

ECONOMIC AND SOCIAL OVERHEADS

Energy

The energy situation improved significantly in 1988 with the increase in hydro-electricity generation. The decline in oil prices in the international market also contributed towards this favourable development. Following the improvements in water levels in the reservoirs, the Ceylon Electricity Board (CEB) was able to meet a major part of the country's electricity demand through hydro power, thereby reducing the dependence on thermal power generation. These developments resulted in a reduction in expenditure on petroleum imports. However, the energy sector had to face an unforeseen problem during the last quarter of the year owing to some damage caused to transmission lines and transformers. The situation improved considerably in the closing weeks of 1988 with some improvement in the security situation.

As in the previous years, fuelwood, agricultural residues and animal waste, together with other ligno cellulosic matter continued to be the largest source of energy in Sri Lanka in 1988. These sources, which accounted for about 70 per cent of the total energy supply in the country, were estimated to have yielded about 4.6 million tons of oil equivalent (t.o.e.) in 1988. Petroleum, electricity, liquified-petroleum gas (L. P. G.) and small quantity of coal accounted for the rest.

With the commissioning of the Nilambe hydro-power project (two turbines of 1.6 MW each) in April and the third turbine of the Kotmale hydro power project (67MW) in December, the total hydro-power capacity increased by 8 per cent to 938.45 MW during the year. Together with 270 MW of thermal power capacity, the total installed capacity of electricity generation increased to 1,208.45 MW by the end of 1988. Owing to overhauling the Kelanitissa Steam Power Station (50MW) was inoperative during the year under review.

With the enhancement of hydro-power capacity and improvements in the generation and transmission network, the CEB was able to contain the generation and transmission losses at 16 per cent in 1988. The increased hydro-power, not only reduced the consumption of petroleum products in thermal power generation, but also accommodated the increasing demand for energy. As a result, the share of hydro-power in commercial energy supply increased from 39 per cent in 1987 to 44 per cent in 1988.

Total power generated by the CEB during the year at 2,800 million kWh in 1988, was 3 per cent higher than the generation in the previous year. As the water levels of the reservoirs improved, the hydro-power plants managed to operate at near full capacity. Consequently, the relative share of power generated by hydro sources in electricity increased to 93 per cent in 1988, from 80 per cent in 1987. Correspondingly, the thermal power generation declined considerably by 62 per cent from 530 million kWh in 1987, to 202 million kWh in 1988, thereby lowering the cost of electricity generation.

Total sales of electricity during 1988 rose by 4 per cent to 2,341 million kWh, compared with 2,253 million kWh in 1987. Sales for commercial activities rose by 5 per cent to 442 million kWh. Consumption in the industrial and domestic sectors increased by 4 per cent each, to 898 million kWh and 397 million kWh, respectively. Bulk sales to local authorities rose by 3 per cent to 590 million kWh. If not for the escalation of civil disturbances during the last quarter of the year, these growth rates would have been considerably higher.

Electricity tariffs were revised upward from the beginning of 1988 and a Fuel Adjustment Charge of 20 per cent was imposed on consumption in excess of 100 units per month. The increases in rates were in the range of 15-20 per cent and details of the revised rates are given in Table 1.20.

TABLE 1.20
Revised Electricity Rates*

Sector	Old Rate		Revised Rate	
	Rs.	Cts.	Rs.	Cts.
Domestic				
Units 0 - 10	0.50		0.55	
11 - 100	0.90		1.05	
101 - 450	1.80		2.00	
450 >	2.25		2.50	
Industrial				
Unit Charge - Group I	1.55		1.75	
Group II	1.45		1.60	
Group III	1.25		1.50	
General Purpose				
Unit Charge - Group I	1.75		2.00	
Group II	1.60		1.90	
Group III	1.50		1.80	
Hotels				
Unit Charge - Group I	1.70		1.95	
Group II	1.60		1.85	
Group III	1.50		1.75	
Religious premises and Charitable Institutions				
Units 0 - 150	0.50		0.60	
150 >	0.50		2.00	

Source : Ceylon Electricity Board.

* Fuel Adjustment charge is levied on consumption of electricity in excess of 100 units.

Note : Group I — Supply of electricity at 400/230 volts and contract demand is less than 50 KVA.

Group II — Supply of electricity at 400/230 volts and contract demand is equal or more than 50 KVA.

Group III — Supply of electricity at 11,000 volts.

Civil disturbances continued to affect the energy sector adversely, both in terms of reduced income, as well as capital infrastructure losses. The CEB estimates the damage during 1988 at around Rs. 333 million, consisting of Rs. 83 million in capital losses and Rs. 250 million in revenue losses which seriously affected its commercial operations. However, with some improvement in the security situation, during the closing weeks of 1988, urgent repairs were effected, thereby improving the power supply situation.

