3

ECONOMIC AND SOCIAL INFRASTRUCTURE

3.1 Overview

The economic and social infrastructure base of the country continued to facilitate the continuity of economic activity while ensuring the socioeconomic well-being of the people amidst the prolonging COVID-19 pandemic, with the emergence of new variants. A key challenge during 2021 was the soaring prices of energy commodities in global markets, driven by the recovery in world demand and limited increases in supply; this price trend continues to worsen with the geopolitical tensions in Eastern Europe. Accordingly, although the Ceylon Petroleum Corporation undertook two rounds of price revisions in 2021, these were insufficient in the wake of further increases in global prices as well as the sharp depreciation of the rupee in early 2022. This led to another sharp price adjustment in the early part of 2022. The financial status of key State Owned Business Enterprises (SOBEs) in the energy sector continued to remain disconcerting in the absence of cost-reflective adjustments to prices and tariffs in a timely manner. The long standing financial issues of these SOBEs and the dearth of foreign exchange inflows have culminated in an energy crisis in the country posing a substantial dampening effect on overall activity as the economy strives to reset in the post COVID-19 era. Recognising the importance of investments in the socioeconomic infrastructure base of the economy, the Government continued to undertake initiatives focused at improving rural-urban linkages and the quality of living spaces. Milestones during the year include the enactments of legislation relating to the Colombo Port City project and the exploration of Petroleum resources, the opening of the first waste-to-energy plant in Kerawalapitiya and the opening of the New Kelani Bridge followed by the opening of another section of the Central Expressway in January 2022. Amid these physical infrastructure developments, the Government also remained committed to the provision of healthcare and education services, which are expected to have played a large role in mitigating short-term and long-term impacts of the COVID-19 pandemic on the population. Since the onset of the pandemic, the health sector has been at the helm of containing the spread of COVID-19 through the provision of not only testing, treatment and quarantining facilities but also importantly, the timely deployment of the COVID-19 vaccine and booster doses, amidst the challenges of non-communicable and other communicable diseases, such as Dengue. While the education sector seemed to have adapted to the 'new normal' of online education, facilitated by the telecommunications sector of the country, concerns remain about the quality of learning outcomes *especially among rural and estate households whose ownership of technological devices and related literacy levels are low and also among those located in peripheral areas with poor internet connectivity. For the second consecutive year, amid fiscal constraints, the Government paid allowances and provided relief measures to households and individuals rendered vulnerable by the COVID-19 pandemic. Poverty related statistics highlight that the prolonging of the pandemic and the disruptions that it has entailed are likely to have created a 'new poor' segment of the population who remain at the brink of poverty and are more prone to scarring in the wake of any further disruptions to economic activity stemming from COVID-19 or otherwise. While investments in the economic and social infrastructure base of the country may be challenging within a limited fiscal space, it must be recognised that the investments made by successive governments over several decades have enabled Sri Lanka to safeguard businesses, households and individuals, to a large extent, from any scarring effects stemming from the COVID-19 pandemic. However, in order to ensure the efficacy of such investments, it is necessary for the Government to encourage multi-stakeholder collaborations across the public and private sector to devise forward-looking and holistic policies and streamlined strategies that focus not only on fixing short-term issues but also on building the productive potential of the economy in a sustainable manner over the medium-term. This will be essential to enhance the resilience of the economy to volatilities and shocks, thereby assuring the economy's sustained progress onto a high and inclusive growth trajectory.*

3.2 Economic Infrastructure Policies, Institutional Framework and Performance

Petroleum

Global crude oil prices rose sharply in 2021, supported by the steady recovery in global economic growth as well as tight supply conditions, although some downward pressures were observed due to resurgences of COVID-19. Although the average crude oil price (Brent) stood at US dollars 43.35 per barrel in 2020, due to the contraction in global demand induced by the COVID-19 pandemic, with the turnaround in the global economy and the relaxation of pandemic related mobility restrictions, the average crude oil price in international markets rose by 63.3 per cent to US dollars 70.80 per barrel in 2021. The recovery in global crude oil prices that began in mid-2020 gained pace and reached pre-pandemic levels by March 2021 before reaching seven-year highs in October 2021. The West Texas Intermediate (WTI) price was also on a rising trend and recorded an average of US dollars 67.94 per barrel in 2021 compared to US dollars 39.78 per barrel recorded in 2020. The surge in global crude oil prices was primarily driven by optimism surrounding the global recovery process and the resultant rise in global demand amidst tight global oil supply conditions maintained by the Organisation of the Petroleum Exporting Countries (OPEC) and its allies. Brief episodes of downward pressures were observed due to demand concerns stemming from the resurgence of COVID-19 and the emergence of new variants of the virus, which compelled the imposition of temporary lockdowns and mobility restriction measures. Global crude oil prices escalated further and briefly reached US dollars 140 per barrel in March 2022 for the first time since July 2008 following concerns that geopolitical tensions between Russia and Ukraine could lead to further tightening of supplies. In line with rising trends in global crude oil prices, the average price of crude oil imported by the Ceylon Petroleum Corporation (CPC) increased by 51.1 per cent to

Figure 3.1
Performance of the Economic and Social Infrastructure

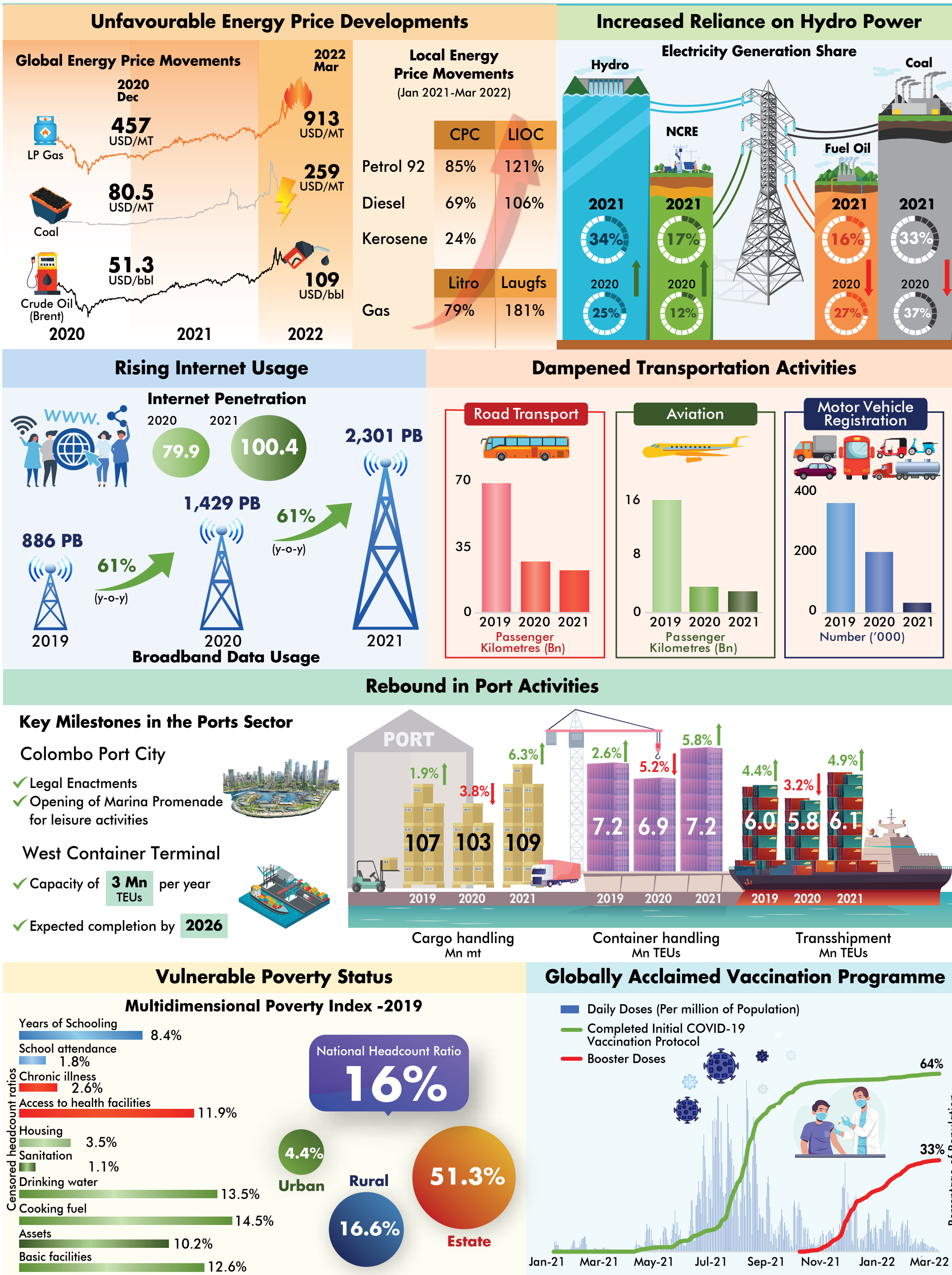

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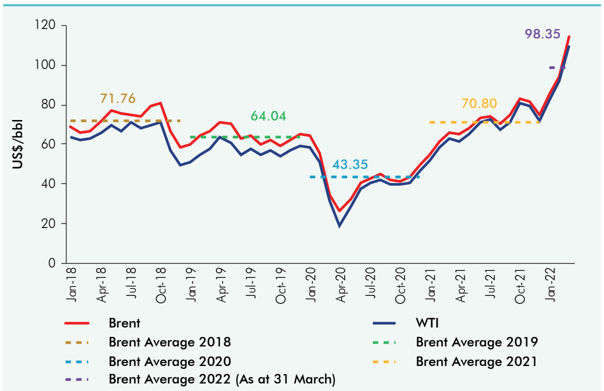
Figure 3.2
Trends in Global Crude Oil Prices



Source: Bloomberg

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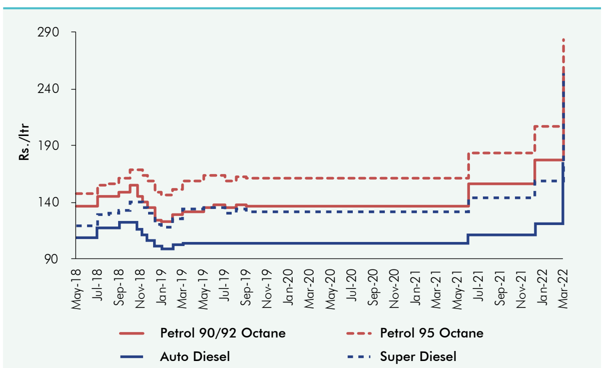
US dollars 68.86 per barrel in 2021 compared to the average of US dollars 45.57 per barrel recorded during 2020.

The continuous escalation of global crude oil prices warranted the Government to increase the domestic retail prices of key petroleum products in 2021 after a hiatus of over one and half years. Accordingly, domestic prices of the CPC were revised upwards in June and December 2021, followed by a substantial upward revision in March 2022. The Lanka IOC PLC (LIOC) also revised domestic retail prices of petroleum products in three rounds during 2021 followed by two rounds of revisions in February 2022 followed by another two rounds of revisions in March 2022. The revisions undertaken in March 2022 by both entities were historically high and were undertaken to reflect the sharp rise in global crude oil prices and the impact of the depreciation of the rupee in March 2022. This reiterates the need to urgently institutionalise a cost reflective pricing mechanism that improves transparency regarding pricing among all stakeholders, especially consumers, which can contribute to the general acceptance of such revisions. Such a mechanism is also essential to ensure the financial viability of the CPC in the medium-term and thereby the safeguarding of macroeconomic and financial system stability, although such revisions could lead to transitory shocks to general price levels in the country. It must also be reiterated that the current crisis of lack of continuous supply of fuels to the domestic market could also be partly attributed to the absence of forward-looking and dynamic strategic planning with due consideration to the continuously evolving developments in the global and domestic markets. Transparency in relation to both pricing and procurement processes is a dire need for the viability and sustainability of the CPC.

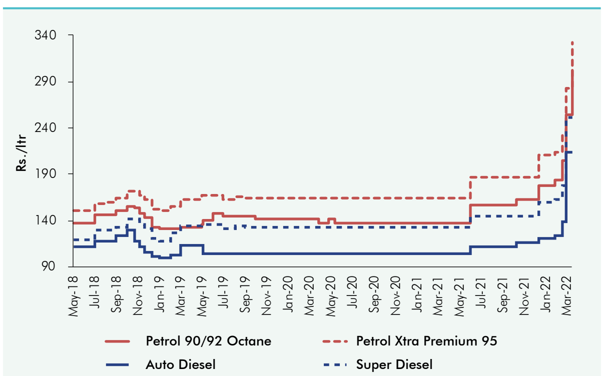
The overall sales volumes of petroleum products in the domestic market declined by 7.7 per cent during the year, driven by contractions in sales to the power sector. Several economic

Figure 3.3
Revisions to Domestic Prices of Petroleum Products of CPC



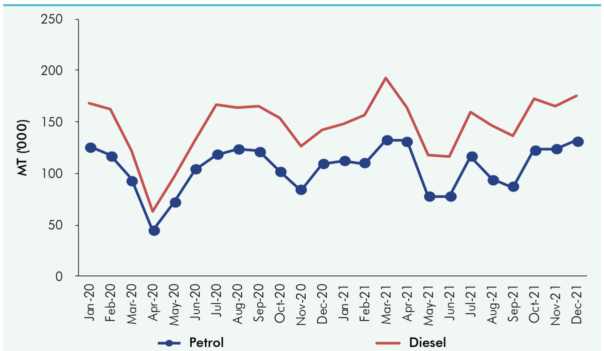
Source: Ceylon Petroleum Corporation

Figure 3.4
Revisions to Domestic Prices of Petroleum Products of Lanka IOC PLC



Source: Lanka IOC PLC

Figure 3.5
Sales of Petrol and Diesel to the Transport Sector



Sources: Ceylon Petroleum Corporation
Lanka IOC PLC

activities were allowed to be pursued throughout the April and August outbreaks of COVID-19 resulting in a rebound in economic activity during 2021. In turn, sales volume of the CPC to the transport, industrial and aviation sectors grew by 10.4 per cent, 39.5 per cent and 18.6 per cent, respectively. Meanwhile, the increased reliance on hydropower generation due to healthy water levels in reservoirs resulted in the sales of diesel and furnace oil for power generation registering notable contractions of 23.2 per cent and 35.9 per cent, respectively, thereby dampening the overall sales performance of the CPC.

