

Progress of development projects and programmes implemented in 2019 (as at 30th June 2019)

Overview

During the 2nd quarter of 2019, thirty one (31) Cabinet ministries and 05 non-Cabinet ministries have implemented 1223¹ development projects and programmes. As per the classification of projects and programmes based on the Total Estimated Cost (TEC), the largest number of projects and programmes are medium scale (457) and; there are 385 projects belong to large (235) and mega (150) scale as shown in the Table-1 below:

Table-1: Distribution of on-going projects and programmes (based on TEC)					
TEC (Rs. million)	<10	10-100	100-1,000	1,000 – 10,000	≥10,000
Type	Micro	Small	Medium	Large	Mega
# Projects and Programmes	85	295	458	235	150

991 Out of above 1,223 development projects and programmes are financed by the Treasury through tax revenues (Local funds)) and 232 projects and programmes are financed through the loans and grants obtained from the foreign development partners under different financial terms.

Table-2: Distribution of projects & programmes (based on source of financing)							
Source of Financing	Type of Investment	Category of Projects and Programmes					Total
		Micro	Small	Medium	Large	Mega	
Local	Project	53	162	307	140	33	695
	Programme	30	122	108	31	5	296
	Projects & Programmes	83	284	415	171	38	991
Foreign	Project	1	6	39	63	112	221
	Programme	1	5	4	1	0	11
	Projects & Programmes	2	11	43	64	112	232
Total		85	295	458	235	150	1223

¹ (There are 08 projects which have been implemented jointly by 02 respective line ministries, utilizing separate budgetary allocations. Since the progress of these 08 projects has been reported by each ministry separately, those are double-counted. Therefore, actual number of projects and programmes implemented in 2nd quarter of 2019 should be 1215. In this report, total number of projects and programmes is counted as 1223, for the purpose of assessment of the performance of implementation by all line ministries).

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

- (i) financing directly through the Treasury under Capital Budget and;
- (ii) financing fully or mainly by the respective implementing agencies (Off-budget): by illustrating or not illustrating in Capital Budget Estimates.

There are **155 Off-budget projects and programmes** implemented by institutions under the purview of 14 line ministries. *Majority of Off-budget projects are implemented by Sri Lanka Ports Authority (68), National Water Supply and Drainage Board (23), Road Development Authority (20) Urban Development Authority (15) and Ceylon Electricity Board(12).*

Distribution of on-going projects and programmes (based on type of financing)

Table-3: Distribution of on-going projects and programmes (based on type of financing)							
Type of Financing	Type of Investment	Number of Projects and Programmes					Total
		Micro	Small	Medium	Large	Mega	
Capital Budget	Project	52	126	299	166	124	767
	Programme	31	123	110	32	5	301
	Projects & Programmes	83	249	409	198	129	1068
Off-Budget	Project	2	42	47	37	21	149
	Programme	0	4	2	0	0	6
	Projects & Programmes	2	46	49	37	21	155
Total		85	295	458	235	150	1223

Funding for development projects and programmes in 2019

- i. Total allocation to implement 1,223 on-going projects and programmes in 2019 is Rs. 827,850.13 million: out of this, Rs. 684,509.30 million allocated **through the Capital Budget** for 1,068 on-going projects and programmes.
- ii. Foreign funded projects and programmes are allocated 54.8 % (Rs. 453,777.87 million) while locally funded projects and programmes will account for 45.2% (Rs. 374,072.26 million) out of the total allocation.

- iii. In addition to above 1,223 on-going projects and programmes, there are 88 projects and programmes which have been physically completed before 2019 and; financial closure is expected in 2019. Therefore, Rs. 9,932.75 million is allocated in 2019 for this purpose.
- iv. Total allocation for implementation of 155 Off-budget projects and programmes in 2019 is Rs. 143,340.83 million; out of which, Rs. 32,490.86 million is allocated from the Treasury for 31 on-going off-budget projects as counterpart funds.