TABLE 1.21
Salient Features of the Energy Sector 1987 - 1988

Item	Unit	1987	% Change over 1986	1988 (a)	% Change over 1987
1. Petroleum Products					
1.1 Exports	Rs. Mn.	2,592.2	9.9	2,265.4	- 12.6
	SDR Mn.	68.0	- 5.2	53.0	- 22.1
1.2 Imports	Rs. Mn.	8,715.8	38.5	7,839.2	- 10.1
	SDR Mn.	228.8	19.6	183.3	- 19.9
1.3 Quantity Imported					
1.3.1 Crude Oil	M. T.	1,778,853	8.6	1,894,135	6.5
1.3.2 Refined Products	"	251,786	70.7	143,079	- 43.2
1.3.3 Other Products	"	25,738	3.6	26,688	3.7
1.4 Average Price of Crude Oil.	Rs/Barrel	543.29	19.6	486.85	- 10.4
	US. \$/Brl.	18.45	13.5	15.38	- 16.6
1.5 Local Sales					
1.5.1 Super Petrol	M. T.	140,402	7.5	154,507	10.0
1.5.2 Auto Diesel	"	497,303	1.7	495,295	- 0.4
1.5.3 Heavy Diesel	"	131,802	**	48,890	- 62.9
1.5.4 Super Diesel	"	20,558	29.5	19,334	- 6.0
1.5.5 Kerosene	"	155,575	0.9	157,164	1.0
1.5.6 Furnace Oil	"	161,668	24.9	165,503	2.4
1.6 Local Price					
1.6.1 Super Petrol	Rs/Litre	13.50	—	13.50	—
1.6.2 Auto Diesel	"	8.13	—	8.13	—
1.6.3 Heavy Diesel	"	7.83	—	7.83	—
1.6.4 Super Diesel	"	9.28	—	9.28	—
1.6.5 Kerosene	"	6.58	—	6.58	—
1.6.6 Furnace Oil:					
500 seconds	"	4.22	—	4.22	—
800 seconds	"	3.87	—	3.87	—
1000 seconds	"	3.72	—	3.72	—
1.6.7 Bitumen	Rs./Kg.	7.22	—	7.22	—
2. Electricity					
2.1 Installed Capacity	MW	1,138.25	12.7	1,208.45	6.2
2.1.1 Hydro	"	868.25	16.3	938.45	8.1
2.1.2 Thermal	"	270.00	2.3	270.00	—
2.2 Units Generated	Mn. kWh	2,707.6	2.1	2,799.5	3.4
2.2.1 Hydro	"	2,177.5	17.7	2,597.7	19.3
2.2.2 Thermal	"	530.1	***	201.8	- 61.9
2.3 Total Sales	Mn. kWh	2,252.8	0.9	2,341.2	3.9
2.3.1 Domestic	"	382.2	3.5	397.0	3.9
2.3.2 Industrial	"	865.9	- 6.4	897.8	3.7
2.3.3 Commercial	"	418.9	9.8	441.5	5.4
2.3.4 Local Authorities	"	570.6	5.0	590.1	3.4
2.3.5 Street Lighting	"	15.2	16.0	14.8	- 2.6

(a) Provisional

** More than 6 fold increase.

*** More than 82 fold increase.

Sources : Ceylon Petroleum Corporation,
Ceylon Electricity Board.

Owing to the decline in the price of crude oil in international markets, together with reduced consumption of heavy diesel resulting from lower generation of thermal power, the foreign exchange outlay on petroleum imports was considerably reduced in 1988. Import outlay on petroleum, which accounted for 14 per cent of the total imports in 1987, declined to 11 per cent in 1988. The total expenditure on petroleum imports declined by 20 per cent in SDR terms (SDR 183 million) and by 10 per cent in Rupee terms (Rs. 7,839 million), although the volume of crude oil and other petroleum product imports rose by 6 per cent to 1,894,135 metric tons and 4 per cent to 26,688 metric tons, respectively.

The retail selling prices of petroleum products in the local market remained unchanged, while the average crude oil prices in the international market declined substantially by 17 per cent to US\$ 15.38 (Rs. 487) per barrel in 1988.

As a result of the reduction in thermal power generation, demand for heavy diesel in the domestic market declined substantially. In 1988, sales of heavy diesel decreased by 63 per cent to 48,890 metric tons. Similarly, sales of super diesel also declined by 6 per cent. All other petroleum sales in the domestic market increased moderately. Sales of super petrol, furnace oil and kerosene rose by 10 per cent, 2 per cent and one per cent, respectively.

Transportation

The transport sector suffered a major set back during 1988. The activities of the Sri Lanka Regional Transport Boards (SLRTBs) were severely hindered by the civil disturbances, particularly during the last quarter of the year. The operations of the Sri Lanka Railway (SLR) were considerably curtailed, while services in the Northern and Eastern regions were altogether suspended, owing to the unsettled conditions prevailing in those regions. Meanwhile, the private sector was unable to expand their activities owing to high import costs of vehicles and spare parts. The transport services of the private sector were also affected by the continuing civil disturbances.

