

ECONOMIC AND SOCIAL INFRASTRUCTURE

3.1 Overview

The drive towards improving economic and social infrastructure of the country continued during 2018 with the view of improving the overall wellbeing of the people. The efforts in this regard included infrastructure development projects as well as policy measures aimed at enhancing the provision of economic and social infrastructure. Mainly as a result of the non-adjustment of domestic retail prices in line with higher average international petroleum prices and the depreciation of the rupee, the financial performance of the Ceylon Petroleum Corporation (CPC) weakened considerably in 2018. The cost reflective pricing mechanism for domestic retail petroleum products that was established in May 2018 continued thereafter, albeit with some interruptions during the fourth quarter of the year. The effective implementation of the petroleum pricing formula is essential to address continued losses accrued by this key State Owned Business Enterprise and to protect revenue collection as Sri Lanka's taxes on petroleum products are relatively low compared to its regional peers. Meanwhile, favourable rainfall in catchment areas supported increased contribution from low cost hydropower generation in meeting the electricity demand during the year. Accordingly, although the

financial position of the Ceylon Electricity Board (CEB) remained weak, an improvement was witnessed, compared to the previous year. The Public Utilities Commission of Sri Lanka (PUCSL) approved the base case Least Cost Long-Term Generation Expansion Plan (LCLTGEP) in June 2018. However, ensuring uninterrupted power supplies at an affordable cost depends on expediting the implementation process for new projects to allow a sustainable and optimal generation mix. However, the burden of CEB losses to the tax payers needs to be minimised by introducing a cost reflective pricing formula, which will make users pay the true cost while subsidising targeted low income households. The Moragahakanda hydropower project was commissioned during the year, while the construction of Uma Oya and Moragolla hydropower projects continued. Meanwhile, port related activities witnessed a notable expansion particularly with the port of Colombo being ranked as the fastest growing port among the top 30 container ports of the world during the year. Further, civil aviation activities also recorded an expansion during the year supported by increased tourist arrivals. Rail transportation and public road transportation, in the meantime, recorded a modest

performance during the year highlighting the need for better quality transportation services to attract the general public towards public transportation and reduce traffic congestion. Road development projects, including the construction work of the Outer Circular Highway (OCH) and the Central Expressway, continued while the feasibility study of the Ruwanpura Expressway was completed. Meanwhile, urban development projects also continued including the land reclamation work of the Colombo Port City Project, which was completed in the early part of 2019.

The government, with the support of the private sector, continued to provide health and education services with a view to enhancing the human capital of the country. During 2018, the government took measures to control the spread of both communicable and non-communicable diseases while implementing measures to improve the quality of education through strengthening initiatives such as the '13 years of guaranteed education' and the 'nearest school is the best school' programme. Social safety net programmes to safeguard the welfare of the vulnerable were carried out by the government during the year, with increased efforts to ensure the effectiveness of these initiatives in empowering beneficiaries and enabling better targeting. As the limited fiscal space constrains public spending towards enhancing economic and social infrastructure, facilitating Public Private Partnerships in developing economic infrastructure

while enhancing the quality assurance framework, particularly within health, general education and higher education sectors, are important aspects going forward.

3.2 Economic Infrastructure Policies, Institutional Framework and Performance

Petroleum

Global crude oil (Brent) prices recorded a notable increase during 2018 before declining in the last two months of the year. Brent prices showed an upward trend from mid-2017 until end May 2018 when prices fell over the expectations that the Organisation of the Petroleum Exporting Countries (OPEC) could wind down the output deal, which was in place since the beginning of 2017. However, supply concerns in relation to US trade sanctions on Iran resulted in an uptick in oil prices from mid-August to early-October 2018. Brent prices reached a peak of US dollars 86 on 04 October 2018, which was its highest level since October 2014. Subsequently, from November 2018, Brent prices followed a declining trend due to the build-up of global inventories and record levels of oil production from the world's three largest producers, i.e. the US, Russia and Saudi Arabia, along with uncertainties about future global demand growth, particularly with the slowdown of China and several advanced economies. Accordingly, the average crude oil (Brent) price that stood at US dollars 80.93 per barrel in October 2018 declined to US dollars 58.16 per barrel in December 2018. However, on average, Brent price was 31 per cent higher at US dollars 71.76 per barrel in 2018, compared to US dollars 54.76 in 2017.

The average price of crude oil imports of the CPC moved in line with global crude oil prices. Consequently, the average price of crude oil imported by the CPC increased by 31.9 per cent to US dollars 76.25 per barrel in 2018 from the average price of

Table 3.1
Government Investment in Infrastructure

Year	Economic Services		Social Services		Total	
	Rs. billion	As a % of GDP	Rs. billion	As a % of GDP	Rs. billion	As a % of GDP
2014	330.1	3.2	112.3	1.1	442.5	4.3
2015	429.0	3.9	124.4	1.1	553.4	5.1
2016	424.0	3.5	117.3	1.0	541.3	4.5
2017	474.1	3.5	135.4	1.0	609.5	4.5
2018 (a)	437.9	3.3	133.2	1.0	571.1	4.3

(a) Provisional

Sources: Ministry of Finance
Department of Census and Statistics
Central Bank of Sri Lanka

Figure 3.1

Petroleum Sector Snapshot - 2018

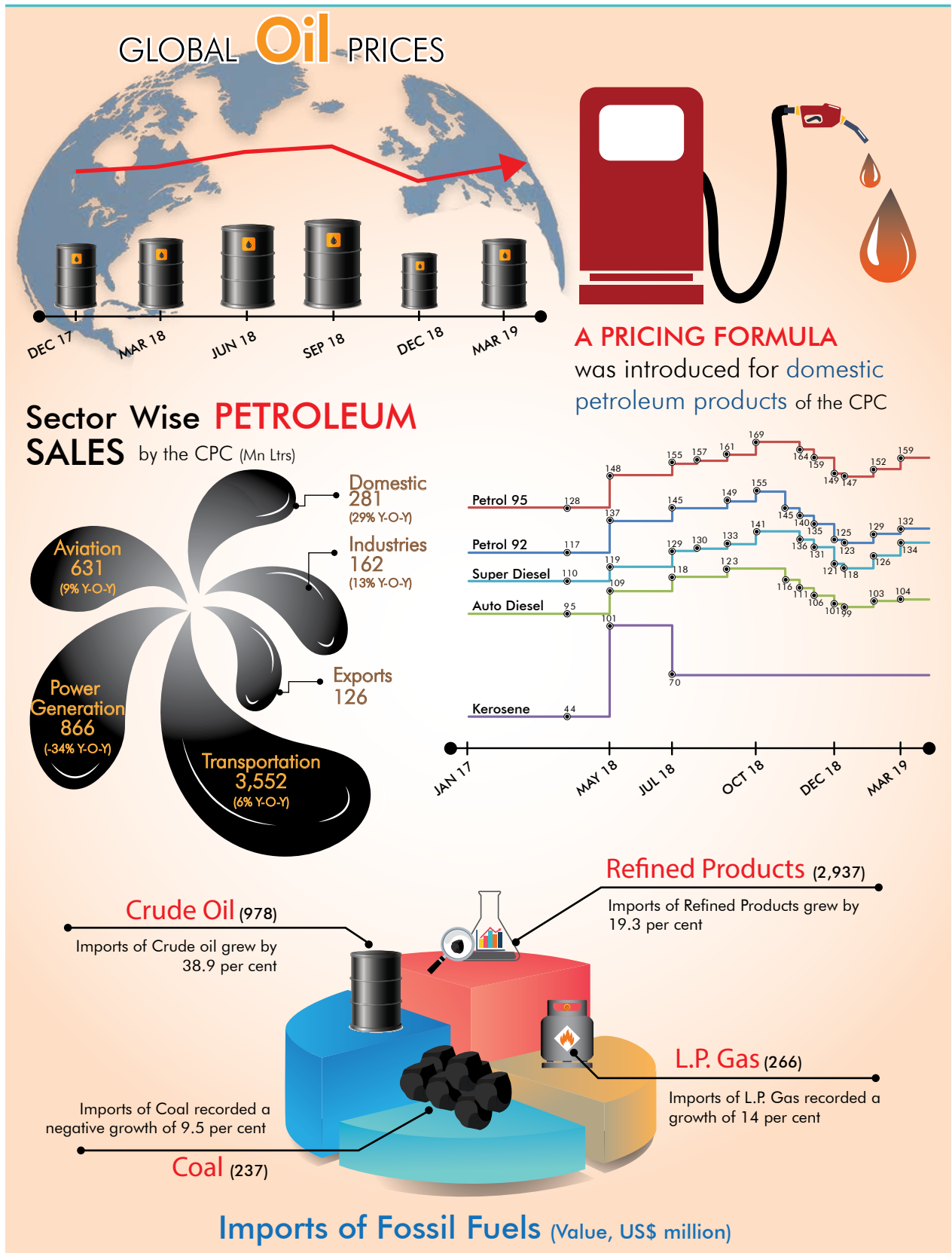
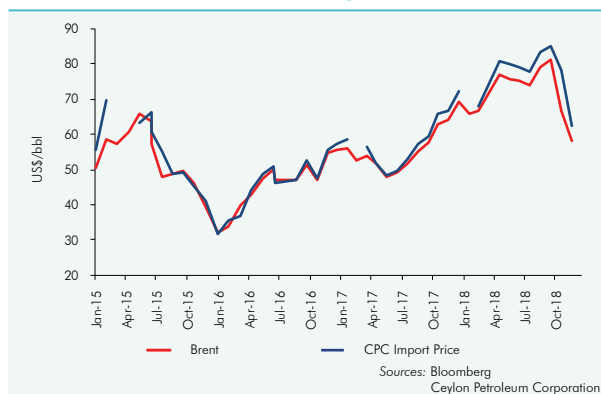


Figure 3.2
Average Price of Crude Oil (Brent) in the International Market and the Crude Oil Import Price of the CPC



US dollars 57.79 per barrel in the preceding year. Meanwhile, the average import price of refined petroleum products by the CPC increased by 25.3 per cent to US dollars 650.2 per MT in 2018, from US dollars 518.9 per MT in 2017.

Domestic retail prices of petroleum products were revised periodically during 2018, with the implementation of a cost reflective pricing formula in May 2018. Accordingly, retail prices for petrol, diesel and kerosene products of the CPC were revised nine times during the year commencing May 2018. As a result, the price of petrol (92 octane) was at Rs. 125 per litre at end 2018, compared to Rs. 117 per litre at end 2017, while the price of auto diesel was at Rs. 101 per litre at end 2018, compared to Rs. 95 per litre at end 2017. Although kerosene prices were initially increased to Rs. 101 per litre, considering the excessive price pressure on economically vulnerable segments of the population and the fisheries sector, the government reduced the price of kerosene to Rs. 70 per litre with effect from June 2018, and maintained it at that level thereafter. Meanwhile, furnace oil prices also increased to Rs. 92 per litre at end 2018, compared to Rs. 80 per litre at end 2017.

Petroleum products sales decreased in 2018 with the decline in demand from the power generation sector. During the year, total local sales of petrol grew by 6.9 per cent in comparison to the previous year. The sharp increase in the import of motor vehicles was a considerable factor. Meanwhile, total domestic sales of diesel declined by 8.3 per cent due to lower fuel oil based power generation as a result of increased hydropower generation. Hence, in 2018, petroleum sales to the power generation sector was 34.0 per cent lower than the previous year. Kerosene sales showed a significant increase of 30.4 per cent during 2018 in comparison to the preceding year. During 2018, total petroleum sales to the transportation and aviation sectors grew by 1.8 per cent and 9.3 per cent, respectively.

Financial performance of the CPC deteriorated substantially during 2018, amidst rising global oil prices, depreciation of the rupee against the US dollar and the non-adjustment in domestic retail petroleum prices until May 2018. As per the unaudited provisional financial statements, the CPC reported an operational loss of Rs. 104 billion in 2018, compared to a profit of Rs. 3.4 billion in 2017. Depreciation of the rupee against the US dollar resulted in a loss of Rs. 82.7 billion to the CPC during 2018, while lower demand from the power generation sector also contributed to the reduction in revenue of the CPC. Although there was a notable increase of rupee deposits of the CPC with state banks, from Rs. 5.0 billion at end 2017 to Rs. 67.9 billion at end 2018, total gross liabilities to the banking sector increased by Rs. 116.2 billion to Rs. 293.2 billion during the year largely reflecting the impact of the US dollar denominated borrowings by the CPC.

