

Sri Lanka: Country Results Profile



Sri Lanka: Supporting the Dual Transition to a Middle-Income Country in Lasting Peace

Overview

For over five-and-a-half decades, the International Development Association (IDA) has provided both financing and technical assistance to support Sri Lanka's economic development as it has grown to join the ranks of middle-income countries. Picking up pace in the second half of the year, real gross domestic product (GDP) reached 3.5 percent for 2009 and recent data indicate that growth is on track to have reached 8 percent in 2010.

Challenge

Sri Lanka now needs to focus on accelerating growth through increased investment in infrastructure after many years of neglect and investing more in its people to build a true "knowledge economy." Plans are underway to expand port and airport services, maintain and rehabilitate the existing road networks, and upgrade and extend the rail network. The government also plans to construct highways and expressways, expand the generation, transmission and distribution of electricity, and speed the development of secondary and tertiary education. The ending of the armed conflict in 2009 provides an opportunity for the country to embark on reforms and work with the private sector to establish a more dynamic and vibrant economy. The government's medium-term policy vision, as set out in the "Mahinda Chinthana," is to target a sustained medium-term economic growth rate of 8 percent a year, thereby doubling per capita GDP by 2016. The challenge will be to increase domestic investment from current levels of about 20 percent of GDP to 30 percent or more.

Approach

The World Bank Group's current Country Assistance Strategy (CAS) for Sri Lanka, covering the period from July 2008 to June 2012, aligns its support with the government's 10-year Development Framework. The CAS focuses on inclusive and equitable development, improving the investment climate, and strengthening service delivery, with an annual lending

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More Results



300,000

additional students are completing the school cycle

35,000

hectares of land brought back

envelope of around US\$200 million. This strategy, which was formulated amidst the intensification of the armed conflict in 2007-2008, marked a departure from past practices in its recognition of aid's potential to address not only consequences of the conflict, but also its causes, wherever opportunities arise. The strategy seeks to avoid inadvertently fueling conflict and commits IDA to allocate sufficient resources to conflict-affected areas and populations. The current CAS introduced an instrument called the "Conflict Filter" against which lending operations are reviewed. The Government of Sri Lanka is faced with the formidable task of reconstruction and resettlement at a time when the economic environment is far from conducive to postwar recovery.

into cultivation

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Results

Since 1999, IDA has supported irrigation projects to help communities in the North and East that were devastated by war. Between 2004 and 2009, more than 35,000 hectares of irrigated land were brought back to cultivation and seven major irrigation schemes were rehabilitated, benefiting more than 55,000 farm households.

Sri Lanka has made great strides in increasing school enrollment and literacy rates. In 2005, over 95 percent of students completed grade 5, but only 80 percent completed the basic education cycle (grade 1 through 9). Four years later, the completion rate through basic education (grades 1–9) has increased to over 90 percent, meaning more than 300,000 additional students are currently completing the basic education cycle, with gender parity.

Sri Lanka has one of the leading healthcare systems among developing countries. Preventive and curative health services are available free of charge and the country's health outcomes are among the best in South Asia.

Since 2004, IDA support has helped improve health services in rural areas by increasing the proportion of lower level (primary and secondary level) health facilities that provide emergency health services and the proportion of hospitals meeting high quality standards.

The [Renewable Energy for Rural Economic Development Project](#) helped provide off-grid electricity to over 100,000 households between 2004 and 2009. About 4,700 households use electricity generated by village hydro and biomass projects.

The IDA-supported [Road Sector Assistance project](#) rehabilitated 620 km of national roads between 2006 and 2009, reducing average vehicle operating costs for the National Highways from LKR 23.9/km (US\$ 0.2/km) to LKR 15.37/km (US\$0.13/km).

Voices

“I am studying in this school since I was in nursery. The building of the school has improved remarkably and the teachers come to school regularly and so do we.”

— Akbar, Student

Bank Contribution

As of March 1, 2011, the IDA lending portfolio in Sri Lanka consists of 17 projects with total commitments of US\$1.25 billion in various sectors including roads, energy, education, health, irrigation and rural development. With the end of the internal armed conflict in the Northern and Eastern parts of Sri Lanka, the focus of both existing operations and new lending in Sri Lanka has shifted to addressing the post conflict situation, particularly with reconstruction activities and assisting internally displaced people return to their places of origin. This has led to a sharp increase in IDA assistance to the country. In fiscal year 2010, IDA approved lending of US\$365 million through both new operations and using the additional lending instrument. This amount is

in contrast to fiscal year 2009 when only US\$122.1 million in additional financing to existing operations was approved. In terms of trust funds administered by the World Bank, Sri Lanka has a very small portfolio representing only one percent of all trust funds in the South Asia region.

Partners

IDA has traditionally been one of the top five donors in Sri Lanka, next to China, Japan, Russia and the Asian Development Bank. Together, these donor provide the country about US\$1.98 billion annually. China became the largest donor in 2007 in terms of financial assistance. In late 2001, Iran also offered Sri Lanka a credit line facility for the Petroleum Corporation and financing for a much-needed upgrade to an oil refinery. The United Nations family, together with a number of international nongovernmental organizations (NGOs), is mostly active in providing humanitarian assistance related to the conflict and associated displacements.

Toward the Future

With considerable macro fiscal challenges ahead, the country entered into a 20-month Stand-By-Agreement with the International Monetary Fund (IMF) in July 2009 aimed at consolidating its fiscal position, rebuilding international reserves, strengthening the financial system and improving the overall macro framework. Taken together, these steps would enable the country to weather the global downturn and move ahead with post conflict development. Creating lasting peace is a formidable challenge. The current Country Assistance Strategy leaves IDA well positioned to respond to the needs and challenges emerging from recent events in a conflict-sensitive manner.