DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) and the Japan International Cooperation Agency (JICA) have been the major development partners in the power subsector of Sri Lanka. The World Bank supported renewable energy development by providing a line of credit to the private sector for grid-connected and off-grid electrification projects. The institutions coordinate closely on key policy issues, investments, and technical assistance.

2. JICA provided substantial assistance for major hydropower development by funding the 150-megawatt (MW) Upper Kotmale hydropower plant (completed in 2013). JICA is financing preparation of a feasibility study on the use of imported liquefied natural gas for power generation. In addition, JICA supports transmission and distribution development. In 2012 JICA financed a 132-kilovolt transmission line from Vavuniya to Kilinochchi and construction of a grid substation at Kilinochchi. In 2013, ADB financed the extension of the transmission line from Kilinochchi to Chunnakam, and construction of a grid substation at Chunnakam to bring electricity to the northern part of the country. JICA is also supporting energy-efficiency activities, which are closely coordinated with ADB. JICA pledged to assist strengthening of a major Habarana–Veyangoda transmission line in 2012, and in 2013 extended support to expand the Greater Colombo transmission and distribution network to cater to growing demand. ADB and JICA cofinanced program lending for power reforms and jointly held policy dialogue with the government. Subsequently, ADB assisted the government with sector reforms, focusing on strengthening power regulation and supporting internal reforms for the Ceylon Electricity Board (CEB). ADB is also supporting clean energy development, energy efficiency improvement, and rural electrification in coordination with other partners active in these areas. ADB has become the largest development partner in strengthening the transmission system to improve its efficiency and reliability, and to enable evacuation of power from renewable sources.

3. The People's Republic of China (PRC) is a major supporter of coal power generation. The first stage of the 300 MW Norochcholai base-load coal power project, funded by the PRC, commenced commercial operation in 2011. Completion of construction of the second and third stages (600 MW) is scheduled for 2014. The PRC is also funding a few other generation, distribution, and rural electrification projects. National Thermal Power Corporation of India and CEB signed a joint venture agreement for a 500 MW coal-fired power plant in Trincomalee.

4. Some bilateral development partners are providing financing for investment projects in power generation (commercial credit from Austrian and French banks), power distribution (German development cooperation via KfW), rural electrification (Swedish International Development Cooperation Agency, and Iran's Export Development Bank), and hydropower generation combined with agriculture irrigation (Export Development Bank of Iran). Recent activities of major development partners are summarized in the table.

Major Development Partners

Development Partner	Project Name	Duration	Amount (million)
Energy			
Asian Development Bank	Power Sector Development Program	2002–2006	$60.00
	Power Sector Development Project	2002–2009	$70.00
	Clean Energy and Access Improvement Project	Apr 2009–Nov 2015 (expected)	$164.20
	Sustainable Power Sector Support Project	Jan 2011–2014 (expected)	$120.00

