

ECONOMIC AND SOCIAL INFRASTRUCTURE

3.1 Overview

Provisioning of economic and social infrastructure services met with unprecedented challenges during 2022 amidst the deepened balance of payments (BoP) and sovereign debt crises that led to power and energy and humanitarian crises, inflicting significant socio-economic costs. Some improvements could be witnessed towards the latter part of 2022 in the provisioning of economic services with the implementation of both supply and demand management strategies, including the introduction of cost reflective pricing in several state-owned business enterprises, among others. However, heightened vulnerabilities in the provisioning of economic and social infrastructure services to economic headwinds underscored the need for expeditious implementation of long overdue structural reforms in the public sector. Significant power outages and fuel shortages, particularly during mid-2022, caused unprecedented disruptions to socio-economic activities, resulting in a major setback to overall economic activity during 2022. However, the severity of the energy crisis subsided in the second half of the year amidst increased contribution of hydropower generation, and measures introduced to address supply and demand imbalances, including the introduction of a QR code system for fuel supply, securing of foreign financial assistance to import cooking gas, rolling out cost reflective revisions to prices of fuel products and electricity after long overdue price adjustments. Accordingly, domestic retail prices of petroleum products were revised in multiple rounds in 2022, based on a pricing formula from May 2022 reflecting the movements of global energy prices, among others. Electricity tariffs were revised upward in August 2022 over eight years of hiatus, followed by another revision in February 2023, pursuant to the establishment of a semi annual tariff revision mechanism from 2023 onwards. Water tariffs were also adjusted upward in September 2022. These price revisions, along with the significant increase in overall price levels during 2022, caused significant distress to economically vulnerable households, thereby worsening poverty levels.

The budgetary space for the Government to accommodate investment expenditure on infrastructure facilities remained severely constrained during 2022. Disruptions to imported raw material availability amidst the BoP pressures affected construction activity related to the infrastructure development. The country made commendable progress in containing the COVID-19 pandemic. However, the healthcare sector was affected

by the shortage of pharmaceuticals and other medical supplies amidst procurement delays, while foreign financial assistance helped lower the severity of shortages in medical supplies to some extent. Education activities were revived in the second half of 2022 as disruptions due to energy crisis and COVID-19 on the education system were largely abated. However, the impact of the learning losses caused by intermittent disruptions to academic activities during the past few years continued to persist, while the inequalities in educational outcomes among the children from underprivileged backgrounds widened, underlining the need for concerted efforts to address anomalies in the education system. Progress in eradicating poverty was hampered due to a rising share of the population becoming increasingly vulnerable to economic disruptions and the slowdown in economic activity. Considering the widespread consequences of economic crisis on living conditions of marginalised segments of the population, several initiatives were underway to provide relief under the social safety net programmes, while measures were taken to improve efficiency and streamline the targeting of beneficiaries for such schemes. The stark socio-economic consequences of the worst economic crisis in the post independence Sri Lanka underscore the need for concerted efforts to resolve vulnerabilities in the economy in a sustainable and equitable manner to improve resilience through the enrichment of both physical and human capital over the medium term.

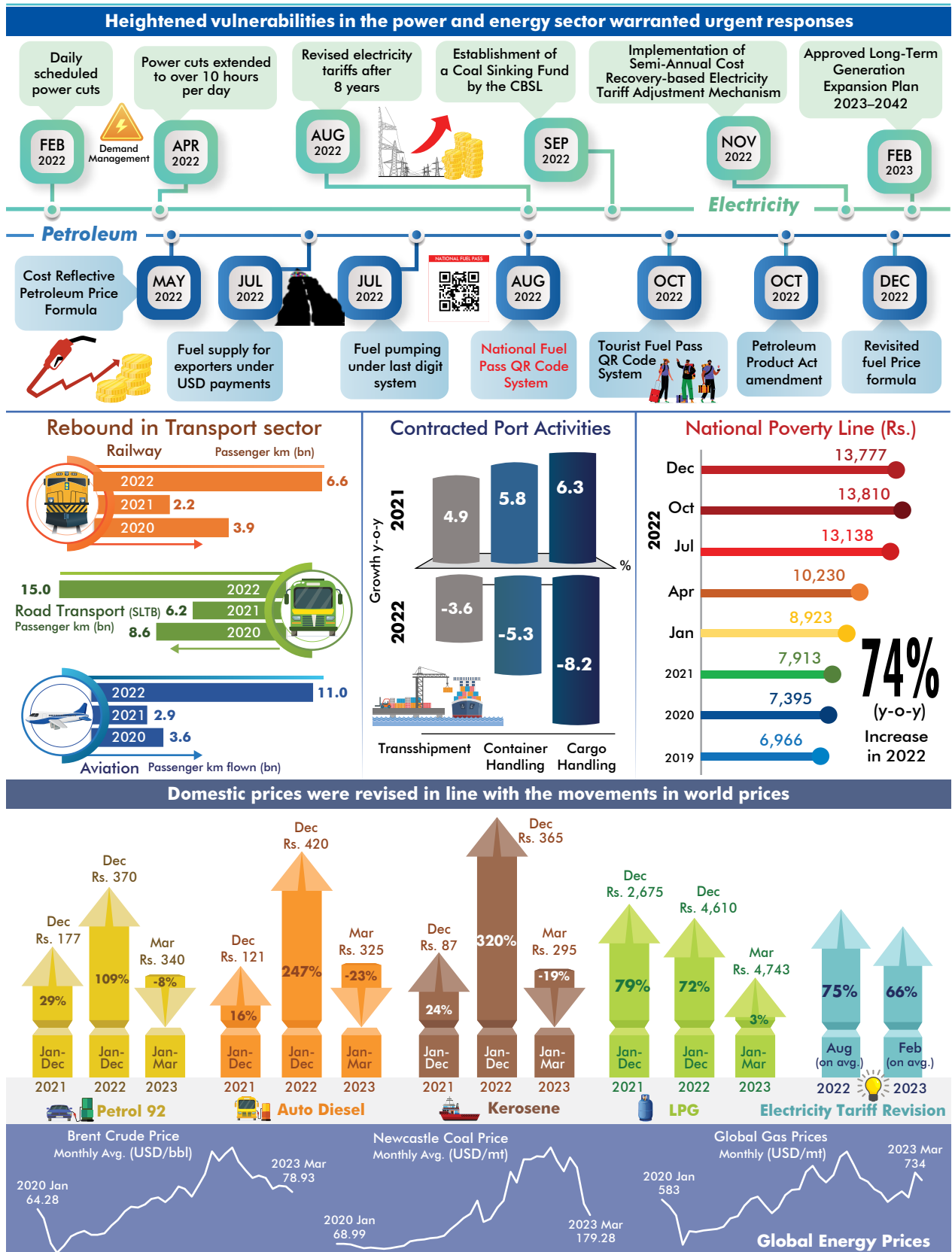
3.2 Economic Infrastructure Policies, Institutional Framework and Performance

Petroleum

The Government faced formidable constraints in meeting the domestic demand for fuel amidst an unprecedented shortage of foreign exchange liquidity in the country in 2022. During the year, fuel procurement procedure of the Ceylon Petroleum Corporation (CPC) was severely challenged by its worsened financial position together with the sparse liquidity in the domestic foreign exchange market, thereby resulting in a fuel crisis in the country which led to severe social unrest. Inconsistency in fuel distribution and uncertainty in availability of fuel prompted excessive hoarding of stocks by the people and led to longer queues for fuel pumping. Considering the essentiality of fuel imports to ensure the continuity of economic activity, the Central Bank constantly facilitated timely procurement of fuel by providing the required foreign exchange liquidity to CPC.

Further, the Government secured a short term credit line facility of US dollars 500 million from the Import Export Bank India for financing the purchase of petroleum products during the year, while utilising US dollars 200 million out of the credit facility amounting to US dollars 1,000 million obtained from the State Bank of India for the same amidst the worst economic crisis in the country. Meanwhile, in May 2022, the Cabinet of Ministers approved the implementation of a new pricing formula for petroleum products, and accordingly a committee was appointed to devise an appropriate cost reflective pricing formula. The pricing formula adopted from May 2022 was revoked subsequently in December 2022, as the Government decided to implement the pricing formula adopted in 2018 and to revise domestic petroleum prices on monthly basis. Meanwhile, the Ministry of Power and Energy granted the approval for several bunker license holders to supply selected fuel products for a specific period through the oil bank at Jaya Container Terminal to exporters, power generation companies, tourism service providers, licensed telecommunication service providers, and other

Figure 3.1
Performance of the Economic and Social Infrastructure

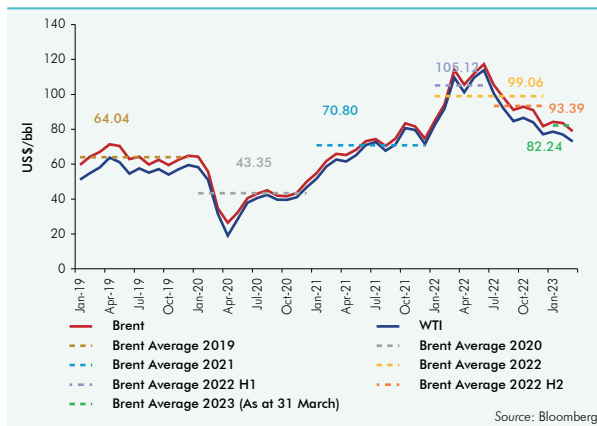


industries against the receipt of payment in US dollars. In early July 2022, CPC commenced registration of priority consumers engaged in the export sector with business registration in Sri Lanka to purchase fuel by paying in US dollars, subject to a guaranteed quota for fuel. To ensure uninterrupted supply of fuel for the transport sector, CPC introduced a system, wherein fuel was dispensed through its own filling stations according to a system based on the last digit of the vehicle number plate from late July 2022 onwards, before implementing the QR code system for fuel distribution. Under the National Fuel Pass QR code system, which was effective from 01 August 2022, weekly quotas were given for prescribed vehicle categories, thereby economising the limited availability of fuel and distributing island-wide under severe constraints. Further, several measures were implemented to ensure supply of fuel for Industries, Agriculture sector, and Fisheries sector during the year. The Tourist Fuel Pass prepaid card system was implemented at the beginning of October 2022, enabling tourists to use a US dollar denominated prepaid card to purchase fuel at stations across the island with a view to facilitating the recovery of the tourism industry, following the COVID-19 pandemic. Meanwhile, CPC implemented the storage module concept for importation of crude and refined products during the latter part of 2022, enabling unloading of fuel cargos without delays over fragmented payments for the quantity drawn from the storage terminals of CPC and Ceylon Petroleum Storage Terminals Limited (CPSTL). This arrangement facilitated continuous fuel supply, albeit with limitations, and helped minimise cash flow deficiencies of CPC to a greater extent.

Global crude oil prices remained elevated in 2022, primarily driven by the geopolitical tensions in Eastern Europe and the resultant

tightened global oil supply conditions, despite the downward pressures observed towards the second half of the year, following the growing concerns over the global economic slowdown. Crude oil prices were on a rising trend during the first half of 2022 with daily prices (Brent) briefly reaching US dollars 140 per barrel in March 2022 for the first time since July 2008, mainly due to the sanctions imposed on Russia by Western countries, one of the leading exporters of petroleum products in the world. However, from the beginning of the second half of 2022, prices were on a declining trend on account of the slowing global growth along with the aggressive monetary policy tightening measures adopted by the major central banks around the world that were expected to dampen global energy demand, continued COVID-19 restrictions in China, and substantial release of crude oil from strategic reserves of the United States. Brief episodes of upward pressures were observed during the latter part of the second half of 2022 with the announcement of production cut by the Organisation of the Petroleum Exporting Countries (OPEC) and its allies in October 2022, imposition of a price cap on Russian crude oil by the G7 countries, along with the European Union ban on Russian crude imports in December 2022, and signals on demand recovery in China. The average crude oil price (Brent) increased by 39.9 per cent to US dollars 99.06 per barrel in 2022, compared to the average price of US dollars 70.80 per barrel recorded in the previous year. The West Texas Intermediate (WTI) price was also on a rising trend and recorded an average of US dollars 94.41 per barrel in 2022, compared to US dollars 67.94 per barrel recorded in 2021. Nevertheless, global crude oil prices showed a slight moderation in the first quarter of 2023. The average global prices of major refined petroleum products, including petrol 92 octane, petrol 95 octane, auto diesel, super diesel, and kerosene, increased within the range of

Figure 3.2
Trends in Global Crude Oil Prices



40 to 75 per cent, year-on-year, in 2022. In line with rising trends in global crude oil prices, the average price of crude oil imported by the CPC increased by 45.4 per cent to US dollars 100.11 per barrel in 2022, compared to the average of US dollars 68.86 per barrel recorded in 2021.

As part of the demand management strategy, while addressing financial losses of CPC, multiple rounds of price revisions of major petroleum products were undertaken by CPC from March 2022, in collaboration with the Ministry of Power and Energy. Accordingly, domestic prices of key petroleum products sold by CPC were revised upward in March, April, May, June, and November of 2022, and in February 2023

in keeping with the escalation of global prices of petroleum products. Petroleum prices were revised downward on several occasions, in July, August, October and December of 2022, and in January and March 2023, following the price declines in global markets. Further, the retail price of kerosene was notably adjusted upward by CPC towards the end of August 2022, to curb the substantial losses incurred by CPC in selling kerosene at a significantly subsidised rate. Following the price revisions of CPC, Lanka IOC PLC (LIOC) revised domestic prices of petroleum products upward in eleven rounds and downward in eight rounds to align its prices with those of CPC. Meanwhile, the Government imposed an Excise Duty of Rs. 25.00 per litre on imports of key refined petroleum products with effect from 01 January 2023 to meet the debt servicing obligations of the foreign currency debt stock of CPC, which was transferred to the Government debt stock in December 2022. Accordingly, the Excise (Special Provisions) Duty on octane 92 and octane 95 petrol increased to Rs. 52.00 per litre, while the duty applicable for super diesel and auto diesel increased to Rs. 38.00 and Rs. 31.00 per litre, respectively, with effect from 01 January 2023, thereby raising the prices of domestic petroleum products.