Table 3.2
Petroleum Sector Performance

Item	2017 (a)	2018 (b)	Growth Rate (%)	
			2017 (a)	2018 (b)
Quantity Imported (mt '000)				
Crude Oil	1,591	1,674	-5.6	5.2
Refined Products	4,895	4,959	26.0	1.3
Coal	2,530	2,167	5.1	-14.3
L.P. Gas	387	413	12.2	6.7
Domestic L.P. Gas Production (mt '000)	19	22	119.7	13.7
Value of Imports (CIF)				
Crude Oil (Rs. million)	107,397	160,024	23.5	49.0
(US\$ million)	704	978	18.1	38.9
Refined Products (Rs. million)	375,374	475,521	52.4	26.7
(US\$ million)	2,462	2,937	45.9	19.3
Coal (Rs. million)	39,699	38,750	38.4	-2.4
(US\$ million)	261	237	32.9	-9.5
L.P. Gas (Rs. million)	35,505	43,162	46.7	21.6
(US\$ million)	233	266	40.1	14.0
Average Price of Crude Oil (CIF)				
(Rs./barrel)	8,817	12,475	30.5	41.5
(US\$/barrel)	57.79	76.25	24.8	31.9
Quantity of Petroleum Exports (mt '000)	972	1,093	20.4	12.5
Value of Petroleum Exports (Rs. million)	66,280	101,467	58.6	53.1
(US\$ million)	434	622	51.4	43.2
Local Sales - Refined Products (mt '000)	5,379	5,273	9.0	-2.0
o/w Petrol (92 Octane) (c)	1,109	1,179	7.1	6.4
Petrol (95 Octane)	168	189	23.0	12.3
Auto Diesel (d)	2,194	1,987	2.4	-9.5
Super Diesel	92	101	21.5	10.6
Kerosene	161	210	17.4	30.4
Furnace Oil	1,040	949	27.3	-8.8
Avtur	456	499	7.4	9.3
Naphtha	139	137	15.9	-1.6
Local Sales - L.P. Gas (mt '000)	412	435	15.6	5.7
Local Price (End Period) (Rs./litre)				
Petrol (92 Octane)	117.00	125.00	0.0	6.8
Petrol (95 Octane)	128.00	149.00	0.0	16.4
Auto Diesel	95.00	101.00	0.0	6.3
Super Diesel	110.00	121.00	0.0	10.0
Kerosene	44.00	70.00	-10.2	59.1
Furnace Oil				
800 Seconds	82.20	92.00	0.0	11.9
1,500 Seconds	80.00	96.00	0.0	20.0
3,500 Seconds	80.00	n.a.	0.0	n.a.
L.P. Gas (Rs./kg)				
Litro Gas	114.48	138.64	8.3	21.1
Laugfs Gas	114.48	138.64	8.3	21.1
International Market Crude Oil Prices (US\$/bbl)				
Brent	54.76	71.76	21.6	31.0
WTI	50.92	64.99	17.4	27.6
World Oil Supply (million barrels per day)	97.4	100.1	0.5	2.8
World Oil Demand (million barrels per day)	98.0	99.2	1.9	1.3
(a) Revised	Sources: Ceylon Petroleum Corporation			
(b) Provisional	Lanka IOC PLC			
(c) Including XtraPremium Euro 3	Lanka Marine Services (Pvt) Ltd			
(d) Including XtraMile Diesel	Litro Gas Lanka Ltd			
	Laugfs Gas PLC			
	Sri Lanka Customs			
	Bloomberg			
	International Energy Agency			

Further, the CPC's outstanding trade receivables from government entities decreased by Rs. 10.4 billion to Rs. 81.7 billion in 2018, compared to 2017. As at end 2018, the CEB and SriLankan

Airlines (SLA) accounted for 58.3 per cent and 31.3 per cent, respectively, of total trade receivables of the CPC.

Large losses incurred by the CPC highlight the need to strengthen its financial viability on a sustainable basis. Accumulated financial losses of the CPC continued to burden the fiscal situation of the government, while higher borrowings by the CPC to cover its financial deficit affected the banking sector as well. The sharp depreciation of the rupee against the US dollar also generated significant losses to the CPC on top of its legacy debt. Hence, measures are needed to ensure the CPC's financial viability while taking measures to reduce its vulnerability to exchange rate fluctuations. Although demand for kerosene is expected to decline with more households being connected to the electricity grid, consumption of kerosene has continued to increase since 2015. Kerosene is sold at a subsidised price with the aim of supporting low-income households and the fisheries sector but misuse of kerosene by unintended subsidy beneficiaries also contributed to the erosion of the financial performance of the CPC. Therefore, conversion of the kerosene price subsidy to a targeted cash subsidy could partly reduce the financial burden of the CPC. Moreover, with the support of private sector investments, Sri Lanka's oil refinery capacity needs to be improved to enhance the domestic supply of refined petroleum products. Hence, up scaling of the capacity of the Sapugaskanda refinery and discharge lines as well as investment in refining of low grade crude oil to high value petroleum products are needed to strengthen energy security of the country, limit external price shocks and reduce losses of the CPC. Further, measures such as effective adjustment of domestic petroleum prices and enhancing renewable electricity generation to decrease the reliance on petroleum products would also support the financial performance of the CPC.

The Petroleum Resources Development Secretariat (PRDS) continued to support oil and gas exploration activities during 2018. In May 2018, the government entered into a contractual Umbrella Multi-Client Agreement with a subsidiary of a global oil field service, to enhance the off-shore exploration data repository capacity of the country. The survey operations under the agreement were completed in 2018 with the detailed data acquisition of 5,000 line-km, 250 line-km, 500 line-km and 2,500 line-km in JS 05 and JS 06, Cauvery Basin, Lanka Basin and Mannar Basin blocks. In 2018, the Cabinet of Ministers granted approval to float a bid round to find the most suitable entity for commercial production of Liquefied Natural Gas (LNG) in Block M2 of the Mannar basin. Accordingly, the bid round was floated in January 2019 and awarding of the contract to the successful bidder is expected in August 2019.

Electricity

Electricity generation continued to expand in 2018, supported by a significant growth in hydropower generation. Total electricity generation grew by 4 per cent to 15,255 GWh, following the growth of 3.7 per cent in 2017. The share of hydropower generation, excluding mini hydropower, recorded an increase of 68.4 per cent to 5,149 GWh in 2018, in comparison to the previous year, reflecting the higher level of rainfall in catchment areas during the year. With increased hydropower generation, the total fuel oil-based power generation declined by 28.1 per cent to 3,626 GWh, while coal power generation decreased by 6.7 per cent to 4,764 GWh during 2018. The coal power generation declined mainly due to failures at the Norochcholai coal power plant. Meanwhile, power generation through Non-Conventional Renewable Energy (NCRE) sources also increased by 17.3 per cent to 1,716 GWh owing to the rise

in mini hydropower generation by 27.3 per cent to 1,203.4 GWh and solar power generation by 15.3 per cent to 98.2 GWh in 2018, in comparison to the corresponding period of 2017. Accordingly, of the total power generation, the share of hydro, fuel oil, coal and NCRE power generation was 34 per cent, 24 per cent, 31 per cent and 11 per cent, respectively, during 2018. The share of power generated by the CEB increased to 77.4 per cent in 2018, compared to 72.9 per cent in 2017, 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 7.6 per cent in 2018 from 8.5 per cent in the previous year. During 2018, total electricity sales increased by 5.0 per cent to 14,100 GWh, compared to 13,430 GWh recorded in 2017. Electricity sales in the 'domestic' and 'religious' category increased by 3.9 per cent with the rise in the number of consumers by 2.6 per cent in 2018, in comparison to 2017. Meanwhile, sales to 'industry' and 'general purpose' categories,

Figure 3.3
Electricity Generation Mix

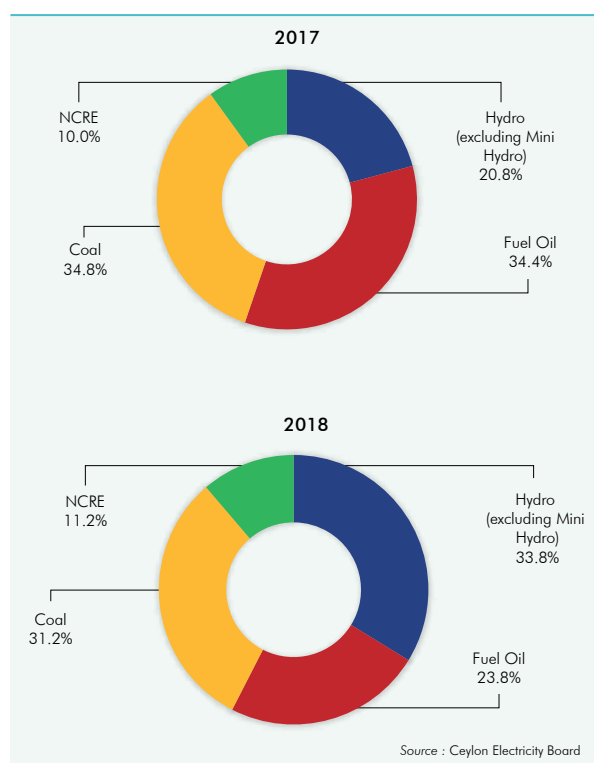


Table 3.3
Electricity Sector Performance

Item	2017	2018 (a)	Growth Rate (%)	
			2017	2018 (a)
Installed Capacity (MW)	4,138	4,085	3.0	-1.3
Hydro (b)	1,384	1,391	0.0	0.5
Fuel Oil (c)	1,293	1,220	6.4	-5.6
Coal	900	900	0.0	0.0
NCRE (d)	561	573	8.2	2.1
Units Generated (GWh)	14,671	15,255	3.7	4.0
Hydro (b)	3,059	5,149	-12.1	68.4
Fuel Oil (c)	5,045	3,626	13.1	-28.1
Coal	5,103	4,764	1.1	-6.7
NCRE (d)	1,464	1,716	26.2	17.3
Total Sales by CEB (GWh)	13,430	14,100	5.0	5.0
Domestic and Religious	4,463	4,641	4.5	4.0
Industrial	4,041	4,298	4.6	6.4
General Purpose and Hotel (e)	3,222	3,412	7.9	5.9
Street Lighting	108	108	-0.3	0.0
Bulk Sales to LECO	1,595	1,640	2.7	2.8
LECO Sales (GWh)	1,518	1,564	3.6	3.0
Domestic and Religious	629	640	2.6	1.7
Industrial	281	288	1.8	2.5
General Purpose and Hotel (e)	586	614	6.0	4.8
Street Lighting	22	22	-4.3	0.0
Overall Transmission and Distribution Loss of CEB (%)	8.5	7.6	-11.5	-11.0
Number of Consumers ('000) (f)	6,741	6,916	3.7	2.6
o/w Domestic and Religious	5,923	6,051	3.3	2.2
Industrial	64	66	3.7	3.1
General Purpose and Hotel (e)	751	796	6.7	6.0

(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)

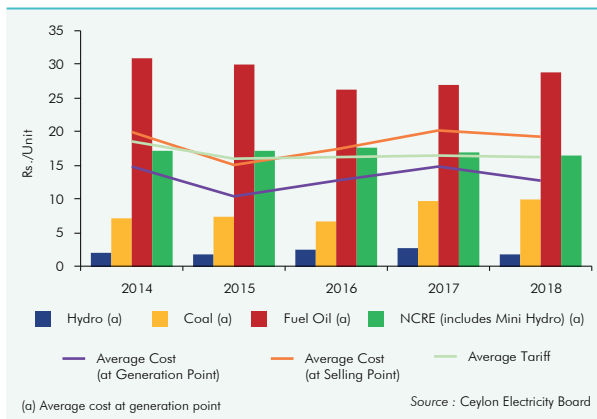
which account for 30.5 per cent and 20.8 per cent of sales, respectively, also registered increases of 6.4 per cent and 5.7 per cent, respectively, in 2018.

