

3

ECONOMIC AND SOCIAL INFRASTRUCTURE

3.1 Overview

Addressing investment needs in economic and social infrastructure continued to be a key priority in the government's development agenda. Several key infrastructure projects such as the Phase II of the Southern Expressway, Phase I of the Colombo Outer Circular Highway, Units 2 and 3 of Phase II of the Norochcholai Coal Power Plant, Deduru Oya Irrigation project and the Northern railway line to Jaffna were completed during 2014, while the Jaffna–Kankesanthurai sector and the Madhu–Thalaimannar sector of the Northern railway line were completed in the first quarter of 2015. Construction work relating to other mega infrastructure projects such as the East Container Terminal of the Colombo port expansion project, Phase II of Colombo Outer Circular Highway, Uma Oya Multipurpose Development project, the Lotus Tower project and the Port City Project progressed during 2014. In addition, several small scale rural road programmes and housing development programmes continued during the year. The new government formed in January 2015 is in the process of reviewing the ongoing and proposed mega infrastructure projects to ensure their financial viability, environmental feasibility, equitability, and overall contribution to the economy.

Sri Lanka's social indicators continued to improve, enabling the country to maintain its foremost position in social development amongst emerging market and regional peers. As the country is moving towards upper middle income levels, the private sector continued to play an important role in the provision of economic and social infrastructure. The private sector has been visibly engaged in the provision of services such as education, health, communication, passenger and goods transportation and power generation on a standalone basis or as Public-Private-Partnerships of different models. These private sector experiences could be useful in institutional reform, particularly in transforming the loss making public corporations into viable institutions and lessening the fiscal burden while improving the efficiency and transparency of infrastructure service delivery. Although many social indicators stand well above the levels reported by peer economies, continued efforts are necessary to expand economic and social infrastructure provision to keep pace with development needs. As the need to increase public spending on key services is recognised in view of social priorities, attention must be paid to enhance quality in service delivery and reducing the service distribution gaps across regions in order to improve equitable access to such services throughout the country.

Table 3.1 Government Investment in Infrastructure

Year	Economic Services		Social Services		Total	
	Rs. billion	% of GDP	Rs. billion	% of GDP	Rs. billion	% of GDP
2005	77.5	3.2	60.4(a)	2.5	137.9	5.7
2006	106.8	3.6	48.4	1.6	155.2	5.3
2007	141.2	3.9	55.0	1.5	196.2	5.5
2008	168.9	3.8	60.2	1.4	229.1	5.2
2009	256.4	5.3	53.9	1.1	310.3	6.4
2010	278.8	5.0	56.2	1.0	335.0	6.0
2011	326.0	3.8	63.4	0.7	389.4	4.5
2012	343.8	4.5	71.2	0.9	415.0	5.5
2013	369.4	4.3	77.6	0.9	447.0	5.2
2014(b)	330.1	3.4	112.3	1.1	442.4	4.5

(a) Inclusive of Tsunami related capital expenditure

(b) Provisional

Sources: Ministry of Finance

Department of Census and Statistics

Central Bank of Sri Lanka

Table 3.2 Telecommunication Sector Performance

Item	2013	2014(a)	Growth Rate (%)	
			2013	2014(a)
1. Fixed Access Services (No.) ('000)	2,707	2,679	-21.5	-1.0
Wireline Telephones in Service	1,062	1,123	6.3	5.7
Wireless Local Loop Telephones	1,645	1,556	-32.9	-5.4
2. Cellular Phones (No.) ('000)	20,315	22,123	0.0	8.9
3. Other Services				
Public Pay Phones (No.)	6,788	6,654	-2.8	-2.0
Internet Connections (No.) ('000) (b)	2,009	3,383	47.1	68.4
4. Telephone Penetration (c)	112.4	120.0	-3.9	6.7
Fixed Telephones	13.2	13.0	-22.4	-1.8
Cellular Phones	99.2	107.0	-0.8	7.9
5. Internet Penetration	9.8	16.4	46.3	67.3

(a) Provisional

(b) Including mobile internet services

(c) Defined as connections per 100 persons

Sources: Telecommunications Regulatory

Commission of Sri Lanka

Department of Census and Statistics

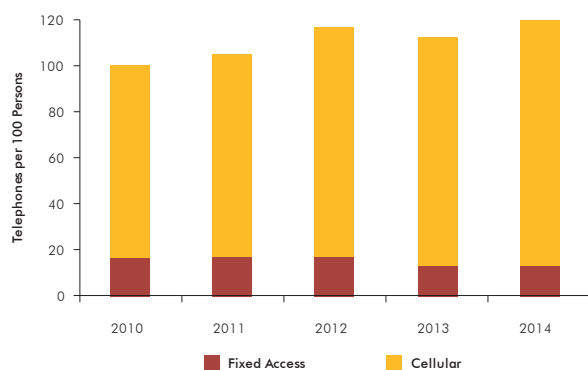
3.2 Economic Infrastructure Policies, Institutional Framework and Performance

Communication Services

The telecommunication industry in the country is rapidly evolving in tandem with global technological advancements while facing many challenges. The number of mobile telephone connections increased by 8.9 per cent while fixed wireline telephone connections recorded a 5.7 per cent growth in 2014. However, fixed wireless connections continued its declining trend recording a drop of 5.4 per cent in 2014, thereby causing a reduction in the total fixed telephone connections by 1.0 per cent. By end 2014, the fixed telephone penetration (connections per 100 persons) and the mobile telephone penetration stood at 13.0 and 107.0, respectively. With regard to internet services, during the past few years, the industry has made a significant qualitative improvement that is essential for the country to emerge as a regional hub. Active usage of Information and Communication Technology (ICT) services in economic activities such as e-banking, mobile banking, e-bus ticketing, and mobile points of sale (POS) has also increased in recent years. Total internet connections grew by 68.4 per cent during 2014 raising internet penetration (connections per 100

persons) to 16.4. This was largely supported by the accelerated growth of 85.8 per cent in mobile internet connections. Access to internet may be even higher, as these connections do not reflect ad hoc data users on general connections, while common access points are considered as single connections, in spite of multiple user access. Rapid changes in technology entail a substantial cost to service providers in upgrading, expanding and operating telecommunication infrastructure, within an extremely competitive environment.

The Telecommunication Regulatory Commission of Sri Lanka (TRCSL) was actively engaged in stimulating quality-oriented competition among service providers while ensuring consumer protection. TRCSL developed an application that works on smartphones

Chart 3.1 Telephone Penetration

and on similar devices to measure the available internet speeds while taking steps to improve awareness among fixed and mobile phone users regarding the quality of internet facilities provided by different service providers. Further, TRCSL introduced regulations for the quality of fixed and mobile voice services with the collaboration of all service providers during the year. TRCSL intends to set up a national equipment identity register for the use of all mobile operators with the aim of curtailing the counterfeit mobile phone market and to discourage mobile phone theft so as to protect the consumers. The Colombo Lotus Tower, which is being built under TRCSL, is expected to be completed in 2015, facilitating the transmission of signals of over 35 radio stations and 50 television channels while providing numerous commercial and entertainment amenities.

The Information and Communication Technology Agency (ICTA) continued its efforts to improve accessibility to ICT services in the country. The number of government organisations that are connected to the Lanka Government Network (LGN) increased to 553 during the year providing remote services to citizens through a secure electronic platform. Several government eServices were developed during the year such as the online Revenue License service in the Southern Province, eService for enabling members to view their Employees' Trust Fund balances and claim application status and eServices for issuing the Certificate of Origin from the Department of Commerce. ICTA also focused on skills development of public sector workers through conducting various training programmes while offering internationally recognised training to IT and Business Process Management industry at an affordable cost. In 2014, 264 new *Nenasala* Centres were established islandwide, increasing the total number of *Nenasala* Centres to 1,005, thus providing increased opportunities to the rural community to access ICT services. As a result of improvements in ICT based public service provision, Sri Lanka's performance in the UN E-Government

Development Index (EGDI) advanced with Sri Lanka's rank increasing to 74 in 2014 from 115 in 2012.

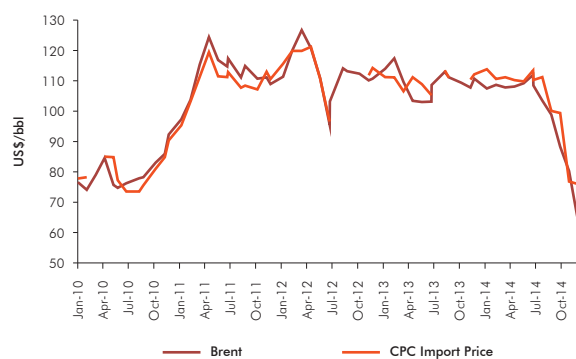
The Department of Posts (DOP) continued to experience operating losses in 2014, in spite of raising the minimum postage charge significantly during the year. The continued losses of DOP could be attributed to the increased availability of alternative modes of communication, while the operational structure of the postal service has remained broadly unchanged. The operating loss of DOP increased by 4.4 per cent to Rs. 3.0 billion in 2014, compared to the loss of Rs. 2.9 billion in 2013. This was the net outcome of the increase in total revenue by 11.0 per cent to Rs. 6.6 billion and the increase in operating expenditure by 8.8 per cent to Rs. 9.5 billion. Postage tariffs were increased after 7 years in August 2014, raising the postal charge for normal letters and business mail from Rs. 5 to Rs. 10 and Rs. 5 to Rs. 15, respectively. Tariffs on other services were also raised with the objective of enhancing the financial position of DOP. By end 2014, the postal service comprised 653 main post offices, 3,410 sub post offices, 524 agency post offices, 101 rural agency post offices and 4 estate post offices. Meanwhile, an ICT forum was held by DOP to identify business opportunities available for DOP in the postal and communication market with the intention of enhancing the individual and corporate customer base by maximising its unique capability of last mile service delivery at competitive rates.