Figure 3.3
Revisions to Domestic Prices of Petroleum Products of CPC

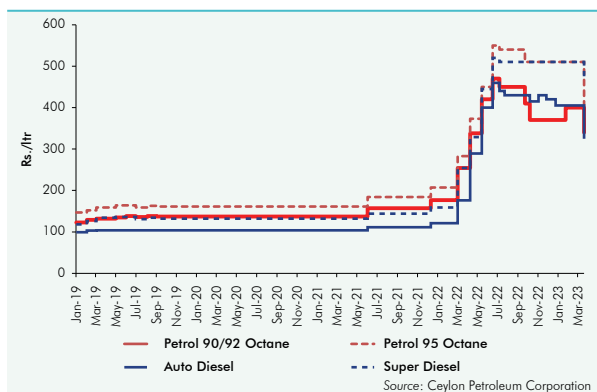
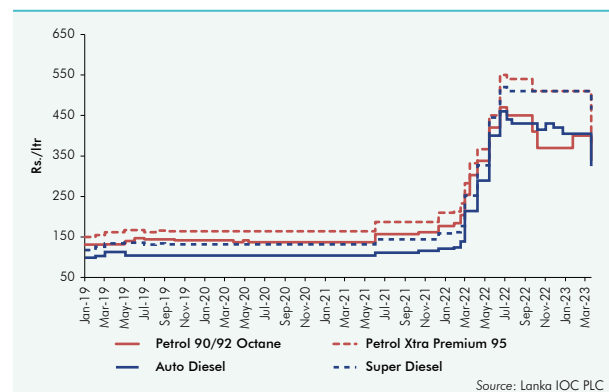


Figure 3.4
Revisions to Domestic Prices of Petroleum Products of Lanka IOC PLC



The overall sales volume of petroleum products in the domestic market recorded a decline during 2022, due to the combined impact of lower imports amidst dearth foreign exchange liquidity, escalated prices of domestic petroleum products, fuel rationing and subdued economic activity during the year. The Government took measures to introduce demand management strategies by implementing a QR code based fuel rationing system from August 2022 onwards with a view to smoothening the supply and demand in the domestic market. In 2022, total petroleum sales registered a year-on-year contraction of 13.8 per cent with a decline in sales volumes of CPC, while sales volumes of LIOC recorded a notable growth during the period under review amidst disrupted fuel supply of CPC. The sales of CPC to the transport sector, which accounted for 73 per cent of the total sales of CPC, recorded a year-on-year contraction of 17.1 per cent, while the sales to the aviation sector recorded a year-on-year growth of 9.8 per cent, mainly reflecting the base effect due to the impact of COVID-19 in 2021. The increased reliance on hydropower generation supported by favourable reservoir levels and continuous load shedding amidst limited fuel supply owing to dearth of foreign exchange liquidity resulted in an overall

Figure 3.5
Sales of Petroleum Products

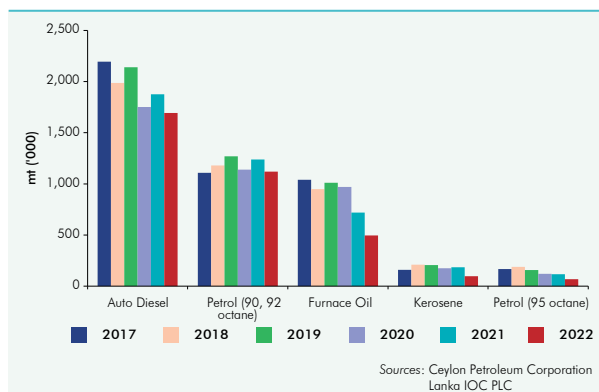


Table 3.1
Petroleum Sector Performance

Item	2021 (a)	2022 (b)	Growth Rate (%)	
			2021 (a)	2022 (b)
Quantity Imported (mt '000)				
Crude Oil	1,182	649	-29.1	-45.1
Refined Products	4,553	3,927	13.0	-13.8
Coal	2,206	1,707	-15.1	-22.6
L.P. Gas	422	290	-3.3	-31.2
Domestic L.P. Gas Production (mt '000)	17	6	-34.1	-65.8
Value of Imports (CIF)				
Crude Oil (Rs. million)	123,865	157,408	15.0	27.1
(US\$ million)	625	484	7.2	-22.6
Refined Products (Rs. million)	564,681	1,294,311	75.5	129.2
(US\$ million)	2,840	4,048	63.0	42.5
Coal (Rs. million)	55,118	99,949	37.1	81.3
(US\$ million)	278	365	27.8	31.3
L.P. Gas (Rs. million)	64,436	75,882	47.1	17.8
(US\$ million)	324	234	37.2	-27.8
Average Price of Crude Oil (CIF)				
(Rs./bbl)	13,645	32,573	62.2	138.7
(US\$/bbl)	68.86	100.11	51.1	45.4
Quantity of Petroleum Exports (mt '000)	853	641	7.0	-24.9
Value of Petroleum Exports (Rs. million)	100,975	177,194	46.7	75.5
(US\$ million)	506	568	35.6	12.2
Local Sales - Refined Products (mt '000)	4,447	3,833	-3.3	-13.8
o/w Petrol (92 Octane) (c)	1,238	1,119	8.7	-9.6
Petrol (95 Octane)	116	69	-3.5	-40.7
Auto Diesel (d)	1,875	1,693	7.1	-9.7
Super Diesel	75	78	8.2	5.0
Kerosene	185	98	5.6	-46.9
Furnace Oil	720	496	-25.8	-31.1
Avtur	224	246	18.6	9.8
Naphtha	11	32	-93.5	203.6
Local Sales - L.P. Gas (mt '000)	457	294	-3.3	-35.6
Local Price (End Period) (Rs./litre)				
Petrol (92 Octane)	177.00	370.00	29.2	109.0
Petrol (95 Octane)	207.00	510.00	28.6	146.4
Auto Diesel	121.00	420.00	16.3	247.1
Super Diesel	159.00	510.00	20.5	220.8
Kerosene	87.00	365.00	24.3	319.5
Furnace Oil				
800 Seconds	110.00	320.00	57.1	190.9
1,500 Seconds	110.00	320.00	57.1	190.9
L.P. Gas (Rs./kg)				
Litro Gas	214.00	368.80	79.2	72.3
Laugfs Gas	227.20	424.00	90.2	86.6
International Crude Oil Prices (US\$/bbl)				
Brent	70.80	99.06	63.3	39.9
WTI	67.94	94.41	70.8	39.0
Petroleum and other liquids				
World Supply (million barrels per day)	95.7	99.9	1.9	4.3
World Demand (million barrels per day)	97.1	99.4	5.6	2.4

(a) Revised
(b) Provisional
(c) Including XtraPremium Euro 3
(d) Including XtraMile Diesel

Sources: Ceylon Petroleum Corporation
Lanka IOC PLC
Lanka Marine Services (Pvt) Ltd
Litro Gas Lanka Ltd
Laugfs Gas PLC
Sri Lanka Customs
Bloomberg
U.S. Energy Information Administration

decline in fuel demand from the power generation sector during the year. Accordingly, sales of fuel for power generation recorded a contraction of 6.8 per cent, year-on-year, during the period under review.

The output from the refinery of petroleum products recorded a notable overall decline of 55.4 per cent in 2022 due to frequent closures of the Sapugaskanda refinery in the absence of regular crude oil importation due to the dearth of foreign exchange. During 2022, the Sapugaskanda refinery remained closed for almost 225 days due to unavailability of crude oil for refinery operations. Accordingly, overall crude oil throughput declined by 58.4 per cent, year-on-year while refinery output of key products, such as diesel, petrol, fuel oil, and naphtha, dropped by 65.4 per cent, 68.8 per cent, 45.7 per cent, and 71.2 per cent, respectively, during the period under review.

Financial performance of CPC worsened further in 2022, largely driven by losses due to significant depreciation of the exchange rate, despite the cost reflective price revisions, which were mostly implemented in the second half of 2022. As per the unaudited provisional financial statements, the operational loss of CPC was limited to Rs. 6.2 billion in 2022, compared to the operational loss of Rs. 41.3 billion recorded in the previous year, partially reflecting the impact of price revisions amidst notable fluctuations in global crude oil prices. The sharp nominal depreciation of the Sri Lanka Rupee against the US dollar during March-May 2022 resulted in a notable exchange rate variation loss of Rs. 527.0 billion to CPC, weighing on its financial performance recording an overall loss (before tax) of Rs. 615.1 billion in 2022, compared to the loss (before tax) of Rs. 81.8 billion recorded in 2021. However, CPC continued to record profit (before taxes) on a monthly basis, from July 2022 onwards due to the cost reflective price adjustments and gradual stabilisation in exchange rate volatilities. Meanwhile, with the Government's decision to transfer Government guaranteed foreign currency debt stock of CPC amounting to US dollars 2.5 billion to the Government balance sheet as a

measure to improve the financial viability of CPC, the outstanding foreign currency denominated loans and import bills of CPC to the banking sector reduced to US dollars 0.2 billion by end 2022 from US dollars 3.4 billion recorded at end 2021. CPC's total outstanding trade receivables from public corporations increased by Rs. 59.3 billion to Rs. 220.3 billion by end 2022 from end 2021. Of the outstanding total trade receivables of CPC, the SriLankan Airlines (SLA) and Ceylon Electricity Board (CEB) accounted for 49.3 per cent and 31.1 per cent, respectively, by end 2022, from 38.6 per cent and 51.5 per cent, respectively, reported at end 2021. The rupee value of trade receivables from SLA increased notably during 2022, with the parity adjustment to SLA's liabilities to the CPC, in line with the sharp depreciation of the exchange rate.

Several infrastructure development initiatives and legal enforcements aimed at enhancing the efficiency and performance of the petroleum industry in Sri Lanka were implemented in 2022. To smoothen the provisioning of fuel supply in the country, many deregulation strategies were implemented amidst the unprecedented fuel crisis that the country experienced with a heavy toll on economic activity. Accordingly, with the approval of Cabinet of Ministers, Expressions of Interest (EOI) were called from new fuel suppliers, including companies established in petroleum producing countries, to explore a feasible business model for importation, distribution and selling of petroleum products in the domestic market. This process was complemented by the enactment of the Petroleum Products (Special Provisions) (Amendment) Act, No. 27 of 2022 with effect from 26 October 2022. During the year, the infrastructure development initiatives of CPC were impeded primarily with financial constraints, resulting in modest progress in CPC's development

3 projects. As a part of the Bandaranaike International Airport (BIA) development project, the installation of fuel hydrant system for the new Apron E, upgrading of the CPC fuel farm facilities, and modification and retrofitting of the fuel hydrant system in existing Aprons A, B, and C were underway during the year. Meanwhile, the agreement for the development of the Trincomalee Oil Tank Farm was signed on 06 January 2022 with the participation of CPC, LIOC, and Trinco Petroleum Terminal (Pvt) Limited (TPTL). Accordingly, in 2022, TPTL undertook a range of initiatives to develop 61 tanks, which were falling within its purview. In this regard, a health assessment of 10 storage tanks and a detailed feasibility study were in progress in 2022. During the year, CPC prepared a development plan and set up a procurement process for preliminary land clearing and land surveying activities by selecting contractors to develop CPC owned 24 tanks in Trincomalee Oil Tank Farm. Meanwhile, as the regulatory body for offshore hydrocarbon exploration, development, and production work of the Government, the Petroleum Development Authority of Sri Lanka (PDASL) continued its efforts to develop the upstream petroleum industry in Sri Lanka. As stipulated in the Petroleum Resources Act, No. 21 of 2021, PDASL continued its engagement with regard to strengthening its mandate on offshore hydrocarbon exploration operations. Further, following the review of the international block demarcation processes and current industry trends, a new offshore hydrocarbon exploration block map, comprising around 900 small blocks within the three large basins covering the Mannar, Cauvery, and Lanka, was devised and gazetted in July 2022. Seismic data were analysed in multiple occasions and the feasibility of Sri Lanka's petroleum exploration was conveyed to the Government over several decades by experts in the field. Yet the same

process is repeated and promotional expenditure is incurred under successive governments. It is yet to see actual exploration of gas or oil on country's hydrocarbon deposits. Therefore, PDASL should aim to engage with an effective explorer and ensure that exploration of oil/gas begins in the near future.

The supply of LPG (Liquefied Petroleum Gas) in the country was significantly interrupted by the shortage of foreign exchange mainly during the first half of 2022, largely affecting urban and semi-urban households. However, with the receipt of financial assistance from the World Bank and the Central Bank's actions to increase foreign exchange liquidity in the banking system helped importation of LPG, restoring normalcy of LPG supply in the domestic market. In August 2022, the Cabinet of Ministers approved the adoption of a cost reflective formula to determine domestic LPG prices of which the implementation commenced since August 2022. Litro Gas Lanka Ltd. revised domestic prices upward in April, July, November and December 2022, and February 2023 and prices revised downward in August, September, and October 2022, and January 2023 on easing global price. Following suit, Laugfs Gas PLC revised domestic prices upward thrice in March and June 2022 and February 2023, with three downward revisions in August and October 2022 and January 2023. Further, the Ports and Airports Development Levy (PAL) on LP gas imports was reduced to 2.5 per cent of import cost from 7.5 per cent, with effective from 01 January 2023.

