5. ECONOMIC AND SOCIAL OVERHEADS

5.1 Overview

Economic and social overheads such as power, telecommunications, irrigation, the transport network, ports and airports, water supply, sanitation and sewerage, waste collection and disposal, drainage, health and education are included under an umbrella term known as infrastructure. A strong and efficient infrastructure is a pre-requisite for accelerating economic growth and welfare. In view of the Government's resource constraint, the 1995 Budget emphasised the need for private sector participation in the development of modern infrastructure over the next five years. In the 1995 Budget, the Government expected to raise its own investment in infrastructure to Rs. 51 billion to reach 7.7 per cent of GDP. This was not realised due to resource constraints as well as under-expenditure related to administrative and other project implementation delays. However, when compared with 1994, government investment in infrastructure in 1995 increased by 18 per cent in rupee terms to Rs. 44 billion and as a percentage of GDP, rose to 6.6 per cent.

TABLE 5.1
Government Investment in Infrastructure

	Economic Services		Social Services		Total	
	Rs. Bn.	% of GDP	Rs. Bn.	% of GDP	Rs. Bn.	% of GDP
1991	26.0	7.0	3.0	0.8	29.0	7.8
1992	20.4	4.8	6.1	1.4	26.5	6.2
1993	29.6	5.9	6.1	1.2	35.7	7.1
1994	29.3	5.1	7.7	1.3	37.0	6.4
1995	33.7	5.1	9.9	1.5	43.6	6.6

Source: Central Bank of Sri Lanka.

In 1995, the investment in economic infrastructure increased to Rs. 34 billion, but as a share of GDP, remained unchanged at 5.1 per cent. Despite the emphasis placed on infrastructure development in the past, the growth in infrastructure services has not been adequate to meet the growing demand. Demand for power continued to grow by 10 per cent in the recent past, but there was no expansion in power generating capacity after 1992. The demand for telephones grew by 21 per cent, while only 46 per cent of the total demand was met by end 1995. The growing demand for transport services was inadequately met owing to the slow expansion in the transport network and the poor quality of the road system. It is essential that these impediments are removed without delay to facilitate economic expansion which is the key to progress in many other areas including social progress and human development.

Government investment in social infrastructure rose to Rs.10 billion or 1.5 per cent of GDP in 1995. Falling standards in health care, regional disparities in the availability of educational and health facilities, a shortage of medical personnel and the low quality of education in rural areas were some of the major issues in the area of social infrastructure in 1995. With the Government's objective of rationalising welfare expenditure within a single targeted programme covering only the needy, a new poverty alleviation programme called 'Samurdhi' was introduced in 1995, thereby replacing other major welfare schemes such as the food and kerosene stamp schemes, the mid-day meal programme and the Janasaviya Programme.

5.2 Health

Health policy in 1995 focussed on health promotion and prevention of diseases, while also strengthening the quality of existing curative services. The strategy was to improve health services at the periphery, target health services to vulnerable and underprivileged groups and reduce rural - urban imbalances in the health care delivery system. Specific priority areas were the control of malaria and other communicable diseases and the eradication of child malnutrition. The National Health Council and the National Health Development Committee were involved in policy co-ordination, policy implementation and monitoring health development.

In 1995, total government expenditure on the health sector expanded by 19 per cent to Rs.11 billion. Of the increase, 65 per cent was on capital maintenance activities while the balance was on new capital investments. Expenditure on health as a percent of GDP rose from 1.6 per cent in 1994 to 1.7 per cent in 1995. Similarly, its share in government expenditure increased marginally to 5.6 per cent between 1994 and 1995. While the maintenance of health sector infrastructure facilities is important, a proper mix in the allocation of resources within the health sector is also necessary to ensure that this sector has sufficient facilities and human resources to provide modern health services in the future.

According to the Ministry of Health, over 3 million in-patients and 36 million out-patients are treated annually in 510 government hospitals. The average number of beds per 1000 persons was 3 in 1995. The number of medical officers

Box 2

Private Sector Participation in Economic Infrastructure Development

An efficient and reliable economic infrastructure - power, telecommunications, transport, port, and water supply and waste disposal etc. - is essential for lower production costs, improvement in productivity, attracting new investment into other areas, promoting economic growth and improving welfare.

In Sri Lanka, until recently, most key infrastructural facilities were operated by the parastatal sector. Although most infrastructural services are private goods, there has been a public sector dominance in this area due to socio-economic considerations, including those due to heavy costs involved in infrastructural investments. However, these parastatal organisations were not able to generate adequate surpluses to support new investment owing to managerial inefficiencies and lack of independence in decision making, particularly with regard to pricing policy. Such parastatals were in serious financial difficulties and relied heavily on budgetary support to cover some of their operating costs. The economic liberalisation measures such as the privatisation of road transport services, electricity and postal services implemented during the last two decades have reduced the current transfers to the public institutions providing infrastructural services from 4.8 per cent of total current expenditure in 1980 to 1.6 per cent in 1995. However, this does not reflect the current status of these economic infrastructural facilities which are in dire need of further improvement and expansion. Infrastructural deficiency has been a serious impediment to private sector led growth in Sri Lanka.

The Government's investment in infrastructure has been severely constrained in the recent past by the lack of long-term foreign funds and a tight fiscal situation. Over the last five years, overall public investment in core economic infrastructure such as transport, telecommunications, electricity and water supply was below 4 per cent of the GDP. This is far below that of East Asian countries such as Indonesia (5 to 6 per cent), Thailand (6 to 6.5 per cent), the Philippines (7 per cent) and Malaysia (6 to 8 per cent) [1/]. Meanwhile, the demand for basic infrastructural services grew rapidly after 1989, while new investment in most of these areas was lacking. For example, demand for electricity grew at around 10 per cent per annum, but the installed capacity has remained constant during the past four years. The demand for telephones grew at an average rate of 21 per cent, but only 46 per cent of the demand had been satisfied by end 1995.

It is now universally recognised that the private sector would be more effective in delivering infrastructure services efficiently. In the case of Sri Lanka, however, domestic private sector involvement is limited due to resource constraints. Therefore, foreign investor participation needs to be encouraged in the infrastructure sector. Moreover, foreign private sector participation would also help to acquire new technology and managerial expertise. The use of new telecommunication technology and increased competition through private sector participation would be beneficial to the consumers as well as the telecommunications sector, as rational pricing policies will ensure commercial viability and sustainability of a high quality service. Meanwhile, the legal and regulatory framework needs to be transparent and non-discriminatory to encourage private sector involvement in the provision of infrastructural services. The institutional framework should safeguard the interests of customers as well as the interests of service providers.

In its Policy Statement, the Government of Sri Lanka has already accepted in principle the need for wider private sector participation in the infrastructure sector. As stated therein 'Public investment would be needed to build the infrastructure that is required as a necessary complement to rapid private sector growth. However, as the resource requirements for the provision of adequate infrastructure are also so overwhelmingly large, a significant portion of the infrastructure investment will have to be undertaken by the private sector. This would be expected to complement public sector infrastructure expenditures in areas such as roads and highways, power, telecommunications and ports. Private sector infrastructure investment would occur under arrangements such as BOO (Build, Operate and Own) and BOT (Build, Operate and Transfer) arrangements.' (Policy Statement of the Government of Sri Lanka, 1995).

1/. Laying the Foundation for the Future - The Governments' Economic Records 1994/1995, Government of Sri Lanka, Colombo, 1995

Box 2 (contd.)

Thus, private sector participation is to be encouraged mainly on the basis of BOO/BOT arrangements. Under BOT policies, a private entrepreneur agrees to finance, construct, operate and maintain the facility for a specified period and then transfer the facility to the Government, whereas under BOO schemes the facility will be owned by the private entrepreneur. The process of private sector participation in the provision of infrastructural services is making slow but steady progress at present. As the decisive political commitment to the process has already been assured, it is likely to progress faster once there is a general improvement in the investment climate, particularly the security situation.

With respect to the power sector, several BOO/BOT projects are under consideration and negotiations were completed at end 1995 for the first BOO/BOT project (a 51 MW. diesel power plant at Sapugaskanda).

The telecommunications sector has been one of the fast growing sectors in the economy. The private sector is now involved in six main areas in the telecommunications sector namely, Radio Paging services, Cellular Mobile Telephone services, Data Communication services, Payphone services, Mobile Trunked Radio Network Systems services and a Trunk Telecommunication Network. Meanwhile, seven companies have invested in the project designed to provide 150,000 telephone lines to meet the growing demand. The initial steps for private sector participation in the expansion of port services have already been completed. The expansion activities of the the Galle Port commenced in 1995. The expansion of the Colombo Port with private sector participation is now under consideration. Electricity, roads and highways are other areas where private sector participation needs to be encouraged in the near future.

in curative and preventive services per 100,000 persons rose from 23 in 1994 to 25 in 1995, while the number of nurses per 100,000 persons remained at 73 as in the previous year. With respect to health care delivery, the major issue continued to be the under-utilisation of health facilities at the rural and peripheral level and over-crowding of tertiary and secondary level facilities leading to falling standards of health care. This emphasises the need for an effective referral services system with more evenly distributed health facilities. In the area of health manpower, the acute shortage of specialist doctors continued to be a major constraint. In 1995, the available number of specialists was only 40 per cent of the required level.

To promote preventive health care facilities, emphasis was placed on the control of communicable diseases, improvement in sanitation, epidemiological surveillance and promotion of family health. In keeping with the new global strategy recommended by the World Health Organisation (WHO), a malaria control programme was re-organised. The introduction of mobile clinics to control malaria, operations in high risk areas, early detection activities, promotion of self-protection methods and health education programmes had sharply reduced the incidence of malaria in 1995 (273,433 cases in 1994 to 141,293 cases in 1995). Several programmes to increase public awareness of STD/HIV/AIDS were carried out and these services were extended to the peripheral and primary health care level. With the objective of making Sri Lanka polio-free, a National Immunisation Day Programme was instituted at end 1995. The programme was successfully conducted with over 95 per cent of the children under 5 years being immunised. An awareness programme to promote the use of iodised salt was carried out in 1995.

During the year under review, a significant proportion of resources was directed towards the expansion and rehabilitation of health infrastructure, particularly through foreign funded projects. The Second Health Population Project funded by the ADB to improve primary health care facilities continued in 1995. Action was initiated to develop two base hospitals (Gampaha and Negombo) and upgrade the Colombo South Hospital to the level of a teaching hospital with Korean assistance. An agreement was signed to develop the Lady Ridgeway Children's Hospital with Chinese assistance. Meanwhile, initial steps were also taken to develop 25 hospitals per year, one for each district, providing facilities such as emergency treatment units, laboratories, health education units and ambulances. Around 30 hospitals, largely at the rural and peripheral levels, were upgraded during the year under review. The orthopaedic, ENT and paediatric surgical wards and microbiology unit were reopened at the Sri Jayawardenapura Hospital in 1995.

