

ECONOMIC AND SOCIAL OVERHEADS

OVERALL TRENDS

Enhanced hydro-electricity generation following favourable weather conditions and restricted demand for energy due to civil disturbances were the salient features of the developments in the domestic energy sector in 1989. The two together resulted in a substantial reduction in the use of petroleum products for energy generation, thereby easing the burden on the balance of payments. The transport sector suffered a severe set-back owing to continuing civil disturbances, the run-down state of the vehicle fleet and the high cost of vehicle and spare parts. Postal and Telecommunication services too suffered due to civil disturbances. In the area of social overheads, almost all activities related to housing, health and education showed slow progress in 1989.

ENERGY

In 1989, the favourable weather conditions that prevailed during most of the year had a positive impact on the domestic energy sector. The improved water levels in the reservoirs resulted in an enhancement of hydro-electricity generation. On the other hand, the demand for electricity declined due to civil disturbances in the country. These developments on both the supply and demand sides enabled the Ceylon Electricity Board (CEB) to meet a major part of the country's electricity demand from hydro power, thereby reducing the thermal power generation to a bare minimum. Higher oil prices in the international market and the sharp price adjustments in the domestic market contributed to a substantial decline in the demand for petroleum products during the year.

Non-commercial energy sources consisting of fuelwood, agricultural residues, animal waste, together with other ligno cellulosic matter continued to be the largest sources of energy in Sri Lanka in 1989. These sources which were estimated at 4.7 million tons of oil equivalent (t.o.e) of energy represented 70 per cent of the total energy supply in the country, while petroleum, electricity, liquified petroleum gas (LPG) and a small quantity of coal and lignite accounted for the rest.

The total installed capacity of electricity generation increased to 1,240 mW., consisting of 968 mW., of hydro-based power and 272 mW., of thermal based-power, as at the end of 1989. However, the effective total capacity of electricity generation stood at 1,230 mW., while the Kelanitissa Steam Power Station (50 mW) was inoperative in 1989 due to overhauling work.

Total power generated by the CEB at 2,858 million KWh in 1989 was 2 per cent higher than 2,799 million kWh generated in 1988. As the water levels of the reservoirs improved, the hydro-power plants were able to operate at full capacity. As a result, the relative share of electricity generated by hydro sources increased to 98 per cent in 1989, from 93 per cent in 1988. This was also reflected in the share of hydro-based power in commercial energy which increased to 47 per cent in 1989 from 44 per cent in 1988. Correspondingly, the thermal power generation declined considerably from 202 million kWh in 1988 to 56 million kWh in 1989, thereby lowering the overall cost of electricity generation. Meanwhile, generation and transmission losses increased to 500 million kWh in 1989 or 17 per cent of the total generation as compared with 16 per cent in 1988. This was largely due to the damages caused to transformers and transmission lines following the escalation of civil disturbances during the period June to October, 1989.

Total sales of electricity during 1989 declined marginally to 2,358 million kWh

TABLE 1.25

Sallent Features of the Energy Sector 1988 - 1989

Item	Unit	1988	% Change over 1987	1989*	% Change over 1988
1. Petroleum Products					
1.1 Exports	Rs.Mn.	2,265.4	-12.6	2,241.9	-1.0
	SDR Mn.	53.0	-22.1	48.6	-8.3
1.2 Imports	Rs.Mn.	7,839.2	-10.1	8,376.2	6.9
	SDR Mn.	183.3	-19.9	181.3	-1.1
1.3 Quantity Imported					
1.3.1 Crude Oil	M.T.	1,894,135	6.5	1,275,059	-32.7
1.3.2 Refined Products	"	143,079	-43.2	374,344	161.6
1.3.3 Other Products	"	26,688	3.7	17,150	-35.7
1.4 Average Price of Crude Oil	Rs/Barrel	484.33	-10.9	628.31	29.7
	US.\$/Brl.	16.45	-10.8	17.43	6.0
1.5 Local Sales					
1.5.1 Super Petrol	M.T.	158,288	12.7	172,864	9.2
1.5.2 Auto Diesel	"	500,248	0.6	482,178	-3.6
1.5.3 Heavy Diesel	"	49,503	-62.4	22,734	-54.1
1.5.4 Super Diesel	"	19,303	-6.1	16,585	-14.1
1.5.5 Kerosene	"	167,983	8.0	150,988	-10.1
1.5.6 Furnace Oil	"	163,606	1.2	160,033	-2.2
1.6 Local Price					
1.6.1 Super Petrol	Rs/Litre	13.50	-	20.00	48.1
1.6.2 Auto Diesel	"	8.13	-	9.60	18.1
1.6.3 Heavy Diesel	"	7.83	-	9.20	17.5
1.6.4 Super Diesel	"	9.28	-	10.90	17.5
1.6.5 Kerosene	"	6.58	-	6.58	-
1.6.6 Furnace Oil:					
500 seconds	"	4.22	-	5.00	18.5
800 seconds	"	3.87	-	4.70	21.4
1000 seconds	"	3.72	-	4.55	22.3
1.6.7 Bitumen	Rs/Kg.	7.22	-	8.45	17.0
2. Electricity					
2.1 Installed Capacity	MW	1,208.45	6.2	1,240.65	2.7
2.1.1 Hydro	"	938.45	8.1	968.45	3.2
2.1.2 Thermal	"	270.00	-	272.20	0.8
2.2 Units Generated	Mn.kWh	2,799.5	3.4	2,858.0	2.1
2.2.1 Hydro	"	2,597.7	19.3	2,802.0	7.9
2.2.2 Thermal	"	201.8	-61.9	56.0	-72.2
2.3 Total Sales	Mn.kWh	2,371.0	5.2	2,358.0	-0.5
2.3.1 Domestic	"	405.0	5.9	415.0	2.5
2.3.2 Industrial	"	905.0	4.6	872.0	-3.6
2.3.3 Commercial	"	443.0	5.8	420.0	-5.2
2.3.4 Local Authorities	"	601.0	5.3	634.0	5.5
2.3.5 Street Lighting	"	17.0	11.8	17.0	-

* Provisional

Sources : Ceylon Petroleum Corporation,
Ceylon Electricity Board.

compared with 2,371 million kWh in 1988. Sales for commercial and industrial activities declined by 6 per cent and 4 per cent to 420 million kWh and 872 million kWh, respectively. Meanwhile sales to the domestic sector and bulk sales to local authorities rose by 2 per cent and 5 per cent to 415 million kWh and 634 million kWh, respectively.