Following the overall trend in global energy prices, the average global LPG prices remained at elevated levels during 2022, despite the notable moderation observed since May 2022. The average price of LPG in the global markets (based on the Propane:Butane ratio of 30:70), which peaked to US dollars 954 per metric ton

in April 2022 due to heightened supply side risks in the global energy market, declined by around 31.9 per cent to US dollars 650 per metric ton in December 2022, reflecting the moderation in global consumption demand. However, global LPG prices remained above US dollars 700 per metric ton at the end of the first quarter of 2023.

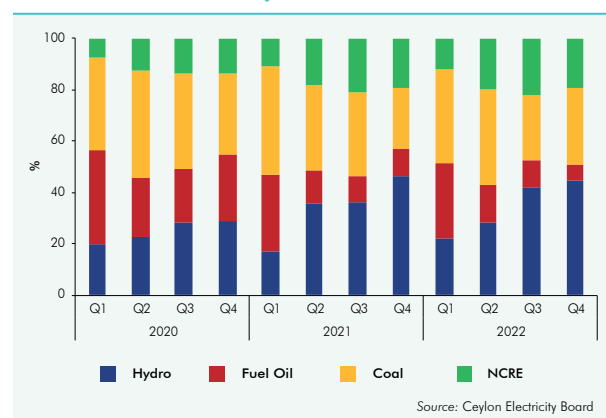
Electricity

Provision of electricity in 2022 was hampered mainly by the shortages of fuel and coal for power generation amidst the dearth of foreign exchange liquidity and the decline in reservoir levels. This warranted significant demand management measures in the power sector, causing long power outages, particularly during the months of March and April, severely affecting economic activity. Accordingly, CEB undertook daily scheduled power cuts since February 2022 as a demand management strategy amidst low reservoir water levels in early 2022. The length of power outages increased to over 10 hours per day towards early April 2022, reflecting the sharp drop in reservoir water levels due to dry weather conditions, the lack of fuel for power generation amidst the cashflow pressures of CEB to procure fuel, and delays in procuring fuel due to the foreign exchange pressures in the country. The torrential monsoon rains during May-September 2022 supported the provisioning of electricity, largely through hydropower generation, thereby curbing high reliance on thermal sources. Accordingly, the load shedding was gradually confined to one to three hours per day since May 2022 with favourable reservoir levels under conducive weather patterns, despite frequent shutdowns of several thermal plants amidst fuel shortages and intermittent closures of certain units of the Norochcholai coal power plant due to scheduled maintenance and repairs. Despite favourable reservoir levels,

vulnerabilities in provisioning of electricity increased towards the latter part of 2022 due to interruptions in the coal procurement process during the period of coal importation spanning from September 2022 to April 2023. The delays in coal shipments were caused by foreign exchange shortages, cashflow issues of CEB, and issues in the procurement procedure of coal. To mitigate the vulnerabilities in electricity provisioning, urgent actions were taken by the authorities to smoothen the procurement of coal, while the Central Bank continued to facilitate coal procurement by establishing a sinking fund to provide required foreign exchange for importation of coal since September 2022. However, purchasing of foreign exchange by the Central Bank to the coal fund was discontinued in early 2023 along with the gradual improvement in foreign exchange liquidity in the domestic market.

Total electricity generation registered a decline of 4.6 per cent in 2022, as a result of the disruptions to the coal and fuel imports needed for thermal power generation during the year. Accordingly, total power generation declined to 15,942 GWh in 2022, compared to 16,716 GWh in 2021. Total hydropower generation, fuel oil-based power generation and coal power generation decreased by 4.9 per cent to 5,364 GWh, 6.3 per cent to 2,467 GWh and 6.3 per cent to 5,174

Figure 3.6
Electricity Generation Mix



3 GWh, respectively, during the year, compared to 2021. Power generation through Non-Conventional Renewable Energy (NCRE) sources recorded a marginal growth of 0.5 per cent to 2,937 GWh during the period under review. The contribution of hydro, fuel, coal, and NCRE to total power generation stood at 33.6 per cent, 15.5 per cent, 32.5 per cent, and 18.4 per cent, respectively, reflecting the increased reliance on low cost renewable sources over the expensive thermal sources during the year. In addition, CEB accounted for about 76.7 per cent of total power generation, while the remainder was purchased from Independent Power Producers (IPPs). Meanwhile, the overall transmission and distribution loss as a proportion of total power generation were limited to 8.9 per cent in 2022, compared to 9.0 per cent in 2021. In early 2023, electricity generation was mainly based on thermal sources due to the rapid depletion of reservoir levels caused by the onset of seasonal dry spell conditions.

Total electricity sales declined by 4.6 per cent to 14,520 GWh in 2022, driven by power interruptions and the contraction in demand from major user categories. Despite improvements in electricity sales during the early part of 2022, alongside the recovery of economic activity following the COVID-19 pandemic, consumption volumes of electricity declined notably thereafter, owing to power interruptions. Reflecting the impact of load shedding, sales to the domestic, industry, and government categories recorded contractions of 3.7 per cent, 10.1 per cent, and 8.3 per cent, respectively, during the period. Electricity sales to the hotel and general purpose categories recorded increases of 11.7 per cent and 2.3 per cent, respectively, primarily due to the statistical impact of lower base in 2021. Meanwhile, recognising the need for adopting state-of-the-art technologies, CEB initiated a project

Table 3.2
Electricity Sector Performance

Item	2021 (a)	2022 (b)	Growth Rate (%)	
			2021 (a)	2022 (b)
Installed Capacity (MW)	4,186	4,084	-1.9	-2.4
Hydro (c)	1,383	1,413	-	2.2
Fuel Oil (d)	1,087	924	-14.3	-15.0
Coal	900	900	-	-
NCRE (e)	817	847	14.3	3.7
Units Generated (GWh)	16,716	15,942	6.4	-4.6
Hydro (c)	5,640	5,364	44.2	-4.9
Fuel Oil (d)	2,634	2,467	-37.0	-6.3
Coal	5,519	5,174	-4.1	-6.3
NCRE (e)	2,922	2,937	56.6	0.5
Total Sales by CEB (GWh)	15,214	14,520	6.5	-4.6
Domestic and Religious	5,320	5,124	2.9	-3.7
Industrial	4,822	4,334	15.8	-10.1
General Purpose, Government and Hotel	3,342	3,415	3.2	2.2
Street Lighting	97	97	-9.8	-0.1
Bulk Sales to LECO	1,633	1,550	1.7	-5.1
LECO Sales (GWh)	1,603	1,559	-1.3	-2.7
Domestic and Religious	717	699	-3.0	-2.6
Industrial	306	266	9.6	-13.2
General Purpose, Government and Hotel	557	569	-4.5	2.2
Street Lighting	23	26	3.4	10.7
Overall Transmission and Distribution Loss of CEB (%)	9.0	8.9	-1.1	-0.7
Number of Consumers ('000) (f)	7,401	7,531	2.6	1.7
o/w Domestic and Religious	6,411	6,509	2.2	1.5
Industrial	73	75	4.2	2.5
General Purpose, Government and Hotel	915	944	5.5	3.2

(a) Revised

(b) Provisional

(c) Excluding mini hydro power plants

(d) Inclusive of Independent Power Producers (IPPs)

(e) Refers to Non-Conventional Renewable Energy including mini hydropower

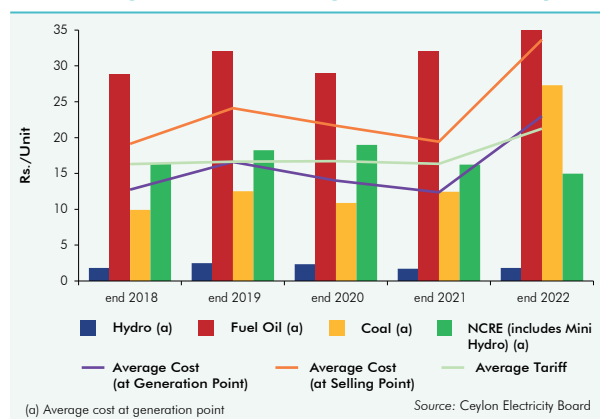
(f) Inclusive of LECO consumers

Sources: Ceylon Electricity Board
Lanka Electricity Company
(Pvt) Ltd (LECO)

to implement smart metering techniques in order to collect accurate and real time sales data on energy usage, while notifying users of their consumption levels. However, the progress of this project was hampered due to several factors, including high costs of smart metres, lack of awareness among users, and technical issues. With due consideration to enable an efficient meter reading system and to minimise the issues in billing procedure, the implementation of expedient measures by CEB to collect accurate energy usage data on real time basis remains important, to improve the cashflows of CEB.

After a hiatus of eight years, electricity tariffs were revised upward in 2022 considering the soaring cost of power generation, which

Figure 3.7
Average Costs and Average Tariffs of Electricity



further exacerbated the financial woes of CEB.

On 10 August 2022, electricity tariffs were revised, with an average upward revision of 75 per cent, taking into account the energy affordability of low income households by allowing concessions on the fixed charge for low consumption categories of 0-30 unit and 31-60 unit blocks. However, even after this upward revision, CEB was unable to achieve a break-even level of financial performance as reflected in their financial statements, underlining the need for regular cost reflective price revisions to ensure the financial viability of CEB. With such consideration, the Cabinet of Ministers approved the establishment of a semi annual tariff revision mechanism from 2023 through an automatic cost recovery based tariff adjustment. Accordingly, electricity tariffs were revised again, with effect from 15 February 2023, on an average of 66 per cent. Under this tariff revision, both fixed and energy rates were substantially increased for the domestic consumer category with the consumption range of 0-90 units per month, which accounts for over 75 per cent of domestic household consumers. Accordingly, the unit price of electricity was revised upwards for consumer categories below the monthly consumption of 90 units, ranging from 160 per cent to 275 per cent. Further, as per the usage wise block classification, prices of one unit of electricity on other sectors of general purpose, hotel, and Government

were revised upwards ranging from 70 to 100 per cent, while consumer blocks under industry category witnessed an increase of 25 per cent in unit price of electricity during this latest revision. Despite the latest upward revision of electricity tariffs, certain consumer categories continue to avail subsidised rates in comparison to CEB's estimated average selling price of Rs. 48.74 per kWh for 2023. However, without a comprehensive restructuring of CEB, no benefits can be passed onto the customers. The continuous increases of tariffs have resulted in higher cost of production as well as social unrest due to unaffordability of electricity bill payments by some segments of the society. In this regard, unpaid bills by certain individuals and institutions should be collected and disputed bill payments be expeditiously concluded.

Increased reliance on hydropower generation and upward revisions to electricity tariffs helped improve the financial performance of CEB in 2022, despite the surge in cost of thermal power generation. Accordingly, the operating loss of CEB was moderated since August 2022, partly due to the cashflow improvements along with the

Table 3.3
Average Costs and Average Tariffs of Electricity

Item	end 2021 (a)	end 2022 (b)	Growth Rate (%)	
	2021 (a)	2022 (b)	2021 (a)	2022 (b)
Average Cost of CEB (Rs./kWh)	9.61	20.35	-7.1	111.8
Hydro	1.72	1.80	-26.2	4.7
Fuel Oil	32.03	67.69	10.4	111.3
Coal	12.43	27.32	14.4	119.8
Average Cost of Private Sector (Rs./kWh)	21.67	32.04	-5.5	47.9
Fuel Oil	30.35	69.65	10.2	129.5
NCRE	16.22	14.98	-14.6	-7.6
Overall Average Cost (Rs./kWh)				
Generation Point	12.38	23.01	-11.5	85.9
Selling Point	19.42	33.65	-10.4	73.3
Average Tariff (Rs./kWh)	16.35	21.25	-2.2	30.0
Domestic	14.91	19.11	0.3	28.2
General Purpose	23.42	27.36	-2.0	16.8
Government	18.25	23.84	1.1	30.6
Industrial	14.70	20.63	-0.9	40.3
Hotel	17.79	21.39	-1.9	20.2

(a) Revised

(b) Provisional

Source: Ceylon Electricity Board

tariff revision. However, on a cumulative basis, CEB reported a loss of Rs. 272.9 billion in 2022, compared to the loss of Rs. 34.6 billion recorded in 2021. This includes a part of the revaluation loss of the foreign loan outstanding of the Norochcholai coal power plant, amounting to Rs. 94.7 billion. Short term debt of CEB from banks and other outstanding liabilities to CPC and IPPs increased to Rs. 361.9 billion by end 2022 from Rs. 289.0 billion recorded by end 2021. Meanwhile, non-settlement of payment dues by CEB since late 2021 amounting to Rs. 37.3 billion for renewable energy purchases remained a hindrance to expand the renewable sector contribution to power generation. Meanwhile, under the Government initiatives to transfer the identified liabilities of State Owned Enterprises to the balance sheet of the Government, and thereby to strengthen the financial viability of such institutions, the approval of Cabinet of Ministers was granted for the transfer of CEB's liabilities of Rs. 61.0 billion of loan disbursement under seven projects and Rs. 85.6 billion of debt servicing of Norochcholai project to the Government. As a result, total long term liabilities of CEB declined to Rs. 346.0 billion by end 2022 from Rs. 541.2 billion recorded at end 2021. With these measures, along with regular cost reflective tariff revisions, significant improvements are expected in cashflows of CEB, thereby enabling it to meet demand for electricity without disruptions, while lessening the burden on government cashflows and the overall economy.

