

JBIC PROVIDES ODA LOAN TO SRI LANKA

Supporting Health Services and Small Enterprises

1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) signed today a loan agreement totaling 6,346 million yen for the "Project for the Improvement of National Blood Transfusion Services" and "Small and Micro Industries Leader and Entrepreneur Promotion Project (II)" in the Democratic Socialist Republic of Sri Lanka. With these loans, the cumulative ODA loan approvals for Sri Lanka number 83, totaling 491,283 million yen, excluding the Yen Loans provided by the former Export-Import Bank of Japan.
2. The loan extended to the "Project for the Improvement of National Blood Transfusion Services" will provide financial support for the construction of a National Blood Transfusion Center and supplying equipment and materials to the eight provincial blood banks and 48 regional blood banks, training and education of personnel, and supervision of the project implementation. The loan for the "Small and Micro Industries Leader and Entrepreneur Promotion Project (II)" will help meet their needs for low-interest loans. This is a project continuing from the "Small and Micro Industries Leader and Entrepreneur Promotion Project (I)", which was approved in July 1997.
3. With both the birth rate and death rate declining in recent years, Sri Lankan society is steadily graying, which has caused a shift in the trend of diseases. The country therefore needs to upgrade its health service system. In response, the government has tried to ensure a 10% annual increase in the supply of transfusion blood since 1993. However, the supply has remained chronically short of requirements and thus the enhancement of the facilities and equipment and strengthening institutional arrangements are urgently required. In response to these needs, the "Project for the Improvement of National Blood Transfusion Services", to which the Bank's loan is extended, will develop the foundation of a comprehensive blood supply system by providing the existing insufficient blood supply network with equipment and machinery and training personnel. This will contribute to upgrading the level of the health services in Sri Lanka. This is the first ODA loan extended to the health sector of Sri Lanka.
4. In the economy of Sri Lanka, small and medium sized enterprises as well as micro firms are playing an essential part in production and employment, and will continue to make a considerable contribution in the future economic growth of the country. These firms, however, face restricted access to financial resources due to a lack of collateral and high interest rates. Therefore, expansion of business is difficult for them at the moment. The "Small and Micro Industries Leader and Entrepreneur Promotion Project (II)" aims at encouraging small and micro sized enterprises to introduce equipment and improve technology, by supplying low-interest loans, thus contributing to the expansion of the production base and creation of employment in Sri Lanka.

(See Appendix for details.)

FIRST ODA LOAN TO THE HEALTH SERVICE SECTOR IN SRI LANKA

Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) signed an agreement today to extend loans totaling 6,346 million yen to the "Project for the Improvement of National Blood Transfusion Services" and "Small and Micro Industries Leader and Entrepreneur Promotion Project (II)" in the Democratic Socialist Republic of Sri Lanka.

The signing took place between Deputy Governor and Managing Director Yoseki Nagase of JBIC and H.E. Herbert Neville Piyadigama, Ambassador Extraordinary and Plenipotentiary of the Democratic Socialist Republic of Sri Lanka.

With these loans, the cumulative ODA loan approvals for the Democratic Republic of Sri Lanka number 83, totaling 491,283 million yen.

1. Loan Amount and Conditions

Project Name	LoanAmount (Mil. yen)	Interest Rate (%/Year)		Repayment Period/ Grace Period (Years)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Service
Project for the Improvement of National Blood Transfusion Services	1,508	2.2	0.75*	30/10	40/10	General Untied	Bilateral Tied
Small and Micro Industries Leader and Entrepreneur Promotion Project(II)	4,838	2.2	-	30/10	-	General Untied	-
Total (Two Projects)	6,346						

*Ordinary Environmental Project

2. Characteristics of ODA Loans to Sri Lanka

ODA loan approvals for Sri Lanka began in 1976 and in their early days comprised mainly commodity loans to assist the country's balance of payment. In the following years through the 1980s, the focus of commitments shifted to project loans for developing economic infrastructure including transportation, electricity, telecommunications and irrigation. Entering the 1990s, the Bank's loans covered a wide variety of projects from economic infrastructure development to the social and environmental sectors. Since 1993, JBIC has been the largest aid donor agency to Sri Lanka, providing leading financial support that puts emphasis on three areas: development of economic infrastructure; fostering industries; and social development projects that directly benefit the poor. The loan agreements signed today are meant to help two priority areas out of three -- the fostering of industries and social development -- by supporting the project for the improvement of national blood transfusion services and small and micro industries leader and entrepreneur promotion project through a two-step loans.