Petroleum

International crude oil prices declined significantly in 2014. By the end 2014, Brent crude price had fallen to US dollars 57.30 per barrel from US dollars 111.21 per barrel recorded at the beginning of the year. The average international crude oil price (Brent) fell to US dollars 99.68 per barrel in 2014 from US dollars 109.15 per barrel in 2013. Oil prices remained high during the first half of 2014 due to geopolitical uncertainties arising

from the tensions between Russia and Ukraine and the continued unrest in the Middle Eastern region. However, oil prices fell by around 50 per cent during the remainder of the year. On the supply side, the reasons for this decline included the continued increase in shale oil production in the US and the Organisation of Petroleum Exporting Countries' (OPEC) decision not to cut down output, while demand side factors included relatively low global demand due to the slowdown of economic growth in emerging market economies and the sluggish growth in the Eurozone and Japan. Broadly following the international price trends, the average price of crude oil imported by Ceylon Petroleum Corporation (CPC) also declined by 4.8 per cent to US dollars 104.53 per barrel in 2014 from US dollars 109.84 per barrel in 2013. In general, average crude oil import price is higher than the international Brent crude price due to the necessity of importing two types of crude oil to blend, to suit the specifications of the refinery that is designed to refine Iranian Light crude. Term contracts signed by CPC to ensure regular supplies of petroleum are another reason for the difference in prices. Meanwhile, the imports of refined petroleum products increased during the year to meet the demand as the local production was insufficient. This, along with other factors, highlights the need to expedite the Sapugaskanda Oil Refinery Expansion and Modernisation (SOREM) Project enabling the supply of petroleum products in a cost effective manner.

Chart 3.2 Average Price of Crude Oil (Brent) in the International Market and Crude Oil Import Price of CPC



Domestic retail prices of petroleum products were reduced twice during 2014 and again at the beginning of 2015 in response to the decline in oil prices in the international market. The first domestic price revision of petroleum products that took place in September reduced the petrol, diesel and kerosene prices by Rs. 5, Rs. 3 and Rs. 20, respectively, per litre. As international oil prices continued to be on a declining trend, petrol, diesel and kerosene prices were again revised downwards in December, by Rs. 7, Rs. 7 and Rs. 5, respectively, per litre. However, the above price revisions did not reflect the actual reductions in global market prices in full. As such, in January 2015, the government further reduced the prices of petrol, diesel and kerosene substantially by Rs. 33, Rs. 16 and Rs. 22, respectively, per litre. To pass on the benefit of the global oil price reduction to electricity consumers, price of furnace oil used for power generation (high sulphur and low sulphur) was reduced by Rs. 10 per litre during the first quarter of 2015.

The consumption of petroleum products grew in 2014 with increased fuel oil power generation and increased demand from the transportation sector. During the year, local sales of petrol grew by 6.0 per cent while sales of diesel increased significantly by 14.4 per cent. Diesel consumption increased considerably during the first four months of 2014 mainly due to higher oil based power generation needs as a result of the irregular coal power generation and the drought conditions at the beginning of the year. Meanwhile, the continued increase in the level of electrification of households in the country resulted in a fall in kerosene sales by 3.2 per cent during the year following the decline of 11.9 per cent in 2013.

CPC's financial position improved in 2014 recording a turnaround from the loss position in 2013. As per the provisional financial statements, CPC reported a profit of Rs. 1.7 billion in 2014 compared to a loss of Rs. 7.9 billion in 2013. The main contributory factor for the improvement in the

Table 3.3 Petroleum Sector Performance

Item	2013	2014(a)	Growth Rate (%)	
			2013	2014(a)
Quantity Imported (MT '000)				
Crude Oil	1,743	1,824	17.3	4.6
Refined Products	2,907	3,385	-26.6	16.4
Coal	1,469	1,608	58.0	9.5
L.P. Gas	197	198	-1.0	0.6
Domestic L.P. Gas Production (MT '000)	22	28	29.4	27.3
Value of Imports (CIF)				
Crude Oil (Rs. million)	182,064	187,760	15.4	3.1
(US\$ million)	1,413	1,438	13.2	1.8
Refined Products (Rs. million)	352,984	391,651	-24.4	11.0
(US\$ million)	2,734	3,000	-25.6	9.7
Coal (Rs. million)	20,882	20,739	35.8	-0.7
(US\$ million)	161	159	30.9	-1.2
L.P. Gas (Rs. million)	26,915	25,876	-3.7	-3.9
(US\$ million)	208	198	-4.8	-4.9
Average Price of Crude Oil (CIF)				
(Rs./barrel)	14,151	13,646	-1.8	-3.6
(US\$/barrel)	109.84	104.53	-3.6	-4.8
Quantity of Exports (MT '000)	511	397	1.4	-22.3
Value of Exports (Rs. million)	55,128	44,132	-6.4	-19.9
(US\$ million)	428	338	-7.6	-21.0
Local Sales - Refined Products (MT '000)	3,982	4,404	-17.2	10.6
o/w Petrol (92 Octane) (b)	733	767	1.0	4.6
Petrol (95 Octane)	55	69	37.5	25.5
Auto Diesel	1,705	1,947	-17.0	14.2
Super Diesel	50	61	19.0	22.0
Kerosene	126	122	-11.9	-3.2
Furnace Oil	827	915	-37.4	10.6
Avtur	360	391	10.1	8.6
Naphtha	72	94	16.1	30.6
Local Sales - L.P. Gas (MT '000)	218	232	3.2	6.4
Local Price (End Period) (Rs./litre)				
Petrol (92 Octane) (b)	162.00	150.00	1.9	-7.4
Petrol (95 Octane)	170.00	158.00	1.8	-7.1
Auto Diesel	121.00	111.00	5.2	-8.3
Super Diesel	145.00	133.00	2.1	-8.3
Kerosene	106.00	81.00	0.0	-23.6
Furnace Oil				
800 Seconds	92.20	92.20	0.0	0.0
1,500 Seconds	90.00	90.00	0.0	0.0
3,500 Seconds	90.00	90.00	0.0	0.0
L.P. Gas (Rs./kg)				
Litro Gas	191.68	151.68	6.7	-20.9
Laugfs Gas	191.68	151.68	6.7	-20.9

(a) Provisional
(b) 2013 data refers to Petrol (90 Octane)

Sources: Ceylon Petroleum Corporation
Lanka IOC PLC
Lanka Marine Services (Pvt.) Ltd
Litro Gas Lanka Ltd
Laugfs Gas PLC
Sri Lanka Customs

financial position of CPC was the decline in global fuel prices during the second half of the year without a full adjustment of domestic fuel prices, resulting in a higher profit margin. Improved debt recovery also helped CPC to reduce outstanding trade receivables from government entities to Rs. 34.1 billion at end 2014 from Rs. 53.2 billion at end 2013. However, the reduction in the consumption of furnace oil by the Ceylon Electricity Board (CEB) due to greater hydro and

coal power generation towards end 2014 had a negative impact on the profitability of CPC. Meanwhile, reflecting increased foreign currency borrowing from the banking sector, CPC's total liabilities to the banking sector increased by Rs. 22.2 billion to Rs. 245.6 billion during the year, although rupee deposits of CPC also increased.

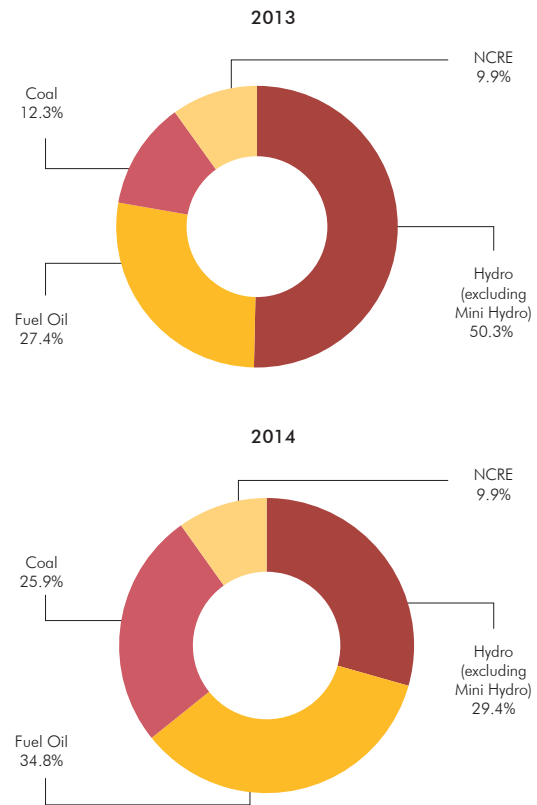
Meanwhile, prospects of exploration of oil with commercial potential have been encouraging, with the discovery of gas and condensate in two out of four wells drilled in the Mannar Basin. Volumetric analyses of Cairn Lanka's two discoveries Dorado and Barracuda indicate a combined potential reservoir capacity in excess of 2 TCF (trillion cubic feet) of natural gas and 10 million BBL (barrels) of condensate. Discussions continued during 2014, on the monetisation of the above discoveries with respect to key impacting areas such as technically feasible recovery, economically supportive market pricing policies and government policies. Following this, the Petroleum Resources Development Secretariat (PRDS) formally communicated its recommendations with regard to inducting the two gas and condensate discoveries into Sri Lanka's energy mix to the Petroleum Resources Development Committee (PRDC). In addition, PRDS provided information and assistance to the Ministry of Power and Energy, which is responsible for the government's mid and downstream operations, to formulate a Natural Gas Policy aimed at the optimum utilisation of the reserve. The detailed evaluation of the bids received at Sri Lanka's second international offshore exploration licensing round held in November 2013 is pending. The need for more petroleum data has led PRDS to encourage foreign companies to conduct joint studies on six of the unexplored deep water exploration blocks. PRDS continued its strategic activities on local content development prioritising capacity building of the petroleum education sector, and published its first Sri Lanka Upstream Petroleum Benefits report in June 2014.