The scale of operations of the SLRTBs declined considerably during the year. The operated kilometerage at 332 million recorded a decline of 10 per cent, as compared with a decline of 1 per cent in the previous year. Similarly, the number of buses operated per day by the SLRTBs was 4,421 in 1988, compared with 4,676 in the previous year. The drop was largely due to civil disturbances. A decline in operations was recorded in all regions except in the Northern region. Moreover, the scheduled services in the Southern, Western, North-Central, North-Western and Uva regions were adversely affected by civil disturbances and they were able to operate only an average of 61 per cent of their scheduled services.

The scale of operations has also been affected by the general rundown state of the vehicle fleet of the SLRTBs. Of the total existing fleet, approximately 54 per cent was not road-worthy. Another problem was that of damage caused to the vehicle fleet during disturbances. A total of 609 buses, including some new buses, was either destroyed or damaged. The resulting capital loss to the SLRTBs is in the region of Rs. 63 million.

During the year, the main objective of the SLRTBs was to provide a more reliable service to the public through rationalisation of existing services and an increase in the vehicle fleet. The scheduled services of the SLRTBs were frequently revised by reducing uneconomic kilometrage and by continuous monitoring of the variations in demand. Meanwhile, SLRTBs continued to make concerted efforts to effect fleet improvements. Accordingly, 320 buses were added to the existing fleet to replace some of the damaged and dilapidated vehicles.

These measures enabled SLRTBs to provide an improved service to the public during the first nine months of the year. During this period, the volume of travel, measured in terms of passenger kilometers, increased by 4 per cent over that of the same period in the previous year. However, the escalation of civil disturbances in the last quarter caused a complete reversal of this trend and the year ended with a reduction in passenger kilometrage of 4 per cent to 15,413 million. Consequently, the revenue of the SLRTBs declined by 2 per cent to Rs. 2,502 million in 1988. Meanwhile, six SLRTBs reported considerable revenue losses in 1988. The total estimated loss to the SLRTBs on account of civil disturbances is in the region of Rs. 220 million.

The activities of the Sri Lanka Railway dropped further in 1988. The operated kilometrage at 7.2 million recorded a decline of 12 per cent. This compared with an increase of 3 per cent in 1987. The decrease was largely due to the suspension of scheduled services on the Northern and Eastern lines and the frequent disruptions to railway services on the other lines. The SLR was able to operate only 75 per cent of the scheduled services in the first nine months of the year, while it was restricted to 25 per cent during the last two months of the year. Following these trends, passenger kilometrage at 1,786 million recorded a decline of 13 per cent, compared with a decrease of 5 per cent in the previous year. Similarly, freight ton kilometrage too declined by 10 per cent, owing to the reduced activities of goods transportation. As a result of the decline in both passenger and goods transportation services, the revenue of the SLR declined by 10 per cent to Rs. 437 million in 1988. As against a total expenditure of Rs. 916 million, the operational loss of the SLR stood at Rs. 479 million in 1988, as compared with Rs. 348 million in 1987.

During the year, the civil disturbances in the country exerted a heavy toll on the railway network. Four railway stations, two power coaches and four passenger coaches were destroyed, while three trains were derailed.

Despite these setbacks, the SLR had taken several steps to improve its capital stock. During the year, 25 container Plats, 20 power coaches, and 133 carriages from Rumania were purchased, while a concrete sleeper plant was also established.

TABLE 1.22

Salient Features of the Transport Sector 1987-1988

Item	Unit	1987	%Change over 1986	1988 (a)	%Change over 1987
1. New Registration of Motor Vehicles	Nos.				
1.1 SLTB Buses	..	85	-66.5	245	188.2
1.2 Private Coaches	..	1,151	-35.4	863	-25.0
1.3 Private Cars	..	7,695	5.5	8,031	4.4
1.4 Dual Purpose Vehicles	..	3,234	-16.9	3,002	-7.2
1.5 Motor Cycles	..	29,041	9.2	27,837	-4.1
1.6 Goods Transport Vehicles	..	2,901	-13.4	2,504	-13.7
1.7 Land Vehicles	..	2,727	-28.0	2,342	-14.1
1.8 Others	..	50	194.1	1	-98.0
2. Sri Lanka Transport Board (SLTB)					
2.1 Operated kilometers	.. Million	371.2	-1.3	332.4	-10.5
2.2 Passenger kilometers	..	15,974.0	5.4	15,413.0	-3.5
2.3 Total revenue	.. Rs. Mn.	2,560.6	9.2	2,502.2	-2.3
2.4 Total cost	..	2,640.2	0.8	n.a.	—
2.5 Surplus/Deficit (+ /-)	..	-79.6	-71.1	n.a.	—
3. Sri Lanka Railways (SLR)					
3.1 Operated kilometers	.. Million	8.2	3.8	7.2	-12.2
3.2 Passenger kilometers	..	2,058.5	4.4	1,785.7	-13.3
3.3 Freight ton kilometers	..	195.0	-4.2	176.4	-9.5
3.4 Total revenue	.. Rs. Mn.	487.0	1.0	437.1	-10.2
3.5 Total cost	..	834.9	8.3	916.0	9.7
3.6 Surplus/Deficit (+/-)	..	-347.8	20.3	-478.9	37.7

(a) Provisional

Sources: Sri Lanka Transport Board;
Sri Lanka Railways;
Department of Motor Traffic.