Refinery output recorded an overall decline of 24.7 per cent in 2021 due to multiple closures of the Sapugaskanda refinery. Subsequent to a closure from mid February 2021 for the purpose of general maintenance, the refinery was closed again in November 2021 for three weeks due to unavailability of crude oil for refinery operations. Hence, overall crude oil throughput declined by 24.5 per cent, while refinery output of key products such as diesel, petrol, fuel oil and naphtha contracted by 31.1 per cent, 24.5 per cent, 22.9 per cent and 31.9 per cent, respectively, during the period under review. These production gaps were compensated for through the importation of refined products by the CPC which had risen by 15.2 per cent during the year.

Despite notable upward revisions to domestic petroleum prices, the financial performance of the CPC worsened further in 2021. As per unaudited provisional financial statements, the CPC incurred an operational loss of Rs. 41.7 billion in 2021 compared to the operational profit of Rs. 33.9 billion recorded in the previous year, reflecting the impact of delayed and inadequate revision of prices in line with the sharp increase in global crude oil prices. Sales of petroleum products to the major sectors of transport and power generation yielded operational losses, while the aviation and industry sectors generated operational profits in 2021. The depreciation of the rupee against the US dollar resulted in a notable exchange rate variation loss of Rs. 33.2 billion to the CPC during the year, weighing negatively on the overall loss (before taxes), which stood at Rs. 82.2 billion in 2021 in comparison to the profit of Rs. 2.4 billion recorded in the previous year. Meanwhile, borrowings of the CPC from the banking sector increased by Rs. 123.5 billion to Rs. 505.3 billion in 2021, while deposits with domestic licensed commercial banks increased by Rs. 76.2 billion to Rs. 140.1 billion by end 2021. The CPC's total outstanding trade receivables from public corporations increased to Rs. 161.1 billion in 2021 from Rs. 142.7 billion in 2020, mainly due to the growing liabilities owed by the Ceylon Electricity Board (CEB) and SriLankan Airlines. Accordingly, by end 2021, trade receivables from the CEB and SriLankan Airlines accounted for around 90.1 per cent of total trade receivables of the CPC. The worsening financial position of the CPC, alongside the dearth of foreign exchange flows, led to hindrances in timely and cost-efficient fuel procurement. In January 2022, the Central Bank intervened to facilitate the distribution of the financing of essential import bills for fuel purchases among the licensed banks in proportion to their foreign exchange flows with the intention of facilitating the timely procurement of fuel and reducing the reliance of the CPC on the two state-owned banks. The Government also secured a short-term line of credit amounting to US dollars 500 million from the Export-Import Bank of India in early 2022, specifically for the purchase of refined petroleum products from India.

There is an urgent need for the CPC to undertake concerted efforts to ensure the continuity of supply of petroleum products in a financially viable manner. The sensitivity of demand for petroleum products, especially from the transport sector, to price revisions is relatively low in Sri Lanka. This can be observed in the sales volumes of the CPC to the transport sector standing at 3.6 billion litres in 2021, in comparison to the average sales volume of 3.4 billion litres during the period from 2015 till 2019. This is further evidenced by the continued strong demand for petroleum products amid the historically high price revisions undertaken in the early part of 2022. With due consideration to this growing demand for petroleum products, it is essential that specific initiatives are undertaken by the Ministry of Energy in close collaboration with the CPC and other relevant stakeholders in the electricity and transport sector to identify other means of demand management for petroleum products, such as through the expansion of renewable electricity generation capacity and, the undertaking of qualitative improvements in public transportation combined with measures such as congestion charges or tolls to discourage the use of private transportation, among others. The ongoing issues in the energy sector reiterate that there is a strong need for the CPC to engage in forward-looking decision making with due consideration to developments in domestic and global markets. Whilst the supply disruptions seen in the recent months are partly stemming from issues in foreign currency liquidity, the extent of these supply disruptions could have been reduced through timely and prudent decisions, undertaken by the CPC in a concerted manner with the CEB and other related public stakeholders.

Several infrastructure development projects aimed at improving the performance and productivity of the petroleum industry were carried out during the year, albeit at a slower pace. The detailed feasibility study for the establishment of a new refinery in Sapugaskanda as a Public-Private Partnership under a *Built-Operate-Transfer* model with a capacity of 100,000 barrels per day was completed by the CPC in 2021. Meanwhile, in order to improve the storage facilities available for petroleum products, two storage construction projects comprising total capacity of 93,000m^3 in Kolonnawa were also under progress during the year. The CPC also commenced the development and upgrading of the Aviation Refueling Terminal as a part of the Bandaranaike International Airport (BIA) development project. In addition, the CPC continued to work in collaboration with the CEB to construct the pipeline conveying gas to the Kelanitissa power plant under the proposed Liquefied Natural Gas (LNG) power project. Accordingly, land acquisition and evaluation of project proposals commenced in 2021 and the project is expected to be completed by 2023. In early 2022, an agreement was signed for the Trincomalee Oil Tank Farm Development project to be carried out in collaboration with the Indian Oil Corporation (IOC). Accordingly, of the 99 oil tanks in the Trincomalee Oil Storage Complex, 24 are to be allocated to the CPC and another 61 are to be upgraded by a subsidiary that is to be established as a joint venture between the CPC and IOC, while the remaining 14 tanks are to be developed by the IOC.

Table 3.1
Petroleum Sector Performance

Item		2020 (a)	2021 (b)	Growth Rate (%) 2020 (a)	Growth Rate (%) 2021 (b)
Quantity Imported (mt '000)					
Crude Oil		1,667	1,182	-9.5	-29.1
Refined Products		4,028	4,553	-15.0	13.0
Coal		2,600	2,206	8.8	-15.1
L.P. Gas		437	422	1.7	-3.3
Domestic L.P. Gas Production (mt '000)		25	17	-6.4	-34.1
Value of Imports (CIF)					
Crude Oil	(Rs. million)	107,665	123,865	-38.0	15.0
	(US$ million)	583	625	-39.9	7.2
Refined Products	(Rs. million)	321,818	564,681	-33.4	75.5
	(US$ million)	1,742	2,840	-35.6	63.0
Coal	(Rs. million)	40,194	55,118	3.8	37.1
	(US$ million)	217	278	1.3	27.8
L.P. Gas	(Rs. million)	43,812	64,436	1.5	47.1
	(US$ million)	236	324	-2.2	37.2
Average Price of Crude Oil (CIF)					
	(Rs./bbl)	8,415	13,645	-31.6	62.2
	(US$/bbl)	45.57	68.86	-33.8	51.1
Quantity of Petroleum Exports (mt '000)		798	853	-18.9	7.0
Value of Petroleum Exports	(Rs. million)	68,849	100,975	-26.1	46.7
	(US$ million)	374	506	-28.3	35.6
Local Sales - Refined Products (mt '000)		4,600	4,246	-16.8	-7.7
o/w Petrol (92 Octane) (c)		1,139	1,238	-10.2	8.7
Petrol (95 Octane)		120	116	-23.6	-3.5
Auto Diesel (d)		1,750	1,875	-18.2	7.1
Super Diesel		69	75	-18.8	8.2
Kerosene		176	188	-14.8	7.2
Furnace Oil		971	513	-4.0	-47.2
Avtur		189	224	-60.2	18.6
Naphtha		165	11	1.7	-93.5
Local Sales - L.P. Gas (mt '000)		473	457	1.5	-3.3
Local Price (End Period) (Rs./litre)					
Petrol (92 Octane)		137.00	177.00	-	29.2
Petrol (95 Octane)		161.00	207.00	-	28.6
Auto Diesel		104.00	121.00	-	16.3
Super Diesel		132.00	159.00	-	20.5
Kerosene		70.00	87.00	-	24.3
Furnace Oil					
800 Seconds		70.00	110.00	-27.1	57.14
1,500 Seconds		70.00	110.00	-27.1	57.14
L.P. Gas (Rs./kg)					
Litro Gas		119.44	214.00	-	79.2
Laugfs Gas		119.44	227.20	-	90.2
International Crude Oil Prices (US$/bbl)					
Brent		43.35	70.80	-32.3	63.3
WTI		39.78	67.94	-30.2	70.8
Petroleum and Other Liquids					
World Supply (million barrels per day)		93.9	95.6	-6.4	1.8
World Demand (million barrels per day)		92.0	97.5	-8.6	6.0

(a) Revised
(b) Provisional
(c) Including XtraPremium Euro 3
(d) Including XtraMile Diesel

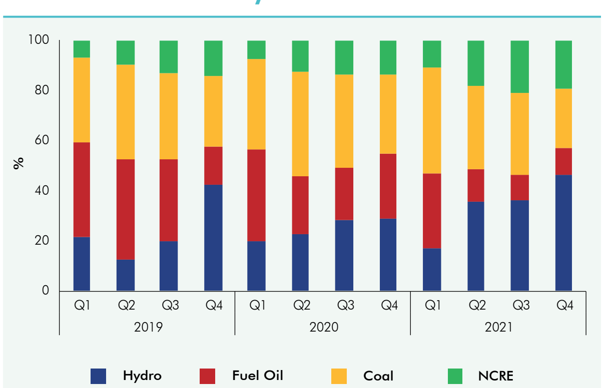
Sources: Ceylon Petroleum Corporation
Lanka IOC PLC
Lanka Marine Services (Pvt) Ltd
Litro Gas Lanka Ltd
Laugfs Gas PLC
Sri Lanka Customs
Bloomberg
U.S. Energy Information Administration

The Government continued to engage in developing a national plan for upstream oil and gas exploration during 2021. The Petroleum Resources Act No. 21 of 2021 was enacted in October 2021 with the primary aim of establishing an independent, efficient and transparent upstream legislative framework, thereby creating a clear national upstream policy and a regulatory and operational framework to oversee and manage petroleum resources and related operations. Following the enactment of the new Petroleum Resources Act, the *Petroleum Development Authority of Sri Lanka* (PDASL) was established in October 2021 as an independent regulator in lieu of the Petroleum Resources Development Secretariat (PRDS). Further, in line with international block demarcation processes and current trends, a new offshore hydrocarbon exploration block map comprising 871 small blocks and three large blocks covering the Mannar, Cauvery and Lanka Basins, was devised and gazetted in July 2021. Further, in line with the *National Policy on Natural Gas*, which was gazetted in 2020, initial work relating to the drafting of the *Gas Utilisation Master Plan* was underway began in 2021 and it is expected to be launched during early 2022 by the PDASL.

Electricity

Electricity demand continued to expand in line with the recovery in economic activity in 2021. During the year, electricity generation grew by 6.4 per cent to 16,716 GWh, compared to the previous year, with increased share of hydropower generation. Water levels in reservoirs remained above 60 per cent throughout the year owing to heavy rainfall in catchment areas, thereby contributing to the increased reliance on low-cost hydropower generation to meet electricity demand. Accordingly, total electricity generation through hydro sources increased by 44.2 per cent to 5,640 GWh, while the share of hydropower in total electricity generation increased to 34 per cent in 2021 from 25 per cent recorded in 2020. This also resulted in reduced reliance on fuel oil based power generation which declined by 37.0 per cent to 2,634 GWh while coal power generation contracted by 4.1 per cent to 5,519 GWh during the period under review. Meanwhile, power generation through Non-Conventional Renewable Energy (NCRE) sources registered a significant growth of 56.6 per cent to 2,922 GWh, largely driven by the addition of new renewable energy plants to the national grid, particularly the 100 MW Mannar wind plant. Accordingly, the shares of fuel oil, coal, and NCRE power generation in the total generation mix stood at 16 per cent, 33 per cent, and 17 per cent, respectively. Further, the share of power generated by the CEB out of total power generation stood at 76.0 per cent in 2021, while the remainder was purchased from Independent Power Producers (IPPs). The overall transmission and distribution loss as a percentage of total power generation was maintained at 9.0 per cent in 2021 despite the expansion of electricity supply to remote and rural areas. From early 2022, there was a turnaround in the reliance on hydropower generation due to the rapid depletion of reservoir water levels amid the onset of dry weather conditions. Due to the resultant increase in reliance on thermal-based power generation, the CEB has been experiencing difficulties in meeting the energy demand of the economy in the early months of 2022. Difficulties in fuel procurement caused by foreign exchange issues within the country amidst

Figure 3.6
Electricity Generation Mix



Source: Ceylon Electricity Board

Table 3.2
Electricity Sector Performance

Item	2020 (a)	2021 (b)	Growth Rate (%) 2020 (a)	Growth Rate (%) 2021 (b)
Installed Capacity (MW)	4,265	4,187	1.2	-1.8
Hydro (c)	1,383	1,383	-1.1	-
Fuel Oil (d)	1,268	1,087	-1.1	-14.3
Coal	900	900	-	-
NCRE (e)	715	817	12.4	14.3
Units Generated (GWh)	15,714	16,716	-1.3	6.4
Hydro (c)	3,911	5,640	3.4	44.2
Fuel Oil (d)	4,182	2,634	-16.6	-37.0
Coal	5,754	5,519	7.3	-4.1
NCRE (e)	1,866	2,922	5.9	56.6
Total Sales by CEB (GWh)	14,286	15,214	-2.2	6.5
Domestic and Religious	5,172	5,320	6.3	2.9
Industrial	4,164	4,822	-5.2	15.8
General Purpose and Hotel (f)	3,238	3,342	-9.1	3.2
Street Lighting	108	97	-0.8	-9.8
Bulk Sales to LECO	1,605	1,633	-4.7	1.7
LECO Sales (GWh)	1,624	1,603	-1.3	-1.3
Domestic and Religious	739	717	6.8	-3.0
Industrial	279	306	-4.7	9.6
General Purpose and Hotel (f)	583	557	-8.9	-4.5
Street Lighting	23	23	7.7	3.4
Overall Transmission and Distribution Loss of CEB (%)	9.1	9.0	10.3	-1.1
Number of Consumers ('000) (g)	7,213	7,401	2.0	2.6
o/w Domestic and Religious	6,273	6,411	1.8	2.2
Industrial	70	73	3.8	4.2
General Purpose and Hotel (f)	867	915	4.3	5.5

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

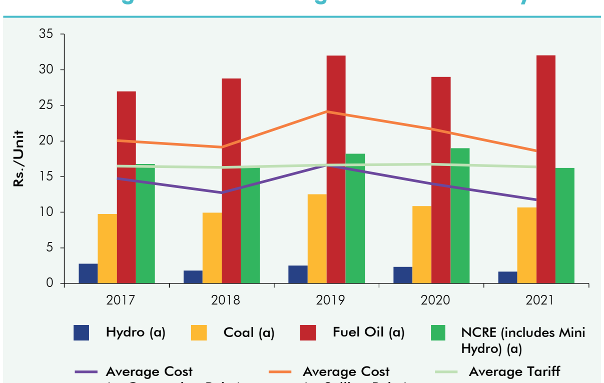
Sources: Ceylon Electricity Board (CEB)
Lanka Electricity Company (Pvt) Ltd (LECO)

soaring global prices of energy commodities led to the implementation of load shedding since February 2022.