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

Type of projects and programmes		Number of projects and programmes	Allocation (Rs. million)		Total Allocation (Rs. million)
			Treasury	Implementing agencies	
Capital	on-going	1068	684,509.30	0	684,509.30
	physically completed before 2019	88	9,932.75	0	9,932.75
Off-Budget	on-going	155	32,490.86	110,849.97	143,340.83
Total		1,311	727,865.96	110,849.97	837,782.88

Highlights of status of implementation of projects and programmes in 2019

Table-5: Status of Implementation as at 2nd Quarter 2019 - Projects and Programmes funded through Capital Budget

Status of Implementation	Number of Projects and Programmes					Total
	Micro	Small	Medium	Large	Mega	
Physically and financially Completed	10	3	4	0	0	17
Physically completed & financial closure is pending	14	28	55	25	6	128
Projects to be completed before 31.12. 2019	58	211	240	80	27	616
Projects Started in 2019	67	166	158	45	19	455

1. Progress of projects and programmes financed through the Treasury (Capital Budget)

1.1 Annual Financial Progress

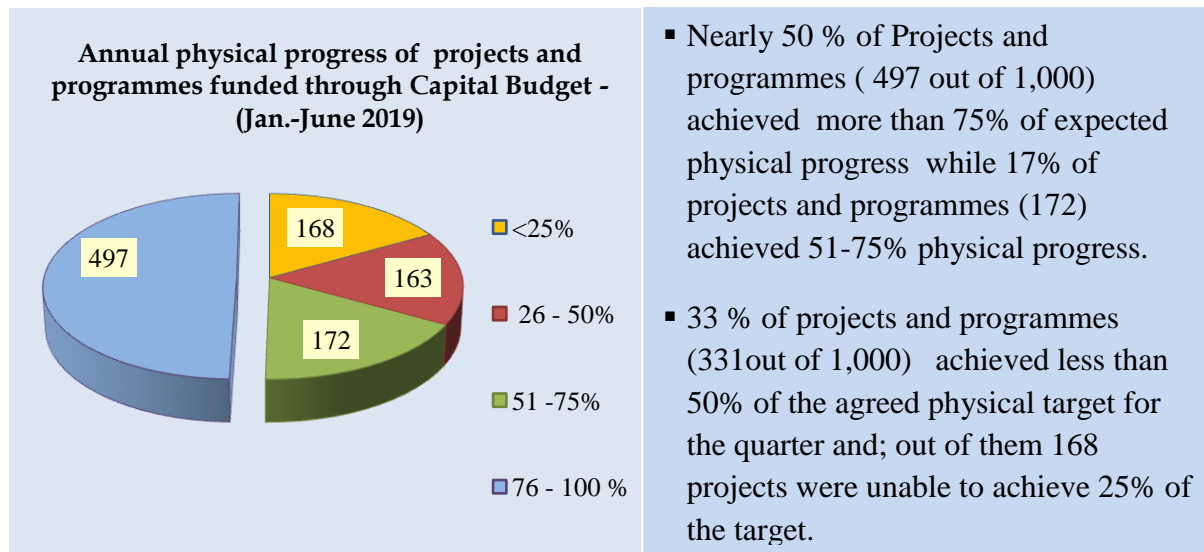
Table-6: Mid Year Financial progress of projects and programmes financed through Treasury under Capital Budget				
Type of investment	Number of Projects/ Programmes	Expenditure target (Jan.–June) Rs. Million	Actual Expenditure (Rs. Million)	% Expenditure
Projects (Local funded)	569	90885.28	68417.67	75
Projects (Foreign funded)	198	190,160.47	150,192.29	79
Programmes (Local funded)	292	87,066.95	54487.97	63
Programmes (Foreign Funded)	09	440.94	68.14	15
Projects & Programmes (Foreign & Local funded)	1068	368,553.64	273,166.07	74

- The overall Mid Year expenditure target of above 1,068 projects and programmes was Rs. 368,553.64 million and; actual expenditure was Rs. 273,166.07 million which is equivalent to 74 % of the expenditure target.
- Value of the bills in hand in respect of 1068 projects and programmes was Rs.82,998.74 million. *If these bills have been settled before 30th June 2019, the actual expenditure and the rate of utilization of funds could have been recorded as Rs.356,164.81 million and 96.6% ,respectively.*
- The highest financial progress achieved by foreign funded projects while the lowest progress recorded from foreign funded programmes.
- Ten (10) line ministries only have achieved more than 75% of expenditure targets agreed for the first 06 months of 2019.(Annex-I).

