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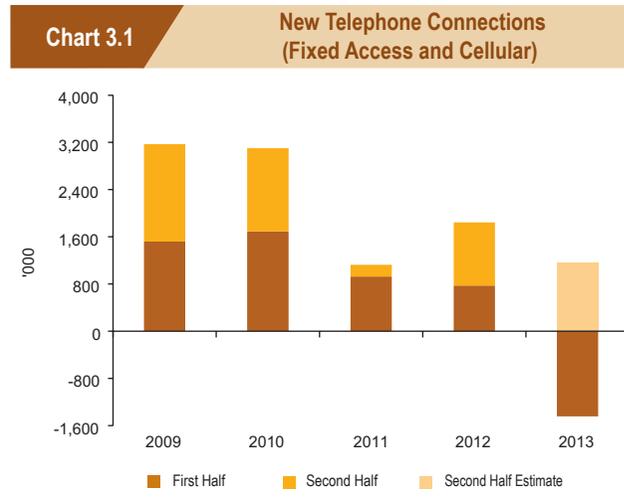
ECONOMIC AND SOCIAL INFRASTRUCTURE

The development of an efficient and effective economic and social infrastructure base throughout the country has received high priority in the development agenda of the government as high quality infrastructure services will broaden economic activities, improve the efficiency of service delivery, reduce production costs through improved access to markets and thereby improve overall productivity. In line with the government's development agenda, many key infrastructure projects were completed during the first eight months of 2013. The Mattala Rajapaksa International Airport and the South Container Terminal of the Colombo South Harbour Development Project commenced operations contributing to Sri Lanka's transition to aviation and maritime hubs. The construction work relating to other mega infrastructure projects such as, Phase II of the Norochcholai Coal Power Plant, Phase II of the Magam Ruhunupura Mahinda Rajapaksa Port, Northern Railway Project, Colombo South Port Project, Colombo Outer Circular Highway, progressed well. The policy measures taken by the government during this period to implement a rational pricing policy for petroleum products and electricity through appropriate tariff revisions have helped improve the financial position of the Ceylon Electricity Board (CEB) and Ceylon Petroleum Corporation (CPC), thereby reducing the pressure on the banking sector and the government budget. During this period, the government had also adopted numerous measures to strengthen social infrastructure to enhance the quality of the human capital base.

Developments in Economic Infrastructure

Communication Services

- Despite the marginal decline in telephone connections, the telecommunications sector performed satisfactorily during the first half of 2013, supported by the growth in internet connections. During the period, the number of total fixed telephone connections declined by 18.5 per cent, while mobile connections increased by 1.4 per cent in comparison to the corresponding period of 2012. As a result, total telephone connections declined by 1.6 per cent compared to the corresponding period of 2012 and total telephone density fell to 108.8 per cent during the first half of 2013 from 116.9 per cent as at end 2012. This was mainly due to revisions made to the Telecommunications Regulatory Commission’s (TRC) criteria relevant to classification of active fixed wireless and mobile lines. However, the number of total internet connections grew by 28.8 per cent compared to the corresponding period of 2012 driven by a 35.7 per cent increase in mobile internet connections. As a result, total internet density improved to 7.2 per cent by end June 2013 from 5.6 per cent as at the end of the first half of 2012.
- The TRC continued to actively facilitate the development of the telecommunications industry. During the first half of 2013, the TRC released the frequency spectrum for



Fourth Generation (4G) mobile broadband to support modern broadband technology expansions and subsequently 4G services were commercially launched in the country. In a report published by the International Telecommunication Union in May 2013 (*Measuring the Information Society – 2012*), Sri Lanka has been ranked first in the world with the lowest entry level fixed broadband charges.

- The telecommunication industry possesses immense potential to facilitate Sri Lanka’s journey towards becoming a commercial hub in the region. Sri Lanka aims to develop a Business Process Outsourcing (BPO) industry worth US dollars 1 billion by 2015. In this initiative, mobile operators play a vital role in facilitating BPO firms to provide advanced technology, while reducing operational costs. They can also facilitate the Knowledge Process Outsourcing (KPO) industry in the delivery of data content and, the knowledge and expertise of skilled professionals concentrated in knowledge intensive industries.