Meanwhile, private sector participation in the health sector has been expanding in the recent past. While this has been an encouraging sign, both private and public sectors are likely to co-exist in the provision of health services in Sri

Box 3

Human Development Indicators

The human development approach has a wider dimension to the definition of development than the conventional measures of economic growth. According to this approach, the ultimate objective of development should be to develop all human beings by enhancing the social as well as the economic choices available to both the present and future generations. It further suggests that such development should reach all people and that no one should be left out in the process. Development should provide an equal opportunity to all individuals in society to enhance and make the best use of their capabilities in the economic, social, cultural and political fields, while ensuring a reasonable standard of living for all on a sustainable basis.

The human development approach differs from generally accepted definitions of development such as the traditional approach of per capita GNP growth, the human resource development approach, the welfare approach and the basic needs approach. The GNP per capita growth approach is necessary but not sufficient for human development. Human development may be lacking in a society despite rapid GNP per capita growth. An increase in income is not an end in itself, but a means of achieving a higher level of human development or improving the quality of life. The human resource development approach views human beings as the primary means or instruments for increasing commodity production, rather than as end beneficiaries, although their choices may improve in the process. The welfare approach considers human beings more as beneficiaries rather than participants, emphasising the distributive aspect. The basic needs approach requires that a bundle of essential goods and services, which fulfils basic needs, is accessible to all, on a sustainable basis. However, real development is not merely survival, but the enhancement of choices, the quality of peoples' lives and equity in opportunities. It brings together the production and distribution aspects with an emphasis on opportunities for participation in the economic, social, cultural and political fields.

Although human development would include many aspects, too many indicators would produce a perplexing picture, and therefore, all these aspects are condensed into three key variables or indicators as follows:

(a) Life expectancy - This covers many aspects of development such as the availability of health facilities, nutrition levels, etc. which help to attain longevity.

(b) Literacy rate - This relates to the access to knowledge and other human resource development inputs.

(c) Income indicator - An adequate income ensures access to many other necessities of life. In order to reflect not only the absolute level of income, but also what that income can buy, and for international comparison, per capita GDP is expressed in purchasing power adjusted US dollars.

The Human Development Index (HDI) is computed on the basis of the three variables above and it is shown as the level of attainment of a desired degree of human development[1].

Human development by way of increased literacy or life expectancy does not necessarily guarantee the availability of choices for all to exercise these advantages. For example, there may be a highly educated population with a high unemployment rate among the educated. These educated persons would be desirous of exercising the right to participate in the process of economic and social development but may be unable to do so. Thus, the ability to use one's education would depend on the appropriateness of that education to available opportunities and the rate of economic expansion.

The sustainability of achievements in human development depends, in the long run, on the achievements in economic growth and therefore, economic growth with equity becomes a vital goal to be achieved by any country in improving the quality of life of its population. Human development also embraces several other aspects such as political freedom, the enjoyment of human rights by the individual, food

1 The desired level of life expectancy is expressed as long term average life expectancy (85 years). The desired level of literacy is assumed to be 100 per cent. This is refined by taking the combined primary, secondary and tertiary school enrolment ratios in the computation of the index. The desired income level is the maximum purchasing power parity (PPP) per capita GDP in US dollar terms assumed to be achievable in the long-run.

Box 3 (contd.)

TABLE 1

Human Development Index and Other Social Indicators

Country	Life Expectancy 1992	Adult Literacy Rate 1992	Real GDP per Capita PPP $ 1992	Adjusted Real GDP per Capita 1992(a)	HDI 1992	GNP per Capita Rank minus HDI Rank (b)	TVs per 100 Persons in 1992	Daily Newspaper Copies per 100 Persons in 1992
Korea Rep. of	71.1	97.4	9,250	5,249	0.882	7	21	41
Singapore	74.8	89.9	18,330	5,344	0.878	- 19	38	34
Thailand	69.9	93.5	5,950	5,178	0.827	- 3	11	7
Malaysia	70.8	81.5	7,790	5,223	0.822	- 14	15	12
Sri Lanka	71.9	89.3	2,850	2,850	0.704	5	5	3
Philippines	66.3	94.0	2,550	2,550	0.677	8	5	5
Indonesia	62.7	82.5	2,950	2,950	0.637	- 5	6	2
Pakistan	61.5	35.7	2,890	2,890	0.483	- 28	2	1
Myanmar	57.6	82.0	751	751	0.457	29	...	1
India	60.4	49.9	1,230	1,230	0.439	7	4	3
Bangladesh	55.6	36.4	1,230	1,230	0.364	- 5	...	1
Nepal	53.5	25.6	1,170	1,170	0.343	- 25	...	1

Sources : Human Development Report - 1995
World Development Report - 1995

(a) Adjusted values for use in the computation of the HDI.
(b) A positive figure indicates that the HDI rank is better than the GNP per capita rank; a negative is the opposite.

security, environmental security, personal security, communal security and security from crime and physical violence. The physical quality of life may also depend on other variables such as housing and its quality, command over facilities such as communications, transport and entertainment.

Sri Lanka is often cited as an impressive case in human development despite its relatively low growth in per capita GDP. Sri Lanka's achievements in the area of human development are mainly an outcome of the welfare policies implemented since the 1940s.

The experiences of fast growing countries such as Indonesia, Malaysia, the Republic of Korea, Singapore and Thailand, show that their fast rate of economic growth, accompanied by a reasonable degree of price stability, has played an important role in realising the gains in many fields that enlarge human choices and human development, as well as in ensuring their sustainability. For Sri Lanka, the challenge that lies ahead is to ensure that its HDI will not drop, but will at least keep pace with a fast growing global economy. Therefore, there is an urgent need to ensure that investment growth is sustained at a high level as in the fast growing East Asian economies.

TABLE 2

Basic Economic Indicators of Selected Countries

Country	Average Annual GDP Growth Rate %	Average Annual Rate of Inflation %	Average Annual Growth of Gross Domestic Investment %	HDI (a)	
	1980-93	1980-93	1980-93	1987	1992
Republic of Korea	9.1	6.3	11.8	0.903	0.882
Singapore	6.9	2.5	5.7	0.899	0.878
Thailand	8.2	4.3	11.4	0.783	0.827
Malaysia	6.2	2.2	6.3	0.800	0.822
Indonesia	5.8	8.5	7.1	0.591	0.637
Sri Lanka	4.0	11.1	2.4	0.789	0.704

Sources : World Development Report - 1995
Human Development Report-1990,1995

(a) Data for 1987 and 1992 are not strictly comparable due to certain changes in the method of computation of the HDI for 1992.

TABLE 5.2
Public Health Services 1991 - 1995

Item	1991	1992	1993	1994	1995 (a)
1. Hospitals (practising Western Medicine)	504	506	504	510	510
2. Beds	42,437 (b)	48,061	48,949	50,091	54,641
3. Central Dispensaries	275 (b)	350	365	370	386
4. Total No.of Doctors	2,934	3,345	3,713	4,047	4,580
5. Total No. of Asst. Medical Practitioners	1,201	1,253	1,305	1,357	1,324
6. Total No. of Ayurvedic Physicians	12,852	13,131	13,454	13,624	14,874
7. Total No. of Nurses	9,934	11,214	11,818	13,060	13,310
8. Total No. of Attendants	5,697	5,710	5,772	5,469	5,579
9. No.of In-Patients ('000)	2,629 (b)	3,023	3,174	3,204	n.a
10. No.of Out - Patients ('000)	28,575 (b)	36,827	36,892	35,276	n.a
11. Total Health Expenditure (Rs.Mn.)	5,229	6,541	7,064	9,185	10,952
Current Expenditure (Rs.Mn.)	4,110	4,518	5,711	7,666	8,818
Capital Expenditure (Rs.Mn.)	1,119	2,023	1,353	1,519	2,134

(a) Provisional.
(b) Excludes Northern and Eastern provinces.

Sources: Ministry of Health, Highways and Social Services
Ministry of Indigenous Medicine
Central Bank of Sri Lanka

Lanka in the future. In this context, a co-ordinated approach is necessary to maximise social benefits in the health sector with policies geared to encouraging participation of the private sector. While the private sector has benefited in the past from the drain of resources away from the public sector, it is necessary to encourage the private sector to develop independently, training its own health manpower, promoting health insurance schemes etc.

5.3 Education

Educational expenditure as a proportion of total government expenditure dropped from 11 per cent In 1994 to 10 per cent in 1995. In relation to GDP, it decreased from 3.1 per cent to 2.9 per cent. However, in rupee terms, the current expenditure on education increased by 6 per cent during the year. The programmes for the distribution of school text books, free uniform material and provision of concessionary travel facilities to school children continued during the year and in this regard a sum of Rs. 1.2 billion was spent. In addition, a sum of Rs. 1.8 billion was spent on account of food stamps which replaced the previous mid-day meal programme. This new scheme was also terminated in August 1995.

In 1995, while the number of schools increased by 53, the student population rose by 23,063. Accordingly the

TABLE 5.3
General Education 1991 - 1995

Item	1991	1992	1993	1994	1995 (a)
1. Total No. of Schools	10,520	10,588	10,710	10,779	10,832
Government Schools	9,998	10,042	10,160	10,191	10,239
No.of National Schools	21	39	90	160	198
Other Schools	522	541	550	588	593
Private	459	478	487	509	514
Pirivenas	63	63	63	79	79
2. Total No. of Pupils	4,258,697	4,285,286	4,303,493	4,327,959	4,351,022
Government Schools	4,135,114	4,155,035	4,172,897	4,193,971	4,216,571
Other Schools	123,583	130,251	130,596	133,988	134,451
Private	83,568	87,004	83,887	87,674	87,674
Pirivena	40,015	43,247	46,709	46,314	46,777
3. New Admissions	388,315	359,003	354,390	339,006	342,386
4. Total No. of Teachers	177,231	182,756	193,924	195,182	195,210
Government Teachers	170,735	175,813	186,926	187,586	187,574
Others	6,496	6,943	6,998	7,596	7,636
5. Pupil/Teacher Ratio	24	24	22	22	22
6. Total Expenditure on Education (Rs. Mn.) (b)	9,129	12,541	14,070	17,713	18,908
Current	7,951	10,533	11,225	14,836	15,784
Capital	1,178	2,008	2,845	2,877	3,124

(a) Provisional.
(b) Includes Government expenditure on higher education too..

Sources: Ministry of Education and Higher Education
Central Bank of Sri Lanka

number of students per school remained at 402, as in the previous two years. While 3,177 teachers were recruited to the government education service in 1995, the pupil-teacher ratio remained at 22 as in the previous year.