It is necessary to revisit the expenditure forecasting of 12 Line ministries which have reported less than 50% of financial progress against the expenditure target of 1st half of the year and; make realistic expenditure forecasting for the second half of the year.

1.2 Annual Physical Progress

The total number of projects and programmes in this category is 1,068. Physical targets have not been set for 68 projects and programmes for the first half of the year, due to various reasons. Therefore, 1,000 projects and programmes only considered for analysis of physical progress during January – June period.

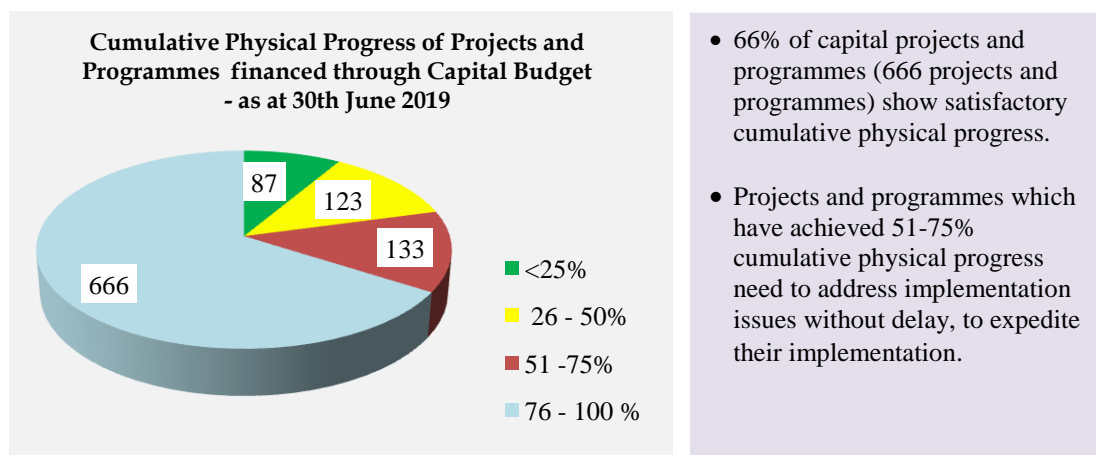


Annex – II shows the ministry-wise performance in project implementation.

1.3 Cumulative Physical Progress

In respect of development projects and programme, the actual status of implementation at a given point of time, against the agreed physical target is the most important measurement for informed decision-making.

Very recently started (in 2019) 59 projects and programmes are not counted for assessment of cumulative progress; therefore 1,009 out of 1,068 capital projects and programmes are considered for the following analysis.



When the cumulative progress of a project is less than 50% of the agreed cumulative target, it is alarmingly behind-schedule. Except 02 line ministries, all other ministries have projects which have not achieved at least 50% of agreed cumulative progress. (Annex-III)

2. Progress of Off-budget Projects and Programmes

2.1 Annual Financial Progress

Expenditure target of the 155 Off-budget projects was Rs. 58,925.56 million and; the actual expenditure was Rs.23,302.65 million which is equivalent to 40% of the expenditure target. The amount of unsettled bills during the reporting period is Rs.4,307.33 million; if these bills also have been settled before 30th June 2019, the actual expenditure and the rate of utilization of funds could be recorded as Rs.63,232.89 million and 47% ,respectively.

Three (03) line ministries have achieved 100% of expenditure targets while 02 of those ministries recorded expenditure higher than the target. Only 05 out of 14 line ministries have achieved over 50% of expenditure targets while 03 ministries achieved less than 25% of expenditure targets (annex-IV).