Heightened vulnerabilities in the power and energy sector due to persistent delays in implementing required reforms caused significant socio-economic costs in 2022, thereby underscoring the need for expeditious implementation of reforms to ensure energy security of the country. The Government undertook several initiatives in 2022 with a view to transforming the power and energy sector to an

economically viable sector without being a burden on the government budget. The State Owned Enterprise Restructuring Unit, established under the Ministry of Finance, Economic Stabilisation and National Policies in 2022, is expected to facilitate the restructuring of government owned business entities, including CEB. Meanwhile, a cabinet sub committee was appointed at end August 2022 to identify the policies and strategies, including the restructuring of CEB through the unbundling its key operations of generation, transmission, distribution, and other functions of CEB to develop the energy sector in a sustainable manner, to submit appropriate recommendations, and to provide necessary guidance to expedite the implementation of decisions. Accordingly, the report, which was submitted to the Cabinet of Ministers on 'National Energy Potentials, Strategies and the Roadmap for the Next Decade', was approved in late 2022. In addition, the Long Term Generation Expansion Plan 2022–2041 (LTGEP) was prepared during 2022. This development plan is expected to expand the share of renewable energy of the total electricity generation to 70 per cent by 2030, while committing to carbon neutrality in power generation by 2050, thereby ceasing the construction of new coal power plants and expanding the capacity from clean energy sources. The updated LTGEP 2023–2042 was drafted in accordance with Government policies and submitted to the Public Utilities Commission of Sri Lanka for approval in September 2022, and the subsequent approval was received in February 2023. Meanwhile, the Sri Lanka Electricity Act, No.20 of 2009 was amended, removing procedural obstacles to facilitate the development of renewable energy sector, and the Sri Lanka Electricity (Amendment) Act, No.16 of 2022 was published in June 2022.

Diversifying energy sources and expanding generation capacity remain major priorities of the Government in fulfilling the rising energy demand in the period ahead. Plans and projects

for the construction of several new power plants are currently underway, albeit at a slower pace. Given the economic and environmental implications of conventional coal and fuel based power generation, the Government has opted to diversify the energy mix by including new energy sources, such as liquefied natural gas (LNG). Accordingly, the 300 MW Sobadhanavi LNG plant in Kerawalapitiya is under construction, and is scheduled to be operational in 2024. The preliminary process for a second 300 MW LNG plant in Kerawalapitiya, which is expected to be operational from 2025, is also underway. In accordance with the draft LTGEP 2023-2042, it is expected that an internal combustion engine plant with 200 MW capacity and a gas turbine plant (thermal based) with 100 MW capacity will be added to the grid in 2026 and 2027, respectively. However, as per the LTGEP 2023-2042, several thermal power plants and LNG power plants will be added to the grid in the coming years to expand the nation's installed capacity, with scheduled retirement of several old thermal plants. In the meantime, the power transmission and distribution system are being expanded and strengthened through various projects to reduce system losses, connect more energy sources to the grid, and maintain system reliability.

Efforts are underway to construct new renewable energy plants with the aim of reducing the reliance on expensive thermal energy, subject to an objective analysis of the environmental, social and governance (ESG) issues. Accordingly, the 35 MW Broadlands hydropower project was in the commissioning stage at end of 2022, while other hydropower projects, such as Uma Oya (120 MW), Moragolla (31 MW), Gin Ganga (20 MW), and Thalpitigala (15 MW) were in progress. Subsequent to the addition of a large-scale 100 MW Mannar wind power plant by mid 2021, several new wind power projects are

in the pipeline, including a 50 MW Mannar wind park as an extension to the existing plant and another two wind plants in Mannar (Phase II and III, 100 MW each). Further, the preliminary identified wind potential areas that are earmarked in the Renewable Energy Resource Development Plan (2021–2026), including Veravil Wind Project (200 MW), Karachchi Wind Project (100 MW), Ponnalei Wind Power Project (100 MW), and Manthai West Wind Power Project (100 MW) are in the preliminary stages of implementation. Under the energy parks development projects, for the Pooneryn renewable energy park project of 233 MW wind power capacity and 150 MW solar power capacity, the initial development measures to install 100 MW wind power capacity were carried out in 2022. Construction of the 100 MW Siyambalanduwa solar power project was underway during the year, while a weather station was set up in the project area to gather data that to be used in the effective design of the power station. Further, feasibility studies for large scale solar projects in Hambantota and Trincomalee were initiated to expand solar capacity. Under the Soorya Bala Sangramaya, capacity addition to the national grid by rooftop solar system was about 231 MW in 2022, whereas projects with a total capacity of around 32 MW are to be commissioned for which the power purchase agreements were signed. Accordingly, in total, about 670 MW have been added to the national grid under this project since its inception. Installation of solar rooftops on government buildings, solar power kits with energy storage facilities for low income housing units, religious places, and reverse osmosis plants as well as floating solar pilot projects to add 135 MW of solar power capacity were initiated in 2022 under the Indian credit line of US dollars 100 million. An agreement was signed to implement a hybrid renewable energy system in the islands of Jaffna, namely Analaitivu, Delft and Nainativu, with US dollars 11 million assistance

from India. The project will include hybrid power plants based on solar, wind, diesel, and lithium-ion storage batteries and is expected to be finished by early 2024. Considering notable changes in cost parameters over the period, feed in tariffs applicable for renewable energy purchases of CEB were revised in September 2022, for the first time since 2012, with a view to promoting renewable energy sector. Meanwhile, PAL applicable on the importation of solar static converters was lifted in early 2023 aimed at supporting the expansion of solar power generation. Despite the numerous efforts towards expanding renewable energy sector in 2022, development of the renewable energy sector continued to grapple with a host of difficulties hindering the progress in the sector. Higher capital costs and import costs, payment delays to small power producers, capacity constraints in the national transmission grid, among others, continued to impede the expansion of the renewable energy sector of the country. Against this backdrop, concerted efforts of all stakeholders in the power and energy sector are imperative to build a conducive environment for renewable energy investments to ensure the energy security of the country in a sustainable manner.

The Sri Lanka Sustainable Energy Authority (SLSEA) continued its efforts to encourage sustainable energy development in the country. SLSEA continued to engage in developing all forms of renewable energy, improving energy efficiency, encouraging energy conservation by reducing energy waste, formulating conducive policies, managing and analysing energy information, ensuring necessary investments in the sustainable energy sector, and making the Sri Lankan society energy conscious. Energy management and conservation programmes, resource mapping programmes, and policy advocacy programmes were carried out during the year, while the revision

of the Renewable Energy Resource Development Plan for 2024-2029 was also initiated in 2022 with the goal of ensuring energy security. The Training Hub for Renewable Energy Technologies in Sri Lanka (THREE Lanka) project was also underway in collaboration of universities in Europe and Sri Lanka. Also, there is funding available for environmental friendly renewable energy projects at affordable costs under the EU, World Bank and Asian Development Bank (ADB) which can be tapped depending on transparent processes and procedures followed by the countries concerned, and therefore Sri Lanka should endeavor to access these projects early.

Road Development

The progress of road infrastructure development initiatives of the Government remained modest in 2022, reflecting the tight fiscal conditions amidst cash flow pressures.

The Road Development Authority (RDA) incurred around Rs. 195.4 billion on various activities, aimed at improving the road network via maintenance, widening and enhancement of expressways, highways and roads, construction of bridges and flyovers, and restoring roads damaged by natural disasters. Accordingly, expenditure incurred in developing expressways and highways, amounted to Rs. 34.4 billion and Rs. 145.0 billion, respectively, during the year, while Rs. 6.6 billion was spent on the construction of bridges and flyovers. Although the annual budgetary allocation for RDA was revised in many occasions under the Government's efforts on expenditure curtailment, the expenditure incurred remained below the finalised annual allocation of Rs. 247.8 billion for 2022. Meanwhile, reflecting the lack of investment in road network expansion during the last few years, the total length of National Highways consisting of A and B class roads and the total length of expressways maintained by RDA

remained broadly unchanged at 12,225 kilometers and 312.6 kilometers, respectively, as at end 2022 compared to the previous year.

The progress in the development of the expressway network remained stagnant during the year. Overall construction work of the Central Expressway from Kadawatha to Dambulla registered a meagre progress in 2022, largely due to severe financial constraints of the Government. By end 2022, the highway section spanning from Kadawatha to Meerigama had made a cumulative physical progress of 34.8 per cent in civil works, up from 19.4 per cent at the end of 2021. In addition, section II of the Central Expressway, which spans from Meerigama to Kurunegala, was completed and opened to the public mid January 2022. Meanwhile, construction activities of the section spanning from Kahathuduwa to Ingiriya under the Ruwanpura Expressway extending from Kahathuduwa to Palmadulla progressed at a slow pace in 2022. Further, following the decision of the Ministry of Highways, RDA revisited the feasibility study of the phases II and III of the Ruwanpura Expressway. Despite the constraints due to shortages in raw materials, escalating input costs and liquidity shortages in foreign exchange, the construction of the Port Access Elevated Highway Project connecting the Port City and Galle Face to the expressway network continued throughout the year and achieved 54.3 per cent physical progress by end of 2022.

Overall vehicular traffic along the expressways declined in 2022. The average number of daily traveled vehicles on the Southern Expressway from Kottawa to Godagama and from Palatuwa to Mattala slowed down by 13.3 per cent and 18.2 per cent, respectively, in 2022 to 28,448 and 6,425, respectively, compared to the previous year, reflecting the impact of fuel shortages. The Outer Circular Highway also showed a decline in daily average traffic movements by 24.0 per cent

to 28,291 from 37,219 traveled vehicles reported in 2021. Meanwhile, the daily average number of vehicles plying the Colombo Katunayake Expressway grew by 14.0 per cent in 2022, compared to the previous year. During the year, revenue from expressways declined to around Rs. 7.9 billion, recording a 10.1 per cent drop, compared to 2021. However, the newly opened Meerigama to Kurunegala section of the Central Expressway attracted an average of 9,106 vehicles per day and generated revenue of Rs. 703.8 million in 2022, partly offsetting the overall drop in annual revenue from expressways during the period under review.

Developing and rehabilitating activities of road networks and bridges progressed at a slower pace during 2022. During the year, the Southern Road Connectivity Project (SRCP) was mostly completed and the preliminary work of Lunugala - Bibile section under the Badulla - Chenkaladi Road Improvement Project (A005) was commenced. Several other road development projects, including Phase I and Phase II of the Integrated Road Investment Programme, Kandy Multimodal Transport Terminal Development Project (KMTTDP), and Inclusive Connectivity and Development Project (ICDP) were in progress during the year. In 2022, reconstruction activities of some bridges on national roads were conducted, while the flyovers connecting Baladaksha Mawatha and Sir Chithampalam A. Gardiner Mawatha, Justice Akbar Mawatha Railway Level Crossing, and Uththarananda Mawatha Railway Level Crossing were also in progress, albeit at a slower pace.

Road Passenger Transportation

Road passenger transportation activities improved in 2022 reflecting the gradual normalisation of public mobility with the easing of COVID-19 risks, despite fuel shortages and

cost escalations. Accordingly, the operated kilometrage and passenger kilometrage of the Sri Lanka Transport Board (SLTB) increased significantly by 41.2 per cent and 141.0 per cent, respectively, during the year, compared to 2021. In 2022, the total number of buses owned by SLTB marginally decreased by 1.2 per cent to 6,932, compared to the previous year, and none of the new buses were deployed under SLTB. During the period, the average number of buses operated by SLTB increased notably by 216.3 per cent to 4,279, which was around 84.2 per cent of the total fleet effectively available for public transportation operations of SLTB. Meanwhile, operated kilometrage and passenger kilometrage of the private sector also increased by 24.4 per cent and 23.4 per cent, respectively, during the year. The average number of buses operated by the private sector increased by 8.3 per cent to 9,807 by end 2022, compared to 9,053 in 2021. The number of inter-provincial and intra-provincial permits issued by the National Transport Commission (NTC) for private bus operations recorded at 3,129 and 16,733, respectively, at end 2022.

Improvements in the public transport sector remained modest to cater for plausible surge in demand for public transport facilities, following the hikes in fuel prices. During the year 2022, NTC continued to carry out its regular programmes to ensure the uninterrupted provisioning of transport facilities, while the progress in several initiatives targeted at enhancing the quality of public transport remained modest amidst financial constraints faced by NTC. The two special bus services under NTC; 'Sisu Seriya' and 'Nisi Seriya' services were further enhanced, by deploying 52 and 25 new services to both services, respectively. Accordingly, as of end 2022, 1,617 services were in operation under 'Sisu Seriya' and 219 services were in operation under the 'Nisi Seriya' bus service programme. Meanwhile, a new programme

to facilitate school children was commenced, but at non-subsidised prices as the funds allocated to NTC by the Government for 2022 were inadequate to facilitate new services under 'Sisu Seriya', to cater to the rising demand with the rise in cost of private school transport services amidst fuel price hikes. During 2022, NTC in collaboration with SLTB implemented many measures to provide adequate fuel for privately owned passenger transport buses and school transport services to ensure continuity in public transport sector. Meanwhile, an increase in demand for public transport facilities was observed in 2022, amidst the shortages in fuel, and significant upward revisions to fuel prices, which forced individuals to opt for public transport services. Demand for public transport facilities is likely to expand further in the future with the increased fuel prices and moderation of incomes amidst tax reforms, among others. Urgent policy measures to improve the public transport sector in the country may be required.

