

## Progress of projects and programmes implemented in 2019

(as at 31<sup>st</sup> December 2019)

During the 4<sup>th</sup> quarter 2019, 29 out of 30 line ministries (except the Ministry of Passenger Transport Management) have implemented *physically on-going* 1257<sup>1</sup> development projects and programmes<sup>2</sup>. As per the classification of projects and programmes based on the Total Estimated Cost (TEC), the highest number of projects and programmes (472) are medium scale investments while 242 are large scale and 152 are mega scale investments, as shown in the Table-1 below:

Table-1: Distribution of <b>on-going</b> projects and programmes (based on TEC)						
TEC (Rs. million)	<10	10-100	100-1,000	1,000 – 10,000	≥10,000	Total
Type	Micro	Small	Medium	Large	Mega	
<b># Projects</b>	47	189	356	210	146	<b>948</b>
<b>#Programmes</b>	35	120	116	32	06	<b>309</b>
<b>Total (Projects &amp; Programmes )</b>	<b>82</b>	<b>309</b>	<b>472</b>	<b>242</b>	<b>152</b>	<b>1257</b>

1,015 Out of above 1,257 development projects and programmes are totally financed by local funds and 242 projects and programmes are financed through the loans and grants obtained from the foreign development partners; major part of funding for 179 projects and programmes are foreign loans while 63 Projects and programmes are funded mainly by grants. The Table-2 below illustrates the distribution of on going development projects and programmes financed through different sources of financing, among 05 major categories (based on size of investment):

Table-2: Distribution of on- going projects & programmes among different categories of investment						
Source of Financing	Category (based on TEC)					Total
	Micro	Small	Medium	Large	Mega	
Local Funds	76	296	429	172	42	1015
Foreign Funds (Loan)	01	03	13	53	109	179
Foreign Funds (Grant)	05	10	30	17	01	63
<b>Total</b>	<b>82</b>	<b>309</b>	<b>472</b>	<b>242</b>	<b>152</b>	<b>1257</b>

<sup>1</sup> There are 08 projects of which the implementation responsibility is shared by 02 line ministries. Since separate budgetary allocations provided for each ministry to implement different components of a same project, respective ministries treat their component as a project and report the progress separately. Therefore, actual number of on going projects and programmes implemented in 4<sup>th</sup> quarter of 2019 should be 1,249; but for the purpose of assessment of performance of project implementation by all line ministries, the total count of projects is considered as 1,257.

<sup>2</sup> Some important procurements, maintenance, renovation and rehabilitation works and large scale capacity development activities included in this analysis are considered as development projects and programmes by line ministries.

In the recent past, responsibility of financing for some development projects has been delegated to selected implementing agencies, after assessing their capacity of managing those development initiatives, by their own. Accordingly, development projects could be classified into 02 major categories based on the following major types of financing:

- (i) financing directly through the Treasury (included in the Budget Estimate as Capital Budget) and;
- (ii) financing fully or mainly by the respective implementing agencies (*Off-budget*) by utilizing their revenue or through credit facilities obtained from local or foreign banks.

There are **161 Off-budget projects** implemented by institutions under the purview of 11 line ministries. *Majority of Off-budget projects are implemented by Sri Lanka Ports Authority (68), National Water Supply and Drainage Board (26), Ceylon Petroleum Corporation (21), Urban Development Authority (16) and Ceylon Electricity Board (12).* There are 39 large scale projects and 23 mega scale projects belong to this category, as at the end of 2019.

#### **Distribution of on-going projects and programmes (based on mode of financing)**

<b>Table- 3: Distribution of on-going projects and programmes (based on mode of financing)</b>							
<b>Mode of Financing</b>	<b>Type of Investment</b>	<b>Number of Projects and Programmes</b>					<b>Total</b>
		Micro	Small	Medium	Large	Mega	
Capital Budget (through Budget Estimate)	Project	45	144	310	174	123	796
	Programme	33	116	114	31	06	300
	<b>Projects &amp; Programmes</b>	<b>78</b>	<b>260</b>	<b>424</b>	<b>205</b>	<b>129</b>	<b>1096</b>
Off-Budget	Project	02	45	46	36	23	152
	Programme	02	04	02	01	-	09
	<b>Projects &amp; Programmes</b>	<b>04</b>	<b>49</b>	<b>48</b>	<b>37</b>	<b>23</b>	<b>161</b>
<b>Total</b>		<b>82</b>	<b>309</b>	<b>472</b>	<b>242</b>	<b>152</b>	<b>1257</b>