The wide regional disparities in school facilities, poor quality of education and inadequate and low quality primary school facilities, particularly in rural areas were the major issues in this sector. Several foreign funded projects continued during the year to address these issues. A project was launched to improve selected primary schools in Divisional Secretary (DS) areas and to develop them to super grade schools. At end 1995, 278 primary schools had been identified to be upgraded under this project. Another project was launched to develop primary school facilities in very remote areas with the assistance of the Swedish International Development Agency (SIDA). An IDA/WB funded project was implemented, aimed at upgrading the quality of education, strengthening school infrastructure and improving the operational efficiency of the school system. Under the Secondary Education Development Project, with ADB assistance, a total of 141 schools were selected and development activities had commenced in 60 of these by end 1995. The Plantation Sector Education Development Project funded by SIDA also continued during the year.

To increase the access to quality education in most parts of the country, 38 schools were upgraded to the level of national schools, thus increasing the total number of national schools to 198 by end 1995. Meanwhile, the curricula of all major Advanced Level subjects were being revised by the National Institute of Education. In addition, two new subjects, namely, Mathematics for the Arts, Commerce and Biological Science streams and Business Statistics for the Commerce stream were introduced during the year. With a view to providing opportunities for students to learn new technology, 12 computer centres were opened in schools in rural areas.

To improve the regional dispersion of the higher education system, three new universities (the South Eastern University at Oluvil, the Rajarata University at Anuradhapura and the Sabaragamuwa University at Ratnapura) were established in 1995. Thus, the number of universities in the country rose to 12 in 1995 and enabled the university intake to increase by about 1,500 students per annum.

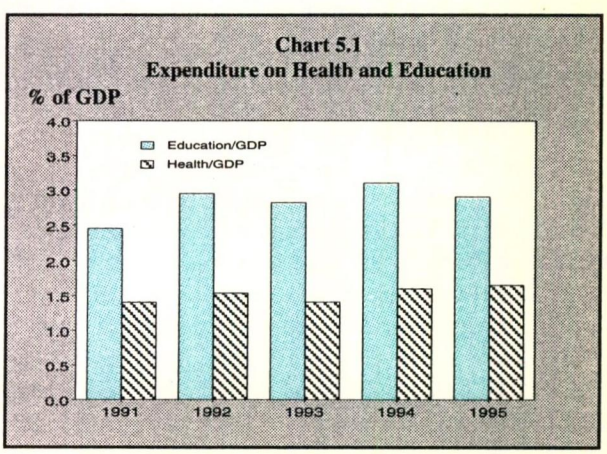
During the year under review, 9,649 new students were admitted to the universities, increasing the total number of

TABLE 5.4
University Education 1991 - 1995

Item	1991	1992	1993	1994	1995
1. No. of Universities	9	9	9	9	10 (a)
2. No. of Students	28,260	31,447	30,637	30,764	32,004
3. No. of Lecturers (b)	1,811	1,828	1,955	2,122	2,580
4. Number Graduated	5,386	4,564	5,056	5,493	n.a
Arts and Oriental Studies	1,983	1,603	1,661	2,077	n.a
Commerce & Management Studies	1,096	769	1,169	1,044	n.a
Law	98	89	112	183	n.a
Science	1,169	1,051	913	829	n.a
Engineering	355	379	382	652	n.a
Medicine	339	334	444	385	n.a
Dental Surgery	42	48	69	41	n.a
Agriculture	217	188	191	183	n.a
Veterinary Science	31	32	29	31	n.a
Architecture	76	71	86	47	n.a
5. New Admissions for Basic Degrees	6,463	8,970	8,900	7,849	9,649

Source::University Grant Commission

(a) South Eastern University College established in 1995 is also included.
(b) At the beginning of the year.



students to 32,004 by end 1995. The academic staff strength expanded from 2,122 in 1994 to 2,580 in 1995. As a result, the student teacher ratio improved to 12 in 1995 from 14 in 1994. In 1995, the Universities of Kelaniya, Peradeniya and Sri Jayawardenapura were expanded further by the addition of new faculties and departments. Meanwhile, the number of students receiving bursaries rose by 2,236 during the year.

One of the major issues to be addressed on a priority basis was the provision of hostel facilities for university students. The University Grants Commission (UGC) established a Construction Management Advisory Unit (CMAU) in January 1995 to expedite the construction of hostel facilities. The CMAU is planning to expand hostel accommodation to cover 50 per cent of university students by end 1996.

Another major issue to be addressed was the clearance of the backlog of students awaiting entry to the universities which resulted from the frequent closure of universities and interruption to the regular academic years in the university calendar in 1988 and 1989, leading to a waiting period for entry to universities of more than two years. In 1995, some universities were able to admit two batches of students and this cleared the backlog to a certain extent. However, this process was constrained by the limited availability of academic staff and physical facilities. The situation was further aggravated by the closure of universities from time to time during 1995 due to student problems and trade union action of staff.

5.4 Communication Services

The total number of inland and foreign mail articles handled by the Department of Posts increased marginally during 1995. The increase was almost entirely reflected in inland mail handling. Inland parcel handling rose by 4 per cent, while foreign parcel handling expanded by 7 per cent in 1995. Reflecting these developments, the average letters per inhabitant per annum remained unchanged at 29, indicating the increasing tendency of the public to move to speedier communication modes.

The postal network expanded further from 4,105 post offices in 1994 to 4,148 post offices in 1995 with the opening of 5 main post offices, 29 sub-post offices and 9 agency post offices. Consequently, the average area served by a post office declined to 15.8 sq. km in 1995 from 16 sq. km in 1994. Meanwhile, the number of post offices with facsimile services increased from 109 in 1994 to 159 during 1995. Moreover, the number of collecting centres for the Express Mail Service (EMS) and Speed Post services within the Colombo city was expanded. Construction work on the Central Mail Exchange was completed and this Exchange is scheduled to be opened in 1996. The total revenue from government owned postal services increased by 58 per cent in 1995, while operating expenditure increased by 12 per cent. Thus, the operating losses of the Postal Department were contained at Rs. 233 million in 1995 as compared with Rs. 557 million in the previous year.

The performance of the telecommunications sector improved in terms of capacity and services provided. Coping with the growing demand for telephones and improving the quality of the existing service were the major challenges faced by the telecommunications sector. The private sector played a greater role in improving the network, while Sri Lanka Telecom (SLT) played the key role in expanding and upgrading the existing telecommunication network.

In 1995, the main development projects executed by SLT were the Trunk Transmission Network Project funded by the ADB, the provision of Local Exchanges and Ancillary Equipment for Colombo and Suburbs funded by the World Bank, the Greater Colombo Telecommunication Network Improvement Project (GCTNIP) Package I and II funded by the Overseas Economic Co-operation Fund (OECF) of Japan and the Improvement of Internal and External Plants in Matara financed by Finnish Export Credit Ltd. With these projects, SLT expanded and modernised its services. New digital telephone exchanges at Madampe and Dambulla and new telephone exchanges in the Matara and Gampaha districts were commissioned during the year. With these developments, the SLT expanded its switching capacity by 9 per cent to 258,300 lines during 1995. Meanwhile, quality of the international telecommunication service was improved with the commissioning of a new international exchange and a new satellite earth station at Padukka.

The SLT also introduced supplementary facilities such as call forwarding (follow me) facilities, pre-assigned number service (hot line) and Internet services (E-Mail) during 1995. Moreover, a public Switched Packet Data Network was commissioned for commercial use during 1995.

The demand for telephone services grew by 21 per cent in 1995 compared with a 30 per cent growth recorded in 1994. A total of 24,556 new connections were given to the public during 1995. However, the authorities were able to meet only 46 per cent of the total demand (204,350 telephone lines) by the end of 1995. Consequently, the number of applicants on the waiting-list rose to 237,800 at end 1995 from 186,000 in 1994. The telephone density or telephones per 100 persons increased marginally to 1.13 in 1995 from 1.01 in 1994. This is very low compared to the facilities available in fast developing countries in the region.

During 1995, the private sector played an important role in the field of telecommunications bringing in new

TABLE 5.5

Growth of Postal and Telecommunication Services 1991 - 1995

Item	1991	1992	1993	1994	1995 (a)
1. Postal Service					
No. of Delivery Areas	6,729	6,729	6,729	6,729	6,729
Areas served by a Post Office (Sq. Km.)	16.5	16.3	16.2	16.0	15.8
Total No. of Post Offices	3,982	4,018	4,042	4,105	4,148
Public	3,884	3,891	3,895	3,932	3,966
Private	98	127	147	173	182
Population served by a Post Office	4,331	4,331	4,359	4,365	4,393
No. of letters per inhabitant	29	27	28	29	29
Total Revenue (Rs. Mn.)	573	684	764	840	963
Current Expenditure (Rs. Mn.)	865	987	1,036	1,397	1,441
Operating Loss (Rs. Mn.)	-292	-303	-272	-557	-478
2. Telecommunication Service					
Inland Telephone Service					
No. of Telephone Lines	125,834	135,504	157,774	180,724	204,350
New Telephone Lines given	6,579	10,607	22,270	25,322	24,556
No. of applicants in waiting list	61,313	96,207	124,066	186,245	237,800
Demand for Telephone (Nos.)	187,147	231,711	281,840	366,969	442,150
Telephone Density (Telephone per 100 persons)	0.73	0.78	0.90	1.01	1.13
Overseas Telecommunication Service					
No. of Telex Connections	1,740	1,583	1,626	1,845	1,478
No. of Applicants on waiting list	84	103	59	34	29
Outgoing Traffic (Nos.)					
Overseas Telephone Traffic (b)	15,599,912	17,775,066	19,900,000	23,800,000	27,000,000
Overseas Telegrams (c)	2,465,682	2,483,002	2,220,000	2,201,448	1,948,861
Overseas Telex Traffic (b)	4,346,467	4,230,994	3,300,000	2,625,092	1,932,045

Sources : Department of Posts
Sri Lanka Telecom

(a) Provisional
(b) Figures are given in number of minutes.
(c) Figures are given in number of words.

technology and improving the quality of services. Six major value added services namely, Radio Paging, Cellular Mobile Telephones, Data Communication, Payphones, Mobile Trunked Radio Network Systems and a Trunk Telecommunication Network, were provided by the private sector during the year. A total of five companies involved in providing paging services supplied 9,565 paging machines. The number of Cellular telephones provided by three companies increased by 76 per cent, to 51,316 in 1995, easing the demand pressure for telephones. By end 1995, 1,597 Payphones were installed by three companies, recording an increase of 76 per cent over the previous year. Meanwhile, a new company, Sri Lanka Telecom Services Ltd., implemented the 150,000 line telecommunications development project (150 k project) to meet the rapidly growing demand for telephone services covering the whole country. Contracts were awarded to seven companies during 1995 and the project was in progress in the Kandy and Trincomalee districts.

International Direct Dialling (IDD) facilities were intensively used by the public, instead of traditional modes of international communication. Overseas telephone traffic increased (in terms of the number of minutes) by 13 per cent in 1995. Overseas telegrams measured in terms of number of words, dropped by 11 per cent. Overseas telex traffic dropped by 26 per cent due to the availability of other attractive electronic communication media.