During the year, bus fares were revised in seven rounds, mostly in line with the domestic fuel price revisions. Accordingly, the minimum bus fare was increased to Rs. 40.00 from Rs. 17.00 in the initial five rounds of revisions during the year. However, at the last two revision cycles, the minimum bus fare was brought down to Rs. 34.00 by the end of 2022. The fares of normal, luxury, and semi-luxury bus services almost doubled during the year. In line with the increase in fuel prices, the bus fare of 'Sisu Seriya', 'Nisi Seriya', and 'Gami Seriya' services were revised upward by 135.1 per cent, 136.8 per cent, and 134.2 per cent to Rs.134.00, Rs. 45.00 and Rs. 89.00, respectively, during the year.

The financial performance of SLTB continued to remain weak during 2022, albeit the favourable improvements in the revenue side. Although some favourable improvements

in revenue could be observed during the year supported by the upward revisions in bus fares in multiple rounds, such impacts were offset by the notable acceleration in expenditures amidst high fuel prices. As per unaudited financial statements, the total revenue of SLTB increased by 147.0 per cent to Rs. 69.3 billion in 2022, while total expenditure also increased by around 123.7 per cent to Rs. 69.5 billion. SLTB recorded an operational loss of Rs. 0.3 billion in 2022, compared to an operational loss of Rs. 3.1 billion recorded in the previous year. Given the sharp upward adjustments in bus fares, a significant increase was recorded in the demand for season tickets. Consequently, the subsidy provided by the Government to facilitate subsidised season tickets for students increased to Rs. 6.1 billion in 2022 from Rs. 5.3 billion in 2021, while the subsidy on operations with respect to uneconomical routes amounted to Rs. 2.7 billion during 2022, compared to Rs. 5.3 billion reported in 2021. In early 2023, SLTB distributed 75 buses of 125 new buses received under the Indian line of credit, among regional depots, while 50 buses were registered under the Department of Motor Traffic (DMT). NTC, in collaboration with SLTB, initiated a project to issue prepaid cards for the convenience of the commuters and the latest pilot project was inaugurated in private buses plying from the Makumbura Multimodal Transport Center in Kottawa to Galle on the Southern Expressway

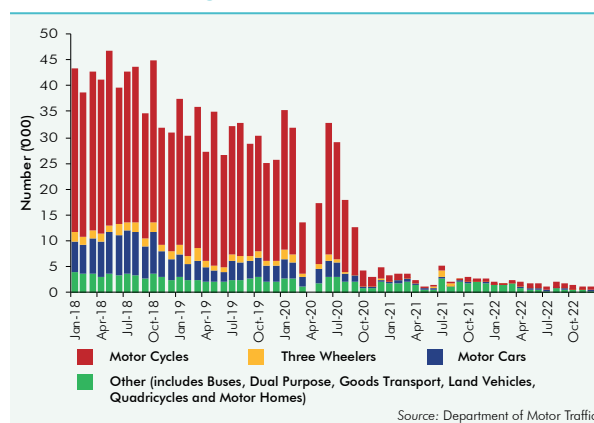
Table 3.4
New Registration of Motor Vehicles

Item	2021	2022 (a)	Growth Rate (%)	
			2021	2022 (a)
New Registration of Motor Vehicles (No.)	33,850	20,510	-83.3	-39.4
Buses	281	404	-51.4	43.8
Motor Cars	3,495	1,489	-83.4	-57.4
Three Wheelers	2,093	36	-70.7	-98.3
Dual Purpose Vehicles	771	760	-91.9	-1.4
Motor Cycles	8,011	9,060	-94.7	13.1
Goods Transport Vehicles	4,432	1,832	12.5	-58.7
Land Vehicles	14,764	6,929	77.8	-53.1
Quadracycles and Motor Homes	3	-	-99.4	-

(a) Provisional

Source: Department of Motor Traffic

Figure 3.8
New Registration of Motor Vehicles



in early February 2023. This project is expected to extend to train commuters following the successful deployment in the road passenger sector. DMT also initiated the preliminary work pertaining to electrification of internal combustion engine three wheelers and motorcycles during the year 2022.

New registration of motor vehicles recorded a notable decline for the third consecutive year in 2022, due to the restrictions on motor vehicle imports, prevailing since 2020. Accordingly, new registrations of motor vehicles declined by 39.4 per cent, year-on-year, in 2022, largely reflecting contractions in the registration of motor cars, three wheelers, goods transport vehicles, and land vehicles during the period under review. However, compared to 2021, registration of motorcycles and buses increased by 13.1 per cent and 43.8 per cent, respectively, during the year.

Rail Transportation

The Sri Lanka Railways (SLR) recorded a modest operational improvement during 2022, reflecting the gradual restoration of public mobility following the COVID-19 pandemic. The estimated overall operated kilometrage and passenger kilometrage of SLR increased notably by 67.3 per cent and 205.9 per cent, year-on-year,

Table 3.5
Salient Features of State Owned Enterprises in the
Transportation Sector

Item	2021 (a)	2022 (b)	Growth Rate (%)	
			2021 (a)	2022 (b)
1. Sri Lanka Transport Board				
Operated Kilometres (million)	248	350	-19.7	41.2
Passenger Kilometres (million)	6,225	15,000	-27.8	141.0
Total Revenue (Rs. million)	28,035	69,258	-10.2	147.0
Operating Expenditure (Rs. million)	31,089	69,545	-7.0	123.7
Operating Profit (+) / Loss (-) (Rs. million)	-3,054	-287	-38.6	90.6
2. Sri Lanka Railways				
Operated Kilometres ('000)	6,281	10,510	-21.4	67.3
Passenger Kilometres (million)	2,158	6,602	-44.7	205.9
Freight Ton Kilometres (million)	162	139	41.3	-14.2
Total Revenue (Rs. million)	2,679	11,076	-41.3	313.5
Operating Expenditure (Rs. million)	12,979	23,513	-11.2	81.2
Operating Profit (+) / Loss (-) (Rs. million)	-10,300	-12,437	-2.5	-20.7
3. Sri Lankan Airlines				
Hours Flown	50,287	84,325	20.9	67.7
Passenger Kilometres Flown (million)	2,868	11,042	-21.2	285.0
Passenger Load Factor (%)	36	74	-36.0	106.8
Weight Load Factor (%)	74	64	19.6	-13.8
Freight (mt '000)	93	88	66.0	-5.4
Employment (No.)	5,732	5,572	-11.7	-2.8
(a) Revised	Sources: Sri Lanka Railways			
(b) Provisional	Sri Lanka Transport Board			
	Civil Aviation Authority of Sri Lanka			

respectively, during 2022. However, the goods kilometrage recorded a decline of 14.2 per cent, year-on-year, to 138.7 million mt km during the period under review, compared to 161.6 million mt km recorded in the previous year.

The financial performance of SLR remained subdued in 2022. According to the provisional financial statements, operating loss incurred by SLR rose further to Rs. 12.4 billion during the year, in comparison to the operating loss of Rs. 10.3 billion in 2021. The total revenue of SLR increased by Rs. 8.4 billion to Rs. 11.1 billion in 2022, compared to the previous year. This was primarily due to the improvements in revenue generated from passenger transport activities resulting from the train fare hike with effect from July 2022. Meanwhile, total expenditure of SLR increased by Rs. 2.1 billion to Rs. 42.5 billion during 2022, which can primarily be attributed to the substantial increase in recurrent expenditure with upward adjustments in fuel prices during the year. Recurrent expenditure increased by

81.2 per cent to Rs. 23.5 billion, while capital expenditure contracted by 30.7 per cent to Rs. 19.0 billion during the year. In line with the fuel price adjustments, railway fares for the conveyance of passengers, goods, and mail were revised upward with effect from 12 July 2022 after around four years.

SLR carried out activities to develop infrastructure and services to ensure seamless transport facilities for passenger and freight transportation albeit at a modest pace. However, with the financial constraints, all maintenance and improvement activities related to track networks, rolling stock, and signaling and telecommunication progressed at a slow pace. In August 2022, SLR introduced the 'Ella Odyssey' inter-city super luxury train that runs between Colombo and Badulla, offering passengers one of the most scenic train journeys in the world with great convenience, aimed at promoting the tourism industry. The project to rehabilitate 100 passenger coaches continued, and 50 passenger coaches were reintroduced into service by the end of 2022. Additionally, the procurement of 160 passenger coaches under the Indian credit line secured in 2017 was completed during the year. Meanwhile, several projects related to the rehabilitation of railway tracks, maintenance of railway stations and bridges, extension of platforms, and the provisioning of signaling and telecommunication systems were underway during the year.

Civil Aviation

The performance of the civil aviation sector in 2022 improved with the gradual restoration of global travel activity as the world recovered from the COVID-19 pandemic. Accordingly, passenger movements increased to 5.5 million in 2022, registering a notable year-on-year growth of 266.8 per cent, largely supported by the resumption

of global travel activities as well as the low statistical base in 2021. During the year, cargo handling contracted by 9.3 per cent, year-on-year, to 166,969 metric tons. By end 2022, 33 international airlines and five domestic airlines were in operation in the country. The total number of aircraft movements witnessed an increase of 68.2 per cent to 42,196, with the BIA registering a significant growth of 70.7 per cent to 41,547 in aircraft movements during the year. This was mainly facilitated by the initiatives of the Government to attract new airlines from Russia, Uzbekistan, the UAE, and Thailand in support of the revival of the tourism sector. Meanwhile, operations of several international airlines, including Air France, Swiss International Airline, and Alliance Air were recommenced in Sri Lanka. Domestic air passenger transportation also registered a substantial growth in 2022. Although aviation activities were challenged by domestic fuel shortages particularly in mid 2022, the Civil Aviation Authority (CAA), together with the Government, continued to engage closely with airlines and other stakeholders in the industry to ensure a stable supply of fuel for aircraft operations throughout the year. Meanwhile, several concessions were granted on the embarkation levy and landing and parking charges for new airlines and existing operators to attract more airlines to Sri Lankan airports.

Figure 3.9
Air Passenger and Air Cargo Handling



Table 3.6
Performance of the Aviation Sector

Item	2021 (a)	2022 (b)	Growth Rate (%)	
			2021 (a)	2022 (b)
1. Passengers (No.) (c)	1,500,078	5,502,539	-36.8	266.8
SriLankan Airlines	857,158	3,295,841	-30.8	284.5
Foreign Airlines	642,920	2,206,698	-43.4	243.2
2. Freight Handling (mt)	184,139	166,969	35.3	-9.3
SriLankan Airlines	93,195	88,170	66.0	-5.4
Foreign Airlines	90,944	78,799	13.8	-13.4
3. Aircraft Movements (No.) (d)	25,090	42,196	-1.9	68.2
BIA	24,336	41,547	-2.4	70.7
MRIA	722	266	43.0	-63.2
JIA	32	383	-77.1	1,096.9

(a) Revised

(b) Provisional

(c) Excludes transit passengers

(d) Includes domestic aircraft movements

Source: Civil Aviation Authority of Sri Lanka

Construction work of several aviation development projects was underway in 2022, despite some hindrances caused by the deepened economic crisis. The Airport and Aviation Services (Sri Lanka) Limited (AASL) carried out the restructuring and remodeling projects in the existing Passenger Terminal Building at BIA during the year, striving towards utilising the existing capacity effectively. Also, the construction of the import cargo terminal building, modification to internal and external roads at BIA, and the project of the bonded warehouse for the electronic mall at BIA, were on progress during the year. Moreover, in order to ensure the orderly development of BIA, initiatives were launched to develop a new airport master plan to accommodate aviation demands for the next 30 years. Meanwhile, the project of construction of the new taxiway with an additional apron area was completed in March 2022, under the Colombo International Airport Ratmalana Master Plan - Way to 2030.

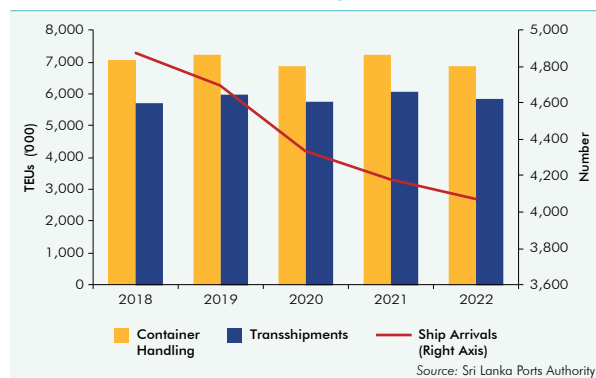
The financial performance of SLA recorded relatively less operational losses, while activity improved somewhat, reflecting the growing global appetite for travel. As per provisional financial statements, the operating loss of SLA was confined to Rs. 4.4 billion during the nine months ending December 2022, compared to the loss of

Rs. 15.6 billion recorded during the corresponding period of 2021. During the period under review, the revenue of SLA registered a notable increase of 222.9 per cent, while operating expenditure increased by 176.0 per cent. With the severe shortage of aviation fuel amidst the fuel crisis in Sri Lanka and the subsequent CAA declaration of non-availability of fuel for general re-fueling of aircraft, airlines resorted to 'Tankering', and operating via other stops for re-fueling, resulting in high costs for operations. In view of the fiscal burden, stemming from financial constraints of SLA, key initiatives were taken to restructure SLA and its subsidiary companies by handing over a considerable number of shares and management of the company to investors, who are to be selected through a transparent procurement process. Accordingly, the State Owned Enterprises Restructuring Unit of the Ministry of Finance, Economic Stabilisation and National Policies was assigned to provide recommendations on restructuring SLA.