The structure of electricity tariff remained unchanged throughout the year, though the Fuel Adjustment Charge was lifted with effect from 1st August, 1989. Continued civil disturbances had an adverse impact on revenue and capital infrastructure of the C.E.B.. Capital and revenue losses to the CEB in 1989 were estimated at Rs. 39 million and Rs. 75 million, respectively.

The reduced consumption of heavy diesel for power generation and the lower demand for petroleum products in general on account of civil disturbances contributed to a substantial decline in the consumption of petroleum products, resulting in a significant lowering of foreign exchange outlay on petroleum imports in 1989. Import outlay on petroleum which accounted for 11 per cent of total imports in 1988, declined to 10 per cent in SDR terms (SDR 181 million). Similarly, the total volume of crude oil imports declined substantially by 33 per cent to 1,275,059 metric tons in 1989, an additional factor being the closure of the oil refinery from 15th July, 1989 to 15th September, 1989. In contrast, imports of refined products increased from 143,079 metric tons in 1988 to 374,344 metric tons in 1989.

TABLE 1.26
Revised Prices of Petroleum Products

Products		(Rupees per litre)	
		Revised Price	
		19.4.89 (Rs. cts.)	24.9.89 (Rs. cts.)
1.	Petrol	13.50	20.00
2.	Super Diesel	9.28	10.90
3.	Auto Diesel	8.13	9.60
4.	Heavy Diesel	7.83	9.20
5.	Kerosene	6.58	6.58
6.	Furnace Oil 200 sec	4.96	5.79
7.	Furnace Oil 500 sec	4.22	5.00
8.	Furnace Oil 800 sec	3.87	4.70
9.	Furnace Oil 1000 sec	3.72	4.55
10.	Furnace Oil 1500 sec	3.46	4.29
11.	Furnace Oil 2000 sec	3.32	4.15
12.	Furnace Oil 3500 sec	3.00	4.20
13.	Bitumen	7.22	8.45

Source: Ceylon Petroleum Corporation.

The retail selling prices of petroleum products were revised twice during the year, first on the 19th April, second on the 29th September 1989, mainly due to the upward movement

in the prices of petroleum in the international market and the exchange rate depreciation. The highest increase was in respect of petrol (48 per cent). The average increase in retail selling prices of petroleum products was around 18 per cent although kerosene prices remained unchanged during the year. Details of the revised rates are given in Table No.1.26. The average import price of crude oil increased by 6 per cent to US Dollars 17.43 (Rs.628) per barrel in 1989 from US Dollar 16.45 (Rs.484) per barrel in 1988.

Domestic consumption of petroleum products recorded a decline of 5 per cent, from 1,058,931 metric tons in 1988 to 1,005,382 metric tons in 1989. This was largely due to the continuation of unsettled conditions in the country and the lower utilization of heavy diesel for thermal power generation. Substantial decreases were recorded in the use of heavy diesel (64 per cent), super diesel (14 per cent) and furnace oil (9 per cent). Consumption of kerosene and auto-diesel too declined by 2 per cent and 4 per cent, respectively in 1989. Consumption of super petrol, however, recorded an increase of 9 per cent over 1988 due to increased imports of private cars and motor cycles. Meanwhile, the consumption of liquified petroleum gas (LPG) recorded an increase of 23 per cent to 29,505 metric tons in 1989.

Export of petroleum products dropped by 30 per cent to 480,731 metric tons in 1989 from 688,248 metric tons in 1988. Similarly, gross earnings from petroleum exports declined by 1 per cent (8 per cent in SDR terms), from Rs. 2,265 million (SDR 53 million) in 1988 to Rs.2,242 million (SDR 49 million) in 1989.

TRANSPORTATION

The operations of the transport sector suffered a considerable deterioration during 1989. The activities of the Sri Lanka Regional Transport Boards (SLRTBs) were heavily constrained by the damage caused to the vehicle fleet during the civil disturbances. The situation was further aggravated by the stoppage of work launched by the employees of the SLRTBs, particularly during June and July, 1989. The passenger and freight services of the Sri Lanka Railways (SLR) were also curtailed due to the civil disturbances. Meanwhile, the private sector which was also affected by civil disturbances was unable to expand its operations owing to the high import cost of vehicles and spare parts.

The scale of operations of the SLRTBs declined sharply in 1989. The operated kilometerage registered a drop of 22 per cent to 261 million in 1989. The decrease in operated kilometerage was largely due to the sporadic disruptions to the scheduled services in most parts of the country as a result of the civil disturbances and the general run down state of the vehicle fleet which contributed to depress the frequency of operations. Although a total of 212 new buses were added to the existing fleet of 7,097 during the year, this was inadequate to sufficiently revamp the fleet, in view of the destruction and damage caused to the vehicle fleet. A total of 376 buses were completely or partly damaged during the civil disturbances incurring an estimated capital loss of Rs. 322 million to the SLRTBs.

In addition, there were acute shortage of spare parts to meet normal maintenance requirements of the fleet. Consequently, the average number of buses operated per day was only around 3,874, as against the time-table requirement of 6,038 buses per day. Meanwhile, the operations of the SLRTBs were severely disrupted by the stoppage of work during June-July, 1989. As a result, passenger kilometerage declined by 16 per cent to 12,980 million over the previous year. Consequently, the revenue of the SLRTBs declined by 11 per cent to Rs. 2,242 million in 1989. Meanwhile, seven SLRTBs reported considerable revenue losses in 1989. The total loss to the SLRTBs on account of civil disturbances was estimated to be around Rs. 400 million.

