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ECONOMIC AND SOCIAL INFRASTRUCTURE

Development and provision of economic and social infrastructure by the government continued during the first half of 2019 amidst tight budget constraints. Port operations and the telecommunication sector showed a healthy growth during the first half of 2019. Meanwhile, construction activities related to the extension of the expressway network of the country and several regional road networks continued during the period under review. Nevertheless, electricity generation was hampered to some extent in the first half of 2019 due to low hydropower generation, compelling the Ceylon Electricity Board (CEB) to opt for load shedding during the months of March and April. Meanwhile, the Easter Sunday attacks had a negative impact on the transport sector, particularly civil aviation. Land reclamation activities of the Port City project were completed during the first half of 2019 and construction activities commenced. Further, various housing and urban development projects were in progress during the period under review. The implementation of the government's new education policies such as '13 Years of Guaranteed Education' and the 'The Nearest School is the Best School', which are aimed at increasing school survival rates and equitable access to education, continued. With regard to the health sector, Sri Lanka was declared a Measles-free country by the World Health Organisation (WHO) in July 2019, but regularly occurring epidemics such as Dengue, the possibility of resurgence of already controlled contagious diseases such as Malaria, and increasing non-communicable diseases pose serious challenges.

Developments in Economic Infrastructure

Petroleum

- International crude oil prices remained low during the first nine months of 2019 compared to the corresponding period in 2018.** The average international crude oil price (Brent) stood at US dollars 64.66 per barrel in the first nine months of 2019, compared to US dollars 72.65 per barrel in the same period of the preceding year. Global crude oil prices, which showed an increasing trend from the beginning of 2019, declined from end April 2019 owing to concerns regarding the slowdown in global demand amidst the US-China trade war and large crude oil stocks of the US and the Organisation of Petroleum Exporting Countries (OPEC). Accordingly, the average crude oil price declined to US dollars 62.88 per barrel in June from US dollars 71.45 per barrel in April 2019. However, this declining trend reversed in mid-June due to geopolitical tensions in the Middle East and expectations of a revival in global demand with the easing of US monetary policy. Accordingly, the average Brent price stood at US dollars 64.31 per barrel in July 2019. Nevertheless, Brent prices showed a decreasing trend once again

from mid-July due to the intensifying US-China trade war, and the average Brent price declined to US dollars 59.76 per barrel in the month of August 2019. Brent prices sharply increased temporarily towards end September 2019 due to terrorist drone attacks on two main oil producing facilities in Saudi Arabia, one of the largest oil producers in the world, but stabilised below US dollars 60 per barrel thereafter. The average price of crude oil imported by the Ceylon Petroleum Corporation (CPC) decreased by 9.6 per cent to US dollars 69.13 per barrel during the first eight months of 2019 from US dollars 76.49 per barrel in the corresponding period in 2018.

- During the first seven months of 2019, domestic sales of petroleum products grew with increased fuel oil-based power generation and increased demand from the transportation sector.** The total sales of domestic petroleum products for power generation increased by 50.1 per cent in the first seven months of 2019, in comparison to the corresponding period in the previous year, owing to the reduced hydropower generation due to dry weather that prevailed during the first half of 2019. Furnace oil sales of the CPC increased by 14.0 per cent in the first seven months of 2019, in comparison to the corresponding period of 2018, due to increased dependency on thermal power generation. Petroleum product sales to the transportation sector by the CPC, in first seven months of 2019, grew by 5.2 per cent. Reflecting the increased demand for petroleum products from the transport sector, the CPC's domestic sales of petrol increased by 8.8 per cent during the first seven months of 2019 relative to the corresponding period of the preceding year. During the first seven months of 2019, domestic sales of diesel by the CPC also increased by 11.3 per cent in comparison to the first seven months of 2018. Meanwhile, sales of kerosene (domestic) increased by 9.3 per cent during the period under review.

Figure 3.1

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

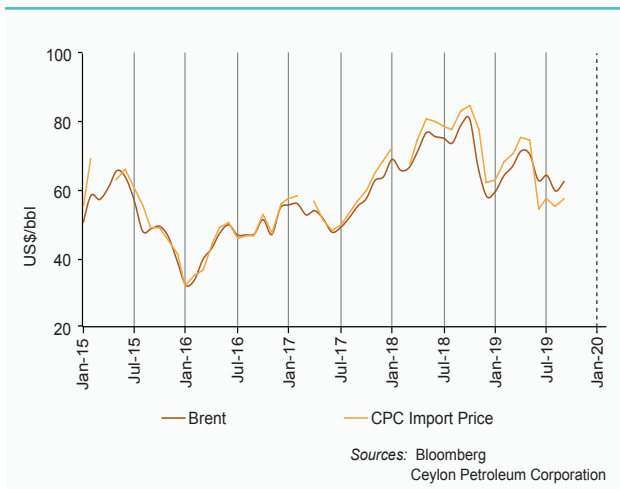


Table 3.1
Recent Revisions to Retail Petroleum Prices of the CPC

Product	Prices prior to 11.05.18	Prices w.e.f. 11.05.18	Prices as at 11.07.19	Prices as at 14.08.19	Prices as at 11.09.19	Prices as at 11.10.19
Petrol 92 Octane	117.00	137.00	136.00	138.00	137.00	137.00
Petrol 95 Octane	128.00	148.00	159.00	163.00	161.00	161.00
Auto Diesel	95.00	109.00	104.00	104.00	104.00	104.00
Super Diesel	110.00	119.00	131.00	134.00	132.00	132.00
Kerosene	44.00	101.00	70.00	70.00	70.00	70.00
Industrial Kerosene	88.00	110.00	110.00	110.00	110.00	110.00

