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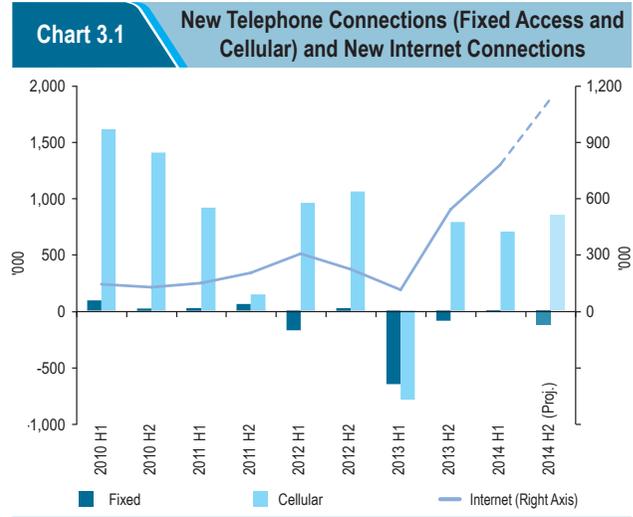
ECONOMIC AND SOCIAL INFRASTRUCTURE

Infrastructure development remained a key focus of the government's development agenda as it creates a robust foundation for sustained and rapid economic growth while supporting inclusive growth and environmental sustainability. Good quality economic and social infrastructure is essential for the country to move along a high growth path as such infrastructure reduces transactions costs, facilitates trade flows, enables economic stakeholders to respond to emerging demands of the economy, creates employment opportunities, improves productivity and enhances the quality of human capital. Thus, investment in infrastructure serves not only macroeconomic objectives but also creates significant social benefits. Many key infrastructure projects were completed during the first nine months of 2014. Phase II of the Southern Expressway, Phase I of the Colombo Outer Circular Highway, Units 2 and 3 of Phase II of the Norochcholai Coal Power Plant commenced operations during this period. The construction work relating to other mega infrastructure projects such as the Colombo Port City Project, Phase II of the Magam Ruhunupura Mahinda Rajapaksa Port, Northern Railway Project, Colombo South Port Project, Phase II of Colombo Outer Circular Highway, and extension of the Southern Expressway were in progress. It is noteworthy that the International Monetary Fund (IMF) in its latest version of the World Economic Outlook has devoted an entire chapter on the importance of public infrastructure in enhancing both short term and long term output, and according to the IMF, "in countries with infrastructure needs, the time is right for an infrastructure push: borrowing costs are low and demand is weak in advanced economies, and there are infrastructure bottlenecks in many emerging market and developing economies." Sri Lanka has been a forerunner in this regard, with a major infrastructure development drive since the end of the civil conflict, which has transformed the country's outlook completely. Many improvements in the social infrastructure front have also taken place during the period, particularly with the government's continued emphasis on uplifting education and health services. The government efforts to provide good quality housing to ensure high living standards continued along with private sector participation. In addition, the Department of Divineguma Development was established at the beginning of 2014 in order to strengthen the country's drive to eradicate poverty.

Developments in Economic Infrastructure

Communication Services

- The telecommunication sector performed well during the first half of 2014 with improved telephone density and rapid growth in internet services. The total telephone density increased to 114.6 per cent at the end of first half of 2014 from 109.0 per cent at end of June 2013. This was supported by the growth in both mobile and fixed wireline telephone connections by 7.6 per cent and 6.7 per cent, respectively. However, total fixed telephone connections decreased by 3.7 per cent, due to a significant drop in fixed wireless connections. During the first half of 2014, total internet connections registered a significant growth of 89 per cent over the corresponding period of 2013, increasing internet penetration to 13.5 connections per 100 persons. This was largely supported by the accelerated growth in mobile internet connections, and a significant growth in fixed internet connections. It is expected that the growth momentum in internet penetration will continue in the next few years.
- Efficient and modern telecommunication infrastructure is essential for Sri Lanka to emerge as a regional hub. The telecommunication industry in the country is rapidly evolving in tandem with global technology advancements. This has been reflected in the significant qualitative



improvements in internet services in the country during the past few years. Internet speeds are expected to surge in the coming years with extending fibre networks by leading telecom providers. Further, the pricing of internet services continued to remain highly competitive. However, the internet coverage throughout the country is not uniform and threats to network security continue to exist. Hence, there is a strong need to create robust and standardised security networks with high levels of service coverage and availability to support Sri Lanka to emerge as a regional hub. It is also vital that all internet service providers collaborate in the development of infrastructure and to share knowledge and expertise. This can help sustain the growth momentum in the sector.

