

## Press Release

Friday, 05 March 2010

### **Summary of Cabinet Decisions – March 04,2010**

#### **To Enact the National Policy on Early Childhood Care and Development as an Act**



Cabinet granted approval to a memorandum submitted by the Minister of Child Development and Women's Empowerment Sumedha G. Jayasena to enact the national policy on 'Early Childhood Care and Development' which is being currently implemented as an Act.

Under this National policy, several steps were taken to improve the quality of the existing early childhood development programmes. On the other hand, provincial level coordinating committees have been established in all provinces and they are functioning by maintaining close ties with the central Government and through good coordination.

'Mahinda Chinthana' policy framework stated that all pre-schools and day care centers in the country will be promoted and upgraded to international standards. To achieve this aim all pre-school/early childhood development centers and day-care centers should be maintained as per-minimum level of standards and should be registered with the Government.

As the subjects of Pre-school are decentralized under the 13th amendment to the constitution, several obstacles have emerged in some occasions when maintaining the standards.

By obviating above mentioned situation, to have a uniform system for the entire island for the coordination of the national policy on "Early Childhood Care and Development" and to provide it with legal authority, it is appropriate that the National policy should be transformed as an Act.

#### **A Loan of Saudi Riyals 172.5 Million from the Saudi Fund for development for Kalu Ganga Development Project**



Cabinet granted approval to a memorandum submitted by President Mahinda Rajapaksa as the Minister of Finance and Planning to enter in to loan agreement with the Saudi Fund for Development to borrow Saudi Riyals 172,500,000 for part financing of the Moragahakanda / Kalu Ganga Development Project.

The Kalu Ganga project is a part of the Moragahakanda Development programme implemented under the Mahaweli Development Programme. Terms of the loan provided by the Saudi Fund for Development :

Loan amount : Saudi Riyals 172,500,000  
Interest rate : 2% per annum

Repayment period : 20 years including a grace period of 5 years

Mahaweli Authority of Sri Lanka of the Ministry of Agriculture Development and Agrarian Services will be the Executing Agency for this project and the loan is extended on concessional terms and the views of Monetary Board of the Central Bank of Sri Lanka on the loan are being sought .

### **Weras Ganga Storm Water Drainage & Environment Improvement project**



Cabinet has granted approval to a memorandum submitted by the Minister of Urban Development & Sacred Area Development Dinesh Gunawardena to implement the Weras Ganga Project and to direct External Resources Department (ERD) to negotiate with China Construction Bank to Secure Funding for implementing this project

It is also expected to direct the Department of Public Finance to appoint a project committee (PC) and a cabinet appointed Negotiation Committee (CANC) to evaluate and negotiate the project proposal submitted by China National Machinery & Equipment Import & Export Corporation (CMEC), and to enter into an MOU with China National Machinery & Equipment Import & Export Corporation (CMEC) of China to commence detail designs and implementation of the project

A study on storm Water Drainage Plan for the CMR was conducted by a grant from Government of Japan in 2003. The objectives of the study are to formulate a master plan for storm water drainage in the CMR and to conduct a feasibility study on priority projects identified in the master plan. The study area is roughly divided into four drainage basins, Kalu Oya basin, Greater Colombo basin and Bolgoda basin. The total catchment area is 830 Km<sup>2</sup> Weras Ganga Basin Storm Water Drainage Project aims:

- (1) To decrease the damage of floods in the the Weras Ganga basin, situated in the territory of Dehiwala - Mount Lavinia Municipal council, Moratuwa Municipal Council, Kotte Municipal Council, Maharagama Urban Council and Kesbewa Pradeshiya Sabha, through the improvement of the storm water drainage system and to reduce poverty through improvement of the living conditions of the people affected by flood, and
- (2) To improve the water quality of the canals and sea that receive storm water from urban areas and to create the hygienic environment in the side area for heathy life of people and for keeping the dignity of the city at a high level through the improvement of the storm water drainage system.