Private sector participation in passenger services declined further in 1988. The number of new permits issued by the Department of Private Omnibus Transport to bus operators declined by 18 per cent to 1,854 in 1988. The records of the Department of Motor Traffic also indicate a considerable decline in the number of new registrations of private coaches. In 1988, there were only 863 registrations in comparison to 1,151 in 1987. This was largely due to the high import cost of vehicles and spare parts and the reduction in the profitability of the industry.

However, the introduction of new buses with greater conveniences to passengers strengthened the existing fleet to a certain extent. Meanwhile, the annual renewals of registration of vehicles declined by nearly a third to 4,661 in 1988. This decline indicated the run-down state of the private sector vehicle fleet.

Housing

The major emphasis on housing development in 1988 was on the Million Houses Programme (MHP). The MHP was aimed at giving benefits to a million families in terms of providing loans and grants to construct new houses, upgrading existing houses and improving shelter conditions of the poor through a wider package

of options. The programme covers both the public and private sectors and its theme is "minimum intervention by the state and maximum participation by the house building community."

The MHP is a national umbrella programme, with implementation undertaken by sectoral sub-programmes, namely, Rural Housing Sub-Programme (RHSP), Urban Housing Sub-Programme (UHSP), Plantation Housing Sub-Programme (PHSP), Mahaweli and Major Settlement Scheme Housing Sub-Programme (MMSSHSP) and the Private Sector Housing Sub-Programme (PSHSP). The programme stretches for a period of six years commencing from 1984 and is expected to reach a large number of families.

In 1988, housing sector activities in the MHP showed a slow growth in terms of unit construction, largely owing to the financial constraints experienced by the housing finance institutions and the escalation of civil disturbances during the last quarter of the year. Financial constraints were somewhat relieved by the introduction of the "Sevana Sarana 100 Million Programme" in 1988 and the "Sevana Housing Loan Scheme" which started in 1986. With respect to the former programme, shelter grants upto a maximum of Rs. 5,000 in Pradesheeya saba areas, Rs. 7,000 in Urban Council areas and Rs. 10,000 in Municipal Council areas per family are granted to improve the housing conditions of the poor.

The RHSP, UHSP, PHSP and MMSSHSP are implemented under the public sector housing programme. Of these, housing loans under the RHSP and UHSP were granted through the Thrift and Credit Co-operative Societies (TCCS) at the community level and by the Gramodaya Mandalayas in rural areas. This programme was further aided by contributions from the Sevana Fund. Meanwhile, loan recipients of the RHSP and UHSP who receive food stamps were relieved of their obligation to repay housing loans from 1st September, 1988. These payments are now met by the Sevana Fund.

The Rural Housing Sub-Programme experienced a set-back in 1988 in terms of the number of houses completed, although the actual number of families receiving loans has exceeded the target. Under the RHSP, it was planned to give loans to 32,000 families with a maximum of Rs. 7,000 per recipient, while the actual number of families receiving loans during 1988 amounted to 40,112. However, the number of units constructed during the year was 33,393, compared with 45,245 in 1987. As a result, outlay under the programme in 1988 declined to Rs. 192 million, from Rs. 222 million in 1987. This slower progress was largely the result of the inability to implement the "Gam Udawa Special Programme" during the last quarter of the year due to civil disturbances.

The Urban Housing Sub-Programme (UHSP), which is mainly concerned with (i) improvement of site and services and (ii) upgrading of slums and shanties, did better during 1988. Under this programme, it was anticipated that housing loans to 10,070 families would be granted, but in effect, 18,485 loans were provided to

TABLE 1.23

Performance of Public Sector Housing Programme (1984 — 1988) under the
Million Houses Programme (MHP)

Item	Housing target number of families	Number of families reached		Number of Units completed		Expenditure		
		House Construction	Infrastructure	House Construction	Infrastructure (No. of families)	Planned	Actual	
Rural Housing Sub-Programme (a)	1984	39,984	43,213	—	16,092	—	190.0	184.8
	1985	40,679	43,977	—	41,135	—	255.3	231.1
	1986	55,856	64,194	—	39,793	—	270.9	276.3
	1987	36,700	42,969	—	45,245	—	215.0	222.5
	1988*	32,000	40,112	—	33,393	—	—	192.4
Urban Housing Sub-Programme (b)	1985	—	7,584	14,788	2,314	14,788	150.3	38.5 (c)
	1986	12,792	10,419	6,539	6,751	6,539	123.0	72.4 (c)
	1987	10,828	7,334	7,013	7,839	7,013	115.3	76.7 (c)
	1988*	10,070	18,485	4,025	6,847	4,025	—	105.2 (c)

Source: National Housing Development Authority.