Electricity

Total electricity generation in 2014 increased by 3.9 per cent to 12,357 GWh from 11,898 GWh in 2013. Hydropower generation (excluding mini-hydro generation) during the year decreased by 39.4 per cent to 3,632 GWh. The drought conditions that prevailed during the first half of the year caused a reduction in the share of hydropower in total power generation to very low levels, although the share of hydropower gradually improved towards the end of the year with increased rainfall. Total generation through fuel oil and coal during the year increased by 32.1 per cent to 4,305 GWh and 118.0 per cent to 3,202 GWh, respectively. Meanwhile, generation of electricity through non-conventional renewable energy (NCRE) sources including mini-hydro generation, increased by 3.3 per cent to 1,217 GWh. Accordingly, from total generation, the share of hydro, fuel oil, coal and NCRE power generation was, 29 per cent, 35 per cent, 26 per cent and 10 per cent, respectively. The share of power generated by CEB within total power generation decreased to 69 per cent in 2014 compared to 73 per cent in 2013 while the remainder was purchased from Independent Power Producers (IPPs). The overall transmission and distribution loss as a percentage of total power generation reduced to 10.5 per cent in 2014 from 10.7 per cent in the previous year.

Electricity sales increased by 4.2 per cent to 11,063 GWh in 2014 from 10,621 GWh in 2013. Sales to the 'Industry' category that absorbed 33.9 per cent of total electricity sales increased by 4.5 per cent in 2014. Sales to 'Hotel' and 'General Purposes' categories, which account for 2.2 per cent and 24.8 per cent of sales, respectively, also recorded increases of 11.1 per cent and 8.9 per cent, respectively. The increase in electricity consumption in the 'Domestic' category that absorbs 36.5 per cent of electricity sales was marginal at 0.1 per cent, despite the increase in the number of consumers by 3.7 per cent. The slow growth in electricity sales in

Chart 3.3 Electricity Generation Mix



recent years could be attributed to continued energy conservation practices adopted by households and corporates in response to the substantial upward revisions to the electricity tariff in 2013 and lower energy intensity of growing sectors of the economy.

The electricity tariff that was raised substantially in 2013, was revised downwards in 2014 following the commissioning of the second phase of the Norochcholai coal power plant. The electricity tariff for the 'Domestic' category was reduced by around 25 per cent with effect from 16 September 2014. In November 2014, 'Industry' and 'General Purposes' categories consuming below 300 units per month were given a tariff reduction of 25 per cent by introducing a separate tariff band, while a 15 per cent downward revision was made to the tariff applicable on 'Hotel' and all other 'Industry' and 'General Purposes'

Table 3.4 Electricity Sector Performance

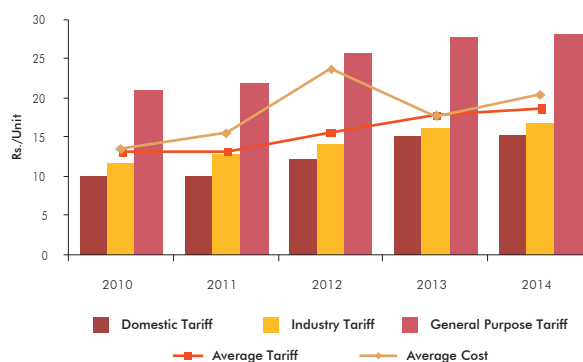
Item			Growth Rate (%)	
	2013	2014(a)	2013	2014(a)
Installed Capacity (MW)	3,362	3,939	1.5	17.2
Hydro (b)	1,361	1,377	0.3	1.2
Fuel Oil (c)	1,335	1,215	-0.2	-9.0
Coal	300	900	0.0	200.0
NCRE (d)	366	447	15.5	22.1
Units Generated (GWh)	11,898	12,357	0.8	3.9
Hydro (b)	5,990	3,632	119.6	-39.4
Fuel Oil (c)	3,260	4,305	-53.0	32.1
Coal	1,469	3,202	4.6	118.0
NCRE (d)	1,179	1,217	60.4	3.3
Total Sales by CEB (GWh)	10,621	11,063	1.4	4.2
Domestic and Religious	3,546	3,585	-0.9	1.1
Industrial	3,344	3,498	1.8	4.6
General Purpose and Hotel (e)	2,316	2,520	5.2	8.8
Bulk Sales to LECO	1,308	1,352	0.4	3.4
Street Lighting	108	108	-0.6	0.0
LECO Sales (GWh)	1,283	1,271	5.5	-0.9
Domestic and Religious	555	527	3.2	-5.0
Industrial	244	252	3.0	3.3
General Purpose and Hotel (e)	446	466	8.3	4.5
Street Lighting	38	26	35.7	-31.6
Overall Transmission and Distribution Loss of CEB (%)	10.7	10.5	-4.2	-2.4
Number of Consumers ('000) (f)	5,717	5,929	4.4	3.7
o/w Domestic and Religious	5,050	5,235	4.3	3.7
Industrial	56	58	3.7	3.6
General Purpose and Hotel (e)	607	633	5.4	4.3

(a) Provisional
 (b) Excluding mini hydro power plants
 (c) Inclusive of Independent Power Producers (IPPs)
 (d) Refers to Non-Conventional Renewable Energy including mini hydro
 (e) Inclusive of sales to government category
 (f) Inclusive of LECO consumers

Sources: Ceylon Electricity Board (CEB)
 Lanka Electricity Company (Pvt.) Ltd (LECO)

categories. Meanwhile, the fuel adjustment charge (FAC) that was imposed in February 2012 was absorbed into the energy charge while maintaining the effective reductions at the levels stated above.

CEB recorded an operating loss during the year 2014, mainly due to the deterioration of hydro power generation during the first half of the year. According to provisional financial data, CEB recorded an operating loss of Rs. 11.7 billion in 2014 in contrast to an operating profit of Rs. 24.6 billion in 2013. The high thermal power generation requirement raised CEB's cost on fuel by 59.7 per cent to Rs. 64.0 billion in 2014. Considering all cost components, CEB's average unit cost at selling point stood at Rs. 20.45 per unit while the overall average tariff was Rs. 18.55 per unit, reflecting a loss margin of Rs. 1.90 per unit at the selling point. However, CEB's financial performance improved significantly

Chart 3.4 Average Tariff and Cost of Electricity

during the second half of the year reflecting the improved low cost power generation. Meanwhile, CEB's short term borrowing from banks and other short-term liabilities to CPC and IPPs decreased by Rs. 5.0 billion to Rs. 84.8 billion by end 2014, while long-term outstanding liabilities, mainly to the banking sector and the government, decreased by Rs. 166.1 billion to Rs. 256.0 billion as at end 2014.

With the addition of the second phase of the Norochcholai coal power plant of 600 MW to the national grid, the country's total coal power generation capacity increased to 900 MW, strengthening the low cost power generation capacity. Currently, coal power, which is four times cheaper than fuel oil power generation, can meet more than 50 per cent of the total electricity requirement of the country. As a result, the overall average unit cost of electricity is expected to fall significantly in the period ahead. In addition, energy security of the country has been improved by reducing the dependence on hydro power generation, which is contingent on weather factors. This will also improve the financial position of CEB through reduced dependence on more expensive fuel oil based power generation. The physical progress of the Uma Oya Hydro Power Plant with an expected capacity of 120 MW, was 45 per cent by end 2014. However, the project has currently been put on hold by the new government pending an evaluation of the environmental and

humanitarian concerns. The construction of a 500 MW coal power plant in Trincomalee is expected to be completed and added to the national grid by end 2019. Meanwhile, CEB's continuous efforts have helped the completion of 766 rural electrification projects covering all districts and electrifying 151,954 houses during the year raising the level of electrification of the country to 98 per cent by end 2014 compared to 96 per cent at end 2013.

The share of NCRE generation remained unchanged at 9.9 per cent of the total power generation in 2014. However, it must be noted that the actual share of NCRE generation may be higher, as many households and business enterprises are increasingly utilising standalone renewable power generation modes. During the year, 12 mini hydro power projects, three wind power plants, one biomass power plant and one dendro power project have been commissioned adding approximately 23 MW, 30 MW, 2 MW and 5 MW, respectively, to the national grid. By the end of 2014, there were 291 MW capacity of mini-hydro power, 131.5 MW capacity of wind power, 13 MW capacity of biomass power, 10.5 MW capacity of dendro power and 1.4 MW capacity of solar power connected to the national grid. In addition, CEB signed contracts for 42 NCRE projects, with a capacity of 105 MW collectively, during 2014. The Sri Lanka Sustainable Energy Authority (SLSEA), which has been engaged actively in promoting energy conservation and assessing indigenous renewable energy sources, has identified the potential of wind power generation in the Mannar region as approximately 375 MW.