Source: Ceylon Petroleum Corporation

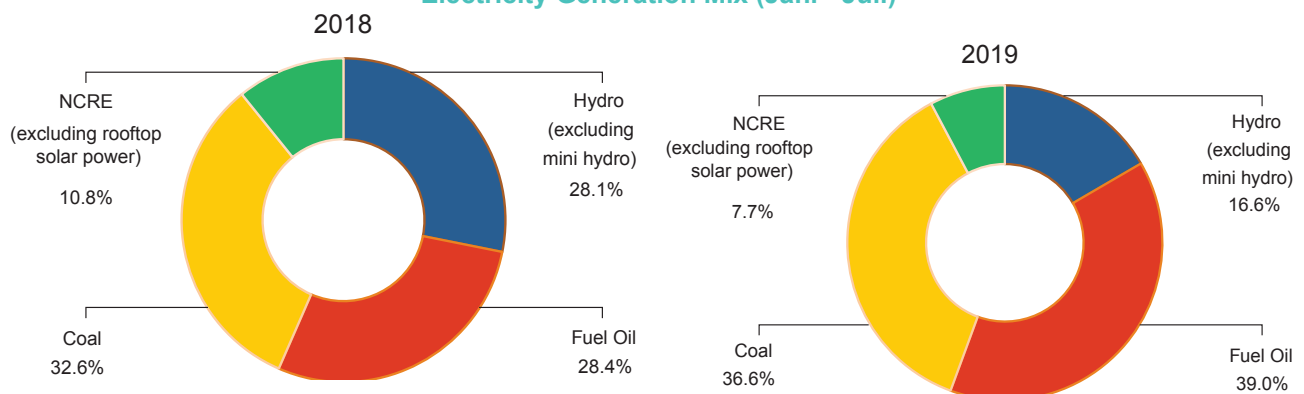
- Considering the rising losses of the CPC, the government initially revised the domestic retail fuel prices upwards, in May 2018, with the implementation of a cost reflective pricing formula, and regular price revisions were carried out subsequently. As per the cost reflective pricing mechanism, monthly revisions to domestic retail fuel prices were carried out in 2019 taking into consideration the global petroleum price movements. Lanka Indian Oil Company, which is the other major player in the market, also revised the retail prices accordingly. As a result, administered retail prices of the CPC for a litre of petrol (92 octane), petrol (95 octane), auto diesel, super diesel, kerosene and industrial kerosene were set at the levels of Rs. 137.00, Rs. 161.00, Rs. 104.00, Rs. 132.00, Rs. 70.00 and Rs. 110.00, respectively, by October 2019.

Electricity

- During the first seven months of 2019, total electricity generation, excluding rooftop solar power generation, increased by 5.2 per cent to 9,271.4 GWh compared to 8,809.8 GWh recorded in the corresponding period of 2018. Amidst dry weather conditions experienced in the first half of 2019, hydropower generation declined substantially by 37.9 per cent to 1,539.2 GWh in the first seven months of the year in comparison to the same period in 2018. Consequently, thermal power generation increased notably to compensate for the reduction in hydropower generation. Accordingly, fuel oil-based power generation and coal power generation increased by 44.5 per cent and 18.2 per cent, respectively, to 3,616.1 GWh and 3,397.7 GWh, respectively, during the first seven months of 2019 compared

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Figure 3.2
Electricity Generation Mix (Jan. - Jul.)



Source: Ceylon Electricity Board

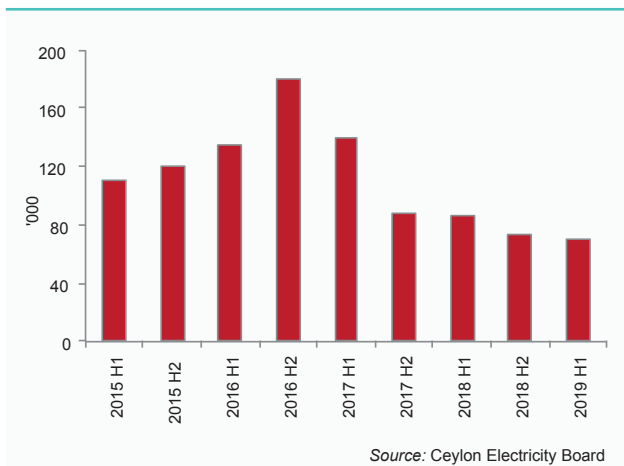
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to the corresponding period of 2018. Meanwhile, power generation through Non-Conventional Renewable Energy (NCRE) sources, excluding rooftop solar power generation, declined by 24.6 per cent to 718.3 GWh in the first seven months of 2019 in comparison to the same period of 2018. This was mainly due to the reduction in power generation by mini hydropower plants owing to dry weather conditions. During the first half of 2019, the rooftop solar power also contributed 63.6 GWh to the total power generation of the country. Accordingly, hydro, fuel oil, coal and NCRE sources excluding rooftop solar power generation accounted for 17 per cent, 39 per cent, 37 per cent and 8 per cent, respectively, of the total power generation in the first seven months of 2019. During the months of March and April, the CEB was compelled to resort to scheduled daily power cuts due to electricity generation capacity constraints and increased electricity demand under dry weather conditions. However, scheduled power cuts ended with effect from 11 April 2019. During the period under review, the CEB contributed 71.1 per cent of the total energy generation in the country while the remainder was generated by Independent Power Producers (IPPs). The transmission and distribution losses marginally decreased to 8.1 per cent of total generation in the first seven months of 2019 in comparison to the 8.2 per cent loss in the first seven months of 2018.

- **The total electricity sales in the first seven months of 2019 increased by 5.3 per cent to 8,518.9 GWh in comparison to 8,089.6 GWh in the corresponding period in 2018.** The growth in electricity sales was mainly driven by the demand from 'General Purpose' and 'Domestic' sectors, which grew by 6.5 per cent and 6.3 per cent, respectively, in the first seven months of 2019 in comparison to the same period in the previous year. The 'General Purpose' and 'Domestic' sectors absorbed 21.1 per cent and 32.9 per cent of total electricity sales, respectively. Further, electricity consumption by the 'Industry' category, which accounted for 29.7 per cent of total electricity sales, grew by 4.1 per cent in the first seven months of 2019 in comparison to the corresponding period of the preceding year. Meanwhile, the total installed electricity generation capacity of the country stood at 4,281.3 MW by end of July 2019.

- **The construction work of several large-scale hydropower projects and thermal power projects was in progress during the first half of 2019 while plans are underway to set up a few additional thermal power plants.** During the period under review, the CEB submitted the annual Least Cost Long-Term Generation Expansion Plan (LCLTGEP) for the period 2020-2039 for the approval of the Public Utilities Commission of Sri Lanka (PUCSL). The energy mix proposed through LCLTGEP, which is to be achieved by end 2039, comprises 30 per cent natural gas, 30 per cent coal power, 25 per cent large hydro and 15 per cent from both furnace oil and other renewable energy sources. During this period, the construction work of Broadlands, Uma Oya, Seethawaka and Moragolla hydropower projects was in progress with the expected capacities of 35 MW, 122 MW, 24 MW and 30.2 MW, respectively. The natural gas combined cycle power plant at Kerawalapitiya is expected to add another two units of 300 MW to the national grid by 2022. Further, pre-construction work, such

Figure 3.3
New Electricity Connections (No.)



as Environmental Impact Assessments, was in progress in relation to the Mannar and Pooneryn wind parks, which will add 100 MW and 170 MW to the national grid, respectively.