### **Priority preferences to local Bidders Participating Contract Works with Domestic Funding**

Cabinet granted approval to a memorandum submitted by President Mahinda Rajapaksa as the Minister of Finance and Planning to increase the priority preference of 10% allowed by the Govt. procurement procedure to 15 % in the evaluation of bids when local bidders compete with the foreign bidders for locally funded contracts, and to request all commercial bodies to give similar priority to the private sector for local construction industry.

In order to reap this benefit, steps have to be taken to get the existing methodologies of institutions funding foreign aid more flexible.

During the past few years there had been a remarkable development in the local construction industry with the dawn of peace after elimination of Terrorism which existed over 30 years, broad economic development is envisaged in every field. With the 60,000 housing construction programme under the " Mahinda Chinthana Idiri Dekma", road development projects implemented under foreign funds, water supply schemes, and expected re-vitalization of Urban Development, there will be major improvements in construction industry and this paves the way to strengthen the local construction industrialists.

As a result of the development of the construction industry, the country is gaining a wide range of economic social and technical benefits such as generation of job opportunities to engineers and architects indirect and direct employment expansion of market for raw materials required for construction industry, improvement in the standard of construction work etc. Construction industry which collapsed due to the global economic crisis should be safeguarded against the challenges it has to face when recovering. Considering these circumstances " Mahinda Chinthana Idiri Dekme" policy statement has given 15% Priority preferences for local construction industrialist when competing with the foreign bidders for government construction contracts.

Private sector should also be encouraged to give priority to local construction industrialists and foreign industrialists should be deployed only in case where local industrialists cannot carry out such work.

### **Construction and upgrading of peripheral blood banks coming under the national blood transfusion services of Ministry of Healthcare and Nutrition in Sri Lanka under Netherlands assistance**



Cabinet granted approval to a memorandum submitted by Minister of healthcare and Nutrition Nimal Siripala De Silva for Construction and upgrading of peripheral blood banks coming under the national blood transfusion services of Ministry of Healthcare and Nutrition in Sri Lanka under Netherlands assistance and to obtain 'Request For Proposal'(RFP) from the supplier Simed International B.V of Netherlands as per the instruction given by Director General of External Resources Department by their letter No. BW/NL:HL:04/B dated 12.02.2010 and to evaluate the proposal in consideration with the current market price, prices of previous supplies and comparing the price of similar products through web sites and make recommendations.

National Blood Transfusion Service (NTBS) Sri Lanka is a centrally coordinated service coming under the purview of Ministry of Healthcare and Nutrition. The National Blood Center (NBC) situated in Colombo is the operational headquarter of NBTS, which is having 15 Cluster and 60 hospitals based Blood Banks attached to all major hospitals in the country. Cluster centers coordinate administrative and technical activities of the blood banks within the cluster. NBTS is the sole provider of blood and blood products to all state sector and majority of private sector in Sri Lanka.

As per the WHO norms on blood safety, National Blood Transfusion Service (NBTS) is committed to ensure the ;

- a) Availability of adequate supplies of blood and blood products and their accessibility to all patients who require transfusion.
- b) Safety of blood and blood components
- c) Safety and appropriate clinical use of blood and blood products

The National Planning Department (NPD) of the Ministry of Finance and Planning by considering the need, the cost effectiveness and the technical feasibility of this project, NPD recommended the project for implementation with foreign assistance.

The Rabobank of Netherlands has already expressed their willingness to finance this project through their financing and loan provide under the 'Agreement on guidelines for official supported credit' of the OECD.

The financial proposal submitted by the Rabobank of Netherlands has been accepted by the Department of External Resources of the Ministry of Finance and Planning.

In consideration of the above facts, the provision of the necessary infrastructure facilities and equipment to strengthen the blood transfusion network in the country ensures the blood products supplied to patients.

### **Cabinet Memorandum for appointment of a National Task Force to strengthen intersectoral coordination and social mobilization for dengue control**

Cabinet granted approval to a memorandum submitted by the Minister of Healthcare & Nutrition Nimal Sripala de Silva to appoint members for the National Task Force to strengthen intersectoral coordination and social mobilization for dengue at National Level.

