



Asian Development Bank & Sri Lanka

FACT SHEET

Table 1. Sri Lanka: Development Indicators

Non-MDG	
Population in millions	20.45 (2009)
Annual population growth rate (%)	1.1 (2007–2009)
Adult literacy rate (%)	90.8 (2006)
Percent of population in urban areas	15.1 (2008)
MDG	
Percent of population living on less than \$1.25 a day	14.0 (2002)
Percent of population living below the national poverty line	15.2 (2007)
Under-5 mortality rate per 1,000 live births	15 (2008)
Percent of population using an improved drinking water source	82 (2006)

MDG = Millennium Development Goal.

Sources: ADB, 2010. *Basic Statistics 2010*. Manila.
UNESCO, 2010. Institute for Statistics Data Centre.
World Bank, 2010. World Development Indicators Online.

Sri Lanka's social indicators are among the best in the South Asian region. The country has achieved near universal literacy and, perhaps more remarkably, girls are on par with boys. Sri Lanka's poverty level is comparatively low at 15.2%. Sri Lanka is now categorized as a middle-income status country by the International Monetary Fund. With the end of military operations in mid-2009, Sri Lanka's economy is expected to perform better, recording growth of about 7% per annum over the period 2010–2011.

The Government of Sri Lanka's 10-year development plan sees a key role for the state in accelerating economic growth, with a focus on less developed regions and also in promoting Sri Lanka as an economic hub in South Asia. Key policy documents advocate infrastructure development, as well as livelihood support in rural areas.

Relationship with ADB

Sri Lanka has received \$4.69 billion for 148 sovereign and nonsovereign loans and \$104.8 million for 238 technical assistance (TA) projects since joining the Asian Development Bank (ADB). As of December 2009, there were 40 ongoing sovereign loans for a total loan amount of \$1.97 billion, including \$60 million in one program loan from ordinary capital resources (OCR) and a \$150 million grant from the Asian Tsunami Fund. Of these 40 loans, 10 were financed from OCR and 30 from the Asian Development Fund (ADF). As of 31 December 2009, 44% of the total net loan amount had been disbursed.

Assistance to Sri Lanka has gradually moved from mainly agricultural support to assisting the power sector, roads and infrastructure, water supply and sanitation, improving education, and reconstruction and development of the North and East.

Impact of Assistance

With the end of the military operations in the North and East of Sri Lanka, ADB has also actively engaged in Sri Lanka's post-war development. The delivery of ADB's post-conflict assistance, which started with the North East Community Restoration and Development Project (NECORD), has so far been very successful. Simple design and flexibility built into ADB's rehabilitation assistance has been a key element. In addition, the bottom-up approach adopted by the projects (whereby communities determine the kind of small-scale infrastructure needed for economic growth and poverty reduction, which is then screened by a provincial committee for consistency and strategic value) is also regarded as one of the main success features. It also ensured that conflict sensitivity is institutionalized in the implementation process by giving equal treatment to districts and different communities. Hundreds of small-scale rehabilitation projects have been approved for minor roads, hospitals, schools, water supply and sanitation, irrigation, and shelter. The use of existing government structures and a highly participatory approach, involving all stakeholders in the North and East, largely explains the successful implementation.

In 2009, the ongoing NECORD II Project supported the Government's 180-day program to help facilitate the resettlement of internally displaced persons (IDPs) and the reestablishment of civil administration and critical infrastructure by repairing some of the damaged facilities, such as schools, hospitals, and administrative buildings. Further, the Conflict Affected Areas Rehabilitation Project expedited ongoing road works and other infrastructure development, such as rural electrification schemes in the North.

The North East Coastal Community Development Project has also continued to assist vulnerable communities to improve livelihoods, meet basic needs, and strengthen community management of natural resources in coastal areas. Under the livelihood development components of this project, communities have been empowered to verify the resource availability and prioritize their needs in basic, community-level infrastructure.

Safe water supply and improved sanitation access for all is one of Sri Lanka's social development and poverty reduction goals. ADB's assistance program has helped 2 million people access safe water. It has also built institutional capacity and supported sector reforms. In 2009, ADB approved a new loan for the four major towns of Vavuniya, Mannar, Chilaw, and Puttalam in the driest zones of the island, covering a population of 300,000. The ongoing Secondary Towns and Rural Community-Based Water Supply and Sanitation Project continues to improve access to safe water and sanitation for poor populations, thereby decreasing waterborne diseases. When fully completed, this project will provide safe water to 946,000 people and sanitation to 171,500 in urban areas of Batticaloa, Hambantota, Muttur, and Polonnaruwa, and in rural areas of Polonnaruwa, Anuradhapura, and Batticaloa Districts. Another component of the project is to increase government capacity to provide safe water by strengthening the water sector institutions.