TABLE 1.27
Salient Features of the Transport Sector 1988 - 1989

Item	Unit	1988	% Change over 1987	1989*	% Change over 1988
1. New Registration of Motor Vehicles	Nos.				
1.1 SLTB Buses	"	245	188.2	260	6.1
1.2 Private Coaches	"	863	-25.0	444	-48.6
1.3 Private Cars	"	8,031	4.4	8,772	9.2
1.4 Dual Purpose Vehicles	"	3,002	-7.2	2,771	-7.7
1.5 Motor Cycles	"	27,837	-4.1	66,696	140.0
1.6 Goods Transport Vehicles	"	2,504	-13.7	3,149	25.8
1.7 Land Vehicles	"	2,342	-14.1	2,457	4.9
1.8 Others	"	1	-98.6	14	1,300
2. Sri Lanka Transport Board (SLTB)					
2.1 Operated Kilometers	Million	333.6	-10.1	261.3	-21.7
2.2 Passenger Kilometers	"	15,413.2	-3.5	12,980.0	-15.8
2.3 Total Revenue	Rs.Mn.	2,510.2	-0.9	2,242.4	-10.7
2.4 Total Cost	"	3,032.9	7.7	n.a	n.a
2.5 Surplus/Deficit (+/-)	"	-510.5	81.1	n.a	n.a
3. Sri Lanka Railways (SLR)					
3.1 Operated Kilometers	Million	6.6	-19.5	6.6	-
3.2 Passenger Kilometers	"	1,859.1	-9.7	1,677.0	-9.8
3.3 Freight ton Kilometers	"	197.5	1.2	177.5	-10.1
3.4 Total revenue	Rs.Mn.	464.0	-4.7	392.0	-15.5
3.5 Total cost	"	863.0	3.5	795.0	-7.8
3.6 Surplus/Deficit (+/-)	Rs.Mn.	-399.0	14.7	-403.0	1.0

*Provisional.

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

Compared with other modes of transport activities, the Sri Lanka Railways (SLR) fared better during the year under review. Even during the days of unrest and turmoil, skeleton passenger services and goods trains operated to serve the needs of the country. Consequently, the operated kilometerage of the SLR remained unchanged at 6.6 million in 1989. Meanwhile, passenger kilometerage and freight ton kilometerage declined by 10 per cent each to 1,677 million and 178 million, respectively during the year. These depressed levels were largely due to intermittent suspension and cancellation of scheduled services during July to October, 1989 as a result of the civil disturbances. Accordingly, revenue of the SLR declined by 16 per cent to Rs. 392 million during the year. Shortfalls in the railway revenue were mainly recorded during the months of July, August and September, 1989. As against a total expenditure of Rs. 795 million, the operated losses of the SLR stood at Rs. 403 million in 1989, as compared with Rs. 479 million in 1988.

During 1989, the civil disturbances exerted a heavy toll on the railway network in the country. Altogether 50 railway stations and 6 trains were destroyed, while 38 bridges were also damaged. The cost of losses and damages was estimated to be over Rs. 200 million.

Passenger services provided by the private sector also recorded a considerable decline owing to continuous disruptions caused to the services during the year. About 65 buses belonging to the private sector were destroyed during the disturbances in 1989. Reduced level of revenue due to restricted services and increasing expenditure on vehicles and spare parts had an adverse impact on the profitability of the industry. Consequently, the number of new permits issued by the Department of Private Omnibus Transport to operators declined sharply to 225 in 1989 from 1,854 in 1988. The records of the Department of Motor Traffic also indicated a considerable drop in the number of new registrations of private coaches. The number of new registration of motor coaches declined to 444 in 1989 compared with 863 in 1988.

HOUSING

The completion of the Million Houses Programme (MHP) and the commencement of the One Point Five Million Houses Programme (1.5 MHP) were the main features of the housing development sector in 1989. The rehabilitation work necessitated as a result of civil disturbances was also initiated in 1989 under the Rural Housing Sub-Programme (RHSP) and the Urban Housing Sub-Programme (UHSP).

The housing development programme was aimed at solving the twin problems of shelter and poverty simultaneously at village and provincial levels. This programme which covers rural, urban and plantation sectors continued to provide basic shelter to target groups. Generation of employment opportunities and income was also envisaged through the programme which covers both public and private sectors.

The theme of the programme is "minimum intervention by the state and maximum support for the house building community". The programme which includes the entire community facing shelter problems, provides basic and appropriate shelter to all the needy by way of loans and grants for constructing houses, upgrading existing houses and improving shelter conditions of the poor through a wider package of options. However, the final aim of the programme is to alleviate poverty among all sections of the population. Under the MHP, the beneficiaries themselves were given the discretion of building a house of their own choice. The village re-awakening concept has instilled in the people the strength to build houses through their creativity, self-reliance and community participation. This programme has taken the form of model villages, re-awakened villages and urban housing projects in its implementation. These schemes are provided with all basic amenities such as roads, water, electricity and health-care services.

The MHP is a national umbrella programme with implementation undertaken by the 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). Since these programmes have shown success in reaching their targets by providing basic shelter to over one million families, the next phase of the national housing programme is planned to reach one point five million families. This programme stretches over a period of six years commencing 1990.

