While assisting the country in its socioeconomic recovery from the COVID-19 pandemic, ADB will continue to support Sri Lanka’s sustainable and inclusive development in the long term.

SRI LANKA

The Asian Development Bank (ADB) has been a major development partner to Sri Lanka since 1966 and is today the country’s largest source of multilateral development assistance.

The coronavirus disease (COVID-19) pandemic and associated restrictions in Sri Lanka impacted most major sectors of the country’s economy. This comes in the wake of the Easter Sunday terror attacks in 2019, which also had significant effects on economic growth, especially on tourism. The path to recovery will be challenging, given uncertainties in the global economic outlook and the fiscal constraints that Sri Lanka faces.

Since 1966, ADB has committed loans, grants, and technical assistance totaling $11.1 billion for Sri Lanka. Cumulative loan and grant disbursements to Sri Lanka amount to $7.96 billion. These were financed by regular and concessional ordinary capital resources, the Asian Development Fund, and other special funds.

ADB-SUPPORTED PROJECTS AND PROGRAMS

In 2020, ADB disbursed $745 million to Sri Lanka, the highest ever annual total for disbursements.

Responding to an urgent request by the Government of Sri Lanka, ADB reallocated $15 million from the ongoing Health System Enhancement Project as COVID-19 assistance. These funds supported the establishment of a molecular biology laboratory at the Infectious Diseases Hospital and isolation facilities at four ports of entry into Sri Lanka. The funds also helped purchase COVID-19 testing consumables. In June 2020, ADB provided a $3 million grant to Sri Lanka from the Asia Pacific Disaster Response Fund to help transport health resources throughout the country.

Published in April 2021
workers during curfew hours, increase testing capacity by procuring test kits and reagents, and procure personal protective equipment and medical consumables. ADB also provided $1 million from a regional technical assistance project to procure pandemic-related goods and equipment.

To support longer-term inclusive growth in Sri Lanka, ADB approved $165 million in November 2020 as a third phase of additional financing for the Small and Medium-Sized Enterprises Line of Credit Project. This was cofinanced by the Japan Fund for Poverty Reduction with a $1.25 million grant. The third tranche of additional financing will deepen the financial ecosystem for Sri Lanka’s small and medium-sized enterprises and promote women’s entrepreneurship. It will help expand financial inclusion by piloting an affordable credit facility for strategically important and historically underserved tea smallholders, providing an affordable working capital facility for small and medium-sized enterprises struggling due to COVID-19, and promoting cash-flow-based lending.

In support of reforms to upper secondary education under the government’s General Education Sector Development Plan 2020–2025, ADB approved a loan of $400 million for the Secondary Education Sector Improvement Program. The program aims to enhance the quality and relevance of upper secondary science, technology, mathematics, and commerce programs; strengthen the capacity of provincial governments and schools to implement education reforms; and improve sector management capacity. This investment builds on ADB’s long-term engagement in Sri Lanka’s education sector and tackles key challenges stemming from the COVID-19 pandemic.

ADB’s technical assistance program in 2020 included support for human capital development, improving project readiness and portfolio management, and supporting national development planning as the government considers policies for COVID-19 pandemic recovery.

### Sri Lanka: Evaluation Results for Sovereign and Nonsovereign Operations, 2011–2020

<table>
<thead>
<tr>
<th></th>
<th>Total Number of Validated and Evaluated Projects and Programs</th>
<th>Evaluation Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Highly successful and successful</td>
<td>Less than successful</td>
</tr>
<tr>
<td>Sovereign Operations</td>
<td>29</td>
<td>18</td>
</tr>
<tr>
<td>Nonsovereign Operations</td>
<td>9</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: The figures indicate the number of sovereign and nonsovereign operations in the country that have been validated or evaluated by the IED and their overall performance ratings. The coverage consists of all validated or evaluated project completion reports and extended annual review reports circulated by ADB within the 10-year period from 1 July 2010 to 30 June 2020. See evaluations related to Sri Lanka.

Source: IED success rate database (as of 31 December 2020).