* Provisional

- (a) This includes housing loans granted by NHDA, Sevana Housing Programme, Mahaweli Housing Programme and Yowun Nivahana Programme.
 (b) Sevana Fund also provided housing grants under "Sevana Sarana 100 million Programme".
 (c) Cost of infrastructure and amenities not included in the expenditure.

families in the urban areas. In addition, 4,025 loans were granted to upgrade infra-structural facilities. Of the total housing loans, the number of units completed during the year amounted to 6,509, compared with 7,778 in 1987. The cost of housing and infra-structural loans reached Rs. 105 million in 1988, as against Rs. 77 million in 1987.

The Plantation Housing Programme aided by the Medium Term Investment Programme (MTIP) and the Norwegian-Dutch Programme continued during the year. The programme implemented by the Janatha Estates Development Board (JEDB) and the Sri Lanka State Plantations Corporation (SLSPC) showed considerable progress during the first nine months of 1988. This situation was reversed during the rest of the year, owing to the escalation of civil disturbances. According to provisional data, the JEDB was able to complete 521 workers' houses, 79 staff quarters, 1,173 upgradings and 19 Health and Child Care Centres in 1988. Similarly, the SLSPC also built and upgraded 28 houses for estate workers, 471 line rooms and 82 Health and Child Care Centres in 1988. In addition, 1,011 houses were provided with latrins and water supply facilities.

Under the Mahaweli and Major Settlement Scheme Housing Sub-Programme (MMSSHSP), 3,837 houses were provided with roofing materials such as tiles and timber in Systems H, B, C and G in 1988. The Land Commissioner's Department too continued to grant loans to build houses in Major Settlement Schemes, thereby attracting settlers to the Mahaweli and Major settlement schemes. Under this programme, 75,273 families had received benefits at the end of 1988.

According to provisional data, total expenditure on public sector housing amounted to Rs. 483 million in 1988, as compared with Rs. 515 million in 1987. Of the total expenditure in 1988, Rs. 298 million was spent on the RHSP and the UHSP during the year.

The Private Sector Housing Sub-Programme (PSHSP) showed notable progress during 1988. The State Mortgage and Investment Bank (SMIB), Housing Development Finance Corporation of Sri Lanka Ltd (HDFC), REDD BARNA and USAID continued to be the major sources of housing finance to individuals and real estate developers. The private sector also received housing loans from the National Savings Bank and commercial banks, particularly the Bank of Ceylon and the People's Bank.

Major trends in housing activities in the municipal areas under the PSHSP can be identified on the basis of building approvals by the Colombo Municipal Council (CMC). In 1988, the CMC approved 531 residential building applications, compared with 596 approved in 1987. A breakdown of the type of buildings approved on a comparable basis is provided in Table 1.24.

The State Mortgage and Investment Bank (SMIB) continued to be the major source of housing finance to individuals and real estate developers. Loans sanctioned for housing purposes during 1988 amounted to Rs. 542 million, as

compared with Rs. 629 million in 1987, and accounted for 85 per cent of the total loans granted by the Bank during the year. The reduction in the amount of loans was largely due to the low recovery rates on housing loans. The rate of interest charged on housing loans ranged between 2 per cent and 20 per cent per annum in 1988.

TABLE 1.24

Approval of Building Plans by Colombo Municipality 1987 — 1988 (a)

Items	1987	%Change over 1986	1988	%change over 1987
1. New residential buildings ..	596	45.4	531	-10.9
1.1 Houses ..	246	9.8	205	-16.7
1.2 Flats ..	350	88.2	326	- 6.8
2. Commercial Buildings ..	65	-20.7	53	-18.5
3. Industrial Buildings ..	5	-50.0	5	—
4. School Buildings ..	3	—	1	-66.7
5. Additions and Alterations ..	382	- 6.8	503	31.7
6. Other buildings ..	70	-29.3	50	-28.6
Total ..	1,121	10.6	1,143	2.0

Source : Colombo Municipality.

(a) Excludes government and corporation building plans.

The Housing Development Finance Corporation (HDFC) of Sri Lanka Ltd., too provides loans for housing purposes on a limited scale. Loans disbursed in 1988 for housing purposes amounted to Rs. 30 million, as against Rs. 31 million in 1987. The slow progress in loan disbursements was largely due to inability to raise long-term funds. The interest rates charged on loans ranged between 9.5 and 22 per cent per annum, in 1988.

Urban Development

Activities related to urban development projects slowed down in 1988. This was largely due to the completion of major administrative, commercial and client projects undertaken by the Urban Development Authority (UDA). During the year, the UDA placed greater emphasis on projects relating to environment upgrading and employment creation. In this regard, UDA's major involvement was on the Peliyagoda Integrated Development Project. The Superior Law Courts Complex at Hulftsdorp and Gam Udawa 1988, were the major clients projects undertaken by the UDA during the year. Approximately, 70 per cent of the work related to the Superior Law Courts Complex had been completed by the end of 1988.

In 1988, total expenditure on urban development activities was Rs. 510 million, as compared with Rs. 452 million in 1987. Of the total expenditure, nearly 60 per cent was on projects undertaken on behalf of clients. A further sum of Rs. 45 million was spent on industrial and integrated projects. Meanwhile, a sum of Rs. 144 million was expended on projects handled by the Land Bank.

