

Signing of Japanese ODA Loan Agreement with Sri Lanka: Supporting reforms for private sector development, governance improvement and fiscal consolidation for sustainable economic growth

On October 10(*), the Japan International Cooperation Agency (JICA) signed a loan agreement with the Government of the Democratic Socialist Republic of Sri Lanka to provide a Japanese ODA loan of up to a total of 10 billion yen for assistance for the Development Policy Loan (Private Sector Development, Governance Improvement, and Fiscal Consolidation).

Since civil war ended in 2009 after more than 25 years of fighting, reconstruction efforts have gone forward in Sri Lanka. Thanks to the growth of service industries including tourism, Sri Lanka achieved a real GDP growth rate of between eight and nine percent since the end of the conflict through 2012 and has maintained steady growth of approximately five percent for the past three years. However, due to the weak tax base, economic growth does not necessarily lead to an increase in tax revenue, and in 2015, the fiscal deficit reached 6.9 percent of the GDP. Increasing interest payments arising from public debt also adds fiscal constraints on the government.

To address these challenges, the Government of Sri Lanka has established a target of cutting the fiscal deficit to 3.5 percent by 2020. Efforts toward that include raising the tax rate and repealing excessive tax incentives on the revenue front, and reducing expenditures by improving transparency and efficiency in the budget process on the expenditure front. Furthermore, the Government of Sri Lanka aims to attract foreign direct investment as a means to achieve growth in the private sector. Co-financed by the World Bank, this project will provide support to such policy and institutional reforms by the Government of Sri Lanka with a focus on the three pillars of private sector development, governance improvement and fiscal consolidation, which will strengthen economic and industrial competitiveness, and thereby contribute to sustainable economic growth in Sri Lanka.

JICA will continue to provide support for sustainable economic growth in Sri Lanka by utilizing technical cooperation, ODA loans and grant aid.

(*)There was an error in the date of this article.
It has been corrected from Oct. 11 to Oct. 10.



Reference

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Development Policy Loan (Private Sector Development, Governance Improvement, and Fiscal Consolidation)	10,000	1.4	—	25	7	General untied

2. Executing Agency

Ministry of National Policies and Economic Affairs
Address: P.O. Box 277, Colombo 01, Sri Lanka

3. Planned Implementation Schedule

- (i) Completion of project: October 2016 – with completion of the loan disbursement
- (ii) Consulting services: No hiring of consultants is planned for this project.
- (iii) Tender announcement for international competitive bidding on project construction: No work in conjunction with bidding is planned for this project.