ADB's largest contribution has been to roads, and the Southern Transport Development Project (STDP) is building the first limited access expressway in Sri Lanka, with a total length of 128 kilometers (km).

Table 2. Sri Lanka: Economic Indicators, 2005–2009

Economic Indicator	2005	2006	2007	2008	2009
Per capita GNI, Atlas method (\$)	1,200	1,350	1,540	1,780	...
GDP growth (% change per year)	6.2	7.7	6.8	6.0	3.5
CPI (% change per year)	11.0	10.0	15.8	22.6	3.5
Unemployment rate (%)	7.2	6.5	6.0	5.4	5.9
Fiscal balance (% of GDP)	-8.4	-8.0	-7.7	-7.7	-10.2
Export growth (% change per year)	10.2	8.5	11.0	6.5	-12.9
Import growth (% change per year)	10.8	15.7	10.2	24.0	-29.4
Current account balance (% of GDP)	-2.7	-5.3	-4.5	-7.1	0.3
External debt (% of GNI)	47.1	43.8	44.5	37.9	...

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

Sources: ADB. 2010. *Asian Development Outlook 2010*. Manila. ADB staff estimates.

World Bank. 2010. World Development Indicators Online.

Table 3. Sri Lanka: 2009 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
330.0	–	8.40	14.48	352.88

– = nil.

Cumulative Lending (as of 31 Dec 2009) : \$4,685.53 million
Cumulative Disbursements (as of 31 Dec 2009) : \$3,414.76 million

Once it is completed in 2011, it will connect Colombo to Matara in the southern province and significantly cut journey times and improve road safety.

ADB's assistance to Sri Lanka's transport sector has addressed physical, institutional, and policy constraints. The contribution of ADB's assistance over the last two decades was assessed as "substantial" in the Country Assistance Program Evaluation conducted in 2007 and in subsequent Project Completion Reports. Four projects have rehabilitated, upgraded, and improved 1,400 km of national roads. The expected impact in terms of efficiency gains and cost savings has been achieved. Vehicle operating costs and travel times were reduced, and transport services improved. ADB assistance has been extended to improve multi-modal transport facilities in Sri Lanka.

Considerable policy reform progress has occurred in the road sector. Some of the notable achievements include the re-engineering of the Road Development Authority (RDA), which reviewed its organizational structure and recommended improvements; the

Table 4. Sri Lanka: Cumulative ADB Lending as of 31 December 2009

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	46	991.35	21.16
Education	11	351.90	7.51
Energy	13	557.75	11.90
Finance	21	494.40	10.55
Health and Social Protection	2	35.40	0.76
Industry and Trade	11	243.15	5.19
Public Sector Management	6	183.00	3.91
Transport and ICT	20	1,118.80	23.88
Water Supply and Other Municipal Infrastructure and Services	12	572.07	12.21
Multisector	6	137.70	2.94
Total	148	4,685.53	100.00

– = nil, ICT = information and communication technology.

^a Total may not add up because of rounding.

Table 5. Sri Lanka: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	29.0	31
Education	83.3	6
Energy	85.7	7
Finance	50.0	8
Health and Social Protection	100.0	2
Industry and Trade	80.0	5
Multisector	100.0	1
Public Sector Management	50.0	2
Transport and ICT	85.7	7
Water Supply and Other Municipal Infrastructure and Services	80.0	5
Total	56.8	74
By Year of Approval		
1960s	50.0	2
1970s	41.7	12
1980s	50.0	24
1990s	64.5	31
2000s	80.0	5

ICT = information and communication technology.

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

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2009.

amendment of the Thoroughfares Act; and the amendment of the Motor Traffic Act, initiated under the STDP. The preparation of a road sector master plan for national highways was approved by the RDA Board under ADB technical assistance.

ADB's assistance to the power sector helped to increase Sri Lanka's electrification ratio from 67% in 2003 to 82% by 2008. The ADB-funded Power Sector Development Project has created 150,000 new rural household connections. The project has also allowed the government to build five new grid substations, improve 13 existing grid substations, and construct 53.5 km of new transmission lines. ADB has substantially increased assistance to the Ceylon Electricity Board (CEB) to build and improve new grid substations and transmission lines through the new Clean Energy and Access Improvement Project. CEB has been able to gradually reduce technical and commercial losses of the network (of net generation) from 16.7% in 2007 to 15% in 2008. CEB is targeting to further reduce this to 12% by 2016. ADB is also assisting the government to introduce further regulatory/efficiency improvement measures in the sector.