Road Development

- **The government continued to improve the road network of the country during the first half of 2019.** The Road Development Authority (RDA) maintained a total length of 12,390 km of national highways, including expressways, and around 4,662 bridges during the first half of the year. The total expenditure incurred by the RDA on construction, maintenance and rehabilitation of roads and bridges increased by 43.3 per cent to Rs. 83.8 billion in the first half of 2019 compared to the corresponding period of 2018. During the period under review, construction work in relation to 115 rural roads in the North Central Province was completed while road management contracts of the Maradankadawala - Habarana road, Karapitiya - Nagoda road and Udugama - Thavalama road were awarded under the Integrated Road Investment Programme - I (i-Road I), which is being implemented with financial assistance from the Asian Development Bank (ADB). Further, rehabilitation of 21 km of the Dehiattakandiya - Aralaganwila Road under the Awakening Polonnaruwa District Development Programme was also completed during the first half of 2019. Meanwhile, construction work of the Southern Road Connectivity Project, Badulla - Chenkaladi Road Improvement Project and Priority Roads Project 3 - Phase I was also continued during this period. Further, under the 'Maga Neguma' rural road re-awakening programme, a total length of 89.7 km of roads was completed by concreting and paving with concrete blocks. Construction of a steel bridge and an extradosed bridge under the Kelani River new bridge construction project in Peliyagoda also continued during the period. Further, a feasibility study of the second

phase of the elevated highway from Rajagiriya to Athurugiriya was completed during the period under review. Reconstruction of 25 bridges on national highways was also in progress during the first half of 2019.

- **During the first half of 2019, construction work of the extensions to the national expressway network also continued.** Accordingly, during the period under review, civil works of Phase III of the Outer Circular Highway (OCH), which is scheduled to be completed by December 2019, were carried out by the RDA. Meanwhile, the construction work of the extension of the Southern Expressway Project and the Meerigama - Kurunegala section of the Central Expressway Project was also in progress during the first half of 2019. The total length of this Meerigama - Kurunegala section is 39.9 km.

Road Passenger Transportation

- **Public passenger transportation recorded a subdued performance during the first half of 2019.** The Sri Lanka Transport Board (SLTB) reported a decrease in total operated kilometrage by 2.8 per cent to 213.3 million km, while total passenger kilometrage decreased by 5.9 per cent to 7,109.7 million km during the first half of 2019. The total number of buses owned by the SLTB stood at 6,996 by end June 2019, which is a reduction from 7,746 buses reported at end June 2018. Meanwhile, operated kilometrage of private bus operators decreased by 2.4 per cent to 540.7 million km and their passenger kilometrage also decreased by 2.3 per cent to 27,023.9 million km during the first half of 2019 in comparison to the corresponding period in the preceding year. The reduction in public and private bus operation was mainly due to the impact of the Easter Sunday attacks. Meanwhile, as at end June 2019, inter - provincial and intra - provincial bus permits issued to private operators stood at 3,133 and 16,833, respectively.

Table 3.2
Performance of Road Passenger Transportation Sector

Item	2018 Jan - Jun	2019 Jan - Jun (a)	Change %
Sri Lanka Transport Board (SLTB)			
Operated Kilometrage (mn)	220	213	-2.8
Passenger Kilometrage (mn)	7,552	7,110	-5.9
No. of Buses Owned	7,746	6,996	-9.7
Average No. of Buses Operated	6,020	5,832	-3.1
Private Sector			
Operated Kilometrage (mn)	554	541	-2.4
Passenger Kilometrage (mn)	27,668	27,024	-2.3
No. of Buses Owned	20,088	20,016	-0.4
Average No. of Buses Operated	19,165	18,662	-2.6
No. of Inter Provincial Permits Issued	3,164	3,133	-1.0
No. of Intra Provincial Permits Issued	16,924	16,833	-0.5

(a) Provisional

Sources: Sri Lanka Transport Board
National Transport Commission

- **The SLTB and the National Transport Commission (NTC) continued their supportive activities to improve the public transportation system during the first half of 2019.** Accordingly, the NTC, together with the SLTB, continued their special passenger transport services namely, 'Nisi Seriya', 'Gemi Seriya' and 'Sisu Seriya' to provide reliable and regular bus services during late night and early morning, to improve accessibility of people who live in rural areas and to provide timely bus services for school students. In addition, the SLTB organised special bus services during festival days to facilitate passenger movement. Meanwhile, the SLTB bought nine luxury buses with the aim of providing good quality transport services and those buses were allocated to six bus depots. In the meantime, a model depot project was implemented in selected 12 depots under the guidance of the National Productivity Secretariat during the first half of 2019. Moreover, subsidies granted by the government for the operation of uneconomical routes and subsidised season tickets were around Rs. 2.5 billion each, during the first half of 2019. Meanwhile, the NTC continued online seat booking services for inter - provincial bus services and took steps to introduce the Google Transit facility in Sri Lanka to assist the public in choosing transport options. Although several

Table 3.3
New Registration of Motor Vehicles

Item	2018 Jan - Sep	2019 Jan - Sep (a)	Change %
Buses	2,383	1,099	-53.9
Motor Cars	63,863	28,574	-55.3
Three Wheelers	15,118	12,144	-19.7
Dual Purpose Vehicles	13,302	9,933	-25.3
Motor Cycles	263,004	223,728	-14.9
Goods Transport Vehicles	7,522	4,136	-45.0
Land Vehicles	7,187	5,531	-23.0
Quadricycles and Motorhomes	654	981	50.0
Total	373,033	286,126	-23.3

(a) Provisional

Source: Department of Motor Traffic

- domestic fuel price revisions were implemented during the first six months of 2019, there was no bus fare revision after reducing bus fares by 4 per cent with effect from 26 December 2018. A proposal to buy about 2,000 buses under the name of the SLTB on a profit sharing basis with the private sector is under negotiation.
- **During the first nine months of 2019, registration of new motor vehicles declined, in comparison to the corresponding period of the previous year.** The total number of new vehicle registrations decreased by 23.3 per cent to 286,126 in the first nine months of 2019 compared to the first nine months of 2018. A significant reduction in registrations was recorded for all vehicle categories, except for quadricycles and motorhomes. The decline in vehicle registration can be attributed to the overall slowdown in economic activities during the period under review and policy measures taken by the government and the Central Bank to curb vehicle imports.

