

## ODA Loans to the Democratic Socialist Republic of Sri Lanka

The OECF (The Overseas Economic Cooperation Fund, Japan: President, Chairman of the Board, Mr. Akira Nishigaki) will provide the Democratic Socialist Republic of Sri Lanka with loans for Telecommunication Network Expansion Project in Colombo Metro Area and other 5 projects amounting to 35,926 million yen. The Loan Agreements were signed today by H.E. Mr. Nallathamby Navaratnarajah, Ambassador Extraordinary and Plenipotentiary of the Democratic Socialist Republic of Sri Lanka, and Mr. Akira Nishigaki, OECF's President, Chairman of the Board.

As a result, the cumulative total of OECF loan commitments to the Democratic Socialist Republic of Sri Lanka now stands at 435,359 million yen (71 commitments).

### 1. Loan amount and conditions

Project	Amount (Million Yen)	Interest Rate (%)	Repayment Period (Grace Period) (years)	Tying Status
Transmission and Substation Development Project	3,114	2.3	30 (10)	General-Untied
Baseline Road Project (II)	2,342	2.3	30 (10)	General-Untied
Telecommunication Network Expansion Project in Colombo Metro Area	10,023	2.3	30 (10)	General-Untied
Kalu Ganga Water Supply Project for Greater Colombo	11,278	2.1*	30 (10)	General-Untied
Mahaweli System C Upgrading Project	3,737	2.3	30 (10)	General-Untied
Small and Micro Industries Leader and Entrepreneur Promotion Project	5,432	2.3	30 (10)	General-Untied
Total: 6 Loans	35,926			

\* Preferential Interest Rates for Environmental Project

### 2. Project Description

#### (1) Sri Lanka: Transmission and Substation Development Project (TSDP)

In Sri Lanka, the total and the peak demand for electricity, have been increasing by 6% and 9% respectively, and the need for developing adequate power sector which is the basis of the socio-economic activities, has become urgent. On the other hand, the problems of low voltage and high loss rate of transmission system have become serious due to old facilities and inadequate capacity towards increasing electricity demand. It is thus necessary to strengthen transmission system by continuous upgrading. To meet such demand, Ceylon Electricity Board, which handles the almost entire power sector in Sri Lanka, has asked Japan International Cooperation Agency (JICA) to conduct a study for the "Master Plan for Development of the Transmission System".

In this project, among those suggested in the "Master Plan", two components will be implemented, namely (1) Rehabilitation of Kolonnawa Substation which provides approximately 60% of power supply to City of Colombo, and (2) Upgrading of 132 kV transmission line to 220kV in Western Province (South) to meet the demand in that area. The loan will be used for the civil works, procurement of equipment and project supervision consulting services. The executing agency is the Ceylon Electricity Board (Address: Sir Chittampalam A. Gardinar Mawatha, Colombo 2, Sri Lanka).

#### (2) Baseline Road Project (II)

Because Sri Lanka has limited inland water transport system, transport by ferry or ship is nominal. Domestic flight by air is also restricted for security reasons. At the same time, the railway transport has not increased because of deteriorated locomotives and tracks. Under such circumstances, road transportation occupies 90% of total domestic freight transport, and its importance in domestic transportation sector is expected to remain dominant in near future.

The Baseline Road which runs from Keranitisa Junction to High Level Road Junction in Colombo, is 8km long in total. The road was constructed in the 19th Century and is named such since the road was used as a baseline for mapping the island. The Colombo city is served by several trunk roads in a spider-web manner, and thus it is necessary to pass through the center of Colombo to travel from a trunk road to another, causing a serious traffic congestion in the central Colombo. The Baseline Road serves as a bypass of the Colombo City, but recently the traffic there has also increased to the point there are serious traffic jams. It is estimated that traffic volume on the Baseline Road will surpass its capacity by 2004.

In Baseline Road Project (I) extended in fiscal 1993, widening of roads for 4.6km has been implemented. In the second phase, the road will be expanded and realigned for the remaining 3.4 km between Kanata Junction and High Level Road Junction in order to mitigate traffic jams in Greater Colombo, at the same time the Project will install traffic control system and safety facilities, construct and rehabilitate structures, and divert utilities.

The loan will be utilized for procurement of materials and equipment, civil works, and consulting services. The executing agency is Road Development Authority (Address: "Sethsiripaya", Battaramulla, Sri Lanka).