Investment in education has been a central pillar of Sri Lanka's development policy for decades. ADB's education sector projects support the modernization of secondary education through the development of computer laboratories, teacher training, curriculum development, and introducing school-based assessment and management. Under the Distance Education Modernization Project,

ADB supported the development of a distance education network. The Secondary Education Modernization Project II, whose goal is to modernize Sri Lanka's secondary education system, has assigned a high priority to spreading information technology education throughout the island, upgrading 1,200 secondary schools as class A and AB schools to increase equity access for quality secondary education. The other main areas of the project are strengthening the Zonal/Provincial Education Offices, continuation of a stipend program for up to 50,000 disadvantaged students, streamlining the national examination system, modernizing the secondary education curriculum, and capacity building within the Ministry of Education.

Future Directions

The core of the government's 10-year development plan, the Mahinda Chintana, is to achieve high growth rates through investment in large-scale infrastructure, the knowledge economy, and rural development, while also focusing on post-war infrastructure development. ADB's operations in Sri Lanka over the next 3 years will be guided by the Country Operations Business Plan (COBP) 2010–2012. The COBP focuses on infrastructure, including roads, water supply, and power, with much of it in the conflict-affected areas.

Table 6. Sri Lanka: Portfolio Performance Quality Indicators for Sovereign Lending, 2008–2009

	2008 (\$ million)	2009 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2009)		40
Contract Awards/Commitments	611.0	157.4
Disbursements	249.5	245.6
Loans at Risk (%)	4.9	15.0

Note: Totals may not add up because of rounding.

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2009^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
China, People's Republic of	24	2,188
India	35	2,129
Indonesia	15	919
Philippines	26	768
Pakistan	24	721
Thailand	10	395
Kazakhstan	4	375
Sri Lanka	12	280
Viet Nam	7	280
Bangladesh	8	242
Afghanistan	6	198
Lao People's Democratic Republic	1	100
Azerbaijan	4	66
Nepal	4	59
Georgia	1	25
Papua New Guinea	1	25
Other DMCs	12	62
Regional	38	1,895

DMCs = developing member countries.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Table 8. Sri Lanka: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2005–31 December 2009

Contractor/Supplier	Sector	Contract Amount (\$ million)
Kaegnam Enterprises Ltd.	Transport and ICT	89.95
China Geo-Access	Water Supply and Other Municipal Infrastructure and Services	61.70
Sierra Construction Company, Ltd.	Multisector	23.78
Central Bank of Sri Lanka	Multisector	20.65
MAGA-CDIG	Transport and ICT	20.34
ICC China Harbour	Transport and ICT	19.78
E-W Information System, Ltd.	Multisector	18.87
K.D.A. Weerasinghe and Company, Pvt., Ltd.	Multisector	14.14
International Construction Consortium Ltd.	Multisector	13.87
Consulting Engineering and Contractors (Pvt.), Ltd.	Multisector	12.97

ICT = information and communication technology.

Table 9. Sri Lanka: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Loan Projects, 1 January 2005–31 December 2009

Consultant	No. of Times Contracted	Contract Amount (\$ million)
Roughten International of A2	1	4.49
PricewaterhouseCoopers Pvt., Ltd	4	3.85
Resources Development Consultants, Ltd.	5	1.59
Green Tech Consultants (Pvt.), Ltd.	8	0.78
Industrial Services Bureau	1	0.25
ITDG	1	0.25
Lanka Hydraulic Institute	2	0.23
Agromart Foundation	1	0.19
Architectural Engineering Consultancy	5	0.18
Sarvodaya Economic Enterprise Development Service	1	0.13
Individual Consultants	45	1.56

Operational Challenges

With the end of military operations in the North and East, the urgent and substantial reconstruction and development needs of these provinces present a huge challenge to both the government and development partners. Safety and security in these areas remains a concern with demining activities still ongoing. Conflict sensitivity in design and implementation will also be important to ensure that projects do not inadvertently worsen tensions between communities and contribute, as much as possible, to long-term sustainable peace and development.

Capacity development of the public sector remains a key issue, particularly in the North and East. Although Sri Lanka already has a number of very good contractors who are competing successfully on International Competitive Bidding contracts, it is important to further strengthen the contracting industry. Again, this is especially important in the North and East.

On the fiscal side, the government will need to take forward proposed tax reforms and manage expenditure carefully in order to increase resources for public investment and, at the same time, reduce the overall fiscal deficit.