Road Development

The construction of new roads and the rehabilitation of existing roads continued to be one of the development priorities in 2014 in line with the National Road Master Plan (2007-2017). In this context, several major highway projects and roads and bridge development projects continued

during 2014. Phase II of the Southern Expressway from Pinnaduwa to Godagama (34.6 km) was opened for traffic in March 2014. The Asian Development Bank (ADB) provided additional funds for the Southern Expressway link road development project under a supplementary loan and the project was completed in January 2015. Under this project, the Matara–Godagama section and the Katukurunda–Nagoda section were completed. Phase I of the Outer Circular Highway (OCH) from Kottawa to Kaduwela is already in use and the physical progress of phase II of OCH from Kaduwela to Kadawatha (8.9 km) was 93 per cent by end February 2015. The land acquisition and construction of internal roads of the phase III of OCH from Kadawatha to Kerawalapitiya (9.3 km) were in progress. An Intelligent Transport System (ITS) for Expressways, aimed at providing better services for the Expressway users, is expected to be commissioned in 2015. This involves the installation of 21 Variable Message Sign (VMS) boards, 20 traffic counters and 11 rain gauges on the Southern Expressway and OCH. The feasibility studies on the Enderamulla–Dambulla and the Mirigama–Ambepussa sections of the Northern Expressway were completed in December 2014. However, granting of the contract on the Northern Expressway was suspended by the new government due to issues associated with costing and procedures adopted. Several other road development projects continued under the Road Sector Assistance Project (phase II). Further, the Hatton–Nuwara Eliya road is being developed with the assistance of the Korean Economic Development Cooperation Fund (EDCF) while the construction of the Manmunai Bridge across the Batticaloa lagoon was completed with Japanese assistance. Meanwhile, Rehabilitation and Improvement of Priority Roads Projects I, II and III, the Government Guaranteed Local Bank Funded Road Rehabilitation project, the Road Network Development project, and the Colombo District Road Development project continued in 2014. Further, the Steel Bridge project phase I and II under the assistance of the United Kingdom and the reconstruction and rehabilitation of 46 bridges under French assistance

continued to strengthen regional development activities. The rehabilitation of rural roads in several districts under the *Maga Neguma* Rural Roads Development Programme also continued during 2014 at a cost of Rs. 7.0 billion. The extent of roads rehabilitated under this programme in 2014 was 687.5 km. In addition, several bridges and flyovers of the island including the Polduwa bridge, which is a multi-span composite bridge across Diyawanna oya in Kotte and the Veyangoda flyover were completed during 2014. The expenditure incurred by RDA for road development stood at Rs. 120.9 billion in 2014. The total length of National Highways (A and B class roads) maintained by the Road Development Authority (RDA) was approximately 12,208 km while the total length of expressways was 161 km as at end 2014.

The emphasis on the development of the road network in the Northern and Eastern Provinces continued. The Northern Road Rehabilitation Project (NRRP), the Conflict Affected Region Emergency Project (CAREP) and the Northern Road Connectivity Project (NRCP) were some of the initiatives geared towards fulfilling the need of improved road infrastructure in the Northern and the Eastern Provinces. Under the NRRP, Oddusudan–Nedunkerny road, Mullaitivu–Puliyankulam road and Nawathkuli–Karativ–Mannar highway were declared open in 2014. Under the CAREP, the Mankulam to Vellankulam road was completed during 2014. Although the NRCP project has been completed in 2013, the ADB provided additional funding and upscaled the project output to rehabilitate 280 km of national roads and 260 km of provincial roads in the region.

Road Passenger Transportation

Although public passenger transportation showed some progress in 2014, it was not sufficient to attract commuters who use their own modes of transportation at a significantly

higher cost due to the inefficiency and poor service quality of the former. The total operated kilometrage of the Sri Lanka Transport Board (SLTB) increased by 8 per cent to 371 million km while total passenger kilometrage increased by 4.1 per cent to 12.7 billion km during 2014. The total number of buses owned by SLTB declined by 604 to 7,003 in spite of the importation of new buses during the year, as a series of auctions was carried out during the year to sell old buses. SLTB acquired 1,910 new buses during 2014 with partial assistance from the General Treasury. The number of buses purchased through SLTB funds alone during the year was 12 while 1,447 buses were rehabilitated and modified. The average number of buses operated per day by SLTB improved by 223 to 4,596 in 2014. SLTB was able to reduce its operating losses substantially during the year. During 2014, the total revenue of SLTB increased by 11.5 per cent to Rs. 33.7 billion. However, operating expenditure also increased by 5.5 per cent to Rs. 35.5 billion, resulting in an operating loss of Rs. 1.9 billion in 2014 compared to a loss of Rs. 3.5 billion in 2013. Meanwhile, during 2014, the number of buses owned and the average bus fleet operated by private operators increased to 20,421 and 18,534, respectively, from 19,651 and 17,067, recorded in the previous year. The operated kilometrage of private buses increased by 23 per cent to 1,041.8 million km, while passenger kilometrage improved by 8.2 per cent to 48.1 billion km during the period under review.

Several projects were carried out with a view to improving the quality of public transportation services during 2014. The *Sisu Seriya* and *Nisi Seriya* services were continued to facilitate the provision of safer transport facilities to students and night time passengers, respectively. Under the *Sisu Seriya* project, 1,135 buses were deployed to provide children with a safe mode of transport to schools. The *Sisu Seriya* bus service was further

improved with the introduction of electronic tickets to over 32,590 school children. These programmes were executed by SLTB in collaboration with private sector buses operated through the National Transport Commission (NTC). The subsidy granted to SLTB on account of operations on uneconomical routes and subsidised season tickets amounted to Rs. 6.5 billion during 2014. New buses with accessibility for differently abled people have been added to the passenger service and 6 super luxury buses have been purchased for operations on expressways. Meanwhile, 68 super luxury buses were received by SLTB following the Commonwealth Heads of Government Meeting in November 2013. This enabled SLTB to initiate a new super luxury tourist transport service under which transport services were made available to both foreign and local tourists. NTC also embarked on a project to promote the usage of bicycles amongst school children as a safe, reliable, and low cost transport option in light of the inadequate public transportation services in rural areas. Under this programme, 3,364 bicycles were distributed by end 2014. Meanwhile, NTC commenced a project to form private bus companies instead of having individually operated buses to streamline private bus services. Under this project, 16 companies have already been established. In addition, a bus tracking, monitoring and controlling system has been installed in around 2,095 buses to regulate operations. In spite of these efforts, both SLTB and private bus operators have failed to provide an efficient and good quality transportation service to the public, which has resulted in a loss of considerable amount of man hours in transit and a high fuel bill for the domestic economy.

The number of new vehicles registered during 2014 increased by 31.5 per cent to 429,556 following a decrease of 18 per cent in the previous year. The increment could be largely attributed to the favourable interest rates on

Table 3.5 Salient Features of the Transport Sector

Item	2013	2014(a)	Growth Rate (%)	
			2013	2014(a)
1. New Registrations of Motor Vehicles (No.)				
Buses	326,651	429,556	-17.8	31.5
Private Cars	1,805	3,851	-41.7	113.4
Three Wheelers	28,380	38,780	-10.0	36.6
Dual Purpose Vehicles	83,673	79,038	-15.3	-5.5
Motor Cycles	24,603	20,799	-34.2	-15.5
Goods Transport Vehicles	169,280	272,885	-12.0	61.2
Land Vehicles	5,872	5,121	-52.1	-12.8
	13,038	9,082	-40.4	-30.3
2. Sri Lanka Railways				
Operated Kilometres ('000)	10,924	11,080	5.4	1.4
Passenger Kilometres (million)	6,257	6,842	24.2	9.3
Freight Ton Kilometres (million)	133	151 (b)	-6.6	13.2
Total Revenue (Rs. million)	5,423	5,909	11.8	9.0
Operating Expenditure (Rs. million)	10,586	16,943	22.4	60.0
Operating Loss (Rs. million)	5,163	11,034	36.0	113.7
3. Sri Lanka Transport Board				
Operated Kilometres (million)	344	371	1.7	8.0
Passenger Kilometres (million)	12,201	12,700	2.5	4.1
Total Revenue (Rs. million)	30,189	33,665	14.7	11.5
Operating Expenditure (Rs. million)	33,684	35,528	11.8	5.5
Operating Loss (Rs. million)	3,496	1,863	-8.2	-46.7
4. Sri Lankan Airlines				
Hours Flown	95,238	97,321	1.4	2.2
Passenger Kilometres Flown (million)	12,988	12,719	1.5	-2.1
Passenger Load Factor (%)	82	80	0.9	-2.7
Weight Load Factor (%)	52	52	-2.9	1.5
Freight (MT '000)	100	96	2.0	-3.6
Employment (No.)	6,548	6,903	6.3	5.4
(a) Provisional	Sources: Department of Motor Traffic			
(b) Estimates	Sri Lanka Railways			
	Sri Lanka Transport Board			
	Civil Aviation Authority of Sri Lanka			

leasing facilities, the depreciation of the Japanese Yen against the Sri Lankan Rupee, the increased importation of hybrid vehicles to the market and the increase in the registration of motor cycles. The number of cars registered increased by 36.6 per cent while the registration of three wheelers declined by 5.5 per cent during 2014.

Rail Transportation

The operations of Sri Lanka Railways (SLR) showed some progress although operating losses increased substantially during 2014. Rail Passenger kilometreage increased by 9.3 per cent to 6.8 billion km in 2014 from 6.3 billion km recorded in 2013 as a result of relatively low tariffs and the recommencement of railway services to Jaffna. Further, the goods kilometreage increased by 13.2 per cent to 151 million MT km in 2014 mainly due to

the introduction of vehicle transportation using the old rolling stock. Total revenue of the SLR increased by 9 per cent to Rs. 5.9 billion while recurrent expenditure also increased by 60 per cent to Rs. 16.9 billion, leading to an increase in operating losses to Rs. 11 billion in 2014 compared to the loss of Rs. 5.2 billion recorded in 2013. The government decided to keep the rail tariff unchanged in spite of the downward revisions to diesel prices, as SLR charges still remain low relative to charges of other modes of public transportation.