As in the previous year, housing sector activities in 1989 showed slow growth in terms of both families reached and unit construction. This was largely due to the financial constraints experienced by the relevant financing institutions and the civil disturbances that prevailed during June to October, 1989. In view of the sharp reduction in recovery rates on

TABLE 1.28

Performance of the Public Sector Housing Programme (1984 - 1989) Under the Million Houses Programme (MHP)

Programme	Year	Housing Target (Number of families)	Number of families reached			No of Units Completed			Value of Loans	
			House Constructions	Infrastructure	Rehabilitation	House Constructions	Infrastructure (No of families)	Rehabilitation	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	28,455	—	—	33,393	—	—	—	161.1
	1989	18,500	19,290	—	25,238	—	—	9,975	250.0	250.0
Urban Housing Sub Programme (b)	1984	—	7,584	14,788	—	2,314	14,788	—	150.3	38.5
	1986	12,792	10,419	6,539	—	6,751	6,539	—	123.0	72.4
	1987	10,828	7,334	7,013	—	7,839	7,013	—	115.0	76.7
	1988	10,070	6,305	4,025	—	6,847	4,025	—	—	105.2
	1989	4,261	2,615	—	1,429	—	—	665	90.0	45.1

(a) This includes housing loans granted by N.H.D.A., Sevana Housing Programme, Mahaweli Housing Programme and Yowun Nivahana Programme.

(b) Sevana Fund also provided housing grants under "Sevana Sarana 100 million Programme"

Source : National Housing Development Authority.

housing loans and rents, the National Housing Development Authority introduced remedial measures to relieve tenants and borrowers of the burden of surcharges.

The RHSP, UHSP, PHSP and MMSSHSP are implemented under the Public Sector Housing Programme (PSHP). As in the previous years, 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. These programmes were funded by NHDA and the Sevana Fund. During this year too, loan recipients of the RHSP and UHSP who receive food stamps were relieved of their obligation to repay housing loans. However, all these programmes experienced difficulties in implementation in 1989 due to the escalation of civil disturbances.

As in the previous year, the Rural Housing Sub-Programme experienced a set-back in 1989 in terms of the number of houses completed, although the actual number of families receiving loans has exceed the target. Under this programme, a target of 18,550 families was earmarked for 1989. However, the actual number of families receiving loans during the year amounted to 19,290. The number of houses where construction work was completed increased to 24,406 in 1989 as compared with 14,672 in 1988. This increase was largely due to the completion of carry over work during 1989. Under the RHSP, it was also planned to give loans to 34,238 families for rehabilitation work. While the actual number of families receiving such loans during 1989 amounted to 25,238. The amount of loans granted under this programme was Rs. 148 million compared with the provision of Rs. 157 million in 1988.

The Urban Housing Sub-Programme (UHSP), which is mainly concerned with (a) improvement of site and services and (b) upgrading of slums and shanties also recorded a set-back. Under the UHSP, it was planned to give loans to 7,261 families, while the actual number of families receiving loans during 1989 was 2,615. Meanwhile, of the total housing loans 5,038 units were completed during 1989. Expenditure incurred under this programme was Rs. 29 million. The number of loans granted under the site and services programme was 17,618, while the number of units completed was 6,375. Expenditure incurred for the above programme was Rs. 23 million in 1989. The number of loans granted for rehabilitation work under the UHSP amounted to 1,429 while the actual disbursements during the year were Rs. 102 million as against the provision of Rs. 120 million in 1989.

The Plantation Housing Sub-Programme (PHSP) aided by the Medium Term Investment Programme (MTIP) and the Norwegian-Dutch Programme were extended into 1989. This programme implemented by the Janatha Estate Development Board (JEDB) and the Sri Lanka State Plantation Corporation (SLSPC) showed slow progress due to the continuation of civil disturbances throughout the year in some regions. According to provisional data, the JEDB was able to complete only 367 new workers' houses and 455 upgradings. In addition 3,076 families were given water supply and sanitation facilities in 1989. Similarly, the SLSPC also built and upgraded 712 houses for estate workers and 10 Health and Child Care Centres in 1989. A further, 458 houses were provided with latrines and water supply facilities.

Under the Mahaweli and Major Settlement Scheme Housing Sub-Programme (MMSSHSP), 1,964 houses in the systems H, B, C and G were provided with roofing materials. Families in systems B, C and G were also granted a sum of Rs. 12,000 per family to build houses under the European Economic Community Loans Scheme. The Land Commissioner's Department too provided grants to build houses in the major settlement schemes. This programme focussed greater attention on improving housing facilities, although the targets could not be achieved due to the escalation of civil disturbances in these regions in 1989.

According to provisional data, total expenditure on public sector housing declined to 479 million in 1989 as compared with Rs. 483 million in 1988. Of the total expenditure Rs.250 million was spent on the RHSP and Rs. 59 million on the UHSP in 1989.

As in the Public Sector Housing Programme, the Private Sector Housing Sub-Programme (PSHSP) was affected by the escalation of civil disturbances during the latter half of the year. In addition, the weak financial position of the housing finance institutions resulting largely from low recovery rates on housing loans was reflected in the low level of lending for new construction activities. However, the State Mortgage and Investment Bank (SMIB), Housing Development Finance Corporation Ltd, (HDFC), REDD BARNA, US AID and Plan International continued to be the major sources of housing finance to individuals and real estate developers. The private sector also received housing loans and mortgage 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 1989, the CMC approved 492 residential building applications, compared with 531 in 1988.

The State Mortgage and Investment Bank (SMIB) continued to be the major source of housing finance to individuals and real estate developers. Total loans approved for housing purposes in 1989 amounted to Rs. 335 million compared with Rs. 542 million in 1988. Similarly, the number of loans granted for housing purposes declined to 2,889 in 1989 compared with 4,730 in 1988. This represented 88 per cent of the total loans granted by the Bank in 1989. The reduction in the amount of loans approved was primarily due to the low recovery rates on housing loans resulting from civil disturbances. The rate of interest charged by the SMIB on housing loans ranged between 5 per cent and 20 per cent per annum in 1989. The Housing Development Finance Corporation (HDFC) too provided loans for housing purposes to its subscribers on a limited scale. Loans disbursed in 1989 for housing purposes amounted to Rs. 11 million as compared with Rs. 34 million in 1988. As in the previous year, slow progress in loan disbursements was largely due to inability to raise funds and the low recovery rates on past loans. The interest rates charged by the HDFC on housing loans ranged between 6 per cent and 21 per cent per annum, in 1989.

