

March 29, 2010

Japanese ODA Loan Agreement Signed with Sri Lanka

Assistance to Develop Conflict-affected Eastern Province and to Alleviate Regional Disparities

1. On March 26, JICA (President: Sadako Ogata) signed Japanese ODA Loan agreements with the Democratic Socialist Republic of Sri Lanka for projects totaling up to 36,664 million yen.
2. Last May, the internal armed conflict between the armed forces of the government and the Liberation Tigers of Tamil Eelam (LTTE) ended after more than 25 years. Resettlement of internally displaced persons as a result of the conflict and reconstruction in Northern and Eastern Provinces where development lags exist are recognized as pressing issues. Steady development with regional balances is essential for consolidation of peace so as to provide people throughout the country with the benefits of peace.
3. This Japanese ODA loan package will contribute to reconstruction of the conflict affected regions as well as to alleviation of regional disparities. The features of the loan package are summarized below.
 - (1) Eastern Reconstruction Assistance
Eastern Province lags behind in development as a result of the prolonged conflict. Improving the lives of people affected by the conflict so that they can enjoy the peace is extremely important, and Eastern Province is the target area of two projects of this loan package. Under the **Provincial/Rural Road Development Project**, some 300 kilometers of rural road will be rehabilitated in Eastern Province to improve access to social and economic services, increase the income levels of local residents, and to improve their living environment.

The piped water supply coverage rate in Eastern Province is a mere 27 percent, and the water supply does not keep up with the increase in demand. As a result, many residents are forced to travel far to fetch water or use water from poor-quality wells. The **Eastern Province Water Supply Development Project** will improve access to water through the construction of water supply facilities as well as small-scale water supply facilities including wells in remote regions where the piped water supply network does not reach.
 - (2) Regional Disparity Alleviation
The regional disparity in Sri Lanka is quite large. Western Province, one of nine provinces and the home to Colombo, accounts for more than 50 percent of the national GDP. There is also a marked disparity in infrastructure between the Colombo region and rural areas, making the improvement of income and living standards in rural areas an important issue to alleviate poverty in Sri Lanka. The **Provincial/Rural Road Development Project** aims to rehabilitate a total of 350 kilometers of roads in Central and Sabaragamuwa Provinces as well, improving access to social and economic services to support development in rural areas.

Outside of the Colombo area, sewer facilities are scant, with a mere 2.5 percent of the overall national population having a sewer connection. In those areas, wastewater which is released into the sea and rivers without proper treatment has led to worsening sanitation conditions and water quality of water-source rivers. Under the **Kandy City Wastewater Management Project**, a sewer collection and treatment system will be created in Kandy, the second largest city in Sri Lanka, and sanitation facilities will also be provided in the low income/densely populated areas in the city.
4. JICA's policy is to integrate the features of their three assistance modes of technical cooperation, ODA loans and grant aid to assist with the reconstruction of conflict affected and the development of socioeconomic infrastructures so people throughout the country can enjoy the benefits of development.

(Reference)

Reference

Term and Amount of Loan

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/Grace Period (years)	Procurement
		Project	Consulting services		
Provincial/Rural Road Development Project	Central and Sabaragamuwa Provinces	9,156	1.4	0.01	Untied
	Eastern Province	3,965	0.65	0.01	
Eastern Province Water Supply Development Project		4,904	0.65	0.01	
Kandy City Wastewater Management Project		14,087	0.65	0.01	
Upper Kotmale Hydro Power Project (II)		4,552	0.2	0.01	Tied*
Total		36,664			

* Special Terms for Economic Partnership (STEP) applies.

(1) Provincial/Rural Road Development Project

Background and Necessity

In Sri Lanka, the roadways play an extremely important role in socioeconomic activities, carrying approximately 90 percent of the domestic land transportation on an intricate network built during the colonial era. Despite the fact that the volume of traffic has increased significantly with the growth in the national economy, many existing roads have not been properly maintained for many years particularly in rural areas. The dilapidated state of these roads hinders rural residents from accessing socioeconomic services at such locations as schools, hospitals and markets, and widens the disparity in living environment and economic conditions between rural areas and the Colombo region.