2.2 Annual Physical Progress

Table-7: Physical Progress of Off-Budget projects and programmes - (Jan.- June 2019)	
% progress	Number of projects and programmes²
<25%	45
26 -50%	46
51 -75%	16
76-100%	43

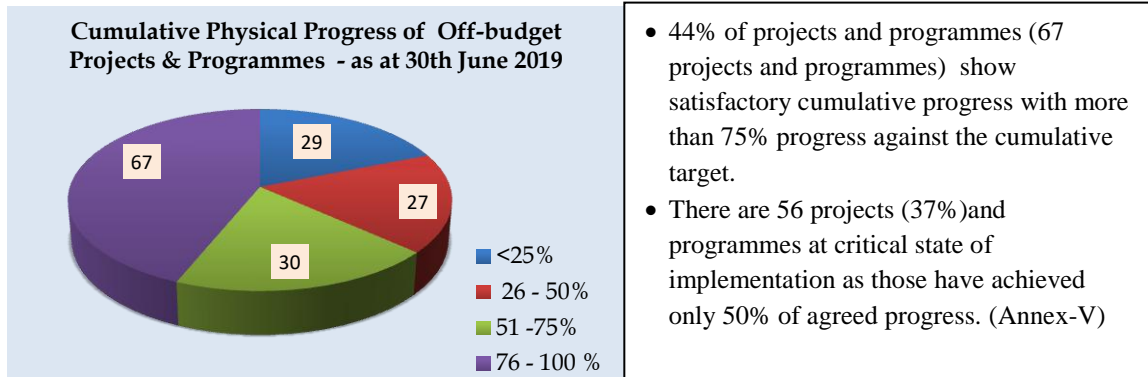
- 29% of projects and programmes have achieved over 75% of physical progress during the reporting period.
- 91 projects and programmes (61%) achieved less than 50% of physical progress and; 30% of projects and programmes have not achieved at least 25% of physical progress.

Quarterly physical targets of Off-budget projects are set by the implementing agencies taking their capacity to deliver into consideration ; but this result reveals that more than 60% of projects and programmes achieved less than 50% of agreed targets and; nearly 17% of projects have not achieved at least 25% of physical targets. ***This situation calls for strategic approach in implementation after self-evaluation of performance and weaknesses, by those implementing agencies.***

² Physical targets set only for 150 out of 155 Off-budget projects and programmes, for this period.

2.3 Cumulative Physical Progress

Since 02 projects are started very recently, 153 Off-budget projects only considered for analysis of cumulative progress.



3. Progress of Large and Mega Projects and Programmes

3.1 Annual Financial Progress

Expenditure targets for first 06 months of 2019 have not been set for 18 large and mega scale projects and programmes mainly due to some projects are in their early preparatory stages and some have been completed in the 1st quarter of 2019. Therefore, financial progress reported in Table-8 is relevant for 367 out of 385 large and mega projects and programmes.

Table-8: Annual financial progress of Large and Mega projects and programmes (as % of expenditure target from 1st January to 30th June 2019)

Type of financing	Number of Projects and Programmes			
	0-25%	26-50%	51-75%	76-100%
Capital Budget	85	39	62	126
Off-Budget	19	10	06	20
Capital & Off Budget	104	49	68	146

3.2 Annual Physical Progress

Physical targets for first 06 months of 2019 have not been set for 14 large and mega scale projects and programmes mainly because the physical activities of some new projects scheduled to be started from 3rd quarter and some projects have been completed in the 1st quarter of 2019. Therefore, physical progress reported in Table-9 is relevant for 371 out of 385 large and mega projects and programmes.

Type of financing	Number of Projects and Programmes			
	0-25%	26-50%	51-75%	76-100%
Capital Budget	45	52	79	140
Off-Budget	11	15	12	17
Capital & Off Budget	56	67	91	157

Physical progress of large and a mega scale projects during first 06 months of the year is satisfactory compared to their financial progress (number of projects below 50% of physical progress is 121 while number of projects below 50% of financial progress is 151); this situation indicates about the following 04 main scenarios in project implementation:

- i. Physical performance of some projects may have affected cash-flow issues;
- ii. The contractors and project staff of some projects may have performed well, while having financial constraints;
- iii. Expenditure targets of some projects have not been achieved due to weak project management which results delay in achievement of physical targets and;
- iv. Some large and mega projects may have faced issues beyond the control of project management unit, which require higher level interventions, and unable to meet financial and physical targets.