5.5 Energy

Following the trends observed in the preceding years, the demand for electricity grew by 10 per cent in 1995. However, the power generating capacity remained unchanged for the third consecutive year. As in previous years, the bulk of the demand was met through hydro electric power. In 1995, hydro electric power generation was adversely affected by dry weather conditions during the first four months of the year, though a substantial improvement occurred during the latter part of the year. However, towards the end of the year, due to the failure of the North East Monsoon, the water levels of the hydro reservoirs dropped considerably, again constraining hydro power generation. As in the previous year, the demand for petroleum products expanded significantly in 1995. Higher growth rates were observed in the consumption of auto-diesel, heavy diesel and kerosene. Meanwhile, damage to the Kolonnawa and Orugodawatta oil installations by the terrorist attacks affected a part of the oil storage facilities and created supply shortages for a few days in October. The restoration of the damaged facilities is expected to cost around US dollars 30 million.

Non-commercial energy sources, mainly fuel wood, continued to be the major sources of energy in 1995, providing about 70 per cent of the total energy needs. Commercial energy sources, namely, petroleum (24 per cent),

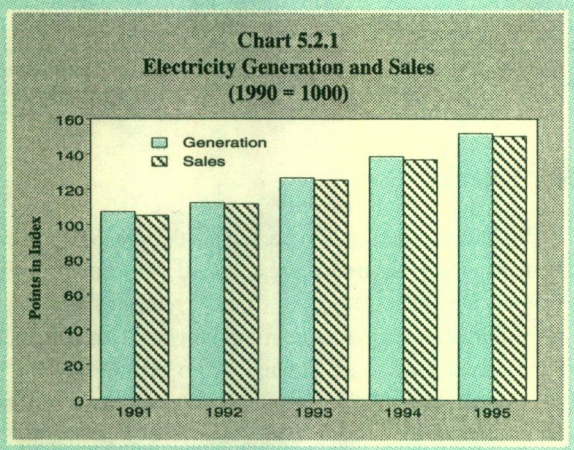
electricity (5 per cent) and liquefied petroleum gas (1 per cent) accounted for the balance.

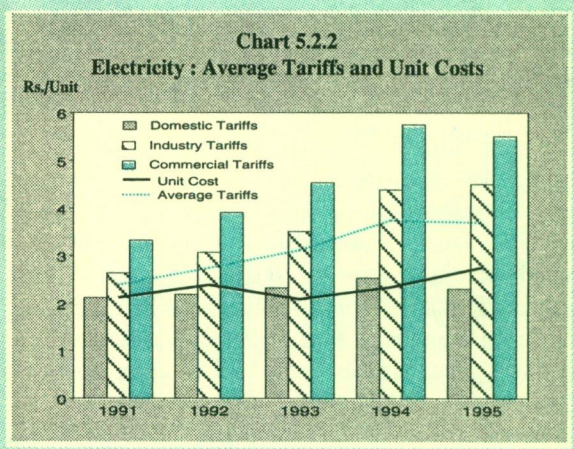
The emerging developments in the energy sector, particularly the rapidly growing demand, point to the urgent need for expanding energy infrastructure and implementing an effective energy conservation programme. The high level of utilisation of the existing capacity and its vulnerability to non-controllable factors imply a high probability that power deficits would occur in the near future, unless urgent steps are taken to expand generating capacity. While several private sector power projects were under consideration during 1995, one project under BOO/BOT arrangements (the Sapugaskanda Power Project) reached the final stage of negotiations.

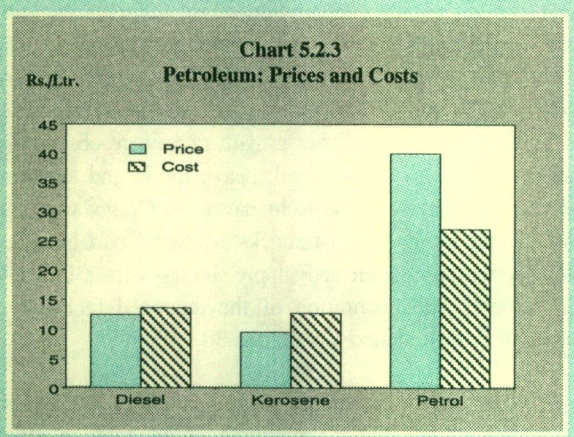
Electricity

The total installed capacity of electricity, at 1,409 megawatts (MW.), comprising 1,137 MW. of hydro power and 272 MW. of thermal power, has remained unchanged since 1992. However, the total power generated by the CEB rose from 4,364 gigawatts hours (GWh.) in 1994 to 4,786 GWh. in 1995, recording an increase of 10 per cent. Total power generation has grown by an average of 10 per cent during the last three years. Hydro power generation, which dropped by 7 per cent during the first four months of 1995, increased by 20 per cent during the last eight months. Reflecting these developments hydro power generation rose by 10 per cent to 4,517 GWh. during 1995, when compared with an 8 per cent increase in the previous year. Consequent

Chart 5.2
Major Energy Sources







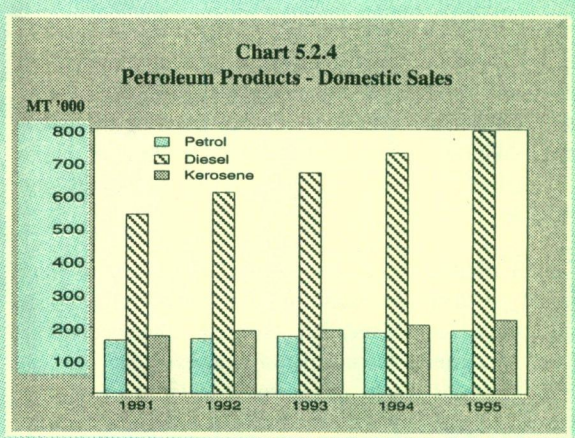


TABLE 5.6

Salient Features of the Energy Sector 1991 - 1995

Item	Unit	1991	1992	1993	1994	1995 (a)	Percentage Change	
							1994	1995
1. Petroleum Products								
Quantity of Exports	MT '000	523	410	590	612	616	4	1
Value of Exports	Rs. Mn.	3,289	2,771	3,801	3,959	4,374	4	10
	SDR Mn.	58	45	57	56	56	-1	0
Quantity Imported								
Crude Oil	MT '000	1,626	1,297	1,800	1,898	1,860	5	-2
Refined Products	MT '000	219	662	294	288	562	-2	95
L.P. Gas	MT '000	18	31	38	50	66	32	32
Value of Imports (C&F)								
Crude Oil	Rs. Mn.	9,667	7,667	11,222	11,407	12,362	2	8
	SDR Mn.	171	124	167	161	159	-3	-1
Refined Products	Rs. Mn.	2,567	5,526	2,554	2,442	4,812	-4	97
	SDR Mn.	45	90	38	35	62	-9	77
L.P. Gas	Rs. Mn.	239	495	545	704	1,121	29	59
	SDR Mn.	4	8	8	10	14	23	40
Average Price of Crude Oil (C&F)	Rs./Barrel	807	803	843	805	903	-4	12
	US $/Barrel	19.50	18.32	17.47	16.22	17.59	-7	8
Local Sales	MT '000	1,240	1,487	1,418	1,568	1,721	11	10
Super Petrol	MT '000	160	165	173	184	190	6	3
Auto Diesel	MT '000	540	606	666	728	796	9	9
Heavy Diesel	MT '000	33	125	18	54	80	199	48
Super Diesel	MT '000	20	23	23	24	27	5	11
Kerosene	MT '000	173	189	192	207	222	8	7
Furnace Oil	MT '000	204	252	220	228	238	4	4
Avtur	MT '000	73	82	73	79	91	8	15
Avgas	MT '000	...	...	...	...	...	-	-
L.P. Gas	MT '000	37	45	53	64	77	22	20
Local Price	Rs./Litre							
Super Petrol	Rs./Litre	30.00	33.00	35.00	35.00	40.00	-	14
Auto Diesel	Rs./Litre	11.00	11.65	12.20	11.40	12.40	-7	9
Heavy Diesel	Rs./Litre	10.60	11.15	11.60	10.70	11.70	-8	9
Super Diesel	Rs./Litre	13.00	14.55	15.00	14.20	15.20	-5	7
Kerosene	Rs./Litre	8.80	8.80	11.80	9.50	9.50	-19	-
Furnace Oil								
500 Seconds	Rs./Litre	6.55	7.10	7.10	7.10	7.10	-	-
800 Seconds	Rs./Litre	6.25	6.80	6.80	6.80	6.80	-	-
1,000 Seconds	Rs./Litre	5.95	6.50	6.50	6.50	6.50	-	-
Bitumen	Rs./Litre	10.90	15.15	15.15	15.15	15.15	-	-
L.P. Gas	Rs./Kg.	16.54	16.54	20.00	19.23	19.23	-4	-
2. Electricity								
Installed Capacity	MW	1,289	1,409	1,409	1,409	1,409	-	-
Hydro	MW	1,017	1,137	1,137	1,137	1,137	-	-
Thermal	MW	272	272	272	272	272	-	-
Units Generated	GWh	3,376	3,540	3,979	4,364	4,786	10	10
Hydro	GWh	3,116	2,900	3,796	4,089	4,517	8	10
Thermal	GWh	260	640	183	275	269	50	-2
Total Sales	GWh	2,742	2,916	3,270	3,565	3,915	9	10
Domestic	GWh	644	704	826	928	1,034	12	11
Industrial (b)	GWh	958	1,058	1,224	1,413	1,527	15	8
Commercial	GWh	547	581	641	575	631	-10	10
Local Authorities	GWh	572	544	536	609	683	14	12
Street Lighting	GWh	21	29	43	40	40	-7	-

(a) Provisional
(b) From February 1994 onwards, electricity sales to hotels are also included.

Sources: Ceylon Petroleum Corporation
Ceylon Electricity Board
Colombo Gas Company Ltd.
Lanka Marine Services (Pvt) Ltd.

to the supply shortfall experienced in hydro electric power during early 1995, 269 GWh. of thermal power was generated compared with 275 GWh. in the previous year. The cost of fuel for thermal power generation was Rs.903 million during 1995 as compared with Rs.801 million in 1994. Meanwhile, system losses during the process of power generation, distribution and transmission was estimated at 18 per cent of the total power generation as in 1994. Several transmission and distribution network improvement projects were continued during the year. In 1994 Lanka Electric Company (LECO) had completed two projects aimed at reducing the losses in the local distribution network. The

high system losses (18 per cent), valued at Rs.3,240 million per year, that have continued despite these efforts is a matter for serious concern.

In 1995, total sales of electricity by the CEB increased by 10 per cent, a continuation of the upward trend in electricity demand observed during the past few years. The demand in the domestic category rose by 11 per cent due to an increase in the number of domestic consumers by 13 per cent (1.221 million to 1.380 million) with the expansion of rural electrification schemes. Sales to the industrial and commercial sectors rose by 8 per cent and 10 per cent, respectively, reflecting expanding economic activities. Sales by LECO expanded by 13 per cent largely due to increased sales to the domestic sector. The total number of consumers catered to by LECO grew by 7 per cent to 254,000 in 1995.