The financial performance of the CEB remained weak in 2018 as well. Although hydropower generation improved considerably during 2018, it was not sufficient to offset the losses incurred on account of high cost thermal power generation. According to the unaudited provisional financial statements, the CEB recorded a loss before tax of Rs. 28.9 billion in 2018, in comparison to Rs. 46.0 billion loss in 2017. The low fuel oil requirement for power generation, driven by increased hydropower availability, reduced the CEB's cost on fuel significantly by 28.2 per cent, to

Rs. 41.6 billion in 2018. Hence, the overall average cost of electricity at the selling point reduced to Rs. 19.13 per kWh in 2018 in comparison to Rs. 20.06 per kWh in 2017, while the overall average tariff as at end December 2018 was Rs. 16.30 per kWh, compared to Rs. 16.49 per kWh the previous year. Although the average cost of electricity at the selling point fell during the year, it remained above the overall average tariff, indicating the need for cost reflective pricing in the sector. As at end 2018, the average electricity tariffs charged by the CEB from domestic, general purpose, government, industrial and hotel sectors were Rs. 13.60, Rs.23.78, Rs. 18.24, Rs.14.72 and Rs. 17.61 per kWh, respectively. Meanwhile, short-term liabilities of the CEB, primarily to the banking sector, the CPC and IPPs, increased to Rs. 141.1 billion by end 2018, from Rs. 138.0 billion at end 2017. Long-term liabilities of the CEB, which are mainly to the banking sector, increased to Rs.392.2 billion at end 2018 from Rs. 319.6 billion at the end of 2017. The weak financial position of the CEB and the considerable strain it casts on the balance sheet of the state banks highlight the need for the implementation of plans for the expansion of power generation through less costly sources without delay in addition to the urgent need to introduce a cost-reflective pricing mechanism for electricity.

The PUCSL granted conditional approval for the base case LCLTGEF for 2018 - 2037 submitted by the CEB in June 2018, subject to the accommodation of Cabinet-approved 'Government to Government' LNG power plants and the latest government policy on the electricity generation mix. Accordingly, as per the Cabinet approval, the national policy on the energy mix to be met by 2030 consists of 30 per cent LNG or indigenously available natural gas, 30 per cent high-efficient coal, 25 per cent

Figure 3.4
Average Cost and Average Tariff of Electricity



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large hydro, 15 per cent from both furnace oil, which is a by-product from the refineries in the country, and non-conventional renewable energy sources. The government policy on the electricity generation mix emphasised environmental conservation and the need to develop non-conventional renewable energy sources to maximum feasible levels while ensuring the country's energy security and diversification of the generation mix with the minimum possible generation cost. Further, the government proposed to adopt improved technologies to develop non-renewable energy sources such as high efficient super critical coal power technologies, LNG, nuclear power and indigenously available natural gas. However, consistency in policy decisions on the optimal energy mix and the generation expansion plan is essential to prevent possible adverse implications arising from insufficient and costly power generation. Therefore, it is crucial to evaluate the economic costs of different energy sources to determine the optimal energy mix through a collaborative effort of the PUCSL, the CEB, the Ministry of Power and Renewable Energy and industry experts. Meanwhile, the Ministry of Power and Renewable Energy has taken steps to ensure the availability of LNG for the forthcoming LNG plants, including storage and terminal facilities. Accordingly, the

Ministry is in the process of preparing LNG supply and infrastructure development tenders for the procurement of approximately 1,000 MW capacity power plants. Although offshore explorations have confirmed the existence of economically viable natural gas deposits in the Mannar basin, the discovery of natural gas resources is still at an early stage. The CEB plans to introduce such indigenously available natural gas as a fuel option to these plants in the period ahead.

The PUCSL took several steps during 2018 to regulate the electricity market and enhance consumer safety. Subsequent to a public consultation, the PUCSL with other stakeholder agencies established a framework for licensing electricians with the aim of safeguarding the public as well as increasing the demand for qualified electricians through formal recognition. During the period under review, guidelines were prepared for the installation of rooftop solar power systems, which specify current standards, best practices and information for the installation of solar power systems on existing structures. Further, the PUCSL introduced guidelines for the connection and supply of electricity and new updates to the standard tariff agreements between suppliers and consumers in 2018. In addition, the PUCSL continued public consultation throughout the year, seeking public and stakeholder views and suggestions on various policy measures to be taken on electricity, water and petroleum sectors.

With the aim of catering to the growing energy demand while reducing the cost of electricity generation in the country, construction work of several large scale hydropower projects was in progress during the year. The Moragahakanda hydropower project was commissioned during 2018 with a total capacity of 25 MW. Construction work of the Uma Oya hydropower project and Moragolla hydropower project was in progress

during 2018, and these power plants are expected to contribute an installed capacity of 120 MW and 30.2 MW, respectively, to the national grid by end 2019 and end 2022, respectively. Further, Broadlands hydropower project with a capacity of 35 MW is expected to be commissioned by end 2019. In addition, the 15 MW Thalpitigala hydropower plant will be completed by 2020, while the 20 MW of Seethawaka hydropower plant will be added to the national grid by end 2019.

Several NCRE generation expansion projects were in progress during 2018. The 'Soorya Bala Sangramaya', which was introduced to convert one million households to solar energy generation roof top plants, continued in 2018. Accordingly, 60.7 MW was connected to the national grid in 2018 and a further 70 MW is expected to be added to the grid by the end of 2019. The 'Rivi Bala Savi' concessionary loan scheme to promote rooftop solar plants also continued during the year. Further, required approvals such as development permits and energy permits for the Mannar Wind Power Project with an expected capacity of 100 MW, have been secured during 2018.

During 2018, numerous measures were taken in the electricity sector to improve energy efficiency and conservation. With the intention of saving energy, a LED lamp distribution scheme named 'Shakthi' has been developed by the Sri Lanka Sustainable Energy Authority (SLSEA) during the year. The SLSEA plans to distribute 10 million LED lamps among 3.9 million households, which will reduce peak demand by 304 MW, saving 432 GWh on an annual basis. Under this scheme, it is expected to carry out a bulk purchase of LED lamps, which are more efficient than both Incandescent Filament Lamps (IFL) and Compact Florescent Lamps (CFL), and supply at a price less than one third of the market price to be recovered

on a 24 months installment basis without interest. In addition, the SLSEA plans to establish a solar power park in Siyambalanduwa in the Moneragala district and a solar-wind hybrid park in Pooneryn.

Road Development

The rehabilitation of existing roads and construction of new roads continued amidst tight fiscal conditions in 2018, in order to improve the road network to support economic activity. Total expenditure incurred by the Road Development Authority (RDA) on road development projects amounted to Rs. 160.4 billion in 2018, which is a decrease of 16.9 per cent compared to the previous year. This included expenditure of Rs. 60.5 billion on expressway development, Rs. 70.0 billion on highway development and Rs. 13.1 billion on construction of bridges and flyovers. As at end 2018, the RDA maintained a total length of 12,389.9 km of road, which included national highways and expressways, together with 4,662 bridges.

Projects aimed at improving the road network progressed during 2018. The widening and improvement of 64.3 km length of road and reconstruction of 13 bridges in the Central and Uva Provinces commenced in 2018, with financial assistance amounting to Rs. 14.0 billion from the Exim Bank of China. Meanwhile, 15 contract packages for the rehabilitation, improvement and maintenance of 249 rural roads in the Uva Province were awarded in July 2018 under the i-Road-II project. Rehabilitation and improvement work of the Rambewa to Medawachchiya section of the Kandy-Jaffna road under the Northern Road Connectivity Project recorded 99.0 per cent progress at end 2018. Further, under the first phase of the Priority Roads Project-3, work related to the rehabilitation of 30.1 km length of road in four highways commenced during 2018.

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Meanwhile, rehabilitation and improvement of the Bibile-Chenkaladi section of the Badulla-Chenkaladi road commenced in July 2018 while rehabilitation of the Badulla-Bibile section was in progress during the year. Further, the feasibility study for the extension of the Marine Drive from Dehiwala to Panadura and land acquisition activities for the extension of the Baseline road from Kirulapone to the Colombo-Horana road were also in progress during 2018. The government incurred a cost of Rs. 4.4 billion to carry out routine and urgent improvement work of the national roads under the maintenance programme for the year 2018. In addition, the construction of the new bridge over the Kelani River at Peliyagoda and the feasibility study for the construction of flyovers at Alawwa, Slave Island and Muththettugala railway level crossings progressed during 2018. Meanwhile, a road length of 167.3 km was rehabilitated during 2018 under the 'Maga Neguma' programme.

Work related to the development and expansion of the national expressway network continued in 2018. The consultancy services and civil work of the Southern Expressway extension project from Matara to Hambantota, which included an expressway link to Mattala, was in progress during 2018. Accordingly, as at end 2018, the progress of the civil works of the Southern Expressway extension project that comprised four sections, i.e., section 1 (Matara to Beliatta), section 2 (Beliatta to Wetiya), section 3 (Wetiya to Andarawewa) and section 4 (Mattala to Hambantota via Andarawewa) were at 86.7 per cent, 61.2 per cent, 88.8 per cent and 86.1 per cent, level of completion, respectively. Further, construction work of the first two sections of the Central Expressway extending from Kadawatha to Dambulla, with its Meerigama-Ambepussa and Pothuhera-Galagedara links, continued during 2018. Also, construction work of Phase III of the OCH from Kadawatha to Kerawalapitiya with a link

to the Colombo-Katunayake Expressway continued during 2018. Under the expressway connectivity improvement plan, work related to the rehabilitation and improvement of the Kottawa-Pinhena junction section of the Kottawa-Thalagala road widening project was in progress during 2018.

Several major road development projects are planned to be implemented in the medium term.

The feasibility study of the proposed 74 km-long Ruwanpura expressway, which will link the Southern expressway from Kahathuduwa and extend up to Pelmadulla, was completed during 2018. The total estimated construction cost for the project is Rs. 213 billion and land acquisition activities were in progress during 2018. The RDA has undertaken several measures to reduce traffic congestion and improve road safety in several road sections and junctions within townships and suburbs during the year. Accordingly, planning, designing and bid preparation for the establishment of an advanced traffic management system in the Colombo metropolitan region continued. Consultancy services for the detailed design of the Port Access Elevated Highway project were completed while consultancy services for financial and transaction advisories for the Peliyagoda-Rajagiriyaya section were in progress. Further, the RDA has proposed to construct bypass roads in Ratnapura, Warakapola, Kurunegala and Hikkaduwa and plans to conduct a feasibility study in 2019 to construct a bypass road in Kochchikade as well. Though the government has already invested considerably in developing the road network, which included a significant portion of funding coming from debt related sources, to improve regional connectivity, this investment drive has not been able to fully realise envisaged regional economic expansion. This highlights the need to prioritise development projects in those areas to get the maximum benefit of these investments.

Road Passenger Transportation

During 2018, road passenger transportation services provided by the private sector increased while services provided by the public sector recorded a decline. The total operated kilometrage of buses of the Sri Lanka Transport Board (SLTB) decreased marginally by 0.4 per cent to 446.3 million km, while total passenger kilometrage also declined by 1.7 per cent to 15.5 billion km. The total number of buses owned by SLTB declined to 6,955 in 2018 from 7,305 in 2017, while the average number of buses operated also declined to 5,227 in 2018 from 5,266 in 2017. This reduction was due to the disposal of old buses, which could not be refurbished economically amidst the slower addition to the bus fleet. Meanwhile, the number of buses owned by the private sector increased marginally by 0.2 per cent to 20,030 while the operated average bus fleet also increased by 6 per cent to 19,055 in 2018. The total operated kilometrage of private buses increased by 10.1 per cent to 1.1 billion km, while passenger kilometrage improved by 9.1 per cent to 55.5 billion km during the period under review.

Meanwhile, following the domestic fuel price revisions, bus fares were also revised several times during 2018. Accordingly, the Cabinet of Ministers on 22 May 2018 granted approval to increase bus fares by 12.5 per cent and to increase the minimum fare of Rs. 10 to Rs. 12. However, considering diesel price fluctuations in the domestic market, bus fares were further increased by 4 per cent with effect from 21 September 2018, while bus fares were reduced by 2 per cent and 4 per cent with effect from 9 November 2018 and 26 December 2018, respectively. Meanwhile, the minimum bus fare was kept unchanged at the level of Rs. 12.