### Sri Lanka: Ordinary Capital Resources Nonsovereign Commitments by Product

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2016–2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Transactions Signed (OCR)</td>
<td>366</td>
<td>726</td>
</tr>
<tr>
<td>Amount ($ million)</td>
<td>–</td>
<td>69.00</td>
</tr>
<tr>
<td>Loans</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Equity Investments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Guarantees</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade and Supply Chain Finance Program and Microfinance Program</td>
<td>358.31</td>
<td>1,142.29</td>
</tr>
<tr>
<td>Total</td>
<td>358.31</td>
<td>1,211.29</td>
</tr>
</tbody>
</table>

### Sri Lanka: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2019–2020

<table>
<thead>
<tr>
<th></th>
<th>2019 ($ million)</th>
<th>2020 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Ongoing Loans a (as of 31 Dec 2020)</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Contract Awards b, c</td>
<td>456.38</td>
<td>366.38</td>
</tr>
<tr>
<td>Disbursements b</td>
<td>408.00</td>
<td>734.89</td>
</tr>
<tr>
<td>No. of Ongoing Grants a (as of 31 Dec 2020)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Contract Awards b, c, d</td>
<td>0.47</td>
<td>3.17</td>
</tr>
<tr>
<td>Disbursements b, e</td>
<td>1.44</td>
<td>8.85</td>
</tr>
<tr>
<td>At Risk Projects (%) (as of 31 Dec 2020)</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

- a Based on commitments.
- b Includes closed loans/grants that had contract awards or disbursements during the year.
- c Excludes policy-based, results-based, and financial intermediation/credit loans and grants.
- d Includes only Asian Development Fund and other ADB special funds.

### Sri Lanka: Projects Cofinanced, 1 January 2016–31 December 2020

<table>
<thead>
<tr>
<th>Cofinancing</th>
<th>No. of Projects</th>
<th>Amount ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>16</td>
<td>453.97</td>
</tr>
<tr>
<td>Loans</td>
<td>3</td>
<td>422.73</td>
</tr>
<tr>
<td>Grants</td>
<td>4</td>
<td>17.55</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>9</td>
<td>13.69</td>
</tr>
<tr>
<td>Nonsovereign</td>
<td>3</td>
<td>3,100.29</td>
</tr>
</tbody>
</table>

### Sri Lanka: Nonsovereign Operations

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments in loans and equity investments from ADB’s own funds in 2020 amounted to $1.4 billion for 38 transactions in economic and social infrastructure, finance sector, and agribusiness.

ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2020, ADB mobilized $1.9 billion of long-term project cofinancing and $3.3 billion of cofinancing through its Trade and Supply Chain Finance Program and Microfinance Program. Total outstanding balances and commitments of nonsovereign transactions funded by ADB’s own resources stood at $14.3 billion as of 31 December 2020.

Total outstanding balances and commitments of ADB’s nonsovereign transactions in the country as of 31 December 2020 was $478.6 million, representing 3% of ADB’s total nonsovereign portfolio.
**Partnerships**

ADB is one of Sri Lanka's major development partners and actively discusses cofinancing opportunities with other development partners.

Coordination among development partners is strong in Sri Lanka, with major organizations meeting regularly to share information. ADB missions meet with relevant stakeholders on the processing and implementation of projects. ADB also interacts bilaterally with major development partners—such as the International Monetary Fund, the Japan International Cooperation Agency, and the World Bank—on specific activities.

ADB engages with the private sector in Sri Lanka to strengthen the effectiveness, quality, and sustainability of the assistance it provides.

**Financing Partnerships**

Financing partnerships enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. The additional funds are provided in the form of loans and grants, technical assistance, and other nonsovereign cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's Trade and Supply Chain Finance Program and Microfinance Program.

ADB began cofinancing operations in Sri Lanka in 1972. Since then, sovereign cofinancing commitments for the country have amounted to $1.42 billion for 42 investment projects and $29.56 million for 42 technical assistance projects. Nonsovereign cofinancing has amounted to $3.85 billion for six investment projects.

In 2020, Sri Lanka received $1.25 million grant cofinancing from the Japan Fund for Poverty Reduction for the Small and Medium-Sized Enterprises Line of Credit Project – Third Additional Financing.

A summary of projects with cofinancing from 1 January 2016 to 31 December 2020 is available at www.adb.org/countries/sri-lanka/cofinancing.

**Procurement**

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from all ADB members.

**Share of ADB’s Procurement Contracts**

**Goods, Works, and Related Services**

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled $14.19 billion in 2019 and $22.79 billion in 2020. Cumulative procurement since 1966 has been $216.35 billion covering 222,415 contracts.