Table 3.1 Telecommunications Services

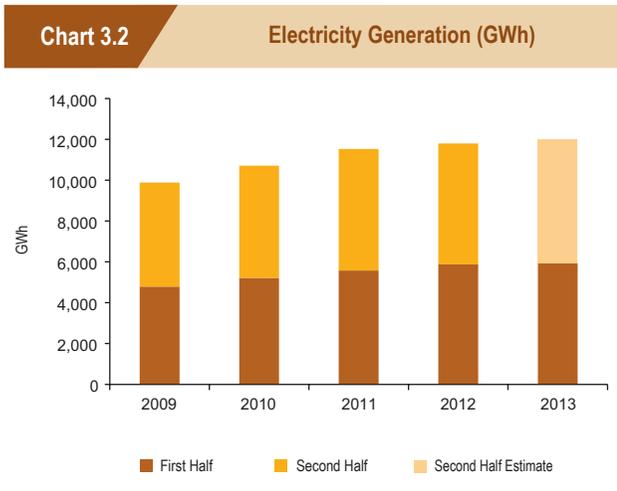
No. of Subscribers	End June 2012	End June 2013	% Change
Fixed Access Telephones ('000)	3,431	2,796	-18.5
Cellular Telephones ('000)	19,272	19,533	1.4
Internet and E-mail Connections ('000) (a)	1,146	1,476	28.8
Telephone Density (with Cellular)	111.68	108.76	-2.6
Telephone Density (without Cellular)	16.88	13.62	-19.3

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

(a) Including Mobile Broadband Connections

Electricity

- The demand for electricity increased during the first eight months of 2013, reflecting the expansion of economic activities. During

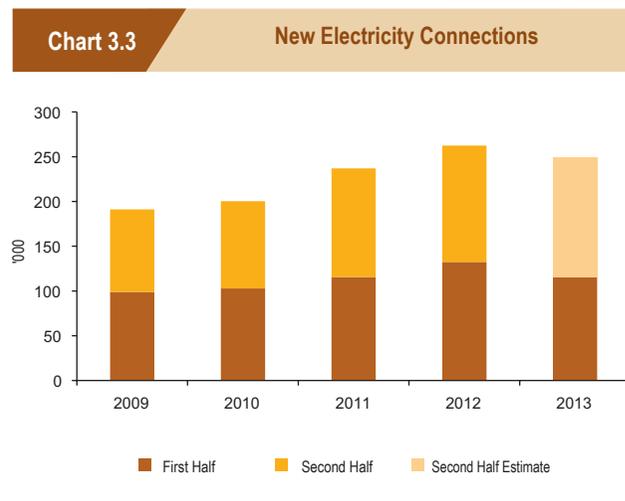


this period, electricity generation grew by 1.3 per cent to 7,964 GWh. The share of power generated by the CEB increased by 47.7 per cent to 74 per cent while the power generated by private power producers declined by 47.9 per cent to 26 per cent. During this period, hydropower generation increased substantially by 166.7 per cent to 4,569 GWh, reflecting increased water levels in the reservoirs during the period due to favourable weather conditions. Accordingly, thermal power generation decreased by 46.6 per cent to 3,220 GWh during this period. Electricity consumption in the domestic, general purpose and hotel and industrial sectors increased by 0.3 per cent, 0.8 per cent and 1.2 per cent, respectively, during the first seven months of 2013. The system loss, as a percentage of total generation stood at 11 per cent during the first half of 2013. CEB has implemented several measures to further reduce system losses through improvements to the transmission and distribution networks, while making coordinated efforts to avert the unauthorized connections.

- A new electricity tariff structure was implemented with effect from April 20, 2013. The main objective of this revision was to mitigate the financial losses incurred by CEB. The tariff applicable to domestic consumers

who consume less than 60 units per month was kept unchanged to safeguard low income consumers. However, for domestic consumers' whose consumption exceeded 60 units, the energy charge on the first 60 units was increased to Rs.10 per unit. The energy charge for consumers who consume more than 60 units was increased on different scales to apply a cost reflective tariff. The energy charge applicable to large industries during off-peak hours was revised downwards while the energy charge applicable to industries during peak hours was increased substantially. Similarly, the energy charge applicable to the Hotels sector was revised to discourage consumption in peak hours and to shift consumption to off-peak hours and day hours. Further, a time based tariff structure was introduced for the General Purpose Category, excluding general purpose consumers with demand amounting to less than or equivalent to 42 kVA. Subsequent to these tariff revisions, the overall average tariff increased by 14.6 per cent to Rs. 18.52 per kWh.

- The level of access to electricity (electrification level) reached 95 per cent by end June 2013 and CEB continued with its efforts to electrify rural areas through the launch of several new rural electrification projects island-wide during the first half of 2013. The total



electrification level increased dramatically with an improved influx of power to the previously conflict affected regions. Thirteen mini hydro power projects have been commissioned during the first half of 2013 which will collectively add approximately 20 MWs to the national grid. Several small hydro power projects are under construction and are expected to be commissioned during the second half of 2013 and in 2014. Meanwhile, initiatives taken to promote renewable energy were continued during the first half of 2013.

