

## **JBIC Signs ODA Loan Agreement with Sri Lanka --To Develop Power Distribution and Flood Drainage Systems--**

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1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today with the Democratic Socialist Republic of Sri Lanka at its Head office in Tokyo the 34th ODA Loan Package to that country amounting to 12,865 million yen. The loan will be used for the "Colombo City Electricity Distribution Development Project" to be implemented by the Ceylon Electricity Board, and the "Lunawa Environment Improvement and Community Development Project" to be implemented the Ministry of Housing and Plantation Infrastructure.
2. This ODA Loan Package will finance the civil works, procurement of machinery and equipment, and consulting services necessary for the construction of substations and the installation of power distribution lines in Colombo City. It will also help meet the financial needs of the civil works and consulting services required for the repair and new construction of drainage systems for flood control in areas surrounding Lunawa Lake.
3. Although Colombo, the target area of the "Colombo City Electricity Distribution Development Project," is the political and economic hub of Sri Lanka, its power distribution lines have suffered excessive wear and tear and are unable to respond to the ever increasing power demand in recent years. Under these circumstances, the project is expected to help secure a stable power supply, thereby contributing to sustained and more effective economic activities and better living conditions for residents.
4. Areas surrounding Lunawa Lake in the Greater Colombo Area, where "Lunawa Environment Improvement and Community Development Project" is to be implemented, is hit by floods four to six times a year, due to natural conditions plus the lack of sufficient infrastructure for drainage. Each time, such economic infrastructure as transportation and telecommunications, as well as houses and other personal assets are damaged by inundation. The project is expected to help reduce the level of flood damages and improve sanitary conditions for local residents by newly constructing and repairing drainage systems as well as developing basic infrastructure. The project will be executed in partnership with the United Nations Center for Human Settlement (UNCHS), NGOs, and Japan Overseas Cooperation Volunteers.

Loan appraisal for these projects was conducted in February 2001. Therefore, these projects did not require preparation of the Ex-Ante Evaluation Report. Projects for which appraisal is conducted after April 1, 2001 require preparation and public disclosure of their Ex-Ante Evaluation Reports.

(See Appendix for details.)

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### 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
Colombo City Electricit Distribution Development Project	5,959	2.2	0.75*	30/10	40/10	General Untied	Bilateral Tied
Lunawa Environment Improvement and Community Development Project	6,906	1.7**	0.75*	30/10	40/10	General Untied	Bilateral Tied
Total	12,865						

\* Interest rate for special environmental project

\*\* Interest rate for standard environmental project

### 2. Characteristics of ODA loans to Sri Lanka

ODA loans from JBIC to Sri Lanka used to be largely made up of commodity loans to support the country's balance of payments. Entering the 1970s, however, the focus of assistance shifted to economic infrastructure development projects, including transportation (airports, sea ports, railways, roads and bridges), electricity, telecommunications and irrigation. In addition, in the 1990s, JBIC assistance was extended not only to economic infrastructure development, but to larger areas as well, such as the social and environmental sectors. Since 1993, JBIC has been the largest aid donor to Sri Lanka.

JBIC's "Medium-Term Strategy for Overseas Economic Cooperation Operations" outlined in December 1999 aims to assist Sri Lanka in achieving sustainable economic development. Based on this, the loan focuses on developing economic and social infrastructure and supporting social development projects that directly benefit the poor. The loan extension for the Colombo City Electricity Distribution Development Project and the Lunawa Environment Improvement and Community Development Project will promote economic and social development in the Colombo area, which is the center of both Sri Lanka's political and economic life.

Project implementation will be strengthened through coordination and technical cooperation and close collaboration with multilateral agencies. The Lunawa Environment Improvement and Community Development Project will work in partnership with the United Nations Center for Human Settlement (UNCHS), NGOs and Japan Overseas Cooperation Volunteers who will provide technical support to the implementing agency.

### 3. Description of the Project

#### (1) Colombo City Electricity Distribution Development Project

##### -Background and Necessity of the Project

The project is located in Colombo City, the nation's largest city as well as its political and economic center. The aging of substation facilities in the city is serious, and these facilities are not able to meet the sharp rise in electricity demand. The present load level is 231MVA, however, this is expected to be increased to 350 MVW in 2005. As a result, the reliability of electric power supply is low, and power failures per household total 509.5 minutes each year, equivalent to 80 times the failures in Japan. To promote economic and social development in Sri Lanka, the necessity of this project is extremely high, as it will improve the aging distribution grid in Colombo City to secure a reliable and stable electricity supply.