Port Services

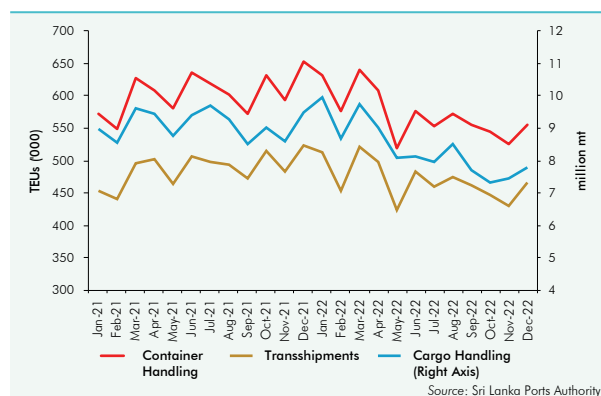
In 2022, port activities were adversely affected by the moderation of import demand amidst several restrictions and subdued economic activity. Despite the favourable performance observed during the first quarter of the year, port activities recorded an overall contraction in 2022, reflecting the impact of the decline in domestic import volumes owing to import restrictions and weakened international confidence over the port operations amidst the deepened economic crisis. Meanwhile, the moderation in growth of global trade volumes also weighed on the port activities during the year. Accordingly, overall container handling and cargo handling activities recorded year-on-year contractions of 5.3 per cent and

Figure 3.10
Container Handling, Transshipment
Volume and Ship Arrivals



8.2 per cent, respectively, while ship arrivals also recorded a year-on-year contraction of 2.6 per cent during 2022, despite some improvement observed towards the latter period of the year. All the terminals of the Port of Colombo recorded a decline in both cargo handling and container handling. The Colombo International Container Terminal (CICT), Sri Lanka Ports Authority (SLPA), comprising the Jaya Container Terminal, Unity Container Terminal, and the first quay wall of East Container Terminal (ECT), and South Asia Gateway Terminal (SAGT) accounted for 46.4 per cent, 28.1 per cent, and 25.5 per cent, respectively, of the total volume of the containers handled, and the 45.3 per cent, 28.6 per cent and 26.1 per cent, respectively, of the transshipment containers handled at the Port of Colombo. The total vehicle handling at the Hambantota Port expanded during 2022 with increased vehicle handling for transshipment purposes amidst minimal activities related to domestic vehicle handling. Accordingly, the total number of vehicles handled at Hambantota Port stood at 558,188 recording a year-on-year growth of 13.1 per cent in 2022. During the year, vehicle transshipment accounted for 99.8 per cent of total vehicle handling, registering a year-on-year growth of 13.8 per cent, while only 1,137 vehicles were handled for domestic purposes (i.e., imports) with the continued restrictions on motor vehicle importation.

Figure 3.11
Performance of Port Activities



Development of the port infrastructure and services remained one of the major priorities of the country's infrastructure development agenda. Accordingly, major development projects related to the Port of Colombo and regional ports continued to expand in 2022. Construction work of the second phase of ECT was in progress during the year and 30 per cent of work, relating to dredging and reclamation was completed by end 2022. Meanwhile, construction work of the West Container Terminal (WCT) of the Colombo Port commenced in November 2022, following the finalisation of the Build-Operate-Transfer (BOT) agreement that spans over 35 years between a foreign investor, a local investor and the SLPA for the development of the project. The ECT and WCT terminals are expected to be completed by 2025 and 2027, respectively. Upon the completion of both terminals, the estimated annual capacity of the Port of Colombo is expected to enhance by around 6 million TEUs, which will largely support to cater to future demand in the port industry, enabling the Port of Colombo to derive benefits from its strategic geographical location. Further, a feasibility study for the Colombo North Port Development Project and the preliminary design and feasibility study to implement a new Port Communication System were also underway in 2022. In addition to the ongoing rehabilitation work of Kankesanthurai Port

as an international commercial port, the Cabinet of Ministers approved in September 2022 the project to start a ferry service between Kankesanthurai and Pondicherry in South India. In this regard, experimental arrangements, and the Request for Proposal (RFP) to develop the passenger terminal progressed under a Design, Build, Operate and Transfer (DBOT) agreement during the year. Meanwhile, the preparation of RFP and the project agreement under the Galle Port Development Project, upon the completion of shortlisting of investors was also in progress.

The financial performance of SLPA improved in 2022 despite the overall decline in port activities, largely driven by the increased revenue supported by the significant depreciation in exchange rate. The upward revision of port charges of SLPA with effect from 01 April 2022 also partly contributed to the increase in revenue. Further, efficiency of port activity related to time and crane productivity of SLPA improved significantly in 2022 over the previous year, with the

Table 3.7
Performance of Port Services

Item	2021	2022 (a)	Growth Rate (%)	
			2021	2022 (a)
1. Vessels Arrived (No.)	4,180	4,073	-3.6	-2.6
Colombo	3,675	3,648	-3.4	-0.7
Galle	14	7	-36.4	-50.0
Trincomalee	117	95	-13.3	-18.8
Hambantota	374	323	-	-13.6
2. Total Cargo Handled (mt '000)	109,369	100,376	6.3	-8.2
Colombo	103,824	96,170	6.3	-7.4
SAGT	24,062	22,731	-3.3	-5.5
CICT	42,400	41,717	13.6	-1.6
SLPA	37,362	31,722	5.3	-15.1
Galle	106	1	-73.8	-98.9
Trincomalee	3,190	2,089	3.8	-34.5
Hambantota	2,249	2,116	28.5	-5.9
3. Total Container Traffic (TEUs '000) (b)	7,249	6,862	5.8	-5.3
SAGT	1,839	1,752	-1.8	-4.7
CICT	3,212	3,184	11.3	-0.9
SLPA	2,198	1,926	4.8	-12.4
4. Transshipment Containers Handled (TEUs '000) (b) (c)	6,050	5,832	4.9	-3.6
SAGT	1,573	1,523	-2.1	-3.2
CICT	2,600	2,640	13.4	1.5
SLPA	1,877	1,670	0.6	-11.1

(a) Provisional

Source: Sri Lanka Ports Authority

(b) TEUs = Twenty-foot Equivalent

Container Units

(c) Includes re-stowing

support of the terminal management system and training initiatives of the SLPA. Accordingly, the total revenue of SLPA increased by 50.5 per cent, year-on-year, to Rs. 68.4 billion, while operating expenditure has increased by 33.0 per cent to Rs. 43.7 billion. As a result, the SLPA recorded a profit before taxes of Rs. 57.0 billion in 2022, compared to Rs. 25.6 billion in 2021.

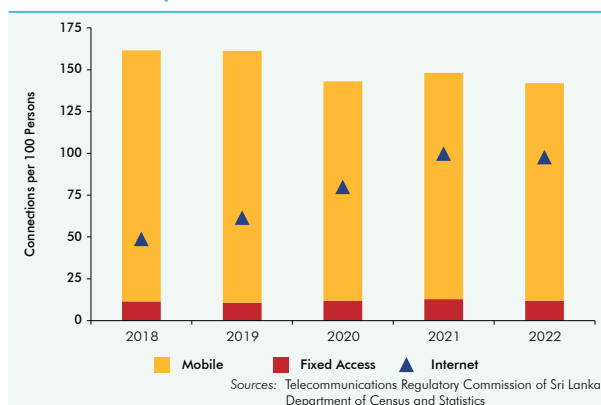
Communication Services

The performance of the telecommunications sector moderated towards the latter part of 2022, partly due to the slowdown in demand for communication that rose during the pandemic and subdued economic activity. The telecommunications sector registered a robust growth momentum during the first half of 2022, largely driven by the continuation of online based modalities for work, education, and other daily activities that were adopted from the onset of the pandemic. However, telecommunications activities moderated towards the latter part of 2022, following the gradual normalisation of public mobility and the resumption of in-person work and education activities. Meanwhile, upward adjustments in telecommunication charges partly contributed to the moderation in sector performance in the latter part of 2022. Fixed line telephone connections

recorded an overall year-on-year decline of 7.0 per cent in 2022, despite the growth of 6.3 per cent registered in the first half of 2022. During the year, mobile connections also declined by 3.7 per cent, year-on-year, and total internet connections that comprise mobile and fixed internet connections contracted by 2.0 per cent, year-on-year. Fixed and mobile telephone penetration, as measured by connections per 100 persons, stood at 12.0 and 142.0, respectively, while internet penetration stood at 97.7 by the end of 2022. Nevertheless, the total data usage, which had been broadly declining since October 2021 with the removal of pandemic related mobility restrictions, showed a gradual increase during the year, from March 2022. Moreover, a sudden uptick in data usage was observed in July 2022, with the shift towards remote work and education activities, amidst transportation disruptions caused by severe fuel shortages.

The Government and other key stakeholder institutions continued to engage in enhancing the digital infrastructure base to facilitate the envisaged digital transformation of the economy in 2022. The Telecommunication Regulatory Commission of Sri Lanka (TRCSL) was working towards enhancing island wide 4G coverage to ensure seamless access to digital services across the country through the 'Gamata Sanniwedanaya' project. Although the initial plan was to establish 276 tower sites across 10 districts from 2021-2024, the project was rescheduled to complete by 2026, primarily due to economic stresses. Under this project, 38 tower sites were completed and were on air by end 2022. Additionally, TRCSL aims at enabling commercial 5G services by 2023. Meanwhile, Sri Lanka became the first South Asian country to enact comprehensive data protection legislation with the enactment of the Personal Data Protection Act,

Figure 3.12
Telephone and Internet Penetration



No. 9 of 2022 in March 2022. The Personal Data Protection Act, together with the establishment of a Data Protection Authority in 2023, is expected to safeguard the information of the public through an efficient monitoring and regulatory process. The Information and Communication Technology Agency (ICTA) implemented initiatives under the 'National Digital Transformation Strategy' to improve the efficiency of the service delivery of the government institutions and to enhance the competitiveness of the IT and BPO industry. During the year, 23 projects were in progress under the purview of ICTA, including the mega scale projects of Lanka Government Network 2.0, Lanka Government Cloud 2.0, Sri Lanka Unique Digital Identity Framework Project, Technology Diffusion Program, and Capacity Development for Digitally Inclusive Sri Lanka. Additionally, ICTA provided technical expertise for another 17 projects carried out under the national strategy. Moreover, registering a milestone development in the telecommunication industry, ICTA implemented the National Fuel Pass QR code system, in collaboration with two other leading private sector communication and information technology companies. The Fuel Pass QR code system was instrumental in easing social tensions associated with the distribution of petroleum oil in 2022 and is expected to inspire the transition of other public services to similar

Table 3.8
Telecommunication Sector Performance

Item	2021 (a)	2022 (b)	Growth Rate (%)	
			2021 (a)	2022 (b)
Fixed Access Services (No.) ('000)	2,852	2,651	9.1	-7.0
Wireline Telephones in Service	1,264	1,263	1.5	-0.1
Wireless Local Loop Telephones	1,587	1,388	16.1	-12.5
Mobile Phones (No.) ('000)	29,959	28,838	4.2	-3.7
Internet connections (No.) ('000) (c)	22,106	21,668	26.1	-2.0
Penetration (d)				
Fixed Lines	12.9	12.0	8.0	-7.1
Mobile Phones	135.2	130.0	3.1	-3.8
Internet (c)	99.8	97.7	24.8	-2.1

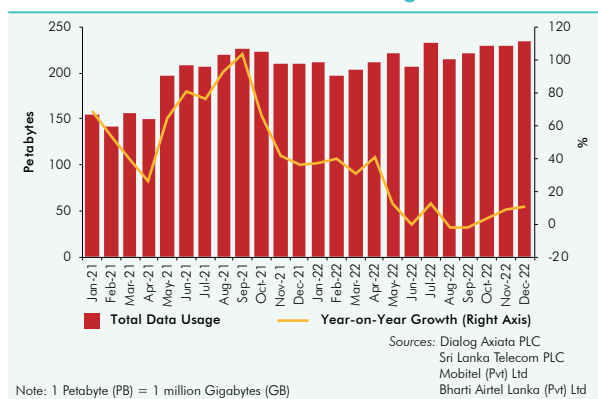
(a) Revised
(b) Provisional
(c) Including mobile internet connections
(d) Defined as connections per 100 persons

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

platforms. Meanwhile, telecommunication charges were revised upward effective from September 2022, considering the soaring operational cost resulting from the depreciation of the exchange rate during the year. Accordingly, the rental charges related to data, voice, and pay-TV connections were increased by 20 per cent, while usage charges remained unchanged.