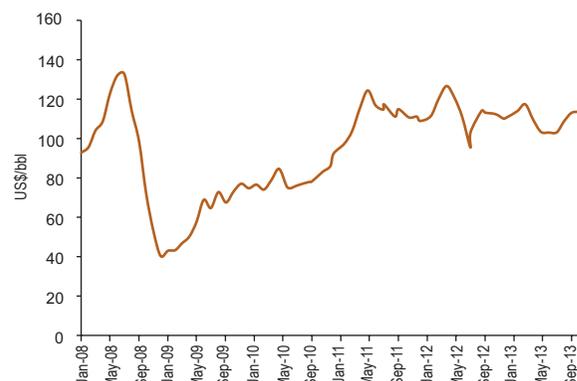
- In order to improve the energy security of the country, the government prioritized the construction work of several low cost power projects during the first half of 2013.** The second phase of the Norochcholai Coal Power Plant comprising of Unit 2 and Unit 3 will generate 300 MW units each. As at end June 2013, 93 per cent of construction work of Unit 2 was completed and this will be added to the national grid by end 2013. Meanwhile, 78 per cent of the work of Unit 3 was completed and it will be added to the national grid by April 2014. The addition of 600 MW of coal power would substantially reduce the overall average cost of electricity generation. It is also expected that this will help reduce dependency on expensive thermal power generation, much of which is currently purchased from Independent Power Producers. The Uma Oya Hydro Power Plant, which is in the initial stages of construction, is also expected to add another 120 MW to the national grid by 2015. The agreement for the construction of a 500 MW coal power plant in Sampur, Trincomalee has been signed and it is expected that it will be added to the national grid by 2017. The addition of these new power plants to the national grid will help increase the total installed capacity of the country by around 36 per cent to 4,573 MW by end 2017. Timely completion of these power projects will help reduce the overall average cost of electricity generation.

Petroleum

- International crude oil prices remained low during the first nine months of 2013 compared to the corresponding period of the previous year.** The average international crude oil price (Brent) decreased by 3 per cent to US dollars 109.49 per barrel during the period compared to the previous year. Crude oil prices fell mainly due to reduced global demand especially from the world's largest consumers, the United States and China and dampened demand from the Eurozone in the wake of slow growth. Moreover, crude oil supply improved during this period with increased oil production from OPEC and non-OPEC countries. In line with international price trends, the average cost and freight (C&F) price of crude oil imported by the CPC decreased by 4.7 per cent to US dollars 109.11 per barrel during the first nine months of 2013 compared to US dollars 114.55 per barrel during the corresponding period of 2012.
- Domestic retail prices of petroleum products were revised to curb the huge losses incurred by CPC.** The domestic retail prices of petrol and diesel were increased by Rs. 3 per litre and Rs. 6 per litre, respectively with effect from 23 February 2013. The prices of fuel oil used for power generation were also increased in a cost-reflective manner, with effect from 1 April 2013

Chart 3.4

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



for reducing the losses incurred by CPC on the sale of fuel oil to CEB. The prices of both high sulfur fuel oil and low sulfur fuel oil were increased by Rs. 25 per litre, to Rs. 90 per litre and Rs. 100 per litre, respectively. During the first eight months of 2013, local sales of petrol grew moderately by 3 per cent while sales of kerosene and diesel fell by 13 per cent and 18.3 per cent, respectively. The decline in sales of diesel reflected the drop in demand for power generation sector.

- **The imposition of sanctions against Iran by the US has had a significant impact on refinery operations.** Refinery margins and the volumes refined by the Sapugaskanda refinery have reduced substantially during the first half of 2013 as CPC shifted away from Iranian crude to other types of crude oil in adherence with the US sanctions. As a result, the total volume of crude oil processed declined by 20.2 per cent to 892,961 MTs compared to the corresponding period of 2012 when the refinery was operated using Iranian crude oil. Moreover, the yield of high end products such as Petrol and Diesel from the refinery declined to 8.4 per cent and 22.3 per cent from 10.6 per cent and 27.7 per cent respectively, in the first half of 2013 compared to the corresponding period of 2012. Consequently, the refinery yield associated with low end products such as Furnace oil (1,500) and Naphtha have increased substantially to 37.6 per cent and 5.1 per cent from 26 per cent and 4.4 per cent respectively, during the period. Although these changes in refinery yields have created an adverse financial impact, this has been slightly mitigated by the exportation of the excess production of Naphtha and Furnace oil. Therefore, the Sapugaskanda Oil Refinery Expansion and Modernisation (SOREM) Project has to be given due consideration as a national priority. It will help increase the output of profitable and high quality products from different types of crude oil while increasing the refinery's throughput capacity.

Oil Exploration

- **Several initiatives were taken to enhance oil exploration activities during the first half of 2013.** Consequent to the two Mannar basin gas and condensate discoveries made by Cairn Lanka (Pvt.) Ltd. in late 2011, it was decided to conduct Sri Lanka's second international offshore exploration licensing round in early 2013. A total of 13 blocks in both the Mannar and Cauvery basins were offered to the international oil and gas community. In addition to these blocks, 6 ultra-deep-water blocks were demarcated all around Sri Lanka to be offered on a Joint Study basis. These would be jointly undertaken by the oil companies and the government for the purpose of determining their hydrocarbon potential, but would not carry any commitment on sharing the production. In parallel with efforts to market the blocks available in the current licensing or bid round, discussions were conducted with Cairn Lanka (Pvt.) Ltd. on the potential commercialization of their discoveries. In July, the Petroleum Resources Development Secretariat organised 'Sri Lanka Upstream 2013' in Colombo, the country's first ever exploration and production conference to serve the principal purpose of introducing the oil and gas companies to key public and private stakeholders.