## Allocation of funds for development projects and programmes in 2019

- i. Total allocation to implement 1,257 *on-going* projects and programmes as at the end of 2019 was Rs. 893,243.91 million: out of this, Rs. 702,841.14 million indicated in the Budget Estimate-2019 for 1,096 on-going projects and programmes.
- ii. Annual allocation for 242 projects and programmes assisted by foreign development partners (*Foreign Funded*) was Rs.452,694.40 million (51% of total allocation) and; Rs. 440,549.51 million (49 % of total allocation) was allocated for 1,015 locally funded projects and programmes in 2019.
- iii. In addition to above 1,257 on-going projects and programmes, there are 71 projects and programmes which have been physically completed before 2019 and; financial closure was expected in 2019. Therefore, Rs.8280.68 million was allocated in 2019 for payment of outstanding bills of these projects [out of which **Rs. 5,872.68 million allocated from the local funds through Treasury** and; the balance Rs.2,408 million was funded by respective implementing agencies, but not reflected in the Budget Estimate (*Off Budget*) ].
- iv. Total allocation for implementation of 161 on-going Off-budget projects and programmes in 2019 is Rs. 190,402.76 million; this amount is equivalent to 21% of the total allocation for 1257 projects and programmes. This amount includes Rs. 1,749.65 million of local funds allocated through Treasury for 10 on-going off-budget projects as counterpart funds.

**Table-4: Funding for implementation of development projects and programmes-2019**

Mode of funding	Status of implementation	Number of projects and programmes	Allocation (Rs. million)		Total Allocation (Rs.Mn)
			Treasury	Implementing agencies	
<b>Budget Estimate</b>	on-going	1096	702,841.15	-	702,841.15
	physically completed before 2019	69	5,872.68	-	5,872.68
<b>Off-Budget</b>	on-going	161	1,749.65	188,653.11	190,402.76
	physically completed before 2019	02	1000.00	2408.00	3,408.00
<b>Total</b>		<b>1328</b>	<b>711,463.48</b>	<b>191,061.11</b>	<b>902,524.5</b>

## Highlights on the new and completed development projects and programmes in 2019

Status of project/programme	Number of Projects and Programmes					Total	Foreign Funded	Local funded
	Micro	Small	Medium	Large	Mega			
Projects Started in 2019	77	197	176	52	19	<b>521</b>	45	476
Planned to complete in 2019; but not completed by the end of year	27	151	191	64	18	<b>451</b>	42	409
Physically completed in 2019 & financial closure is pending	09	27	37	11	01	<b>85</b>	04	81
Physically and financially Completed in 2019	39	60	31	18	06	<b>154</b>	20	134

### 1. Financial Progress

#### 1.1 Annual Financial progress of all on-going projects and programmes

**Table-6: Annual Financial progress of 1,257 on-going projects and programmes**

Main source of funds	Mode of implementation	Number of Projects/ Programmes	Allocation - 2019 (Rs. Mn)	Actual Expenditure (Rs. Mn)	Bills in Hand (Rs. Mn)	% Expenditure
Local	Projects	721	246,326.37	139,700.78	37,065.99	57
	Programmes	294	194,223.14	124,789.14	31,945.35	64
Foreign	Projects	227	450,942.24	353,866.63	46,389.65	78
	Programmes	15	1752.16	576.27	60.50	32
Projects & Programmes (Foreign & Local funded)		<b>1257</b>	<b>893,293.91</b>	<b>618,932.82</b>	<b>115,461.49</b>	<b>69</b>

- Actual annual expenditure of 1,257 on-going projects and programmes is reported as 69% of the annual allocation. If Rs.115,461.49 million worth bills in hand have been settled before the end of 2019, overall financial progress of these projects and programmes could have been recorded as Rs. 734,394.31 million ( 82 % of the annual allocation). It is reported that 152 out of 1,251 on going projects and programmes have

not able to achieve targets (both financial and physical) due to unsettled bills or delay in receiving imprest while 57 projects and programmes have not received adequate allocation for implementation as planned.

