

JBIC Signs ODA Loan Agreements with Sri Lanka: Supporting Reconstruction from Devastation of Civil Conflict and Tsunami

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today ODA loan agreements totaling 11.284 billion yen with the Government of the Democratic Socialist Republic of Sri Lanka to finance the Vavuniya-Kilinochchi Transmission Line Project and the Sri Lanka Tsunami Affected Area Recovery and Takeoff (STAART) Project.
2. These loans are provided to support reconstruction in northern Sri Lanka, a region ravaged by civil war, and urgent rehabilitation and reconstruction of the areas affected by the tsunami that broke out in the Indian Ocean in December 2004.
3. The following is a brief summary of the newly signed ODA loans.

(1) Support for reconstruction efforts in the civil war-ravaged northern region

Since an indefinite ceasefire agreement in February 2002 between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE), brought the 20-year civil conflict to an end, reconstruction and development efforts have been underway.

To support peace building efforts, JBIC provided ODA loans last December for three projects, including the Small-scale Infrastructure Rehabilitation and Upgrading Project (II). An ODA loan for the Vavuniya-Kilinochchi Transmission Line Project is a follow-up to these loans and will support reconstruction of the transmission lines and a substation in the civil war-ravaged northern region.

(2) Support for rehabilitation/reconstruction of the tsunami-affected areas

The tsunami that followed a major earthquake off the coast of Sumatra in December 2004 caused extensive damage in Sri Lanka and claimed a toll of more than 30,000 lives. In January this year, JBIC, the World Bank and the Asian Development Bank conducted a joint damage and needs assessment to gauge the extent of damage and the needs for disaster recovery assistance.

The Sri Lanka Tsunami Affected Area Recovery and Takeoff (STAART) Project will support rehabilitation/reconstruction of economic infrastructure, including roads, water and power supply, and provide financial assistance to the private sector, including the fisheries and tourism industries.

4. Project names, loan amounts and conditions of the newly signed loans are shown below.

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Vavuniya-Kilinochchi Transmission Line Project	1,278	0.75*	40/10*	General Untied
Sri Lanka Tsunami Affected Area Recovery and Takeoff (STAART) Project	10,006	0.75**	40/10**	General Untied
Total	11,284			

* Preferential terms (support for peace building efforts)

** Preferential terms (support for peace building efforts and SMEs)

(Click here for details of the Projects.)

Vavuniya-Kilinochchi Transmission Line Project

(1) Background and Necessity of the Project

The armed conflict which had continued for nearly 20 years between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE), came to an end in February 2002 when an indefinite ceasefire was agreed. Since this agreement, a number of efforts have been underway to promote peace building, reconstruction and development. In June 2003, the Tokyo Conference on Reconstruction and Development of Sri Lanka was held, at which Government of Japan took the opportunity and pledged financial assistance maximum of 1 billion US dollars over the next three years.

Despite such developments, economic activity in these regions remains stagnant. This is because the northern and eastern regions, where intense conflict raged, have sustained a devastating impact and their economic infrastructure such as roads and power facilities have been largely destroyed. In particular, with transmission lines (of about 150 kilometers) destroyed mainly in the northern region, there has been lagging progress in the rehabilitation work of the power-related facilities. Thus, the proportion of households with access to electricity remains 22% in the northern region and 40% in the eastern region, compared to the national average of 65%. This is posing a bottleneck to reconstruction and development. It is therefore imperative that the living conditions of populations of people who are victims of the devastating civil war be improved through urgent rehabilitation of the power facilities so that they actually experience "peace dividends."

(2) Purpose and Description of the Project

In this Project, which is jointly supported by JBIC, Asian Development Bank and KfW in Germany, rehabilitation/reconstruction work will be implemented for the power transmission lines and a substation in northern Sri Lanka that were destroyed during the civil conflict. Specifically, 1) the (132kV) transmission lines stretching 75 kilometers between Vavuniya and Kilinochchi will be rehabilitated; and 2) a substation (31.5MVA, 132/33kV) in Kilinochchi will be reconstructed. In so doing, the Project aims to achieve a stable supply of power in northern Sri Lanka and contribute to reconstruction in this region.

In northern Sri Lanka, a large number of hidden landmines remaining from the civil war are now hindering reconstruction efforts. Since landmines are likely to be found in the project area, an international NGO which has experience in removing landmines in Sri Lanka will be employed to carry out this task.

Project executing agencies are:

Ceylon Electricity Board (CEB)

Address: 50, Sir Chittampalam A Gardiner Mawatha, Colombo 2, Sri Lanka

TEL: 94-1-335922 FAX: 94-1-421744

Ministry of Relief, Rehabilitation and Reconciliation

Address: 177, Galle Road, Colombo 3, Sri Lanka

TEL: 94-11-2382067 FAX: 94-11-2382066

Sri Lanka Tsunami Affected Area Recovery and Takeoff (STAART) Project

(1) Background and Necessity of the Project

The tsunami triggered by the massive earthquake off the coast of Sumatra last December brought a death toll of more than 30,000 people in Sri Lanka. In response to the request from the Government of Sri Lanka, JBIC, the World Bank and the Asian Development Bank conducted a joint damage and needs assessment in January this year to gauge the extent of damage and needs for recovery assistance.

The report of the assessment found that damages reached about 1 billion US dollars, concentrated in the northern, eastern and southern coastal areas, and that financial assistance of 1.5-1.6 billion US dollars would be required over the next three years. It also found that there was a considerable need for assistance to build housing for those affected and infrastructure, such as roads, water supply, sewerage and power supply, as well as assistance for the private sector, including the fisheries and tourism industries.

The Government of Japan has previously provided (non-project) grant aid to Sri Lanka for tsunami recovery. The tsunami-affected areas had been underdeveloped regions even prior to the disaster, and the fisheries and tourism industries are important means to the livelihood of local populations, not to mention significant sources of foreign currency earnings for the country's economy. Thus, speedy assistance to rehabilitate economic infrastructures and support the private sector is an urgent challenge to rehabilitation and reconstruction from the tsunami disaster.

(2) Purpose and Description of the Project

The Project aims to contribute to improving the living conditions of the people affected by the tsunami and to rebuilding the regional economy by supporting rehabilitation/reconstruction of economic infrastructure, such as roads, water supply, sewerage and power supply, as well as business activities in the private sector, including the fisheries and tourism industries which were identified in the damage and needs assessment in January this year as sectors with the greatest assistance needs. The Project consists of the following two programs:

(a) Infrastructure Rehabilitation Program

The Infrastructure Rehabilitation Program will be undertaken in the following sectors: water supply, (national and provincial) roads, irrigation, power supply and mail service.

(b) Small Business Revival Program

A two-step loan will be provided through financial institutions to meet capital investment and other financial needs of the tsunami-afflicted private sector (small enterprises in the fisheries, tourism industries, etc.).

Project executing agency:

Ministry of Finance and Planning (MOFP)

Address: The Galle Face Secretariat, Colombo 1, Sri Lanka

TEL: 94-11-2484693 FAX: 94-11-2447633