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MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

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திகதி } 02.09.2024  
Date }

## PRESS RELEASE

### Clarification on the News Articles on Allegedly Unaccounted Government Borrowings for Project Loans between 2015 and 2022

Certain articles published in newspapers, based on a debate on the way forward for Sri Lanka held on 29<sup>th</sup> August 2024, claimed that “between 2015 and 2022, the Government borrowed Rs. 8 trillion for project loans of which 75% remains unaccounted for”. In this regard, the Ministry of Finance, Economic Stabilization and National Policies wishes to make the following clarifications.

The Statement of Financial Position under the Government Financial Statements for the year 2023 includes Rs.7,301,756,109,116 as project loans (comparative figure for 2022 - Rs.7,665,018,983,131) which is the total outstanding borrowings<sup>1</sup> and a descriptive note for each project loan so obtained is disclosed as Note No.24 (II)<sup>2</sup> in the 2023 Final Budget Position Report of the Ministry of Finance, Economic Stabilization and National Policies.

Meanwhile, the Government Financial Statements have been published in Part IV of the 2023 Final Budget Position Report of the Ministry of Finance, Economic Stabilization and National Policies, along with the Auditor General’s Report on the same<sup>3</sup>.

In that Report, the Auditor General has indicated that “.... A sum of Rs. 932 billion as government investment in the year 2023 had been mentioned as construction of physical assets or purchasing thereof and acquisition of other investments under cash flow generated out of investment activities in cash flow statement. A sum of totaling Rs. 10,145 billion of government investments from the year 2006 to 2023, had been mentioned in the cash flow statement as

<sup>1</sup> See page 267 of the 2023 Final Budget Position Report of the Ministry of Finance, Economic Stabilization and National Policies.

<https://www.treasury.gov.lk/api/file/ad12f7fa-d2db-43d4-9daa-9270ee7b7cac>

<sup>2</sup> See pages from 270 to 301 of the 2023 Final Budget Position Report of the Ministry of Finance, Economic Stabilization and National Policies.

<https://www.treasury.gov.lk/api/file/ad12f7fa-d2db-43d4-9daa-9270ee7b7cac>

<sup>3</sup> See from page 218 of the 2023 Final Budget Position Report of the Ministry of Finance, Economic Stabilization and National Policies.

<https://www.treasury.gov.lk/api/file/ad12f7fa-d2db-43d4-9daa-9270ee7b7cac>

*construction of physical assets or purchasing thereof and acquisition of other investments. However, only a sum of Rs. 2,537 billion out of that amount had been identified and accounted as non – financial assets in the statement of financial position of 2023. Accordingly, out of the amount totaling Rs. 10,145 billion as construction of physical assets or purchasing thereof and acquisition of other investment mentioned in the cash flow statement, assets valued at Rs. 7,608 billion or 75 per cent had not been identified and accounted”<sup>4</sup>.*

**The majority of the assets generated through project loans are included in the balance sheets of the respective State-Owned Enterprises (SOEs) or government agencies by whom such assets are being maintained.** For example, assets related to roads, highways and bridges would be reflected in the Road Development Authority (RDA) balance sheet, and assets related to water supply and drainage would be reflected in the National Water Supply and Drainage Board balance sheet. **Hence, the assets shown in the Balance Sheets of the said SOEs are not reflected in the Government Financial Statements in order to avoid duplication or double counting.** As an example, details of the completed and ongoing projects for the period of five years from 2018 - 2022, financed by project loans from the General Treasury and the assets (completed assets and work in progress) utilizing the project loans under the RDA are given in Annex I.

**Furthermore, loan balances in the Government Financial Statements are stated after adjusting for repayments and exchange rate differences whereas asset values are recorded at the exchange rate that prevailed at the time of disbursement.**

**In addition, all of the borrowings are not utilized for the creation of assets since a component would be utilized for expenditures which are recurrent in nature; for example, the procurement of commodities, consultancy, procurement preparedness activities etc. are also included in this number, which would not exactly be reflected in the asset value.**

**Considering this background, as a solution to this matter which was raised by the Auditor General, it was decided to include an Annual Reconciliation Statement on project loans disbursed and assets capitalized as a Disclosure Note to the Government Financial Statements<sup>5</sup>.**

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<sup>4</sup> See section “4.5 Government Investments” in page 29 of the Auditor General’s Report, which starts from page 371 of the 2023 Final Budget Position Report of the Ministry of Finance, Economic Stabilization and National Policies.

<https://www.treasury.gov.lk/api/file/ad12f7fa-d2db-43d4-9daa-9270ee7b7cac>

<sup>5</sup> See “Schedule VI STATEMENT OF ASSETS GENERATED THROUGH FOREIGN LOANS DISBURSED DURING THE YEAR 2023” from page 341 of the 2023 Final Budget Position Report of the Ministry of Finance, Economic Stabilization and National Policies.