#### (3) Telecommunication Network Expansion Project in Colombo Metro Area

Telephone density\* in Sri Lanka remains low at 1.39, and the number of people who subscribed but can not be connected reached 256,000, a number higher than the number of subscribers (254,000). This project aims to respond to the demand for telephone services by installing new switching systems, external plant and transmission systems in Colombo Metro Area where approximately a half of those who wait for telephones in Sri Lanka concentrates. It was designated as one of the priority projects in the "Study on Telecommunications Networks in the Democratic Socialist Republic of Sri Lanka Final Report May 1996", conducted with the assistance from JICA.

\*telephone density : telephone lines/100 inhabitants  
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The loan will be utilized for civil and installation works, procurement of telecommunication equipment, and consulting services.

The executing agency is Sri Lanka Telecom Limited (Address : Lotus Load, Colombo 1), which was partly privatized by selling its 35% stake to a private company on August 5, 1997.

#### (4) Kalu Ganga Water Supply Project for Greater Colombo

The population of the Greater Colombo area is about three million, and is projected to grow to 4.4 million by 2020 due to the influx of people from the rural area seeking employment. Given this increase in population, water demand has increased rapidly and is expected to cause shortages by 2003. However, it is difficult to take additional water from the Kelani Ganga, which is the only existing water source to the Greater Colombo area, because of salinity intrusion. In order to cope with the increase of water demand, it is urgent to develop a new water source.

This project aims to utilize the Kalu Ganga in the South to the Greater Colombo area as a new water source in order to meet the increased demand of water and secure the stable water source even during the dry season. In addition, it will provide the sufficient water to the Southern area where the population is expected to increase.

The loan will be utilized for construction, equipment and materials, and consulting services for construction and management. In addition, a pilot scheme for low income households will be implemented as a portion of the project to formulate a scheme to construct the water supply and sanitation system through community participation.

The executing agency is the National Water Supply and Drainage Board(NWSDB) (Address: Galle Road, Ratmalana, Sri Lanka). As for the pilot scheme, the executing agency is the Ministry of Housing and Urban Development(MHUD) (Address: Galle Road, Ratmalana, Sri Lanka).

(5) Mahaweli System C Upgrading Project

The development of Mahaweli System C started in 1981, and during 1981 to 1994, the OECF, together with the World Bank, implemented projects which generated settlement for more than 20,000 households, nearly 40,000 employment, and produced 140,000 ton of agricultural products. Later, the government of Sri Lanka put forth the concept of "participatory agriculture" and decided to let Farm Organizations manage distribution and field canals on their own. In System C as well, ten villages were selected as Model Units, and programs to establish a model for Farmer Organization to stand on its own feet, were implemented between 1991 and 1994. In 1995, OECF also conducted a SAPS study in which establishment and strengthening of Farmer Organizations was encouraged in order to sustain the prolonged realization of the Project benefit.

This project aims to increase the productivity of System C and handing of distribution and field canals to Farmer Organizations by conducting large-scale rehabilitation of main canals which cannot be implemented by Farmer Organizations, and by strengthening capacity of Farmer Organizations. In the program for Farmer Organizations, various software assistance will be given including diversification of crops, improvement of marketing of rice and other produce, and provision of agricultural credit. The Project components include (1) Strengthening of Farmer Organizations, (2) Agricultural Management Training, and (3) Rectification of Irrigation Systems.

The Loan will be utilized for civil works for rectification of canals and training facilities, credit facilities, and consulting services.

The executing agency is Mahaweli Authority of Sri Lanka (MASL) Address : 500, T.B.Jayah Mawatha, Colombo 10, Sri Lanka).

(6) Small and Micro Industries Leader and Entrepreneur Promotion Project (SMILE)

Among the manufacturing sector in Sri Lanka, small and medium scale industries occupy 90% by number, 70% by employment, and 55% by value-added creation. However, there is only a limited supply of long-term finance in Sri Lanka, and national development finance institutions which have access to long-term financing from abroad, tend to lend to large-scale industries. Thus, small and medium scale industries face a serious problem in securing finance necessary to implement projects.

The Project aims to provide low-interest finance to small and micro-scale industries which face such difficulties. The Project includes two schemes. One is the General Scheme in which low-interest loans are provided to small and micro industries to implement various projects, the other is the Technical Transfer Scheme in which no-interest loans are provided to support small and micro industries to obtain technical and financial management training, to hire consultants and/or to provide quality control equipment.

The loan will be utilized for funds necessary to implement Two-Step-Loans.

The executing agency is the National Development Bank (NDB) (Address: 40, Navam Mawatha, Colombo 2, Sri Lanka).