Roads and Railtracks

Despite the continuing civil disturbances, the Road Development Authority (RDA) was able to extend the road network by 309 Kms during 1988. Moreover, under World Bank Aid, the rehabilitation work of the Colombo-Kandy road Phase I, Kurunegala -Madampe road, Miriswatte-Gampaha and Yakkala-Gampaha roads were completed. In addition, reconstruction and rehabilitation work on 6 bridges was also completed in 1988. Meanwhile, the road network maintained by the RDA in 1988 totalled 25,865 Kms compared with 25,556 Kms in 1987.

During the year, a sum of Rs. 707 million was spent on the construction of roads. This was nearly a two-fold increase over Rs. 384 million spent in 1987. A sum of Rs. 254 million was spent on maintenance of roads.

As in the previous year, the railtrack kilometrage in 1988 remained unchanged at 1948 Kms. However, the rehabilitation work of the railway tracks, fabrication of railway bridges at the bridge construction yard and laying of the third line between Maradana and Ragama progressed satisfactorily.

Telecommunication

With a view of providing an extended and reliable service to the public, the activities of the telecommunication sector further expanded during 1988. The switching and exchange capacities, particularly in semi-urban and rural areas, were considerably improved. Meanwhile, several measures were taken to upgrade and rehabilitate the existing telecommunication net work during the year.

The major projects continued during the year were the Greater Colombo Area Telecommunication Project, Colombo Area Development Scheme Stage IV, Hambantota Area Development Project, the provision of junction circuits through Radio links to Rural Exchanges and development of general telecommunication services.

Under the Greater Colombo Area Development Project, 29 per cent of the civil work, 7 per cent of the cable work and 87 per cent of the transmission work had been completed by the end of 1988. Meanwhile, 70 per cent of the total installation works of the Colombo Area Development Scheme Stage IV had been completed. This project is expected to be commissioned in April 1989. Under the Hambantota Area Development Project, financed by the Finnish Development Agency, Subscriber Direct Dialling Facilities (STD) were provided to exchanges at Angunakolapelessa, Walasmulla, Weeraketiya, Beliatta, Embilipitiya and Sevanagala, while some of the old exchanges in the area were replaced by new digital exchanges.

In addition to these specific projects, several measures were taken to develop the general telecommunication services in the country. In 1988, there were 4,999 new direct telephone lines added to the national net work, while 3,280 new underground cable pairs were provided into the existing net work in the Mount Lavinia area. Meanwhile, the number of telex connections rose to 1,516 in 1988 from 1,378 in 1987

Despite these developments, there was a set-back to telecommunication services, as the services in certain parts of the country were disrupted by the escalation of civil disturbances during the last quarter of the year. The telecommunication plants in Kalutara, Galle, Matara, Kandy, Anuradhapura and Kurunegala areas were substantially damaged, while communication equipment in exchanges at Kamburupitiya, Digana, Madolsima and Mathurata were also damaged.

The Accelerated Mahaweli Programme

Since construction works in respect of most of the major headworks and reservoir systems had already been completed, the main emphasis of the Accelerated Mahaweli Programme (AMP) during 1988 was on the enhancement of agricultural production, downstream development, creation of employment opportunities and enhancement of family incomes. The main focus of the downstream development work continued to be the improvement of economic and social infrastructure facilities to resettle families displaced by the construction of headworks and settlement of farm families in areas to be developed under the headworks. The total expenditure incurred on all projects upto the end of 1988 amounted to Rs. 46,279 million. Of this, Rs. 3,191 million was spent in 1988.

During the year, 1,174 gigawatt hours (gWh) of energy were generated by the major hydro power projects coming under the AMP-Victoria (523 gWh), Kotmale (438 gWh) and Randenigala (213 gWh).

TABLE 1.25
Accelerated Mahaweli Programme - Cost Estimates

Project	Budgeted Expenditure for 1988			Actual Expenditure for 1988 (a)	Cumulative Expenditure upto end 1988 (a)
	Provisions	Supplementaries	Total		
1. Victoria Reservoir ..	234	—	234	216	9,260
2. Kotmale Reservoir ..	361	—	361	226	9,683
3. Randenigala Reservoir ..	176	—	176	244	5,985
4. Maduru Oya and Canal ..	—	—	—	—	2,645
5. Minipe Transbasin Canal ..	—	—	—	—	1,246
6. Irrigation System 'B' ..	1,606	—	1,606	516	5,880
7. Irrigation System 'C' ..	1,568	—	1,568	1,044	5,375
8. Irrigation System 'G' ..	82	—	82	66	460
9. Irrigation System 'L' ..	—	—	—	82	82
10. Stage I ..	—	—	—	—	529
11. Stage II ..	26	—	26	28	2,415
12. Maintenance ..	440	—	440	373	1,036
13. Resettlement of Earthslip Victims (REV) ..	113	—	113	115	206
14. Others ..	444	—	444	281	1,477
Total ..	5,050	—	5,050	3,191	46,279

(a) Provisional.