Rail Transportation

- **The Sri Lanka Railways (SLR) experienced a decline in both passenger and freight transportation during the first half of 2019.** Rail passenger kilometrage decreased by 4.4 per cent to 3.6 billion km in the first half of 2019 from 3.7 billion km recorded in the corresponding period of 2018. Meanwhile,

goods kilometrage at 61.2 million mt km in the first half of 2019 also registered a decrease of 3.6 per cent compared to the corresponding period of the previous year. Passenger and goods transportation was affected by the Easter Sunday attacks and two strikes carried out by railway workers.

- **The SLR continued several infrastructure development projects in the first half of 2019 with the aim of providing efficient passenger and freight transportation services.** During the first half of 2019, the double tracking of the rail line from Katunayake - Kochchikade and the rehabilitation work of the Kandy - Peradeniya - Kadugannawa section continued, while the initial work related to the Colombo Suburban Railway Project (CSRP) under the financial assistance of the ADB was in progress. The CSRP project of the SLR includes activities related to the construction of new tracks, installation of new signalling systems, rehabilitation of existing railway tracks and station developments, vehicle parking facilities and a multi modal transport hub. Accordingly, the SLR plans to improve the Kelani Valley railway line, the Rambukkana - Colombo Fort main railway line, the Kalutara - Colombo Fort coastal railway line and the Negombo - Colombo Fort railway line under the CSRP project. Further, initial work was completed to sign the agreement of the rehabilitation project of the railway line from Maho - Omanthai. Meanwhile, the SLR continued rehabilitation projects in railway stations countrywide during the first half of 2019 including the renovation of platforms, passenger overhead bridges, level crossing

systems, signalling telecommunication systems and roofs. During the period under review, a new locomotive and a diesel multiple unit were purchased under an Indian line of credit. Further, rehabilitation of passenger carriages, repairing of power sets, locomotives, goods wagons and rail buses and maintenance and repairing of machinery and equipment continued.

Civil Aviation

- **The civil aviation sector recorded a slowdown in both passenger and cargo movements during the first half of 2019 owing to the Easter Sunday attacks.** Accordingly, the total number of passenger movements at the Bandaranaike International Airport (BIA), including transit passengers, decreased by 19.0 per cent to 5.8 million during the first half of 2019 in comparison to the same period in the preceding year. Total aircraft movements at the BIA registered a slowdown of 9.6 per cent to 30,986 in the first half of 2019 from 34,294 recorded in the corresponding period of 2018. Total volume of cargo handled by the BIA decreased by 8.0 per cent during the first half of 2019 compared to a growth of 10.0 per cent recorded in the same period in the previous year. Meanwhile, the Mattala Rajapaksa International Airport (MRIA) handled 585 aircraft movements during the first half of 2019 in comparison to 281 aircraft in the corresponding period in 2018. However, the number of international aircraft movements declined to 88 during the period under review from 247 movements in the same period in the preceding year. Passenger movements at the MRJA decreased further by 42.9 per cent to 1,289 passengers while there was no cargo handling at the MRJA during the first half of 2019. The reduction in total passenger movement was mainly due to low international aircraft movements at the MRJA and limited seating capacity of domestic aircraft that operated through the MRJA. Further, passenger movements pertaining to domestic services also

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Table 3.4
Performance of Sri Lanka Railways

Item	2018	2019	Change %
	Jan - Jun	Jan - Jun (a)	
Operated Kilometrage (mn)	5.9	5.8	-1.4
Passenger Kilometrage (mn)	3,738	3,573	-4.4
Freight Ton Kilometrage (mn)	63.5	61.2	-3.6

(a) Provisional

Source: Sri Lanka Railways

reduced by 15.2 per cent during the first half of 2019 compared to the corresponding period of 2018. The reduction in domestic passenger movements was observed mainly in the months of May and June subsequent to the Easter Sunday attacks.

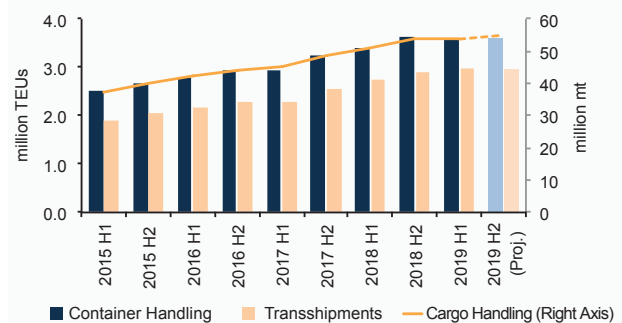
- Several projects that were undertaken by the government and civil aviation related agencies in the previous years continued during the first half of 2019 with the aim of developing the airport and aviation sector in the country.** The remote apron and taxiway construction project at the BIA was in progress during the first half of 2019, and as of end June, it recorded a progress of 46 per cent. The project is expected to be completed by the end of 2019. Further, activities proposed under the master plan to develop the Ratmalana Airport are currently underway. The Batticaloa Domestic Airport (BDA), which was reopened exclusively for domestic operations in March 2018, reported 1,638 passenger movements with 394 aircraft movements during the first half of 2019. The Cabinet of Ministers has granted approval to develop the BDA as an international airport as a measure to improve the economy in the district and to generate new revenue streams. The Palaly Airport was upgraded and renamed as the Jaffna International Airport in October 2019. With the recent developments of regional airports and their transformation into international airports, Sri Lanka will have five international airports, located in Colombo, Mattala, Ratmalana, Batticaloa and Jaffna.