While improvements in the railway infrastructure continued, the major development of the year was the recommencement of railway services to Jaffna in September 2014 after 24 years. The reconstruction work of the railway line extending 130 km from Omanthai to Jaffna including the bridges and stations along the line were carried out by SLR and IRCON International Ltd, an Indian government company. Along the Northern line, the restoration of Jaffna, Kodikamam and Elephant Pass stations was completed, while the reconstruction of other stations continued. Further, the reconstruction activities of the Jaffna–Kankesanthurai sector (17 km) and the Madhu–Thalaimannar sector (63 km) of the Northern railway line were completed in the first quarter of 2015. Overall, SLR completed 115 projects rehabilitating platforms, roof and sanitary facilities of stations islandwide. Meanwhile, the implementation of the double tracking of the Kalutara South–Payagala South section and Seeduwa–Chilaw section are underway. In addition, SLR is in the process of upgrading the railway signalling systems in the Ja-Ela–Seeduwa section and at the new Aluthgama station. The upgrading of the Kelani-Valley line including the installation of a colour light system is underway. Meanwhile, to mark 150 years of railway operations in Sri Lanka, the National Railway Museum at Kadugannawa was opened in December 2014.

Civil Aviation

The country's civil aviation sector continued to grow in terms of passenger transportation and cargo movements during 2014. Reflecting the increase in tourist arrivals, air passenger movements increased by 6.9 per cent to 7.8 million during 2014 while transit passengers declined by 0.3 per cent to 1.2 million. Total volume of cargo moved through the Bandaranaike International Airport (BIA) increased by 4.1 per cent to 192,371 MT. The total number of aircraft handled at BIA increased by 8.5 per cent to 55,288 during 2014. Mattala Rajapaksa International Airport (MRIA) handled 2,984 aircraft in 2014 while the airport was used by 63,717 passengers including 43,243 transit passengers. Total cargo handled at MRJA during 2014 was 68.9 MT. Meanwhile, SriLankan Airlines (SLA) suspended its services to and from MRJA from February 2015 while the airport is expected to provide minimal services due to lack of demand. By end 2014, 23 international airlines (including SLA and Mihin Lanka (ML)) served Sri Lanka while eight domestic airlines were in operation.

Refleeting of SLA, the national carrier, commenced in 2014. As per provisional financial statements, SLA continued to record an operating loss of Rs. 29.0 billion in 2014 compared to Rs. 28.6 billion recorded in 2013. This was the outcome of an increase in total revenue by 5.4 per cent to Rs. 115.5 billion in 2014 compared to a 4.6 per cent increase in operating expenditure to Rs. 144.4 billion. Meanwhile, provisional financial statements of ML reported a marginal operating profit of Rs. 652 million in 2014 compared to the operating loss of Rs. 1.0 billion in 2013. As the fuel cost is almost half of operating costs of SLA, reducing fuel cost was essential to improve its financial viability. Therefore, SLA planned a gradual

replacement of the existing aircraft by acquiring a new fleet with superior inflight features and comfort, advanced technological features and enhanced fuel efficiency. Under this programme, two new A330-300 airbuses were added to the fleet in 2014 while five more A330-300 airbuses are expected to be delivered in 2015. SLA also acquired two narrow body A321-200 aircraft during the year, expanding its fleet to 23 by end 2014. In May 2014, SLA became the first carrier in the Indian subcontinent to acquire full membership of 'Oneworld', one of the world's leading airline alliances. In the meantime, in order to improve the financial viability of state owned airlines, the new government announced its intention to restructure SLA and ML.

Construction work of several aviation development projects progressed during 2014. The Phase II Stage 2 of the BIA expansion project was launched in September 2014 with Japanese assistance. The world class multi-level terminal with two pier passenger terminals to be built under this project is expected to increase the current capacity of 6 million passenger movements per annum to 15 million. This project that is scheduled to be completed by 2019 also includes the construction of a multi-story car park and a new railway terminal linking BIA to the city of Colombo. Meanwhile, preliminary studies for the reconstruction of Palali Airport for civil light aircraft operations have been completed and the runway extension of the Batticaloa Airport is under construction.

Port Services

The port sector performance improved mainly reflecting increased commercial operations of the Colombo International Container Terminal (CICT), which is capable of handling mega container vessels. Total container handling in 2014 increased by 14.0 per cent to 4.9 million twenty foot equivalent container units (TEUs)

Table 3.6 Performance of Port Services

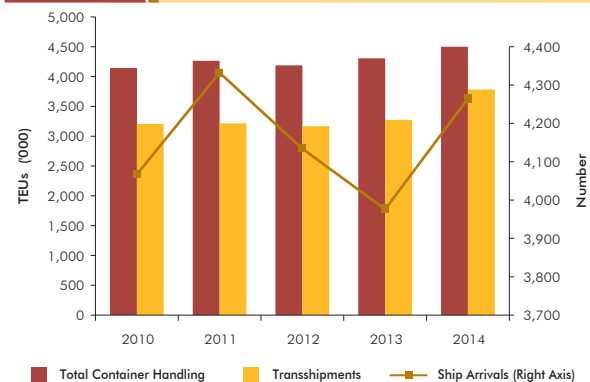
Item	2013	2014(a)	Growth Rate (%)	
			2013	2014(a)
1. Vessels Arrived (No.)	3,976	4,264	-3.8	7.2
Colombo	3,667	3,742	-5.2	2.0
Galle	36	60	-47.8	66.7
Trincomalee	134	127	-16.8	-5.2
Hambantota	139	335	308.8	141.0
2. Total Cargo Handled (MT '000)	66,243	74,410	2.0	12.3
Colombo	63,482	70,794	2.9	11.5
Galle	207	394	-50.9	90.3
Trincomalee	2,435	2,748	-14.8	12.9
Hambantota	119	474	495.0	298.3
3. Total Container Traffic (TEUs '000) (b)	4,306	4,908	2.8	14.0
4. Transshipment Container Handling (TEUs '000)(b)	3,274	3,781	3.4	15.5
5. Employment (No.) (c)	9,886	9,493	-3.1	-4.0

(a) Provisional
(b) TEUs = Twenty-foot Equivalent Container Units
(c) Only for Sri Lanka Ports Authority

Source: Sri Lanka Ports Authority

from 4.3 million TEUs in 2013. An increase of 15.5 per cent was recorded in transshipment container handling throughput during 2014. Total cargo handling reached 74 million MT recording a 12.3 per cent growth compared to the growth of 2.0 per cent in the previous year. A large increase of 87.7 per cent was recorded in Break Bulk cargo handling, reflecting the handling of increased imports of fertiliser, iron/steel and vehicles at both Colombo and Hambantota Ports. Vehicle handling, increased by 206.7 per cent while vehicle transshipments, which is performed only at the Hambantota port, increased by 321.7 per cent during 2014. Container ship arrivals increased by 3.1 per cent while the total

Chart 3.5 Container Handling, Transshipment Volume and Ship Arrivals



number of vessels arriving in Sri Lanka grew by 7.2 per cent in 2014 compared to a negative growth of 3.8 per cent in 2013.

Large scale port expansion projects in Colombo and Hambantota continued. Harbour infrastructure development under the port of Colombo expansion project continued as scheduled. The South Container Terminal (SCT), which has the capacity of handling 2.4 million TEUs per annum was completed in April 2014 and the East Container Terminal (ECT) is expected to open for operations in 2015. The construction of a single berth under the first phase of ECT development plan is expected to address the shortfall in the container handling capacity at the port of Colombo. The Hambantota port is expected to emerge as a service and industrial port, given its strategic location. Towards this end, the fuel tank project, which includes 14 tanks of bunkering fuel, aviation fuel and LPG with a total capacity of 80,000 cubic metres, has been completed and the provision of bunkering facilities has commenced in June 2014. The Hambantota port currently handles only bulk cargo. Under Phase II of the Hambantota port project, four berths are proposed to be built while expanding the harbour basin to a depth of 17 metres with modern equipment and facilities. Meanwhile, as per the provisional financial statements, the Sri Lanka Ports Authority (SLPA) recorded an operating profit of Rs. 8.9 billion in 2014 compared to Rs. 2.4 billion in 2013. The construction work of the Colombo Port City Project (CPCP), designed as a business venture along with luxury apartment complexes and recreational centres by reclaiming 233 hectares of land, commenced in September 2014. The construction work of the project was suspended by the new government pending a review of environmental impact assessment.

