (for six equity investments through funds) represent 46% of the 11 approvals for nonsovereign operations over 2006–2015. [CONFIDENTIAL INFORMATION DELETED] The same amount of work is required to achieve and monitor these approvals as for other types of investments, but these approvals have not produced the same tangible contributions to PSOD’s Sri Lanka program as other types of financing. It is likely that the financial commitments and the PSOD staff time allocated to equity investments through funds in Sri Lanka could have been more effectively committed to loans and/or direct equity investments in Sri Lanka.

53. **Development results.** Development results are rated by compiling four subcriteria ratings: (i) contribution to private sector development; (ii) business success; (iii) contribution to economic development; and (iv) environment, social, health, and safety performance.

54. **Contribution to private sector development.** The range of results for the 2006–2015 approvals is considerable. With the portfolio of approvals in various states of progress (some are completed and have been rated, some are well progressed but not yet final, and some are recently approved), to develop an overall rating for the portfolio, the current contributions of each approval have been grouped into informal categories: (i) successful; (ii) not successful; (iii) in progress. Each group lists the approved investment commitment by name of the intended investee and/or project. Including the TFP and ACP, there are 13 approvals, resulting in 15 commitments. [CONFIDENTIAL INFORMATION DELETED] The specific support for these informal ratings of successful, not successful, and in progress is in the portfolio section.

55. The four commitments categorized as successful have each made tangible contributions to private sector development. These projects have responded to specific needs in Sri Lanka’s FI sector by developing transaction financing structures that have enabled the private sector to increase its

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58 If the TFP and ACP are included, the number of approvals is 13 and the financial commitments total $1.483 billion; the funds approvals increase to 6 ($207.7 million of commitments) and represent 46% of 13 approvals and 14% of the $1.483 billion financing commitments.
participation in the supply of FI financing for the infrastructure, MSME, and housing lending sectors which are key target areas of PSOD’s Sri Lanka programs.

56. The four commitments categorized as not successful are all equity investments through funds which are either completed with investors realizing low returns and/or losses, or are well-enough progressed that low returns and/or losses are highly likely. Furthermore, increased transaction monitoring and management for ADB to develop an exit solution have led to a significant further commitment of ADB resources to manage these situations. Transactions in this category also pose high risks to ADB’s overall reputation. An additional concern is that while potential investments in Sri Lanka were part of the rationale for these approvals, only one was able to make investments in Sri Lanka.

57. The seven commitments categorized as in progress are generally moving toward making tangible contributions to private sector development, although it is too early to be certain that these approvals will deliver these contributions, particularly with regard to equity investments through funds.

58. The portfolio rating acknowledges (i) that there are some important successes over the period 2006–2015, and (ii) the approvals that have not been successful are all equity investments through funds which were intended to invest only a portion of the approved commitments in Sri Lanka, and (iii) in progress commitments are too early to be rated. The overall rating of the portfolio’s contribution to private sector development is satisfactory.

59. Business success. The overall portfolio rating for business success is satisfactory based on the information available at March 2016. The primary indicator for business success is the investee’s financial internal rate of return (FIRR). For nonsovereign investments, this information is confidential and the specific details are not included here. For the eight approvals that are well-enough progressed to develop a business success rating, three were or are likely to be rated satisfactory, one excellent, and three less than satisfactory and one unsatisfactory for business success. The portfolio rating acknowledges (i) that there are some important successes over the period 2006–2015, and (ii) the approvals that have not been successful are all equity investments through funds which were intended to invest only a portion of the approved commitments in Sri Lanka.

60. Contribution to economic development. The overall portfolio rating for contribution to economic development is satisfactory on the basis of information available at March 2016, and this reflects the approved size of each ratable investment. The primary indicator for contribution to economic development is the investee’s economic internal rate of return (EIRR). For nonsovereign investments, this information is confidential and the specific details are not included here. For the eight approvals that are well-enough progressed to develop a contribution to economic development rating, five are or would be likely be rated satisfactory, one excellent, and three less than satisfactory for contribution to economic development. The portfolio rating acknowledges (i) that there are some important successes over the period 2006–2015, and (ii) the approvals that have not been successful are all equity investments through funds which were intended to invest only a portion of the approved commitments in Sri Lanka.

61. Environment, social, health, and safety performance. This category considers the implementation’s compliance with ADB’s safeguards policies. The expected compliance with ADB’s rigorous safeguards policies and on-going monitoring is incorporated into the ratings criteria for this component of the rating and all eight approvals that are well-enough progressed to develop an ESHS rating are or are likely to be rated satisfactory. The portfolio rating for environment, social, health, and safety performance is satisfactory.