Electricity sales increased by 6.5 per cent to 15,214 GWh in 2021, owing primarily to the lower base induced by the reduced demand in 2020. The overall growth in sales was driven by demand from all user categories, except for religious and street lighting purposes. Electricity sales to the hotel sector, which accounts for 1.4 per cent of total sales, increased notably by 13.7 per cent in 2021, compared to the sharp decline of 29.2 per cent observed in 2020, highlighting the recovery in the tourism sector during the year. Meanwhile, the CEB continued to face difficulties in manual meter reading resulting in significant mismatches between electricity sales and electricity generation data. Accordingly, the CEB has taken initiatives to collect accurate and real-time energy data through remote disconnection and automatic reconnection facilities. Two commercial scale smart metering projects were initiated in Dehiwala and Katunayake. Acceleration of such timely initiatives is essential, as rapid implementation of smart metering technologies would ensure smooth billing and collection of dues in a prompt and efficient manner, thereby improving the cash flows of the CEB.

Increased reliance on hydropower generation, combined with a low share of costly fuel oil based electricity generation helped improve the financial performance of the CEB during 2021. However, this was insufficient to offset losses incurred during the year as well as those from the past. As per unaudited provisional financial data, the CEB recorded a loss of Rs. 22.0 billion in 2021, compared to a loss of Rs. 69.2 billion reported in 2020. Short term borrowings of the CEB from banks and other outstanding liabilities to the CPC and IPPs increased to Rs. 237.8 billion by end 2021 from Rs. 208.4 billion recorded by end 2020, while the CEB's long term outstanding liabilities increased to Rs. 502.8 billion by end 2021 from Rs. 483.8 billion recorded at end 2020. The Government's decision to provide a grace period to settle electricity bills and to defer the disconnecting of services to unpaid

Figure 3.7
Average Cost and Average Tariff of Electricity



(a) Average cost at generation point

Source: Ceylon Electricity Board

Table 3.3
Average Costs and Average Tariffs of Electricity

Item	2020 (a)	2021 (b)	Growth Rate (%) 2020 (a)	Growth Rate (%) 2021 (b)
Average Cost of CEB (Rs./kWh)	10.35	8.78	-19.8	-15.2
Hydro	2.33	1.67	-6.6	-28.3
Fuel Oil	29.01	32.03	-9.3	10.4
Coal	10.87	10.68	-13.1	-1.7
Average Cost of Private Sector (Rs./kWh)	22.94	16.94	-13.3	-26.2
Fuel Oil	27.55	30.35	-8.7	10.2
NCRE (c)	18.99	16.22	4.2	-14.6
Overall Average Cost (Rs./kWh)				
Generation Point	13.99	11.74	-15.8	-16.1
Selling Point	21.67	18.63	-10.2	-14.0
Average Tariff (Rs./kWh)	16.72	16.37	0.5	-2.1
Domestic	14.87	14.91	5.2	0.3
General Purpose	23.91	23.42	-0.1	-2.0
Government	18.06	18.25	-0.7	1.1
Industrial	14.84	14.70	0.8	-0.9
Hotel	18.13	17.79	2.4	-1.9

(a) Revised
(b) Provisional
(c) Average cost of hydro is included under NCRE

Source: Ceylon Electricity Board

consumers worsened the cash flow position of the CEB. The CEB's financial performance could deteriorate further in 2022 on account of revisions to domestic fuel prices in early 2022 and on prospects of increases in energy commodity prices during the remainder of 2022. These developments reiterate the urgent need to implement a cost reflective pricing mechanism for electricity tariffs and to undertake regular revisions especially considering that electricity tariffs have not been revised since 2014. Initiatives to increase the power generation capacity through expansion of renewable energy sources are also essential.

The Public Utilities Commission of Sri Lanka (PUCSL), the regulatory authority for the electricity sector, continued to strengthen its monitoring and regulatory activities in order to ensure the provision of continuous power supply. The CEB submitted its *Long-Term Generation Expansion Plan for 2022-2041* (LTGEP) in October 2021 for the approval of the PUCSL. The plan outlines that the renewable energy share will be about 50 per cent of total electricity generation by 2030. However, the PUCSL requested the

CEB to realign the LTGEP in accordance with the Government's target of renewable energy contributing to 70 per cent of electricity generation by 2030. The PUCSL requested that the amended LTGEP be submitted by June 2022. In July 2021, the Cabinet of Ministers decided not to build any new coal power plants in the near future to ensure sustainable energy development and to reiterate its commitment to providing clean energy. The decision was in line with the commitment made under the *United Nations Framework Convention on Climate Change* to achieve carbon neutrality by 2050. Meanwhile, other monitoring and regulatory aspects of electricity, such as the development of a National Electrician Licensing Framework, inspections of renewable power plants, and training for electricians and technicians, were underway during the year.

Activities related to the development of several power plants were in progress during the year with the aim of expanding energy generation to keep pace with the steady growth in electricity demand. Given the expected reliance on LNG as one of the main sources of electricity generation, as per the LTGEP, the Cabinet of Ministers granted approval for the construction of Sri Lanka's first LNG power plant at Kerawalapitiya. Accordingly, construction of the first 300 MW power plant commenced in March 2021 and is expected to be connected to the national grid by early 2024, while the second 300 MW plant was at the initial stages of construction and is expected to be completed by the end of 2024. The CEB initiated a competitive bidding process for the construction of LNG terminal facilities consisting of a Floating Storage Regasification Unit, on a *Build-Own-Operate* basis, and a delivery pipeline, on a *Build-Operate-Transfer* basis. These LNG based power plants are expected to be equipped with dual fuel capability, including fuel supply and storage arrangements, in order to ensure continuity of supply in case of disruptions to LNG supply. Further, several transmission and distribution projects, including the Green Power Development and Energy Efficiency Improvement Project, Greater Colombo Transmission and Loss Reduction Project and Power System Reliability Strengthening Project, were underway to expand and strengthen the power transmission and distribution system in order to reduce system losses and to include more renewable energy while maintaining system reliability.

The Government continued its efforts to ensure the sustainability of the power sector by increasing renewable energy generation. Accordingly, the key hydropower projects, the Uma Oya (120 MW) and Broadlands (35 MW) projects were nearing completion as at end 2021 and both are expected to be commissioned in 2022. Meanwhile, the Moragolla, Gin Ganga, and Thalpitigala hydropower projects were in progress during the year, and these plants are expected to add a total capacity of 65 MW to the national grid. With the successful commissioning of the first large-scale 100 MW Mannar wind power plant (Phase I) at its full capacity in mid-2021, plans have been made to add another 50 MW to the national grid from this plant. Initiatives were also taken to establish two 100 MW wind parks in two phases in Mannar, while development activities relating to wind plants located in the Pooneryn hybrid renewable energy park and Trincomalee are also under progress. In relation to solar energy, at the end of 2021, around 27,068 consumers had joined the *Soorya Bala Sangramaya project* and 416 MW were added to the national grid under this project. Meanwhile, initial activities of the Siyambalanduwa solar power park (100 MW) and Pooneryn hybrid renewable energy park (150 MW) were underway during the year. A loan agreement for US dollars 100 million was signed with India in June 2021 to install rooftop solar plants on government buildings and religious organisations, as well as for floating solar pilot projects. Accordingly, this project is expected to add an additional 120 MW of solar capacity to the grid. Sri Lanka also signed an agreement with the National Thermal Power Corporation (NTPC) of India in March 2022 to set up a solar power plant in Sampur, Trincomalee. As a new initiative in power generation, Sri Lanka's first waste to energy power plant in Kerawalapitiya, with a capacity of 10 MW, commenced its operations in February 2021. Although a number of renewable energy projects are in the pipeline, these proposed and planned projects must be implemented in an expeditious manner to avoid power shortages and to prevent resorting to generation through high cost alternatives, while also ensuring the achievement of the Government's policy target of meeting 70 per cent renewable energy share in the overall generation mix. Furthermore, it is essential to develop a consistent policy framework to formulate an appropriate and sustainable energy mix, taking into account long run economic costs as well as the high capital investment and maintenance cost, and the externalities of energy sources on the environment and society. Accordingly, a Cabinet Subcommittee was appointed in February 2022 to develop strategic plans for renewable energy development and propose measures to mitigate potential lapses in the implementation of proposed renewable energy projects.

The Sri Lanka Sustainable Energy Authority (SLSEA) continued its efforts to encourage sustainable energy development in the country. The SLSEA engaged in energy conservation activities, such as the establishment of Energy Management Systems and the Energy Labelling Programme, to facilitate the energy security of the country. The *Renewable Energy Resource Development Plan for 2021-2026* was also compiled with due consideration to the optimal utilisation of renewable energy resources and identification of land resources and potential transmission systems for the projects. In addition, the SLSEA was involved in the process of issuing energy permits and provisional approvals for renewable energy projects to accelerate the development of indigenous renewable resources into commercial scale projects.

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Road Development

Initiatives of the Road Development Authority (RDA), focused on improving rural-urban connectivity, were continued with the aim of improving the quality of road transportation to reduce transit time, while also improving the comfortable passage of both people and goods. During the year, the total length of National Highways (A and B class roads) maintained by the RDA was approximately 12,225 km, while the total length of expressways was 312.6 km. Activities pertaining to the enhancement of the road network via maintenance, development of expressways and highways, widening and improvement of roads, constructions of bridges and flyovers, and the rehabilitation of natural disaster-affected roads rehabilitation led the RDA to incur about Rs. 200.8 billion. The expenditure incurred on the development of expressways and highways stood at Rs. 19.0 billion and Rs. 155.9 billion, respectively, while expenditure related to the construction of bridges and flyovers amounted to Rs. 14.7 billion for the year.

Despite challenges relating to the availability of labour and importation of construction materials, caused by the COVID-19 pandemic, the Government steadfastly continued to

strengthen the expressway network of the country to ensure improved urban-rural linkages and thereby reinforce inclusive growth. Accordingly, construction activities pertaining to the Central Expressway that spans from Kadawatha to Dambulla were prioritised during the year enabling the section spanning from Meerigama to Kurunegala was opened to the public since mid January 2022. Moreover, preliminary construction activities pertaining to the first 12 km of the expressway from Pothuhera to Rambukkana also commenced during the year. Construction activities of the section extending from Kadawatha to Meerigama was underway, while the progress of land acquisition and resettlement for section IV of the project from Kurunegala to Dambulla stood at 70.7 per cent as at the end of 2021. Meanwhile, construction activities of the Ruwanpura Expressway from Kahathuduwa to Palmadulla, spanning a length of 76 km, were underway during the year. Accordingly, construction activities of phase I of the expressway spanning from Kahathuduwa to Ingiriya commenced during the year. Further, phase II and III from Ingiriya to Palmadulla will commence after the RDA completes the revisiting of the relevant feasibility study.

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Overall vehicular traffic along the expressways grew in 2021. Accordingly, the average number of vehicles that travelled on a daily basis on the Southern Expressway from Kottawa to Godagama and from Palatuwa to Mattala, increased by 2.7 per cent and 30.4 per cent, respectively, in 2020. Meanwhile, the daily numbers of vehicles plying the Colombo Katunayake Expressway and the Outer Circular Highway recorded growths of 6.7 per cent and 38.8 per cent, respectively, compared to the previous year. With these positive developments, the revenue from expressways rose to approximately Rs. 8.8 billion recording a 20.6 per cent growth in annual revenue in 2021. Since the opening of the section of the Central Expressway spanning from Meerigama to Kurunegala in mid-January 2022, toll collection for this section was recorded at Rs. 134.4 million as at end February 2022.

Activities related to the development and rehabilitation of the existing road network and bridges continued during the year. The opening of the New Kelani Bridge at Peliyagoda in late November 2021 was a key milestone in terms of ongoing initiatives to mitigate traffic congestion in the Colombo metropolitan area. This project is located in the midst of a key transportation hub that links the BIA and the Port of Colombo. The newly opened six-lane bridge with its elevated road leading to the city is expected to alleviate the traffic congestion that could be seen in the area over the past several years. Several other road development projects were initiated during the year, such as the construction of flyovers in Slave Island and at the Gatambe and Kohuwala junctions. The Southern Road Connectivity Project (SRCP) which focuses on developing connectivity of the southern roads, particularly with the Southern Expressway, was also underway during the year alongside the Badulla - Chenkaladi Road Improvement Project (A005). Meanwhile, land acquisition and resettlement activities relating to the construction of the elevated highway from the New Kelani Bridge to the Outer Circular Highway were continued while the Environmental Impact Assessment (EIA) for the section spanning from Rajagiriya to Athurugiriya was in progress during the year.