The performance of the Department of Posts (DoP) remained subdued due to disruptions to logistical activities during 2022. The postal services offered services through 653 main post offices, 3,342 sub post offices, and 140 agency post offices, covering 8,157 delivery areas island wide. Further, DoP continued to improve its service delivery through innovative service approaches, while promoting and raising public awareness of such services through social media platforms. Accordingly, the 'Cash on Delivery' services, which were relaunched in 2020, registered a notable income of Rs. 269.0 million in 2022, compared to the income of Rs. 34.0 million recorded in 2021. After a hiatus of over four years, domestic postage rates were revised upward in August 2022 along with the revision to foreign postage rates compatible with cost escalations in logistics related to postal services. Accordingly, the minimum postage fee applicable for the Domestic Normal

Figure 3.13
Broadband Data Usage

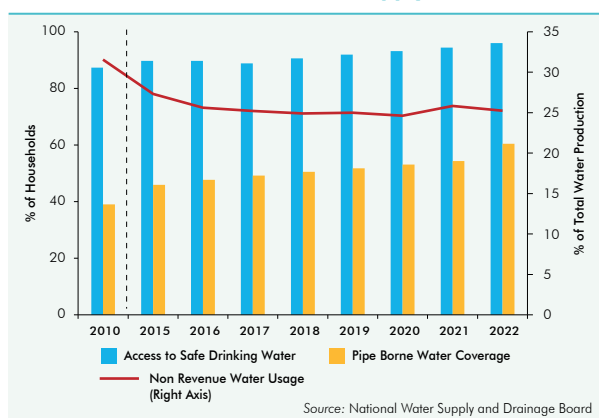


Post service and the minimum registration fee increased by Rs. 35.00 and Rs.30.00, respectively, to Rs. 50.00 and Rs.60.00, respectively, while most of the fees applicable to other postal services were raised upwards during the year. Despite these developments, the overall financial position of DoP remained weak in 2022. As per the provisional financial statements of DoP, though revenue increased by 29.6 per cent to Rs. 9.3 billion, higher operating expenditure, which increased by 15.3 per cent to Rs. 16.1 billion, resulted in an operating loss of Rs. 7.0 billion in 2022, compared to the loss of Rs. 7.2 billion in 2021. Besides the regular postal fare revision mechanisms to enhance the financial viability of DoP, considering the evolving consumer needs of the postal service of the country, DoP requires extensive modernisation that leverages modern technology, innovation, and customer centric approaches in the form of service automation, online services, 'point to point tracking', and pickup services through expanded service diversity, among others.

Water Supply and Irrigation

The National Water Supply and Drainage Board (NWS&DB) expanded its services in providing safe and sustainable water to meet the growing demand for pipe borne water

Figure 3.14
Status of Water Supply



during 2022. With the provisioning of 153,217 new water supply connections, the total number of connections administered by NWS&DB increased to 2.9 million during the year. Accordingly, the percentage of the population with access to safe drinking water increased to 96.0 per cent in 2022 from 94.4 per cent in 2021, while the total pipe borne water coverage stood at 60.4 per cent of the households in 2022. Further, the proportion of non-revenue water usage of the country declined marginally to 25.2 per cent in 2022 from 25.8 per cent in 2021. During the year, the water supply development initiatives of NWS&DB were hindered by the financial constraints and the macroeconomic instabilities, resulting in the slow pace of progress in NWS&DB's development projects. The flagship development project of NWS&DB, 'Water for All', aimed at increasing the pipe borne water coverage of Sri Lanka to 79 per cent by 2025, was discontinued in 2022 with the approval of Cabinet Ministers. Instead, the 'Capacity Enhancements and Distribution Expansion' project was initiated during the year with the aim of enhancing the capacity of existing water supply schemes as well as distribution expansion. Meanwhile, the Greater Matale Water Supply project, which commenced in 2017, was completed during the year, providing safe drinking water to 90,000 families in the city of Matale and its environs, while the Galle Cluster Project and Project I of the Colombo Water Supply Service Improvement Projects were also completed in 2022. Additionally, the Alawwa, Polgahawela, Pothuhara Integrated Water Supply Project and Matara Water Supply Project-stage IV, achieved a physical progress of 94.0 per cent and 93.1 per cent, respectively, in 2022, while both projects are expected to be completed in 2023. Upon completion, these projects will improve safe drinking water facilities in 20 Divisional Secretariates in the Southern and North Western Provinces. Moreover, the Water

Table 3.9
Water Supply by National Water
Supply and Drainage Board

Item	2021	2022 (a)	Growth Rate (%)	
			2021	2022 (a)
Total Water Supply Schemes (No.) (b)	337	339	1.8	0.6
Total New Connections provided during the period (No.)	192,087	153,217	56.5	-20.2
Total Connections (No.) (b)	2,752,324	2,905,541	7.5	5.6
Total Water Production (MCM) (c)	815	818	4.2	0.4
Non Revenue Water (per cent)				
Colombo City	34.8	24.1	-11.4	-30.6
Islandwide	25.8	25.2	4.8	-2.3
Access to Safe Drinking Water (per cent)	94.3	96.0	1.2	1.8
Access to Pipe Borne Water (per cent) (d)	54.2	60.4	2.1	11.4

(a) Provisional
(b) As at year end
(c) MCM=Million Cubic Metres
(d) Includes systems managed by other authorities

Source: National Water Supply and Drainage Board

Supply and Sanitation project, covering Jaffna and Kilinochchi Districts, which aims to fulfill the water requirement of 300,000 beneficiaries in these two districts, registered a physical progress of 71.4 per cent by the end of 2022. Nevertheless, several other water supply projects were temporarily suspended, while expected completion timelines for around ten major water supply projects were extended due to the slow pace of progress during the year amidst financial headwinds.

The upward revision of water and sewerage tariffs in 2022 after a 10 year hiatus helped strengthen the financial performance of NWS&DB. Considering the rising cost of supplying water and maintaining water infrastructure in the country, and the resultant financial losses incurred by NWS&DB in the absence of regular revisions to water tariffs, the Cabinet of Ministers granted approval for the upward revision of water and sewerage tariffs with effect from 01 September 2022. Accordingly, the tiered water tariff system for all categories of users was substantially increased with usage tariffs for the domestic category being raised by around 70.0 per cent. However, tariffs applicable to low income consumers, such as Samurdhi recipients, remained broadly unchanged alongside those tariff rates applicable to the schools, religious, and charitable institutions

categories. Further, fees applicable for new water connections were also revised upward with effect from 17 October 2022. Partly attributing to these revisions, the operating loss of NWS&DB declined to Rs. 1.2 billion in 2022, compared to the loss of Rs. 3.1 billion recorded in the previous year. Going forward, it is vital that water tariffs undergo a process of revision at regularly scheduled intervals, thereby ensuring the sustainability of country's water supply and sanitation system to preserve the health and wellbeing of people in the long run.

The Department of Irrigation (DI) continued its efforts towards maintaining and upgrading irrigation projects for agriculture and domestic purposes in 2022. During the year, DI progressed 19 major irrigation projects incurring a total cost of Rs. 3.8 billion, of which Rs. 2.0 billion and Rs. 616.3 million were spent on the Uma Oya downstream development project and Yan Oya project, respectively. The Uma Oya downstream development project, achieved a physical progress of 74.1 per cent by end of 2022. Incurring a cost of Rs. 1.1 billion during the year, the 'Warisubhagya National Programme', was in progress in an effort to enhancing irrigable land area through the rehabilitation and enhancing capacities of tanks and anicuts across all districts for the benefit of around 250,000 families. Under this programme, rehabilitation of 598 tanks were completed by end of 2022, compared to the 739 tanks/anicuts considered as per the initial plan. Further, activities related to the physical work of several medium scale irrigation projects, including the Peramaduwa Reservoir project and rehabilitation works of the Padaviya and Wahalkada schemes, were commenced in 2022. Meanwhile, the 'Productivity Enhancement and Irrigation System Efficiency Improvement Project' (PIESIP) that was commenced in 2017 aimed at improving irrigation system efficiencies to enhance land, water, and

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crop productivity of 80 irrigation schemes in the country continued during the year, albeit at a slow phase amidst restrained budgetary allocations.

3.3 Social Infrastructure Policies, Institutional Framework and Performance

Health

Healthcare provisioning of the country continued to straddle with contemporary challenges during 2022. Notwithstanding the surge in COVID-19 cases recorded in the first quarter of 2022, the severity of the spread eventually dissipated towards the second half of the year. With the spread of the Omicron variant towards end 2021, the number of COVID-19 cases showed a steady increase up until end April 2022 and followed a gradual decline by July 2022. Thereafter, transmission of the sub-variant Omicron.BA.5, known to be the most contagious and most immune evasive strain, intensified in mid July 2022 before dissipating towards end 2022. According to the Ministry of Health (MoH), as of mid March 2023, 672,048 cases of COVID-19 were reported, while the death toll was 16,831. The caseload and deaths reported in Sri Lanka were comparatively low, compared to peer countries, implying the successful execution of preventive and containment strategies in controlling the virus spread. Mobility restrictions and social distancing measures together with the rapid deployment of vaccine drive across the island helped the country to deal with multiple outbreaks. As of mid March 2023, the national vaccine administrative programme has effectively covered 97.1 per cent of the population, over the age of 12 years having received at least one dose and 83.6 per cent having received the initial protocol of two vaccine doses. Of the initial protocol completed population,

Table 3.10
Salient Features of Health Services

Item	2021 (a)	2022 (b)
1. Government (No.)		
Hospitals (Practicing Western Medicine)	618	617
Beds	78,228	78,228
Primary Medical Care Units	542	544
Doctors	20,209	21,045
Assistant Medical Practitioners	648	642
Nurses	39,091	40,775
Attendants	8,334	8,310
2. Ayurvedic (No.)		
Hospitals	118	119
Beds	5,444	5,345
Qualified Ayurvedic Doctors	1,806	2,303
Registered Ayurvedic Doctors (c)	26,183	26,650

(a) Revised

(b) Provisional

(c) Registered with the Ayurvedic Medical Council

Sources: Ministry of Health
Department of Ayurveda

55.7 per cent received the first booster dose and 2.5 per cent of the first booster dose completed population received the second booster dose, by mid-March 2023. The administration of the second booster dose of the Pfizer vaccine began in May 2022 in phases, prioritising the elderly population and immunocompromised individuals before the general public. However, the progress in administering the second booster dose of vaccines continued lagging by end 2022, partly reflecting subdued public preferences for the booster vaccination. Despite the successful containment of the COVID-19 pandemic through concerted efforts of all the stakeholders, any resurgence of such health emergencies in the period ahead would exert pressures on the healthcare system, which is already strangled in a precarious state due to shortages in medical supplies and medicines attributable to issues in procurement procedures. Going forward, recognising the need for enhancing the resilience of the country's healthcare system, measures should be deployed in strengthening its readiness to exogenous shocks by fostering private sector investments in the health sector on top of government investment in health infrastructure, while streamlining and automating healthcare procurement processes.

Figure 3.15
Annual Dengue Cases and Deaths



The healthcare system was burdened with the country's exposure to the spread of other communicable diseases during 2022. The number of dengue cases intensified substantially to 76,689 from 35,924 cases reported in the previous year, whereas dengue related deaths increased to 72 from 28 deaths in 2021. The highest number of cases was reported in the districts of Colombo and Gampaha, where the risk of spread of dengue was substantial due to high population density. The rise in dengue cases in 2022 was largely attributable to lapses in executing dengue preventive measures due to shortages in pesticides and fuel. Prolongation of such shortages may cause continuity of the upward trend in dengue infestation in early 2023. Although Sri Lanka was affirmed to have eliminated filariasis as a public health problem by the World Health Organisation (WHO) in 2016, approximately 73 cases of filariasis were reported in 2022. The country's filariasis control programme is in the post-validation surveillance phase, where the target is set to completely prevent the transmission of the disease by 2030. In 2022, 6,970 leptospirosis cases were reported compared to 6,946 cases recorded in 2021, while the highest caseloads were reported from Rathnapura, Kegalle, Galle, and Kalutara districts. Despite the fact that Sri Lanka was declared malaria free by WHO in 2016, 37 imported malaria cases were reported

in 2022, compared to 26 in 2021, as a result of increased cross border transmission following the relaxation of COVID-19 related restrictions, raising concerns over a plausible resurgence of malaria in the country.

The health sector continued to grapple challenges emanating from Non-Communicable Diseases (NCDs) amidst exacerbated socio-economic issues. A steady rise in NCDs has been observed in the country over the last few years, due to lifestyle risk factors, such as unhealthy diet, lack of exercise, smoking, alcohol and drug consumption, and deterioration of mental health. The MoH continued its engagement in promoting public awareness with regard to prevention, diagnosis, control, and management of NCDs. Accordingly, a revised National Policy and Strategic Framework for Prevention and Control of NCDs in Sri Lanka was published for public comment, while the Multi Sectoral Strategic Action Plan on Injury Prevention and Management, Sri Lanka 2021–2025 was launched in 2022 to provide strategic leadership for injury prevention through targeted planning and service coordination. Several physical activity promotion programmes and healthy diet programmes were conducted with the aim of reducing the incidence of NCDs, especially targeting the youth population. Further, MoH continued to engage in cancer control activities at the primary care level, including early detection and prevention. Accordingly, a cancer early detection centre became operational during the year at the Rathnapura teaching hospital. Nevertheless, amidst reduced availability of medical and pharmaceutical supplies in the country, continuing treatment for NCD patients proved to be challenging, creating a disproportionate bearing on vulnerable groups of the population. Against this backdrop, there is a dire need to prioritise the requisites for health emergencies and adequate provisioning of budgetary allocation,

BOX 5

Fighting Child Malnutrition in Sri Lanka amidst the Economic Crisis

Introduction

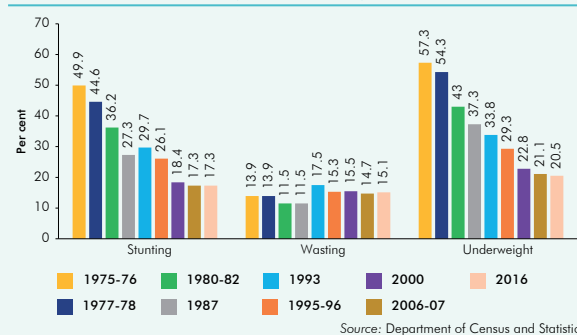
Rising malnutrition among children has become a forefront policy concern in Sri Lanka amidst heightened food insecurity of households caused by the host of economic and social issues that exacerbated during the economic crisis in 2022. According to the World Health Organisation (WHO), malnutrition refers to deficiencies or excesses in nutrient intake, imbalance of essential nutrients, or impaired nutrient utilisation. Thus, it entails a double burden of undernutrition and overnutrition. Undernutrition occurs in the form of wasting (low weight for height), stunting (low height for age), being underweight (low weight for age), and micronutrient deficiencies. Overnutrition is a health risk, which develops along with abnormal or excessive fat accumulation in the human body that can result in overweight and ultimately obesity concerns. Malnutrition among the population is perceived as a growth regressive factor, with its direct influences on human capital productivity and intergenerational impact on human capital augmentation in the long run. According to the report on State of Food and Agriculture (2013) by Food and Agriculture Organisation of the United Nations, malnutrition imposes a global social and economic burden of an estimated US dollars 3.5 trillion annually, which is approximately equivalent to US dollars 500 per person, per annum. Given the critical role of human capital in economic growth, the issue of malnutrition has gained significant global attention, resulting in the implementation of a plethora of policy measures aimed at combatting it across the world. Sri Lanka adopted its first National Nutritional Policy (NNP) in 1986 and carried out numerous nutrition schemes to reduce malnutrition and improve the nutritional status of the population. Despite the improved status of human development indicators, the progress made in combatting child malnutrition has remained stagnant for several decades, underlining the flaws of nutrition interventions and persistent income inequalities within the economy. Against this backdrop, food security and nutrition anomalies of the population have been further exacerbated by the pandemic and thereafter by the worsened economic crisis via many channels, including surging food prices, supply chain disruptions caused by the energy crisis, shortages in food commodities, loss of livelihood and the decline in disposable income, among others.