Dengue is a mosquito borne disease prevalent in Sri Lanka since 1962. the disease initially reported from urban areas" has now spread to semi-urban and rural areas and has become a significant public health problem in the country. Presently Sri Lanka has experienced the largest epidemic of dengue fever in the history with 34896 patient and 345 deaths reported in year 2009. The numbers are increasing as there had been 4393 patients and 38 deaths reported during January 2010, heralding a possible escalation of patients which warrants early action.

Getting the country to eliminate and destroy dengue mosquito breeding places has long been recognized as the most effective activity for dengue control. Unplanned urbanization, lack of infrastructure improvement and poor waste management systems are some factors that have contributed to abundant man-made mosquito breeding places and hence resulted in outbreaks of dengue fever in an unprecedented manner.

Since there are many stakeholder and partners responsible for keeping the environment free from dengue mosquito breeding places, Ministry of health has planned to establish a National Task Force with the aim of promoting environmental management through the collaboration of relevant ministries, departments and organizations. As such, the ministry of health proposes the said membership in view of enhancing intersectoral collaboration.

## **National Health Promotion Policy**

Cabinet granted approval to a memorandum submitted by Nimal Siripala De Silva as the Minister of Healthcare & Nutrition to establish a National Health Promotion policy, to implement an Action Plan integral to this policy through the relevant sectors, and to submit a suitable budget necessary for the implementation of the policy.

Health indicators show that maternal mortality rate has been reduced to 14.43/100,000 and the infant mortality rate to 11.17/100,00 in the last few decades, while male and female life expectancies have been increased to 72 years and 76 years respectively.

These achievements have been made through the activities of the health sector along with those of education and other relevant sectors. In reaching these indicators the contributions of the preventive and curative sectors have been immense. To further improve on this health status in the coming decades, a need has arisen for this National Health Promotion Policy in order to strengthen the already approved National Health Policy.

## **Construction of ultra modern warehouse facilities for storage of agricultural produce, preservation of frozen food and fish including flake ice Manufacturing plants in Dambulla, Galewela and Hambanthota**

Cabinet granted approval to a memorandum submitted by the Minister of Urban Development and Sacred Area Development Dinesh Gunewardena to authorize the Secretary to the Treasury to appoint a CANC and PC to appraise the technical proposal submitted by the M/S Globatec Desarrollos E. Ingenieria, S.A of Calle Villanueva 19, CP-28001, Madrid, Spain and the financial proposal submitted through M/S BBVA of Spain.

Approval was also granted to authorize the Director- General, Department of External Resources to negotiate on the financial arrangements on behalf of the Government of Sri Lanka to ensure the financial viability including the recoverability of bank loans submitted by the M/s Globatec Desarrollos E. Ingeinieria, S.A. of Calle Villanueve 19, CP- 28001, Madrid, Spain that has offered long term Export Credit Facilities through M/s BBVA Bank of Spain.

## **Rehabilitation of Labugama & Kalatuwawa Water Treatment Plants through Hungarian Tied Aid**



Cabinet granted approval to a memorandum submitted by Minister of Water Supply and Drainage A.L.M. Athallah to utilize the entire soft loan facility of Euro 16, 714,045 for Labugama WTP and Euro 17,383,906 for Kalatuwawa WTP and to obtain the full scope in order to fulfill the NWSDB requirements completely and also to award the contract to M/S Forvarosi Vizmuvek Zrt, Hungary, for rehabilitation of Labugama WTP for a sum of Euro 16,714,045 and rehabilitation of Kalatuwawa WTP for a sum of Euro 17,338,906. Cabinet approval was also given to allocate local funding for the implementation of the project as given below :

2010 - Rs. 600 million (VAT, Duty)

2011 - Rs.1300 million (VAT, Duty)

2012 - Rs. 300 million (VAT, Duty)

2013 - Rs.130 million (VAT, Duty)