Water Supply and Irrigation

The Water supply sector has shown a notable improvement in 2014 in the midst of rising demand for new water connections. National

Table 3.7 Water Supply by National Water Supply & Drainage Board

Item			Growth Rate (%)	
	2013	2014 (a)	2013	2014 (a)
Total Number of Water Supply Schemes (b)	325	329	0.6	1.2
Total Number of New Connections provided during the Period	120,084	124,251	-12.9	3.5
Total Number of Connections (b)	1,707,747	1,831,998	7.6	7.3
Total Water Production (MCM) (c)	547	575	4.0	5.1
Unaccounted Water (%)				
Colombo City	47.5	46.6	-3.4	-1.9
Islandwide	30.2	28.5	1.1	-5.6

(a) Provisional
(b) As at year end
(c) MCM=Million Cubic Metres

Source: National Water Supply and Drainage Board

Water Supply and Drainage Board (NWS&DB) provided 124,251 new water supply connections for domestic, commercial and industrial purposes during the year to reach 1.8 million total connections by end 2014, reflecting an increase of 7.3 per cent over the previous year. Access to safe drinking water has now increased to 89.7 per cent of the population as per the HIES 2012/13 compared to 87.7 per cent as per the HIES 2009/10.¹ Accessibility to pipe borne water through large and medium scale water supply schemes managed by the NWS&DB increased to 44.3 per cent of the total population in 2014 from 43.7 per cent in 2013. By end 2014, the total number of water supply schemes under NWS&DB was 329. In addition, NWS&DB implemented 49 small and medium scale water supply projects to cater to the drinking water demand in small towns throughout the country. NWS&DB also took steps to reduce the incidence of water borne diseases, by addressing the issue of pollution on street drains and reducing pollution of rivers through several projects carried out with the assistance of the Australian government. The proportion of unaccounted water remains high at 28.5 per cent, although it declined from 30.2 per cent in the previous year. Unaccounted water supply in the Colombo city area alone stands at 46.6 per cent. Concerted efforts are required to reach NWS&DB's target of limiting the islandwide unaccounted water usage to 20 per cent by 2020.

¹ A survey conducted by NWS&DB has estimated that accessibility to safe drinking water was 84.6 per cent as at end 2014. The difference in estimates could be due to differences in sampling and methodology adopted.

The improved financial position of NWS&DB helped revise water tariffs downwards with effect from December 2014. A 10 per cent reduction on the total water bill for the consumers who consume less than 25 units was announced by the National Budget in November 2014. As per provisional financial statements, NWS&DB recorded an operating profit of Rs. 2.5 billion in 2014 compared to a profit of Rs. 1.9 billion in 2013. During the year, NWS&DB spent Rs. 35.6 billion as capital expenditure, an increase of 25 per cent compared to the previous year.

The authorities continued to engage in providing water for farming activities through improved irrigation service delivery on a technically sustainable basis with a view to increasing agricultural production and productivity. 18 major irrigation schemes are being developed to ensure the provision of required water supply for farmers. Deduru Oya, which has a 75 million cubic metre capacity, was declared open in November 2014. The project will provide water supply to the districts of Kurunegala and Puttalam through Ingimitiya reservoir, which would help resolve the long term water shortages in the area. The Deduru oya project will also feed the cultivation of 27,500 acres of land and 15,000 farmer families in both districts. During the year, the government spent Rs. 9 billion on major irrigation schemes, which reflects a 110.7 per cent increase over 2013.

3.3 Social Infrastructure Policies, Institutional Framework and Performance

Health

The government continued its efforts to improve the human resource and physical infrastructure base of the health sector during the year. By end 2014, there were 601 government hospitals with 76,918 beds, recording 3.7 beds per 1,000 persons. There were 17,903 qualified doctors in the state health sector by end 2014 recording a doctor for every 1,155 persons, and 31,964 qualified

nurses, a nurse for every 647 persons. The cadre of the state health service including provincial health departments improved with new staff recruitments while several physical infrastructure development projects have also been completed during the year. The country's largest military hospital with 1,024 beds was declared open in May 2014, which is fully equipped with the latest state of the art facilities including surgical theatres, MRI scanning, modular operation theatres, dental units, a pathology laboratory, a radiology unit, a dermatology unit and a labour room. Further, the construction of a cancer treatment unit in Thellipalai Hospital and the establishment of a preliminary care unit at the Lady Ridgeway Hospital were completed during the year. The construction of an accident service and trauma care building complex at the Ragama Teaching Hospital, a cardiology and cardiothoracic complex at the Lady Ridgeway Hospital, a bunker for the linear accelerator at Karapitiya Teaching Hospital to control radioactive exposure and a four storied theatre complex at the District General Hospital–Kegalle are in progress. Meanwhile, there were 95 government Ayurvedic Hospitals with 4,906 beds, while the number of registered Ayurvedic physicians was 21,505 as at end 2014.

Table 3.8 Salient Features of Health Services

Item	2013	2014(a)
1. Government (No.)		
Hospitals (Practicing Western Medicine)	603	601
Beds	74,636	76,918
Primary Health Care Units	481	484
Doctors	17,553	17,903
Assistant Medical Practitioners	1,057	1,055
Nurses	30,928	31,964
Attendants	8,091	8,215
2. Ayurvedic (No.)		
Ayurvedic Physicians (b)	21,060	21,505
3. Total Govt. Expenditure on Health (Rs. billion)		
Current Expenditure	99.6	116.2
Capital Expenditure	19.9	22.3

(a) Provisional

(b) Registered with the Ayurvedic Medical Council

Sources: Ministry of Health and Indigenous Medicine
Department of Ayurveda
Ministry of Finance
Central Bank of Sri Lanka

In 2014, several policies were formulated by the Ministry of Health with a view to improve the quality of healthcare delivery. An Accident and Emergency Care policy was established with a view to reducing preventable mortality and disability linked to accidents and emergencies. This focuses on providing an efficient and effective service by implementing a comprehensive accident and emergency care system throughout the country including the development of multiple emergency care units per hospital and the rehabilitation of existing emergency care units. A national policy on Healthcare Quality and Patients' Safety was also formalised in 2014, to ensure standards of care are maintained at each level of health institutions. This policy is expected to cover clinical effectiveness, patient safety, and patient satisfaction, and thereby encourage the utilisation of primary level hospitals thus preventing the overcrowding of large hospitals. Meanwhile, the Parliament approved the National Medicines Regulatory Authority Act in March 2015, which is expected to ensure the availability of good quality medicinal drugs and safe and effective devices to the general public at affordable prices. In addition, this policy is expected to promote and encourage the manufacturing of medicinal drugs in Sri Lanka.

Several steps have been taken during the year to address the spread of communicable diseases. The National Immunisation Programme maintained near 100 per cent coverage for all childhood vaccinations adhering to the internationally accepted standards. Countrywide surveillance on outbreaks of Dengue fever, Measles, Filariasis, Tuberculosis, Avian Influenza and Leptospirosis continued during 2014. The recruitment of new entomologists to serve high risk districts and new entomological assistants to strengthen entomology surveys in the country was completed in 2014. Steps were taken to establish an entomology laboratory in the National Dengue Control Unit to streamline vector management

activities. Adulticides and larvicides were distributed in all districts for mosquito control activities while ensuring the regular removal of possible mosquito breeding sites from the environment and conducting educational activities. With the outbreak of the Ebola epidemic in some West African countries, quarantine measures were strengthened at BIA while isolation units, particularly at the Infectious Diseases Hospital (IDH) and Negombo hospitals were kept on standby.

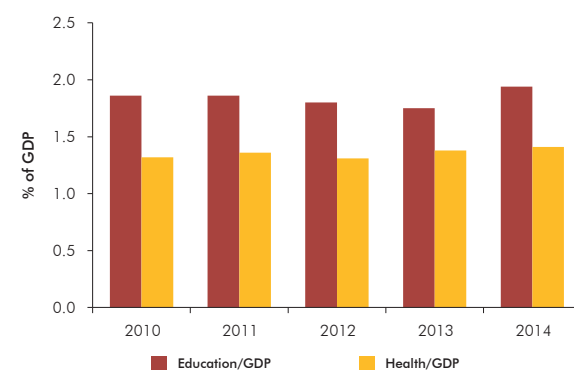
Increasing incidence of Non Communicable Diseases (NCD), particularly due to the ongoing demographic transition and epidemiological transition, also continued to attract the attention of health authorities. More than 70 per cent of annual deaths in Sri Lanka are estimated to be due to chronic NCD such as cardiovascular diseases, diabetes, cancers and chronic respiratory diseases, which are also leading causes of morbidity and disability. The National Policy on chronic NCD prevention addressing minimising the occurrence of and strategies for the reduction of shared modifiable risk factors such as smoking, alcohol, obesity, unhealthy diet and sedentary lifestyles has already been adopted. "Healthy Lifestyle Centres" (HLCs) have been established across the country at the primary healthcare level, which provide services to check fasting blood sugar, Body Mass Index (BMI), total cholesterol and blood pressure. In addition, a National Policy on Cancer Prevention and Control was formalised during the year with the objective of addressing the leading causes of preventable cancers such as oral, breast and cervical cancer. Several digital and print media awareness programmes have been held in view of reducing preventive cancers through early detection. To address the prevalence of the Chronic Kidney Disease of Uncertain Origin (CKDu), the government strengthened screening and haemo dialysis facilities in high risk areas while taking steps to prohibit the importation of three agrochemicals suspected to cause the disease.

Meanwhile, the government enforced the decision to display pictorial warnings on cigarette packets in order to enhance awareness among the public on hazards of cigarette smoking.

Steps were taken to improve maternal and neo-natal health. A Confidential Enquiries into Maternal Deaths (CEMD) programme to improve and strengthen the national maternal death surveillance and response system was initiated in 2014. National maternal mortality reviews were conducted in 26 out of 28 Regional Directorates of Health Services (RDHS) in 2014. Maternal mortality rates in the Northern Province have significantly reduced with the improvement of access to health services and the development of the road network. Further, a Vitamin A mega dose supplementation programme for children aged 6 months to 5 years as well as postpartum mothers within 4 weeks of delivery was initiated in 2014, with a view to curbing micronutrient malnutrition among pregnant mothers and children.