62. Overall rating for development results. The overall rating for development results combines the four subcriteria ratings: (i) contribution to private sector development: satisfactory; (ii) business success:

satisfactory, (iii) contribution to economic development: satisfactory; (iv) environmental, social, health, and safety performance: satisfactory. The overall rating for PSOD’s 2006–2015 Sri Lanka program is satisfactory.

63. **ADB investment profitability.** This category considers the investment profitability of ADB’s investment for ADB. The loans that have disbursed have all complied with ADB’s pricing requirements as approved by the Investment Committee and all have met or appear to be meeting scheduled repayments. The overall loans portfolio ADB investment profitability is rated satisfactory. The four equity investments through funds that are well enough progressed to indicate an ADB profitability rating, all are or are likely to be rated unsuccessful. The portfolio rating acknowledges (i) that there are some important successes over the period 2006–2015, and (ii) the approvals that have not been successful are all equity investments through funds which were intended to invest only a portion of the approved commitments in Sri Lanka, and therefore the overall portfolio rating for ADB investment profitability is satisfactory.

64. **ADB work quality.** This category considers (i) screening, appraisal, and structuring of the financing approved; (ii) monitoring and supervision; and (iii) ADB’s role and contribution. PSOD’s projects are generally well structured to incorporate all of ADB’s policy requirements as well as appropriate financial and information covenants. All required ongoing monitoring reports are on file for all transactions, including the more frequently required reports for approvals that have encountered implementation issues or otherwise not performed. Issues that have been identified have all been resolved, while it is noted that some matters have been resolved through waivers after the event (for both loans and equity investments through funds), suggesting more staff resources dedicated to portfolio monitoring might be needed.

65. It appears that the area in need of further consideration is in the screening and appraisal of equity investments through funds, given the results already discussed, which suggest that the screening and appraisal process for equity investments through funds is not effective.

66. The portfolio rating acknowledges (i) that there are some important successes over the period 2006–2015, with ADB’s role and contribution particularly helpful to the FIs; and (ii) the approvals that have not been successful are all equity investments through funds which were intended to invest only a portion of the approved commitments in Sri Lanka, and therefore the overall portfolio rating for ADB work quality is satisfactory.

67. **ADB Additionality.** This category considers (i) the extent to which ADB finance was a necessary condition for the timely realization of the project, through direct mobilization of funds and/or indirectly be improving the risk perception of other financiers; and (ii) ADB’s contribution to the design of the project to improve the allocation of risk and responsibilities and to enhance development impact. All approvals include a discussion in the RRPs of the importance of ADB’s involvement for the success of the intended project. ADB’s involvement has attracted additional lenders (including B lenders, risk participations and subsequent financiers) to a number of these approved financings. ADB’s involvement increases the visibility of these projects, and when they are successful they can be successfully replicated.

68. Importantly, ADB’s involvement also attracted other investors to projects categorized as not successful, all of which are equity investments through funds, which have been unsuccessful for reasons generally not to do with matters within the ADB additionality category (the fund manager’s investment selections, their ability to find investments in the agreed target profile, and their ability to exit these investments). However, with ADB actively seeking to develop successful projects and to attract additional investors to these projects, the responsibility that ADBs involvement is perceived as a positive signal for the investment must be taken seriously. A further concern is the approvals which identified Sri Lanka as a potential source of investments, but did not make any investments in Sri Lanka. The concentration of equity investments through funds in the not successful category and those likely to be less than successful when final ratings are completed detracts from the overall perception of ADB’s contribution to Sri Lanka.
69. The overall rating for ADB’s additionality for PSOD’s 2006–2015 portfolio is satisfactory.

70. **Overall Assessment.** Considering the contribution of each of the approvals to the overall portfolio and the resultant criteria ratings, the overall rating for the 2006–2015 portfolio of approvals is successful. The ratings matrix is in Table 6.

<table>
<thead>
<tr>
<th>Category</th>
<th>Development Results</th>
<th>ADB Investment Profitability</th>
<th>ADB Work Quality</th>
<th>ADB Additionality</th>
<th>Overall Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Successful</td>
</tr>
</tbody>
</table>

*Source: Asian Development bank database.*

### E. Key Findings

71. This section presents the key findings from this review. These lead to the recommendations presented in the introduction to this sector assessment.