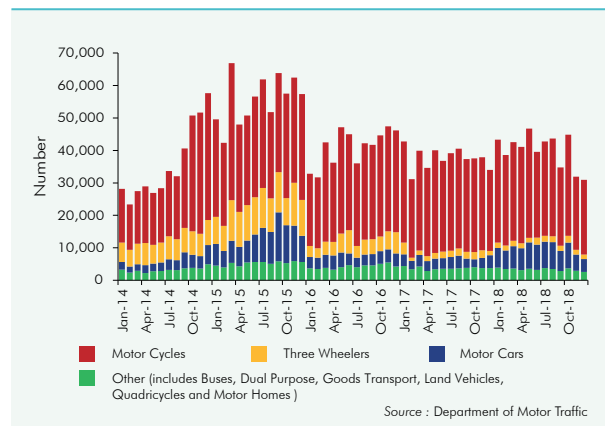
Despite the reduction in operations, the financial performance of the SLTB improved during 2018. As per provisional unaudited financial statements, total revenue of the SLTB increased by 4.6 per cent to Rs. 44.1 billion in 2018 with the increase in revenue from passenger fares by 7.6 per cent in 2018 in comparison to the previous year. In spite of the growth of 4.6 per cent in operating expenditure to Rs. 41.9 billion, the operational profit also grew by 4.2 per cent to Rs. 2.2 billion in 2018, compared to the previous year. Meanwhile, the SLTB carried out routine maintenance activities of the bus fleet during 2018 under the annual rehabilitation project by utilising Rs. 1,397 million. The SLTB commenced a project to establish nine vehicle emission testing centres in the nine provinces, and preliminary civil engineering work progressed during 2018. Moreover, 23 SLTB depots obtained Environmental Protection Licenses during the year, while another 30 depots engaged in preliminary civil activities to acquire the licenses. Further, the Cabinet appointed permanent procuring committee for the procurement of electric buses is expected to obtain approval from the Cabinet to purchase electric buses. Meanwhile, the SLTB deployed 38 and 78 luxury buses in the Katunayake expressway and the Southern expressway, respectively, to provide high quality efficient public transport facilities.

The National Transport Commission (NTC) continued to take action to improve the efficiency of the bus service to underserved areas in 2018. The government allocated Rs. 552 million to the 'Sisu Seriya' service during 2018, which provides safer, cost effective and reliable transport facilities to school children. During the year, 56 new buses have been added to the 'Sisu Seriya' bus fleet, which operated with 1,418 buses. Meanwhile, 43 new buses were launched in 2018 under the 'Nisi Seriya' service, implemented to

serve late night and early morning passengers. The 'Gemi Seriya' programme continued to improve accessibility of people living in rural areas and the NTC plans to initiate 10 new services under this project. Several measures were taken by the NTC to optimise productivity and management of road passenger transportation in 2018. The NTC obtained the approval of the Cabinet of Ministers in September 2018, for the implementation of the proposed Unified Transport Card Solution (UTCS), which is expected to provide passengers with a convenient transport payment card that can be used for multiple transport modes.

The registration of new motor vehicles increased by 6.5 per cent to 480,799 during 2018 as against a contraction of 8.4 per cent observed in the previous year. The increase in vehicle registration was largely witnessed in motor cars, which showed a 106.2 per cent growth in 2018. This increase was mainly driven by the favourable duty structure applicable to small engine capacity vehicles through the 2018 Budget. However, the government and the Central Bank of Sri Lanka took a number of measures to reduce the importation of motor vehicles for personal use during 2018 to address the rising trade deficit. Consequently, the growth in registration of new motor vehicles showed a declining trend towards the end of the year. Meanwhile, new registration of three wheelers, motor cycles, buses, goods transport vehicles and land vehicles recorded contractions of 14.8 per cent, 1.3 per cent, 11.2 per cent, 18.0 per cent, and 21.2 per cent, respectively, in 2018. Although the economic development strategy of the country identifies the need for an efficient public transportation system, the lack of such a system and the favourable changes to the tax structure of small motor vehicles from the 2018 Budget led to an increase in motor vehicle imports draining a considerable amount of foreign exchange from the country.

Figure 3.5
New Registration of Motor Vehicles



Rail Transportation

The Sri Lanka Railways (SLR) registered a modest growth in passenger transportation activities in 2018, while goods transportation activities recorded a decline. During the year, with the addition of new and rehabilitated rolling stock to the service, rail passenger kilometrage increased by 2.9 per cent to 7.7 billion passenger km, in comparison to 7.5 billion passenger km recorded in 2017. However, the goods kilometrage decreased by 17.3 per cent to 119.8 million MT km in 2018, compared to 144.8 million MT km in 2017, reflecting the inefficiencies arising from trade union action, train cancellations and the shortage of locomotives for goods transportation activities.

Construction, improvement and rehabilitation of the railway infrastructure continued during 2018. The SLR commenced initial work on the rehabilitation of the railway line from Maho to Omanthai with a signal system in the Northern railway line and double tracking of the railway line from Polgahawela to Kurunegala during the year. Further, double tracking of the Kandy rail track from Peradeniya to Kadugannawa continued in 2018. The Colombo Suburban Railway

Table 3.4
Salient Features of the Transport Sector

Item	2017 (a)	2018 (b)	Growth Rate (%)	
			2017 (a)	2018 (b)
1. New Registration of Motor Vehicles (No.)				
Buses	451,653	480,799	-8.4	6.5
Motor Cars	3,331	2,957	24.1	-11.2
Three Wheelers	39,182	80,776	-13.3	106.2
Dual Purpose Vehicles	23,537	20,063	-58.7	-14.8
Motor Cycles	16,742	16,931	-37.7	1.1
Goods Transport Vehicles	344,380	339,763	1.2	-1.3
Land Vehicles	11,432	9,371	51.2	-18.0
Quadracycles and Motor Homes	13,049	10,282	-6.4	-21.2
	-	656	-	-
2. Sri Lanka Transport Board				
Operated Kilometres (million)	448	446	-0.8	-0.4
Passenger Kilometres (million)	15,810	15,541	-1.8	-1.7
Total Revenue (Rs. million)	42,163	44,103	3.0	4.6
Operating Expenditure (Rs. million)	40,081	41,935	-4.6	4.6
Operating Profit (+) /Loss (-) (Rs. million)	2,081	2,168	-293.4	4.2
3. Sri Lanka Railways				
Operated Kilometres ('000)	11,679	11,640	-2.0	-0.3
Passenger Kilometres (million)	7,495	7,710	1.1	2.9
Freight Ton Kilometres (million)	145	120	3.5	-17.3
Total Revenue (Rs. million)	6,477	7,413	-2.2	14.4
Operating Expenditure (Rs. million)	14,081	14,381	5.1	2.1
Operating Profit (+) /Loss (-) (Rs. million)	-7,604	-6,968	-12.3	8.4
4. SriLankan Airlines				
Hours Flown	97,213	110,058	1.0	13.2
Passenger Kilometres Flown (million)	14,169	16,180	10.2	14.2
Passenger Load Factor (%)	82	85	2.3	3.4
Weight Load Factor (%)	74	75	32.3	1.9
Freight (mt '000)	124	136	9.8	9.0
Employment (No.)	7,044	6,846	0.9	-2.8
(a) Revised	Sources: Department of Motor Traffic			
(b) Provisional	Sri Lanka Railways			
	Sri Lanka Transport Board			
	Civil Aviation Authority of Sri Lanka			

Development Project, which was jointly launched by the Ministry of Transport and Civil Aviation and the SLR, continued with financial assistance from the Asian Development Bank (ADB) during the year. Under this project, preparation of detailed plans for the electrification of existing railway lines, construction of parallel railroads and renovation of associated railway stations progressed in 2018. Construction work of the 115 km long railway line from Matara to Katharagama continued during the year. Meanwhile, 92.2 per cent of the construction work of the first stage of this project from Matara to Beliatta was completed by end 2018. This project will facilitate economic activities in Colombo, Galle, Matara, Hambantota and Moneragala districts by increasing connectivity between these regions.

The SLR continued its operations aimed at improving its physical infrastructure to increase the punctuality and reliability of the railway service during the year. Accordingly, the SLR took steps to strengthen the rolling stock through the importation of new units under the Indian line of credit. A new locomotive and a Diesel Multiple Unit (DMU) were purchased under this line of credit and the procurement process is expected to continue in 2019 as well. Further, under the financial assistance of the government, the SLR commenced the procurement process to purchase Diesel Electric Locomotives and 9 DMUs to be used on the upcountry railway line. Meanwhile, the project for the installation of 200 new protected level crossing systems under Hungarian financial assistance commenced in 2018, under which 85 systems were established while 48 existing level crossing systems were repaired. Meanwhile, the signalling system of the Kaluthara South-Payagala South railway line was improved while the signalling system of the Seeduwa-Katunayaka railway line was completed in 2018. In addition, the SLR carried out routine repair and rehabilitation work on the existing rolling stock during the year.

SLR continued to record a weak financial performance in 2018 as well. Total revenue of the SLR increased by 14.4 per cent to Rs. 7.4 billion, mainly due to the upward revision of passenger fares in October 2018. However, total expenditure increased by 9.9 per cent to Rs. 29.6 billion in 2018, owing to the increase in capital expenditure with respect to payments made for the purchase of rolling stock, which is to be delivered in 2019. Services of the SLR were occasionally disrupted this year due to trade union action. This led to hardship for commuters while impacting adversely on overall economic activities of the country. Hence, issues related to the railway sector should

be addressed in a proactive manner to provide solutions acceptable to all stakeholders to ensure uninterrupted services to the general public as well as the increasing number of tourists who have a preference for rail transportation. Further, the efficiency of the overall rail transport system, which is deteriorating due to out-dated technology, inadequate service, lack of skilled labour and poor administration, should be addressed through public as well as private investment aimed at improving service delivery.

3

Civil Aviation

The civil aviation sector continued its positive growth momentum during 2018 largely supported by higher passenger movements and cargo handling activities. Reflecting increased tourist arrivals, passenger movements registered a growth of 9.9 per cent to 10.8 million, while cargo handling registered a marginal growth of 0.8 per cent to 268,496 metric tons in 2018, facilitated by the operation of thirty five international airlines. The total number of aircraft movements through the Bandaranaike International Airport (BIA) witnessed an increase of 9.7 per cent to 74,512 in 2018. Although closure of the BIA runway for renovation improved operations at the Mattala Rajapaksa International Airport (MRIA) in 2017, both passenger movements and cargo handling at the MRJA reverted to low levels during 2018. In terms of aircraft movements, the MRJA registered a significant decline of 50.0 per cent to 709 in 2018. Further, total passenger movements and cargo handling at the MRJA in 2018 was 2,258 and 179 metric tons, respectively, registering a decline of 86 per cent and 63 per cent, respectively, in comparison to the previous year. Meanwhile, domestic passenger movements facilitated by seven domestic airlines registered an increase of 24.9 per cent to 30,725 in 2018, in comparison to 24,597 in the previous year.

The financial performance of SLA remained weak in 2018 as well. As per the provisional financial statements, SLA recorded an operating loss of Rs. 18.6 billion in 2018, in comparison to a loss of Rs. 11.9 billion recorded in 2017. This was the outcome of an increase in total revenue by 16.7 per cent to Rs. 172.7 billion in 2018, compared to a 19.6 per cent increase in operating expenditure to Rs. 191.2 billion. Attempts at enhancing operational efficiency through improvements in fuel efficiency, changes in flight schedules and aircraft fleet have also been carried out during 2018. A ten-member expert committee was appointed in January 2019, which has already made recommendations on key areas for a restructuring strategy.

Construction work related to both domestic and international aviation development projects progressed during 2018. Construction work relating to a remote apron and taxiways under the second phase of the BIA project continued during the year, and by end 2018, progress was around 17 per cent. The second phase of the BIA project is expected to be completed by November 2019. The government also gave priority to developing domestic airports including Ratmalana, Hingurakgoda and Palaly in order to enhance local aviation networks. Meanwhile, civil aviation activities at the Batticaloa Domestic Airport (BDA) recommenced in March

Figure 3.6
Air Passenger and Air Cargo Handling



2018. By end 2018, the BDA handled 1,176 aircraft while facilitating 3,854 passenger movements and 47.8 metric tons of cargo handling. Further, the approval of the Cabinet of Ministers was granted for the Master Plan prepared by the Airport and Aviation Services Sri Lanka Limited (AASL) to develop the Ratmalana Airport to exploit business opportunities in civil aviation. Meanwhile, an Environmental Impact Assessment to establish a domestic airport in Bandarawela was in progress during 2018. The government continued to implement effective policy measures aimed at enhancing activities pertaining to the aviation industry in Sri Lanka. Accordingly, during 2018, the government took steps to formulate a civil aviation policy that would provide a strong legal framework for all activities of the aviation industry in the country.