The private sector continued to play a significant role in healthcare service delivery in 2014. By end 2014, there were 221 registered private hospitals with 5,776 beds in the country including 10 Ayurvedic hospitals with 90 beds. The demand for private health services has increased with higher income levels and changing preferences. The ease of accessibility to leading medical consultants and advanced technologies without being waitlisted as well as the increasing popularity of health insurance have also supported the growth of private healthcare provision. This has also highlighted the need for regulation of the sector to ensure the quality of service delivery. Meanwhile, with the growth of the tourism industry, private healthcare providers took steps to exploit the potential in medical tourism with the support of the government.

Chart 3.6 Government Expenditure on Health and Education



Education

The education policy framework was strengthened further during the year to enhance the quality of education services. The Education Sector Development Framework Programme (ESDFP) (2014–2018) was initiated during the year with the objective of increasing equitable access to primary and secondary education, improving the quality of primary education and strengthening governance and service delivery. Following the special Parliamentary committee report on “New educational Policies and Proposals for General Education in Sri Lanka” prepared in 2013, the Cabinet of Ministers appointed an ‘Officials Committee’ comprising secretaries of relevant line ministries to formulate a comprehensive education policy with the aim of aligning the education offered with the needs of the labour market. Meanwhile, the Sri Lanka Qualification Framework (SLQF) published in 2012 was reviewed on a continuous basis with the University Grants Commission (UGC) adopting the SLQF protocols, standards and processes to ensure academic offerings were of appropriate academic content, breadth, length and rigour and to ensure the minimum volume of learning required for each level is met whilst encouraging outcome based education and student centred learning.

Quantitative and qualitative improvements were observed in the general education sector. The country's student net enrolment ratio (NER) of age group 5-14 stood at 98.77 per cent in 2013 (computed in 2014) compared to 98.39 per cent in 2012. School survival rate to Grade 10 improved to 90.2 per cent in 2013 compared to the 88.4 per cent recorded in 2012. The total number of schools in the country was 10,973 (excluding international schools) in 2014 out of which 10,123 were government schools. Within this, the number of schools with less than 50 students remained at 1,540 in 2014. The total number of students and teachers in general education (including international schools) were 4.3 million and 249,024, respectively. The government recruited 5,441 teachers during 2014 addressing cadre requirements, particularly in the newly introduced technology stream. The National Institute of Education (NIE) continued to rationalise school curricula and revise teacher's instruction manuals accordingly. The education infrastructure was further developed in 2014. Accordingly, technological laboratories were constructed in 948 schools under the Development of Thousand Secondary Schools programme. The construction of *Mahindodaya* technological faculties in nine schools that offer the technology stream at the GCE Advanced Level was completed while 242 such constructions were in progress by end 2014. A special programme to upgrade 100 secondary schools in the Northern Province continued with 17 schools being completed. The Transforming the School Education System as the Foundation of Knowledge Hub Project (TSEP) continued with the aim of teacher development, strengthening education management and developing a rolling plan for education while the Education Sector Development Programme (ESDP), the Education for Knowledge Society Project (EKSP), the Education for Social Cohesion Project (ESC) were ongoing. Recognising the importance of ICT literacy,

Table 3.9 Salient Features of General Education

Item	2013	2014 (a)
1. Total Number of Schools	10,849	10,973
Government Schools	10,012	10,123
Primary	3,504	3,559
Secondary	6,508	6,564
o/w National Schools	350	351
Other Schools	837	850
Pirivenas	734	747
Private & Special Schools (b)	103	103
2. Total Number of Students	4,302,407	4,345,810
Government Schools	4,037,095	4,077,989
Other Schools	196,460	194,297
Pirivenas	66,116	62,870
Private & Special Schools (b)	130,344	131,427
International Schools (c)	68,852	73,524
3. Total Number of Teachers	242,345	249,024
Government Schools	223,752	229,655
Other Schools	12,379	12,655
Pirivenas	6,062	6,162
Private & Special Schools (b)	6,317	6,493
International Schools (c)	6,214	6,714
4. New Admissions (d)	342,451	339,554
5. Student/Teacher Ratio		
Government Schools	18	18
Other Schools	16	15
International Schools (c)	11	11
6. Primary Net Enrolment Ratio (5-9 yrs)	98.45	n.a.
7. Secondary Net Enrolment Ratio (10-14 yrs)	99.19	n.a.
8. Age Specific Enrolment Ratio (5-14 yrs)	98.77	n.a.
9. Total Number of Teacher Training Schools	9	9
10. Number of Teachers Trained during the Year	1,280	418
11. Total Number of National Colleges of Education	18	18
Total Number of Teacher Trainees	7,171	6,325
Number Passed Out during the Year	2,766	2,465

- (a) Provisional
 (b) Private schools approved by the government and schools for children with special needs (This figure excludes international schools which are registered under the Companies Act)
 (c) Data based on a survey carried out by the Central Bank of Sri Lanka in 2014 covering 120 international schools. Data reported in the table relate only to schools that responded. The response rate was 59 per cent
 (d) Government schools only
- Sources: Ministry of Education
Central Bank of Sri Lanka

scholarships for 220 teachers were provided in 2014 to acquire International Computer Driving License (ICDL) and Computer Assisted Learning (CAL) whilst 647 professional training scholarships were provided to acquire International Pedagogical ICT Driving License (IPICT). In addition, 150 school principals and educational officers completed the e-citizen training scholarships programme. With regard to rising number of Private and International schools, it has been noted that many operate without being monitored by education authorities of the country necessitating the formulation of a national policy on such entities.

The state monopoly in the higher education sector has been challenged in recent times due to limitations in capacity. As a result, a large number of students have been leaving the country each year in search of higher education opportunities elsewhere, while there has been an exponential growth in the number of private sector higher education service providers locally. Hence introducing the necessary regulatory and accreditation mechanisms is required to ensure an overall improvement in the entire higher education sector. In 2014, the number of students admitted to follow basic degrees at the government university system was 25,200 compared to 143,740 students eligible for university entrance. UGC granted approval for two new undergraduate programmes, 10 postgraduate programmes and 11 new external and extension programmes at state universities in 2014. The progress of establishing faculties for the students studying under the Technology stream at GCE Advanced Level has been slow, creating some uncertainty amongst students, particularly in relation to the nature of the degree they would be offered. The Ministry of Higher Education granted approval to SANASA Campus Ltd. to award bachelor's degrees in Banking and Finance, Insurance and Risk Management and Regional Science and Planning, while approving the grant of degrees on business management by Horizon College of Business and Technology (Pvt) Ltd., thus increasing the number of total private institutions with the authority to confer degrees to 14. Applications from 11 such other institutions seeking degree awarding status were under review at end 2014. The Standing Committee on Accreditation and Quality Assurance (SCAQA) formed by the Ministry of Higher Education continued to operate with a view to defining the quality standards required to be maintained by the non-state sector higher education institutions. This framework needs to be strengthened to accelerate

Table 3.10 Salient Features of University Education (a)

	2013	2014 (b)
1. Universities (No.)	15	15
2. Other Higher Educational Institutions (No.)	18	18
3. No. of Students (Undergraduates) (c)		
Universities	77,126	81,153
Institutes	3,254	3,378
Open University	16,739	14,983
4. Total No. of Staff (All Universities)		
Academic	5,439	5,809
Non-Academic	11,294	11,542
5. Student/Teacher Ratio	17.8	17.4
6. Age Specific Undergraduate Enrolment Ratio (19-23 yrs) (c)	6.2	6.3
7. Progression to University from GCE (A/L)		
Eligible for University Admission (%)	63.04	58.27
Admission as a Percentage of Eligible (%)	16.71	17.50
8. No. Graduated (d)		
Basic Degree	20,839	24,559
Postgraduate Degree	8,636	9,705
9. New Admissions for Basic Degrees (e)	24,198	25,200
10. No. Eligible to be Admitted to Universities	144,816	143,740

(a) Universities and higher education institutions that come under the purview of University Grants Commission
Source: University Grants Commission
(b) Provisional
(c) Excluding external degree courses
(d) Including external degrees and Open University
(e) Excluding external degrees and Open University

the transformation of the higher education sector in to one that is able to serve the demand of an evolving labour market.

Both public and private sectors continued to be active in the provision of Technical and Vocational Education and Training (TVET). The TVET sector, that is expected to bridge the gap between the competencies of the labour force and the needs of the labour market, comprised 531 public institutions and 660 registered private and NGO institutions. These institutions provided 2,277 accredited courses in fields such as ICT, construction, languages, automobile maintenance, textiles and garments, hotel and tourism, design and media, office management, agriculture plantation and livestock, gem and jewellery, printing, etc. Under the National Vocational Qualification (NVQ) system, 28,535 NVQ certificates were issued to students by the Tertiary and Vocational Education Commission (TVEC) during 2014 compared to 22,855 in the previous year.

Table 3.11 Salient Features of Tertiary and Vocational Education and Training

	2013	2014 (a)
1. Number of Registered TVET Institutions	1,081	1,191
Public	519	531
Private and Non-Governmental Organisations	562	660
2. Total Number of Accredited Courses	1,601	2,277
Public	1,175	1,754
Private and Non-Governmental Organisations	426	523
3. Number of Issued NVQ Certificates	22,855	28,535
DTET	2,932	3,481
NAITA	6,085	6,185
VTA	6,262	7,711
NYCS	656	720
Private	6,920	10,438
4. Training Performance of Registered Public Sector Institutions		
Number Recruited	68,554	86,989
Number Completed	31,392	45,552

(a) Provisional

Source: Tertiary and Vocational Education Commission

Housing and Urban Development

The government implemented a number of housing development programmes throughout the country in 2014. The National Housing Development Authority (NHDA) implemented programmes such as *Jana Sevana Upahara* programme and Rural and Semi Urban housing programme targeting low income groups. During the year, 31,178 such families benefitted by these schemes, of which 16,657 families received new housing units. NHDA completed 919 houses under the Indian housing programme in the Northern Province during the year. Further, the *Nagamu Purawara* housing infrastructure rehabilitation programme under NHDA renovated several condominium properties with 6,198 dwellers benefitting during the year. In addition, title deeds were issued by NHDA to 2,188 dwellers residing in government housing schemes without property rights while 314 land plots have been distributed. Meanwhile, the Urban Settlement Development Authority (USDA) completed 288 housing units under the Angulana housing programme, while the construction of 914 housing units was in progress under housing development programmes of Lunawa, Chilaw, Lindula, Trincomalee, Seethawaka, and under the *Diriya* urban housing

programme. In addition, *Janasewana Swashakthi* Human Development programme under the USDA was expanded to 131 new underserved settlements covering 5,841 households aiming the empowerment and education of communities on socio economic and cultural aspects in undeserved settlements. The government has spent around Rs. 7.8 billion on the above projects in 2014.