- Rapid growth in the telecommunication sector coupled with rapid evolution in technology creates many challenges for the mobile telephone industry. Changes in technology results in the rapid obsolescence of equipment while increasing the demand for service and coverage requirements. Building, expanding, operating and upgrading such infrastructure entails a substantial cost to service providers, posing challenges to the financial viability of such investments. Further, the demand for

Table 3.1 Telecommunication Services

No. of Subscribers	End June 2013	End June 2014	% Change
Fixed Access Telephones ('000)	2,798	2,696	-3.7
Cellular Telephones ('000)	19,533	21,012	7.6
Internet Connections ('000)	1,475	2,788	89.0
Telephone Density	109.02	114.60	5.1
Mobile Telephone Density	95.36	101.57	6.5

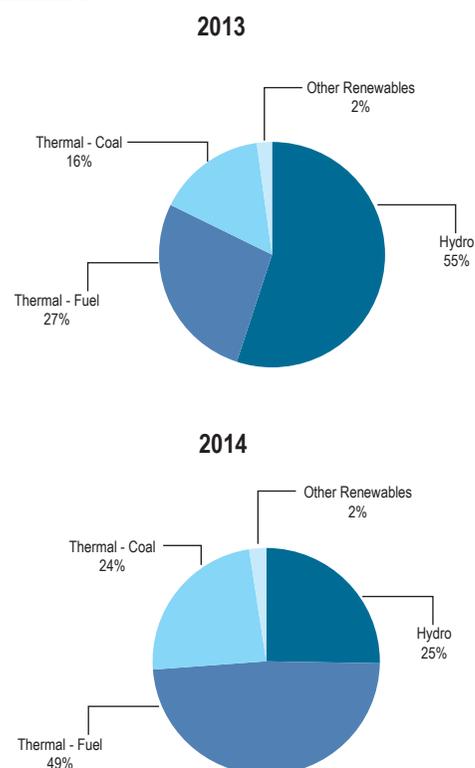
Sources: Telecommunications Regulatory Commission of Sri Lanka
Department of Census and Statistics

traditional voice services are nearing saturation, signalling stagnation of revenue growth from the sector. Meanwhile, the rapid growth in internet penetration of the country has enabled users to move from traditional voice services to Voice over Internet Protocol (VoIP) solutions, enabling them to avail the same service at a lower cost. This would result in a shift in the revenue-generation mix of service providers making it more difficult to recover their investments. Cost minimisation and resource optimisation through infrastructure sharing will help sustain the industry while enabling the country to remain more competitive.

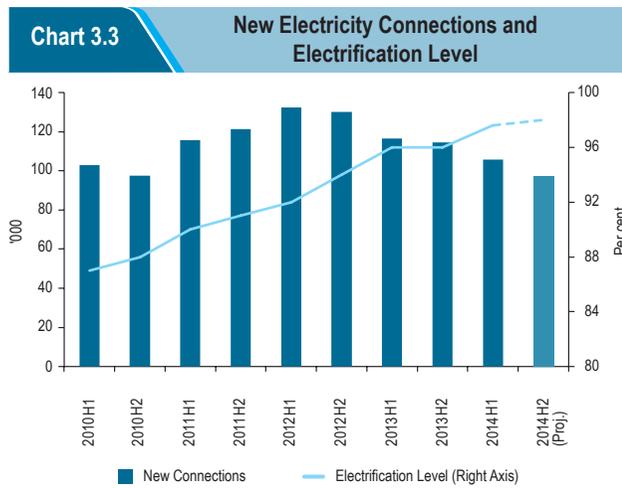
Electricity

- **Electricity generation and consumption increased during the first seven months of 2014.** Electricity generation registered a growth of 3.1 per cent to 7,170 GWh during the first seven months of 2014. During this period, hydropower generation declined significantly by 52.7 per cent to 1,812 GWh, reflecting the low rainfall. Therefore, thermal power generation increased significantly by 74.3 per cent to 5,185 GWh during the first seven months of 2014. However, the contribution of low cost coal power generation as a source of thermal power also increased by 57.4 per cent during the first seven months of 2014. Electricity consumption in the industrial, general purpose and hotel sectors increased by 3.2 per cent, 8.8 per cent and 13.2 per cent, respectively, reflecting the current growth momentum. However, domestic sector consumption declined by 1.3 per cent during the first seven months of 2014, largely reflecting enhanced energy conservation measures adopted by households in response to the increase in electricity tariffs in 2013. System losses, as a percentage of total generation stood at 11 per cent during the first seven months of 2014.

Chart 3.2 Electricity Generation Mix (Jan-Jul)



- **The financial position of the Ceylon Electricity Board (CEB) weakened during the first half of 2014, largely due to low hydro power generation.** The power generation ratio of hydro: thermal: coal: other renewables stood at 25:49:24:2 during the first seven months of the year reflecting significant deterioration in hydro power due to the drought condition when compared to the ratio of 55:27:16:2 that was recorded in the corresponding period of the previous year. However, the increase in coal power generation and the increase in revenue due to the tariff revision introduced in 2013 helped the CEB mitigate its losses to some extent. Meanwhile, the electricity tariff for the domestic sector has been revised downwards effective from 16 September 2014 following the commissioning of the second phase of the Norochcholai coal power plant. The addition of 900 MWs to the national



grid through coal power is expected to reduce thermal power generation substantially, improving the financial performance of the CEB.

