

JBIC SIGNS ODA LOAN TO SRI LANKA

--To Finance Road Construction and Water Supply--

1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) signed today with the Government of Sri Lanka, two ODA Loans totaling 23,921 million yen with Sri Lanka to finance its Southern Highway Construction Project to be executed by the Road Development Authority and the Greater Kandy Water Supply Project to be carried by the National Water Supply and Drainage Board. This brings JBIC's cumulative ODA loan commitments to the country to 85, totaling 515,204 million yen.
2. Of the two loans, the one for the Southern Highway Construction Project will finance civil works, procurement of materials and equipment and consulting services for the construction of a 128-kilometer highway as a bypass for National Road A2 that stretches from Colombo to Marata. The loan for the Greater Kandy Water Supply Project will provide funds for the construction of intake, diversion, water purification, pumping, draining and chlorine treatment facilities, as well as procurement of equipment for maintenance and consulting services.
3. Southern Sri Lanka where the Southern Highway Construction Project is being undertaken is the least developed region of the country. The primary reason is its poor transportation infrastructure including roads, and the region's development needs to be addressed. Therefore, this project aims to construct a 128-kilometer highway exclusively for automobile traffic, as a bypass for National Road A2. By improving the flow of motor vehicle traffic, the project will relieve traffic congestion in the Colombo area and improve transportation between this area and the southern region. This will contribute to the region's economic development.
4. In the Greater Kandy area, a recent sharp increase in population has created a situation where water supply is falling behind demand. Expanding the water supply capacity is an urgent need to ensure better living conditions and improve public health. Therefore, the Greater Kandy Water Supply Project aims to increase the water supply facilities in the northern part of the Greater Kandy area and achieve a stable supply of water by increasing hours during which the water is supplied. This will improve public health and living conditions.

(See Appendix for details.)

JBIC SIGNS ODA LOAN TO SRI LANKA

-- To Finance Road Water Supply Projects - -

Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) signed today with the Government of Sri Lanka, two ODA loans totaling 23,921 million yen with Sri Lanka to finance its Southern Highway Construction Project to be executed by the Road Development Authority and the Greater Kandy Water Supply Project to be carried out by the National Water Supply and Drainage Board.

The signing took place between Mr. P. B. Jayasundera, Secretary, Ministry of Finance and Planning of the Democratic Socialist Republic of Sri Lanka, and Mr. Naomi Miwa, Chief Representative in Colombo JBIC.

This brings JBICs cumulative ODA loan commitments to the country to 85, totaling 515,204 million yen.

1. Loan Amount and Conditions

Project Name		Amount (Mil. yen)	Interest Rate (%/Year)		Repayment Period/ Grace Period (Years)		Back to the Index of Oversease Economic Cooperation Operations	
			Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
1	Southern Highway Construction Project	18,770	2.2	0.75*	30/10	40/10	General Untied	Bilateral Tied
2	Greater Kandy Water Supply Project	5,151	0.95**	0.75*	40/10	40/10	Japan Tied	Bilateral Tied

* Interest rate for special environmental consultancy services.

** Interest rate for special yen (ODA) loan project

2. Characteristics of ODA Loans to Sri Lanka

ODA loans to Sri Lanka were comprised mainly of commodity loans to assist the country's balance of payments in the past, but starting in the 1970s, the focus of commitments shifted to project loans for developing economic infrastructure, including transportation, electricity, telecommunications and irrigation. Entering the 1990s, ODA loans covered a wider variety of projects from economic infrastructure development to the social and environmental sectors. JBIC currently emphasizes three areas for economic assistance to Sri Lanka: 1) development of economic infrastructure; 2) fostering industries; and 3) social development that directly benefits the poor. JBIC recently signed two ODA loan agreements with Sri Lanka on January 26, 2001: the Project for the Improvement of National Blood Transfusion Services and Small and Micro Industries Leader and Entrepreneur Promotion Project (II). These loans were extended to projects that assisted social development and fostered industries. These new loans, on the other hand, aim to assist economic and social infrastructure development, which is a priority area in the country's economic development.

3. Project Description

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(1) Southern Highway Construction Project

(i) Background and the Need of the Project

The number of vehicle registrations in Sri Lanka is increasing by 8% each year, but road expansion has fallen behind demand, and most of the national roads are still two lanes with grade crossings. This situation has caused traffic congestion in the Colombo area and has hampered economic activities. The traffic on National Road A2 that stretches from Colombo to the southern region is especially heavy in the Colombo area since this is the only national road leading to the southern region. The road's alignment is also a critical problem that has led to chronic congestion for southbound traffic. In addition, this road is unsafe for pedestrians and vehicles that run off the road because its width is narrow and its shoulder is unpaved. However, a major project would be required to repair and widen the road, and therefore it was decided to construct a new road exclusively for automobile traffic as a bypass for National Road A2.

(ii) The Objective and Description of the Project

This project aims to construct a 128-kilometer highway exclusively for automobile traffic as a bypass for National Road A2. By improving the flow of motor vehicle traffic, the project will relieve traffic congestion in the Colombo area and improve transportation between this area and the southern region. This will contribute to the region's economic development.

The loan will finance civil works, procurement of materials and equipment and consulting services for the construction of the 128-kilometer highway exclusively for motor cars that stretches from Kottawa in the Colombo area, through Galle to Matara. The bypass will be built about 10 km inland along the southwest coast of Sri Lanka. This project is cofinanced with the Asian Development Bank (ADB), with JBIC financing the construction of about 75 km between Kottawa and Kurundugahahetekma, and ADB financing about 53 km between Kurundugahahetekma and Matara.

The executing agency is the Road Development Authority

Address: Sethsiripaya, Battaramulla, Sri Lanka

Phone: 94-1-884719 , Fax: 94-1-888164

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(2) Greater Kandy Water Supply Project

(i) Background and the Need of the Project

The government of Sri Lanka has set "Safe Water for All by 2010" as the country's target, but its water supply ratio in 1998 shows that only 65% of this target has been reached. Due to the recent sharp increase in population in the Greater Kandy area, in particular, the water supply capacity in 1997 remained a low 60,000 m3/day against the maximum demand for water of 130,000 m3/day. To overcome this shortage, expanding the water supply capacity by improving water supply facilities in Kandy city and the northern part of the Greater Kandy area is an urgent task to ensure better living conditions and public health.

(ii) The Objective and Description of the Project

As part of the plan to develop an additional supply of water of 110,000 m3/day to the Greater Kandy area, this project will increase the capacity of water supply facilities in Kandy city and the northern part of the Greater Kandy area, where there is an urgent need to increase water supply capacity. This project aims at achieving a stable supply of water by increasing hours during which the water is supplied and improving public health and living conditions by increasing water supply capacity.

The loan will finance the construction of an intake facility, a water treatment plant, a water transmission facility, and a distribution and chlorination facility, as well as procurement of maintenance equipment, and consulting services, including consultation on environmental issues.

The executing agency is National Water Supply and Drainage Board
Address: Galle Road, Ratmalana, Sri Lanka
Phone: 94-1-867774 , Fax: 94-1-869960

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