Port Services

- Port related activities further expanded with the expansion of commercial operations of major container terminals of the Colombo Port during the first nine months of 2019.** The Port of Colombo handled 5.4 million Twenty-foot Equivalent Container Units (TEUs) during the first nine months of 2019 as against the

5.2 million TEUs recorded in the corresponding period in the previous year. The volume of transshipment container handling, including restowing, accounted for 82.6 per cent of total container volume in the Colombo Port during the first nine months of 2019, while recording a growth of 6.6 per cent in comparison to the same period in 2018. However, container handling for domestic purposes registered a drop of 7.2 per cent during the period under review. The overall performance of the Port of Colombo in terms of container, transshipment and cargo handling, registered a growth of 3.9 per cent, 5.5 per cent and 3.2 per cent, respectively, in the first nine months of 2019, compared to the corresponding period in 2018. Total container handling at Colombo International Container Terminal (CICT) registered a growth of 8.2 per cent while South Asia Gateway Terminal (SAGT) registered a marginal decline of 0.5 per cent during the first nine months of 2019. Accordingly, the total container handling at CICT and SAGT during the period were 2.1 million and 1.5 million TEUs, respectively. Meanwhile, container handling at the terminals operated by the Sri Lanka Ports Authority (SLPA), including the Jaya Container Terminal (JCT), registered a growth of 3.0 per cent to 1.8 million TEUs during the first nine months of 2019. CICT, the SLPA and SAGT accounted for

Figure 3.4
Container Handling, Transshipments and Cargo Handling at Ports of Sri Lanka



Sources: Sri Lanka Ports Authority
 Central Bank of Sri Lanka

Table 3.5
Performance of Port Services

Item	2018	2019	Change %
	Jan - Sep	Jan - Sep (a)	
Ships Arrivals at Ports of Sri Lanka	3,717	3,501	-5.8
Total Cargo Handling (mt '000)	77,949	80,462	3.2
Total Container Handling (TEUs '000) (b)	5,223	5,428	3.9
Transshipments (TEUs '000) (b)	4,140	4,366	5.5

(a) Provisional

Source: Sri Lanka Ports Authority

(b) TEUs = Twenty-foot Equivalent Container Units

39.3 per cent, 32.3 per cent and 28.4 per cent of the total container handling within the Colombo Port, respectively, during the first nine months of 2019. Meanwhile, transshipment container handling at CICT and the SLPA witnessed increases of 13.3 per cent and 6.4 per cent, respectively, during the period under review. However, transshipment handling at SAGT registered a contraction of 4.7 per cent in comparison to the corresponding period of the preceding year.

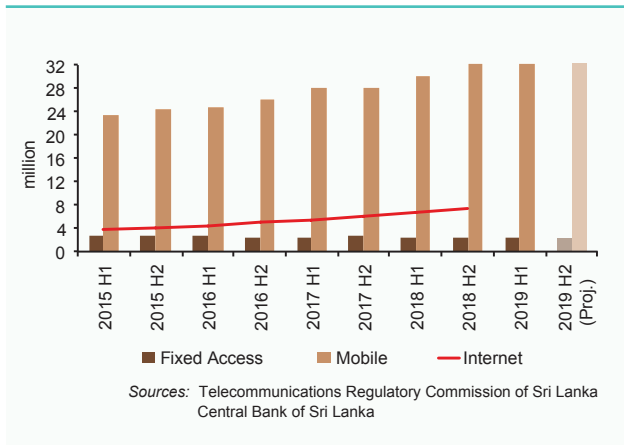
- **The Port of Hambantota recorded a notable growth in terms of cargo and vehicle handling during the first nine months of 2019.** During the first nine months of 2019, total cargo handling at the Port of Hambantota registered a growth of 127.1 per cent to 797,672 mt as against 351,202 mt recorded in the corresponding period in 2018. Meanwhile, the number of vehicles handled by the Port of Hambantota recorded a growth of 61.4 per cent to 281,072, largely supported by increased transshipment vehicle handling, which registered an expansion of 146.4 per cent to 254,722 during the first nine months of 2019. Vehicle handling for domestic purposes at the Hambantota Port declined significantly by 62.8 per cent to 26,350 vehicles during the first nine months of 2019 from 70,782 vehicles recorded in the same period in the previous year. The reduction in vehicle handling was primarily due to the policy measures taken by both the government and the Central Bank to curtail the imports of motor vehicles in 2018.
- **Government and port related institutions continued to take several measures to improve connectivity through sea transportation**

while developing the required infrastructure in major ports in the country. During the first half of 2019, development activities of East Container Terminal (ECT) at the Port of Colombo continued, and operations at ECT under a public-private partnership are scheduled to commence in 2020. The SLPA developed a 440 metre quay wall, adjacent yard area and connected facilities of ECT. The night navigation improvement project of the SLPA continued during the first half of 2019, in collaboration with the Japan International Corporation System (JICS), with the aim of improving the navigation facilities at the Port of Trincomalee. This project is expected to be completed by December 2019. Meanwhile, a National Port Master Plan, which includes plans for the development of Colombo and Trincomalee ports, has been prepared with technical assistance of international consultants.

Communication Services

- **The telecommunication industry showed a healthy performance during the first half of 2019.** The total number of telephone connections increased by 7.1 per cent to 35.1 million by end June 2019 compared to end June 2018. Mobile telephone connections and fixed wireline telephone connections increased by 8.3 per cent and 2.4 per cent, respectively, while the declining trend in fixed wireless telephone connections that was observed for several years continued during the first half of 2019, recording a 15.4 per cent reduction in fixed wireless telephone connections compared to the end of the first half of 2018. Further, the fixed internet connections grew by 14.6 per cent while fixed telephone penetration (connections per 100 persons) and mobile telephone penetration (connections per 100 persons) stood at 10.8 and 150.1, respectively, at end June 2019. Mobile internet connections stood at 5.7 million and internet penetration (connections per 100 persons) stood at 33.5 by end 2018. The Telecommunications Regulatory Commission of

Figure 3.5
Telephone Connections (Fixed Access and Mobile) and Internet Connections (No.)



Sri Lanka (TRCSL) is in the process of revising the mobile broadband services data, and as such, information on mobile broadband services for the first half of 2019 is currently unavailable.

- **The TRCSL and the Information and Communication Technology Agency (ICTA) implemented several development projects to support telecommunication sector growth.**

The Colombo Lotus Tower was declared open in September 2019, while the TRCSL is exploring the possibility of developing a Telecommunication Media Centre (Hambantota IT Park) on a public - private partnership basis. Meanwhile, ICTA engaged in various projects to develop the digital infrastructure of the country under the 'Digitalisation of Economy' policy. During the first half of 2019, the Lanka Government Network (LGN) 2.0 project, which was initiated to provide high speed Wide Area Network connectivity to government locations, and the Lanka Government Cloud (LGC) 2.0 project, which serves as the national platform for data management, were in progress. LGN 2.0 and LGC 2.0 projects are expected to be completed in 2022 and 2019, respectively. In addition, capacity building initiatives and awareness programmes on Information and Communication Technology (ICT) were conducted by ICTA for government officials to improve their ICT awareness.