Development Partner	Project Name	Duration	Amount (million)
	Clean Energy and Network Efficiency Improvement Project	Sep 2012–Jun 2017	$131.50
Austria	Old Laxapana Power Station Rehabilitation Project	2011–2013	€24.14
France	Rehabilitation of Old Laxapana and Wimalasurendra Hydropower Plants	2011–2013	€44.20
	Four Grid Substation Project (proposed)	2014–2017	$38.00
Germany	Greater Colombo Grid Substation Project	2001–2012	€41.00
	Jaffna Electricity Rehabilitation Project	2012–2014 (expected)	€14.06
Iran	Uma Oya Hydropower Plant	2008–2014	$450.00
	Rural Electrification Project 8	2008–2013	€57.80
Japan International Cooperation Agency	Upper Kotmale Hydropower Project	2008–2013	¥33,265.00
	Colombo City Electricity Development Project	2001–2012	¥5,959.00
	Kerawalapitiya–Kotugoda Tranmission Line Project	2003–2010	¥2,938.00
	Vavuniya–Kilinochchi Transmission Project	2010–2012	¥1,278.00
	Feasibility Study for Energy Diversification Enhancement Project (liquefied natural gas terminal)	Dec 2012–May 2014	¥550.00
	Rehabilitation of Ukuwela Power Station	Completed in 2011	¥1,229.00
	Habarana–Veyangoda Transmission Line Project	2012–2015	¥ 9,573.00
	Greater Colombo Transmission and Distribution Loss Reduction Project	2013–2016	¥ 15,941.00
People's Republic of China	Norochcholai Coal-Fired Power Plant (Phase 1)	2007–2011	$455.00
	Norochcholai Coal-Fired Power Plant (Phases 2 and 3)	Jan 2010–2014	$891.00
	Kelanitissa Diesel Tank Storage Farm Expansion Project	Completed in 2008	CNY12.00
	Power Sector Development Project (Northern Province)	2009–2012	$31.60
	Lighting Sri Lanka Eastern Province	2012, in progress	$32.40
	Uva Udana Power Project	2011–2013	$24.92
Sweden	Rural Electrification Project 4 (extended)	2004–2014	$54.16
World Bank	Renewable Energy for Rural Economic Development	2002–2011	$123.00
Multisector			
Asian Development Bank	Conflict-Affected Region Emergency Project	2010–2014 (expected)	$13.77[a]

[a] Reflects allocation in a loan for financing a power subsector component.
Sources: Asian Development Bank and consultations with development partners and Ceylon Electricity Board.

B. Institutional Arrangements and Processes for Development Coordination

5. ADB consulted with major development partners to ensure that activities to be supported under the investment program are well coordinated and will complement the efforts of other development partners. ADB had a comprehensive dialogue with the French Development Agency on cofinancing arrangements, and with JICA to make sure that the investment program activities would increase synergy and enhance ongoing and planned development partner

interventions in transmission and distribution system efficiency improvement and renewable energy development.

6. ADB missions for power system investment and technical assistance activities in Sri Lanka systematically coordinate with the major development partners through dialogue and exchange of information. ADB's Sri Lanka Resident Mission staff assigned to oversee power activities regularly communicate with counterparts with other development partners in Colombo. ADB will continue to closely and regularly coordinate with the major development partners during investment program implementation. The proposed implementation structure supports development partner coordination. The Ministry of Power and Energy (MOPE), the executing agency for the ADB program, takes the lead in coordinating and channeling development assistance from major multinational and bilateral development partners for the power system with the support of the Ministry of Finance and Planning. A monthly steering committee meeting, held by MOPE for major projects funded by the development partners, increases implementation efficiency. MOPE ensures that interventions in various subsectors match the relevant development partners' strengths and cover distinct geographic areas.

C. Achievements and Issues

7. In 2002, ADB and JICA extended program loans for sector reforms, which were terminated in 2006 when the reform program did not materialize because of opposition from within the ruling coalition and labor unions. ADB encouraged the government to consult intensively with stakeholders when preparing a new sector reform program, which resulted in Parliament approving the National Energy Policy and Strategies and Sri Lanka Electricity Act, 2009. The act clarifies that MOPE sets sector policies and the Public Utilities Commission regulates the sector. Consequently, ADB approved the Clean Energy and Access Improvement Project in 2009, which supported strengthening power regulation and encouraging internal CEB reforms, along with investment in power infrastructure. ADB's subsequent 2011 and 2012 projects expanded ADB interventions in the sector by strengthening the transmission system, supporting rural electrification, and contributing to energy efficiency and renewable energy development.

D. Summary and Recommendations

8. By improving coordination through regular meetings and consultations with major development partners during project implementation and preparation of subsequent interventions, ADB will ensure that its activities continue to complement ongoing and planned interventions of other development partners in the sector. Such close coordination will enable ADB to address effectively the sustainable development of the power subsector and provide the necessary synergies to development partner interventions.