Road Transportation

Road Development

- **Recognizing the importance of road development to facilitate higher economic growth and inclusive development, and to reduce disparities between urban and rural areas the government has prioritized development of road infrastructure in its infrastructure development agenda.** Construction of highways and expressways

under the 'Randora' infrastructure development programme of the government and rural road development under the 'Maga Neguma' programme were actively pursued by the government to improve urban-rural linkages and thereby facilitate the achievement of regionally balanced growth. During the first half of the year, Rs. 7.5 billion was released to Provincial Directors and other establishments for carrying out routine, periodic and urgent improvements of roads under the Periodic Maintenance Programme. Total expenditure on the maintenance of the national road network (including bridges) for the first half of 2013 stood at Rs. 3.6 billion.

- **The construction activities of major highway and road development projects were continued during the first half of 2013.** Section I of the Southern Transport Development Project, from Kottawa to Galle, was opened in November 2011, and the construction of Section II, from Pinnaduwa to Godagama, is currently underway. The construction of the Colombo-Katunayake Expressway was completed and opened to traffic on October 27, 2013. The opening up of this expressway has lessened the travel time from the Katunayake International Airport to Colombo significantly. The construction of Phase I and Phase II of the Outer Circular Highway project was under progress while the feasibility study and land acquisition for Phase III were completed during the first half of 2013. Approximately 72 per cent of Phase I of the project which comprises of 11 km from Kottawa to Kaduwela had been completed by end June 2013. Feasibility studies are currently being conducted for the Hambantota – Mattala Airport Highway and Enderamulla to Kurunegala section of the Colombo-North/East Highway. Contracts have been awarded for the construction of 6 bridges out of 46 bridges which have been earmarked for reconstruction or rehabilitation in seven provinces.
- **The reconstruction and rehabilitation of roads and bridges in the Northern and Eastern provinces continued in order to further integrate conflict affected provinces with mainstream economic activities.** Under the Conflict Affected Region Emergency Project (CAREP), the government continued to expand and strengthen essential infrastructure services to expedite the recovery of these regions. Under Component A of CAREP, which focuses on re-establishing connectivity, rehabilitation of 65 km of National Roads (Class B) in the Northern Province was carried out. Under the Northern Road Connectivity Project (NRCP), the rehabilitation of 165 km of National Highways, consisting of 129 km of Class 'A' Roads and 36 km of Class 'B' roads in the Northern and North Central provinces were carried out and it is expected to be completed by end 2013.

Road Passenger Transportation

- **Public passenger transportation registered positive growth during the first half of 2013.** The total operated kilometrage of the Sri Lanka Transport Board (SLTB) increased by 1.2 per cent during the first half of 2013 while total passenger kilometrage had increased by 3.4 per cent during the first half of 2013. The total number of buses owned by the SLTB stood at 7,801 while the operated average number of buses per day was 4,314. The number of buses owned and the average bus fleet operated by private operators increased to 20,631 and 17,699, respectively, during the first half of 2013.
- **Several projects were continued during the first half of 2013 to improve the quality of transportation services especially for the rural masses.** The 'Gami Seriya' service was continued to facilitate the provision of

transport facilities on non-economical routes in rural areas. During the first half of 2013, 40 private bus services were engaged under this project. Under the 'Sisu Seriya' project, 1,386 buses were deployed to provide children with a safe mode of transport to schools. In areas of Anuradhapura, Batticaloa, Trincomalee, Hambantota, Ampara and Kilinochchi districts, where the 'Sisu Seriya' project was not in operation or public transport services were unavailable, 4,900 bicycles were distributed to school children. The subsidy granted to SLTB on account of operations on non-economical routes and subsidised season tickets amounted to Rs. 1,513 million during the first half of 2013. Meanwhile, the National Transport Commission compiled a set of standards applicable to inter-provincial bus services in order to improve the safety and comfort of passengers.

- **Registrations of new motor vehicles recorded a significant decline in the first eight months of 2013.** This could be attributed to the imposition of high levels of taxes on various categories of vehicles with the view of discouraging vehicle imports. During this period, the total number of vehicles registered declined by 25.1 per cent to 216,700. The registration of motor cars, three wheelers and motorcycles dropped by 29.9 per cent, 13.5 per cent and 22.9 per cent, respectively.