Electricity tariffs remained unchanged during 1995. The domestic sector continued to be subsidised by industrial and commercial entrepreneurs. Although the differentiated pricing policy of electricity ensured a higher overall average unit price than the unit cost of generation, the price structure did not generate the 8 per cent rate of return which was considered necessary to ensure the commercial viability and maintain an expanding service in the long-run. Therefore, electricity prices were expected to be raised with effect from January 1996.

In 1995, the CEB invested a sum of Rs.2 billion in expanding, rehabilitating and upgrading electricity infrastructure. Of the total investment in major projects, more than 60 per cent was spent on development and improvement of the power distribution and transmission network. The main projects implemented during the year were the Transmission System Augmentation and Development Project (Rs.670 million) and the Transmission and Grid Substation Development Project (Rs.270 million) funded by the OECF and the Power Distribution and Transmission Project (Rs.197 million) and the Second Power Distribution and Transmission Project (Rs.178 million) funded by the IDA. ADB funds amounting to Rs.406 million were disbursed for rural electrification. A sum of Rs.298 million was spent under the Diesel Extension Project at Sapugaskanda (40 MW.), the major addition to the power grid after Samanalawewa. As in the previous year, the CEB has recorded a high under expenditure ratio (46 per cent of total planned investment) in 1995. According to the CEB sources, the main reasons for the under expenditure were the delays in awarding tenders, unsatisfactory performance of contractors and delays in the acquisition of necessary lands.

During the year under review, several steps were also taken to encourage power generation by the private sector. Some of the projects which were under consideration on a BOO basis were the Diesel Power Plant at Sapugaskanda (51 MW.), the Combined Cycle Power Plant (120/150 MW), the Barge Mounted Power Plants (60 and 50 MW.) and the associated power plant of the Refinery Project at Hambantota (300 MW.), the Coal Power Plant at Trincomalee (300 MW), and the Broadlands Hydro Power Project (40 MW.). In addition, Letters of Intent were issued for the development of nine mini hydro plants and a 12 MW. wind power plant.

Meanwhile, with a view to promoting energy conservation and efficiency, a programme to encourage the use of compact fluorescent bulbs at a subsidised price was introduced in 1995. Approximately 85,000 bulbs were sold under this scheme during the year. A special loan scheme had been launched by the CEB through the NDB and DFCC at a concessionary rate of interest to promote the bulk supply and installation of power factor correction equipment.

Petroleum Products

The volume of crude oil imports dropped by 2 per cent in 1995, which normally happen during a closure of the refinery for maintenance. Meanwhile, the average international price of crude oil rose by 8 per cent, from US dollars 16.22 per barrel in 1994 to US dollars 17.59 in 1995. The additional demand was met through the imports of refined products which recorded nearly a twofold increase over the 1994 level. The imports of liquefied petroleum gas (LPG) by Colombo Gas Company also rose by 32 per cent in volume terms and 59 per cent in value terms. Reflecting these developments, total expenditure on petroleum imports rose by 35 per cent.

In 1995, diesel and petrol prices were increased for government revenue purposes. The prices of all varieties of diesel were raised by 1 Rupee per litre, with the introduction of a new excise duty in February 1995. The price of petrol was further raised by Rs.5 per litre by increasing the excise duty on petrol from Rs.2 to Rs. 7 per litre with effect from 26 January 1995. Attempts were made to confine the use of the cross subsidy on diesel to more deserving groups by eliminating the price advantage of diesel through the introduction of a new diesel tax on private motor vehicles. However, the cross subsidy in the domestic pricing of petroleum products (i.e. pricing petrol significantly above cost while pricing diesel and kerosene below cost) continued in 1995.

In 1995, domestic consumption of petroleum products recorded a significant increase of 10 per cent over the previous year. This growth was shown in all varieties of petroleum products. The consumption of auto diesel grew by 9 per cent due to its low relative price and increased economic activities. The growth in demand for petrol dropped to 3 per cent in 1995 from 6 per cent in the

previous year owing to the higher price. The use of heavy diesel increased by 48 per cent due to thermal power generation during the first four months of the year. The demand for kerosene in 1995 grew by 7 per cent as in the previous year. The demand for LPG rose by 20 per cent in 1995 mainly reflecting the increased use of gas for cooking purposes due to user convenience and rising firewood prices.

Damage to the oil installations at Orugodawatta (120,000 MT or 75 per cent of storage facilities) and Kolonnawa (65,000 MT or about 20 per cent of the storage facilities) due to the fire led to minor supply shortages. The total loss due to the destruction of infrastructure and the value of product losses were estimated at around Rs. 900 million and Rs. 835 million, respectively.

In 1995, measures were taken to strengthen and expand the supply side of the petroleum sector. Approval has been granted to install a captive boiler plant at the petroleum refinery at a cost of Rs.80 million. Initial action was taken to construct 13 storage tanks in regional depots. Preliminary work was also undertaken to expand the capacity at the Sapugaskande refinery. With respect to private sector participation, the construction of a large refinery and a power plant at Hambantota was under consideration on a BOO/BOT basis. Meanwhile, as a further step in private sector participation, a controlling interest in the Lanka Gas Company (51 per cent of the total shares) was sold to Shell Overseas Investment BV. Netherlands at a value of Rs.1.9 billion. In addition, with the objective of upgrading the LPG storage facility to international safety standards, a project to set up a terminal for the storage and distribution of LPG was under consideration.

5.6 Transportation

Transport Network

The transport network of the country remained generally unchanged although the road vehicle population grew continuously. The country has approximately 97,377 km of road network of which 11,152 km are under the Road Development Authority (RDA), while the rest is under the Provincial Councils, Local Authorities and certain government agencies. The total registered bus fleet of 93 privatised bus companies stood at 8,807 at end December 1995, of which only 4,692 were operated daily. In addition, a total of approximately 12,000 private buses were engaged in passenger transport at end 1995. As observed in the past five years, the vehicle population of the country, including motor cycles, expanded considerably by an average of 85,103 vehicles per year. Meanwhile, the rolling stock of the Sri Lanka Railways (SLR) remained unchanged during 1995. The SLR had 134 locomotives, 1,312 carriages and 2,529 wagons at end 1995. The track length also remained at 1,982 kilometres. Private truckers handled a large part of goods transport in the country. However, the SLR transported 148 million freight ton km and accounted for approximately 6 per cent of the total freight handled in 1995. The Sri Lanka Ports Authority manages four main ports, namely, Colombo, Galle, Trincomalee and Kankasanturai, while a number of fishing ports located around the coastal belt of the country are managed by the Ministry of Fisheries and Acquatic Resources Development.

Road Development

The Road Development Authority (RDA) which is responsible for the maintenance and development of national highways (A and B class roads) managed one tenth of the total road network (11,152 km) of the country. In addition, a total of 3,760 bridges were also maintained during the year. Emphasising the need for improving national highways, total investment in developing highways expanded by 23 per cent, to Rs.3,610 million in 1995. However, the expenditure on road maintenance rose only by 8 per cent, to Rs.191 million in 1995. During the year, the RDA continued four major road rehabilitation and upgrading projects, at a cost of Rs.2,289 million, with foreign assistance.

Under the Second Road Improvement Project funded by the ADB, rehabilitation of the Homagama-Ratnapura section was completed in 1995 and 85 per cent of the work relating to the rehabilitation of the Avissawella-Hatton section was completed. Rehabilitation work on six bridges was also completed under this project in 1995. Under the Third Road Rehabilitation Project funded by the World Bank, rehabilitation work on 220 km, including the Galle - Matara Road, the Matara - Hakmana Road and the Matara - Akuressa Road, was in progress during 1995. Re-construction work on 15 bridges in the Gampaha, Matara and Hambantota districts was also completed. Under the Third Road Rehabilitation Project funded by the ADB, contracts were awarded for the rehabilitation of the Kurunegala-Peradeniya, the Katugastota-Matale, the Peradeniya-Gampola and the Kandy-Tennekumbura road sections, a total of 81 km In addition, 138 km of roads were provided with surface dressing, while 4,528 km of sand sealing was carried out under the periodic maintenance project funded by the OECF.

In addition to the above major road rehabilitation projects, construction and rehabilitation work on the Waskaduwa-Bandaragama-Kesbewa Road, the Peliyagoda-Katunayake section of the Peliyagoda-Puttalam Road, the Kandy-Asgiriya-Mahaiyawa Road, the Peradeniya-Halloluwa Road and the Malabe-Kaduwela Road continued in 1995. Meanwhile, rehabilitation of the Borella-Maradana Road was completed during the year. Initial action was taken for the conversion of Baseline Road to dual three lane standards with a fly-over across the main railway line at Dematagoda and widening of the Sri Lanka-Japan Friendship Bridge

(Phase II) to provide two additional traffic lanes, with OECF assistance. Meanwhile, construction work on the Alternate Southern Highway and the Colombo Marine Drive between the Dehiwala canal and Bambalapitiya was initiated during the year.

Despite these efforts to upgrade and rehabilitate the existing national highway network which comprises only a tenth of the road network, a large part of the road network, particularly in the provincial and local authority areas, were in a bad state of repair due to negligence of routine maintenance. The unsatisfactory condition of the present road network continued to act as a serious impediment to the expansion of economic activities. A substantial increase in vehicular traffic added further pressure to the existing road network causing production losses. Hence, rehabilitation and proper maintenance of the present road network, as well as the construction of alternate highways and fly-overs to ease traffic congestion, have to receive utmost priority. In view of the current fiscal constraints, the participation of the private sector in expanding the road network is vital. In this regard, some of the new projects under consideration are to be offered to private sector investors for construction and implementation on a BOO or BOT basis.

Passenger Transport

The commercial viability of the passenger transport sector was seriously challenged by several structural and managerial deficiencies. While, scattered and fragmented ownership hindered the efficient functioning of the private passenger transport sector, managerial inefficiencies and non-adjustment of bus fares since 1990 amidst rising input costs led to an erosion of profit margins. The quality of services provided by the private passenger transport sector continued to be unsatisfactory due to a lack of enforcement of regulations and lack of investment to improve the quality of service. Similarly, the viability of the public sector passenger transport sector was also threatened by continuous financial losses. In order to provide a safe, efficient and reliable service, the commercial viability of the sector needs to be restored by various means including appropriate revisions to bus fares.