Given these conditions, the road network especially in rural areas requires improvements to vitalize the economy in the areas to alleviate regional disparities.

Objective and Summary

Under the Provincial/Rural Road Development Project, better access to socioeconomic services will be provided through improvements of provincial and rural roads which have become markedly deteriorated in Central, Sabaragamuwa and Eastern Provinces. The project will improve about 350 kilometers of road in Central and Sabaragamuwa Provinces, and about 300 kilometers in Eastern Province.

This project falls under a road network improvement assistance initiative being undertaken in cooperation with the Asian Development Bank and the World Bank with the aim of improving the road network throughout Sri Lanka.

The loan funds will be allocated to civil works for road rehabilitation, the procurement of equipment, and consulting services such as for tender assistance and construction supervision.

Executing Agency

[Central and Sabaragamuwa Provinces]

Ministry of Local Government and Provincial Councils
Address: No. 330, Union Place, Colombo 02, Sri Lanka
Tel: +94 (11) 239-9673, Fax: +94 (11) 232-9725

[Eastern Province]

Ministry of Finance and Planning
Address: First Floor, the Secretariat, Colombo 01, Sri Lanka
Tel: +94 (11) 248-4566, Fax: +94 (11) 244-8063

Planned Implementation Schedule

(i) Completion of project: January 2014 – when the all roads are put into service

(ii) Consulting services including construction supervision

Mailing of letters of invitation: May 2010

(iii) Tender announcement for initial procurement package for international competitive bidding on project construction:

Due to the small-scale nature of the work for this project, the tendering process will be nationally competitive

(2) Eastern Province Water Supply Development Project

Background and Necessity

The piped water supply coverage rate in Sri Lanka is low, about 34 percent, and is even lower in Eastern Province at 27 percent. Moreover, water supply (hours per day) is short even in many areas with piped water supply networks, and insufficient water supply is a critical issue.

The Sri Lankan government is making efforts to alleviate poverty and has set providing potable water access to all citizens as one of its objectives. Taking into account the Millennium Development Goals, the government has also set the targets of providing potable water access to 85 percent of the national population by 2015 and 100 percent by 2025 whether from well or surface running water, and of having 40 percent of the population connected to the piped water supply system by 2011.

Objective and Summary

Under the Eastern Province Water Supply Development Project, the living standard will be improved through construction and expansion of water supply facilities in Eastern Province. It is also anticipated that access to safe water for impoverished residents will be improved, as the initial connection fee for water supply is set with consideration for the income level of impoverished residents.

The loan will be allocated to civil works for water supply facilities, the procurement of materials and equipment, and consulting services such as tender assistance.

Executing Agency

[Ministry of Finance and Planning]
Address: First Floor, the Secretariat, Colombo 01, Sri Lanka
Tel: +94 (11) 248-4566, Fax: +94 (11) 244-8063

Planned Implementation Schedule

- (i) Completion of project: December 2013 – when the facilities are put into service
- (ii) Consulting services including implementation assistance
Mailing of letters of invitation: April 2010
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction:
Package title: Pipes & Fittings for Transmission Main Package
Release date: March 2011

(3) Kandy City Wastewater Management Project

Background and Necessity

Despite the fact that the second largest city in Sri Lanka, Kandy is a prominent tourism city designated as a World Cultural Heritage site, the sewer system is inadequate. As water access has increased and the residential and tourism population have risen, the volume of wastewater has risen as well without proper treatment system. This has resulted in untreated/under-treated wastewater being released into Kandy Lake, Meda Ela stream, and the Mahaweli River, harming the quality of the water. Not only because the Mahaweli River is a drinking water source for Kandy, but also because it has the largest basin area among the rivers in Sri Lanka and serves as a major water source for the country, proper treatment of wastewater is needed in Kandy and steps must be taken to improve its water quality. Furthermore, in low income/densely populated areas of Kandy, there is a shortage of sanitation facilities such as toilets, and untreated wastewater flows into roadside ditches and streams causing bad odors as well as spreading such infectious diseases as dysentery and typhoid. The construction of a sewer system along with other improvements to the sanitation conditions in these areas is needed.