URBAN DEVELOPMENT

Owing to the completion of major administrative, commercial and client projects, the activities related to urban development undertaken by the Urban Development Authority (UDA) slowed down in 1989. The significant achievement of the UDA during the year was its co-ordination of the construction of the 220,000 square feet building of the Superior Law Courts Complex for the Ministry of Justice. The completion and handing over of this building for the ceremonial sitting of the Supreme Courts was effected in May, 1989. In addition, the UDA completed preparation of plans for Janasaviya Kendraya at Pallekelle, Town Development Projects at Mahiyangana and Dehiwela-Mt. Lavinia area and the Sigiriya Heritage City. Under the Peliyagoda Integrated Development Project, 31 houses were constructed during 1989 for relocation of families and 30 acres of land were allocated for development of the housing complexes. Moreover, the first stage of the Katuwana Industrial Project at Homagama (60 Sq.Km.) was completed during 1989 under the client projects. Completion of this project is planned for the year 1990 at a cost of Rs. 35 million.

In 1989, total expenditure on urban development projects was Rs. 154 million as compared with Rs. 510 million in 1988. Of the total expenditure, Rs. 78 million or 51 per cent was on projects undertaken on behalf of clients and another Rs. 39 million was spent

for the purchase of un-utilised, under-developed and unserviced lands by the land bank. A further sum of Rs. 13 million was utilised on industrial and integrated projects during 1989.

COMMUNICATION SERVICES

In 1989, services provided by both the Postal and Telecommunication Departments were substantially disrupted with the escalation of civil disturbances. However, these two departments had attempted to provide the minimum day to day services in the midst of an unsettled environment.

The number of articles handled by the Postal Department declined from 619 million in 1988 to 488 million in 1989 due to the reduction in both local and foreign mails. Inland mail handling dropped from 534 million in 1988 to 411 million in 1989 and inland parcel handling also declined from 637,000 in 1988 to 561,000 in 1989. Similarly, foreign mail handlings declined from 84 million in 1988 to 76 million in 1989. Foreign parcel handling too declined from 77,000 in 1988 to 70,000 in 1989.

Although there was a drop in postal activities, the post-offices network expanded to 3,908 in 1989 from 3,869 in 1988. During the year under review, 3 main post offices, 9 sub-post offices and 27 agency post offices were opened. As a result, the average area served by a Post Office further contracted to 16.8 Sq.Km. in 1989 compared with 17 Sq.Km. in 1988. This indicates increased availability and access to postal services for the public. Meanwhile, the number of letters per inhabitant dropped to 28 in 1989 compared with 32 in 1988.

Services provided by the Postal Department were substantially disrupted during the latter half of the year. In 1989, over 624 post offices were damaged and over 100 post offices were burnt down. The damage caused to the Department property was estimated to be in the region of Rs. 65 million. Further 42 Class I Post Offices, 40 Class II Post Offices and 821 sub-post offices in the southern part of Sri Lanka were unable to function at all during the year. Most of the remaining post offices too functioned below the normal level during the year.

Despite civil disturbances, the activities of the telecommunication sector expanded during 1989. The switching and exchange capacities, in urban and sub-urban areas were expanded, while several projects were completed to upgrade and rehabilitate the existing telecommunications network.

During the year, 50 per cent of the Greater Colombo Network Development Project was completed. Two new exchanges in the Colombo City and Colombo North with capacities of 25,000 lines and 12,000 lines, respectively were commissioned under CADS IV project in 1989. About 50 per cent of the Kalutara Rural Area Development Project was also completed during the year.

Owing to the expansion and improvement of telecommunication services, total telephone lines provided to the public increased by 4 per cent to 108,000 in 1989. Although, there were 49,903 applications for new telephones, the Department of Telecommunications was able to provide only 3,792 new lines in 1989 compared with 5,000 in 1988. Meanwhile, the total number of telex connections increased by 3 per cent to 1,579 in 1989. However, the number of overseas telex calls declined by 13 per cent to 1,643,538 in 1989 while the number of overseas telephone calls increased by 29 per cent to 2,251,197 in 1989.

Despite these developments, there was a setback to telecommunication services, as the services in certain parts of the country were substantially disrupted by the civil disturbances during the latter half of the year. The telecommunication plants in Madolseema, Koslanda, Digana and Ragala were completely damaged. Total damage was estimated to be in the

TABLE 1.29

Growth of Postal & Telecommunication Service 1985 - 1989

	1985	1986	1987	1988	1989
1. Postal Service					
1.1 No. of delivery areas	6,612	6,614	6,621	6,621	6,630
1.2 Area served by a post office (Sq Kms)	17.8	17.6	17.4	17.0	16.8
1.3 Total No. of Post Offices	3,690	3,727	3,778	3,869	3,908
1.3.1 Public	3,693	3,708	3,757	3,829	3,841
1.3.2 Private	17	19	21	40	67
1.4 Population served by a Post Office	4,305	4,321	4,335	4,306	4,406
1.5 Number of letters per inhabitant	42	37	35	32	28
2. Telecommunication Service					
2.1 Inland Telephone Service					
2.1.1 No. of telephone lines	87,686	92,065	97,832	104,208	108,000
2.1.2 New telephone lines given	7,486	4,379	5,073	5,000	3,792
2.1.3 No. of applicants in waiting list	45,693	16,939	27,016	50,994	49,903
2.1.4 Demand for telephone (Nos)	133,379	109,004	124,848	155,202	157,903
2.1.5 Telephone density (telephones per 100 persons)	0.55	0.57	0.59	0.62	0.64
2.2 Overseas Telecommunication Service					
2.2.1 No. of telex connections*	1,235	1,338	1,378	1,535	1,579
2.2.2 No. of applicants in waiting list	1,186	1,292	135	127	141
2.2.3 Outgoing traffic (Nos)					
2.2.3.1 Overseas telephone calls(a)	477,872	1,054,590	6,001,188	1,743,709	2,251,197
2.2.3.2 Overseas telegrams(b)	171,118	145,940	3,907,144	90,916	103,052
2.2.3.3 Overseas telex calls(a)	2,229,423	1,837,951	4,854,422	1,896,648	1,643,538

*Figures refer to the position as at end of each year
(a) from 1987 figures are given in number of minutes
(b) from 1987 figures are given in number of words

Sources : Department of Posts;
Department of Telecommunications.

region of Rs. 53 million, while the revenue losses to the Department were estimated at over Rs. 2 million for the year. Further, as the standard maintenance work could not be carried out during the year, services provided by the Department were unsatisfactory.