- The highest financial progress achieved by foreign funded projects (78%) while the lowest progress recorded from foreign funded programmes (32%).

### 1.2 Annual Financial progress of 1,096 on-going projects and programmes funded by Treasury (in the Budget Estimate 2019)

<b>Table-7: Annual Financial progress of 1,096 on-going, projects and programmes funded by Treasury (in the Budget Estimate 2019)</b>					
Main source of funds	Number of Projects/ Programmes	Allocation- 2019 (Rs. Mn)	Actual Expenditure (Rs. Mn)	Bills in Hand (Rs. Mn)	% Expenditure
<b>Local-projects</b>	591	140,855.91	89,048.20	27,524.28	63
<b>Loal-Programmes</b>	288	194,044.19	124,611.18	31,945.35	64
<b>Foreign-Projets</b>	205	367,114.89	305,230.98	43,377.33	83
<b>Foreign Programmes</b>	12	826.15	455.69	0.5	55
<b>All projects &amp; Programmes</b>	1096	702,841.14	519,346.05	102,847.46	74

### 1.3 Annual Financial progress of 161 on-going Off-budget projects and programmes

<b>Table-8: Annual Financial progress of 161 on-going, off-budget projects and programmes</b>					
Main source of funds	Number of Projects/ Programmes	Allocation- 2019 (Rs. Mn)	Actual Expenditure (Rs. Mn)	Bills in Hand (Rs. Mn)	% Expenditure
<b>Local</b>	136	105,649.41	48,095.54	9,091.71	46
<b>Foreign</b>	25	84,753.35	51,491.23	3,522.32	61
<b>Total</b>	161	190,402.76	99,586.77	12,614.03	52

## 1.4 Annual Financial progress of 394 on-going & mega and large projects and programmes

Category of Projct/Program me	Number of Projects/ Programmes	Allocation- 2019 (Rs. Mn)	Actual Expenditure (Rs. Mn)	Bills in Hand (Rs. Mn)	% Expenditure
<b>Mega</b>	152	611,844.79	464,173.74	84,560.72	76
<b>Large</b>	242	206,313.78	116,028.17	22,679.62	56
<b>Mega &amp; Large</b>	394	818,158.57	539,246.95	95443.99	66

## 2. Physical Progress

Even though financial allocations set aside for 1,257 projects and programmes which should be physically on-going during 2019, about 9% of them (114 out of 1,257 projects and programmes) have not taken into account for assessing the physical progress as those projects and programmes have not made any physical progress during the year, due to the following reasons:

Status	Number of projects and programmes
At the preliminary stage (PMU Established & initial preparatory arrangements are being made but project activities are not started)	39
At the initial stage (no physical targets set)	21
Halted	32
Terminated	22
<b>Total</b>	<b>114</b>

Therefore, physical progress of 1,143 projects and programmes only considered in this assessment.

## 2.1 Annual physical progress

Annual physical progress measured as a percentage of the annual physical target of projects and programmes of different categories is illustrated in the Table-11 below:

Table – 11: Distribution of projects and programmes across different levels of annual physical progress measured as % of annual physical targets						
Category of Projects and Programmes	Number of projects and programmes at different levels annual physical progress					Total
	0-25 %	26-50%	51-75%	76-99%	100 % or more	
<b>All Projects and Programmes</b>	156	158	228	280	321	1143
<b>Foreign Funded</b>	26	29	54	54	56	219
<b>Local Funded</b>	130	129	174	226	265	924
<b>Funded through Capital Budget Estimate</b>	137	127	172	275	295	1006
<b>Funded through Off-Budget sources</b>	19	31	32	29	26	137
<b>Large and Mega</b>	49	59	80	95	77	360

- 28 % of 1,143 projects and programmes achieved 100% or more physical progress while 27% of them were not able to achieve at least 50% of annual targets in 2019.
- Projects and programmes which have achieved 75% or more annual physical progress will be able to catch up the delay and complete in-time.
- 27% Out of all projects and programmes including 25% of foreign funded projects and programmes; 28% of locally funded projects programmes and; 30% of large and mega scale investments have achieved less than 50% of annual physical targets; this situation calls for serious attention of all implementing agencies and Project Management Units on strengthening their monitoring, supervision and facilitation roles.