Road Passenger Transportation

The overall performance of road passenger transportation activities continued to remain subdued in 2021, reflecting limited transport

operations by both the public and private sector amidst the intermittent imposition of mobility restrictions to contain the spread of COVID-19 and the increased preference for private transportation. Consequently, operations of the Sri Lanka Transport Board (SLTB) and private bus operators recorded notable declines in 2021. Accordingly, during the year, operated kilometrage and passenger kilometrage of the SLTB declined by 19.7 per cent and 28.4 per cent, respectively, while the average number of buses operated in 2021 increased to 4,449 buses from 4,045 buses recorded in 2020, which was around 85.7 per cent of the fleet that was effectively available for public transportation operations of the SLTB during the period. Meanwhile, the average number of buses operated by the private sector declined by 16.1 per cent to 9,053 buses in 2021 from 10,787 buses recorded in the previous year. During the year, passenger kilometrage and operated kilometrage of private bus operators also contracted by 12.2 per cent and 4.4 per cent, respectively. As at end 2021, the National Transport Commission (NTC) had issued 1,978 inter-provincial permits and 16,914 intra-provincial permits for private bus operations.

The NTC continued to work towards expanding safe public transport facilities during 2021 while adhering to health guidelines issued, especially in relation to restricted seating capacity, in order curb the spread of COVID-19. Accordingly, several special bus services, including *Sisu Seriya, Gemi Seriya* and *Nisi Seriya* were continued in line with COVID-19 related health guidelines. Around 97 new services were added to the *Sisu Seriya* service to facilitate the transportation of school children. As at end 2021, there were 1,563 services in operation under the *Sisu Seriya* programme, 194 services under the *Nisi Seriya* programme and 14 services under the *Gemi Seriya* rural bus service programme. In view of further expanding this project, the NTC granted approval to the SLTB to add 305 new *Nisi Seriya* services during the year. The NTC also commenced 59 new bus services, covering the Southern, Sabaragamuwa, Uva, and North Central provinces.

The two rounds of revisions to domestic prices of fuel in 2021 and the revision undertaken in March 2022 prompted the NTC to revise bus fares upward. Accordingly, fares of normal, luxury and semi-luxury bus services were revised upward by an average of 17.4 per cent in December 2021 resulting in the minimum bus fare increasing from Rs. 14.00 to Rs. 17.00. The revised fares came into effect from 05 January 2022. Another round of revisions took place in March 2022 leading to an average increase of bus fares by 15.0 per cent, with the minimum bus fare being revised upwards to Rs. 20.00.

The financial performance of the SLTB continued to deteriorate in 2021 with the decline in operations during the period under review. As per unaudited financial statements, total revenue of the SLTB declined by 13.7 per cent to Rs. 26.9 billion in 2021, while total expenditure also declined by around 9.1 per cent to Rs. 30.4 billion. The SLTB recorded an operational loss of Rs. 3.4 billion in 2021 compared to an operational loss of Rs. 2.2 billion recorded in the previous year. During the year, the subsidy provided by the Government to undertake operations on uneconomical routes and to facilitate subsidised season tickets amounted to Rs.12.2 billion. Meanwhile, the SLTB continued to carry out several initiatives to enhance its fleet and thereby improve its service provisioning to commuters. Accordingly, around 213 buses were added to the fleet after rehabilitation, while the Cabinet of Ministers granted approval to procure 500 new buses for the SLTB under the Indian line of credit in early 2022.

Table 3.4
New Registration of Motor Vehicles

Item	2020	2021 (a)	Growth Rate (%) 2020	Growth Rate (%) 2021 (a)
New Registration of Motor Vehicles (No.)	202,628	33,850	-44.8	-83.3
Buses	578	281	-64.2	-51.4
Motor Cars	21,021	3,495	-45.0	-83.4
Three Wheelers	7,150	2,093	-53.8	-70.7
Dual Purpose Vehicles	9,532	771	-29.2	-91.9
Motor Cycles	151,634	8,011	-46.7	-94.7
Goods Transport Vehicles	3,941	4,432	-24.5	12.5
Land Vehicles	8,302	14,764	8.3	77.8
Quadricycles and Motor Homes	470	3	-64.4	-99.4

(a) Provisional
Source: Department of Motor Traffic

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Reflecting the impact of controls imposed on the importation of non-essential imports since the onset of the COVID-19 pandemic, new registrations of motor vehicles continued to contract in 2021. New registration of motor vehicles declined notably by 83.3 per cent, compared to a decline of 44.8 per cent during 2020. The reduction was witnessed across all major categories of motor vehicles during the period under review, with new registrations of single cabs, motor cars, motorcycles and dual purposes vehicles recording declines of over 80 per cent.

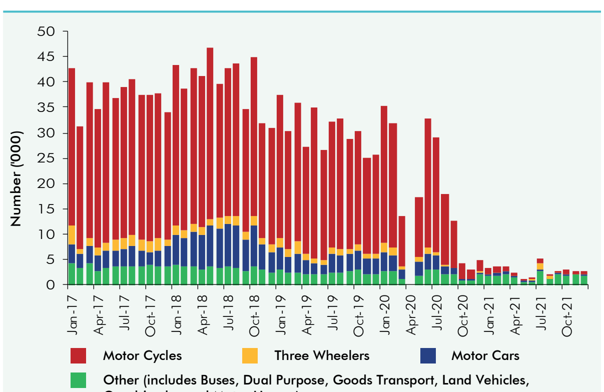
Rail Transportation[1]

The Sri Lanka Railways (SLR) continued to record weak financial performance in 2021. As per the provisional financial statements, the SLR registered an operating loss of Rs. 10.3 billion during the year, compared to a loss of Rs. 10.1 billion in 2020. The total revenue of the SLR stood at Rs. 2.7 billion with a notable decrease of 41.3 per cent in 2021 in comparison to the previous year, mainly due to the contraction in revenue generated from passenger transport by 53.0 percent. This decline in revenue was driven by the April and August outbreaks of COVID-19. During the year, total expenditure of the SLR decreased by 17.1 per cent to Rs. 40.4 billion, as recurrent and capital expenditure decreased by 11.2 per cent and 19.6 per cent, respectively, to Rs. 13.0 billion and Rs. 27.4 billion, respectively. Key reasons for the decline in recurrent expenditure were the reduction of personnel emoluments as well as the decline in fuel expenditure due to the reduction in operations.

The SLR carried out infrastructure development and service improvement activities in 2021, albeit at a slower pace. All enhancements and maintenance activities to track networks, rolling stock and signaling and telecommunication

1 Data relating to operations of Sri Lanka Railways were not made available at the time of publication.

Figure 3.8
New Registration of Motor Vehicles



Source: Department of Motor Traffic

Table 3.5
Salient Features of State Owned Enterprises in the Transportation Sector

Item	2020 (a)	2021 (b)	Growth Rate (%) 2020 (a)	Growth Rate (%) 2021 (b)
1.Sri Lanka Transport Board				
Operated Kilometres (million)	309	248	-28.4	-19.7
Passenger Kilometres (million)	8,623	6,175	-39.9	-28.4
Total Revenue (Rs. million)	31,233	26,948	-28.2	-13.7
Operating Expenditure (Rs. million)	33,437	30,386	-20.3	-9.1
Operating Profit (+) /Loss (-) (Rs. million)	-2,204	-3,438	-241.6	56.0
2.Sri Lanka Railways				
Operated Kilometres ('000)	7,990	n.a.	-28.9	-
Passenger Kilometres (million)	3,906	n.a.	-46.6	-
Freight Ton Kilometres (million)	114	n.a.	-1.1	-
Total Revenue (Rs. million)	4,567	2,679	-42.2	-41.3
Operating Expenditure (Rs. million)	14,618	12,979	-5.5	-11.2
Operating Profit (+) /Loss (-) (Rs. million)	-10,051	-10,300	32.9	2.5
3.SriLankan Airlines				
Hours Flown	41,585	50,287	-61.1	20.9
Passenger Kilometres Flown (million)	3,641	2,868	-76.5	-21.2
Passenger Load Factor (%)	56	36	-32.6	-36.0
Weight Load Factor (%)	62	74	-16.8	19.6
Freight (mt '000)	56	93	-54.3	66.0
Employment (No.)	6,489	5,732	-3.3	-11.7

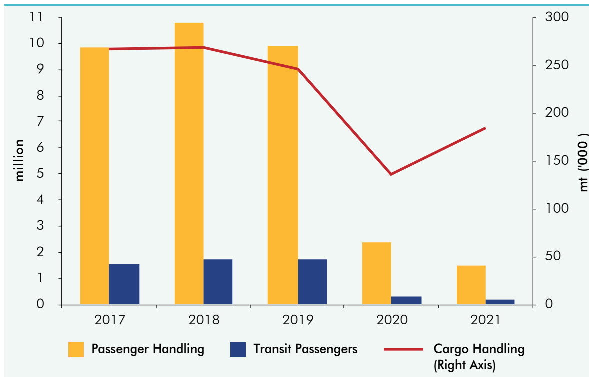
(a) Revised
(b) Provisional
Sources: Sri Lanka Railways
Sri Lanka Transport Board
Civil Aviation Authority of Sri Lanka

progressed, although at a modest pace amid disruptions caused by the COVID-19 pandemic. During the year, double tracking of the railway line from Kurana to Negombo was completed, whilst the double tracking of the 5 km railway line from Kandy to Sarasavi Uyana commenced. The project to rehabilitate 200 passenger coaches that commenced in 2020 was completed and the rehabilitation work of another 100 passenger carriages was commenced as an extension of the project, while releasing 30 passenger carriages back into service in 2021. Under the Indian credit line secured in 2017, two air-conditioned power sets were procured and added to the train fleet, while the procurement of 120 passenger coaches was underway during the year. Maintenance activities of railway bridges located on the main line, coastal line, Puttalam line, Kelani Valley line, Matale line, Northern line and Eastern line were under progress during the year. Several projects pertaining to the provisioning of signaling and telecommunication systems were also carried out during the year.

Civil Aviation

The performance of the civil aviation industry continued to remain modest with the dampened appetite for travel amid the COVID-19 pandemic. Accordingly, passenger arrivals continued to decline by 36.8 per cent in 2021 following the sharp decline of 76.0 per cent observed in 2020. Aircraft movements recorded a marginal decline in 2021 compared to the previous year. The performance of the sector was buoyed by public stakeholders' commitment towards ensuring strict adherence to COVID-19 related guidelines, while ensuring the smooth transit of passengers. In addition to the BIA, the Mattala Rajapaksa International Airport (MRIA) also obtained the Airport Health Accreditation Certificate from the Airports Council International (ACI), for being compliant with international health and safety guidelines. Meanwhile, a Rapid PCR

Figure 3.9
Air Passenger and Air Cargo Handling



Source: Civil Aviation Authority of Sri Lanka

Testing Service facility was also established at the BIA, catering to the special requirements of passengers traveling to certain destinations in the Middle East. Since March 2022, inbound passengers who are fully vaccinated and those below the age of 12 years no longer require COVID-19 PCR tests or Rapid Antigen Tests. Such measures of restoring normalcy to travel alongside the gradual abatement of the pandemic are expected to facilitate the steady recovery of the sector.

Despite some hindrances caused by the COVID-19 pandemic, several aviation development projects were underway albeit at a slower pace. The Airport and Aviation Services (Sri Lanka) Limited (AASL) continued to progress with the construction of the second terminal at the BIA (Package A). In November 2021, the remote apron and taxiways (Package B) were opened for use by airlines. Moreover, as at end 2021, 75 per cent of the construction of the new taxiway with an additional apron area had been completed under the *Colombo International Airport Ratmalana Master Plan – Way to 2030*.

The weak financial performance of SriLankan Airlines (SLA) recorded some improvement amid the reopening of Sri Lankan borders for international travel in early 2021 and the overall improvement in global appetite for travel. SLA's operating loss declined to Rs. 14.3 billion during

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Table 3.6
Performance of the Aviation Sector

Item	2020	2021 (a)	Growth Rate (%) 2020	Growth Rate (%) 2021(a)
1. Passengers (No.) (b)	**2,372,928**	**1,500,078**	**-76.0**	**-36.8**
SriLankan Airlines	1,237,931	857,158	-77.8	-30.8
Foreign Airlines	1,134,997	642,920	-73.7	-43.4
2. Freight Handling (mt)	**136,093**	**184,139**	**-44.8**	**35.3**
SriLankan Airlines	56,151	93,195	-54.3	66.0
Foreign Airlines	79,942	90,944	-35.3	13.8
3. Aircraft Movements (No.) (c)	**25,576**	**25,090**	**-74.0**	**-1.9**
BIA	24,931	24,336	-74.3	-2.4
MRIA	505	722	-60.9	43.0
JIA	140	32	-31.4	-77.1

(a) Provisional
(b) Excludes transit passengers
(c) Includes domestic aircraft movements

Source: Civil Aviation Authority of Sri Lanka

the nine months ending December 2021, thereby registering an improvement of 49.3 per cent compared to the corresponding period of 2020. This improvement during the period under review stemmed from the growth in revenue by 152.9 per cent which exceeded the increase in operating expenditure by 54.9 per cent. Notable initiatives that enabled significant improvement in the operations of SLA included the renewed focus on cargo operations not only to continue export operations, but also for the transportation of essential medical supplies and vaccinations. During the year, SLA also increased its cross-border commercial cargo operations and also expanded to several new destinations during the year enabling the continued operation of its fleet. SLA continued to be actively engaged in Sri Lanka's tourism initiatives by being the official airline for a key global adventure sporting event held in Sri Lanka in March 2022.