Rail Transportation

- **The railway transportation sector showed moderate growth during the first half of 2013.** During this period, passenger kilometrage increased by 27.8 per cent while goods kilometrage decreased by 13.3 per cent.
- **Sri Lanka Railways (SLR) continued to upgrade its fleet to create qualitative improvements in service provisioning.** In line

with the government's strategy to make Sri Lanka an attractive tourist destination, several measures were taken to improve the quality of the railway services. Two air conditioned Diesel Multiple Units (DMUs) were imported to upgrade the existing fleet to meet the demand. Under the Reconstruction of Northern Railway Line project, three new locomotives were purchased. In addition, fifteen rehabilitated passenger carriages were also added to strengthen the rolling stock position of the SLR, ensuring enhanced availability and reliability of train services.

- **The SLR continued to implement several infrastructure development projects to improve domestic connectivity.** The Northern railway line from Omanthai to Kilinochchi was completed and declared open for passenger traffic in mid-September. The Cheddikulam, Neriyaikulam, Madu Road and Kilinochchi railway stations were reconstructed and opened for passenger services. Accordingly, new train services have been introduced to operate from Anuradhapura and Medawachchiya to Madu Road and from Madu Road to Anuradhapura. The third line from Colombo to Ragama was also opened for traffic during this period. While the implementation plan of the double tracking of the Seeduwa – Katunayake section was being finalized during the first half of 2013, the double tracking of the Ja-Ela – Seeduwa section was completed. SLR is actively engaged in upgrading railway signaling systems to prevent accidents on unprotected railway level crossings. The luxury passenger services offered from Colombo to Kandy, Badulla, Vavuniya and Trincomalee in collaboration with the private sector are expected to further improve its quality of service. During the period under consideration, SLR has been actively developing railway stations to provide additional convenience to passengers. Initiatives have been taken to establish Automated Teller Machines (ATMs) and shopping centres at all main railway stations.

Civil Aviation

- **The civil aviation sector registered a significant growth during the first half of 2013.** Increased tourist arrivals during the first six months of 2013 resulted in an increase in air passenger transportation. The total number of aircrafts handled at the Bandaranaike International Airport (BIA) increased by 6.3 per cent to 24,566 aircrafts when compared to the corresponding period of the previous year. Passenger traffic including transit passengers increased to 3.6 million passengers during the first half of 2013. Total volume of cargo moved through the airport increased by 3 per cent to 94,847 MT reflecting the increase in demand associated with tourism and business activities. The newly opened Mattala Rajapaksa International Airport (MRIA) had handled 272 aircrafts and 21,063 passengers during the period from March 18, 2013 to June 30, 2013. Subsequent to the modernization of SLA's short-haul fleet of A320s, it has been planned to purchase thirteen new aircrafts in the near future.
- **Key infrastructure development projects in the aviation sector were rapidly progressing during the first half of 2013.** The newly built MRJA was declared open on March 18, 2013. The first phase of the MRJA comprises of a 3,500 meter long and 75 meter wide runway, built to accommodate the world's largest aircraft, the airbus A380. The new airport has the capacity to handle one million passengers and a cargo capacity of 45,000 MTs of cargo annually. While alleviating the congestion at BIA, this is expected to facilitate the increasing number of tourist arrivals to Sri Lanka. Further, areas surrounding the MRJA have been declared as a free port and the development plan comprises of the setting up of a tax-free industrial zone. The construction of a new terminal under Phase II of the BIA

expansion project to handle 9 million passengers per annum is expected to be commenced by February 2015. Once the project is completed by February 2017, the total accumulated capacity of the BIA would be 15 million passengers per annum. An existing building at the BIA is to be modified and converted as a terminal to exclusively serve Low Cost Carriers and to serve as a boarding gate during peak hours. This is expected to provide temporary relief to the current congestion at BIA, till the second terminal is completed. A trade zone is also to be developed in close proximity to the Terminal Building, in addition to a Duty Free shopping complex and a Tax Free shopping mall. Steps are being taken to build an Airport hotel in the vicinity of the BIA with the aim of increasing passenger comfort and satisfaction.

Port Services

- **Port activities showed moderate performance during the first eight months of 2013 owing to the slowdown in global trade.** Compared to the corresponding period of 2012, total cargo handling and container handling increased by 0.9 per cent to 44.1 million MTs and by 1.5 per cent to 2.9 million TEUs, respectively. Meanwhile, transshipment handling improved significantly by 3.8 per cent to 2.1 million TEUs reflecting Sri Lanka's attractiveness to large shipping lines that prefer to deliver cargo to a transshipment hub and subsequently deliver to smaller ports in the region.