## 2.2 Cumulative physical progress

Cumulative physical progress measured as a percentage of the Cumulative physical target (as at 31.12.2019) is illustrated in the Table-12 below, in respect of key categories of projects and programmes:

<b>Table – 12: Distribution of projects and programmes across different levels of cumulative physical progress measured as % of cumulative physical targets</b>						
<b>Category of Projects and Programmes</b>	<b>Number of projects and programmes at different levels cumulative physical progress</b>					<b>Total Projects &amp; Programmes</b>
	<b>0-25 %</b>	<b>26-50%</b>	<b>51-75%</b>	<b>76-99%</b>	<b>100 % or more</b>	
<b>All Projects and Programmes</b>	<b>84</b>	<b>107</b>	<b>201</b>	<b>428</b>	<b>323</b>	<b>1143</b>
Foreign Funded	15	18	35	95	56	<b>219</b>
Local Funded	68	89	166	333	268	<b>924</b>
Funded through Treasury (Capital Budget)	77	85	169	382	293	<b>1006</b>
Funded through Off-Budget sources	10	22	32	46	27	<b>137</b>
Large and Mega	22	35	63	165	75	<b>360</b>

- 28% (323) of 1143 projects fully achieved cumulative physical targets by the end of year while 37 % (428) of projects and programmes achieved 51-75% of cumulative physical targets.
- 323 out of 924 locally funded projects and programmes (35%) were far behind the schedule ( achieved less than 75% of cumulative targets) and; 68 out of 219 foreign funded projects and programmes (31%) were also in the same category. Meanwhile 1/3 of large and mega projects also achieved less than 75% of cumulative progress by the end of 2019.
- 35 out of the 1,143 projects and programmes which have achieved less than 25% of cumulative progress were started in 2019 and planned to complete by the end of 2019; another 12 projects and programmes which have been started before 2019 and planned to complete by the end of 2019 also achieved less than 25% of cumulative progress. No expenditure reported from 20 out of these 47 projects as at the end of year 2019 and; only 01 project has been granted an extension. Considering this situation, it is essential to undertake an in-depth assessment of work done under these projects and programmes and; make appropriate decisions regarding either for allocating funds and other resources in future for their completion or for terminating them based on a cost-benefit analysis.



### 3. Time Extensions

There were 288 projects and programmes which required extension to the approved time frame to complete due to various reasons. Table -11 illustrates time extensions granted for projects and programmes belong to different categories:

Category	Time extensions (in months)						Total	As % of projects & programmes in the respective category
	0-3	4-6	7-12	13-24	37-48	48 <		
<b>Mega</b>	-	03	06	16	05	04	<b>51</b>	34
<b>Large</b>	01	04	25	23	04	08	<b>77</b>	32
<b>Medium</b>	05	17	39	29	02	04	<b>104</b>	22
<b>Small</b>	02	03	38	12	-	-	<b>55</b>	18
<b>Micro</b>	-	-	01	-	-	-	<b>01</b>	1
<b>Foreign Funded</b>	01	06	16	17	06	04	<b>67</b>	28
<b>Local Funded</b>	07	21	94	62	05	12	<b>221</b>	22

- About 1/3 of mega and large scale projects and programmes obtained time extensions for completion of their approved scope and; nearly 1/3 of foreign funded projects also declared that completion of their scope is not possible within the originally approved time-frame and obtained time extensions. This situation calls for serious attention of executing agencies, implementing agencies as well as all key stakeholders to strengthen the project management process throughout the project life cycle.
- It is obvious that most of time extensions result escalation of cost of implementation due to increase of material cost as well as operational cost over the time.