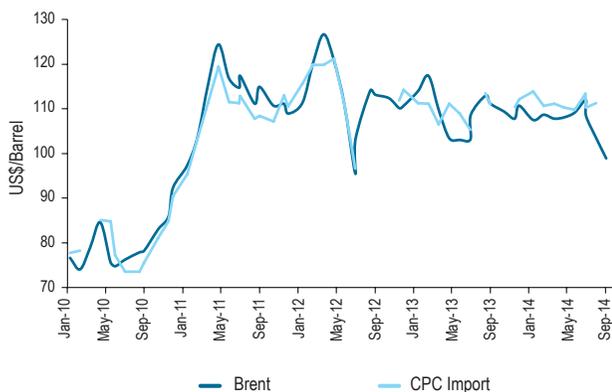
- **CEB continued its efforts to provide electricity to rural areas through the implementation of several new rural electrification projects islandwide.** The total electrification level reached 97.6 per cent by end June 2014 and the electrification of the remaining areas poses challenges to the CEB as most of these areas are isolated and difficult terrains. CEB also continued its efforts to promote renewable energy during the first half of 2014. Six small hydro power projects and two wind power projects have been commissioned during the first half of 2014, and these have added 12.6 MW and 20.0 MW respectively, to the national grid. Several small hydro, wind power, and biomass power projects are under construction and are expected to be commissioned during the second half of 2014 and in 2015.
- **Phase 2 of the Norochcholai coal power plant, comprising 600 MW was commissioned in September 2014 strengthening the electricity generation mix and the energy security of the country.** The addition of this phase is expected to further reduce the overall average cost of electricity generation. The coal power plants

are expected to improve energy security of the country by reducing dependence on hydro power generation, which is contingent on the weather factors. In addition, this will improve the financial position of CEB through the reduced dependence on expensive thermal fuel power generation, much of which is currently purchased from Independent Power Producers (IPPs). The progress of the Uma Oya Hydro Power Plant stands over 35 per cent as at end June 2014 and is expected to add 120 MW to the national grid by end 2015. The construction of a 500 MW coal power plant in Trincomalee is expected to be completed and added to the national grid by end 2017. The addition of these new power plants to the national grid will help increase the total installed capacity to 4,622 MW by end 2017. Timely implementation of these power projects which generate low cost power will help reduce the overall average cost of electricity generation, thereby improving the competitiveness of local producers in the global market while encouraging the development of energy intensive industries and service providers.

Petroleum

- **International crude oil prices which remained largely unchanged during the first eight months of 2014 averaging US dollars 108.15 per barrel started to decline thereafter.** As such, the average international crude oil price (Brent) declined to US dollars 107.10 per barrel during the first nine months of 2014. Oil prices increased to a peak of US dollars 115.07 per barrel in June 2014 and it fell to US dollars 96.48 per barrel in September 2014, reflecting lower demand from both advanced and emerging market economies. Brief periods of higher prices were noted due to geopolitical uncertainties arising from the tension between Russia and Ukraine and continued unrest in the Middle Eastern region. The average price of crude oil imported by Ceylon Petroleum

Chart 3.4 Average Price of Crude Oil (Brent) in the International Market and Crude Oil Import Price of CPC



Corporation (CPC) increased by 2.1 per cent to US dollars 111.45 per barrel during the first eight months of 2014 from US dollars 109.12 per barrel during the corresponding period of 2013, and this is expected to decline in line with decreasing international crude oil prices.

- **During the first seven months of 2014, domestic sales of petrol and diesel rose while sales of kerosene declined.** Petrol sales registered a growth of 4.9 per cent during this period reflecting rising demand from the transportation sector. Diesel sales registered a significant growth of 19.0 per cent with a substantial increase in demand from the power generation sector as a result of low hydro power generation due to drought conditions. In line with the rise in the level of electrification, sales of kerosene registered a decline of 3.6 per cent. Meanwhile, in line with the recent decline in international oil prices, the government has taken steps to revise the kerosene, petrol and diesel prices downwards by Rs. 20, Rs. 5 and Rs. 3 per litre, respectively, with effect from 17 September 2014.
- **Although CPC has taken measures to improve efficiency and cost effectiveness of its refinery operations, obsolete infrastructure continues to be a bottleneck.** Subsequent to the imposition of sanctions against Iran

by the US, there was a significant financial impact on refinery operations. However, with the identification of suitable substitute crude oil types, refinery margins have improved to some extent. As a result, the total processed crude oil volume increased during the first half of 2014 by 5.1 per cent compared to the corresponding period of 2013. However, refinery operations were adversely affected by the recent damage to underwater pipelines due to rough weather. Considering the obsolete nature of the refinery infrastructure and its possible negative financial and economic impact, there is an urgent need to expedite and prioritise the Sapugaskanda Oil Refinery Expansion and Modernisation (SOREM) Project. Expediting the SOREM project will not only increase the output of high quality and more profitable products from different types of crude oil but will also facilitate bunkering activities in the ports and aviation sectors while supporting significant foreign exchange savings in the future.

Oil Exploration

- **Oil exploration efforts progressed during the first half of 2014.** Exploration in the Mannar basin to date has resulted in gas and condensate discoveries of commercial potential in two out of four wells drilled by Cairn Lanka. Cairn Lanka has expressed their commercial interest and has submitted a conditional integrated appraisal plan for the two discovery wells, Dorado and Barracuda. Accordingly, the challenge has been to identify potential local off-takers for natural gas in order to build a domestic market for the discovered technically recoverable volumes. Several discussions and field visits have taken place in collaboration with many stakeholders on the monetisation of the discoveries. Following a

series of technical and commercial discussions, the Petroleum Resources Development Secretariat (PRDS) formally communicated to the Petroleum Resources Development Committee (PRDC) its recommendations with regard to the induction of the two gas and condensate discoveries into Sri Lanka's energy mix. Meanwhile, Sri Lanka's second international offshore exploration licensing round was closed on 29 November 2013 and one bid each for three blocks have been received. Cairn India has bid for a block in the Mannar basin, while Singapore-based Bonavista Energy Corp has bid for two blocks in the Cauvery basin. The PRDS expects to make recommendations to award exploration and joint study blocks by late 2014. With the possibility of multiple blocks operated by diverse oil companies, a sharp growth is expected in logistics and support services to cater to this newly created demand.