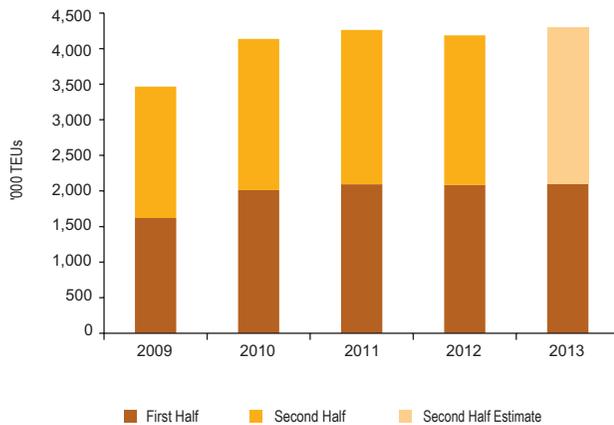
Table 3.2 Performance of Port Services

Item	2012 Jan.-Aug.	2013 Jan.-Aug.	% Change
Ship Arrivals at Ports of Sri Lanka	2,792	2,635	-5.6
Total Cargo Handling (MT '000)	43,731	44,110	0.9
Total Container Handling (TEUs '000)	2,823	2,864	1.5
Transshipments (TEUs '000)	2,052	2,131	3.8

Sources: Sri Lanka Ports Authority
South Asia Gateway Terminals (Pvt.) Ltd.

Chart 3.5

Container Handling at the Port of Colombo



- The construction of new port projects continued to remain a priority in the government's infrastructure agenda. The Colombo South Port was declared open on August 5, 2013. The newly built terminal possesses facilities on par with leading international ports. As Sri Lanka aims to emerge as a naval hub in the region, the 18-metre deep breakwater is expected to facilitate the docking of the largest shipping vessels carrying 18,000 TEUs. The construction of Phase II of the Magam Ruhunupura Mahinda Rajapaksa Port has commenced and is expected to be completed by end 2015. The construction of fourteen tanks with a total capacity of 80,000 cubic meters for storing and blending of marine fuel, aviation fuel and LPG has been completed. In order to provide a renewed impetus to the Eastern region, the Oluvil port was opened in September 2013. The Oluvil Port will serve as an essential link in the developing chain of coastal harbours in the country providing more convenient and cost effective access to and from the southeastern region. A revised proposal is currently under consideration to construct a breakwater to protect the entire Galle Bay and to facilitate the construction of multi-purpose berthing facilities for leisure activities with the aim of promoting the Galle Port as a leisure centre. A Yacht Marina, at this port, is currently being developed to further enhance tourism in the region and is expected to be completed by early 2014. A 'Request for Proposals' (RFP) was called for business ventures in the upcoming Trincomalee Port City for developing ship repairing facilities, bitumen storage and production plants, shipyard, oceanic farming and petrochemical industries. A port city is also to be built on the land reclaimed from the sea adjacent to the Colombo South harbor and Colombo's Galle Face Green seafront.
- Sri Lanka Ports Authority (SLPA) continued to adopt proactive measures to improve the productivity and competitiveness of the ports sector. During the first six months of 2013, the SLPA has shown a remarkable increase in both berth and crane productivity. Recently, the Colombo Port has undergone rapid upgrading and modernization with the introduction of new equipment and advanced information systems by Colombo International Container Terminals Ltd. The newly opened terminal and the addition of another two terminals in the Colombo South port will enable Sri Lanka's ports sector to attract more ships with the expansion of international trade expected from countries in the region. The completion of all three terminals at the Colombo South Port will enhance the capacity by a minimum 7.2 million TEUs per annum, in addition to the existing capacity of 4.7 million TEUs which is currently handled by the Colombo port. Further, the declaration of the Ports of Colombo and Hambantota as free ports will help enhance the competitiveness of the ports in international trade and is expected to attract investors to set up businesses to exploit the advantages of duty free zones in the Colombo and Hambantota ports.

Developments in Social Infrastructure

Health

- **The Annual Action Plan 2013 for the health sector was aligned with the Health Master Plan (2006-2016) with the aim of prioritizing the enhancement of health care service delivery while ensuring quality, accessibility and sustainability of these services.** The National Health Development Plan for the years 2013-2018, encompasses over 96 vital health projects. These projects include epidemiological surveillance of dengue, mumps, rubella, the National STD/AIDS Control Programme and National Cancer Control Programme. The programme also focuses on improving health care services to the youth, elderly, disabled and displaced individuals and services relevant to maternal care, child health and school health services. Considering the important role played by private health providers, steps are being taken to strengthen the development and regulation of the private health sector by amending the Private Medical Institutions Act No. 21 of 2006.
- **Several measures have been taken to control Communicable and Non-Communicable Diseases (NCDs) by improving and strengthening primary health care services.** During this period, several programmes were launched throughout the country to eradicate dengue. As a result, the incidence of dengue has declined by more than 3,500 cases when compared to the corresponding period of 2012. The Anti-Malaria campaign was actively continued with the aim of eradicating the disease from Sri Lanka by end of 2014. Immunization programmes were expanded, with high vaccination coverage maintained throughout the country. In order to improve awareness on NCDs and their prevention, the theme for the year 2013 has been earmarked

as 'NCD Prevention'. The screening process for NCDs at national and district level has been actively continued through 668 Healthy Lifestyle Centres. Several steps have also been taken to empower and mobilize communities towards improving the quality of their lives through health promotion activities conducted through the Health Education Bureau (HEB).