Port Services

Port sector activities continued to improve in 2018 supported by operations at all container terminals of the Colombo port as well as the improved performance of the Hambantota port. Accordingly, the Colombo port handled 7.0 million twenty-foot equivalent container units (TEUs) in the year 2018, which was a 13.5 per cent growth from the previous year. The performance of the Colombo port in terms of transshipment and cargo handling, recorded growth rates of 18.2 per cent and 12.5 per cent, respectively, in 2018 compared to the previous year. Container handling at the Colombo International Container Terminal (CICT) and South Asia Gateway Terminal (SAGT) increased by 12.0 per cent and 14.2 per cent, respectively, in 2018. Meanwhile, container handling at the Jaye Container Terminal (JCT) and Unity Container Terminal (UCT), which are fully owned by the Sri Lanka Ports Authority (SLPA), grew by 14.6 per cent during 2018. Accordingly, the CICT, SLPA and SAGT accounted for

38.0 per cent, 32.7 per cent and 29.3 per cent, respectively, of total container handling within the Colombo port during 2018. Meanwhile, transshipment container handling at the CICT, SLPA and SAGT increased by 15.4 per cent, 21.8 per cent and 17.6 per cent, respectively, in 2018. Total cargo handling at the SLPA managed JCT and UCT reported a growth of 12.8 per cent, while the privately managed SAGT and CICT terminals recorded a growth of 14.5 per cent and 11.5 per cent, respectively, during 2018. Meanwhile, the port of Colombo has been ranked as the world's fastest growing port among the top 30 container ports in the world by Alphaliner Global Port rankings during 2018. The performance of the Hambantota port improved after the concession agreement with the China Merchants Port Holdings Company (CMPort) to develop and operate the port. During 2018, cargo discharging, cargo loading and cargo handling registered a significant growth of 121.1 per cent, 160.1 per cent and 131.6 per cent, respectively, compared to the previous year. Meanwhile, a growth of 115.9 per cent was recorded in total vehicle handling at the Hambantota port during 2018 compared to the previous year.

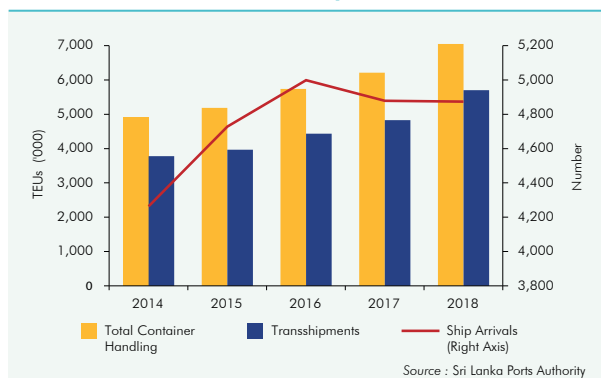
Table 3.5
Performance of Port Services

Item	2017	2018 (a)	Growth Rate (%)	
			2017	2018 (a)
1. Vessels Arrived (No.)	4,879	4,874	-2.4	-0.1
Colombo	4,329	4,331	-1.7	0.0
Galle	87	84	-9.4	-3.4
Trincomalee	233	189	7.9	-18.9
Hambantota	230	270	-18.1	17.4
2. Total Cargo Handled (mt '000)	93,857	104,935	8.5	11.8
Colombo	89,035	100,152	8.7	12.5
Galle	712	729	-7.8	2.5
Trincomalee	3,897	3,560	10.9	-8.7
Hambantota	213	494	-39.9	131.6
3. Total Container Traffic (TEUs '000) (b)	6,209	7,047	8.3	13.5
4. Transshipment Container Handling (TEUs '000) (b)	4,826	5,704	8.8	18.2

(a) Provisional
(b) TEUs = Twenty-foot Equivalent Container Units

Source: Sri Lanka Ports Authority

Figure 3.7
Container Handling, Transshipment
Volume and Ship Arrivals



3 **Development projects were carried out at the Colombo port as well as Galle, Kankesanthurai, Oluvil and Trincomalee ports to enhance port activities during 2018.** The development of the East Container Terminal (ECT) continued under the Colombo South Port project during 2018. The SLPA developed 440 metres of the quay wall, adjacent yard area, and connected facilities of the ECT. A National Port Master Plan, which includes plans for the development of Colombo and Trincomalee ports, is being prepared with technical assistance from international consultants. Moreover, in order to accommodate the increasing demand for bulk cargo handling at the port of Trincomalee, it has been decided to expand the existing Ashraf Jetty by 50 metres and construct another 110 metre long quay wall at a depth of 14 metres in alignment with the existing jetty. In addition, the Danish International Development Agency carried out an engineering study to find a suitable solution for the prevailing siltation issue at the Oluvil harbour. Preliminary procedures related to the rehabilitation of the Kankesanthurai port were taken by the SLPA during 2018 and the construction work is expected to commence by end 2020. Further, the Request for Proposals (RFP) for the Yacht Marina project at the port of Galle was issued during 2018 and the evaluation of RFPs was in progress.

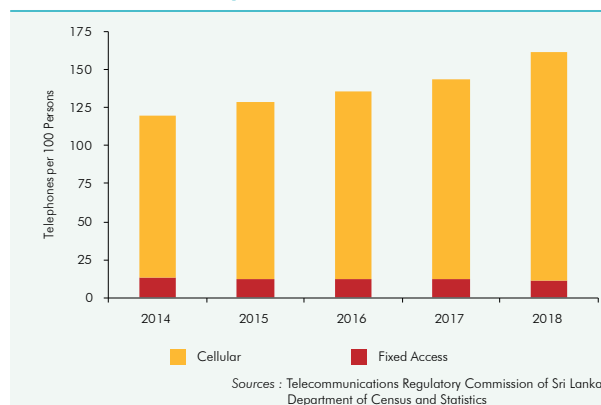
Financial profitability of the SLPA declined in 2018 amidst the increasing port activities.

As per the unaudited provisional financial statement, the SLPA recorded a profit of Rs. 8.7 billion in 2018 before taxes, in comparison to the profit of Rs. 12.0 billion before taxes recorded in 2017. During 2018, the total revenue of the SLPA increased by 18.5 per cent to Rs. 50.1 billion, while operating expenditure increased by 7.4 per cent to Rs. 30.0 billion. In addition, foreign exchange losses of the SLPA increased considerably to Rs.11.3 billion during the year, compared to Rs. 2.2 billion in 2017.

Communication Services

The telecommunication sector recorded further growth with rising telephone and internet connections in 2018. The total number of mobile telephone connections increased significantly by 15.4 per cent to 32.5 million connections in 2018. Total fixed wireline telephone connections increased by 1.5 per cent, while total fixed wireless connections showed a decline of 9.7 per cent. Overall, total fixed telephone connections declined by 4.6 per cent to 2.5 million connections during 2018. Meanwhile, total internet connections recorded a growth of 23.0 per cent in 2018 with the support of increased fixed internet connections. Fixed internet connections grew by 25.2 per cent to 1,530,099, while mobile internet connections increased by 22.4 per cent to 5,733,062 connections during 2018. With these developments, total telephone penetration (connections per 100 persons) rose to 161.6 with fixed telephone penetration and mobile telephone penetration at 11.5 and 150.1, respectively. In the meantime, internet penetration (connections per 100 persons) stood at 33.5 by end 2018, compared to 27.5 at end 2017.

Figure 3.8
Telephone Penetration



The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) took measures with a focus on quality assurance in the telecommunication industry during 2018. Apart from the regulatory activities, the TRCSL finalised the preliminary design of its head office extension project in Colombo and the project is to be completed in 2019, while the Colombo Lotus Tower project of the TRCSL is expected to be completed in mid 2019. The TRCSL, in collaboration with the Urban Development Authority (UDA), aims to develop a master plan to develop the neighbourhood of the Colombo Lotus Tower as a public attraction. Accordingly, the TRCSL has taken the initiative to develop the adjoining land into a multifunctional vehicle park complex along with recreational facilities. The Cabinet of Ministers has already approved land allocation and the UDA is entrusted to acquire and transfer the land.

The government continued its efforts to develop the economy through digitalisation. Accordingly, the Ministry of Digital Infrastructure and Information Technology was involved in projects to improve digital literacy of students and teachers, information technology literacy of senior citizens, information and communication technology (ICT) usage of government officers, logical analysis competency of students and conducted television and radio programmes for awareness about

digitisation. In addition, the Sri Lanka Computer Emergency Readiness Team Coordination Centre, which is involved in monitoring the network security of government organisations, implemented the Cyber Security Capacity and Infrastructure Development project to deliver comprehensive security assessments for the ICT infrastructure of government organisations.

The Information and Communication Technology Agency (ICTA) continued its activities to promote ICT services in the country. During 2018, the ICTA was involved in several projects to enhance the accessibility of ICT services in the country. In this regard, the ICTA implemented the Lanka Government Network 2.0, and 860 government organisations were digitally connected through this network. Meanwhile, an improved industry standard version of centralised Lanka Government Cloud was established during 2018 under the Lanka Government Cloud 2.0 project, to reduce operational costs and improve service delivery. In order to increase efficiency and productivity in the management of the Employees' Trust Fund (ETF) related services, the ICTA implemented the ETF Management System project. Further, the ICTA implemented the Development of Electronic Services project to

Table 3.6
Telecommunication Sector Performance

Item	2017	2018 (a)	Growth Rate (%)	
			2017	2018 (a)
1. Fixed Access Services (No.) ('000)	2,603	2,485	2.1	-4.6
Wireline Telephones in Service	1,198	1,216	2.8	1.5
Wireless Local Loop Telephones	1,405	1,269	1.5	-9.7
2. Cellular Phones (No.) ('000)	28,199	32,528	7.5	15.4
3. Other Services				
Public Pay Phones (No.)	5,137	5,091	-3.1	-0.9
Internet Connections (No.) ('000) (b)	5,904	7,263	20.0	23.0
4. Telephone Penetration (c)	143.6	161.6	5.8	12.5
Fixed Telephones	12.1	11.5	0.9	-5.5
Cellular Phones	131.5	150.1	6.3	14.1
5. Internet Penetration (c)	27.5	33.5	18.6	21.7

(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

develop key government online services, a Citizen Empowerment and Connectivity Development project to install public Wi-Fi, and an eParliament project to establish an Electronic Document Management System for the Parliament. The Digital Libraries for Knowledge Enhancement project was implemented to establish libraries with digital equipment. Moreover, the ICTA conducted several workshops and training programmes for public officials to enhance awareness about digitalisation of the country through its projects during 2018.

3 The Department of Posts (DOP) continued its services incorporating concepts of modern technology and new market strategy to improve efficiency and productivity in the postal service. By end 2018, the DOP included 653 main post offices, 3,410 sub post offices, 524 agency post offices, 101 rural agency post offices and 4 estate agency post offices. Through the network of main post offices and sub post offices, the DOP developed an online transaction service to deliver efficient postal services. The financial performance of the DOP continued to record a loss as in previous years. However, the operating loss of the DOP decreased by 7.4 per cent to Rs. 5.1 billion in 2018, in comparison to the loss of Rs. 5.6 billion in 2017. Postal services, financial services and social and obligatory services have increased the revenue of the DOP by 10.2 per cent to Rs. 7.7 billion, while operating expenditure increased by 2.4 per cent to Rs. 12.9 billion in 2018. Meanwhile, the DOP implemented an e-Commerce Development Activity Plan to encourage small and medium entrepreneurs to access the international market and sell their products online. In addition, the DOP diversified and expanded its services to areas, such as the use of alternative transport methods, speed post service, development of inland parcel service, introduction of the virtual postal facility and e-Card system, to enhance its revenue.

Water Supply and Irrigation

The National Water Supply and Drainage Board (NWS&DB) continued to expand its services to meet the rising demand for new water connections while ensuring equitable access to safe and affordable drinking water.

The NWS&DB provided 109,482 new water supply connections in 2018. Accordingly, the total number of connections managed by the NWS&DB reached a total of 2.3 million, registering a 4.9 per cent increase in comparison to 2017. In 2018, the proportion of non-revenue water decreased to 41.7 per cent from 43.1 per cent in the Colombo city area and to 24.9 per cent from 25.2 per cent in the country. It is important to take measures to minimise losses that are generated by non-revenue water while strengthening maintenance services and establishing a comprehensive measuring, monitoring and reviewing process. In order to reduce the levels of non-revenue water usage, which is the difference between the volume of water pumped into the water supply system and the volume of water that is billed as authorised consumption, the NWS&DB has to take action to rehabilitate existing decayed infrastructure as well as address shortcomings in meter readings and illegal connections.