EDUCATION

The present education system is organised on the basis of two sub-sectors, namely general education and higher education under the responsibility of two ministries - the Ministry of Education and the Ministry of Higher Education, Scientific and Technological Affairs. The planning and organisation of technical and university education rests with the Ministry of Higher Education.

In 1989, education policy emphasised the improvement of general and technical education oriented towards basic education and the improvement of skills training. For this purpose, with the collaboration of the World Bank and the Asian Development Bank (ADB), steps were taken to improve selected areas in the general education. Such as teacher education; the development of infra-structural facilities of schools, decentralization of administration and divisional and school level planning. In order to provide vocational and technical training to all school leavers. It was proposed that 540 shilpayatanas be established over a period of 5 years. Moreover, the Ministry of Labour established 9 vocational training centres to train school leavers in different fields such as carpentry, masonry and mechanism.

In 1989, the activities of general and university education suffered a severe set-back owing to continuing civil disturbances. All schools and universities except those in the North-East Province remained closed to students for extended period throughout the year. In addition buildings and equipment were damaged considerably by subversive activities.

Meanwhile, the Education Ministry took steps to improve the staff strength of the school in the island. Accordingly, about 36,823 teachers including more than 20,000 teacher trainees were recruited in 1989. Consequently, the total number of teachers increased from 146,334 in 1988 to 183,157 in 1989.

In 1989, higher education was provided through nine universities including the open university and six post-graduate and other institutions. Due to the unsettled conditions that prevailed during the year, the functioning of universities was disorganised. Therefore, the examinations scheduled for the academic year 1989 had to be postponed and accordingly no graduate output was recorded for the 3rd consecutive year.

During the year, with the inauguration of a new Affiliated Technical Unit (ATU) at Gampaha, the total number of technical colleges increased to 30. There were approximately 14,500 new admissions to the technical colleges during 1989. The total number of students in technical colleges was 20,848 in 1989 as compared with 20,673 in 1988. Out of this total, 4,267 followed diploma courses, while 11,626 students followed trade and certificate courses. In 1989, the academic staff of the technical colleges decreased by 43 per cent to 655. Accordingly, teacher/student ratio decreased from 1:30 in 1988 to 1:33 in 1989.

HEALTH

The national health policy in Sri Lanka has been based on the commitment to provide comprehensive care to the entire population. For this purpose, the Ministry of Health and Women's Affairs provided necessary guidance and policy direction to the health and ayurvedic services during 1989. The strategy formulated by the ministry stressed the importance of improving primary health care with a view to achieving the goal of health for all by the year 2000 A.D

In 1989, health activities were decentralised under the Provincial Councils. Accordingly, the Provincial Councils were given responsibility of planning and financing patient care services, public health services, specialised campaigns and personnel management at the provincial level.

Despite these developments, the activities related to the health sector were severely disrupted by the escalation of civil disturbances especially during June to October, 1989. The capital losses incurred due to subversive activities were estimated to be approximately Rs. 2 million. The work to rule campaign and temporary work suspensions of the health personnel had an adverse impact on the health sector. Moreover, the acute shortage of trained personnel in the health sector, resulting from 'brain-drain' of medical staff, the disruptions to the higher education and maldistribution of available staff between geographical areas caused severe hardships to the public.

During the year, the indigenous medicine sector continued to play a key role in providing a parallel service to western medicine. The ministry has taken action to improve activities related to indigenous medicine such as training, education, research and cultivation of medical plants, etc. Moreover, with a view to expanding the availability of medical facilities, 11 central dispensaries were opened on an electorate basis. Consequently, the total number of such dispensaries increased to 65 by the end of 1989. In addition, 28 government ayurvedic hospitals provided comprehensive health services to the public. The number of free ayurvedic dispensaries run by the local authorities too increased to 232 in 1989 from 231 in 1988.

THE ACCELERATED MAHAWELI PROGRAMME¹

In 1989, the Accelerated Mahaweli Programme (AMP) placed greater emphasis on the improvement of economic and social conditions of those who were settled or resettled in the peripheral areas of the major reservoirs. The total expenditure incurred on the AMP up to the end of 1989 was Rs. 49,147 million. Of this Rs. 2,708 million or 6 per cent was spent in 1989. Of the latter, about Rs. 1,771 million or 65 per cent was spent on Systems development activities: System 'C' (Rs. 1,222 million), System 'B' (Rs. 450 million), System 'G' (Rs. 21 million) and System 'L' (Rs. 78 million).

During 1989, 1,299 gigawatt hours (gWh) of energy were generated by the major hydro power projects coming under the AMP: Victoria (617 gWh), Kotmale (331 gWh) and Randenigala (351 gWh). This represented an increase of about 11 per cent over the total energy generated under the AMP in 1988 and accounted for about 45 per cent of the total national power generation.

Under the Victoria Peripheral Development Programme, a new township was under construction in Gurudeniya on the Right Bank at Udispattuwa and Haragama. The total expenditure incurred on the Victoria project by the end of 1989 was Rs. 9,316 million out of which, Rs. 76 million was spent during 1989.

The construction work in respect of infrastructure facilities in a new town at Kotmale under the Kotmale Peripheral Development Programme was in progress in 1989. The total expenditure incurred on the Kotmale project by the end of 1989 amounted to Rs. 9,945

¹ Based on the information received from the Mahaweli Authority of Sri Lanka.

million, of which the amount spent in 1989 was Rs. 63 million.