In order to examine the issues relating to transport fares, a Committee (Public Transport Fares Committee) was set up in March 1995. The Committee formulated a new fare structure giving due consideration to the cost of operations, affordability, appropriate discounts, quality differences,

TABLE 5.7

Salient Features of the Transport Sector 1991 -1995

Item	Unit	1991	Percentage Change	1992	Percentage Change	1993	Percentage Change	1994	Percentage Change	1995 (a)	Percentage Change
1. New Registration of Motor Vehicles											
Private Omnibuses (b)	Nos.	2,987	178.9	2,479	-17.0	1,835	-26.0	3,347	82.4	1,653	-50.6
Private Cars (c)	Nos	15,076	-0.4	20,177	33.8	1,6802	-16.7	22,517	34.0	30,046	33.4
Motor Cycles	Nos	58,643	-30.5	65,834	12.3	53,934	-18.1	36,791	-31.8	34,207	-7.0
Goods Transport Vehicles	Nos	3,200	15.3	4,146	29.6	4,948	19.3	5,213	5.4	7293	39.9
Land Vehicles	Nos	4,003	49.8	5,487	37.1	6,646	21.1	7,160	7.7	9224	28.8
Others	Nos	76	28.8	134	76.3	8	-94.0	34	325.0	30	-11.8
Private Coaches	Nos	272	209.1	425	56.3	295	-30.6	476	61.4	47	-90.1
2. Sri Lanka Railways (SLR)											
Operated Kilometres	Mn.	7.6	4.1	8.1	6.6	8.2	1.2	8.0	-2.4	8.0	-
Passenger Killometers	Mn.	2,653.4	-4.6	2,613.4	-1.5	2,821.6	8.0	3,201.7	13.5	3,404.0	6.3
Freight ton Killometers	Mn.	169.1	3.2	177.0	4.7	159.2	-10.1	154.1	-3.2	148.1	-3.9
Total Revenue	Rs.Mn.	808.0	18.8	885.0	9.5	820.0	-7.3	916.0	11.7	947.0	3.4
Current Expenditure	Rs.Mn.	1,199.0	13.4	1,239.0	3.3	1,236.0	-0.2	1,675.0	35.5	1,735.0	3.6
Operating Loss	Rs.Mn.	391.0	18.0	354.0	-9.5	416.0	17.5	758.0	82.2	788.0	4.0
Capital Expenditure	Rs.Mn.	2,595.0	105.1	1,998.0	-23.0	3,185.0	59.4	2,584.0	-18.9	3,117.0	20.6
Financing Gap	Rs.Mn.	2,986.0	80.3	2,352.0	-21.2	3,601.0	55.1	3,342.0	-7.2	3,905.0	16.8
3. Regional Bus Companies											
Operated Killometers	Mn.	247.0	0.7	268.1	8.5	272.2	1.5	306.7	12.6	351.1	14.5
Passenger Killometers	Mn.	11,454.0	-14.1	12,840.0	12.1	13,608.0	6.0	15,613.1	14.7	19,361.0	24.0
Total Revenue	Rs.Mn.	2,761.0	5.5	2,737.0	-0.9	3,043.7	11.2	3,593.5	18.1	4,339.5	20.8

(a) Provisional.
(b) Includes buses registered under Regional Bus Companies.
(c) Includes dual purpose vehicles.

Sources : Department of Motor Traffic
Sri Lanka Railways
Sri Lanka Transport Board
National Transport Commission

prevailing economic conditions etc. The Committee also recommended fare increases within a range of 21 - 40 per cent for the bus transport sector and 46 per cent for railways. The recommendations of the Committee were not implemented during the year.

Meanwhile, with a view to improving the efficiency of the peoplised companies, a Committee was set up to reorganise the companies and upgrade the management. The proposed restructuring entails clustering of the present 93 companies into 11 regional companies.

Bus Transport

There were 93 peoplised bus companies at end 1995. Facilitated by an expansion of the vehicle fleet, the operated kilometerage of these companies increased by 14 per cent. The average number of buses operated per day by the peoplised companies was 4,692 in 1995, when compared with 4,207 buses in 1994. Reflecting the growing demand for transport services, traffic carried by the peoplised companies increased by 24 per cent. The total revenue of the peoplised companies rose by 21 per cent over the preceding year. In addition, a sum of Rs.350 million was received from the Government on account of subsidised season tickets and operations on non-profitable routes.

In 1995, several measures were introduced to strengthen the national transport network. With a view to mitigating the prevalent problems such as overloading, speeding and long idle bus hours, the National Transport Commission (NTC) organised co-ordinated scheduled bus operations for private sector operators and peoplised companies. Accordingly, bus routes in the Uva, North Central and Southern provinces were co-ordinated during the year. The NTC also took necessary action to phase out the existing low roofed buses and assign new specifications for buses.

New entrants to private sector participation in the provision of bus passenger transport services slowed down during 1995. New registration of private omnibuses (including those of peoplised companies) at the Department of Motor Traffic was 1,653 in 1995 compared with 3,347 in 1994. This indicates that the private passenger transport sector is becoming less attractive for investors under prevailing conditions. Had there been appropriate fare adjustments, there would have been increased investment in the sector.

Rail Transport

The performance of the SLR showed no significant improvement during the year under review. The operated kilometerage of the SLR remained unchanged at 8 million kilometres. The passenger kilometres by rail increased by 6 per cent in 1995, compared with a 14 per cent increase in the previous year. The transport of goods declined by 4 per cent, continuing the declining trend observed in the two preceding years.

The deterioration in the performance of the SLR was largely due to the lack of investment in strengthening and maintaining the rail infrastructure over the past years. The unsatisfactory conditions of the existing rail tracks, insufficient availability of locomotives, obsolete conditions of the existing locomotives and outdated communication and signalling systems adversely affected the scale of operations and lowered the quality of service. The more lucrative Northern line was not in operation in 1995 for the eighth consecutive year on account of the uncertain security situation in those areas. During the year, no services were operated beyond Thandikulam on the Northern line and Talaimannar line, while the Trincomalee-Batticaloa train services were also disrupted.

In order to arrest further deterioration in the services, initial action was taken during the year to implement a major rehabilitation programme funded by the OECF, covering railway tracks, locomotives and main workshops. To overcome the serious over-crowding in carriages, the Romanian carriages were modified to operate with diesel multiple units permitting more passengers to be accommodated. Under the bridge rehabilitation programme, initial steps were taken to rehabilitate the Kalutara and Panadura railway bridges. Permanent measures were taken to overcome the Watawala subsidence and thus eliminate interruptions to normal services. In addition, rail tracks were improved by laying 173,251 concrete and wooden sleepers, thereby removing a number of speed restrictions. With a view to improving services on the Kelani Valley line, the project of broad gauging the tracks from Padukka to Avissawella progressed during the year.

The financial position of the SLR further deteriorated in 1995 due to heavy operational losses. In the wake of unchanged transport fares and a reduced scale of operations, the revenue of the SLR increased only by 3 per cent, to Rs.947 million, while current expenditure rose by 4 per cent to Rs.1,735 million, in 1995, largely due to increased costs of repairs and maintenance. Consequently, the operational loss of the SLR increased from Rs. 758 million in 1994 to Rs. 788 million in 1995. When capital expenditures are also taken into account, the total financing gap of the SLR in 1995 amounted to Rs. 3,905 million.

The current policy strategy focusses on the conversion of the SLR into a commercial venture. With a view to improving the efficiency of the SLR, a commercially oriented management approach and the streamlining of procedures relating to marketing, operations, tariffs and human resources

have been proposed in a study funded by the World Bank. The electrification of the suburban railway on a BOO/BOT basis was also under consideration.

Port Services

The Sri Lanka Ports Authority (SLPA) is responsible for developing the port network, which is vital to support export led growth.

Several projects were undertaken by the SLPA with a view to developing the port of Colombo with modern facilities as the hub port in the region. The third phase of the Jaye Container Terminal (JCT) Development Project to equip it to handle paramax ships and enhance the annual throughput of containers by 350,000 TEUs, was commissioned in February 1995. Dredging and improving the alignment of the main entrance canal to the port were undertaken to increase the draught to 15 metres to enable large ships to enter the port. In addition, the Government decided to develop the port of Galle on a BOO/BOT basis and several steps in this regard have already been taken.

The total cargo handled at all three ports, i.e. Colombo, Galle and Trincomalee, at 19.5 million MT, recorded an increase of 8 per cent when compared with a 10 per cent increase in the previous year. About 90 per cent or 17.4 million MT of the total cargo was handled at the port of Colombo. The total number of ships which arrived at Sri Lanka ports dropped by 3 per cent to 4,169. The container throughput handled at the port of Colombo, at 1 million TEUs in 1995, recorded an 8 per cent increase over the preceding year. Trans-shipments accounted for 67 per cent of total container throughput. Of the total cargo throughput of the port of Colombo, 67 per cent was containerised.

The total expenditure of the port services amounted to Rs.5,460 million recording a 17 per cent increase over 1994. Of the total expenditure, 94 per cent (Rs.5,129 million) was for the operations of the Colombo port. Meanwhile, total revenue, at Rs.6,820 million (of which Rs.6,581 million was from the Colombo port), reflected a 31 per cent growth over

TABLE 5.8

Performance of the Port Services 1991 - 1995

Item	1991	1992	1993	1994	1995 (a)	Percentage Change 1994	Percentage Change 1995
1. Capital Invested (Rs. Mn.)	13,409	14,411	17,352	20,806	25,231	20	21
2. No.of Vessels Arrived	3,415	3,961	4,345	4,294	4,169	-1	-3
Colombo	3,076	3,624	3,887	3,790	3,611	-2	-5
Galle	142	74	210	223	253	6	13
Trincomalee	197	263	248	281	305	13	9
3. Total Cargo Handled (MT '000.)	13,691	13,331	16,498	18,097	19,517	10	8
Colombo	12,283	11,957	14,712	16,143	17,414	10	8
Galle	219	236	255	303	237	19	-22
Trincomalee	1,189	1,139	1,531	1,651	1,866	8	13
4. Total Container Traffic (TEUs '000)	669	676	858	973	1,049	13	8
Colombo	669	676	858	973	1,049	13	8
Galle	-	-	-	-	-	-	-
Trincomalee	-	-	-	-	-	-	-
5. Trans-shipment Container (TEUs '000)	470	451	591	666	700	13	5
Colombo	470	451	591	666	700	13	5
Galle	-	-	-	-	-	-	-
Trincomalee	-	-	-	-	-	-	-
6. Revenue (Rs. Mn.)	3,752	4,031	4,931	5,197	6,820	5	31
Colombo	3,609	3,872	4,737	4,964	6,581	5	33
Galle	51	50	64	90	72	41	-20
Trincomalee	92	109	130	143	163	10	14
7. Expenditure (Rs. Mn.)	2,715	3,093	3,982	4,670	5,460	17	17
Colombo	2,529	2,888	3,717	4,394	5,129	18	17
Galle	67	73	93	107	127	15	19
Trincomalee	118	131	171	169	203	-1	20
8 Net Profit-Before Tax (Rs.Mn.)	1,037	938	949	527	1,360	-44	158
Colombo	1,078	984	1,020	569	1,452	-44	155
Galle	-17	-23	-30	-17	-52	-43	206
Trincomalee	-26	-22	-41	-25	-40	-39	60
9. Employment (Nos.)	18,312	17,843	17,345	16,910	16,492	-3	-2
Colombo	16,486	16,181	15,844	15,409	14,851	-3	-4
Galle	701	656	634	634	779	0	23
Trincomalee	1,125	1,056	867	867	862	0	-1

(a) Provisional

Source: Sri Lanka Ports Authority

the revenue in the preceding year, partly due to increases in the trans-shipment charges. Consequently, total net profit rose by 158 per cent, to Rs.1,360 million in 1995. The ports of Galle and Trincomalee recorded operational losses.