Road Transportation

Road Development

- Sri Lanka has prioritised the development of road infrastructure to facilitate the growth momentum of the economy.** Construction of highways and expressways as articulated in the Public Investment Strategy 2014-2016 developed by the Department of National Planning was actively pursued by the government. This is expected to contribute to the improvement of urban-rural linkages, the expansion of economic opportunities and regionally balanced growth that will lead to reduction in poverty. In 2014, Rs. 11.9 billion has been allocated to Road Development Authority (RDA) for carrying out road related development activities including rural road development through the 'Maga Neguma' programme. Total expenditure on the maintenance of the national road network (including bridges) during the first half of 2014 stood at Rs. 4.2 billion.
- Road construction activities to achieve the government's aim to transform the entire road network of the country into all-weather roads with full rural accessibility by 2016 progressed satisfactorily during the first half of 2014.** Phase II of the Southern Transport Development Project, from Pinnaduwa to Godagama, was opened in March 2014, and the extension of the Southern Expressway from Matara to Hambantota connecting the Mattala International Airport will commence in 2015. The Colombo-Katunayake Expressway was opened in October 2013. This expressway is to be connected with the Outer Circular Highway (OCH) at the Kerawalapitiya interchange. OCH is a ring road around the city of Colombo linking all major roads radiating from Colombo. Phase I of OCH which comprises construction of the highway section from Kottawa to Kaduwela, was completed and opened for traffic in March 2014. The construction of Phase II of OCH from Kaduwela to Kadawatha is under progress and 68 per cent of the civil construction work has been completed. Land acquisition in relation to Phase III of OCH from Kadawatha to Kerawalapitiya was in progress. In relation to the proposed construction of Colombo – North / East highway and Kandy – Badulla highways, feasibility studies are underway and documentation for environmental approval has been forwarded.
- Numerous road construction and rehabilitation projects are underway across the country with special emphasis on improving road connectivity in the previously conflict affected regions.** The National Highway Sector Project (NHSP), along with several road construction and rehabilitation projects have continued with local funds and through bilateral funding, such as the Rehabilitation and Improvement of Priority Roads Project I, Construction of the Southern Extension of Baseline Road - Phase III and

Improvement of Hatton - Nuwara Eliya Road project during the first half of 2014. In addition, several projects such as the Conflict Affected Region Emergency Project (CAREP), Northern Road Connectivity Project (NRCP), NRCP – additional financing project and Pro-poor Eastern Infrastructure Development Project were continued with development of roads and bridges in the Northern and Eastern provinces.

Road Passenger Transportation

- **The performance of the Public passenger transportation sector improved marginally during the first half of 2014.** The total operated kilometerage of the Sri Lanka Transport Board (SLTB) increased by 2.8 per cent while total passenger kilometerage increased by 2.2 per cent during the first half of 2014. The total number of buses owned by the SLTB declined by 796 to 7,022 due to a series of auctions carried out during the first six months to sell the buses that are unserviceable. However, the operated average number of buses per day improved by 71 to 4,393. The number of buses owned and the average bus fleet operated by private operators declined to 19,994 and 17,142, respectively, during first half of 2014, from 20,631 and 17,699, respectively, during the first half of 2013. The operated kilometerage of private buses increased by 13.1 per cent while passenger kilometerage declined marginally by 0.5 per cent, during the period under review.
- Several projects were continued with the view to improving the quality of public transportation services during the first half of 2014. The 'Gami Seriya' and 'Nisi Seriya' services were continued to facilitate the provision of transport facilities on uneconomic routes in rural areas and to facilitate night time passenger services. Under the 'Sisu Seriya' project, 1,459 buses were deployed to provide children with a safe mode of transport to schools. The

'Sisu Seriya' bus service was further improved with the introduction of electronic tickets to 84 schools in the Western Province in addition to schools in the Kataragama area. These programmes were executed by SLTB, in conjunction with private sector buses operated through the National Transport Commission (NTC). The subsidy granted to SLTB and NTC on account of operations on uneconomic routes and subsidised season tickets amounted to Rs. 3.2 billion during the first half of 2014. Steps have been taken to establish a SLTB luxury service utilising 68 new buses that were imported for the Commonwealth Heads of Government Meeting in 2013. The NTC has embarked on a project to promote the usage of bicycles by school children as a safe, reliable, and low cost transport option in light of the inadequacy of public transportation services in rural areas. Under this programme, 2,764 bicycles were distributed during the first half of 2014.

- **The registration of new motor vehicles recorded a moderate growth during the first eight months of 2014 compared to the corresponding period of 2013.** During this period, the total number of vehicles registered increased by 5.7 per cent to 228,977. The registration of motor cars and motorcycles increased by 12.5 per cent and 24.2 per cent, respectively, while the registration of three wheelers declined by 14.1 per cent.

Rail Transportation

- **Railway transportation grew during the first half of 2014, in terms of both passenger and goods transportation.** During this period, the passenger kilometerage increased by 8.8 per cent while the goods kilometerage increased by 1.9 per cent. The length of the railway system in Sri Lanka is 1,459 km by end June 2014.