#### 3.1 Main reasons for time extensions

- Except the reasons beyond the control of Project Management Unit, delay in the process of procurement; poor performance of contractors; delay in approvals and assistance required from various agencies; lack of preparedness for implementation just after receiving the approval for implementation and; delay in land acquisition are the main reasons for time extensions. **Most of these issues are possible to resolve with introduction of simplified procedures, appropriate systems and efficient work-flows.**

- It is observed that one or more reasons in the table-12 below have affected timely implementation of above 288 projects which have obtained time extensions for their completion:

<b>Table-12: Reasons for time extension and their occurrence in 288 projects and programmes</b>	
<b>Reason for time extension</b>	<b># relevant projects and programmes</b>
Reasons beyond the control of project - Adverse weather/unforeseen site conditions/re-tendering/public protests/ technical issues, shortage of raw material etc)	54
Procurement delay	49
Poor performance of contractor	46
Delay in required 3rd party assistance (for essential approvals, recommendations, study reports, technical support, etc)	44
Start-up delay due to lack of preparedness ( for setting up of PMU, land acquisition, obtaining essential approvals, etc)	33
Scope changes (including additional work)/ restructuring of project/ design change/ policy decisions	24
Delay in land acquisition	12
Revision of Total Estimated Cost	11
Poor performance of consultants	5
Change of location of the project	3

#### **4. Unresolved implementation issues**

Line ministries have reported that, 779 out of 1,257 on-going projects and programmes including 148 mega and large scale investments did not encounter any serious implementation issue in 2019. Performance of 478 projects and programmes including 212 mega and large scale investments was hindered by 01 or more unresolved implementation issues, during the year 2019.

The prevalence of implementation issues as at the end of 2019 is illustrated in the Table-12 below:

<b>Table-12 : Unresolved implementation issues as at the 4<sup>th</sup> quarter 2019</b>			
<b>Issue</b>		<b># relevant projects and programmes</b>	
		<b>All on-going</b>	<b>Mega and Large scale</b>
01	Outstanding bills /Delay in release of imprest	134	71
02	Reasons beyond the control of project ( Adverse weather/unforeseen site conditions/re-tendering/public protests/legal & technical issues/ shortage of raw material etc)	107	44
03	Poor performance of contractor/ weaknesses in contract management	80	43
04	Delay in required 3rd party assistance (for essential approvals, recommendations , study reports, technical support, etc)	77	43
05	Inadequate allocation	64	26
06	Procurement delay	56	19
07	Scope changes/ TEC revision/ restructuring / design change/ policy decisions to terminate or halt the project.	46	28
08	Delay in land acquisition (including compensation)	31	29
09	Start-up delay due to lack of readiness ( for setting up of PMU, land acquisition, obtaining essential approvals,etc)	24	12
10	Delay in approval for signing of loan agreement	9	4
11	Delay in approval for signing of contract agreement	4	1
12	Funds secured for implementation (Loans signed, Budgetary allocations available) ; but project not started	3	0

- Irrespective of the size of investment, financial constraints (inadequate allocation, outstanding bills, delay in release of imprest) affected the performance of large number of project and programmes during 2019.
- As experienced in many years in the past, delay in land acquisition and procurement; poor performance of selected contractors; changes to approved scope of projects ;lack of coordination and cooperation among respective institutions for the project implementation as well as lack of readiness by implementing agencies to implement the approved projects play as key factors hindering the performance of development projects and programmes resulting delay in delivery of expected benefits to the targetted communities.

## **5. Observations and Recommendations**

1. Projects and programmes which should have been completed by the end 2019 but achieved less than 25% of cumulative physical progress (47 projects and programmes belong to this category) need to be revisited with more emphasis on the remaining and completed work of the approved scope and; cost-benefit of their continuation to take decision regarding the future of these projects.
2. If the cumulative physical progress of a project is below 50% of the expected target at any point of implementation, it should also be considered as a critical situation which calls for more efforts of all stakeholders to place the project back on track to avoid delay in delivery of expected results and escalation of project cost. There are 192 projects and programmes, which have achieved less than 50% of cumulative physical progress by the end of year 2019. It is recommended to establish a strong monitoring and supervision mechanism by respective executing agencies (line ministries) in order to avoid wastage of resources due to delay in implementation and; ensure the delivery of expected benefits of these investments in order to fulfill the expectations of beneficiaries.
3. All large and mega scale investments are expected to implement on-schedule, because most of them are heavy investments with high-priorities in national development; it is observed that 33% ( 120 out of 360) large and mega scale projects and programmes are in the range of 0-75% of cumulative physical progress by the end of 2019. Cumulative progress of 22 investments in this category have achieved less than 25% cumulative progress while 35 investments are in the range of 26-50% of cumulative progress. Therefore, it is highly recommended to review the implementation issues of all large and mega projects and facilitate their smooth implementation.