5.7 Irrigation and Settlement Schemes

The Mahaweli programme which is the largest irrigation and settlement scheme ever undertaken in the country

TABLE 5.9

New Land Cultivated under the Mahaweli Development Programme

Hectares

Item	Maha 1992/93	Yala 1993	Total 1993	Maha 1993/94	Yala 1994	Total 1994	Maha 1994/95 (a)	Yala 1995 (a)	Total 1995 (a)
System `H'	33,390	11,660	45,050	33,481	22,996	56,477	33,025	18,841	51,866
Paddy	29,117	2,291	31,408	29,950	11,205	41,155	31,228	11,330	42,558
Other Crops	4,273	9,369	13,642	3,531	11,791	15,322	1,797	7,511	9,308
System `B'	13,591	12,594	26,185	20,174	17,908	38,082	16,083	12,371	28,454
Paddy	12,513	11,956	24,469	18,321	16,007	34,328	13,792	11,537	25,329
Other Crops	1,078	638	1,716	1,853	1,901	3,754	2,291	834	3,125
System `C'	21,521	19,976	41,497	23,868	20,148	44,016	24,926	20,561	45,487
Paddy	19,289	19,089	38,378	20,256	19,427	39,683	20,812	19,485	40,297
Other Crops	2,232	887	3,119	3,612	721	4,333	4,114	1,076	5,190
System `G'	5,414	3,732	9,146	-	-	-	5,553	4,961	10,514
Paddy	5,096	2,269	7,365	-	-	-	5,177	3,852	9,029
Other Crops	318	1,463	1,781	-	-	-	376	1,109	1,485
System `L'	1,095	82	1,177	1,135	148	1,283	961	146	1,107
Paddy	684	42	726	705	139	844	704	112	816
Other Crops	411	40	451	430	9	439	257	34	291
Total	75,011	48,044	123,055	78,658	61,200	139,858	80,548	56,880	137,428

(a) Provisional.

Source: Mahaweli Authority of Sri Lanka

TABLE 5.10

Settlement under the Mahaweli Development Programme

(`H', `C', `B', `G' & `L' Systems)

No. of Families

Year	System					Total
	`H'	`C'	`B'	`G'	`L'	
1976	2,383	-	-	-	-	2,383
1977	3,141	-	-	-	-	3,141
1978	2,754	-	-	-	-	2.754
1979	5,290	-	-	-	-	5,290
1980	7,407	-	-	-	-	7,407
1981	2,389	2,777	-	-	-	5,166
1982	1,449	2,683	1,918	-	-	6,050
1983	1,077	1,988	1,938	1,319	-	6,322
1984	1,956	1,992	1,381	446	-	5,775
1985	44	823	3,423	1,045	-	5,335
1986	780	2,151	1,260	583	-	4,774
1987	182	1,407	857	274	-	2,720
1988	14	1,081	656	85	3,270	5,106
1989	9	1,008	324	1,305	94	2,740
1990	1,680	3,427	3,492	366	-	8,965
1991	1,151	3,240	1,468	126	-	5,985
1992	754	2,005	1,716	6	-	4,481
1993	283	1,500	3,190	-	-	4,973
1994	30	332	841	-	-	1,203
1995(a)	-	68	132	-	-	200
Total	32,773	26,482	22,596	5,555	3,364	90,770

(a) Provisional.

Source: Mahaweli Authority of Sri Lanka

TABLE 5.11
Expenditure On Selected Major Irrigation Schemes

	Project	Source of Aid	Total Foreign Aid Commitment Mn.	Actual Expenditure in 1994 Rs.Mn.	Expenditure in 1995(a) Rs.Mn.	Cumulative Expenditure upto end 1995(a) Rs.Mn.
1.	Kirindi Oya Irrigation and Settlement Project (K.O.I.S.P.) - Phase II	ADB	SDR 22.0	60.0	-	691.0
2.	Minipe-Nagadeepa Irrigation Rehabilitation Project	Japan	Yen 1,850.0	190.0	98.6	514.6
3.	North Western Province Special Irrigation Project	CEC	ECU 6.3	22.8	45.3	168.1
4.	National Irrigation Rehabilitation Project (NIRP)	IDA CEC	Rs. 1,406.9 Rs. 1,622.6	157.4	265.0	613.0

(a) Provisional.

Source: Irrigation Department

continued its activities during 1995. According to the Mahaweli Authority of Sri Lanka, the total expenditure incurred during the year amounted to Rs. 1,802 million. The total extent cultivated in the Mahaweli Command Area during the 1994/95 cultivation year was 137,428 hectares. Of this, the extent under paddy was 118,029 hectares, while the balance 19,399 hectares were under other field crops.

Work on three other major irrigation schemes viz. Minipe-Nagadeepa Irrigation Rehabilitation Project (MNIRP), North Western Province Special Irrigation Project (NWPSIP) and the National Irrigation Rehabilitation Project (NIRP) continued in 1995 with work being completed in the latter two projects. According to provisional data provided by the Irrigation Department, in 1995, total expenditure incurred on the above projects was Rs.379 million. Work on the Kirindi Oya Irrigation and Settlement Project (KOISP) Phase II was not undertaken during the year and therefore, no expenditure was incurred during this period on the project. Under the NWPSIP, 814 hectares benefited and 948 families were settled, while 9 sub projects such as the Neela Bemma Project, Tuttaneriya Tank and Galkumbura Anicut, were completed. Nearly 3,800 hectares benefited under the NIRP.

Under the irrigation settlement schemes, the settlement of farmer and non-farmer families during the years was confined mainly to the Mahaweli Programme areas and the Uda Walawe Left and Right Bank areas. The total number of families settled in the Uda Walawe area during the year was 2,812, of which only 277 were farmer families while the balance were non-farmer families. The number of families settled in the Mahaweli areas during the year was 132 families in System 'B' and 68 families in System 'C' bringing the cumulative number of families settled under the Mahaweli Programme, to 90,770 families. Settlements under the Mahaweli programme, which declined from 4,973 families in 1993 to 1,203 families in 1994, declined further to 200 families in 1995.

5.8 Special Programmes

Housing

The Government policy towards housing development in the country is formulated under two approaches; first, extending assistance to low income families to build new houses or to upgrade their own homes based on the 'enabling approach' and second, to strengthen the housing financing system so that financial institutions are able to operate as viable lending institutions for housing development.

The National Housing Development Authority (NHDA), as the apex institution for public sector housing development, took command of implementing the New Housing Development Programme (NHDP) launched in 1995, while continuing to carry on completion work under the 1.5 Million Houses Programme. During the year, no new investments were made under the latter programme but several programmes that had commenced previously were continued under the NHDP. The programmes which were in operation during the year were the 100 Houses per Electorate Programme, Urban Housing Programme (UHP), Rural Housing Programme (RHP), Estate Housing Programme (EHP) and Disaster Housing Programme (DHP).

The performance of public sector housing development activities, particularly with respect to major housing programmes such as the RHP, DHP and UHP, recorded a slowing down during the year under review. The performance of the Rural Housing Programme (RHP) reflected a 50 per cent decline in terms of the number of families reached. Following the same trend, the number of housing units completed also dropped sharply, by over 50 per cent to 11,493 units, which included completions under the 1.5 Million Houses Project. Similarly, the value of loans

and grants disbursed under the RHP also dropped from Rs.230 million in 1994 to Rs.94 million in 1995. Reflecting the same trend, activities of the Urban Housing Programme (UHP) also decelerated considerably during 1995. The number of families reached under the UHP dropped by 62 per cent to 1,676, while the housing units completed, including units under the 1.5 million Houses Programme, dropped to 1,723 from 4,480 in 1994. As a result, the value of loans disbursed under the UHP also declined from Rs.77 million in 1994 to Rs. 16 million in 1995. The performance of the Disaster Housing Programme (DHP), which was implemented mainly in the Northern and Eastern provinces also deteriorated during the year under consideration. In terms of the number of families reached, there was a decline from 9,758 in 1994 to 1,047 in 1995. Similarly, housing units completed under this programme fell to 5,155 from 10,109 in 1994. The setback in the housing programmes was due to three major reasons. First, there was a delay in the commissioning of new housing programmes, due to problems of acquiring and finding necessary lands. Second, supply shortages of cement experienced during the second half of the year constrained construction activities to a certain extent. Third, a lack of availability of funds restrained activities under the public sector housing programmes.

TABLE 5.12

New Housing Programme 1995

Sub Programme	Families Reached	Units Completed	Disbursement Rs.Mn.
100 Houses per Electorate	10,932	1,574	104.8
Rural Housing Programme	11,941	3,897	60.3
Urban Housing Programme	1,676	538	10.6
Estate Housing Programme	1,410	48	7.4
Disaster Housing Programme	1,047	5,155	48.7
Direct Construction Programme	323	323	154.4
TOTAL	27,329	11,535	386.2

Source: National Housing Development Authority

The 100 Houses per Electorate Programme was commenced in January 1995, and implemented islandwide, except in the Jaffna, Kilinochchi, Mannar and Mullaitivu districts. Under this programme, financial assistance was provided to 10,932 families for housing construction, out of which 1,574 families completed their housing units during 1995. The total cost incurred in this connection was Rs.105 million. Meanwhile, 323 housing units in condominiums were completed in urban areas for lower middle income families at a cost of Rs.154 million, when compared to 284 units completed at a cost of Rs.211 million in 1994.

With respect to the Estate Housing Programme (EHP) 1,410 families in the Nuwara Eliya, Badulla and Ratnapura districts were identified to receive assistance in the form of building materials, suitable land and housing loans. During the year under review 48 housing units were completed and housing loans amounting to Rs.7.4 million were disbursed.

Meanwhile, several other agencies such as the Plantation Housing and Social Welfare Trust and the Mahaweli Economic Agency executed housing programmes independently during the year. The number of housing units completed and up-graded with assistance from the Plantation Housing and Social Welfare Trust fell far short of expectations due to a lack of experience of participants in self-help principles based on which assistance was provided. However, under this programme 136 new housing units were constructed and 95 units were upgraded during 1995, compared with 182 new housing units constructed and 372 units upgraded in 1994. During the year under review, the Mahaweli Economic Agency (MEA) completed 1,189 housing units in Mahaweli Systems B, C, G, H and L compared with 2,225 units completed in 1994.