Objective and Summary

Under the Kandy City Wastewater Management Project, a sewage collection and treatment system will be constructed, and other sanitation facilities such as public toilets will be built and improved in the low income/densely populated areas of the city, improving the sanitation and living environment as well as making the water quality of the Mahaweli River better.

Residential sewer connections will also be promoted under this project, including connections for the low income households. To do this, the initial cost for the connection will be made free for all households currently living in the target areas, and the sewerage tariff structure will be set with consideration for the income level of low income households. A Japanese Overseas Cooperation Volunteer is currently facilitating awareness-raising of the people for better sanitation in the project target areas.

The loan funds will be allocated to civil works for constructing a wastewater treatment plant, laying sewer pipes, procurement of materials and equipment, and consulting services such as construction supervision and capacity building assistance.

Executing Agency

National Water Supply and Drainage Board
Address: PO Box 14, Mount Lavinia, Sri Lanka
Tel: +94 (11) 263-6449, Fax: +94 (11) 263-6449

Planned Implementation Schedule

- (1) Completion of project: September 2017 – when the facilities are put into service
- (ii) Consulting services including construction supervision
Mailing of letters of invitation: April 2010
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction:
Package title: Construction of Wastewater Treatment Plant
Release date: September 2010

(4) Upper Kotmale Hydro Power Project (II)

Background and Necessity

Although the demand for power in Sri Lanka is increasing at a base of approximately 7 percent per year, the capacity of power generation facilities is not adequate to cover the growing demand, leading to a situation of chronic power shortages. Furthermore, the instability of the power supply is a major factor that restricts the people's daily lives, restrains investment and hinders socioeconomic activities.

Sri Lanka is blessed with a topography suited for hydroelectric power generation as well as plentiful rainfall, and therefore power development has focused on hydroelectricity. This excessive dependency on hydroelectric power, however, is susceptible to fluctuations in rainfall and restricts the areas where power source development is possible. This project is therefore being pursued as the last large-scale and newly-developed hydroelectric power project in Sri Lanka. Going forward, the plan is to expand the scale of power generation, focusing primarily on thermal power generation to achieve a structural balance in the forms of power generation to ensure a stable supply of power that is not affected by the weather. As Sri Lanka does not possess domestic fuel sources, there is a large risk in generation cost fluctuation due to fuel imports, and therefore hydroelectric power generation is desirable to be developed to the largest extent possible.

Objective and Summary

Under the Upper Kotmale Hydro Power Project (II), a run-of-the-river type hydroelectric power plant will be constructed at the Kotmale Oya tributary (the upstream of the existing Kotmale Dam) of the Mahaweli River with a capacity of generating 150 megawatts of power, meeting the increasing demand for power and contributing to the economic growth of Sri Lanka.

The loan will be allocated to civil works for construction of a power plant and other facilities, procurement of materials and equipment, and consulting services such as construction supervision. The first phase of this project was financed in March 2002.

Executing Agency

Ceylon Electricity Board
Address: Upper Kotmale Hydro Power Project Colombo Liaison Office, 762 1/1, Maradana Road, Colombo 10, Sri Lanka
Tel: +94 (11) 269-4310, Fax: +94 (11) 269-4312

Planned Implementation Schedule

- (i) Completion of project: March 2012 – when the facilities are put into service
- (ii) Consulting services including construction supervision: Hired
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction: Contracted