- **During the first half of 2014, Sri Lanka Railways (SLR) improved infrastructure facilities in rolling stock of the rail network whilst improving signalling and telecommunications.** The reconstruction of the Northern railway line continued with a view to commencing operations on the Northern and Thalaimannar lines. Reconstruction of the railway line from Madhu to Thalaimannar and from Pallai to Kankesanthurai progressed during the first half of the year with a physical progress of 83 per cent and 68 per cent, respectively. Further, the installation of a new railway signalling system for the Northern railway line also continued with a physical progress of 75 per cent by end June 2014. The construction of stations along the Northern line continued with the restoration of stations in Jaffna, Kodikamam and Elephant Pass. The implementation plan of the double tracking of the Kalutara South – Payagala South section and Seeduwa – Chilaw section are currently being completed. In addition, the railway line from Matara to Beliatta is under construction. SLR is in the process of upgrading the railway signalling system and accordingly, new signalling and telecommunication system are being installed in the Ja-Ela – Seeduwa section. A signalling system at the New Aluthgama station is under construction and the installation of a colour light system on the Kelani-Valley line is underway.

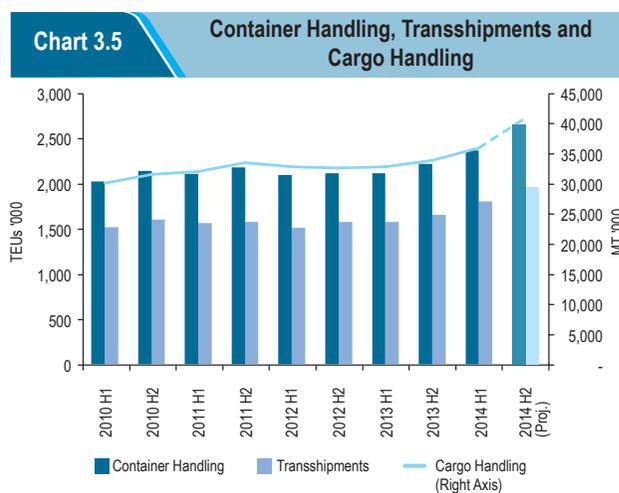
Civil Aviation

- **The civil aviation sector showed significant improvement during the first half of 2014.** An increase in tourist arrivals during the first six months of 2014 reflected the rise in air passenger transportation. The total number of aircrafts handled at the Bandaranaike International Airport (BIA) increased by 6.6 per cent to 26,188 aircrafts during the first half of 2014 compared to the corresponding period of the previous year. Passenger traffic including transit passengers increased by 6.0 per cent to 3.8 million passengers during the first half of 2014. Total volume of cargo moved through the BIA increased by 3.4 per cent to 98,137 MT. During the first half of 2014 Mattala Rajapaksa International Airport (MRIA) handled 212 aircrafts while airport was used by 14,382 passengers including 1,910 transit passengers. The total cargo handled at MRJA during first half of 2014 was 56.5 MT.
- **The national carrier, SriLankan Airlines (SLA), is in the process of procuring a new fuel efficient fleet that is expected to improve the financial performance of the enterprise.** Accordingly, SLA acquired one A321-200 aircraft during the first six months of 2014, expanding the total fleet to 21 aircrafts. The receipt of the new fuel efficient airbuses will commence in October 2014 and thirteen aircrafts from the existing fleet will be replaced by six new A330-300 and seven new A350-900 airbuses over a seven year period. As most of the SLA flights currently being operated are less fuel efficient, these new aircrafts are expected to reduce the fuel cost significantly while providing passengers with enhanced comfort. In May 2014, SLA became the first carrier from the Indian subcontinent to acquire full membership of ‘Oneworld’, the world’s leading airline alliance.
- **Several aviation development projects were in progress during the first half of 2014.** The agreement for design and post design consultancy services of the construction of a new terminal under phase II of the BIA expansion project was signed in March 2014 and construction is expected to be completed by 2016. This terminal will have the capacity to handle 9 million passengers per annum and upon completion, the total capacity of BIA

would be 15 million passengers per annum. The construction of an aircraft maintenance hangar and the upgrading of the aerodrome facility at MRIA are to be completed by 2016. This will facilitate maintenance, repair and overhauling of aircraft while supporting regional business activities.

Port Services

- **Port activities continued to improve during the first eight months of 2014, particularly owing to significant improvements in infrastructure.** Compared to the corresponding period of 2013, total cargo handling and container handling increased by 11.9 per cent to 49.4 million MT and by 13.1 per cent to 3.2 million TEUs, respectively. Transshipment handling also increased significantly by 15.2 per cent. The Magam Ruhunupura Mahinda Rajapaksa Port handled 94,861 units of transshipment vehicles during the first eight months of 2014 compared to 10,847 units during the corresponding period of the previous year.
- **As Sri Lanka strives to emerge as a maritime hub, the Sri Lanka Ports Authority (SLPA) continued to focus on the proactive implementation of measures to improve the productivity and competitiveness of the ports sector.** During the first six months of 2014, budgetary allocations have been made to add 45 yard tractors to improve productivity of gantry cranes. The yard rehabilitation project was also in progress to ensure smooth traffic flow



in yard operations. Incentive payment schemes have also been replaced with productivity based incentive schemes to improve productivity levels.