The NWS&DB implemented several water supply development projects in 2018 while increasing the level of access to safe drinking water. Accordingly, access to safe drinking water has increased to 90.6 per cent of the population and accessibility to pipe borne water also increased to 50.5 per cent by the end of the year. During the year, the NWS&DB commenced several major water supply projects in Anuradhapura North, Kandy North–Pathadumbara and Hemmathagama, which will improve water service facilities to more than 830,000 beneficiaries in the next two decades. Meanwhile, 29 major water supply schemes were

carried out throughout the country with local and foreign funds during 2018. The NWS&DB plans to implement 13 priority water supply projects to cover several suburban and rural areas, targeting around 1.7 million beneficiaries in the period ahead.

The financial position of the NWS&DB remained weak in 2018. The total revenue increased by 4 per cent to Rs. 24.8 billion mainly due to the higher number of connections provided during the year while operational and maintenance cost also increased by 11.4 per cent to Rs. 27.7 billion. Compared to the operational profit recorded in 2017, the NWS&DB reported an operational loss of Rs. 1.8 billion in 2018. Increased expenditure owing to electricity charges, debt service payment and salaries and wages mainly contributed in weakening the financial position of the NWS&DB.

Construction work of several major irrigation projects progressed in 2018. The Moragahakanda-Kalu Ganga Development Project, which was a major component of the Mahaweli Master Plan, was completed with a view to providing irrigation facilities for 82,000 hectares of lands in both Yala and Maha seasons, and 5,000 hectares of new land for agriculture development in the Northern, North Central, Eastern and North Western Provinces. Also the project will add 25 MW capacity of hydropower to the national grid. Meanwhile, construction work on the 9 km water transfer canal, in the mountainous terrain from the Kalu Ganga Reservoir, linking the 8 km tunnel from the Moragahakanda Reservoir commenced during the year. Many reservoir projects including the Deduru Oya Reservoir Project, Menik Ganga Reservoir Project and Rambukkan Oya Reservoir Project were continued in 2018. Further, the Uma Oya downstream development project, which was under the purview of the Irrigation Department, recorded a 72 per cent physical progress at end 2018.

Table 3.7
Water Supply by National Water
Supply & Drainage Board

Item	2017	2018 (a)	Growth Rate (%)	
			2017	2018 (a)
Total Water Supply Schemes (No.) (b)	343	348	1.8	1.5
Total New Connections provided during the period (No.)	126,701	109,482	-8.7	-13.6
Total Connections (No.) (b)	2,219,172	2,328,654	6.1	4.9
Total Water Production (MCM) (c)	679	707	4.6	4.1
Non Revenue Water (%)				
Colombo City	43.1	41.7	-5.6	-3.5
Islandwide	25.2	24.9	-1.2	-1.2
Access to Safe Drinking Water (per cent) (d)	89.3	90.6	1.7	1.5
Access to Pipe Borne Water (per cent) (e)	49.2	50.5	3.1	2.6

(a) Provisional
(b) As at year end
(c) MCM=Million Cubic Metres
(d) Comparative figure based on the HIES-2016 of the DCS is 88.8 per cent
(e) Includes systems managed by other authorities

Source: National Water Supply and Drainage Board

Meanwhile, the Kelani River Bund Protection project was launched in 2018 with the view to protecting people and other infrastructure from flood situations. Moreover, to increase the climate resilience of infrastructure, the Climate Resilience Improvement Project (CRIP) continued in 2018, covering 21 major irrigation schemes in the country.

3.3 Social Infrastructure Policies, Institutional Framework and Performance

Health

The government continued to strengthen the provision of health services in 2018. Accordingly, various physical infrastructure development projects, including upgrading of Emergency Treatment Units in hospitals, construction work of the Millennium ward complex at the Teaching Hospital in Kalubowila and construction of a Nursing Faculty at the University of Colombo were in progress during 2018. The establishment of specialised paediatric care complexes in Karapitiya, Ampara and Jaffna hospitals also progressed during the year. Moreover, as a result of the various initiatives in the health sector, Sri Lanka has been

recognised by the World Health Organisation as having adequately contained Rubella and the Congenital Rubella Syndrome in 2018. According to provisional health sector data, by end 2018 there were 613 government hospitals with 3.5 beds for every 1,000 persons in the country. Further, there was one qualified doctor for every 1,035 persons and one nurse for every 599 persons in government hospitals by end 2018.

Steps were taken to address the spread of communicable diseases such as Influenza, Dengue and Leptospirosis during the year. The seasonal Influenza outbreak posed challenges to the health sector in 2018. Accordingly, 108,158 cases with symptoms similar to the Influenza illness were reported, while 41 deaths were recorded due to Influenza during the year. An elevated number of patients with influenza like symptoms were reported in the Southern Province during the months of May and June 2018. Children, the elderly, pregnant women and patients with chronic diseases and lower immunity levels were more prone to the Influenza virus. Hence, primary schools in the six education zones

and preschools in the Southern Province were temporarily shut down in May 2018 to contain the spread of an Influenza outbreak. The situation was controlled by end June 2018 with preventive measures such as health education campaigns, regulated issuance of anti-viral drugs and personal protective equipment and training of relevant staff on the mitigation of influenza outbreaks. Meanwhile, the incidence of Dengue recorded a significant drop with the number of the patients declining by 72.3 per cent to 51,591 in 2018, compared to 186,101 in the previous year. A higher number of Dengue cases were reported during the months of June, July, November and December 2018 following the heavy monsoon rains. The Dengue fatality rate also decreased to 0.11 per cent in 2018, from 0.24 per cent in 2017, supported by various measures taken by the epidemiology unit with enhanced surveillance and case management. Accordingly, steps were taken to establish dedicated units in several hospitals with additional equipment and trained emergency teams for rapid deployment in local outbreak situations. Further, mosquito control activities were strengthened through regular cleaning campaigns, inspection and litigation in both private and public premises to prevent mosquito breeding areas while conducting regular awareness campaigns. Moreover, 1,287 mosquito prevention field assistants, recruited in a phased manner, were deployed to identify and eliminate mosquito breeding sites in high risk areas. Meanwhile, the incidence of Leptospirosis cases registered a significant increase of 44.8 per cent to 5,249 in 2018, compared to 3,626 in the previous year. The national programme of Leptospirosis focused on both reduction of the incidence and the fatality rate from Leptospirosis as well as outbreak prevention. Regular outbreaks of communicable diseases in the country highlight the importance of epidemic preparedness activities, such as

Table 3.8
Salient Features of Health Services

Item	2017 (a)	2018 (b)
1. Government (No.)		
Hospitals (Practicing Western Medicine)	612	613
Beds	76,569	76,774
Primary Medical Care Units	506	506
Doctors	20,349	20,947
Assistant Medical Practitioners	910	895
Nurses	34,221	36,165
Attendants	9,218	n.a.
2. Ayurvedic (No.)		
Hospitals	104	109
Beds	5,169	4,365
Qualified Ayurvedic Doctors	1,381	1,896
Registered Ayurvedic Doctors (c)	23,206	25,431
3. Total Govt. Expenditure on Health (Rs. billion)	196.8	218.5
Recurrent Expenditure	161.3	180.6
Capital Expenditure	35.5	37.9

(a) Revised

(b) Provisional

(c) Registered with the Ayurvedic Medical Council

Sources: Ministry of Health, Nutrition and Indigenous Medicine
Department of Ayurveda
Ministry of Finance

continuous vector control programmes, public awareness campaigns, and maintenance of sufficient stocks of required medicines and vaccines. In the long run, it is crucial to increase the health sector cadre with increased public and private sector investment in medical and para-medical education in order to combat these regularly occurring epidemics.

During the year, the Ministry of Health, Nutrition and Indigenous Medicine (MOH) continued its initiatives aimed at preventing and controlling acute and chronic Non-Communicable Diseases (NCDs). NCDs have become a challenge to the health sector with demographic, socio-economic and lifestyle transitions that are taking place in the country. Accordingly, the MOH strengthened primary care facilities to treat NCDs while conducting awareness sessions. A 'National Nutrition Month' was conducted in Colombo to increase awareness among the general public under the theme, 'Right Way to Reduce Abdominal Obesity'. Meanwhile, the government took measures to regulate the prices of selected medicines and medical devices during the year. During 2018, the MOH took various measures to address the malnutrition issue that included the implementation of District Nutrition Action Plans to upgrade nutrition levels of the country and strengthen nutrition levels at preschools through teacher training programmes. In addition, the MOH strengthened nutrition surveillance to monitor food security and individual nutrition status in children with nutrition problems, conducted pilot testing of new supplementary food that has higher energy than 'Thripasha' for Moderate Acute Malnourished (MAM) children and set up a Nutrition Steering Committee to address the malnutrition issue as well.

The Chronic Kidney Disease of unknown aetiology (CKDu) continued to be a major health issue, particularly in rural areas of Sri Lanka. The number of CKD patients increased to 28,114 by end 2018 from 27,530 in 2017, while the prevalence level, i.e., number of CKD/CKDu cases reported as a percentage of the total population, reached 0.88 per cent by 2018. Screening of individuals above the age of 20 years, who live in high-risk areas, continued during the year in order to facilitate early diagnosis of CKD/CKDu. Meanwhile, the construction of 13 new renal clinics was completed in high-risk areas and the construction of five other renal units commenced during the year in Badulla, Jaffna, Hambantota, Trincomalee and Batticaloa Hospitals. In addition, construction work of 16 kidney dialysis units was completed in CKD/CKDu prevalent areas, while construction of two other kidney dialysis units were ongoing at the Base Hospitals in Homagama and Puttlam. Further, research studies into the aetiology of CKDu are ongoing and the baseline assessment was completed for a sample of 5,000 patients in 2018.

The private sector continued to play an important role in providing healthcare services in 2018. By end 2018, there were 200 registered private hospitals with 5,120 beds that included 23 private Ayurvedic hospitals with 454 beds. With growing income levels, increasing communicable diseases and an aging population, the demand for private health services has been rising rapidly over time. Within this context, while facilitating the growth of private sector service provision, regulation of the private healthcare sector is vital to ensure the quality standards in service delivery, healthy competition, competitive pricing and to prevent the exploitation of patients by private healthcare providers. Accordingly,

Figure 3.9

Education and Health Snapshot - 2018

Policies and reforms aimed at improving the level of general **EDUCATION** continued during 2018

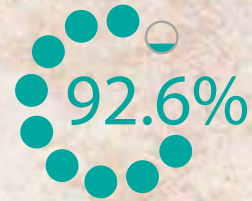
GOVERNMENT EXPENDITURE in Education increased to Rs. 267.6 billion in 2018

HOUSEHOLD CONSUMPTION in Education increased to Rs. 118.9 billion in 2018 by 9.8%

Primary SCHOOL ENROLMENT ratio was 91.8 in 2018 in comparison to 93.9 in 2017*

Secondary SCHOOL ENROLMENT ratio was 93.5 in 2018 in comparison to 95.8 in 2017*

LITERACY RATE in 2017

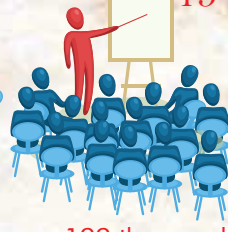
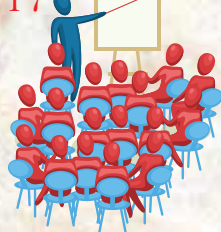


GENERAL EDUCATION

Student Teacher Ratio

Government Schools 17

Other Schools* 15



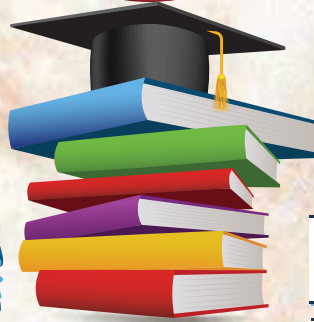
4.2 million

199 thousand

No. of STUDENTS in Government Schools



No. of STUDENTS in other Schools*



UNIVERSITY EDUCATION

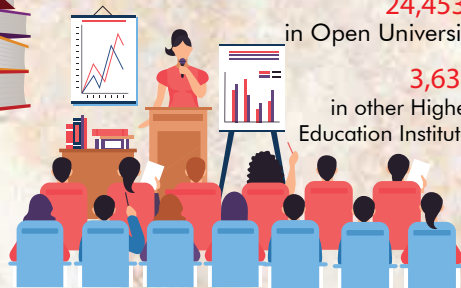
No. of STUDENTS

94,681 in Universities

61,150 in Tertiary and Vocational Education

24,453 in Open University

3,633 in other Higher Education Institutes**



The government continued its efforts to expand the

HEALTH sector, during 2018.