Port Services

The port activities rebounded sharply in 2021 with operations exceeding pre-pandemic levels. Despite the slowdown observed at the beginning of the year, a turnaround in port activities was observed throughout the year except for the months of August and September, where the rapid spread of the Delta variant of COVID-19 posed some hindrances to port operations. During the year, 7.2 million Twenty-foot Equivalent Units (TEUs) of containers and 109,369 metric tons of cargo were handled, surpassing historical highs. Accordingly, the Port of Colombo registered expansions in container and cargo handling of 5.8 per cent and 6.3 per cent, respectively. Further, the Colombo International Container Terminals (CICT) and Sri Lanka Ports Authority (SLPA) recorded growths in both cargo handling and container handling, while the South Asia Gateway Terminals (SAGT) reported a marginal decline. Notably, CICT handled over 3 million TEUs for the first time since its inception a decade ago. Of the total volume of containers handled at the Port of Colombo, CICT, SLPA and SAGT accounted for 44.3 per cent, 30.3 per cent and 25.4 per cent, respectively. During the year, 390,069 TEUs were handled by the East Container Terminal (ECT) that was opened in October 2020. With the increased arrivals of larger ships, overall ship arrivals recorded a contraction in 2021 despite the expansion in operations. The Colombo Port

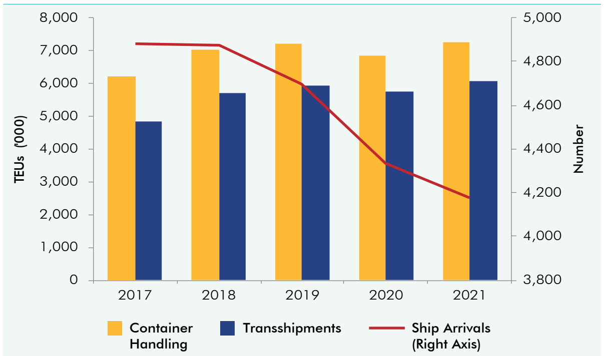
Table 3.7
Performance of Port Services

Item	2020	2021 (a)	Growth Rate (%) 2020	Growth Rate (%) 2021 (a)
1. Vessels Arrived (No.)	**4,337**	**4,180**	**-7.7**	**-3.6**
Colombo	3,806	3,675	-9.3	-3.4
Galle	22	14	-48.8	-36.4
Trincomalee	135	117	-4.9	-13.3
Hambantota	374	374	19.1	-
2. Total Cargo Handled (mt '000)	**102,908**	**109,369**	**-3.8**	**6.3**
Colombo	97,681	103,824	-4.2	6.3
SAGT	24,878	24,062	-6.2	-3.3
CICT	37,310	42,400	0.6	13.6
SLPA	35,493	37,362	-7.4	5.3
Galle	404	106	-20.8	-73.8
Trincomalee	3,072	3,190	-7.0	3.8
Hambantota	1,750	2,249	41.2	28.5
3. Total Container Traffic (TEUs '000) (b)	**6,855**	**7,249**	**-5.2**	**5.8**
SAGT	1,872	1,839	-8.8	-1.8
CICT	2,885	3,212	-0.3	11.3
SLPA	2,098	2,198	-8.1	4.8
4. Transshipment Containers Handled (TEUs '000) (b) (c)	**5,765**	**6,050**	**-3.2**	**4.9**
SAGT	1,607	1,573	-2.7	-2.1
CICT	2,291	2,600	-0.2	13.4
SLPA	1,867	1,877	-7.0	0.6

(a) Provisional
(b) TEUs = Twenty-foot Equivalent Container Units
(c) Includes re-stowing

Source: Sri Lanka Ports Authority

Figure 3.10
Container Handling, Transshipment Volume and Ship Arrivals

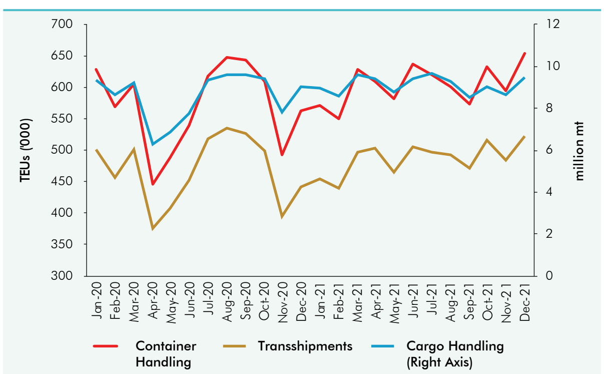


Source: Sri Lanka Ports Authority

continued to be ranked high on international rankings such as the *Container Port Performance Index* (17th position), compiled by the World Bank and IHS Markit and on the *Port Liner Shipping Connectivity Index* (17th position) compiled by the United Nations Conference on Trade and Development (UNCTAD) highlighting the strong potential of the Colombo Port to emerge as a leading maritime hub in the region.

Major infrastructure development initiatives of the Colombo Ports steadily continued during the year despite COVID-19 related disruptions. The construction of the second phase of the ECT commenced in January 2022, while the *Build-Operate-Transfer* agreement for the West Container Terminal (WCT) spanning 35 years was signed between a foreign investor, a local investor and the SLPA. Upon the expected completion of the ECT and

Figure 3.11
Performance of Port Activities



Source: Sri Lanka Ports Authority

WCT by 2025 and 2026, respectively, the capacity of the Port of Colombo is expected to be enhanced by 6 million TEUs. Further, according to the *National Port Master Plan* (NPMP), the preliminary design and feasibility study to implement a new Port Communication System (PCS) commenced during 2021. Activities pertaining to the undertaking of the feasibility study of the Colombo North Port development project and call for Expressions of Interest (EOI) to develop the Port of Galle as a fully-fledged port for tourism were also underway during the year.

Despite the extremely low performance of domestic vehicle handling, total vehicle handling at the Hambantota Port grew by 40.4 per cent during 2021 recording the highest growth since the start of its operations, entirely driven by transshipments. Accordingly, the total number of vehicles handled at the Hambantota Port stood at 493,400, of which 489,942 were vehicle transshipments. While vehicle transshipments registered a growth of 46.3 per cent, domestic vehicle handling recorded a steep decline of 76.9 per cent with the continuation of restrictions on motor vehicle importation.

The financial performance of the SLPA improved in 2021 with the increase in port activities. Accordingly, the SLPA recorded profits before tax of Rs. 25.6 billion in 2021 compared to that of Rs. 20.3 billion recorded in 2020. Total revenue of the SLPA grew by 16.8 per cent to Rs. 45.5 billion, and operating expenditure also increased by 10.7 per cent to Rs. 32.9 billion during the year.

Communication Services

The telecommunications sector continued to expand in 2021, particularly facilitating the contemporary communication needs of the economy, emerging from the challenges of the continuation of the COVID-19 pandemic.

As observed in 2020, the telecommunications sector continued to play a pivotal role in ensuring the continuity of economic activity during the year. The rising adoption of online platforms for a myriad of economic activities paved way for the healthy pace of growth of the sector. Consequently, the total mobile connections, fixed wireline and wireless telephone connections continued to grow alongside the improvements in telephone and mobile penetration.

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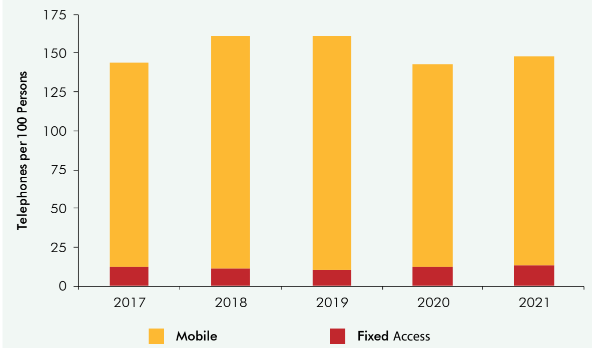
Internet usage also registered a significant growth, largely driven by the adoption of 'work-from-home' arrangements and the continuation of educational activities through virtual learning platforms. Accordingly, total internet connections grew by 26.9 per cent with the rise in both mobile and fixed internet connections. Further, internet density, which measures the number of internet connections per 100 persons, increased to 100.4 in 2021 compared to 79.9 recorded in 2020, reflecting the rapid transition of activities, particularly related to the services sector, to online platforms. In the meantime, total data usage which has been on an upward trend since October 2020 with the outbreak of the second wave of the COVID-19 pandemic registered a gradual moderation in the first quarter of 2021 alongside the removal of mobility restrictions from early 2021. However, with the onset of the third wave of the pandemic in end April 2021, a rapid growth in internet data usage was witnessed, in line with the imposition of mobility restrictions and the changeover to online working and education arrangements. The pace of growth declined from October 2021 onwards with the removal of mobility restrictions and the restoration of normalcy to the economy.

Figure 3.12
Telephone Penetration



Sources: Telecommunications Regulatory Commission of Sri Lanka
Department of Census and Statistics

Table 3.8
Telecommunication Sector Performance

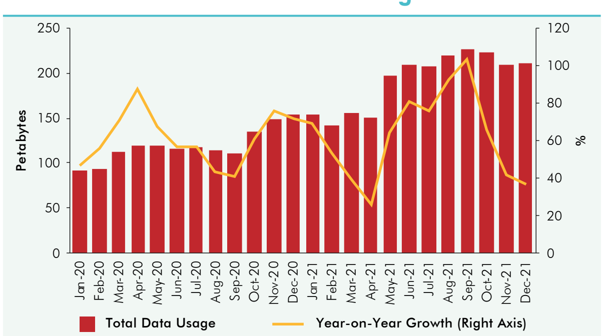
Item	2020	2021 (a)	Growth Rate (%) 2020	Growth Rate (%) 2021 (a)
Fixed Access Services (No.) ('000)	2,613	2,852	13.6	9.1
Wireline Telephones in Service	1,246	1,264	0.1	1.5
Wireless Local Loop Telephones	1,367	1,587	29.6	16.1
Mobile Phones (No.) ('000)	28,739	29,959	-12.6	4.2
Internet connections (No.) ('000) (b)	17,524	22,236	30.7	26.9
Public Pay Phones (No.)	461	n.a.	-3.2	-
Penetration (c)				
Fixed Lines	11.9	12.9	13.0	8.0
Mobile Phones	131.1	135.2	-13.1	3.1
Internet (b)	79.9	100.4	30.0	25.5

(a) Provisional
(b) Including mobile internet connections
(c) Defined as connections per 100 persons

Sources: Telecommunications Regulatory Commission of Sri Lanka
Department of Census and Statistics

With due recognition given to the importance of digital transformation in tandem with the post COVID-19 recovery process, the implementation of the *National Digital Transformation Strategy* (2021-2024) was commenced during the year. In this regard, the Cabinet of Ministers granted approval for the Information and Communication

Figure 3.13
Broadband Data Usage



Sources: Dialog Axiata PLC
Sri Lanka Telecom PLC
Mobitel (Pvt) Ltd
Bharti Airtel Lanka (Pvt) Ltd

Note: 1 Petabyte (PB) = 1 million Gigabytes (GB)

Technology Agency (ICTA) to spearhead the implementation of this which comprises the three key programme pillars of Digital Government, Digital Economy and Digital Services. While the Digital Government and Digital Services pillars will focus on the development of digital infrastructure across public institutions, the Digital Economy pillar is expected to focus on the development of local capacity to enable the generation of annual export revenue of US dollars 3 billion from the Information Technology and Business Process Management (IT-BPM) industry of the economy. Further, with the intention of effective implementation of the *National Digital Transformation Strategy*, a robust monitoring and evaluation system encompassing all projects and programmes is being developed to ensure independent and unbiased governance.

Several other measures complementing the *National Digital Transformation Strategy* were also in progress, led by key stakeholder institutions, focused on enhancing the digital infrastructure base of the country. The Telecommunication Regulatory Commission of Sri Lanka (TRCSL) carried out the national project *Gamata Sanniwedanaya* to improve 4G coverage in 14,000 Grama Niladhari Divisions across all districts. The project strives to achieve island wide 4G coverage by end 2024, while as at end 2021, project activities were underway across 251 sites in ten districts. In order to facilitate distance learning during the pandemic and to ensure broader accessibility, the TRCSL 'whitelisted' the *eThaksalawa* and *Lanka Education and Research Network (LEARN)* online education platforms enabling users to access such platforms without any data charges. Other key initiatives undertaken by the TRCSL to facilitate the evolving needs of consumers were the granting of approval for 'unlimited internet plans' and the granting of legal approval for subscribers to avail 'mobile number portability' services, among others. The ICTA continued to spearhead initiatives relating to the digital transformation of the economy, such as the Sri Lanka Unique Digital Identity, eLand Registry, Digital Health Project, Digital Library Project, Lanka Government Network 2.0, and Lanka Government Cloud 2.0. In addition to these, ICTA also developed email, video conferencing and digital form submission facilities to enable the continuity of services provided by government institutions amid the COVID-19 pandemic.

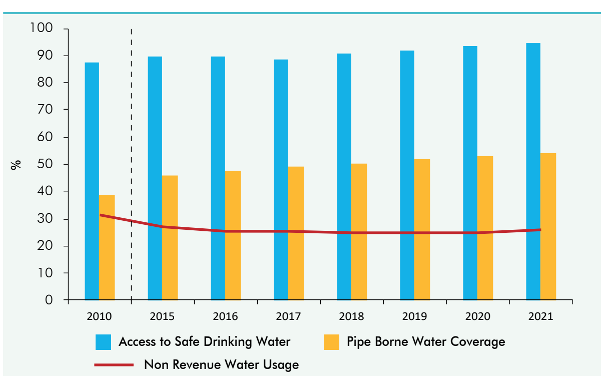
The performance of the Department of Posts (DoP) continued to remain modest amid the disruptions caused by the pandemic. Although postal services were hindered by the third wave of the pandemic and related COVID-19 containment measures, with postal services being declared an 'essential service' by the Government in June 2021, the DOP adopted measures to continue its service delivery through the adoption of novel approaches. The 'Cash on Delivery' services which were re-launched in late 2020 continued successfully during 2021 generating an income of Rs. 34.0 million. Meanwhile, the DOP also continued to facilitate the payment of pensions of government servants and those in the fisheries sector, along with other social services allowances during the year, while facilitating the free distribution of medicine. These key services were provided, without any disruptions, through the network of the DOP comprising 654 main post offices, 3,410 sub post offices and 130 private post offices, covering 8,157 delivery areas island-wide. However, the financial position of the DOP continued to remain weak in 2021 with an operational loss of Rs. 7.2 billion compared to a loss of Rs. 7.7 billion in 2020, highlighting the need for the DOP to devise novel value-added services in line with the ongoing digital transformation and the evolving needs of consumers.