The Urban Development Authority (UDA) was instrumental in increasing housing facilities of people in urban underserved settlements while continuing active involvement in the development of urban infrastructure. During the year, several large scale housing projects and urban development projects were completed while a number of projects were in progress. UDA completed several housing projects providing 4,183 housing units to urban underserved families in 2014. In addition, the construction of 18 large scale housing projects comprising 12,939 housing units was in progress. Meanwhile, UDA completed several city development projects in the city of Colombo such as the refurbishment of the former Auditor General's Department Building to set up the 'Arcade Independent Square' that comprises a modern shopping complex, a theater, and a leisure park and the conversion of the old St. John's Fish Market to establish the 'Colombo Gold Centre'. Further, renovation work of stage 1 of the Tripoli Market Square to set up an IT knowledge park was completed with the aim of providing high quality IT services to the global market. However, the Pettah Floating Market project that was completed in 2014, in spite of its contribution to city beautification, has failed to attract commercial interest, highlighting the need to pay increased attention on the viability of projects. Meanwhile, the new government has announced its intentions to establish a Western Region Megapolis covering Colombo, Gampaha and Kalutara districts in order to utilise the improved infrastructure facilities more effectively while addressing the infrastructure gaps.

Poverty Alleviation and Safety Nets

The level of poverty has continuously declined over the years with the country achieving the Millennium Development Goal (MDG) of halving poverty between 1990 and 2015. According to the Household Income and Expenditure Survey (HIES), the poverty head count ratio (PHCR) based on the official poverty line (OPL) was 6.7 per cent in 2012/13 compared to 8.9 per cent recorded in 2009/10 and 15.2 per cent in 2006/07. The lowest PHCR of 1.4 per cent was recorded in the Colombo district while the Mullaitivu district recorded the highest PHCR of 28.8 per cent indicating vast disparity across regions. The PHCR in the estate sector and the rural sector stood at 10.9 per cent and 7.6 per cent, respectively, while the urban sector PHCR was lower at 2.1 per cent. The Gini coefficient in terms of household income was 0.48 in 2012/13 compared to 0.49 recorded in 2009/10 while the Gini coefficient in terms of household expenditure was recorded at 0.40 in 2012/13 compared to 0.37 in 2009/10. According to the World Bank Poverty and Equity Databank, Sri Lanka's PHCR in 2010 under the 'less than US dollars 1.25 PPP per day' definition stood at 4.1 per cent while the PHCR in the 'less than US dollars 2.00 PPP per day' category was considerably high at 23.9 per cent. The significant difference in the PHCR under the two definitions highlight the fact

that continued efforts are required to improve living standards of these segments of the population who are vulnerable to adverse shocks.

During 2014, the *Divineguma* programme acted as the main social safety net for the low income people in the country. The Department of Divineguma Development (DDD) was established in January 2014 by consolidating the Sri Lanka Samurdhi Authority, the Department of Samurdhi Commissioner General, Department of Upcountry Peasantry Rehabilitation, Udarata Development Authority and Southern Development Authority. DDD implemented the *Divineguma* Subsidy programme, Nutrition Allowance programme and *Divineguma* Social Security programme with the aim of providing financial assistance to low income families, enhancing the nutritional levels of pregnant and lactating mothers and preventing poor families falling into the lowest depths of poverty due to unexpected shocks. In 2014, the total allocation under the *Divineguma* subsidy programme was Rs. 15.0 billion targeting 1.48 million low income households while Rs. 279 million was allocated aimed at 47,858 beneficiaries under the Nutritional Allowance programme. Under the Social Security programme, Rs. 424 million was allocated to benefit 75,014 families. The new government has announced its intention to restructure the government social safety net programme with better targeting of beneficiaries and minimisation of administrative

Chart 3.7 Poverty Head Count Ratio (Per cent)

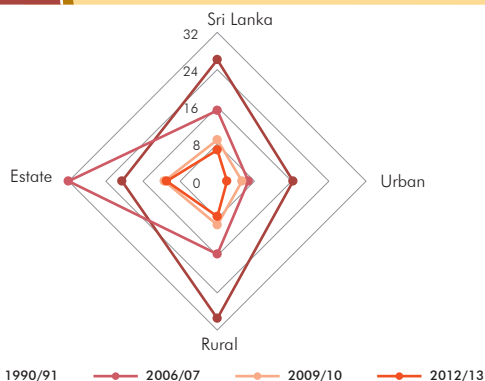


Chart 3.8 Number of Divineguma Beneficiary Families and Expenditure

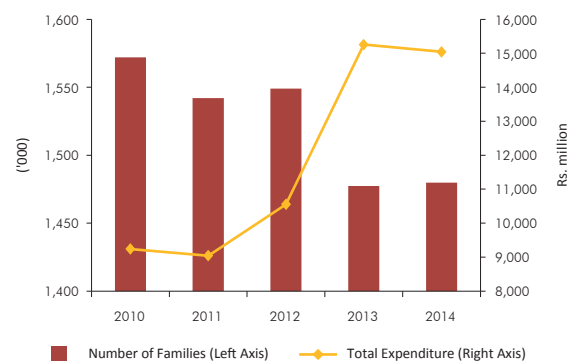


Table 3.12

Divineguma Welfare Programme
Number of Beneficiary Families and Value of Grants

Year	Divineguma Subsidy Programme		Dry Ration Programme		Nutrition Allowance Programme	
	Number of Families (a)	Value (Rs. million) (b)	Number of Families (a)	Value (Rs. million)	Number of Families (a)	Value (Rs. million)
2009	1,600,786	9,274	173,450	2,860	71,762	505
2010	1,572,129	9,241	30,320	1,016	61,495	388
2011	1,541,575	9,043	n.a.	100	44,739	360
2012	1,549,107	10,553	n.a.	54	55,299	250
2013	1,477,313	15,256	n.a.	33	40,403	204
2014	1,479,811	15,042	n.a.	28	47,858	279

(a) As at year end

(b) Including the kerosene subsidy

Sources: Department of Divineguma Development
Ministry of Finance

expenses. Meanwhile, the government has also announced that the *Samurdhi/Divineguma* monthly allowance will be increased to Rs. 4,500 per family with four or more members and that *Samudhi/Divineguma* banks will be integrated with the Regional Development Bank.

Environment

Being a signatory to a number of international treaties and declarations on environmental protection, the government continued its efforts to strengthen the institutional framework for the preservation of the environment and related aspects. Under the National Green Reporting System (NGRS) launched in 2011, 20 new institutions were enrolled while guidelines were prepared and disseminated. The report on 'Integration of forestry sector contribution to the national accounts in Sri Lanka' was finalised based on green accounting principles. A workshop on 'Water Quality Management Policy and Strategies' was held with the aim of emphasising the need to maintain the quality of water in water bodies for safe human consumption. Under the *Pavithra Ganga* programme, several workshops were conducted whilst base maps and demarcation of sub watershed boundaries were prepared for the Kelani river basin. In addition, the preparation of the National Adaptation Action Plan for Climate Change, Technology Needs Assessment Project on Climate Change and addressing the climate change

impact on marginalised agricultural communities living in the Mahaweli river basin continued under the Climate Change Secretariat in 2014. In July 2014, the government approved the revised National Action Plan for Combating Land Degradation in Sri Lanka aligned with the United Nations Convention to Combat Desertification (UNCCD). During the year, the Integrated Conference on Better Air Quality (BAQ) and the 8th Intergovernmental Regional Environmentally Sustainable Transport (EST) forum were held in Colombo under the theme of "Next Generation Solutions for Clean Air and Sustainable Transport – Towards a Livable Society in Asia".

The Central Environmental Authority (CEA) as the central agency for providing national standards, criteria and guidelines on environment-related matters continued to engage in the issuance of certificates and licenses, and the adoption of new environmental laws and regulations. CEA has the responsibility of evaluating projects and issuing Environmental Impact Assessment (EIA) and Initial Environment Examination (IEE) certificates based on the project's environmental feasibility. Accordingly, CEA issued eight EIA certificates and 286 IEE approvals in 2014. Environmental Protection Licenses (EPL) were also continued to be issued to industries as a regulatory tool, and during the year CEA issued 5,790 fresh EPLs and renewed 4,564 EPLs. CEA also conducted

a national week for E-waste management and held discussions to strengthen the management of clinical waste. In addition, amendments were made to the existing air emission, fuel and vehicle importation standard regulations in November 2014. The *Pilisaru* National Solid Waste Management project, National Post-consumer

Plastic Waste Management programme, and projects for the construction of solid waste disposal facilities continued during the year. Environmental concerns are increasingly becoming contentious as the country approaches upper middle income levels, thus making the role of environmental authorities more challenging.