72. **The inability to offer local currency financing constrains PSOD’s Sri Lanka program.** The details of this finding are presented together with the recommendation in paragraph 7 to develop local currency financing products.

73. **PSOD staffing for Sri Lanka programs is extremely limited.** The details of this finding are presented together with the recommendation in paragraph 8 to increase PSOD staff resources to work on Sri Lanka.

74. **Commercial cofinancing adds value to PSOD transactions.** The details of this finding are presented together with the recommendation in paragraph 9 to continue commercial cofinancing for transactions in Sri Lanka.

75. **The timing may be appropriate for direct equity investments.** The details of this finding are presented together with the recommendation in paragraph 10 to consider direct equity investments in Sri Lankan entities.

76. **Equity investments through funds have not met expectations.** The details of this finding are presented together with the recommendation in paragraph 11–12 to consider the role of equity investments through funds for PSOD’s Sri Lanka program.
## APPENDIX 1: VALUE ADDITION TO SRI LANKA FROM PRIVATE SECTOR OPERATIONS DEPARTMENT APPROVALS

<table>
<thead>
<tr>
<th>PSOD Value Addition</th>
<th>Specific Value Added</th>
<th>Approvals</th>
</tr>
</thead>
</table>
| 1 Gender Equity     | Provision of finance with specific targets for women borrowers | (i) Nations Trust Bank  
(ii) LOLC Finance and LOLC Micro Credit |
| 2 Financing in Northern and Eastern Provinces | Provision of finance to support development in the less developed/conflict affected SRI provinces | (i) DFCC Vardhana Bank  
(ii) Lanka Orix Leasing  
(iii) Commercial Leasing Company  
(iv) Nations Trust Bank  
(v) LOLC Finance and LOLC Micro Credit |
| 3 Financing specific to the Global Financial Crisis | Provision of finance to provide support during times of constrained lending activities by financial institutions | (i) Trade Finance Facilitation Program (TFP) |
| 4 DVA Cofinancing | B loans/unfunded risk participation/partial credit guarantees (completed)* | (i) LOLC Finance and LOLC Micro Credit  
(ii) Hatton National Bank |
| 5 Enhanced corporate governance | Requirements for increased transparency and oversight put in place, documented approval of other procedures, specifically trained and/or dedicated staff to implement these | (i) People’s Leasing Company  
(ii) Commercial Leasing Company |
| 6 Enhanced safeguard practices | Compliance with substantive additional requirements due to ADB’s policies, documented new procedures, specifically trained and/or dedicated staff to implement these | (i) Hatton National Bank  
(ii) Commercial Leasing Company  
(iii) LOLC Finance and LOLC Micro Credit |
| 7 FI Capacity Building | Specific support provided to improve operational practices | (i) DFCC Vardhana Bank  
(ii) LOLC Finance and LOLC Micro Credit |

* DVA cofinancing is recognized only when the funds have been committed to the approved financing by the third party cofinancier (generally international financial institutions). Only those approvals which have achieved DVA cofinancing are included in the table.  
Source: Asian Development Bank database.
APPENDIX 2: PRIVATE SECTOR OPERATIONS DEPARTMENT APPROVALS, 2006–2015

1. The approvals are presented in three tables. Table A1.1 presents all the approvals. Table A1.3 presents the approvals by sector. All equity, loan, and B loan/guarantee amounts are in millions of US dollars.

<table>
<thead>
<tr>
<th>Approval Date</th>
<th>No.</th>
<th>Project Name</th>
<th>Equity ($ million)</th>
<th>Loan ($ million)</th>
<th>B Loan/ Guarantee ($ million)</th>
<th>TA ($ thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 2015</td>
<td>7451</td>
<td>LOLC Finance and LOLC Micro Credit</td>
<td>55.0</td>
<td></td>
<td>45a</td>
<td></td>
</tr>
<tr>
<td>Dec 2014</td>
<td>7434</td>
<td>Hatton National Bank</td>
<td>60.0b</td>
<td>40b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb 2013</td>
<td>7382</td>
<td>Nations Trust Bank</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug 2012</td>
<td>7359</td>
<td>DFCC Vardhana Bank</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb 2012</td>
<td>7352</td>
<td>Asia Climate Partners (formerly Climate Public Private Partnership Fund)</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2010</td>
<td>7323</td>
<td>ShoreCap II Limited - regional</td>
<td>10.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2009</td>
<td>7304</td>
<td>Mekong Brahmaputra Clean Development Fund – regional</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar 2009</td>
<td>7186</td>
<td>Trade Finance Facilitation Program (TFP) - regional</td>
<td>1,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr 2008</td>
<td>7292</td>
<td>Asia Clean Energy Fund Private Equity Funds - regional</td>
<td>40.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov 2007</td>
<td>7269</td>
<td>Leasing Facility (PLC and CLC)</td>
<td>20.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar 2007</td>
<td>7251</td>
<td>Lanka ORIX Leasing Company Ltd</td>
<td>10.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jun 2006</td>
<td>7233</td>
<td>Aureos South Asia Fund LLC – regional</td>
<td>17.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 2006</td>
<td>7226</td>
<td>ADM Maculus Fund – regional</td>
<td>25.2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total by category: 207.7 175.5 1085