3.3 Cumulative physical progress

There are 385 large and mega scale projects (327 of them are financed through the Capital Budget and; 58 are Off-budget). Cumulative physical targets are not set for 13 out of 385 projects and programmes (as at 2nd quarter 2019) because those are new projects which were at preliminary or preparatory stage during the reporting period.

Method of Financing	0-25%	26-50%	51-75%	76 – 99%	100% above	Targets not set
Capital Budget	16	32	48	125	94	12
Off-Budget	4	6	17	15	15	1
Total	20	38	65	140	109	13

About 15% (58 out of 385) of large and mega scale projects and programmes have achieved less than 50% of their cumulative physical targets which calls for serious attention of higher-level decision-making authorities including Treasury by the Project Directors and Heads of relevant implementing agencies in order to make necessary strategic decisions which will ensure timely completion of those projects and programmes without additional cost and time-overrun.

Type of financing	Number of projects and programmes			
	0-25%	26-50%	51-75%	76-100 %
Capital Budget	110	72	47	86
Off-Budget	21	14	10	12
Capital & Off Budget	131	86	57	98

Table 11 shows 98 large and mega scale development projects and programs are closer to completion showing 76% of physical target achievement while 131 are at the initial stages of the project implementation circle.

Implementation Issues of Large and Mega Projects and Programmes

Analysis of the *implementation issues related to large and mega scale projects and programmes* which have not achieved agreed physical targets for the first half of the year revealed that, a few major issues in Table-12 below have contributed considerably for their poor performance:

<i>Implementation issues</i>	<i>Number of relevant projects</i>
Imprest issues	47
Delay in approvals, admin & management issues, delay in required third party intervention	39
Poor performance of contractor	25
Land acquisition delay/ compensation issues	23
Procurement delay	15
Scope changes/ TEC revision, restructured/ terminated/ halted	15
Reasons beyond control of Project (adverse weather/ unforeseen site conditions/ technical issues/ re-tendering/public protests, etc)	10
Loan / contract agreement not signed yet	05

Irrespective of the size of investment, almost all projects face the above common issues in implementation. Most of the procedural and administrative delays are possible to bring under control of the Project Team (Project Management Unit) with effective project management strategies; but issues related to cash-flow and contractor's performance require collective efforts of higher-level authorities as well as Project Team to address those issues.

Observations and Recommendations

1. If the cumulative physical progress of a project is below 50% of the expected target at any point of implementation, it should be considered as a critical situation which requires stern 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 210 capital projects and programmes, which have achieved less than 50% of cumulative physical progress by 30th June 201 against their targets.*** ***The highest number of projects and programmes in this category are being implemented by 03 line ministries*** namely: Internal & Home Affairs and Provincial Councils & Local Government (40); Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries & Aquatic Resources Development (30) and; City Planning, Water Supply and Higher Education (28). Therefore, ***it is recommended to review these projects regularly (including all other projects in this category) in order to facilitate their smooth implementation.***
2. Progress of Off-budget projects is far below the progress of projects financed through Treasury. Even though 155 projects and programmes are categorized as “Off-budget” projects and programmes, ***23% of annual allocation is provided by the Treasury for their implementation.*** In addition, it is observed that quarterly target setting of Off-budget projects is not realistic, because more than 60% of Off-budget projects were unable to achieve at least 50% of physical targets set for first 06 months of 2019. Therefore, it is recommended to:
 - i. identify institutional weaknesses in project implementation through self-evaluation of capacities and weaknesses of implementing agencies;
 - ii. re-schedule and expedite the implementation of delayed projects; as much as possible; to deliver the expected results because implementing agencies are accountable for effective utilization of funds allocated through Off-budget mechanism, as well and;
 - iii. regular review of progress and issues of Off-budget projects and programmes as well, at higher level.
3. All large and mega projects are expected to implement on-schedule, because most of them are heavy investments with high-priorities in national development; it is observed

that 43% of large and mega projects financed through the Capital Budget have not achieved physical targets agreed for the first 06 months of 2019. Therefore, it is highly recommended to review the implementation issues of all large and mega projects to resolve them on priority basis, with higher emphasis on issues of those projects having less than 50% of physical and financial progress.