- **The construction of new port projects witnessed rapid progress during the first half of 2014.** Subsequent to the opening of the Colombo South Container Terminal, the construction of the East Container Terminal is now underway. As per the Master Plan of the Colombo Port Expansion Project, the East Container Terminal is to have a quay length of 1,200 metres comprising 3 container berths with a water depth of 18 metres. In the first phase of the East Container Terminal development, a berth is to be constructed to cater to the shortfall in the container handling capacity of the Colombo Port. 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 and pre-commission testing of the bunkering facilities and tank farm project was completed. The project comprises fourteen tanks with a total capacity of 80,000 cubic metres for storing or blending of marine fuel, aviation fuel and LPG. As at 15 July 2014, 2,500 MTs of fuel have been supplied to ships sailing on the international shipping routes. A yacht marina is to be developed at the Galle Port to attract yachts and to develop tourism

Table 3.2 Performance of Port Services

Item	2013 Jan.-Aug.	2014 Jan.-Aug.	% Change
Ship Arrivals at Ports of Sri Lanka	2,637	2,786	5.7
Total Cargo Handling (MT '000)	44,109	49,375	11.9
Total Container Handling (TEUs '000)	2,864	3,240	13.1
Transshipments (TEUs '000)	2,131	2,454	15.2

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

activities in the region. The construction of the yacht repair workshop building and land acquisition for the yacht marina project have been completed. Proposals were called for business ventures at the proposed Trincomalee Port City are being evaluated to develop ship repairing facilities, shipyard facilities, and oceanic farming of tin fish.

- **The Port City that is to be developed adjacent to the Port of Colombo will facilitate Colombo's transformation into a World Class City.** The proposed Port city is expected to emerge as a unique urban centre hosting numerous luxury hotels, apartment complexes, shopping malls, modern office spaces and several leisure and recreational activities. It will also serve as a regional business hub capable of attracting several international developers and investors. Phase I of the project includes the construction of the wave protection breakwater, reclamation of 233 hectares of land, ground improvement and infrastructure development. The construction of office buildings, hotels, commercial buildings, shopping complexes, convention centre, residential apartments and development of other facilities required for the commercial operation of the port city is expected under Phase II. The project would provide a fresh impetus to the growth and development strategy of the country and is expected to attract significant foreign direct investment.

Developments in Social Infrastructure

Health

- **During the first half of 2014, the government initiated and implemented numerous programmes to ensure the provision of high quality, easily accessible and cost-effective healthcare services.** The provision of free healthcare over the past several decades has

helped Sri Lanka to remain ahead of its regional peers in health indicators. However, going forward, the country faces numerous challenges such as the ongoing demographic and epidemiological transition, resource constraints, and the pressing need to improve the quality of service provisioning. The implementation of numerous projects as outlined in the Health Master Plan is expected, to ensure the delivery of improved health services, improve the management of human resources in the health sector, improve financing, resource allocation and utilisation, and strengthen management functions of the health system.

- **Measures to curb the spread of communicable and Non-Communicable Diseases (NCDs) and to address nutritional problems among mothers and children continued to be key priorities in the health sector.** During the first six months of 2014, the National Immunisation Programme had achieved 100 per cent coverage relevant to all childhood vaccinations. In order to curb the spread of dengue several proactive measures such as regular epidemiological surveillance, clinical management seminars, emergency dengue control programmes, were implemented. The Anti-Malaria campaign was continued during the year with the target of eradicating the disease from Sri Lanka by end 2014. It is commendable that there had been no malaria related deaths since 2007 and no indigenous malaria cases for over 20 months since October 2012. During the first half of 2014, the Health Education Bureau (HEB) conducted several health exhibitions, national campaign days and community based programmes to provide guidance and create public awareness. Considering the socioeconomic implications of the rising prevalence of NCDs, 668 Healthy Lifestyle Centres have

been established island-wide providing services such as blood sugar tests, BMI calculation, cholesterol and blood pressure checks. Maternal and child nutrition issues are also being addressed through the continuation of numerous supplementary feeding programmes such as “Thripasha” and other programmes which provide Vitamin A, Folic Acid, and multiple micronutrients to pregnant women, lactating mothers and school children.

- **Measures have been taken consistently to improve the human resource and physical infrastructure base of the health sector.** The construction of an out-patients department and clinical complex at the Castle Street Hospital for Women; Neurology, Nephrology and Orthopaedic wards and a Cardio Thoracic unit at the Lady Ridgeway Hospital; state-of-the-art cancer ward complex at the National Institute of Cancer, Maharagama; Millennium Ward Complex at the Teaching Hospital Kalubowila, are some of the projects in progress. During the first half of 2014, basic training was provided to 4,458 medical staff in various staff categories while 4,975 staff members were provided with in-service training and 1,637 staff members were provided with post-basic and on-the-job training. There were 601 government hospitals with 76,918 beds in the country, which amounts to 3.7 beds for 1,000 persons by the end of June 2014. There were 17,903 qualified doctors in the health sector, a doctor for every 1,156 persons and 31,527 qualified nurses, a nurse for every 656 persons by end June 2014.
- **The private sector continued to play a vital role in healthcare service delivery, helping to reduce the burden on the public health sector and supporting the emergence of health tourism.** Demand for private health care has increased over the period with the rising income levels of the public. As at end

June 2014, there were 210 registered private hospitals and nursing homes while there were 717 registered medical laboratories, 398 registered medical centres, 490 full time medical clinics and 1,320 part time medical clinics operational in Sri Lanka. Registration and renewal of private medical institutions continued while the standards and guidelines outlining minimum requirements for private hospitals were finalised in 2014.