Tender was evaluated and processed by a Cabinet Appointed Negotiation Committee (CANC) and Project Committee (PC) . The CANC and the PC held negotiations with the contractor from 15th February 2010 to 19th February 2010 and has made the following observations.

i) M/S Forvarosi Vizmuvek Zrt, is owned by the Government of Hungary and is a public quoted company

ii) The loan agreement has been already signed on 17th July 2009 and will be expired on 31st March 2010 and the contract Agreement shall be signed before this date.

iii) Credit facility is a concessionary loan and repayment period is 15 years including grace period of 3 years which begins after the draw down period of 3 years which begins after the draw period of 2 years with 1.82% fixed interest. The concession loan shall be fully utilized to obtain maximum benefit from the concessionary loan.

iv) The proposed project is a rehabilitation of an existing water treatment plant without interrupting the operation to provide water to Colombo city. Further working space and accessibility is constrained and the cost incurred in under such working condition is difficult to assess.

### **Payment of 20% Bonus Interest to Senior Citizens on Rupee deposits maintained in licensed banks**

Cabinet granted approval to a memorandum submitted by President Mahinda Rajapaksa as the Minister of Finance and Planning to implement a scheme for the payment of bonus interest equal to 20 per centum of interest that accrues after 01.01.2010 on rupee savings and fixed deposits held in licensed banks by senior citizens who are above 60 years of age, subject to a maximum of Rs. 120,000 per annum per person and to disburse the payment of bonus interest on a monthly basis, under the proposed scheme, through the account held by DST in the Central Bank of Sri Lanka on the basis of information submitted by licensed banks to the Director, Bank Supervision Department of the Central Bank of Sri Lanka, and to review progress of this scheme quarterly and report to the cabinet.

In view of the significant reduction on interest rates, it is proposed to pay a 20% bonus interest by the Government, on the interest paid on rupee deposits maintained in licensed banks by citizens who above 60 years of age.

With the sharp reduction in interest, the worst affected senior citizens are those who have small deposits. It's therefore proposed that the payment of bonus interest will be subject to an upper limit of Rs.120,000 per senior citizen per annum.

The overall exposure to Government has been computed assuming the current market interest rates structure, where interest rates paid on savings deposits by banks are on average 5% and on fixed deposit rates are around 11%.

**Provide electricity supply to all throughout Sri Lanka before the end of 2011 –  
Implementation of rural electrification projects**



Cabinet granted approval to a memorandum submitted by Minister of Power and Energy W.D.J Seneviratne to:

- (1) implement the rural electrification strategy
- (2) to procure materials required for the above two projects from the suppliers selected by the adoption of the competitive bidding process through buyers credit terms, subject to the condition that the credit facility to meet at least 85% of the material cost to be arranged by the successful material suppliers,
- (3) to authorize the CEB to invite detailed technical and price proposals for supply of materials required for the above two projects along with the credit financing facility proposal from any recognized foreign bank or any acceptable credit financing arrangement to provide at least 85% of the materials cost of the project on buyers credit terms,
- (4) to authorize the Treasury to appoint a TEC and a CAPC with a mandate to negotiate with the bidder if the situation warrants such a negotiation, to evaluate the detailed technical and commercial proposals and to make recommendations to the Cabinet for its final consideration,
- (5) to authorize the Director General of the External Resources Department to negotiate and finalize the terms and conditions of the credit facility required to be arranged by the successful material suppliers,
- (6) to exempt the payment of Value Added Tax under the Value Added Tax (amendment) Act No 14 of 2007 for raw materials imported for the manufacture of conductors, transformers, Reinforced Concrete Poles and PC Poles solely to meet the requirement of the CEB to transmit and distribute electricity,
- (7) to exempt from paying custom duty, excise duty, Cess, NBT and any other duty under the revenue protection order made under the Customs Ordinance or under any other relevant regulation for materials and raw materials imported for the manufacture of conductors, Transformer and other accessories solely to meet the requirements of the CEB under these two projects to transmit and distribute electricity.

**Anusha Palpita**

Director General of Government Information