

JBIC Signs ODA Loan Agreements with Sri Lanka: Supporting Medium and Long-Term Reconstruction from Damage Caused by Civil Conflict and Tsunami

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today ODA loan agreements totaling up to 21.559 billion yen for three projects with the Government of the Democratic Socialist Republic of Sri Lanka.
2. In Sri Lanka, it remains an urgent issue to make progress in reconstruction from damage caused by the 20-year-long conflict and the tsunami, triggered by the earthquake off the coast of Sumatra in December 2004. Based on a joint tsunami damage and needs assessment conducted in January 2005 by JBIC, the World Bank, and the Asian Development Bank (ADB), many donors have supported the rehabilitation and reconstruction efforts. JBIC also offered ODA loans for emergency assistance in June 2005.^[1] In addition to assistance for rehabilitation and reconstruction of infrastructure damaged by conflict and the tsunami, JBIC has also provided knowledge assistance, conducting a survey with assistance from a Japanese NGO that is familiar with local circumstances in helping the self-support efforts of women who are particularly vulnerable among the people affected by the civil conflict and the tsunami.
3. Under these circumstances, this year's ODA loan package provides assistance for economic reconstruction in Sri Lanka from a medium and long-term perspective, rather than assistance for meeting emergency needs of rehabilitating damaged infrastructure. In addition, recognizing that Sri Lanka is a multiethnic country, JBIC will give assistance in consideration of ethnic and regional balance, supporting the Eastern Province devastated by the conflict and the southern region where there are a large number of people living in poverty.
4. The highlights of this year's ODA loan package are as follows:
 - (1) Supporting reconstruction through infrastructure development in the Eastern Province affected by the long-term conflict and the tsunami
In the eastern region of Sri Lanka, where development had been lagging behind due to the 20 year-long conflict, the tsunami in the Indian Ocean that broke out in December 2004 caused devastating damage to its limited infrastructure. The emergency ODA loan JBIC extended in June 2005 supported rehabilitation of small-scale economic infrastructure and private small enterprises by providing funds through local financial institutions. Pro-Poor Eastern Infrastructure Development Project aims to support medium and long-term reconstruction and development by developing large-scale infrastructure, including roads and a bridge. This project is also the first ODA loan-supported project to target the Eastern Province, which encompasses the area controlled by Liberation Tigers of Tamil Eelam (LTTE), an organization of ethnic Tamils.
 - (2) Supporting economic development in the southern region inhabited by a large number of people in poverty
Sri Lanka's southern region, where cement and plantation industries reside, has a strong latent demand for freight transport. There is thus a need to develop a regional port for efficient cargo shipment. The southern region is also home to many people living in poverty and one of the hardest-hit regions by the tsunami in the Indian Ocean like the eastern region. Therefore, the Galle Port Development Project (I) aims to support economic development in the southern region by developing a regional port as a hub of economic development that will enable large 30,000t class ships to enter the port and accommodating the growing freight demand and that will also serve.
 - (3) Supporting private-sector-driven economic growth through tourism sector development
Since the ceasefire agreement was concluded in 2002, tourist visits to Sri Lanka have been on the rise, and the tourism sector has played a significant role in boosting the national economy, earning foreign currencies and generating employment. Although the tsunami has brought a decline in the number of foreign visitors to this day, there remain strong development needs in the tourism sector. Tourism Resources Improvement Project (TRIP) aims to support private sector driven economic growth by developing tourism-related infrastructure and human resources in the tourism industry, primarily in central Sri Lankan cities where world heritage sites are located.

(Click here for details.)

[1] JBIC provided two ODA loans totaling ¥11,284 million respectively for the Sri Lanka; Tsunami Affected Area Recovery and Takeoff (STAART) Project and the Vavuniya-Kilinochchi Transmission Line Project in June 2005.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Pro-Poor Eastern Infrastructure Development Project	4,460	0.75*	40/10	General Untied
The Galle Port Development Project (I)	14,495	0.3**	30/10	Tied
Tourism Resources Improvement Project (TRIP)	2,604	0.9	20/6	General Untied
Total	21,559			

* Preferential terms (Support for peace building efforts)

** Special Terms for Economic Partnership (STEP)

2. Project Description

(1) Pro-Poor Eastern Infrastructure Development Project

(Background and Necessity of the Project)

In northern and eastern Sri Lanka, in addition to the heavy human toll of the 20-year conflict of 65,000 dead and 800,000 internal refugees, much social and economic infrastructure was also destroyed. In addition, the proportion of Sri Lanka's GDP accounted for by these regions declined from 15% in the 1980s to 4% in 1997, and economic disparities with other regions expanded. Therefore, the Sri Lankan government has made the north and east of the country priority regions for development with a view to achieving economic recovery and promoting peace process. Of the two areas, the east was hardest hit by the Indian Ocean tsunami in December 2004, further widening the economic disparity, so the rehabilitation and reconstruction of infrastructure as a base for the resumption of economic activity is a pressing issue. In particular, the development of roads is expected to have a positive effect on the promotion of investment, the development of local industry, an increase in employment opportunities outside of the community, and improved access to social services such as education and health.