Under the Peripheral Development Programme of the Randenigala Project, work in respect of improvements to existing roadways and investigation of minor irrigation schemes for the new settlement areas were in progress. The cumulative outlay on the Randenigala project by the end of 1989 amounted to Rs. 5,723 million. Of this, Rs. 48 million was incurred in 1989.

The new roadway Victoria-Randenigala via Mahiyangana, Girandurukotte, Dehiat-takandiya linking Polonnaruwa, was opened to traffic in 1989. A new town complex at Welikanda constructed in Mahaweli System 'B' with financial assistance from the European Economic Community was ceremonially opened during 1989.

TABLE 1.30
New Land Cultivated under Mahaweli Development Programme

Item	Hectares											
	Maha 1985/86	Yala 1986	Total 1986	Maha 1986/87	Yala 1987	Total 1987	Maha 1987/88	Yala 1988	Total 1988	Maha 1988/89 (a)	Yala 1989 (a)	Total 1989 (a)
System 'H'	24,298	21,225	45,523	24,913	9,661	34,574	24,847	12,830	37,677	19,076	4,137	23,213
Paddy	23,449	8,983	32,432	23,317	3,295	26,612	23,560	3,951	27,511	17,360	1,455	18,815
Other Crops	849	12,242	13,091	1,596	6,366	7,962	1,287	8,879	10,166	1,716	2,682	4,398
System 'B'	3,851	3,554	7,405	5,902	5,952	11,854	6,241	6,413	12,654	9,014	9,306	18,320
Paddy	3,686	3,463	7,149	5,120	5,626	10,746	5,850	5,945	11,795	8,688	8,669	17,357
Other Crops	165	91	256	782	326	1,108	391	468	859	326	637	963
System 'C'	9,358	7,868	17,226	9,865	9,588	19,453	13,362	11,219	24,581	13,105	12,808	25,913
Paddy	7,945	7,782	15,727	9,258	9,480	18,738	11,618	11,155	22,773	11,565	12,409	23,974
Other Crops	1,413	86	1,499	607	108	715	1,744	64	1,808	1,540	399	1,939
System 'G'	3,315	2,731	6,046	4,033	4,120	8,153	4,243	3,613	7,856	4,381	3,825	8,206
Paddy	3,153	1,423	4,576	3,805	2,285	6,090	3,830	1,740	5,570	4,104	1,842	5,946
Other Crops	162	1,308	1,470	228	1,835	2,063	413	1,873	2,286	277	1,983	2,260
Total	40,822	35,378	76,200	44,713	29,321	74,034	48,693	34,075	82,768	45,576	30,076	75,652

Source: Mahaweli Authority of Sri Lanka.

(a) Provisional

The total extent cultivated in the Mahaweli Command Area in Maha, 1988/89 is provisionally estimated at 45,576 hectares, showing a decrease of 6 per cent over that of the same season of the previous year, mainly reflecting the lower extent cultivated in Systems 'H' and 'C'. The extent cultivated in Systems 'B' and 'G' rose by 44 per cent and 3 per cent, respectively during Maha season. During Yala, 1989 too, the total extent cultivated in the Mahaweli Command Area dropped by 12 per cent to 30,076 hectares, owing to substantially

reduced area brought under cultivation in System 'H'. The extent cultivated in System 'H' declined substantially by 68 per cent to 4,137 hectares in Yala, 1989 mainly due to unsettled conditions.

The extent under paddy which accounted for about 92 per cent of the total extent cultivated in Maha, 1988/89 declined to 81 per cent in Yala, 1989. The area under paddy in Systems 'B', 'C' and 'G' recorded increases of 47 per cent, 5 per cent and 7 per cent, respectively during 1989, while that in System 'H' dropped by 32 per cent. The extent under other field crops also declined significantly by 37 per cent during the cultivation year 1989.

During 1989, the paddy production in the Mahaweli Command Area declined by 2 per cent to 266,108 metric tons and accounted for 13 per cent of the total paddy production of the country. This drop in production was solely due to lower paddy production in Yala season which offset a 4 per cent increase in the Maha harvest.

TABLE 1.31
Settlement under Mahaweli Development Programme
('H', 'C', 'B', 'G', & 'L' Systems)

Year	System					Total
	'H'	'C'	'B'	'G'	'L'	
1975	-	-	-	-	-	-
1976	2,393	-	-	-	-	2,393
1977	3,131	-	-	-	-	3,131
1978	2,754	-	-	-	-	2,754
1979	5,290	-	-	-	-	5,290
1980	7,407	-	-	-	-	7,407
1981	2,389	2,773	-	-	-	5,162
1982	1,449	2,683	1,918	-	-	6,050
1983	1,077	1,992	1,935	1,319	-	6,323
1984	1,956	1,988	1,355	446	-	5,745
1985	- 9	824	3,439	1,045	-	5,299
1986	833	2,162	1,274	485	-	4,754
1987	182	1,404	863	79	-	2,528
1988	14	995	620	234	3,270	5,133
1989(a)	12	1,089	355	140	94	1,690
Total	28,878	15,910	11,759	3,748	3,364	63,659

Source: Mahaweli Authority of Sri Lanka.

(a) Provisional.

During the year, 12 families were settled in System 'H' increasing the total number of families settled in System 'H' up to the end of 1989 to 28,878. The number of families settled in System 'C' in 1989 amounted to 1,089 bringing the total number of families settled in the System 'C' by the end of 1989 to 15,910. The number of families settled in Systems 'B', 'G' and 'L' by the end of 1989 amounted to 11,759, 3,748 and 3,364 respectively.

OTHER IRRIGATION DEVELOPMENT

Other irrigation development work accorded high priority to the completion of the construction activities of the Kirindi Oya Project and rehabilitation of existing major and village irrigation schemes. This effort was complemented by implementing the Integrated Management System (INMAS) which placed greater emphasis on the enhancement of farmer participation in management of irrigation systems. During 1989, the handing over of the operation and maintenance of the tertiary systems to farmer associations was commenced. Certain work in respect of improvements and rehabilitation was also awarded to the farmer organizations on contract basis in some irrigation schemes where farmer organizations were active.