Water Supply and Irrigation

Provisioning of new water supply connections continued during 2021 in line with the Government's National Policy Framework which outlines the provision of clean and safe drinking water for every household by 2025 as a key thrust area. Accordingly, 192,087 new water supply connections were provided by the National Water Supply and Drainage Board (NWS&DB) reaching a total of 2.8 million connections by the end of the year. This resulted in an improvement of households' access to safe drinking water to 94.4 per cent by end 2021 from 93.2 per cent by end 2020. However, non-revenue water usage of the country increased marginally to 25.8 per cent during the year compared to 24.6 per cent in 2020. Meanwhile, the NWS&DB recorded an operating loss of Rs. 3.1 billion during the year, compared to the loss of Rs. 370.5 million recorded in the previous year, owing to increases in operation and maintenance costs during the period under review.

Various development projects were carried out under the purview of the Ministry of Water Supply and NWS&DB in line with the National Policy Framework. During the year, activities related to physical work of 118 projects were commenced under the *Water for All* flagship pledge made to the public under the National Policy Framework. Further, with the aim of improving the volumes of safe drinking water throughout the country, 33 major water supply schemes were in progress during 2021. Meanwhile, the *Deduru Oya* water supply project, which commenced in 2016, was completed during the year, thereby providing safe drinking water to 97,700 beneficiaries residing in the Maho and Polpithigama divisional secretariats, while several other projects including the Kirama Katuwana water supply project and Katana water supply project were also completed during 2021. The Jaffna and Kilinochchi water supply and sanitation project which aims at improving the provision of safe drinking water and sanitation facilities in the Jaffna and Kilinochchi districts achieved progress of 61 per cent at end 2021. Under this project, work related to the Thalaiyadi seawater treatment plant, Nainativu seawater treatment plant and the Jaffna - Kilinochchi water distribution network were commenced during the year. Further, the Greater Matale Water Supply Project, which focuses on enhancing clean drinking water coverage in the Matale district achieved progress of 94 per cent by end 2021.

Figure 3.14
Status of Water Supply



Source: National Water Supply and Drainage Board

Table 3.9
Water Supply by National Water Supply and Drainage Board

Item	2020	2021 (a)	Growth Rate (%) 2020	Growth Rate (%) 2021 (a)
Total Water Supply Schemes (No.) (b)	331	337	-4.9	1.8
Total New Connections provided during the period (No.)	122,733	192,087	12.8	56.5
Total Connections (No.) (b)	2,560,237	2,752,324	5.0	7.5
Total Water Production (MCM) (c)	782	815	4.8	4.2
Non Revenue Water (per cent)				
Colombo City	39.2	34.8	-3.4	-11.4
Islandwide	24.6	25.8	-1.7	4.8
Access to Safe Drinking Water (per cent) (d)	93.2	94.4	1.4	1.3
Access to Pipe Borne Water (per cent) (e)	53.1	54.3	2.5	2.3

(a) Provisional
(b) As at year end
(c) MCM=Million Cubic Metres
(d) Comparative figure based on the HIES-2019 of the DCS is 88.5 per cent
(e) Includes systems managed by other authorities

Source: National Water Supply and Drainage Board

The Department of Irrigation (DoI) continued to develop irrigation schemes across the country to support agriculture sector performance. Accordingly, the Ellewewa reservoir project commenced alongside several other projects such as the rehabilitation of the Kudavilachchiya reservoir and Dematagala tank. Further, the provision of irrigation water for smaller communities continued to be expanded in various parts of the island as a key initiative under the *Gama Samaga Pilisandara programme*. During the year, 26 major irrigation projects were in progress incurring a cost of Rs. 5.6 billion, of which Rs. 2.7 billion and Rs. 556.1 million were spent on the Yan Oya and Deduru Oya reservoir projects, respectively. Meanwhile, the *Wari Saubhagya National Programme* that aims to rehabilitate rural tanks and anicuts across all districts was also commenced under the stewardship of the DoI in 2021. The project aims to cultivate 50,000 acres of barren paddy field through improvements to 2,500 village tanks. The Climate Resilience Improvement Project (CRIP), which commenced in 2014 with a view to enhancing the resilience of hydraulic infrastructure against adverse climate shocks, was completed during 2021. Further, the Cabinet of Ministers granted approval to revise upwards the total cost of the Uma Oya downstream development project to Rs. 17.9 billion from Rs. 9.4 billion. The project achieved 65 per cent physical progress by end 2021. Furthermore, the Productivity Enhancement and Irrigation System Efficiency Improvement Project (PIESIP), which was inaugurated in 2017 with the objective of improving irrigation infrastructure across 72,882 hectares of irrigable lands benefiting 97,832 farmer families, was continued, although at a slower pace owing to disturbances caused by the pandemic.

3.3 Social Infrastructure Policies, Institutional Framework and Performance

Health

Despite the outbreaks of COVID-19 during 2021, particularly due to the spread of the Delta variant, the imposition of appropriate and timely mobility restrictions by the Government alongside the globally acclaimed vaccination drive enabled Sri Lanka to minimise the human toll of the *Omicron* variant in early 2022. Following the two waves of the pandemic in March 2020 and in October 2020, the third wave of the pandemic emerged in April 2021. At the peak of the third wave in August 2021, the daily new confirmed COVID-19 cases (smoothed) per one million increased to 276 as against 11 cases per one million population reported till mid April 2021. This was driven by the highly contagious *Delta* variant of COVID-19. However, in contrast to the nationwide lockdown that was implemented during the first wave of the pandemic in March and April 2020, the Government cautiously adopted mobility restrictions during the third wave to curb the spread of the virus, while facilitating the continuity of economic activity in order to ensure overall socioeconomic wellbeing. During the initial stages of the third wave, all identified patients were hospitalised or quarantined at designated centres, while first contacts of patients were quarantined either at quarantine centres or at their residences. However, as the caseload rapidly increased, in an attempt to prevent overcrowding, the Government decided to hospitalise COVID-19 patients on a priority basis. The marked rise observed in fatality rates in August 2021 led the Government to impose an islandwide curfew from 21 August till end September 2021, during which essential economic activities were allowed to continue. With

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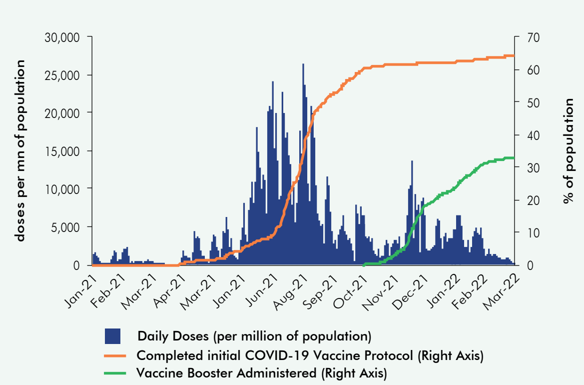
the vaccination drive that gained pace from end July 2021 onwards, a steady decline in the caseload was observed from mid September 2021 onwards allowing for all mobility restrictions to be lifted with effect from 01 October 2021. Subsequent to the detection of the Omicron variant in early December 2021, there was a steady rise in cases to 66 cases per one million population was observed in mid February 2022. Despite this steady rise, with 65 per cent of the population having completed the initial protocol of 2 vaccine doses and 28 per cent of the population having received the booster dose, the fatality rate declined to a relatively low level of 2 deaths per one million population compared to 10 deaths per one million population observed in August 2021. Considering the rapid progress of the vaccination drive, the Ministry of Health (MoH) issued a circular in late January 2022 allowing COVID-19 positive patients to be released from isolation after 7 days from the date of the Rapid Antigen Test or PCR positivity or from the date of onset of symptoms. Further, fully vaccinated close contacts without symptoms of COVID-19 were not required to be quarantined, while those who were partially vaccinated or unvaccinated could be released from quarantine after the completion of a 7-day quarantine period. In early 2022, the vaccination programme was expanded

Figure 3.15
COVID-19 Vaccination Status



Source: Ministry of Health

to encompass children above the age of 12 years with those in the age group of 12 – 15 years being provided with a single dose of the Pfizer vaccine. In late January 2022, an Extraordinary Gazette was issued preventing people from entering public places without possession of proof of being fully vaccinated against COVID-19 with effect from 30 April 2022. The Government continued to steadfastly allocate significant amounts as pandemic related expenditure. Accordingly, all related expenditure for the year amounted to Rs. 165.6 billion. Of this, health sector related expenditures, such as on vaccines, quarantine facilities, health sector infrastructure and medical supplies, stood at Rs. 130.1 billion.

Amid the challenges of the pandemic, Sri Lanka continued to deal with the outbreaks of other communicable diseases as well. In 2021, a total of 23,853 Dengue cases were reported, of which a significant share was reported in December with the onset of the monsoonal rains. Approximately 70 per cent of cases reported were from the Colombo, Batticaloa, Gampaha, Kalutara and Kurunegala districts. The upward trend continued with over 8,000 Dengue cases being identified during the first three months of 2022, raising concerns about the resurgence of Dengue, especially after relatively fewer cases had been reported in the corresponding period of 2021. The improvement in case trends was driven by the COVID-19 mobility restrictions which enabled households to clean their surrounding vicinity and keep premises free of mosquito breeding grounds. Increased awareness among individuals about personal hygiene, especially the increased use of facemasks, led to the usual seasonal Influenza pattern not being observed during the year. The number of leptospirosis cases identified in 2021 stood at 6,855 cases compared to 8,579 cases reported in 2020.

Despite the pressures exerted by the COVID-19 pandemic on the health sector, the Government remained committed to ensuring continuity of medical care to those struggling with Non-Communicable Diseases (NCDs) and the segments of the population who need targeted health care. Accordingly, the MoH continued to coordinate with district level Medical Officers to ensure the uninterrupted supply of medicines and undertake the follow-up of patients. As in 2020, the MoH delivered medicines through health sector staff, non-health government officers and via post. A web-based mechanism was also established in collaboration with the Pharmacy Owners' Association to facilitate the convenient purchase and delivery of medicines to homes. Further, the MoH continued to engage in creating awareness via mass media and social media regarding the adoption of healthy lifestyle habits, the management of NCDs, identification of early-warning signs and ways and means to obtain medical services in an emergency. The Family Health Bureau also spearheaded a number of initiatives fulfilling the health needs of the vulnerable maternal and child segments during the pandemic via provisioning of reproductive, maternal, newborn, child, adolescent and youth health care, especially to pregnant mothers and children who tested positive for COVID-19. Sri Lanka was the first country in South Asia to vaccinate pregnant mothers in an attempt to minimise the impact of the disease. With due consideration to Sri Lanka's struggle with the triple burden of malnutrition, i.e., under nutrition, overweightness or obesity and micronutrient deficiencies, several district specific targeted interventions were developed to overcome these issues.

During the year, initiatives were underway to improve the infrastructure base of the public healthcare system. Accordingly, nine healthcare institutions were upgraded and recategorised, while the necessary approvals were granted for the establishment of 27 new primary medical care units. The project pertaining to the remodeling and construction of additional buildings at the New District General Hospital – Matara was underway during the year and attained physical progress of 90 per cent. In addition, expansion of the physical infrastructure of the cancer treatment unit at the Teaching Hospital in Karapitiya and the strengthening and streamlining of the Accident and Emergency Care units in 28 line ministry hospitals were also in progress during the year.

Table 3.10

Salient Features of Health Services

Item	2020 (a)	2021 (b)
1. Government (No.)		
Hospitals (Practicing Western Medicine)	609	618
Beds	77,121	78,228
Primary Medical Care Units	514	542
Doctors	18,218	18,992
Assistant Medical Practitioners	690	650
Nurses	37,133	38,743
Attendants	8,177	8,176
2. Ayurvedic (No.)		
Hospitals	118	118
Beds	5,022	5,444
Qualified Ayurvedic Doctors	1,749	1,806
Registered Ayurvedic Doctors (c)	26,061	26,183

(a) Revised
(b) Provisional
(c) Registered with the Ayurvedic Medical Council

Sources: Ministry of Health
Department of Ayurveda

Private sector healthcare services played a pivotal role in alleviating the pressures on the public health sector, especially those stemming from the COVID-19 pandemic. Private hospitals have been at the helm of providing innovative services to meet the growing needs of the population, particularly driven by the pandemic. The wide availability of affordable telemedicine services through private healthcare providers allowed patients to receive evaluations, diagnoses and treatments from medical professionals using telecommunications technology. Private hospitals also played a cornerstone role in curbing COVID-19 outbreaks through the timely provision of Intermediate Care Centres, in addition to COVID-19 related testing services and treatments. The expanded service provisioning by private healthcare providers ensured that needy sectors of the population and those who do not have access to private health care were not crowded out of public sector health care services. As at the end of 2021, the private health care system comprised 233 hospitals with a capacity of 5,444 beds.