<https://www.treasury.gov.lk/api/file/ad12f7fa-d2db-43d4-9daa-9270ee7b7cac>

**Details of the Projects Completed / Ongoing for the Last Five Years (2018-2022) financed by Foreign Loans from the General Treasury and Project Loans under the RDA**

Name of the Ministry: *Ministry of Transport & Highways*

Name of the State Owned Enterprise: *Road Development Authority*

Ser. No	Name of the Project	Loan Key	Type of Assets Generated	Completed/ Ongoing Yes/No	Total value of the Foreign Disbursements upto 31.12.2022 (Rs.)	Total value of the GOSL Funds released upto 31.12.2022 (Rs.)	SOEs Own Funds (Rs.)	Loans - Local Bank (Rs.)	Total Cost of the Project upto 31.12.2022 (Rs.)	If not capitalised, reason for the same	Accounting Treatment used in the Balance sheet of SOE for the loans provided by Treasury to generate assets
1	Outer Circular Highway Phase I	2007004	Expressway	Completed	27,785,482,671.72	6,345,109,464.08	-	-	31,502,226,549.84	Capitalized	Assets (Expressway/Roads/Bridges/Land/Buildings) - Debit Capital Grant - Credit
2	Outer Circular Highway Phase II	2008012 2011003	Expressway	Completed	46,371,946,583.42	1,492,526,008.74	40,000,000.00	-	47,904,472,592.25	Capitalized	
3	China Development Bank Funded Priority Road Project II	2011007	Roads	Completed	64,511,310,072.32	7,090,017,755.38	2,900,060,182.39	-	74,501,388,010.09	Capitalized	
4	Southern Transport Development Project	1999057 2001045 2011005 2011006	Expressway	Completed	81,844,380,250.29	38,011,823,313.77	87,653,198.60	-	119,943,816,762.66	Capitalized	
5	Reconstruction of Kochchikade Bridge	2016001	Bridge	Completed	1,550,408,348.02	158,250,000.00	-	-	1,708,658,348.02	Capitalized	
6	National Highways Sector Project	2006003	Highways	Completed	18,200,747,120.89	9,628,595,556.46	-	-	27,829,342,677.35	Capitalized	
6	National Highways Sector Project (Additional Financing)	2011035	Highways	Completed	10,441,289,645.10	6,949,105,803.69	258,507,839.36	-	17,648,903,288.15	Capitalized	Assets (Expressway/Roads/Bridges/Land/Buildings) - Debit Capital Grant - Credit
7	Constructions of Three Flyovers at Rajagiriya Polgahawela & Gasemulla	2015032	Flyovers	Completed	8,905,520,743.13	788,984,758.48	-	-	9,864,783,282.64	Capitalized	
8	Reconstruction of 46 of Steel Bridges on National Roads with French Assistance	2012028	Bridges	Completed	3,781,113,093.86	3,390,725,603.56	19,911,765.45	-	7,191,750,462.87	Capitalized	
9	China Development Bank Funded Priority Road Project III (Phase I)	2014001	Roads	Completed	43,852,696,937.50	8,251,428,369.21	690,505,855.17	-	52,798,137,501.88	Capitalized	
10	China Development Bank Funded Priority Road Project III (Phase II)	2014034	Roads	Completed	16,329,575,771.30	3,062,738,113.66	-	-	19,392,313,884.96	Capitalized	
12	Major Bridges Construction Project	2013018	Bridges	Completed	10,469,366,861.36	913,371,777.11	-	-	11,382,721,491.17	Capitalized	
13	Regional Bridges Project - Phase II (UK Steel Bridge)	2013027	Bridges	Completed	9,355,626,937.84	2,491,673,085.55	327,000,000.00	-	12,184,254,745.94	Capitalized	
14	Road Sector Assistance Project	2006020	Highways	Completed	29,946,751,548.47	8,252,431,721.57	-	-	37,049,183,269.90	Capitalized	
15	Outer Circular Highway Phase-Phase III	2014024	Highways	Completed	62,702,042,137.35	11,499,332,248.07	426,447,670.77	1,346,851,348.26	78,776,417,130.63	Capitalized	
16	Northem Road/Connectivity Project	2012029 2012030	Road	Completed	25,064,510,814.74	330,504,418.64	-	-	25,394,803,100.03	Capitalized	
17	Extension of Southern Expressway Project Section I	2014040	Expressway	Completed	111,741,274,403.74	25,221,785,621.89	-	-	140,427,277,599.90	Capitalized	
18	Extension of Southern Expressway Project Section II	2016015	Expressway	Completed	49,252,441,051.09	2,063,680,667.21	-	7,517,722,171.20	58,838,375,565.81	Capitalized	
19	Extension of Southern Expressway Project Section III	2014036	Expressway	Completed	39,647,317,173.92	1,212,589,727.97	-	137,417,530.50	40,997,354,133.23	Capitalized	
20	Extension of Southern Expressway Project Section IV	2014025	Expressway	Completed	49,785,017,028.35	70,815,486.45	258,713,682.28	101,163,982.02	50,359,250,372.06	Capitalized	
21	New Bridge Construction Project Over the Kalani River	2014003	Bridge	Completed	87,036,260,825.00	2,209,729,509.04	439,815,413.54	-	93,360,794,219.37	Capitalized	
22	Landslide Disaster Protection Project of the National Road Network Project	2013019	Road Infrastructures	Completed	9,677,850,764.89	1,580,023,414.27	-	-	11,333,693,283.96	Capitalized	Assets (Expressway/Roads/Bridges/Land/Buildings) - Debit Capital Grant - Credit
23	Southern Roads Connectivity Project	2014017	Roads	Completed	23,685,388,807.00	10,676,695,203.80	1,342,319,388.06	-	36,208,046,947.06	Capitalized	
24	Reconstruction of 25 Bridges	2014002	Bridges	Incomplete	3,494,242,650.89	242,042,313.20	1,950,810.09	-	4,002,403,560.21	Rs 1,552,573,258.46 has been capitalized & transferred to RDA	
25	Central Expressway Project-section I	2019015	Expressway	On going	13,266,876,351.48	6,844,888,379.11	400,000,000.00	38,260,959,980.77	65,862,568,436.14	Not capitalized since on going project	