Table 3.6
Telecommunication Services

No. of Subscribers	End June 2018	End June 2019 (a)	Change %
Fixed Access Telephones ('000)	2,531	2,355	-6.9
Mobile Telephones ('000)	30,209	32,723	8.3
Fixed Internet Connections ('000)	1,332	1,528	14.6
Total Telephone Penetration (b)	151.1	160.9	6.5
Mobile Telephone Penetration (b)	139.4	150.1	7.7

Sources: Telecommunications Regulatory Commission of Sri Lanka
Department of Census and Statistics
(a) Provisional
(b) Telephones per 100 persons

Meanwhile, the Ministry of Digital Infrastructure and Information Technology (MDIIT) continued a number of projects, including research and surveys on digital literacy and cyber security to develop Sri Lanka as a digitally empowered nation. Moreover, the MDIIT took initiatives to implement a National Digital Policy (Sri Lanka's Digital Agenda for 2020 - 2025) to ensure sustainable digital economic growth.

Developments in Social Infrastructure

Health

- **During the first half of 2019, the government continued its efforts to improve physical infrastructure available in the state health sector.** A newly constructed state-of-the-art district hospital in Hambantota was declared open in July 2019, while construction activities of a child psychiatry unit in Polonnaruwa and a drug rehabilitation centre at the district hospital, Minuwangoda were in progress during the first half of the year. Meanwhile, there were 21,298 qualified doctors and 36,798 nurses in state sector hospitals by end-June 2019, representing one doctor for every 1,119 persons and one nurse for every 648 persons. The total number of beds in government hospitals was 76,824, which translates to 3.2 beds for every 1,000 persons. By the end of the first half of 2019, there were 114 government Ayurvedic hospitals with a capacity of 4,913 beds and 25,714 registered Ayurvedic physicians.

- Although Sri Lanka has notable achievements in terms of controlling certain communicable diseases, continued efforts are needed to control commonly occurring epidemics such as Dengue, Influenza and Leptospirosis, and to prevent the resurgence of already controlled contagious diseases.** Sri Lanka was declared as a 'Measles-free' country by the WHO in July 2019, since the country was able to interrupt transmission of the indigenous virus for three years. In 2016, Sri Lanka was declared to be Malaria and Lymphatic Filariasis-free, while in 2018, the country received Rubella controlled status. These achievements are the results of the country's strong immunisation programme and vector control, surveillance and case management activities that were carried out for decades. However, the risk of importation of these viruses from adjacent and distant countries will remain, particularly from the countries that have notable people movement with Sri Lanka in the context of minimal surveillance at entry points. There were about 35 imported Malaria cases as at mid - October 2019, indicating a risk of resurgence of Malaria within the country. A recurrence of Dengue, Leptospirosis and Influenza epidemics was observed during the first half of 2019. Dengue prevalence was 120.5 per 100,000 persons during the first half of the year, with 0.15 per cent fatality rate, compared to a prevalence rate of 123.9 per 100,000 persons and a fatality rate of 0.12 per cent during the first half of the preceding year. Meanwhile, 25 and 48 deaths were recorded related to Influenza and Leptospirosis, respectively, during the first half of 2019.
- During the first half of 2019, private health institutions continued to play a key role within the healthcare sector.** There were 200 registered private hospitals with 5,217 beds by end June 2019. In addition, there were 170 full time general practices/ dispensaries/ medical clinics, 265 medical laboratories, 129 medical centres/ screening centres/ day care medical

centres/ channelling centres and 337 part - time general practices/ dispensaries/ medical clinics registered by the end July 2019. With the changes in disease patterns and rising income levels, households are increasingly relying on private healthcare services, particularly in the backdrop of a tight fiscal space that limits government expenditure on the healthcare sector. Therefore, it is necessary to strengthen the regulation of private healthcare providers to ensure quality and affordability of the services offered.

Education

- The Ministry of Education (MOE) developed a medium term strategic plan for the period of 2020 - 2025 in collaboration with all provincial education authorities and national level institutes with the objective of developing human capital of the country by addressing issues related to equity, quality, efficiency and effectiveness in general education of Sri Lanka.** The strategic plan has been organised under four key thrust areas, namely, strengthening equitable learning opportunities for all children, improving quality of general education, strengthening stewardship and service delivery of general education, and enhancing evidence-based education policymaking and planning. Meanwhile, under stage 1 of the 13 years of guaranteed education programme, 1,545 students are currently undergoing vocational training in 104 centres. Moreover, 6,341 students were following Intermediate Modules of vocational subjects at schools by end June 2019 under stage 2 of the programme with the commencement of vocational training in July. Further, 1,010 newly appointed teachers, of which 76 have been recruited during 2019, are currently delivering the vocational subject curricula to students in schools. Moreover, construction activities related to stage 1 of the 13 years of guaranteed education programme have been completed while construction work is being completed in 141 schools of 154 schools in

stage 2. The overall student net enrolment ratio (NER) among 5 to 14 years age group stood at 95.3 per cent by end June 2019, while NER among male and female students were 95.8 per cent and 94.8 per cent, respectively.

- **Physical infrastructure in the general education sector continued to be developed under the 'The Nearest School is the Best School' programme with special attention paid to developing infrastructure of National Colleges of Education, Teacher Training Colleges, National Library, 'Pirivena' schools development and the establishment of smart classrooms.** Accordingly, the 'The Nearest School is the Best School' programme has been implemented in 8,782 provincial schools and 282 national schools covering all nine provinces.
- **The monitoring and regulation of private institutions in the general education sector remain a challenge for the government.** Considering the growing demand for private education in the country, the Cabinet of Ministers, in April 2018, granted approval for selected government-approved private schools to open five branches each. Accordingly, nine branches of government-approved private schools have been already established. All government-approved private schools and branch schools established under mother schools are being monitored by the MOE, provincial departments of education/ zonal education offices. However, international schools are still not under the purview of the MOE.
- **The Ministry of Higher Education (MoHE) continued its efforts to improve the higher education system while facilitating the establishment of state and private sector universities and ensuring quality assurance.** Meanwhile, 30,830 students have been selected for university admission under the normal intake for the Academic Year 2018/19. Further, two new

undergraduate degree programmes have been introduced for the Academic Year 2018/19 by the University Grants Commission (UGC). Moreover, 4 faculties, 31 departments and 14 postgraduate programmes have been approved by the UGC during the first half of 2019.