Education

The Ministry of Education (MoE) was engaged in uplifting the productive potential of the human capital base of the economy, in line with the vision of the Government towards the creation of a productive citizenry and vibrant human resource base. Accordingly, the MoE developed a strategic plan for the period of 2021-2025 in collaboration with the provincial education authorities and national level education institutions, pursuant to the principle of 'learning for all' in primary and secondary stages of education. The medium-term plan for the general education sector was organised under the four key thrust areas of strengthening equity in education, improving quality of education, strengthening stewardship and service delivery of general education as well as enhancing evidence-based education policy making and planning. Other initiatives, such as the New National School Development Programme, were also underway. This programme entails the upgrade of 831 selected schools to the 'national school' category in order to increase the number of national schools islandwide to 1,204 schools. During the year, Rs. 1.9 billion was allocated for this programme and each of the selected schools received Rs. 2.0 million for improvement and development of physical and learning infrastructure. As the first step, 09 schools were declared as national schools in early 2021. With the intention of inducing qualitative improvements to learning outcomes, the National Institute of Education (NIE) developed a new curriculum for Ordinary Level and Advanced Level under the theme of 'inquiry based learning' with increased focus on active learning, while teachers training modules and manuals for teachers were also improved to facilitate the inquiry based learning process. The programme to introduce the 'Technology' stream as the fifth stream at the Advanced Level continued to progress in 2021, with 09 schools being added to this programme resulting in 466 schools providing the Technology stream by end 2021. Meanwhile, the '13-years mandatory education' policy was further augmented during the year with 523 schools island-wide offering the 'Vocational' stream for Advanced Level studies. Notably, of the 9,603 students enrolled under the Vocational stream, approximately 87 per cent were identified as vulnerable to dropping out from the education system, in the absence of this option. During the year, about 11,000 students who had been undertaking studies in this stream were directed to institutional training. Further, 6,390 students who were enrolled under this stream in previous years completed Level 04 of National Vocational Qualifications (NVQ) and were absorbed across several industries such as tourism and hospitality, automobile/electrical services, care giving/sports, IT, construction and agriculture and plantation, among others. Plans are underway to extend this programme to another 78 schools during 2022.

Intermittent closures of physical schools during the year warranted the adoption of various novel methods to conduct general education activities to overcome the challenges of the COVID-19 pandemic. Schools remained closed either partially or fully during the most part of 2021, with the brief exceptions of usual operations during the month of March and the last quarter of 2021. During these brief periods of opening, in collaboration with the MoH, the MoE took several measures to ensure the strict adherence to COVID-19 related health guidelines by children, teaching and non-teaching staff across the school premises. Such measures included the regular disinfection of classrooms, availability of hand washing facilities, physically distanced classroom arrangements and coordination of arrangements for secure transportation of students. Towards the latter part of the year, the MoE closely engaged with health sector stakeholders to expedite the process of vaccinating teachers, while extending vaccine deployment to students above the age of 16 years. During periods of closure, for the second consecutive year, the MoE strived to ensure the continuity of education activities through hybrid mechanisms. Continuation and further expansion of the provision of online programmes that were in place during 2020 was a key aspect of the hybrid mechanisms. Accordingly, the national e-learning management system *e-Thaksalawa* was expanded with additional content spanning all school grades, while the MoE continued to telecast educational programmes in both the Sinhala and Tamil languages under the *Gurugedara* educational programme. During the year, measures were taken to broadcast the audio of these educational programmes through national radio channels to enhance outreach. With due consideration to gaps in technology and internet infrastructure, especially in rural and estate areas, the *Radio e-Thaksalawa* mobile application was developed during the year to provide round-the-clock access to audio contents of the *Gurugedara* programme. Meanwhile, over 2,000 Regional Distance Learning Education Centres were established in remote areas to facilitate students who were having difficulties in accessing existing online learning facilities. During the year, the MoE issued a new assessment tool for evaluating children with special education needs, thereby enabling the creation of Individual Education Plans (IEPs) for such children, especially considering their increased vulnerability to weaker learning outcomes amid the dearth of face-to-face interactions in learning environments. Although, several national examinations were delayed due to unforeseen circumstances caused by the COVID-19 pandemic, they were promptly rescheduled to take place in 2022. Accordingly, the Grade 05 Scholarship examination and the Advanced Level examination which were to take place in August 2021 were postponed and subsequently held in January 2022 and February 2022, respectively, while the Ordinary Level examinations were postponed to May 2022.

Although the commitment of all relevant stakeholders to ensure the continuity of general education activities is highly commendable, especially the rapid transition of such activities to online platforms, it is important to duly recognise that such activities were likely to have exacerbated existing inequalities in learning outcomes, largely driven by disparities in access to technology-related infrastructure facilities and relevant literacy levels. Further, the quality of online learning outcomes needs to be assessed as they are likely to be straddled by issues caused by the lack of physical interactions that are unique to those observed while engaging with teachers and peers in classroom and laboratory environments and in extracurricular activities. These learning gaps are likely to have lingering effects on learning outcomes which can translate into significant gaps in skills, abilities and knowledge in children. Relevant stakeholders should undertake proactive assessments of potential learning losses during the past two years and adopt focused and targeted measures to fill these learning gaps with the recent return of children to regular physical school. It is also vital that the Government continues to maintain the online education infrastructure base that has been developed to address the needs of

Table 3.11
Salient Features of General Education

Item	2020 (a)	2021 (b)
1. Schools (No.)	11,091	11,095
Government Schools	10,155	10,152
Primary	3,884	3,883
Secondary	6,271	6,269
o/w National Schools	373	383
Other Schools	936	943
Pirivena	816	819
Private and Special Schools (c)	120	124
2. Students (No.) (d)	4,272,289	4,238,760
Government Schools	4,063,685	4,032,211
Other Schools	208,604	206,549
Pirivena	69,878	69,500
Private and Special Schools (c)	138,726	137,049
International Schools	n.a.	n.a.
3. Teachers (No.) (d)	265,394	264,215
Government Schools	249,494	248,500
Other Schools	15,900	15,715
Pirivena	7,336	7,400
Private and Special Schools (c)	8,564	8,315
International Schools	n.a.	n.a.
4. New Admissions (No.) (e)	319,405	307,415
5. Student/Teacher Ratio		
Government Schools	16	16
Other Schools	13	13
International Schools	n.a.	n.a.
6. Primary Net Enrolment Ratio (Grade 1-5)	94.04	94.39
7. Secondary Net Enrolment Ratio (Grade 6-11)	91.68	91.46
8. Age Specific Enrolment Ratio (Grade 1-9)	n.a.	n.a.
9. Teacher Training Colleges (No.)	8	8
10. Teachers Trained during the Year (No.)	973	973
11. National Colleges of Education (No.)	19	19
Teacher Trainees (No.)	12,331	12,037
Number Passed Out during the Year	3,864	4,447

(a) Revised
(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) Excluding data from international schools
(e) Government schools only

Source: Ministry of Education

the COVID-19 pandemic as such infrastructure can contribute to the reduction of existing disparities in the country's existing education infrastructure base through unhindered access and free availability of these vital resources.

The Government continued to carry out higher education activities through distance learning platforms during 2021. During the year, higher education activities at state universities were conducted through the *LEARN* online education system which was in place since March 2020. Under the *LEARN* platform, students and academia were provided with free data and lectures were delivered through online platforms. During the year, at times there were as many as 250,000 attendees in a day, of which 100,000 participants have been simultaneous users. Meanwhile, with a view to ensuring the quality of online education services, the University Grants Commission (UGC) continued to review the progress of the *LEARN* platform in collaboration with universities during the period under review.

During the year, several initiatives were in progress to expand the tertiary education infrastructure base of the country. Accordingly, two new universities, the Gampaha Wickramarachchi University of Indigenous Medicine, and the University of Vavuniya were established during the year. The Gampaha Wickramarachchi Ayurveda Institute was upgraded as a fully-fledged university in March 2021, comprising 04 faculties with 13 academic departments offering 08 undergraduate courses and 08 postgraduate level courses. The Vavuniya Campus of the University of Jaffna was upgraded as the University of Vavuniya in August 2021 and is expected to promote higher tertiary level education in the areas of Business Studies, Applied Sciences and Technology Studies. In addition, it has been proposed to establish a National Nursing University and a National University for Teachers Training. During the academic year 2020/21, 16 new courses were introduced by the UGC, across several universities.

The private sector also continued to facilitate the expansion of opportunities in the higher education sector of the country. Accordingly, there were 21 Non-State Higher Education Institutes (NSHEIs) recognised as degree awarding institutes as at end 2021. During the year, the number of accredited programmes offered by NSHEIs increased to 190 from 167 in

Table 3.12
Salient Features of University Education (a)

Item	2020 (b)	2021 (c)
1. Universities (No.)	15	17
2. Other Higher Educational Institutions (No.)	20	19
3. Students (Undergraduates) (No.)(d)		
Universities (e)	106,641	118,711
Institutes	3,844	3,610
Open University	26,255	25,329
4. Total Staff (All Universities) (No.)		
Academic	6,525	6,742
Non-Academic	12,821	12,971
5. Student/Teacher Ratio	18.8	19.7
6. Age Specific Undergraduate Enrolment Ratio (19-23 yrs) (d)	8.2	8.7
7. Progression to University from GCE (A/L)		
Eligible for University Admission (%)	62.42	62.44
Admission as a Percentage of Eligible (%)	22.98	22.49
8. Students Graduated (No.) (f)	32,066	n.a.
Basic Degree	24,565	n.a.
Postgraduate Degree	7,501	n.a.
9. New Admissions for Basic Degrees (No.) (g)	41,669	n.a.
10. Students Eligible to be Admitted to Universities (No.)	181,206	194,297

(a) Universities and higher education institutions that come under the purview of 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

Source: University Grants Commission

2020, thereby providing increased opportunities across different streams of study for students to pursue higher education through the private sector. Meanwhile, the MoE continued to work towards developing a five-year re-review guideline, with a view to ensuring the quality standards of these NSHEIs, while initiatives regarding the introduction of minimum standards for the institutional review and programme review of NSHEIs were also underway.

The Technical and Vocational Education and Training (TVET) sector continued to provide education opportunities during 2021 aimed at enhancing skill levels of the workforce in line with the emerging needs of the economy. As at end December 2021, there were 1,071 registered institutions engaged in providing TVET education, comprising the Government, private and non-governmental institutions. Through this extensive network of institutions, over 3,000 accredited courses were conducted, while 45,033 NVQ certificates were issued to qualifying students during the period under review. Meanwhile, the Tertiary and Vocational Education Commission (TVEC) adopted measures to conduct NVQ programmes via online platforms and television lesson series while also developing an online system to collect data on students' training performance as well as to evaluate programme applicants. The TVEC developed new national standards for several NVQ levels, while revising existing guidelines to ensure the continued relevance of NVQ programmes. Meanwhile, the Department of Technical Education and Training (DTET) continued to upgrade vocational training facilities across the island to cater to the industrial demand for skilled labour. Accordingly, several infrastructure enhancement projects were carried out during the year under the *Tech Udana programme*, while a new technical college was established in Puttalam during the year.

Table 3.13
Salient Features of Tertiary and Vocational Education and Training (TVET)

Item	2020	2021 (a)
1. Registered TVET Institutions (No.) (b)	**1,239**	**1,071**
Public	570	478
Private and Non-Governmental Organisations	669	593
2. Total Accredited Courses (No.)	**3,413**	**3,014**
Public	2,900	2,387
Private and Non-Governmental Organisations	513	627
3. Issued NVQ Certificates (No.)	**47,621**	**45,033**
Department of Technical Education and Training (DTET)	8,670	4,633
National Apprenticeship and Industrial Training Authority (NAITA)	8,266	7,441
Vocational Training Authority (VTA)	15,608	17,253
National Youth Services Council (NYSC)	2,118	3,897
Private	12,959	11,809

(a) Provisional
(b) As at year end

Source: Tertiary and Vocational Education Commission

3

Housing and Urban Development

Amid several hindrances caused by the COVID-19 pandemic, the Government continued to initiate and implement several projects aimed at enhancing housing facilities in the country.

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Accordingly, a number of housing projects were commenced in line with the Government's National Policy Framework with the objective of ensuring comfortable and affordable housing facilities for all Sri Lankans. In line with the Government's vision, the National Housing Development Authority (NHDA) continued to implement the *Obata Geyak – Ratata Hetak programme* to fulfil the housing needs of low-income families who are unable to build houses despite owning a land plot. Under this programme, the NHDA is expected to build at least one house in each Grama Niladhari division. Accordingly, in 2021, the construction of 12,192 units was initiated, of which 4,075 units were completed during the year. Further, the *Mihindu Niwahana housing programme* for low-income parents of ordained monks and *Siyapatha* and *Sapiri Mahal Niwasa* housing programmes to provide affordable housing for middle income earners, were underway during the period under review. The Urban Development Authority (UDA) also continued its *Middle Income Housing Project* and *Affordable Housing Project* to meet growing housing needs in urban areas and their immediate surroundings, while enabling improvements to the living standards of the middle income population, including government sector employees.

The UDA engaged in several projects during the year with a focus on improving livability of urban environments, while developing citizen-centric townships. During the year, under the Township Development Project of the UDA, around 57 projects including the Boralesgamuwa multipurpose building, Minuwangoda market, and real time flood mitigation programme were carried out. These projects comprise the development of car parks, bus stands, public markets, multipurpose buildings, and urban parks that were implemented across all provinces in accordance with town plans for urban development. The UDA launched the *Siyak Nagara* (Hundred Cities) *Beautification Programme* to redevelop regional town centres into citizen-centric cities with improved livability. Several other key projects, such as public institution development projects, the Beira Lake Rehabilitation and Redevelopment Project, reconstruction of Jaffna Town Hall, and Maritime City Development Project were also underway during 2021, focusing on improving the aesthetics and functionality of urban environments. In addition, continued efforts were made to improve urban transportation facilities to create an inclusive transportation system in the Western region under the Western Region Transport Development Project. Accordingly, construction work on the Metro Rail Transit System and the Multi-Modal Transport Centres such as the Kadawatha and Colombo-Fort transport hubs progressed in 2021. Several investment projects, including the High-rise Mixed Development at Galle Town Centre, Theme Park Project at Gregory Lake, Hambantota Logistics Hub and Multi-storied Car Park at BIA, focused on attracting Foreign Direct Investments (FDIs) are also currently in the pipeline and being expedited under development clusters of the UDA.