- **The demand for private health care has increased over the period with rising income levels.** As at end June 2013, 202 registered private hospitals and nursing homes, 589 registered medical laboratories, 336 registered medical centres, 473 full time medical clinics and 1,276 part time medical clinics were in operation. As at end June 2013, the process of revising guidelines outlining minimum requirements for the establishment of Private Hospitals, Medical Centres, Full Time and Part Time medical practices, was nearing finalization. Further, the procedure for temporarily registering foreign qualified specialists to practice in private hospitals was streamlined. The active involvement of the private sector in health care provisioning has strengthened the capacity of the health sector to meet the growing demand for health care. This has helped reduce the burden on the public health system while improving access to those who cannot afford private health care. However, initiatives to regulate private health care services have to be prioritized and further strengthened to ensure that private sector health institutions provide value-for-money services while ensuring that quality of services are not compromised in their attempts to cater to rapidly expanding demand.

Education

- **Several measures have been introduced to the primary and secondary education sector of the country to improve both quality and accessibility.** The Ministry of Education

in collaboration with National Education Agencies (NEA) has continued with the implementation of the medium term Education Sector Development Framework Programme (ESDFP) for 2012-2016. One of the prominent initiatives under this is to promote equitable access to primary (grade 1–5) and secondary (grade 6-13) education. Accordingly, the government has taken several measures to increase the age limit of compulsory education to increase participation of students in schools up to grade 11. Moreover, special emphasis has been placed on further reduction of the number of out-of-school children (OOSC) and dropout rates to improve the retention of children with financial difficulties in schools. Improving primary and secondary education through the development of a competency based, balanced curriculum at the general education level and diversification at upper secondary level, together with strengthening education governance, accountability and service delivery are currently being undertaken to improve the quality of education. In addition, the Ministry of Education has taken commendable steps to introduce Technology as a subject stream. Students will be able to achieve different levels of the relevant National Vocational Qualification based on the grades that they obtain at the GCE Ordinary Level and Advanced Level Examinations. Such measures to integrate the educational curriculum with National Vocational Qualifications are commendable as they will pave the way for students to actively pursue professional qualifications.

- **The policy initiatives of the government have been directed towards minimizing regional disparities in primary and secondary education with a view to improving education outcomes.** The flagship programme of establishing 1,000 secondary schools, supported by 5,000 primary feeder schools in the periphery was actively continued to ensure

the establishment of an efficient and viable network of primary and secondary schools at each divisional secretariat level to deliver 'equitable access to all' over the medium-term. It is expected that the 1,000 schools programme will address the prevailing performance gap in the general education system and help create equally endowed schools to facilitate equitable education. In addition, 'Mahindodaya Technical Laboratories' are being established at selected secondary schools to enhance the existing facilities available for learning ICT, Language, Science and Mathematics.

- **Private sector participation in the higher education sector has to be encouraged through proper regulatory measures for Sri Lanka to emerge as a knowledge hub.** Several non-state universities and affiliated colleges have already been established in the country over the past several years. A draft bill is under consideration to regulate and monitor non-state universities. The proposed act will contain provisions to facilitate institutional and academic review, monitor sustainability, financial viability, management transparency, teaching methodology, quality of the evaluation system and qualification of lecturers. The scope and mandate of the Quality Assurance and Accreditation Council (QAAC) ensures quality, continuous development and efficient performance of public universities. In addition, amendments are proposed to section 128 of the Universities Act, No.16 of 1978 to be more specific about the prohibitions imposed on institutions awarding any degree or academic distinctions, other than authorized universities. It has also been proposed to amend section 147 of the Act by adding a definition to 'Higher Education Institute'. In addition to the above developments, the University Grants Commission (UGC) has approved 9 new undergraduate degree programs and 15 new postgraduate degree programs.

- **The importance of vocational education has been promptly recognized with the introduction of the new subject stream of Technology into the Advanced Level curriculum which will facilitate the transition of students into vocational qualifications.** This initiative will improve the quality of the Technical and Vocational Education and Training (TVET) sector to fulfill the skills requirement of the labour market. In order to fulfill this requirement, the Tertiary and Vocational Education Commission (TVEC) is required to conduct a comprehensive national planning initiative. Accordingly, a corporate plan 2013-2017 has been prepared with the intention of uplifting the TVET system in Sri Lanka. With a view to meeting the increasing demand for higher levels of vocational education, 25 university colleges are expected to be established to expand the intake capacity for Diploma level programmes. The Training Institute of Technology Professionals (TITP) was established to provide systematic and quality training for instructors and trainers in the TVET sector as there is a shortage of trainers with industrial exposure in the relevant field.