- **The private sector continued to engage in the provision of tertiary education alongside the government.** As at end June 2019, there were 17 Non-State Higher Education Institutes (NSHEIs) recognised as degree awarding institutes that offer 142 locally accredited degree programmes. During the first half of 2019, 20 new degree programmes offered by NSHEIs were recognised and institutional reviews were being processed. The MoHE, with the view of formulating a legal framework to establish a 'Quality Assurance and Accreditation Commission', drafted a bill which was gazetted after obtaining the approval of the Cabinet of Ministers. Moreover, considering several factors highlighted by stakeholders, the Ministry continued to develop a set of 'Minimum Standards' to be considered in the review process to recognise an education institution as a 'Degree Awarding Institute'.
- **The Technical and Vocational Education and Training (TVET) sector continued its activities to improve skills of the youth in line with labour market requirements.** There were 1,316 registered institutions in the TVET sector, which included 578 public institutions and 738 private and non-governmental institutions at end June 2019. These institutions offered 2,464 accredited TVET courses, while 38,290 NVQ certificates were issued by these institutions during the first half of 2019. During the same period, National Competency Standards and Curricula were developed and endorsed by the Tertiary and Vocational Education Commission for 12 occupations. Further, a database of voluntary experts and a committee have been established to obtain services of experts for the

development of the TVET sector. The government remained committed to improve the quality and relevance of the TVET sector in order to fulfil the needs of the labour market.

Housing and Urban Development

- Urban development projects carried out by the Ministry of Megapolis and Western Development (MMWD), in collaboration with the Urban Development Authority (UDA), progressed during the first half of 2019.** Under the Township Development Programme (Sukitha Purawara) and the Small Township Development Programme (Mini Sukitha Purawara) of the UDA, which aim to improve the comfort and convenience of city dwellers and develop the city economy, 1,171 projects were in progress and 42 projects had been completed as at end June 2019. Meanwhile, UDA continued its urban regeneration programme to construct 60,000 housing units with the objective of relocating underserved settlements in the city of Colombo and its immediate suburbs. Accordingly, several housing projects were in progress within the Colombo city during the first half of 2019, including the projects in Maligawatta, Bloemendhal Road and Torrington Avenue.
- During the first half of 2019, the MMWD engaged in various projects to enhance the urban infrastructure development.** The Metro Colombo Solid Waste Management Project has been implemented with the aim of providing an economically viable and sustainable solution for the disposal of municipal solid waste generated from the Metro Colombo region and the North-Western Province by constructing a sanitary landfill at Aruwakkalu in the Puttalam District along with a waste loading station at Kelaniya. The sanitary landfill has been developed to dispose 600 mt of garbage per day. However, waste disposal at this landfill site was disrupted numerous times during 2019 due to ongoing
- protests on environmental grounds against the landfill. Further, transportation of solid waste to the landfill site by trucks is uneconomical and hence, it is important to develop a mechanism to transport garbage through railway. In this regard, initial work related to transporting garbage from Colombo to Aruwakkalu by train is in progress.
- During the first half of the year, the National Housing Development Authority (NHDA) continued its housing development projects mainly targeting people from rural areas.** Accordingly, NHDA commenced 975 Uda Gammana projects consisting of 20,699 housing units under various housing programmes such as Model Village, Grama Shakthi, Northern and Eastern resettlement housing programme and Indian Grama Shakthi programme. Meanwhile, 20,699 land plots have been allocated for housing construction by the NHDA during the first half of 2019.
- Transportation development projects were carried out by the MMWD to facilitate an inclusive urban transportation system.** Accordingly, the preliminary work of the elevated railway track from Malabe to Fort under the Light Rail Transit Project continued with the aid of Japan International Cooperation Agency (JICA). A feasibility study of the rolling stock of the LRT project is underway. Meanwhile, a feasibility study of the proposed multi-modal transport hub in Pettah also continued during the first half of 2019. In addition, construction work related to the first stage of the Kadawatha multimodal transport centre is scheduled to be completed by end 2019 under the Western Region Transport Development Project.
- During the first half of 2019, activities of the Colombo Port City Development project continued with a view to building a world class city in South Asia.** Land reclamation work was

completed in January 2019 and subsequently, the infrastructure development and landscaping activities commenced. Accordingly, 5 per cent of the infrastructure development activities was completed by end June 2019. In July 2019, the Parliament granted approval to include land reclaimed under the Colombo Port City project under the purview of the Colombo Divisional Secretariat.

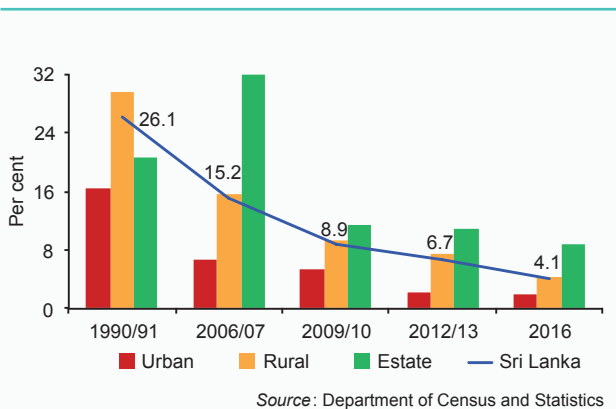
3

Safety Nets and Poverty Alleviation

- According to the Household Income and Expenditure Survey (HIES) - 2016, the Poverty Headcount Ratio (PHCR) was lower at 4.1 per cent in 2016 compared to 6.7 per cent in 2012/13.** In 2016, about 0.8 million individuals were living below the poverty line while there were 1.3 million poor during 2012/13 survey period. As per the HIES - 2016, the lowest level of poverty index was 1.7 per cent, which was reported from the Western Province and the highest level was 7.7 per cent in the Northern Province. At district level, the lowest poverty headcount index was recorded in Colombo and the highest in the Kilinochchi district. However, a considerable share of the population lives just above the poverty line, and hence they are vulnerable to fall below the poverty line in the face of shocks such as economic slowdowns, natural disasters or diseases.