As in the previous year, housing loans were disbursed throughout the country by the two state banks, the State Mortgage and Investment Bank (SMIB), the National Development Bank (NDB), the Housing Development Finance Corporation of Sri Lanka Ltd. (HDFC), the Insurance Corporation of Sri Lanka and Co-operative Rural Banks (CRBs). The number of loans given by the SMIB increased by 46 per cent to 6,463, while the value of loan disbursements rose by 16 per cent to Rs.875 million. Meanwhile, the number of loans given by People's Bank for housing construction in 1995 rose sharply to 16,026 from 9,189 in 1994, increasing the total value of housing loans more than two fold, from Rs.335 million in 1994 to Rs.690 million. The HDFC, a major source of housing loans, granted credit facilities amounting to Rs.555 million to 4,539 applicants. Meanwhile, the National Savings Bank (NSB) granted Rs.239 million worth of housing loans to 948 applicants in 1995, as against Rs.241 million in loans to 1,022 applicants in 1994.

Urban Development

The Urban Development Authority (UDA) spent a sum of Rs.551 million in expanding and rehabilitating urban infrastructure and related services, a necessary pre-requisite for economic growth. When compared with the previous year, there was a 48 per cent decline in investments undertaken by the UDA in 1995, mainly due to the completion of most of the major activities under the Battaramulla Administrative Complex. The UDA, as the major institution involved in expanding urban infrastructure, geared its activities under six main projects, namely, Administrative Projects, Integrated Projects, Land Banks, Client Projects, Town Improvement Projects and Commercial Complex Projects.

Of the total investment in urban development, 58 per cent or Rs.321 million was on account of projects undertaken on behalf of clients. Of this, almost 66 per cent (Rs.212 million) was spent on the Urban Development Sector Projects funded by the ADB and the Government of Sri Lanka. This project is expected to develop selected towns as secondary cities with essential infrastructure facilities, to become regional growth centres and attract more investment, both foreign and local. The Galle Face Green Development Project and the Madiwela Housing Development Project were also undertaken, with Rs.20 million being spent on each during the year under review. A sum of Rs.177 million was expended on administrative projects for the construction of the Battaramulla Administrative Complex. An expenditure of Rs. 29 million was incurred by the UDA on the construction of commercial complexes, town improvement projects and integrated projects. A further expenditure of Rs.22 million was incurred on the purchase of under-developed or unutilised land by the Land Bank.

Despite these efforts to build up urban infrastructure, there has been a growing concern about the quality and adequacy of the services provided in urban areas. The authorities responsible were not successful in expanding the service delivery capacity at the required rate, thus creating serious problems with regard to storm water drainage, incidence and level of flooding, waste disposal services etc. This clearly stresses the need to have a more effective and systematic planning strategy in developing future urban centres.

Water Supply and Sanitation

Activities relating to the expansion and improvement of water supply and sanitation facilities were mainly under the authority of the National Water Supply and Drainage Board (NWSDB). The total number of water connections provided by the NWSDB expanded by 10 per cent to 28,680 in 1995. Water supply facilities provided to the urban sector expanded by 10 per cent, while those to the rural sector rose by 11 per cent during the year under review. Consequently, the volume of pipe borne water supplied increased from 249 million cubic metres (MCM) in 1994 to 273 MCM in 1995, an improvement of 10 per cent. According to the NWSDB, the country achieved an overall coverage of 89 per cent of the urban population and 57 per cent of the rural population with facilities for safe drinking water (pipe borne system,

TABLE 5.13

Expenditure on the Integrated Rural Development Programme by District 1994 -1995

Rs. Million

Districts/Projects (a)	Source of Foreign Aid	Estimated Investment Cost			Cumulative Expenditure		Expenditure	
		Foreign Aid Commitments	Local	Total	At end 1994 (b)	At end 1995 (c)	During 1994 (b)	During 1995 (c)
1. Matara (1979)	SIDA	598.65	72.94	671.59	497.29	529.05	57.27	31.76
2. Hambantota (1979)	NORAD	1,330.00	50.00	1,380.00	893.99	967.79	60.53	73.80
3. Nuwara Eliya (1979)	NETHERLANDS	826.00	26.00	852.00	524.30	575.41	43.90	51.11
4. Badulla (1981)	IFAD/SIDA/UNDP	1,116.00	297.00	1,413.00	577.23	621.72	49.28	44.49
5. Ratnapura (1984)	NETHERLANDS	627.00	64.00	691.00	308.68	350.47	27.10	41.79
6. Monaragala (1984)	NORAD	1,156.00	57.00	1,213.00	511.45	596.87	67.98	85.42
7. Kegalle (1986)	IFAD	408.00	228.00	636.00	494.77	577.85	94.42	83.08
8. Kalutara (1987)	FINNIDA	397.00	120.00	517.00	414.89	469.01	9.91	54.12
9. Kandy (1987)	GTZ	436.00	35.00	471.00	104.37	128.57	26.90	24.20
10. Gampaha (1989)	JICA	1,971.00	204.00	2,175.00	552.35	1,494.85	1 0.14	942.50
11. Southern Province Rural Development Project (1991)	ADB	1,920.00	480.00	2,400.00	303.08	542.81	191.06	239.73
12. Anuradhapura (1992)	SIDA	804.00	141.80	945.80	64.50	82.06	34.36	17.56
13. Integrated Basic Services Project Puttalam (1992)	UNICEF	106.00	52.50	158.50	67.32	90.00	21.29	22.68
14. Dry Zone Participatory Development Project (1993)	IFAD/GTZ	578.00	285.83	863.83	80.45	128.94	51.17	48.49
15. Irrigation and Community - Development Project (1994)	CEC (d)	347.91	74.09	422.00	9.02	14.72	9.02	5.70
Total		12,621.56	2,188.16	14,809.72	5,403.69	7,170.12	754.33	1,766.43

(a) Year of implementation is shown within parenthesis.
(b) Revised.
(c) Provisional.
(d) Commission of European Communities.

Source: Ministry of Finance, Planning, Ethnic Affairs and National Integration

protected dug wells and tube wells) by end 1995. This emphasises the need for further expansion in water supply facilities to the rural sector.

The supply of water is based on a policy of an efficient delivery of water supply services at least on a cost recovery basis. In this regard, the main strategies and institutional reforms required are sound financial practices and greater community participation. The total investment in water supply and sanitation projects was Rs.4 billion in 1995. Approximately 60 per cent of the resources required for the rehabilitation and construction of water supply schemes were received from foreign sources, such as the IDA, ADB, OECF and ODA. The main water supply schemes undertaken with foreign assistance were the Water Supply to Towns East of Colombo, the Matara Water Supply and Sanitation Programme, the Towns South of Colombo Project and the Udunuwara - Yatinuwara Project.

The expansion of water supply services to the rural sector was given high priority. The Community Water Supply and Sanitation Project funded by the IDA was implemented during the year with the objective of expanding water supply coverage in rural areas with community participation. The project was initially implemented in Ratnapura, Badulla and Matara. Under this project, 219 rural water supply and sanitation projects, 407 school water supply and sanitation projects and 17 small town water supply and sanitation projects were implemented during the year.

Integrated Rural Development Programme

The Integrated Rural Development Programme (IRDP) commenced in 1979. This programme is aimed at widening economic opportunities and enhancing general living standards of people in the rural area, to reduce inter-district and intra-district disparities by promoting more balanced growth and focussing development efforts especially to meet local needs and encourage local initiatives. This programme is funded by foreign countries and foreign institutions.

The IRDP consists of 15 projects which covered 14 districts up to end 1995. During the year, the first phase of the Anuradhapura IRDP and the fourth phase of the Matara IRDP were concluded and the second phase of the Anuradhapura IRDP and the fifth phase of the Matara IRDP commenced in July 1995. The total utilisation of funds under the IRDP programme in 1995 was Rs.1,766 million which was an increase of more than Rs.1 billion over the total expenditure of the previous year. This substantial increase was mainly on account of Rs.943 million being spent on the Gampaha IRDP and Rs.240 million being spent on the Southern Province Rural Development Project during the year. According to the Ministry of Finance, Planning, Ethnic Affairs and National Integration, the Programme had spent 90 per cent of its budgeted allocation for the year.

The Samurdhi Programme

Samurdhi, the main poverty alleviation programme of the Government, commenced its activities in June 1995. The concept of the programme is to alleviate poverty at the national level, starting with the family unit, through the improvement of conditions in marginalised poverty groups, strengthening of the rural production base through appropriate intervention, human resource development and developing an alternative banking process to assist the rural population who have not so far benefited from the existing systems.

The Samurdhi programme was expected to cover 1.2 million families, who are considered to be at the bottom of the income scale. Accordingly, by end 1995, a total of 1,213,535 families benefited under this scheme. Income supplements were distributed at two levels (Rs.1,000 and Rs.500), to ensure a monthly income of Rs.1,500 for the deserving poorest families, equivalent to 67 per cent of the total families covered under the scheme. The programme also provided Rs.100 and Rs.200 per month for single or two member families. The total cost incurred in the implementation of the programme for a period of 6 months was Rs.2,551 million. All Samurdhi beneficiaries were encouraged to save a part of the income supplement they received. A total of Rs.427 million was saved under this scheme in 1995.

The Samurdhi Authority Act was passed in Parliament in 1995 and the Authority is expected to be established by end January 1996. The Authority will act as the executive and administrative arm of the programme. It will conduct its operations through District Samurdhi Committees, which would be responsible for implementing and monitoring the progress of the programme at the national level. Since the commencement of the project, 22,861 Samurdhi Niyamakas and 1,196 Samurdhi Managers have been appointed to identify Samurdhi beneficiaries and subsequently to assist in other development projects. A Samurdhi Task Force has been set up in each Grama Niladhari Division to identify and implement suitable projects based on available resources in the area. A total of 12,168 Task Forces had been established by the end of 1995.

During the second stage of the Samurdhi programme, the main focus will be on raising the income level in the rural sector, broadening employment opportunities, promoting rural savings and banking activities and developing economic and social infrastructure in the rural sector. In order to achieve these goals, five major development programmes

have been designed. With a view to raising rural income levels, small and medium scale business projects (at least two projects in each zonal area), self employment projects and additional income generation (supply of sewing machines, livestock development etc.) projects will be implemented. These projects will be financed through funds from the Samurdhi Trust Fund, commercial banks etc. Another development programme will be launched to promote savings, investment and rural entrepreneurship and skills. The Samurdhi Bank Foundation and Rural Bank Societies will be established under this project. In order to improve rural economic and social infrastructure, two main development programmes will be implemented. Under the Economic Infrastructure Development Programme, in 1995 a total of 11,306 small scale participatory projects were undertaken by Samurdhi recipients in the areas of irrigation, water supply, road and building construction. Total government investment in this respect was Rs.111 million. Under the Social Infrastructure Development Programme, several nutrition projects will be implemented, while a job information centre will also be set up for the preparation of youth for the labour market.