Ser. No	Name of the Project	Loan Key	Type of Assets Generated	Completed/ Ongoing Yea/No	Total value of the Foreign Disbursements upto 31.12.2022 (Rs.)	Total value of the GOSL Funds released up to 31.12.2022 (Rs.)	SOEs Own Funds (Rs.)	Loans - Local Bank (Rs.)	Total Cost of the Project upto 31.12.2022 (Rs.)	If not capitalized, reason for the same	Accounting Treatment used in the Balance sheet of SOE for the loans provided by Treasury to generate assets
26	Inclusive Connectivity and Development Project	2021032	Roads	On going	5,973,985,608.83	47,830,403.00	-	-	4,616,357,135.10	Not capitalized since on going project	Assets (Expressway/Roads/Bridges/Land/Bus)
27	Kandy Multimodal Transport Terminal Development Project	2021016	Transport Terminal	On going	169,468,806.09	17,096,309.58	-	-	35,260,738.90	Not capitalized since on going project	
28	Integrated Road Investment Program(I Road I)	2014041 2015037 2015009 2017040 2015010	Roads	On going	187,063,371,633.93	665,137,673.96	-	-	185,575,413,340.05	Rs 308,953,686.96 has been capitalized & transferred to RDA	
29	Second Integrated Road Investment Program(Road II)	2017037 2017036 4067 2019048	Roads	On going	187,626,039,484.19	89,300,000.00	-	-	182,744,306,712.22	Not capitalized since on going project	-
30	Badulla Chenkaladi Road Improvement Project	2015026 2015015	Highways	On going	13,269,670,471.04	2,958,673,968.47	2,538,312.37	-	17,536,107,438.30	Not capitalized since on going project	-
31	Port Access Elevated Highways Project	2019012	Highways	On going	40,264,261,658.41	515,728,421.66	-	-	42,634,106,513.33	Not capitalized since on going project	-
32	Transport Connectivity and Asset Management Project	2017023	Technical Assistance	On going	1,240,849,779.01	149,769,582.06	-	-	1,253,790,535.98	Not capitalized since on going project	-
33	Transport Project Preparatory Facility Project	2016035	Technical Assistance/Consultancy	On going	995,836,074.52	47,525,269.76	-	-	1,012,934,736.08	Not capitalized since on going project	-
34	Exim Bank of China (Hunan Branch) Funded Widening & Improvement Of 64.21 Km Roads and Reconstruction 13 Bridges in Central And Uva Provinces	2018022	Roads & Bridges	On going	14,070,365,472.89	420,945,326.16	1,901,424,348.42	-	14,252,186,655.53	Not capitalized since on going project	-
35	Design & Construction of Kohuwala and Gatambe Flyovers	2021001	Flyovers	On going	5,040,033,866.98	444,637,191.14	-	-	4,873,845,007.31	Not capitalized since on going project	-
36	Saudi Funded Road Network Development Project	2012025	Highways	On going	8,145,532,847.17	469,788,578.98	55,649,516.16	-	8,834,964,409.43	Not capitalized since on going project	-
37	OPEC Funded Rehabilitation of A017 Road Corridor Project (Rakwana - Surryalanda)	2019045	Highways	On going	320,467,150.06	13,214,433.14	-	-	180,769,572.52	Not capitalized since on going project	-
38	OPEC Funded Western Province Road Development Project	2015014	Highways	On going	2,576,528,802.22	1,894,530,831.31	119,383,575.00	-	5,103,609,859.28	Not capitalized since on going project	-
39	OPEC Funded Road Network Development Project	2012024	Highways	On going	4,544,778,131.95	429,995,416.93	70,841,447.15	-	5,440,007,323.67	Not capitalized since on going project	-
40	OPEC Funded Rehabilitation & Improvement of Colombo National Highways Project	2013023	Highways	On going	6,694,322,940.95	9,146,991,642.74	1,478,049,914.66	-	19,241,017,155.44	Not capitalized since on going project	-

Source: Road Development Authority