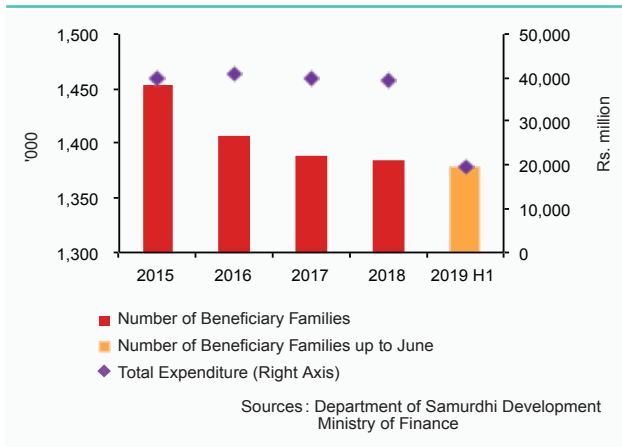
- The government implemented various projects and programmes during the first half of 2019 in line with Sustainable Development Goals (SDGs) related to alleviating poverty, ending hunger and ensuring access of all people to safe, nutritious and sufficient food all year round, and gender equality to support social development of the country.** The Department of Samurdhi Development (DSD) distributed Rs. 19.48 billion among 1.38 million beneficiary families under the Samurdhi Relief Programme during the first half of 2019. Further, Rs. 477 million was distributed among 124,564 beneficiary families under the Samurdhi Social Security programme, which aims at supporting low income families during difficult times and special occasions. Meanwhile, the DSD has prepared an empowerment plan for 2019 with a view to alleviating poverty in Sri Lanka by 2030. Accordingly, Rs. 142.6 million was spent on economic and social empowerment projects, supporting 98,053 beneficiaries. Moreover, during the first half of 2019, the National Secretariat for Persons with Disabilities continued their initiatives such as the provision of medical assistance, educational assistance for students with disabilities and enabling self-employment opportunities for disabled persons with the aim of empowering them economically. In addition, the Ministry of Women and Child Affairs and Dry Zone Development continued the nutrition allowance programme, targeting expectant and lactating mothers during the first half of 2019. Accordingly, a sum of Rs. 5.5 billion has been allocated for the purpose in 2019, and as at the end of June 2019, Rs. 2.4 billion has been spent on the nutrition allowance programme with 118,950 mothers benefitting under the scheme. Further, Rs. 94 million was spent on providing fresh milk to children in pre-schools and early childhood development centres with the objective of improving their nutritional level.

Figure 3.6
Poverty Headcount Ratio (PHCR)



- Better targeting of social safety net programmes is essential for poverty alleviation.** Identification of genuinely poor people for the disbursement of Samurdhi grants is a challenging task. The DSD carried out an island-

Figure 3.7
Performance of the Samurrdhi/Divineguma Subsidy Programme



wide survey in 2016 using a Multi Deprivation Score methodology, which measures the poverty level of a family considering numerous factors such as education, health, income level, assets and housing conditions of the family. Accordingly, 600,000 new families are proposed to be enrolled in the Samurrdhi scheme, in 2019, and the granting of benefits to the selected families is currently in progress. Meanwhile, during the first half of 2019, pension payments were revised with effect from 01 July 2019 with an allocation of Rs.12 billion from the budget of 2019. However, the lack of a nationwide contributory pension scheme continues to affect social welfare of the population, and this needs to be addressed without further delay.

- According to the data collected through the Demographic and Health Survey (DHS) conducted by the Department of Census and Statistics (DCS) in 2016, the Multidimensional Poverty Headcount ratio was 2.4 per cent.¹ Meanwhile, 11.9 per cent of the population was reported as vulnerable to multidimensional

¹ The Multidimensional Poverty Index (MPI) uses 10 indicators to measure poverty in three dimensions: education, health and living standards which are equally weighted. Global MPI measures are useful for cross country comparisons. MPI for Sri Lanka was 0.009, in 2016, which indicates that the poor population in Sri Lanka experience 0.9 per cent of the total possible deprivations that can be experienced in a country. In South Asia, MPI scores for Pakistan, Bangladesh, India, Nepal, Bhutan and Maldives are 0.230, 0.196, 0.191, 0.126, 0.119, and 0.018, respectively, reflecting the lowest multidimensional poverty in Sri Lanka as compared to other South Asian nations in 2016.

poverty and 0.2 per cent of the population was severely multidimensionally poor in Sri Lanka.

Expected Developments

- The Colombo Lotus Tower (CLT), the tallest self-supported structure in South Asia which was declared open in September 2019, is expected to benefit all domestic telecommunication service providers by providing advanced facilities on a shared basis. The infrastructure of the CLT has been built with fibre optic cables and fully equipped with necessary telecommunication equipment to ensure zero downtime incidents. The CLT is expected to increase the speed, flexibility and efficiency of transmission processes, and expand network coverage while lowering the costs for individual telecommunication providers. Meanwhile, several auxiliary facilities such as shopping malls, reception halls and restaurants, are expected to be established in the CLT on a public-private partnership basis, with the aim of promoting the CLT as Sri Lanka's 'Digital TV Tower' while attracting foreign tourists and local visitors. The government as well as private sector stakeholders could pragmatically use the established modern telecommunication facilities at the CLT to take active part in the evolving digital economy while reaping the full potential of emerging innovative technologies.
- With the aim of meeting the increasing domestic petroleum demand while ensuring the profitability of the CPC, plans are underway to expand and modernise the Sapugaskanda oil refinery. Domestic demand for refined petroleum products has increased by 3.0 per cent per annum, on average, during the past 10 years, and this demand is envisaged to grow with continued economic expansion. The Sapugaskanda oil refinery, a 50-year-old facility, is the sole oil refinery in Sri Lanka and has the capacity to meet only 30 per cent of the petroleum demand of

the country. A bid round has been called to select a suitable designer for the Front - End Engineering Design of replacing main crude distillation column, Diesel Hydrotreater, and Platformer unit of the Sapugaskanda oil refinery. The Sapugaskanda oil refinery expansion and

modernisation project is expected to be completed by mid-2020. Expansion and modernisation of the refinery will also facilitate the refining of low-grade crude oil to high value petroleum products with substantial value addition, at a relatively low cost.