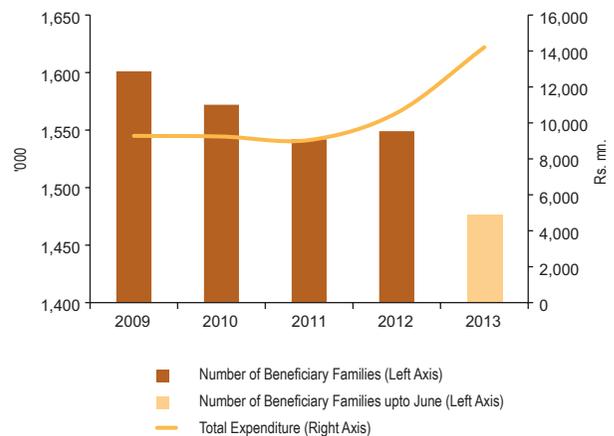
Safety Nets and Poverty Alleviation

- **The level of poverty has significantly declined in Sri Lanka supported by higher economic growth, improved infrastructure and the significant socio-economic gains acquired through different poverty alleviation programs.** According to the last Household Income and Expenditure Survey (HIES) (2009/2010), the Poverty Head Count Index (percentage of population below the poverty line) has fallen to 8.9 per cent and it is anticipated that poverty would have declined further in the HIES survey for 2012/13. According to the preliminary results of HIES 2012/13, the Gini coefficient has improved to 0.48 from 0.49 in 2009/2010. Although

Sri Lanka has been commended in its early achievement of the Millennium Development Goal of halving poverty by 2015, a proper programme encompassing a poverty mapping system is needed to sustain these achievements and to ensure effective targeting to create a platform to eradicate poverty.

- **Various programmes aimed at eradicating poverty were continued during the first half of 2013.** Under the Ministry of Economic Development, the Samurdhi Authority implemented many programmes throughout the country for poverty reduction. The Samurdhi Subsidy Programme, Nutrition Allowance Programme, Samurdhi Social Security Programme and ‘Sipdora’ scholarship programme were continued during the period. The Samurdhi Social Security Programme was continued with the view of preventing poor families from falling into the lowest depths of poverty due to unforeseen events such as, deaths, and hospitalisation. During the period under consideration, the disbursements under the Samurdhi Social Security Programme amounted to Rs. 127 million. The Samurdhi authority operated loan schemes for micro enterprises initiated by individuals and groups of poor in such communities. The Samurdhi Livelihood

Chart 3.6 Performance of the Samurdhi Welfare Programme



Development Programme carried out under 'Divi Neguma' has provided necessary capital goods, equipment, plants, plant material, chicks and animals for beneficiary and low income people to initiate and develop their own self-employment projects. Under the Economic Infrastructure Development Programme, the Ministry of Economic Development was involved in the completion of water supply projects and community development and livelihood improvement projects with the assistance of the Gamidiriya Foundation.

- **As a new initiative, the government will establish a 'Divi Neguma Combined Rural Department' to expedite development activities and thereby reduce poverty at the regional level.** In order to establish this department, the Department of Samurdhi Commissioner General, the Sri Lanka Samurdhi Authority, the Department of Upcountry Peasantry Rehabilitation, the Sri Lanka Udarata Development Authority and the Sri Lanka Southern Development Authority will be amalgamated. This is expected to synergize the efforts of the individual institutions and thereby create a more comprehensive and more integrated approach towards the eradication of poverty in the rural sector.

Prospects for 2014

- **Electricity generation is expected to grow by 2.5 per cent in 2014.** With increased low cost power sources such as hydro power and coal power, the average generation cost is expected to be lower than in 2012. With due consideration to fewer plant shutdowns in the future and the operation of the plants at maximum capacity, a supply shortage of electricity is not expected in

the remaining months of the year and in early 2014 provided that normal weather conditions will prevail. The financial performance of the CEB is expected to remain favourable if the current weather conditions prevail during the remaining part of 2013 and in 2014.

- **During the remaining period of 2013 and early 2014, international oil prices are expected to remain moderately high.** Although price increases are subdued by the slow pace of economic growth in the United States, geopolitical uncertainties prevalent in the Middle East will cause upward pressure on prices. The CPC is expected to continue its positive financial performance during the upcoming period with due consideration to fewer plant shutdowns and lower reliance on thermal power generation by the CEB.
- **Total container handling at the port of Colombo is expected to grow by 10 per cent in 2014, while cargo handling is expected to grow by 4.5 per cent.** The growth momentum seen in the port sector is expected to improve significantly with the opening up of the new terminal in the Colombo Port and the declaration of the Hambantota and Colombo ports as free ports.
- **Continuation of the current growth momentum is expected in the telecommunications sector in 2014.** Though the industry is saturated in terms of number of connections, adoption of new technology, introduction of various value added services, offering of competitive rates by telecom operators and increased penetration in the North and East will facilitate continued growth in the telecommunications sector.