Education

- **The themes of the Education Sector Development Framework Programme (ESDFP) 2014-2018, are increasing equitable access to primary and secondary education, improving the quality of primary and secondary education and strengthening governance and service delivery in education.** In addition, based on the proposals of the National Education Commission (NEC), a report on “New Education Policies and Proposals for General Education in Sri Lanka” was prepared by a special Parliamentary Committee in consultation with specialists in the field of education and other interested parties to formulate a comprehensive education policy taking into consideration National Human Resources and Employment Policy (NHREP). The Cabinet of Ministers has also appointed a Ministerial Committee to provide guidance in finalising this comprehensive policy. In addition, extensive consultations are being carried out with the aim of rationalising the existing school curriculum and implementing the same by 2015. Accordingly, the preparation of appropriate Teachers’ Instructional Manuals (TIMs) has been prioritised. With the introduction of Technology stream for the Advanced Level curriculum, special attention has been paid on the preparation of the syllabi, TIMs, other curricular material and on conducting capacity development programmes in relation to the new stream. The technology stream is

being offered by 251 schools islandwide and 14,063 students are currently studying in this newly introduced stream under the guidance of 538 newly recruited teachers. Several foreign aided projects such as “Transforming the School Education System as the Foundation of a Knowledge Hub” project, “Education Sector Development Programme” and “Education for Knowledge Society” project, “Education for Social Cohesion” project progressed during the first half of 2014.

- **The government continued its flagship programme of establishing 1,000 secondary schools, supported by 5,000 primary feeder schools in order to ensure equitable access to primary education and to improve the quality of both primary and secondary education.** The development of education infrastructure within the first half of 2014 comprised three main projects of “Construction of Mahindodaya Technological Laboratories”, “Construction of Mahindodaya Technology Faculty Buildings” and “Construction and Repair work of National Schools, National Colleges of education and Teacher Colleges”. Under the Transforming the School Education Project (TSEP), the construction of 746 Mahindodaya Technological Laboratories have been completed as at end June 2014 and another 254 laboratories are pending completion under the 1,000 secondary schools programme. The construction of the three storied Mahindodaya Technological Faculty buildings commenced in June 2014, and is planned to be established in 250 schools, which offer Technology stream at the Advanced Level.
- **The Ministry of Higher Education has embarked on transforming the higher education system towards a policy direction that will facilitate the establishment of both state and private sector universities through quality-driven competition.** During the first half of 2014, approval was

granted to the SANASA Campus Ltd., to award bachelor’s degrees in Banking and Finance, Insurance and Risk Management and Regional Science and Planning, increasing the number of total institutions with authority to confer degrees to thirteen. Applications from seven other institutions seeking degree awarding status are under institutional review. The Non State Higher Education Sector division in the Ministry of Higher Education, in keeping with the directive recommendations of the Standing Committee on Accreditation and Quality Assurance (SCAQA) has taken numerous steps to establish a database to launch a comprehensive mechanism to monitor the performance of degree awarding institutions. Meanwhile, university admissions continued to be monitored by the University Grants Commission (UGC) and approval was granted for 11 external degree programmes, 3 new undergraduate degree programmes and 7 new postgraduate degree programmes during the first half of 2014. In addition, the UGC has approved the establishment of 7 new departments, faculties and units based on recommendations of the standing committee.

- **The Technical Vocational Education and Training (TVET) sector has been identified as means of bridging the gap between the competencies of the labour force and the needs of the labour market.** The skills mismatch has become increasingly evident in recent times with the rapid expansion of economic activities. Female participation in vocational education continued to remain low in comparison to their male counterparts. In order to address these problems, the government has taken several initiatives. Introduction of a Technology stream at the Advanced Level and the provision of the National Vocational Qualification (NVQ) certificates at level 2 and 3 for successful school students are notable

government initiatives to improve vocational education. The government remained committed to improve the quality and relevance of the TVET sector and thereby ensuring its ability to fulfil the needs of the labour market. As at end June 2014, 1,949 accredited courses were being taught through 1,247 institutes. During the period under consideration, another 5 training courses have received accreditation in collaboration with the Foreign Employment Bureau. The legislation relevant to the Tertiary and Vocational Education Commission (TVEC) was being amended during the first half of 2014, to make it compulsory for all TVET institutions to register with the TVEC.