##### -Objective and Brief Description of the Project

The project will enhance the distribution grid, stabilize electricity supply, and reduce system loss to meet Colombo City's expected load of 350 MVA (present 231 MVA) in 2005. The project aims to contribute to sustained economic growth in Sri Lanka through securing a stable electric power supply. This project will involve: 1) 132kV construction, including additional construction of a 132kV substation and new construction of 132kV transmission cables; 2) 33kV construction, including construction of an additional 33kV substation; 3) 11kV low voltage construction, including new installation and replacement of 11kV distribution cables, new construction of 11kV compact distribution substations, replacement of 11kV RMUs (Ring Main Unit), new construction of low voltage distribution cables and replacement of 11kV switchgears at primary and distribution substations; and 4) installation of SCADA (Supervisory Control and Data Acquisition).

The executing agency is the Ceylon Electricity Board (CEB) (Address: 50, Sir Chittampalam A Gardiner Mawatha, Colombo 2; Tel: 94-1-335922; Fax: 94-1-421744).

#### (2) Lunawa Environment Improvement and Community Development Project

##### -Background and Necessity of the Project

Sri Lanka is located in an area of tropical monsoons, and the country has monsoon seasons and a dry seasons due to the southwesterly monsoon from near the equator and the northeasterly monsoon from the Bay of Bengal. The southwesterly monsoon creates rainfall in the southwestern and central areas of the country, and the northeasterly monsoon causes rainfall across the country. As a result, there is a monsoon season twice a year in the southwestern and central areas, and once a year in the remaining areas; and the country suffers frequent floods during this season. The Greater Colombo Area, the country's political and economic center and where the project is located, is situated in the southwestern area of the island. Therefore, the area experiences a monsoon season twice a year. The average annual rainfall is 2,700 mm in Colombo, which is higher than the regions of Southeast Asia and Southwest Asia. In addition, most of the low-lying Colombo area is subject to flood damage because the area is less than 6 meters above sea level, and because the underdevelopment of drainage canals have also triggered floods. A survey on flood damage by the Sri Lanka Land Reclamation and Development Corporation in 1993 showed that in the Greater Colombo Area, 104,000 people suffered flood damage (7.6% of total population of 1.364 million); the damaged area was 8.27 km<sup>2</sup> (7.9% of the total area of 104.0 km<sup>2</sup>); and damage amounted to 322 million rupees. Under such circumstances, implementing flood control is an urgent task. The government of Sri Lanka has taken various measures to cope with the situation, and general flood control in the Greater Colombo Area has improved. However, flood damage is still frequent in certain areas. Areas surrounding Lunawa Lake, where the project is to be implemented, is hit by floods four to six times a year, and flood control and development of a drainage system is an urgent priority.

##### -Objective and Brief Description of the Project

The project will newly construct and repair drainage canals as well as develop basic infrastructure in the areas surrounding Lunawa Lake that have suffered serious flood damage, thereby helping reduce the damage by inundation and improve the sanitary and living conditions of local residents. The project, in particular, will develop drainage systems and improve the living conditions by constructing sewerage facilities including channels and drainage pipes; by repairing roads and by developing garbage dumps in the so-called shanty towns where the poor live, as these areas suffer serious flood damage. In order to implement the improvement that is necessary and at the same time meet the lifestyle needs of the local residents, the project will form a local residents organization and will be implemented based on a community contract<sup>[1]</sup>. In order to facilitate implementation, the project will be executed in partnership with the United Nations Center for Human Settlement (UNCHS), NGOs, and Japan Overseas Cooperation Volunteers. This will be the first project for JBIC to work in partnership with UNCHS.

The proceeds of the loan will be used for necessary civil works, procurement of materials and equipment, and to finance consulting services including detailed design, assistance

in bidding and construction supervision.

The executing agency is the Ministry of Housing and Plantation Infrastructure (MOHPI) (Address: 2nd Floor, "Sethsiripaya" Battaramulla, Sri Lanka; Tel: 94-1-862225; Fax: 94-1-864765).

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[1] Based on the Community Action Program (CAP) formulated by the local residents, the local residents themselves are involved in the procurement and civil works of the construction, such as construction of drainage systems.