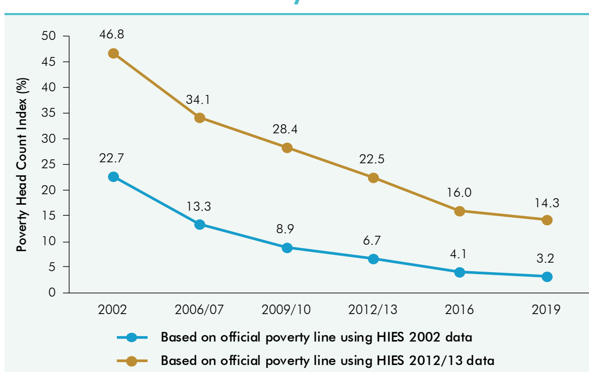
The Government continued its efforts to improve the efficiency of waste disposal systems to build national capacity in relation to integrated solid waste management. The Metro Colombo Solid Waste Management Project was initiated to provide a long-term sustainable solid waste management system for urban areas. The project was underway during the year with an overall progress of 87 per cent by end 2021, and is expected to be completed by mid-2022. Upon completion, around 1,200 metric tons of waste per day will be transported to the Aruwakkalu landfill using existing railway lines. While concerns have been raised by various stakeholders regarding the environmental implications of the project, with the right design and proper management, the sanitary landfill is expected to provide a sustainable solution for the growing waste disposal issue of the country. Meanwhile, the Government took initial steps to establish waste management parks and small scale waste management centres, while developing mechanical composting plants in Homagama, Badulla and Jaffna over the next few years.

Development activities in the Colombo Port City project were continued in 2021 with a view to building a leading financial centre and one of the most modern and attractive cities in South Asia. Following the completion of all reclamation activities, the reclaimed area was designated as a Special Economic Zone by the Colombo Port City Economic Commission Act, No. 11 of 2021, which was passed in May 2021. Activities related to internal infrastructure development were underway in 2021, attaining a cumulative progress of 67 per cent in relation to infrastructure works and 52 per cent in landscaping activities of Phase I, which comprises the development of infrastructure, as well as office and retail space and residential units. Further, by end 2021, construction activities pertaining to sewage and waste water disposal infrastructure for the Colombo Port City were in progress in line with the Metro Colombo Solid Waste Management Project. The water supply line from Maligakanda was completed, and the Elie-house water supply line achieved progress of 55 per cent at end 2021. Construction of main road access connections from the mainland to Colombo Port City is under progress. Of the key access infrastructure, the Port Access Elevated Highway that allows the access to Port City from highway network achieved 35 per cent progress by end 2021, while the Marine Drive Extension Project, which provides access to the Port City from the South of Colombo, was at its initial stages. The Yacht Marina area was opened to the public in January 2022, while Phase I is expected to be completed by early 2023 with the expedited completion of infrastructure developments.

Poverty Alleviation and Safety Nets

Sri Lanka's commendable progress in poverty alleviation is likely to have been affected by the pandemic, along with a widening of already prevalent inequalities. Sri Lanka made significant strides in reducing poverty over the past two and a half decades as a result of the several multi-pronged poverty alleviation efforts of consecutive governments and their efforts to creating inclusive growth. As per the official poverty line that was devised by the Department of Census and Statistics (DCS) based on the Household Income and Expenditure Survey (HIES) 2002, the Poverty Head Count Index (PCHI) had reduced from 28.8 per cent in 1995/1996 to 3.2 per cent in the 2019 survey round. With the recent updating of the official poverty line using HIES 2012/13 data, although the declining trend of poverty is similar, the share of the population living below the poverty line in 2019 stood at 14.3 per cent. Accordingly, as per the updated poverty line, approximately 3.04 million individuals live below the poverty line which is almost 4.4 times more

Figure 3.16
Poverty Trends



Source: Department of Census and Statistics

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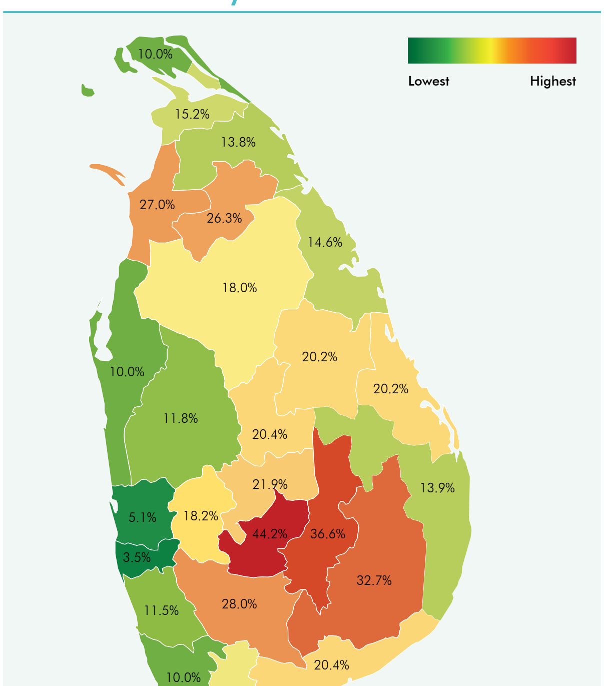
than the number of people that were previously estimated to be living below the 2002 poverty line. The HIES-2019 also reveals that approximately one in six Sri Lankans are multidimensionally poor and experience deprivations across 42 per cent of the weighted indicators. Accordingly, the national multidimensional poverty head count ratios were relatively high at 16.6 per cent in rural areas and 51.3 per cent in estate areas. The people in the estate sector experienced the highest level of deprivation. Among the districts, the lowest incidences of multidimensional poverty were in Colombo (3.5 per cent) and Gampaha (5.1 per cent), whereas the highest was in Nuwara Eliya (44.2 per cent). Despite the substantial disparity across the districts, the quantum of people who are multidimensionally poor were higher in the Colombo and Gampaha districts due to the higher population density that is typical of urban areas. This highlights the vulnerability of a significant share of the population to poverty even prior to the COVID-19 pandemic. With the prolonging of the pandemic and the disruptions that it has entailed, a 'new poor' segment of the population who remain at the brink of poverty is likely to have emerged in recent years. Duly considering the likelihood of worsening poverty outcomes and disparities, despite the limited fiscal space and challenging economic circumstances, the Government and the Central Bank consistently focused on cushioning the adverse impacts of the pandemic on vulnerable segments of the population via unprecedented fiscal and monetary stimulus packages. While these measures are likely to have dampened the impact of the pandemic on the financial and nutritional status of the population to some extent, other disparities that were prevalent prior to the pandemic, such as those in relation to access to health and education infrastructure and the asset base of households, could impede the contemporary and future productive capacity of households. Going forward, for the Government to undertake efficacious and targeted policy initiatives to prevent any scarring of households through the lingering impacts of COVID-19 or similar unanticipated episodes, it is vital that comprehensive and recent datasets related to poverty are made available by respective institutions in a timely manner.

Figure 3.17
Multidimensional Poverty Headcount Ratio by District-2019



Source: HIES- 2019, Department of Census and Statistics

The Government initiated several social protection measures targeting vulnerable groups of the population with a view to alleviating the financial burden of the loss of livelihoods stemming from the COVID-19 pandemic. For the second consecutive year, the Government continued to expand existing social assistance programmes with due consideration to the disproportionate impact of the COVID-19 pandemic on needy segments of the society. Accordingly, during the third wave of the pandemic, the Government provided an allowance of Rs. 5,000 to vulnerable households in two rounds during the months of April and June 2021. As such, around Rs. 14.1 billion was distributed among 2.8 million eligible households in April 2021 followed by a second round distribution of Rs. 8.2 billion among 1.7 million families in June 2021. Many households, including Samurdhi beneficiaries, low-income and vulnerable families, the elderly, disabled and kidney disease patients benefited from this programme. In addition, in August 2021, the Government also provided an allowance of Rs. 2,000 per family, targeting families who had lost their livelihoods but were not receiving assistance from any of the Government's existing allowance programmes. Accordingly, a total of Rs. 11.8 billion had been distributed under this programme.

The Government also remained committed to the continuation of all existing safety net programmes during the year, in order to preserve the economic wellbeing of vulnerable segments of the population. During the year, the Department of Samurdhi Development (DSD) distributed Rs. 51.6 billion among 1.8 million beneficiary families under the longstanding Samurdhi Subsidy programme. The DSD also carried out numerous programmes targeted at livelihood, social and entrepreneurship development with the intention of creating 'safety ropes' that would enable households to lift themselves out of poverty. The Government also continued to provide the nutrition allowance of Rs. 20,000 for young mothers, while continuing the Morning Meal programme for pre-school children and the provisioning of 'take home' rations in lieu of in-school meals under the National School Meal programme. These programmes were implemented by the State Ministry of Women and Child Development, Pre-School and Primary Education, School Infrastructure and Education Services. These measures are expected to have played a vital role in preserving the nutrition status of young children and new mothers amid the challenges faced by needy households. In view of the disproportionately higher and far more immediate impact of COVID-19 on the poor, the programme was further augmented by the decision to increase the Samurdhi subsidy amount by around 28 per cent per beneficiary family from February 2022 onwards, as proposed in the Budget 2022. Accordingly, the family unit allowances of Rs. 3,500, Rs. 2,500 and Rs. 1,500 per family were increased to Rs. 4,500, Rs. 3,200 and Rs. 1,900 per family, respectively.

While the prevalence of numerous safety nets helped Sri Lanka to make significant progress in poverty alleviation and is expected to have dampened the impact of the COVID-19 pandemic on vulnerable segments of the society, effective targeting of such measures and development of new initiatives that are not reliant on the government budget are essential to ensure efficacious and sustainable outcomes. In recent years, there have been concerns that assistance programmes such as

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Table 3.14
Main Welfare Programmes - Number of Beneficiary Families and Value of Grants

Year	Divineguma / Samurdhi Subsidy Programme		Nutrition Allowance Programme (a)		Dry Ration Programme
	Families (No.) (b)	Value (Rs. million) (c)	Beneficiaries (No.) (b)	Value (Rs. million)	Value (Rs. million)
2017	1,388,242	39,707	372,407	5,408	84
2018	1,384,021	39,239	329,047	5,490	58
2019	1,800,182	44,660	300,246	5,279	105
2020	1,770,086	52,434	238,034	4,761	n.a.
2021	1,760,485	55,400	250,848	5,248	n.a.

(a) For pregnant and lactating mothers
(b) As at year end
(c) Including the kerosene subsidy

Sources: Department of Samurdhi Development
State Ministry of Women and Child Development, Pre-Schools & Primary Education, School Infrastructure & Education Services
Ministry of Finance

Samurdhi have been less effective in poverty alleviation due to poor targeting. Revisiting the list of social assistance recipients to identify the truly vulnerable, implementation of economic empowerment programmes for the poor, and the creation of an effective exit mechanism from social assistance programmes within a reasonable time span, are crucial for improved targeting of social assistance programmes, while alleviating the associated burden on the Government budget. In this regard, expediting the establishment of a regularly updated social registry is imperative to improving the efficacy of such interventions. Meanwhile, Sri Lanka's rapid demographic transition to an aging society highlights the importance of retirement benefit schemes such as the government pension and provident fund schemes, especially for informal sector workers who are outside the ambit of existing social security programmes. Although only around 30 per cent of the population is being currently covered by a formal pension scheme, the current pension framework of the Government is becoming an ever-growing fiscal burden on the government budget amid the shrinking fiscal space. Therefore, broadening the country's social security framework through the introduction of a nationwide contributory pension scheme is essential to ensuring a secure retirement for all in the coming decades especially considering the growing life expectancy of Sri Lankans and their evolving needs.

Environment

The Ministry of Environment was engaged in several initiatives related to the strengthening of the regulatory and policy framework pertaining to the preservation of the natural resources of the country. Key steps in creating a conducive policy environment to mitigate environmental issues and support sustainable development were the preparation of the *National Environment Policy – 2022* and the *National Environment Action Plan 2021 – 2030*. With the intention of providing focused interventions in relation to environmentally sensitive areas which are hotspots of biodiversity, the draft of the National Policy on Environmental Sensitive Areas in Sri Lanka was submitted to the Cabinet of Ministers in November 2021, seeking their approval. Currently, the National Climate Change Policy of Sri Lanka, which was formulated in 2012, is also being updated to include recent developments in relation to climate change. During the year, several other environmental programmes such as the *Surakimu Ganga programme* to minimise the pollution of river systems through multi-stakeholder collaborations and the *Husma Dena Thuru island-wide national tree planting programme* were also in progress. A key commendable initiative undertaken during the year was the gazetting and enforcement of regulations banning single use plastic products from 31 March 2021 onwards and the introduction of a plastic category coding system. Another key milestone during the year was the launch of Sri Lanka's first waste-to energy power plant in Kerawalapitiya that is expected to generate 10 MW. Construction of another plant in Kotawila was underway to generate electricity from biogas using biodegradable waste. This is expected to add 400 KW to the natural grid. Such initiatives are essential to solve Sri Lanka's growing waste management issues in a sustainable manner

The Disaster Management Centre (DMC) and the National Building Research Organisation (NBRO) continued to engage in several activities to provide early warnings and to improve the country's disaster preparedness and disaster responses. During the year, the DMC had issued 338 special weather warnings to enable the general public, related disaster management authorities and fisheries community to facilitate early preparedness activities and to mitigate risks stemming from natural disasters. In addition to charter activation pertaining to the X-Press Pearl oil spill, the South-

West monsoon floods and Second Inter monsoon floods, the DMC also worked to assess the X-Press Pearl oil spill. The preparation of multi hazard risk profiles for selected cities and work pertaining to an all-island school disaster risk assessment was also underway during the year. In 2021, the NBRO was actively engaged in monitoring, dissemination of early warnings for evacuation and the implementation of corrective and preventive mitigation measures in relation to landslides and slope failures particularly in the Ratnapura, Kegalle, Kalutara, Kandy and Kurunegala districts. During the year, 6,763 Landslide Risk Assessment Reports were issued by the NBRO after conducting necessary investigations and analyses. Further, under the Reduction of Landslide Vulnerability by Mitigation Measures Project, the NBRO commenced mitigation works across 24 sites and another 32 sites were undergoing the procurement process. All mitigation work pertaining to the 147 sites that had been earmarked as vulnerable to landslides is expected to be completed by 2025.