For contractors and suppliers from Sri Lanka, 15,560 contracts worth $4.87 billion have been awarded since 1966.

**Consulting Services**

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled $756.72 million in 2019 and $732.11 million in 2020. Cumulative procurement since 1966 has been $14.13 billion covering 67,086 contracts.

For consultants from Sri Lanka, 1,562 contracts worth $144.09 million have been awarded since 1966.

**Operational Challenges**

In 2020, travel restrictions brought on by the COVID-19 pandemic delayed ADB operations in Sri Lanka during the first half of the year.

Other operational challenges continue to hinder project implementation in
the country. These include lengthy land acquisition procedures, procurement delays caused by cumbersome approval processes, limited availability of counterpart funding, and poor contractor performance. Regular portfolio review meetings—involving ADB, the government, and executing agencies, and benefiting from constant follow-up with government counterparts—help resolve project implementation issues and foster information sharing. Regular review missions are also conducted by ADB staff to provide support for implementation on the ground. In 2020, such review missions were conducted in an online environment.

Through technical assistance, ADB is helping improve project readiness and portfolio management and build institutional capacity in Sri Lanka, particularly in new implementing and executing agencies.

**FUTURE DIRECTIONS**

While assisting the country in its socioeconomic recovery from the COVID-19 pandemic, ADB will continue to support Sri Lanka's sustainable and inclusive development in the long term. The bank's financial investments and knowledge work will seek to strengthen the drivers of growth by promoting diversification of economic activities, supporting human capital development, driving productivity enhancements, and improving the quality of growth by fostering inclusiveness. In close consultation with the government, ADB has begun processing a new country partnership strategy to address Sri Lanka's priorities as it emerges from the COVID-19 pandemic beyond 2022.

**ABOUT SRI LANKA AND ADB**

**ADB Membership**

Joined 1966

**Shareholding and Voting Power**

Number of shares held: 61,560 (0.579% of total shares)

Votes: 100,674 (0.757% of total membership, 1.162% of total regional membership)

*Overall capital subscription: $886.63 million

*Paid-in capital subscription: $44.35 million

*United States dollar figures are valued at rate as of 31 December 2020.

**Contributions to Special Funds Resources**

Sri Lanka has contributed to the Technical Assistance Special Fund (TASF), which provides grants to borrowing members to help prepare projects and undertake technical or policy studies.

Contributions to the TASF (committed): $0.01 million

Mahinda Rajapaksa is the Governor and S R Attygalle is the Alternate Governor for Sri Lanka in ADB.

Kisun Bang is the Director and Yu-Peng (James) Tseng is the Alternate Director representing Sri Lanka on the ADB Board of Directors.

Chen Chen is the ADB Country Director for Sri Lanka. The Sri Lanka Resident Mission was established in 1997 and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management and project implementation, while also acting as a knowledge base on development issues in Sri Lanka.

The Sri Lanka government agencies handling ADB affairs are the Ministry of Finance and relevant line ministries.

**ABOUT THE ASIAN DEVELOPMENT BANK**

ADB is a multilateral development bank owned by 68 members, 49 from Asia and the Pacific 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. In 2020, lending volume was $26.9 billion (149 projects), with technical assistance at $293.56 million (275 projects) and grant-financed projects at $1.08 billion (62 projects). In addition, $16.41 billion was generated for sovereign and nonsovereign cofinancing in the form of loans and grants, B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade and Supply Chain Finance Program and Microfinance Program.

From 1 January 2016 to 31 December 2020, ADB's annual lending volume averaged $19.69 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged $805.5 million and $230.81 million respectively over the same period. As of 31 December 2020, the cumulative commitments excluding cofinancing were $323.17 billion in loans for 3,369 projects in 44 countries, $11.3 billion in 495 grants, and $5.01 billion in technical assistance grants, including regional technical assistance grants.

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Development

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**Department of External Resources**

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Colombo 1, Sri Lanka

**Useful ADB websites**

Asian Development Bank

www.adb.org

Annual Report

www.adb.org/documents/series/adb-annual-reports

Asian Development Outlook

www.adb.org/publications/series/asian-development-outlook

ADB Data Library

data.adb.org

**Notes:**

Figures are estimated by ADB unless otherwise stated. “$” refers to United States dollars.

Data are updated as of 31 December 2020 unless otherwise indicated.