DOCTORS

Count 20,947
1 Doctor for every 1035 persons ***



NURSES

Count 36,165
1 Nurse for every 599 persons ***

No. of Government Hospitals 613



No. of Registered Private Hospitals 200

No. of Beds in Hospitals

PRIVATE SECTOR continued to play an important role in providing health care services

Registered **AYURVEDIC HOSPITAL** count 109



Registered **AYURVEDIC PHYSICIANS** count 25,431

Private 5,120

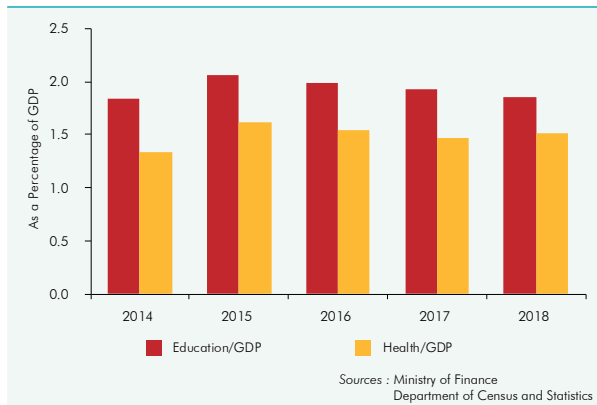


* Excluding International Schools

** Institutions that come under the purview of UGC

*** Government

Figure 3.10
Government Expenditure on Health and Education



the MOH intensely engaged in inspection, observation visits, establishment of a proper information system on Private Medical Institutions (PMIs), registration and renewal of licensing of PMIs, granting preliminary approval to establish new PMIs after evaluating the project proposals as well as improving the complaints handling procedure by investigating and enforcing timely remedial actions against PMIs. One of the key impediments for the growth of private healthcare sector is the insufficient healthcare insurance penetration, which makes the services less affordable for the general public. In this regard, it is important to popularise healthcare insurance, especially among the upper middle-income groups, in order to reduce the burden of private healthcare costs on households, particularly in the context of a rapidly aging population.

Education

Policy initiatives and education reforms aimed at improving the level of general education continued during 2018. Accordingly, the Ministry of Education (MOE), in collaboration with relevant stakeholders, developed a medium term strategic plan for the period 2018-2025, in line with the government policy agenda. This plan has four key thrust areas that include strengthening

of equity in education and improving quality of general education. The MOE, together with the National Institution of Education (NIE) and the Ministry of Skills Development and Vocational Training (MSDVT), implemented initiatives aimed at promoting the '13 years of guaranteed education' programme in 2018. Under this programme, students have the opportunity to study a vocational subject stream that would comprise both generic and applied components. Pilot projects that commenced in 2017 were implemented in a total of 195 schools by 2018. These pilot projects included holding of workshops and awareness programmes, provision of physical resources, student admission and teacher training as well as recruitment activities. Meanwhile, the MOE took steps to provide training to students in the second year of study under the vocational stream, in collaboration with MSDVT, to provide certification equivalent to NVQ level 4 while engaging in initial discussions with other relevant institutions, including the private sector. The NIE implemented measures aimed at curriculum development during 2018, which included the development of 26 modules for vocational subjects under the '13 years of guaranteed education programme'.

Efforts to improve the quality of general education progressed through cadre enhancements and infrastructure development activities. A total of 2,186 teachers, which included 867 for national schools and 1,319 for provincial schools, were recruited to support the education cadre during 2018. Moreover, around 24,260 teachers and 8,150 schools were evaluated externally by the Ministry of Education, Provincial Departments of Education, Zonal Education Offices and Divisional Education Offices during the year to maintain the quality standards of general education in government schools. Human resource development programmes were conducted to develop competencies of both educators and administrators. Selected special

Table 3.9
Salient Features of General Education

Item	2017 (a)	2018 (b)
1. Schools (No.)	11,053	11,039
Government Schools	10,194	10,174
Primary	4,059	4,032
Secondary	6,135	6,142
o/w National Schools	353	353
Other Schools	859	865
Pirivenas	753	759
Private & Special Schools (c)	106	106
2. Students (No.)	4,446,401	4,412,695
Government Schools	4,165,964	4,213,729
Other Schools	199,334	198,966
Pirivenas	62,872	60,440
Private & Special Schools (c)	136,462	138,526
International Schools	81,103	n.a.
3. Teachers (No.)	263,934	260,434
Government Schools	241,591	247,174
Other Schools	12,969	13,260
Pirivenas	6,414	6,477
Private & Special Schools (c)	6,555	6,783
International Schools	9,374	n.a.
4. New Admissions (No.) (d)	322,135	327,764
5. Student/Teacher Ratio		
Government Schools	17	17
Other Schools	15	15
International Schools	9	n.a.
6. Primary Net Enrolment Ratio (Grade 1-5)	93.90	91.83
7. Secondary Net Enrolment Ratio (Grade 6-11)	95.80	93.48
8. Age Specific Enrolment Ratio (Grade 1-9)	96.28	92.75
9. Teacher Training Colleges (No.)	8	8
10. Teachers Trained during the Year (No.)	2,553	2,027
11. National Colleges of Education (No.)	19	19
Teacher Trainees (No.)	8,014	9,746
Number Passed Out during the Year	2,602	1,650

(a) Revised Source: Ministry of Education

(b) Provisional

(c) 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)

(d) Government schools only

education teachers were trained in autism, braille and computer education, while 140 primary school teachers were trained in skills to educate students with learning difficulties. Meanwhile, an outline for a national policy for STEM (science, technology, engineering and mathematics) education was prepared and forwarded to the National Education Commission. Principals from 3,000 Type 2 schools were trained in handling mobile laboratory kits that are provided to schools to support the quality of science education. The government continued to improve the physical infrastructure of the institutions engaged in general education activities, which included initiatives under the 'Nearest School is the Best

School' programme. Work implemented under this rolling plan included development of technological laboratories and technological faculties. In addition, repairing of 6,000 school buildings and construction of 5,600 new classrooms continued during the year. Meanwhile, the MOE had allocated Rs. 250 million for the refurbishment of the national library in Colombo.

Numerous initiatives aimed at expanding computer facilities and information technology education progressed during the year. A pilot programme to establish 350 digital classrooms to introduce digital education was planned during 2018-2019. In tandem with the rise in internet usage, measures were taken to establish school level internet safety readiness teams, and 700 trainers were trained on cyber safety and other related aspects under this initiative. Meanwhile, the MOE was in the process of formulating a National Master Plan for Information and Communication Technology Education. The government continued to provide free school uniforms and shoes through vouchers to around 4.3 million students and 720,000 students, respectively, incurring a cost of over Rs. 3.6 billion in total during the year. The 'Suraksha' insurance scheme, which provides benefits for diseases, accidents and other injuries for all students in the age range of 5 to 19 years and in grades 1 to 13, provided insurance claims amounting to Rs. 480 million during the year.

The involvement of non-state institutions in the general education sector continued to increase during 2018. The institutional framework that provided non-state general education services included 106 private schools (excluding international schools) and 759 pirivenas during 2018. The number of students studying in private schools (excluding international schools) grew by 1.5 per cent to 138,526 students, while students receiving education at pirivenas declined by

3.9 per cent to 60,440 students during 2018. Meanwhile, based on a survey carried out by the MOE in 2018 there were 294 international schools providing education services during the year. Amidst increased private sector participation in the provision of education services with the rising demand for such services, the need for strengthening the regulation, monitoring and quality assurance mechanism to encompass all institutions providing these services is necessary to ensure the quality of general education.

The government, with the support of the private sector, continued efforts aimed at developing human capital through measures to improve accessibility and quality of higher education. The total undergraduate student population enrolled within universities and higher education institutions under the purview of the University Grants Commission (UGC) increased during 2018 amidst the introduction of new programmes. Meanwhile, the UGC granted approval for two new faculties, 27 new departments, and 12 new undergraduate and seven new postgraduate degree programmes during the year. Amidst the introduction of new programmes, measures to improve the quality of higher education were also implemented. Accordingly, the Accelerating Higher Education Expansion and Development (AHEAD) project was launched during the year while the Quality Assurance Council of the UGC continued activities to strengthen the higher education sector of the country. Meanwhile, the UGC continued to provide financial assistance for academic staff to pursue postgraduate studies, which included opportunities through various agreements with foreign universities to support their knowledge base. The private sector also provided education opportunities amidst limited

Table 3.10
Salient Features of University Education (a)

Item	2017 (b)	2018 (c)
1. Universities (No.)	15	15
2. Other Higher Educational Institutions (No.)	19	19
3. Students (Undergraduates) (No.)(d)		
Universities (e)	88,527	94,681
Institutes	3,423	3,633
Open University	24,346	24,453
4. Total Staff (All Universities) (No.)		
Academic	5,669	5,940
Non-Academic	11,638	12,232
5. Student/Teacher Ratio	17.7	18.4
6. Age Specific Undergraduate Enrolment Ratio (19-23 yrs) (d)	7.1	7.5
7. Progression to University from GCE (A/L)		
Eligible for University Admission (%)	60.99	64.40
Admission as a Percentage of Eligible (%)	19.10	19.10
8. Students Graduated (No.) (f)		
Basic Degree	36,136	n.a.
Postgraduate Degree	26,015	n.a.
Postgraduate Degree	10,121	n.a.
9. New Admissions for Basic Degrees (No.) (g)	30,668	31,451
10. Students Eligible to be Admitted to Universities (No.)	160,517	163,160

(a) Universities and higher education institutions that come under the purview of University Grants Commission Source: University Grants Commission

(b) Revised

(c) Provisional

(d) Excluding external degree courses

(e) Excluding Open University

(f) Including external degrees and Open University

(g) Excluding external degrees and Open University

availability of opportunities in the public sector. Accordingly, there were 17 Non-State Higher Education Institutions (NSHEI) offering 122 degree programmes by end 2018. While the Standing Committee of Accreditation and Quality Assurance (SCAQA) carried out activities to ensure quality standards in the NSHEI sector, measures were taken to introduce a policy on higher education and to formulate a legal framework to bring the entire sector under one entity. Accordingly, initiatives have been taken to establish a Quality Assurance and Accreditation Commission that would regulate all higher education institutes in the country. Amidst these developments that are taking place within the university education system, emphasis has to be given to improving the graduate profile in line with the dynamic comparative advantage of the economy.

The Technical and Vocational Education and Training (TVET) sector continued to provide education opportunities to enhance skill levels of the workforce during 2018.

Both the public sector and the private and non-governmental institutions were engaged in providing TVET education through the network of 525 public institutions, and 622 private and non-governmental institutions that were registered by end 2018. These institutions provided a total of 2,089 accredited courses in a wide range of technical and vocational subject areas. Meanwhile, although the TVET sector issued 61,150 National Vocational Qualification certificates during the year, there is a need to improve the capacity of the sector to increase access to youth who do not have the opportunity to pursue higher education opportunities within the university system. Accordingly, under the '13 years guaranteed education' programme, students from selected schools are to attend courses in 19 selected Colleges of Technology and Technical colleges. In 2018, the Tertiary and Vocational Education Commission drafted a report to introduce a TVET rationalisation programme to improve courses to cater to rapid technological changes and increase employability of TVET graduates.