3. Project Outline

(1) Project for the Improvement of National Blood Transfusion Services

(i) Background and Necessity of the Project

The government of Sri Lanka has consistently followed a policy, since the country's independence in 1948, of prioritizing the social sector including the health services. The country boasts of better basic health indices than other South Asian countries with the rate of infant mortality at 16.5 individuals/thousand, and an average life expectancy of 72.9 years (both statistics from 1995). The health services are mainly provided by national hospitals that account for a 91% share of the nationwide health facilities, and their local health networks are functioning relatively well. The emergence of the graying society, however, which was brought about by the declining birth rate and death rate, has led to a shift in typical diseases toward cardio- and cerebral illnesses. The introduction of advanced medical treatment is expected to increase the demand for transfusion blood. Under the jurisdiction of the Ministry of Health, the blood supply service has been run by the central and provincial and regional blood banks, setting the growth target at 10% per year since 1993. However, the wear and tear on the facilities, lack of necessary facilities for taking, examining and storing the blood, and the shortage of space for education and training have posed obstructions to meeting the demand for transfusion blood. To address these problems, the upgrading of facilities, equipment and institutional arrangements are urgently called for.

(ii) Purpose and Description of the Project

The purpose of the project is to construct a central blood center, furnish equipment and materials to the central blood center, eight provincial blood banks and 48 regional blood banks, give training to personnel, and provide the consulting services for supervising the project implementation, including the environmental considerations, thus developing a basic blood supply system as a whole and contributing to the upgrading of the health service level in Sri Lanka. The task of training and education in particular, which aims at enhancing the management of transfusion blood, will be conducted in alliance with WHO in line with the international standards, and is expected to adopt infectious disease-control measures.

The Executing Agency is the National Blood Transfusion Services, Ministry of Health, Sri Lanka (Address: Central Blood Bank, Colombo 8, Sri Lanka; Tel/Fax: +94-1-692317).

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(2) Small and Micro Industries Leader and Entrepreneur Promotion Project (II) (SMILE (II))

(i) Background and Necessity of the Project

The small and micro industries in Sri Lanka cover a wide array of trades, ranging mainly from the manufacturing industry to the service sector. In the private manufacturing sector, these companies account for 90% by number, 70% by employment, and 55% by value-added creation, and they play an important role in the economy of Sri Lanka. Since the country is faced with a relatively high unemployment rate of around 10%, expectations are high toward small and medium sized enterprises as well as micro firms to create employment and strengthen the industrial foundation. However, lack of collateral and high interest rates have limited these companies' access to capital investment funds and long-term operating funds, and thus they are facing difficulties in business expansion.

(ii) Purpose and Overview of the Project

The "Small and Micro Industries Leader and Entrepreneur Promotion Project (II)" aims to provide financing in order to continue the program implemented in "Small and Micro Industries Leader and Entrepreneur Promotion Project (I)" in 1997. This project will provide low-interest financing to small- and micro-scale industries to develop and expand their industrial foundation, and at the same time assist in technical transfer required to foster these industries. These efforts are expected to expand the production base and generate employment, and at the same time promote economic growth and poverty alleviation.

This project will provide small- and micro-sized enterprises that have limited access to funds with 1) "General Loans" for securing capital investment funds and long-term operating funds; and 2) Technical Transfer Loans" for training in technical and financial management. These low-interest loans will be extended via the National Development Bank of Sri Lanka (NDB). Companies eligible for the loans are those in the production, construction, agro technology, service industries, etc.

The executing agency is the National Development Bank of Sri Lanka. Address: P.O. Box 1825, No. 40, Navam Mawatha, Colombo 2, Sri Lanka. Tel: +94-1-440175, Fax: +94-1-341048.

Scheme (Same for General Loan & Technical Transfer Loans)

J B I C

↓ (Yen denominated funds)

Government of Sri Lanka

↓ (Rupee denominated funds hereafter)

National Development Bank (NDB)

↓

Participating Credit Institutions (PCI)

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End Users (small and micro companies)

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