Housing

- **Initiatives to improve the quality and availability of housing were strengthened further in 2014.** In line with the vision to ensure “House ownership for all” by 2020, the ‘National Housing Policy’ was unveiled by the Ministry of Construction, Engineering Services, Housing and Common Amenities in October 2014. The broad objective of the policy is to ensure the right to live in adequate, stable, qualitative, affordable, sustainable, environmentally friendly and secure houses with services for creating a high living standard for the people.
- **Two key projects that target improving housing facilities are the Urban Regeneration Project (URP) spearheaded by the Urban Development Authority (UDA) and the Janasevana National Housing and Settlement Development Operation under the Ministry of Construction, Engineering Services, Housing and Common Amenities.** These projects aim to raise the living standard of city dwellers through added facilities such as proper access roads with paving, proper toilet facilities,

elevator services and sports arenas. The URP is being implemented to relocate the families living in congested and unhygienic conditions at new housing schemes of internationally accepted standards. Under this programme, housing blocks at Estate 54, Estate 66, Mayura Place, Cyril C. Perera Mawatha and 31 Watte in the heart of the Colombo city with 1,670 housing units have already been completed and families have been relocated. Several other relocation projects such as Salamulla, Henamulla, and Edirisinghewatta etc. are in progress. Under the Janasevana operation, several construction programmes including “Sahasra Lanka” Urban Settlement Programme, “Upahara”, “Sarana”, “Shrama Shakthi” and “Nagamu Purawara” have been implemented with the aim of building one million housing units within a modern human settlement system. These urban housing projects are expected to release valuable property for appropriate commercial use through the relocation of families to better housing units.

- **In addition to the government led projects, some of the world’s largest international investors have ventured into large scale housing projects in Sri Lanka.** Several incentives have been provided to facilitate such projects, and some of these projects are expected to operate as public-private partnerships (PPPs). It is expected that these projects would accommodate the demand for upmarket housing from both local and foreign clientele.

Safety Nets and Poverty Alleviation

- **The government’s poverty reduction programme is aimed at supporting equitable and sustainable pro-poor growth while addressing regional disparities.** Although the progress made by the government in its poverty

alleviation agenda is notable, the government remains committed to the emergence of Sri Lanka as a poverty-free middle income economy by 2016. According to the most recent Household Income and Expenditure Survey (HIES) (2012/13), the Poverty Head Count ratio (percentage of population below the poverty line) has fallen to 6.7 per cent from 8.9 per cent recorded in the HIES 2009/10. This is a combined outcome of a significant reduction in poverty in the urban, rural and estate sectors. According to the HIES 2012/13, the Gini coefficient of household income had improved to 0.48 from 0.49 in 2009/10. Although the country has already attained the Millennium Development Goals (MDG) target of halving poverty by 2015, there are disparities across districts and sectors. As such, targeted intervention is required in the Northern, Eastern and Uva provinces as HIES 2012/13 indicates a comparative high level of poverty level in these provinces.

- The establishment of the Department of Divineguma Development (DDD) in January 2014 is an important event in the poverty eradication mechanism of the country. During the first half of 2014, the DDD was granted an allocation of Rs. 3.1 billion to execute its Livelihood Development Programme and other support programmes that had been

Chart 3.6 Poverty Head Count Ratio (Per cent)

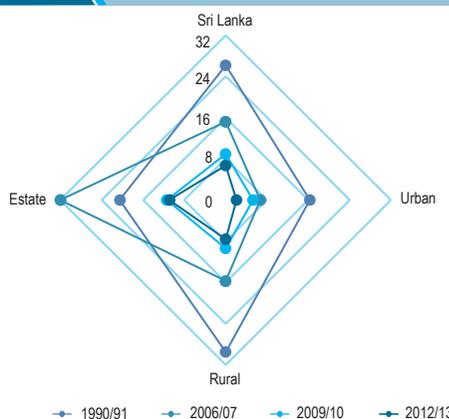
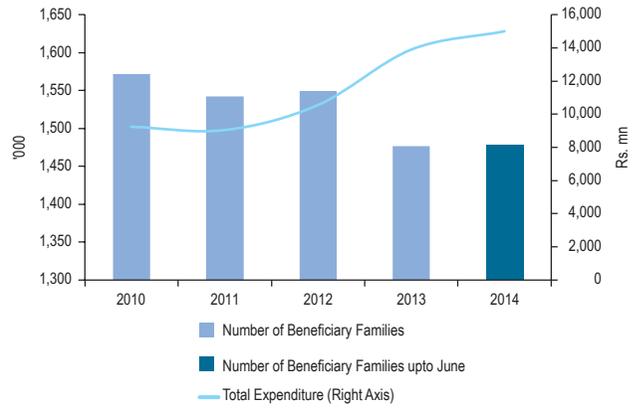


Chart 3.7 Performance of the Divineguma Subsidy Programme



previously conducted by the Department of Samurdhi Commissioner General, Sri Lanka Samurdhi Authority, Department of Upcountry Peasantry Rehabilitation, Sri Lanka Udarata Development Authority and Sri Lanka Southern Development Authority. The Divineguma Subsidy Programme was implemented during the first half of 2014 with the aim of providing financial assistance to low income families to enable them to maintain a minimal sustainable standard of living, while encouraging them to uplift their income level by creating opportunities to integrate with mainstream economic activity. The Divineguma Social Security Programme was launched to prevent poor families from falling into the lowest depths of poverty due to the occurrence of unexpected incidents. Accordingly, 80,121 families benefited from the programme in the first half of 2014. The Nutritional Allowance Programme was conducted with the objective of enhancing the nutritional level of pregnant women and lactating mothers of low income families. In addition, a new 'Poshana Malla' programme was conducted in the Moneragala and Kegalle districts. The "SIPDORA" scholarship programme was also under operation to help students in the GCE Advanced Level grade to continue studies unhindered, thus enabling to overcome poverty-related constraints.