Unsettled conditions which prevailed in 1989 interrupted the development activities of irrigation projects, particularly the Village Irrigation Rehabilitation Project, Kirindi Oya Irrigation and Settlement Project (KOISP) and Minipe-Nagadeepa Rehabilitation Project. In 1989, under Phase I of the KOISP, irrigation facilities were provided to 88 hectares. Under Phase II of the Project, about 615 hectares of irrigable lands were developed during the year. The expenditure of Phase I of this project in 1989 was Rs. 52 million, while that of Phase II was Rs. 85 million.

TABLE 1.32
Expenditure on Selected Major Irrigation Schemes

Project	Source of Aid	Total Foreign Aid Commitment (In Mn.)	Actual Expenditure in 1988 (Rs. Mn.)	Expenditure in 1989* (Rs. Mn.)	Cumulative Expenditure upto end 1989* (Rs. Mn.)
1. Kirindi Oya Irrigation and Settlement Project (K.O.I.S.P.) - Phase I	ADB KFW IFAD IFAD	30.0 (US \$.) 43.5 (D.M.) 5.5 (SDR) 12.0 (US \$.)	103.6	52.3	1,682.1
2. Kirindi Oya Irrigation and Settlement Project (K.O.I.S.P.)-Phase II	ADB	26.6 (US \$.)	69.7	85.1	196.8
3. Ingirimitiya Reservoir Project	OECD (Japan)	1800(Yen)	12	-	345.2
4. Village Irrigation Rehabilitation Project (VIRP)	IDA	24.5 (SDR)	76.4	73.4	809.8
5. Nilwala Ganga Flood Protection Scheme - Stage II	France	200 (F.Fr.)	416.4	80.6	1,034.5

Source: Irrigation Department.

* Provisional.

The work on the Nilwala Ganga Flood Protection Scheme Stage II was completed in 1989. The expenditure on this project in 1989 amounted to Rs. 81 million.

The implementation of several irrigation rehabilitation projects funded by foreign sources continued in 1989. These included the Village Irrigation Rehabilitation Project (International Development Association), Major Irrigation Rehabilitation Project (Interna-

tional Development Association), Irrigation System Management Project (United States Agency for International Development) and the Minipe Nagadeepa Rehabilitation Project (Japanese Government).

The construction work under the Village Irrigation Rehabilitation Project in the districts of Moneragala, Badulla and Ratnapura were adversely affected by the civil disturbances which caused transport difficulties and shortage of construction materials. However, 70 schemes were completed during 1989. Expenditure on this project in 1989 amounted to Rs.73 million.

INTEGRATED RURAL DEVELOPMENT PROGRAMME

The main focus of the Integrated Rural Development Programme (IRDP) continued to be the improvement of rural areas as well as rural people by decentralizing development activities with effective co-ordination at the central level.

The Integrated Rural Development Programme (IRDP) which covered 14 districts by the end of 1988, was extended to the Gampaha district towards the end of 1989. The Gampaha district IRDP has a project period of one year. The estimated total cost of the Gampaha district IRD Project is Rs. 252 million and is funded by the Japanese Government. This project accords priority to the development of schools, hospitals and irrigation facilities. During the year, preliminary preparatory work on the IRD programmes for the districts of Trincomalee, Kilinochchi, Batticaloa, Anuradhapura and Galle were carried out.

The total expenditure of the IRDP during 1989 amounted to about Rs. 305 million, compared with Rs. 405 million in 1988. The cumulative expenditure on all projects up to the end of 1989, together with expenditure incurred during 1988 and 1989 is shown in Table 1.33.

The implementation of the IRD Projects for Mannar, Vavuniya and Mullaitivu districts remained suspended during 1989 as well, due to continued unsettled conditions. Performances of the other projects particularly the IRD Projects in Hambantota, Nuwara-Eliya, Matale, Puttalam and Moneragala districts also experienced a setback in 1989, mainly due to adverse weather conditions and escalation of unsettled conditions. Civil disturbances not only caused work stoppages, transport difficulties, shortage of building materials but also adversely affected the supervisory activities of project staff and the participation of the contractors in construction activities.

TABLE 1.33
District-wise Expenditure on Integrated Rural Development Programme
1988 - 1989

Rs. Million								
District (a)	Source of Foreign Aid	Estimated Cost		Total	Expenditure to date Cumulative		Expenditure	
		Foreign Aid Commitment	Local		As at end 1988	As at end 1989 (b)	During 1988	During 1989 (b)
1. Matara (1979)	SIDA	338	37	375	175	197	22	22(c)
2. Hambantota (1979)	NORAD	671	13	684	447	492	63	45
3. Nuwara-Eliya (1980)	Netherlands	510	10	520	287	310	42	23
4. Matale (1981)	World Bank	307	145	452	385	403	31	18
5. Puttalam (1981)	World Bank	397	187	584	545	569	53	24
6. Badulla (1981)	IFAD	500	110	610	277	301	23	24
7. Vavuniya (1984)	World Bank	246	133	379	64	64	0.1	-
8. Mannar (1984)	World Bank	220	118	338	55	56	0.1	0.3
9. Ratnapura (1984)	Netherlands	209	4	213	125	144	26	19
10. Moneragala (1984)	NORAD	413	8	421	145	180	46	34
11. Mullaitivu (1985)	Netherlands	90	2	92	5	6	0.1	0.8
12. Kegalle (1986)	IFAD	262	147	409	72	104	37	32
13. Kalutara (1987)	FINNIDA (Finland)	224	38	262	64	120	57	56
14. Kandy (1987)	Federal Republic of Germany	32	3	35	11	16	4	5
15. Gampaha (1989)	Japan	250	2	252	-	0.5	-	0.5

Source : Ministry of Plan Implementation.

(a) Year of implementation is shown within paranthesis.

(b) Provisional.

(c) Does not include expenditure incurred in December.