Total approvals equity, loans, B-loans/guarantees: $1,468.2 million

a The $45 million B-Loan is for LOLC Finance.
b The approved loan amount is $75 million. Exposure is offset by $15 million risk participation. The $40 million B-Loan/Guarantee is comprised of $25 million B-Loan and $15 million A-Loan risk participation.
c The approval is for equity investments of up to $20 million in each of five funds, two of which are to be fully or partially invested in Sri Lanka: Asia Clean Energy Fund (ACE-monitored under approval no. 7292) and GEF South Asia Clean Energy Fund (SACEF-monitored under approval no. 7293).
d The approval is for two loans: $10.0 m to People’s Leasing Company and $7.5 million to Commercial Cleasing Company.

Source: Asian Development Bank database.
### Table A2.2: Private Sector Operations Approvals by Sector 2006–2015

<table>
<thead>
<tr>
<th>Approval Date</th>
<th>No.</th>
<th>Project Name</th>
<th>Equity ($ million)</th>
<th>Loan ($ million)</th>
<th>B Loan ($ million)</th>
<th>TA ($ thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable Energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Feb 2012</td>
<td>7352</td>
<td>Asia Climate Partners (formerly Climate Public Private Partnership Fund)</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Dec 2009</td>
<td>7304</td>
<td>Mekong Brahmaputra Clean Development Fund – regional</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Apr 2008</td>
<td>7292</td>
<td>Asia Clean Energy Fund Private Equity Funds - regional</td>
<td>40.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total by category:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>255.0</td>
</tr>
<tr>
<td><strong>Total approvals equity, loans, B loans:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>255.0</td>
</tr>
<tr>
<td><strong>FI/Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Dec 2014</td>
<td>7434</td>
<td>Hatton National Bank</td>
<td>60.0</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total by category:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>60.0</td>
</tr>
<tr>
<td><strong>Total approvals equity, loans, B loans:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>$100.0 million</td>
</tr>
<tr>
<td><strong>FI/MSME</strong></td>
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</tr>
<tr>
<td>1 Nov 2015</td>
<td>7451</td>
<td>LOLC Finance and LOLC Micro Credit</td>
<td>55.0</td>
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<td>Nations Trust Bank</td>
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<td>4 Mar 2009</td>
<td>7186</td>
<td>Trade Finance Facilitation Program (TFP) – regional</td>
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<td>1,000</td>
<td></td>
</tr>
<tr>
<td>5 Nov 2007</td>
<td>7269</td>
<td>Leasing Facilityd (PLC and CLC)</td>
<td>20.5</td>
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</tr>
<tr>
<td>6 Mar 2007</td>
<td>7251</td>
<td>Lanka ORIX Leasing Company Ltd</td>
<td>10.0</td>
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<td></td>
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<tr>
<td>7 Jun 2006</td>
<td>7233</td>
<td>Aureos South Asia Fund LLC – regional</td>
<td>17.5</td>
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<td></td>
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<tr>
<td>8 Jan 2006</td>
<td>7226</td>
<td>ADM Maculus Fund – regional</td>
<td>25.2</td>
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<td></td>
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<td><strong>Total by category:</strong></td>
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<td></td>
<td>52.7</td>
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<tr>
<td><strong>Total approvals equity, loans, B loans:</strong></td>
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<td></td>
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<td></td>
<td></td>
<td>$1,204.2 million</td>
</tr>
<tr>
<td><strong>FI/Housing Finance</strong></td>
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</tr>
<tr>
<td>1 Aug 2012</td>
<td>7359</td>
<td>DFCC Vardhana Bank</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total by category:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total approvals equity, loans, B loans:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$15.0 million</td>
</tr>
</tbody>
</table>