Table 3.11
Salient Features of Tertiary and Vocational Education and Training (TVET)

Item	2017	2018 (a)
1. Registered TVET Institutions (No.) (b)	819	1,147
Public	333	525
Private and Non-Governmental Organisations	486	622
2. Total Accredited Courses (No.)	2,972	2,089
Public	2,282	1,593
Private and Non-Governmental Organisations	690	496
3. Issued NVQ Certificates (No.)	65,212	61,150
DTET	6,104	8,818
NAITA	8,798	13,755
VTA	23,890	20,810
NYSC	1,219	1,780
Private	25,201	15,987

(a) Provisional
(b) As at year end

Source: Tertiary and Vocational Education Commission

Housing and Urban Development

The government took various initiatives to develop housing and urban development activities through institutions under its purview in 2018. The Ministry of Housing, Construction and Cultural Affairs (MHCCA) carried out policy measures that included the revision of the National Housing Policy to accommodate emerging trends in urbanisation, impact of natural disasters and sustainable human settlement development. The final draft of the policy was presented to the Cabinet of Ministers for approval in 2018. Meanwhile, the Ministry was in the process of amending the Rent Act and the Condominium Management Authority Act to suit the present day needs. The Treasury allocation for activities under the MHCCA stood at Rs. 10.2 billion for 2018, which included funds for programmes implemented by the National Housing Development Authority (NHDA) and the Urban Settlement Development Authority (USDA). These programmes included initiatives to provide housing for low income families, resettlement of families in Northern and Eastern Provinces and infrastructure development of rural villages. In addition, Rs. 1.2 billion was raised as internal funds, while Rs.373.8 million from other funding sources was allocated for the National Housing Programme. Construction work of 50 model villages was carried out during the year with financial assistance from the government of India. This project, at a cost of Rs. 600 million, is scheduled to construct 1,200 housing units. Meanwhile, the government of India has agreed to provide four more aid projects of Rs.300 million each to build 600 housing units, and the two countries have entered into memoranda of understanding for two of the projects. The 'Lunawa Urban Housing Project' targeting the low income urban community recorded a financial progress of Rs. 1,234 million

by end 2018. Meanwhile, the NHDA carried out the 'Semata Sevana' housing programme benefitting around 17,400 families in various parts of the country while commencing nine housing projects aimed at public servants in 2018. The Construction Industry Development Authority (CIDA) implemented initiatives to develop the domestic construction industry. The CIDA commenced registration of qualified persons, providing of technical auditing services and registration of quality management auditors to support quality standards in the industry. Meanwhile, the CIDA conducted skills development programmes including 'Shilpa Saviya' to train youth as craftsmen in order to address the shortage of labour in the construction industry.

The Ministry of Megapolis and Western Development (MMWD) continued to implement its programmes aimed at developing urban communities in the country. These initiatives included projects to address issues related to the transportation sector. The MMWD took measures to develop Multi Modal Transport Centres (MMTC) that are based on the concept of 'park and ride', restructure and revise bus services, implement bus priority lanes to address transport issues identified in the Western Region Megapolis Master Plan. Accordingly, all structural work of the Makumbura MMTC was completed by end 2018, while construction work related to stage one of the Kadawatha MMTC commenced in October 2018. Meanwhile, the bus priority lane project that commenced in 2017, aimed at improving public transport, continued in 2018 and is expected to be completed in the first half of 2019. A pre-feasibility study of the Western Region Light Rail Transit (LRT) project has been completed in 2018 and the Ministry is expected to complete the feasibility study by early 2019. In this regard, a loan agreement was signed in March 2019 between the Sri Lankan government and the Japan International

Cooperation Agency (JICA) for engineering services and construction of the LRT line. The social impact assessment and resettlement action plan are expected to be completed by April 2019, while the environmental impact assessment is expected to be completed by June 2019. Meanwhile, approval of the Cabinet of Ministers was received for the 'Sahasara' project in 2018 that was designed to address issues within the public transport system. This project is expected to provide better bus passenger services to the public using modern technology. The Metro Colombo Urban Development Project aimed at reducing flooding in the catchment of the Colombo water basin and strengthening the capacity of local authorities in the Colombo metropolitan area to rehabilitate, improve and maintain local infrastructure continued in 2018. Work related to the Colombo Port City Development project continued in 2018. By end 2018, around 95 per cent of the reclamation activity was completed together with around 80 per cent of ground improvement work and 97 per cent of design work under the foreign component of the investment. Land reclamation activities of the port city were completed in January 2019. The completion of this project would establish a world class city that would include a financial district, luxury living spaces and office complexes. Meanwhile, the construction of the New Kelani Bridge and Port Access Elevated Highway (PAEH) continued during the year under the local component of the investment. In addition, the feasibility study and the environment impact assessment were completed for the underground extension of the Marine Drive to the PAEH.

The UDA under the MMWD was involved in urban development activities during 2018. A survey that has been conducted by the UDA has identified a total of 68,812 families living in 1,499 underserved settlements. Accordingly, the Urban Regeneration Project of the MMWD has been

implemented with a view to eliminating shanties, slums and other dilapidated housing from the Colombo city and relocating dwellers in modern houses. Housing development activities under this project involved an expenditure of Rs. 17.1 billion by end 2018. The demand for middle income housing in urban areas has been on the rise. The UDA initiated several housing programmes to meet the demand from middle income groups, which included a housing scheme for government sector employees with facilities for obtaining a loan under favourable terms from a commercial bank. Meanwhile, with increased demand for housing from residents as well as non-residents, the private sector involvement in providing housing units, particularly in the form of apartments, has increased notably in recent times.

Poverty Alleviation and Safety Nets

Poverty levels in the country have continued to decline as per the Household Income and Expenditure Survey (HIES) 2016 of the Department of Census and Statistics (DCS). Accordingly, the Poverty Headcount Ratio (PHCR) stood at 4.1 per cent in 2016. However, a considerable portion of the population was just above the poverty line and are at a high risk of falling below the poverty threshold due to shocks, such as natural disasters and price hikes of basic commodities. Meanwhile, as per the World Bank classification, 0.8 per cent of the population of Sri Lanka was below the international poverty line of US dollars 1.90 per day (in 2011 Purchasing Power Parity terms) in 2016, compared to 1.9 per cent in 2012. The population below the international lower middle income and upper middle income poverty lines, which have thresholds of US dollars 3.20 per day and US dollars 5.50 per day, respectively, stood at 10.1 per cent and 40.4 per cent, respectively, in 2016. Hence, although Sri Lanka has made

Table 3.12
Poverty Headcount Ratio (per cent)

Sector	2002	2006/07	2009/10	2012/13	2016
Sri Lanka	22.7	15.2	8.9	6.7	4.1
Urban	7.9	6.7	5.3	2.1	1.9
Rural	24.7	15.7	9.4	7.6	4.3
Estate	30.0	32.0	11.4	10.9	8.8

Source: Department of Census and Statistics

significant progress as reflected through the PHCR, continued efforts are required to elevate people above all poverty thresholds. Meanwhile, there has been a wide disparity in the PHCR at the district level. As reported in the HIES 2016, the highest level of the PHCR of 18.2 per cent was recorded in Kilionochchi, compared to the lowest level of 0.9 per cent recorded in Colombo. The contribution to poverty in absolute terms was the highest from the Kandy district at 9.1 per cent while the lowest contribution was from the Mannar district at 0.1 per cent. Moreover, although the PHCR has witnessed a steady decline over time, income distribution has remained relatively stagnant. Household income inequality as measured through the Gini coefficient at 0.45 per cent in 2016 witnessed only a marginal improvement compared to the Gini coefficient of 0.48 recorded under HIES-2012/13.

Numerous government initiatives aimed at providing social safety nets and poverty alleviation continued during 2018. In this regard, the Department of Samurdhi Development (DSD) carried out various programmes during the year, which included the Samurdhi Subsidy Programme and the Samurdhi Social Security Benefit Scheme. Moreover, under the latter programme, Rs. 1.2 billion was disbursed among 282,013 beneficiaries during 2018 while Samurdhi Banking Societies continued to provide micro-loans to entrepreneurs. Meanwhile, as per the empowerment plan prepared by the DSD, in line with the United Nations Sustainable Development Goals to alleviate poverty by 2030, various projects were carried out during

Table 3.13
Main Welfare Programmes - Number of Beneficiary Families and Value of Grants

Year	Divineguma / Samurdhi Subsidy Programme		Nutrition Allowance Programme		Dry Ration Programme
	Families (No.) (a)	Value (Rs. million) (b)	Beneficiaries (No.) (a)	Value (Rs. million)	Value (Rs. million)
2014	1,479,811	15,042	47,858	279	28
2015	1,453,078	39,994	101,200	2,422	118
2016	1,407,235	40,740	337,554	5,746	111
2017	1,388,242	39,707	372,407	5,408	84
2018	1,384,021	39,239	329,047	5,490	58

(a) As at year end
(b) Including the kerosene subsidy

Sources: Department of Samurdhi Development
Ministry of Women and Child Affairs
Ministry of Finance

the year. Accordingly, a total of 21,412 projects at a cost of Rs. 910 million were implemented in 2018 to empower families through agricultural, animal husbandry, fisheries projects, together with self-employment and industrial development projects. In addition, the Budget 2019 has proposed to facilitate the addition of around 600,000 households while streamlining the Samurdhi programme to make it more effective. The Budget also proposes to allow the withdrawal up to Rs. 30,000 in two installments from Samurdhi compulsory savings during 2019. Meanwhile, the Ministry of Women and Child Affairs and Dry Zone Development carried out programmes to improve the nutritional status of expecting and lactating mothers and pre-school children. In order to support the nutrition level of primary school children, the Budget 2019 proposes to provide a free glass of milk to students in rural schools of the country. While numerous measures have been carried out to improve the wellbeing of vulnerable segments in the population, implementation of a mechanism to assess eligible recipients for poverty alleviation programmes through suitable multi-dimensional measures is essential to ensure the effectiveness of such programmes. The Welfare Benefits Board is in the process of establishing a National Social Registry to serve the purpose of providing an effective platform for planning, monitoring and evaluation of welfare programmes. The National Social Registry, once implemented, would facilitate better planning,

implementation and coordination of welfare programmes in the country, amidst challenges in alleviating poverty, such as the existence of poverty pockets, changing demographic conditions and increased incidence of natural disasters. The establishment of a national social registry would support better resource utilisation by channelling resources to the needy.

Environment

The government continued its efforts to strengthen the institutional framework for the preservation of the environment in order to maintain a balance between the environment and economic growth to achieve sustainable development. Accordingly, the Ministry of Disaster Management implemented several projects during 2018 to mitigate the risk of disasters. Implementation of landslide mitigation and slope stabilisation projects, public awareness programmes and resettlement of vulnerable communities were tasks carried out by the Ministry of Disaster Management to reduce the impact of disasters. In addition, the early warning system was strengthened to permit timely evacuation of vulnerable communities. Meanwhile, constructing district level secondary data systems related to disasters, disaster uncovering and disaster vulnerability analysis were selected as key components of the methodology for a Disaster Risk Assessment and to prepare a Risk Index. Moreover, under the Risk Assessment

3 Project, a national training programme on 'Application of Disaster Risk Assessment for Development Planning and Effective Emergency Response' was conducted in 2018, for officers from the Disaster Management Centre and other stakeholders, covering practical aspects of risk assessment for the successful implementation of a National Risk Assessment project. Meanwhile, the Department of Meteorology issued 111 warnings for marine activities and 60 warnings for the land area. Further, it provided timely advisories and warnings to the general public, disaster management authorities and the Department of Fisheries to carry out early preparations to withstand two severe cyclones 'GAJA' and 'PETHAI' that originated in the Bay of Bengal and moved very close to Sri Lanka in 2018.

The Central Environmental Authority (CEA) continued its activities to protect, manage and enhance the resources and the environment of Sri Lanka. Accordingly, the CEA continued with implementing national standards, criteria and guidelines on environment related matters with the issuance of certificates and licenses, and the adoption of new environmental laws and regulations. The CEA is responsible for evaluating projects and issuing Environmental Impact Assessment (EIA) and Initial Environmental Examination (IEE) certificates based on the environmental feasibility of the project. During 2018, the CEA granted EIA approvals for 17 projects and IEE approvals for 306 projects while the Environmental Protection Licenses (EPL) also continued to be issued to industries as a regulatory measure on environmental protection. Further, the CEA was involved in regulating polythene usage, streamlining and improving existing EIA laws,

regulations and procedures for smooth function, declaration and management of Environmental Protection Areas under the National Environmental Act (NEA), implementing of hazardous waste management regulations, monitoring major water bodies of the country on water quality, and implementing and regulating waste management projects to ensure environmental sustainability.

The Forest Department continued its development programmes with a focus on increasing the forest cover of the country.

During the year, the Forest Department carried out reforestation in 977 hectares. Moreover, the assisted re-planting programme under the World Food Programme, which commenced in 2017 continued successfully in 2018 as well. Accordingly, the 'WanaRopa' national tree planting programme was launched during the year, with a view to achieving the target of increasing the forest cover in Sri Lanka from 29.7 per cent to 32.0 per cent of the total land area. Further, with the support of United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD), Sri Lanka produced a five-year (2018 – 2022) National REDD+ Investment Framework and Action Plan (NRIFAP) covering various policies and measures. In 2018, the extent reforested increased by 2.2 per cent over 2017. The number of forest offences decreased to 3,757 in 2018 from 3,887 during the previous year, while the value of timber detected as having been illegally logged decreased by 7.1 per cent in 2018. Further, the private sector also initiated reforesting projects to enhance the total forest cover during the year, including a unique mission to drop 'Seed Bombs' in a forest reserve in the North Central region during an aerial operation by the Sri Lanka Air Force.