(Purpose and Description of the Project)

The project will repair and widen national roads (about 100km in total length) and construct a bridge (about 280m in total length) in Sri Lanka's eastern coastal region, which was affected by the tsunami. By making distribution in the eastern region more efficient and improving access to the area, it will contribute to the economic rehabilitation of the region and the amelioration of regional economic disparities in Sri Lanka. Moreover, an NGO that is familiar with local circumstances will assist the implementation of occupational training with the aim of promoting the employment of the people in poverty and affected by the tsunami in the project.

The project executing agency:

Road Development Authority(RDA)

Address: 155, Kaduwela Road, Battaramulla, Sri Lanka

TEL: 94-11-286-2823 FAX: 94-11-288-7285

Institute for Construction Training and Development(ICTAD)

Address: 123, Wijerama Mawatha, Colombo 7, Sri Lanka

TEL: 94-11-269-6017 FAX: 94-11-269-9738)

(2) The Galle Port Development Project (I)

(Background and Necessity of the Project)

Sri Lanka occupies an important place in the Indian Ocean on the east-west shipping routes from the Europe to East Asia. Therefore, Colombo Port, the country's largest port, plays an important role as a key port in the transshipment of container freight, and about 90% of the country's freight volume is concentrated at Colombo Port. However, it is forecast that the port's freight capacity will be significantly exceeded by around 2010 because of the recent rapid economic development of the countries in the region, including Sri Lanka and India. Thus, the establishment of an alternative port will be essential. The southern region where Galle Port one of Sri Lanka's leading commercial harbors is located has traditionally been home to many people living in poverty and one of the hardest-hit regions by the tsunami in the Indian Ocean along with the north and east of the country. The development of the port is considered necessary to form a hub for economic and social development.

(Purpose and Description of the Project)

The project will build a new multi-purpose terminal (two-berth wharf), a breakwater, and access roads at Galle Port in the south of Sri Lanka. This will make it possible for large ships to enter the port and accommodate the growing freight demand, thus contributing to the development of the region, which is less developed socially and economically. Moreover, drawing on the experience of the Indian Ocean tsunami, JBIC also conducted a survey regarding disaster prevention, and advised Sri Lankan government how to formulate evacuation plans for port workers and ships in emergencies.

This is the first Special Terms for Economic Partnership (STEP) project in Sri Lanka, and it is expected that the project will draw on Japan's advanced technology and expertise.

The executing agency:

Sri Lanka Ports Authority

Address: 45, Layden Bastin Road, Colombo 01, Sri Lanka

TEL: 94-11-2380517@FAX: 94-11-2482637)

(3) Tourism Resources Improvement Project (TRIP)

(Background and Necessity of the Project)

Sri Lanka has a variety of tourism resources, including world heritage sites such as Buddhist locations, the beautiful natural environment of its beaches and national parks, and tea plantations. Moreover, with the ending of the conflict that lasted for about twenty years in 2002, security situation has stabilized, and the Sri Lankan government has been concentrating its efforts on developing tourism sector. As a result, 570,000 tourists visited Sri Lanka in 2004, about double the number of 2002. Tourism now occupies an important position in the country's economy in terms of acquiring foreign currency and generating employment. However, compounding existing problems with inadequate infrastructure at tourist sites and in the surrounding areas, the tourism industry, including hotels and restaurants along the coastal line that runs from the south to the east, took a major blow in the December 2004 Indian Ocean tsunami. Therefore, Sri Lanka's tourism sector has a great need for assistance.

(Purpose and Description of the Project)

The project will provide infrastructure at tourist sites, which will include Sri Lanka's quintessential tourism sites such as Sigiriya and Anuradhapura. The project will also include human resources development component. At the same time, by implementing marketing survey and promotional activities in Japan with the aim of attracting Japanese tourists, it will seek to increase tourist numbers and develop the tourism industry, aiming to make a contribution to social and economic development in Sri Lanka. In particular, Japanese tourists only accounted for about 3.5%, or 20,000, of the 570,000 tourists who visited Sri Lanka in 2004. Because an increase in the number of tourists from Japan, who are said to have high per capita spending in general, will lead to the further acquisition of foreign currency, the project plans to conduct promotional activities aimed at Japan, including advertising in magazines and so on. In addition, JBIC plans to draw on local government expertise, subcontracting a fact-finding study on urban environmental management, including garbage collection and disposal, to Japanese local governments as part of a beautification campaign in tourist cities.

The executing agency :

Ministry of Tourism

Address: 64, Galle Road, Colombo 03, Sri Lanka

TEL: 94-11-2387468@FAX: 94-11-2390796