Source: Mahaweli Authority of Sri Lanka.

TABLE 1.26

New Land Cultivated under Mahaweli Development Programme

Hectares

Item	Maha 1984/85	Yala 1985	Total 1985	Maha 1985/86	Yala 1986	Total 1986	Maha 1986/87	Yala 1987	Total 1987	Maha 1987/88 (a)	Yala 1988 (a)	Total 1988 (a)
System 'H'	23,309	18,319	41,628	24,298	21,225	45,523	24,965	13,058	38,023	24,847	14,307	39,154
Paddy	22,957	9,709	32,666	23,449	8,983	32,432	23,317	5,933	29,250	23,560	5,428	28,988
Other Crops	352	8,610	8,962	849	12,242	13,091	1,648	7,125	8,773	1,287	8,879	10,166
System 'B'	2,535	2,246	4,781	3,851	3,554	7,405	5,961	5,805	11,766	8,759	8,190	16,949
Paddy	2,472	2,061	4,533	3,686	3,463	7,149	5,120	5,479	10,599	8,368	7,722	16,090
Other Crops	63	185	248	165	91	256	841	326	1,167	391	468	859
System 'C'	7,545	4,857	12,402	9,358	7,868	17,226	10,139	9,588	19,727	14,164	4,154	18,318
paddy	6,086	4,827	10,913	7,945	7,782	15,727	9,057	9,480	18,537	12,420	4,090	16,510
Other Crops	1,459	30	1,489	1,413	86	1,499	1,082	108	1,190	1,744	64	1,808
System 'G'	3,258	2,106	5,364	3,315	2,731	6,046	3,279	2,709	5,988	4,507	3,109	7,616
Paddy	2,941	1,198	4,139	3,153	1,423	4,576	3,220	1,176	4,396	4,094	1,236	5,330
Other Crops	317	908	1,225	162	1,308	1,470	59	1,533	1,592	413	1,873	2,286
Total	36,647	27,528	64,175	40,822	35,378	76,200	44,344	31,160	75,504	52,277	29,760	82,037

(a) Provisional.

Source : Mahaweli Authority of Sri Lanka.

Under the Victoria Peripheral Development Programme, work on the construction of an additional township in Gurudeniya on the Right Bank to replace the old Gurudeniya Bazaar was in progress in 1988. The total outlay on the Victoria project by the end of 1988 was Rs. 9,260 million and of this, Rs. 216 million was spent during 1988.

Under the Kotmale Peripheral Development Programme, construction work on the pipe-borne water supply scheme, several new roads and provision of social infrastructure facilities in the new town at Kotmale was in progress. Improvements to the Maldeniya hospital and construction of three health centres were also completed. The cumulative outlay on the Kotmale project by the end of 1988 amounted to Rs. 9,683 million. Of this, Rs. 226 million was incurred in 1988.

During the year, the work on improvements to existing roadways, investigation of minor irrigation schemes and the electrification scheme in Keerthibandarpura new town was in progress under the Peripheral Development Programme of the Randenigala project. The total expenditure on the Randenigala project at the end of 1988 amounted to Rs. 5,985 million and Rs. 244 million of this was spent in 1988.

As in the previous year, a considerable amount of expenditure was incurred on the downstream development programmes. The total amount spent on development of irrigation schemes in Systems 'B' and 'C' amounted to Rs. 516 million and Rs. 1,044 million, respectively in 1988. The cumulative outlay on these two schemes by the end of 1988 stood at Rs. 5,880 million and Rs. 5,375 million, respectively.

According to provisional data, the total extent cultivated in the Mahaweli Command Area during Maha, 1987/88 was 52,277 hectares, showing an increase of 18 per cent over that of the same season last year. This improvement was largely due to the increased availability of irrigated water, which helped to bring more land under cultivation, particularly in Systems 'B' and 'C'. In contrast, the total extent cultivated in the Mahaweli Command Area during Yala, 1988 declined by 1,400 hectares or 4 per cent to 29,760 hectares, largely as a result of the reduced extent cultivated in System 'C'.

Paddy accounted for about 82 per cent of the total extent cultivated during the cultivation year 1988. The extent under paddy was 93 per cent of the area cultivated in Maha season and 62 per cent in Yala. The area under paddy in Systems 'B' and 'C' recorded increases of 52 per cent and 21 per cent, respectively, during the cultivation year, 1988 while that in Systems 'G' and 'H' declined by 11 per cent and 1 per cent, respectively. The extent under other field crops increased by 19 per cent to 15,119 hectares in 1988.

Total paddy production in the Mahaweli Command Area during the cultivation year, 1988 estimated at 266,479 metric tons, was 11 per cent of the total paddy output of the country in 1988. The production in 'H' area alone amounted to 103,870 metric tons, accounting for 39 per cent of the total paddy production in the Mahaweli areas. However, this was 11 per cent lower than the output recorded in the previous year.