Partnership

Cooperation between development partners in Sri Lanka remains very good and has been strengthened. ADB coordinates closely with the World Bank and the Japan International Cooperation Agency on portfolio management issues and at the sector level. Under NECORD, ADB has successfully administered grants provided by the Agence Française de Développement, Government of Norway, and Australian Agency for International Development (AusAID). The Government of Australia, through its AusAID, provided grant cofinancing of AUS\$8 million (\$7.3 million equivalent) to NECORD II in December 2009. This cofinancing will assist nearly 35,000 families to reinstate their livelihood under the government's Unified Assistance Scheme. The grant will provide basic material needs for IDPs to restart their lives.

ADB has also successfully implemented road rehabilitation programs with financing from the European Union and also implemented a livelihood development program for the poor in the Sabaragamuwa and Uva provinces of Sri Lanka funded by the Japan Fund for Poverty Reduction.

Table 10. Sri Lanka: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2005–31 December 2009

Consultant	No. of Times Contracted	Contract Amount (\$ million)
Centre for Poverty Analysis (CEPA)	2	0.57
Institute for Health Policy	1	0.52
Infotechs-Ideas Pvt., Ltd.	1	0.42
PricewaterhouseCoopers Lanka (Pvt.)	1	0.40
Sahanaya National Council for Mental Health	1	0.06
Individual Consultants	79	2.16

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

Cofinancing and Procurement

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

As of year-end 2009, cumulative direct value-added cofinancing for Sri Lanka amounted to \$628.6 million for 22 investment projects, and \$10.8 million for 27 TA projects.

In 2009, the North East Community Restoration and Development II Project was provided with additional cofinancing of \$7.28 million grant from Australia.

A summary of projects with cofinancing from 1 January 2005 to 31 December 2009 is available at www.adb.org/Documents/Fact_Sheets/SriLanka/cofinancing.asp.

From 1 January 1968 to 31 December 2009, contractors and suppliers were involved in 186,281 contracts for ADB loan projects worth \$96.29 billion. During the same period, contractors and suppliers from Sri Lanka were involved in 12,231 contracts for ADB loan projects worth \$1.87 billion.

From 1 January 1968 to 31 December 2009, consultants were involved in 10,945 contracts for ADB loan projects worth \$4.38 billion. During the same period, consultants from Sri Lanka were involved in 505 contracts for ADB loan projects worth \$43.15 million.

From 1 January 1968 to 31 December 2009, consultants were involved in 20,087 contracts for ADB TA projects worth \$2.52 billion. During the same period, consultants from Sri Lanka were involved in 282 contracts for ADB TA projects worth \$16.1 million.

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

Table 11. ADB Assistance to DMCs, 2008–2009^a

	2008 (\$ million)	2009 (\$ million)	Change (%)
Lending	10,123.92	13,230.19	30.68
ADF, Sovereign	1,763.56	2,210.31	25.33
OCR, Sovereign	6,838.78	10,577.01	54.66
OCR, Nonsovereign	1,521.58	442.87	(70.89)
Public Sector	300.00	134.30	(55.23)
Private Sector	1,221.58	308.57	(74.74)
Equity Investments	123.08	220.00	78.74
Grants	808.90	1,113.48	37.65
Technical Assistance	273.20	267.20	(2.21)

ADF = Asian Development Fund, DMCs = developing member countries, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

About Sri Lanka and ADB

ADB Membership

Joined 1966

Shareholding and Voting Power

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

Figures are as of 31 December 2008, before the fifth general capital increase process began. The process is ongoing, and the final figures are expected to be available by 31 December 2010. Current subscription levels are available from the Office of the Secretary.

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

Jaeyung Song is the Executive Director and **Wilson Leonard F. Kamit** is the Alternate Executive Director representing Sri Lanka on the ADB Board of Directors.

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

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

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2009, lending volume was \$13.23 billion (93 projects), with TA at \$267.2 million (313 projects) and grant-financed projects at \$1.11 billion (64 projects). In addition, \$3.16 billion in direct value-added loan cofinancing was generated. Over the last 5 years (2005–2009), ADB's annual lending volume averaged \$9.18 billion, with TA averaging \$245.7 million and grant-financed projects \$855.4 million. As of 31 December 2009, the cumulative totals were \$155.94 billion in loans for 2,206 projects in 41 countries, \$5.19 billion for 315 grant projects, and \$3.81 billion for 6,863 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/srilanka

Asian Development Outlook

www.adb.org/Documents/Books/ADO/2010/SRI.pdf

Annual Report

www.adb.org/Documents/reports/annual_report/2009/

Depository Libraries

www.adb.org/Publications/Depositories/sri.asp