The total number of families settled in System 'H' up to the end of 1988 was 28,866. During the year, 995 families were settled in System 'C', bringing the total number of families settled in the system to 14,821 by the end of 1988. The number of families settled in Systems 'B' and 'G' by the end of 1988 amounted to 11,404 and 3,608, respectively.

Other Irrigation Development

Irrigation development is a key factor towards improving water supply and drainage facilities and maximising agricultural production and land utilization. Although the rehabilitation of existing irrigation schemes plays a dominant role in irrigation development work in the areas not covered by the Accelerated Mahaweli Programme, irrigation development programmes also accorded high priority to modernisation and maintenance of the existing irrigation schemes, and effective water management at both the system and farm level. Recognising the success of the Integrated Management System (INMAS) which was implemented in major irrigation schemes, this system was also extended to irrigated settlement schemes with a command area of less than 1,012 hectares (2,500 acres) during 1988. The INMAS placed greater emphasis on the enhancement of farmer participation in management of irrigation systems.

Construction and rehabilitation work on irrigation schemes suffered a setback during the last few months of 1988, owing to the escalation of unsettled conditions in the project areas. The irrigation system development under Phase I of the Kirindi Oya Irrigation and Settlement Project (KOISP) could not be completed during 1988 as scheduled, since the work of land levelling of paddy allotments had to be suspended due to unsettled conditions during the fourth quarter of 1988. Work on the Water Supply Scheme, Stage I, also had to be suspended in November, 1988 due to the disturbances. Under Phase I of the Kirindi Oya Irrigation and Settlement Project, irrigation facilities were provided to 600 hectares in 1988. Under Phase II of the Project about 350 hectares of irrigable lands were developed during the year. Approximately 307 families were settled under both Phase I and II of the KOISP in 1988. The total cost in respect of Phase I of this project in 1988 amounted to Rs. 104 million, while that of Phase II was Rs. 50 million.

The work on the Nilwala Ganga Flood Protection Scheme Stage II, which was scheduled to be completed during 1988, was temporarily suspended towards the end of the year owing to civil disturbances. The total expenditure on this project in 1988 was Rs. 416 million, while the expenditure up to the end of 1987 was Rs. 954 million.

Under the Village Irrigation Rehabilitation Project (VIRP), 63 schemes were completed during 1988. The total expenditure on these projects upto the end of 1988 was Rs. 228 million.

Integrated Rural Development Programme

Realising the importance of comprehensive planning for balanced regional development, the Integrated Rural Development Programme (IRDP) continued to emphasize improvement of productivity, income, employment and the quality

of life of people in areas which were not benefiting from large scale development programmes. The IRD Programme covered 14 districts in 1988. Although no new districts were brought under this programme, preliminary work on the IRD Programme for Gampaha district to be funded by the Japanese Government was carried out during the year.

TABLE 1.27

**District-wise Expenditure on Integrated Rural Development Programme
1987 — 1988**

Rs. Million

District (a)	Source of Foreign Aid	Estimated Cost			Expenditure to date Cumulative		Expenditure	
		Foreign Aid Commitment	Local	Total	As at end 1987	As at end 1988 (b)	During 1987	During 1988 (b)
1. Matara (1979)	SIDA (Sweden)	338	37	375	152	174	34	22
2. Hambantota (1979)	NORAD (Norway)	686	14	700	382	450	72	68
3. Nuwara-Eliya (1980)	Netherlands	510	10	520	245	287	41	42
4. Matale (1981)	World Bank	307	145	452	278	302	33	24
5. Puttalam (1981)	World Bank	397	187	584	427	467	49	40
6. Badulla (1982)	IFAD	500	110	610	254	277	56	23
7. Vavuniya (1984)	World Bank	246	133	379	63.6	63.7	1	0.1
8. Mannar (1984)	World Bank	220	118	338	55.3	55.4	1.3	0.1
9. Ratnapura (1984)	Netherlands	209	4	214	81	107	29	26
10. Moneragala (1984)	NORAD	392	8	400	102	148	55	46
11. Mullaitivu (1985)	Netherlands	90	2	92	5.3	5.4	1.3	0.1
12. Kegalle (1986)	IFAD	262	147	409	35	72.3	25	37.3
13. Kalutara (1987)	FINNIDA (Finland)	224	38	262	7	64	7	57
14. Kandy (1987)	Federal Republic of Germany	32	—	32	0.2	1.7	0.2	1.5

Source : Ministry of Plan Implementation.

(a) Year of implementation is shown within paranthesis.

(b) Provisional.

The total expenditure of the IRDP during 1988 amounted to Rs. 387 million compared with Rs. 405 million in 1987. The cumulative expenditure on all projects up to the end of 1988, together with the expenditure incurred during 1987 and 1988, are shown in Table 1.27.

The implementation of the IRD Projects for Mannar, Vavuniya and Mullaitivu districts remained suspended during 1988 as well, due to continued civil disturbances. The other projects, particularly those for Moneragala, Matara and Badulla districts, also suffered a setback towards the end of the year due to unsettled conditions.