Child Malnutrition Status of Sri Lanka Prior to the Economic Crisis in 2022

Since independence, Sri Lanka has embarked on numerous initiatives to enhance the socio-economic wellbeing of citizens via numerous programmes on food security, nutrition, safety net schemes, etc. They

include provisioning of school meals, provisioning of food/cash allowances for pregnant and lactating mothers, the Thripasha programme, school water sanitation and hygiene programmes, and the salt iodisation programme, among others. Reflecting the impact of these efforts and commitments spanning over several decades, malnutrition among children declined remarkably during the period from 1975 to 1995, with stunting among children below five years of age almost halved to 26.1 per cent in 1995, compared to 49.9 per cent in 1975, while the underweight child population declined to 29.3 per cent in 1995 from 57.3 per cent in 1975. However, the progress towards alleviating malnutrition has moderated over the last few decades. According to the latest Demographic and Health Survey (DHS) - 2016, prevalence of wasting in children under five years remained at 15.1 per cent, reaching the emergency threshold level of wasting among children. Also, the prevalence of wasting among children under five years showed no significant progress in the survey rounds since 1995/96 to the 2016 period. According to the World Bank statistics, Sri Lanka ranked the second worst affected country in the South Asian region in terms of wasting among children under five years. Further, underweight among the same group of children remains around 20.0 per cent since 2000, while no significant advancement was reported in terms of children with stunted growth.

Figure B 5.1
Child Malnutrition Status (below 5 years old)
(1975-2016)



Meanwhile, the persistent disparities in malnutrition prevalence across regions and economic sectors in the country suggest that nutrition anomalies remain unresolved for a prolonged period. Across residential sectors, the estate sector has become the most vulnerable sector with the highest prevalence in stunting and underweight children under five years. According to the DHS-2016, around 31.7 per cent of children in the estate sector are stunted, compared to 14.7 per cent in urban areas and 17.0 per cent in rural sector. Further, 29.7

per cent of children under five years in the estate sector were underweight. Across districts, the highest prevalence of underweight and stunted children under five years was reported in Nuwara Eliya. The spatial disparities in nutritional status are primarily attributable to the socio-economic factors, such as economic security, access to health and education, connectivity, infrastructure development, etc. For instance, the mother's education level has been recognised as a major factor that influences the nutritional status of children. As such, the prevalence of stunting and underweight children born to mothers with no formal education is as high as 37.6 per cent and 33.9 per cent, respectively, compared to those of 12.1 per cent and 10.0 per cent reported, respectively, of children born to mothers with educational qualifications of degree or above. The Child Multidimensional Poverty Indicator (CMPI) of Sri Lanka, which is based on Household Income and Expenditure Survey-2019, signifies that one third of children aged 0-4 years are multidimensionally poor and either underweight or stunted. Meanwhile, the Sustainable Development Report 2022 (Sachs. J. et al., 2022) shows that Sri Lanka is lagging behind in progressing towards the zero hunger target by 2030, as reflected by moderate improvements in hunger indicators, which remained insufficient to attain the Sustainable Development Goals targets as envisaged.

Impact of the Current Economic Crisis on the Nutritional Status of Children

The UNICEF conceptual framework for malnutrition,¹ identifies economic factors as one of the major primary underlying causes of malnutrition, which could have a detrimental impact on the nutritional status of the population. Turbulent economic conditions can particularly disrupt supply channels and food systems, as well as means of income of the people, thereby directly impacting the nutritional well-being of the population by reducing households' access to and the affordability of nutritious food. Economic shocks often drive marginalised population to prioritise consumption of calorie-rich but nutrient-poor food, leading to a deterioration in dietary quality and eventually resulting in increased malnutrition.

Sri Lanka exemplifies how its worst economic recession on record and the resulting heightened macroeconomic instabilities have created unprecedented and far reaching social and economic consequences, of which deterioration in nutritional wellbeing of the population,

particularly child malnutrition represents a deep concern that carries a generational burden. With the crisis induced supply chain disruptions and higher cost coupled with drop in domestic food production due to acute fertiliser shortages, food prices in Sri Lanka started to escalate since the latter part of 2021, recording the historically highest food inflation (CCPI) of 94.9 per cent in September 2022, compared to 9.2 per cent at end 2020 and 22.1 per cent at end 2021. Despite some deceleration observed in food inflation since the latter part of 2022, food prices remained elevated during 2022. The surge in inflation caused a significant deterioration in the real income of households, while loss of livelihoods, particularly in the informal sector due to the crisis has exacerbated the household burden. With the informal sector accounting for 58.4 per cent of employment and a poverty level of 14.3 per cent, the potential consequences of economic turmoil on livelihoods, food security, and nutritional status remain significant. This compels households to adopt alternative coping strategies during the crisis.

According to the Remote Household Food Security Survey of the World Food Programme (WFP), which consists of 2,137 surveys across all nine provinces conducted through a computer assisted telephone interviewing data collection approach, the food security status of the country remained vulnerable as at end 2022, with 68.0 per cent of the population adopting food based coping strategies by limiting portion sizes, reducing the number of meals, and relying on less preferred food. Meanwhile, a portion of population of around 40 per cent has resorted to livelihood based coping strategies by reducing their spending on education and health, which could eventually lead to deterioration in long term nutritional conditions and wellbeing. The latest official assessment of the Family Health Bureau of Ministry of Health that was conducted under the concept of Nutrition Month in October 2022 on nutritional status of children under five years, reveals that the nutritional status of children deteriorated in 2022 reflecting the decline in household wellbeing during the economic crisis. The assessment results indicate a worsening in all major nutrition indicators for children, particularly, stunting, wasting, and underweight in the under five-year age category. At the national level, the percentage of underweight children under five years increased to 15.3 per cent in 2022 from 12.2 per cent in 2021. Both stunting and wasting among children under five years increased to 9.2 per cent and 10.1 per cent, respectively, in 2022, from 7.4 per cent and 8.2 per cent, respectively, recorded in 2021. However, the percentage of overweight children showed some improvement in 2022.

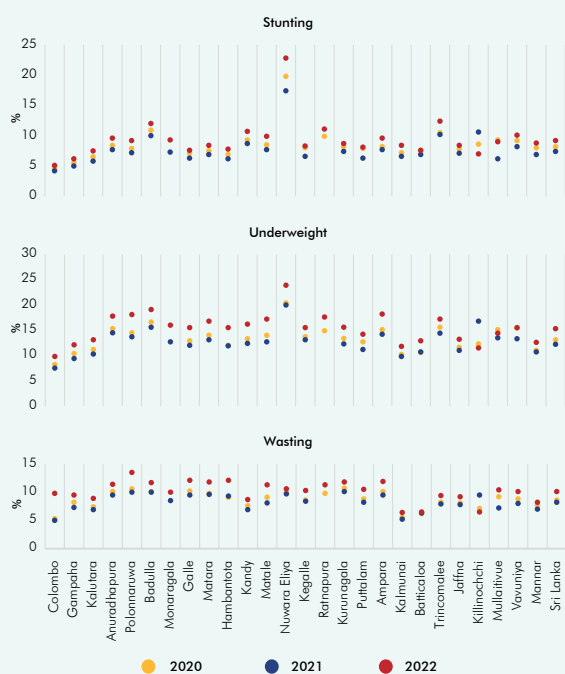
1. The immediate causes of malnutrition are poor dietary intake (quality/quantity), physical inactivity and disease conditions, while household food insecurity, inadequate care for children and women, sub-optimal health service delivery and sedentary lifestyle and behaviours are considered underlying causes of malnutrition. The basic causes of malnutrition are socio-cultural, economic, and political factors as well as climate variability and weather extremes. These factors could affect both availability and affordability of food.

Table B 5.1
Recent Statistics of Child Malnutrition Status

Indicator	% of Children under 5 years age						
	2016	2017	2018	2019	2020	2021	2022
Underweight	15.6	14.5	14.3	14.0	13.1	12.2	15.3
Stunting	9.2	9.0	8.9	8.4	8.2	7.4	9.2
Wasting	11.3	11.1	10.2	9.9	8.6	8.2	10.1
Overweight	0.5	0.5	0.6	0.6	0.8	0.8	0.6

Source: Family Health Bureau, Ministry of Health

Figure B 5.2
District Level Worsening Status of Child Malnutrition



Source: Family Health Bureau, Ministry of Health

According to the Survey, child malnutrition has deteriorated in most districts, exacerbating the existing nutrition anomalies among children across the country. The Nuwara Eliya District had the highest percentage of stunted children, with a reported percentage of 22.8 per cent, while the Colombo District had the lowest percentage of stunted children of 5.1 per cent. Further, the Nuwara Eliya District reported the highest percentage of underweight children under the age of five, at 23.9 per cent, while the Colombo District had the lowest percentage of underweight children at 9.8 per cent. It is apparent that nutrition anomalies in the country have been persisted despite government intervention efforts, and these inequalities are likely to worsen during economic crises unless addressed cohesively.

The Government's Responses

To combat the devastating effects of the economic and food crisis on the nutritional status of the population and prevent further deterioration of malnutrition conditions, the Emergency Nutrition Plan for 2022-2024 was developed by the Ministry of Health. The plan aims at addressing critical issues, such as food availability and affordability inequalities, gaps in health system services for vulnerable groups, and communication and empowerment gaps to prevent nutritional problems. Accordingly, all the stakeholders are involved in planning and implementing identified strategies and key activities of the plan, while also monitoring progress at each level of implementation. Meanwhile, several financial assistance programmes were implemented by the Government targeting vulnerable populations, including low income pregnant mothers, lactating mothers, women headed families, children under five years, and people suffering from malnutrition with the assistance of the international agencies. These programmes were aimed at ensuring food security for households, while measures were taken to continue the provisioning of balanced meals to school children through school meal programmes. Meanwhile, provisioning of supplementary therapeutic food for severely malnourished children continues, along with other health services provided through the Family Health Bureau.

Policy Agenda to Combat Child Malnutrition

Policy initiatives taken by successive governments to combat child malnutrition have been insufficient to withstand sudden socio-economic shocks. This underscores the need for reformulating strategies aimed at preserving food security and alleviating malnutrition within a multisectoral framework. In this regard, policies should be formulated as short run, and medium to long run solutions, while addressing the gaps in the existing nutrition programmes. Short run solutions should be targeted at compensating for the negative income impact due to the surge in food prices, such as providing safety nets and scaling up of existing social protection programmes, while ensuring better targeting of these welfare benefits with proper exit mechanisms, to achieve the desired outcomes. Given the limited fiscal space for government led nutrition interventions, it is crucial to extensively seek avenues for food assistance from donor agencies and peer countries to reduce hunger among vulnerable sectors in the near term, while ensuring the monitoring and evaluation of such programmes transparently. Encouraging community-based programmes, such as 'community kitchens', could be beneficial as such movements offer a common platform

to address a wide range of causes of undernutrition. As indicated in the UNICEF system approach to improve maternal and child nutrition, the long term strategies to combat child malnutrition must be grounded on five systems: food system, health system, water and sanitation system, education system, and social protection system. Accordingly, reforms and investments in food systems, which deliver availability and affordability of nutritious and safe food in a sustainable manner are vital, while enabling better food choices for families. In this regard, notable transformations in a country's food system are essential to deliver a healthy diet for people at an affordable price. These include improving productivity in the agriculture sector along with more innovations and research and development, reducing post-harvest losses, more value addition in the agriculture sector, reducing import dependency of food systems, introducing climate resilient food crops, promoting a wide range of nutrient rich foods, particularly through the popularising integrated farming, rebalancing agriculture sector subsidies, and tax policies and improving agronomic practices as well as maintaining adequate food buffers to face food emergencies.

The health system should be improved to play its role as a delivery platform for prevention and treatment of malnutrition, in addition to contributing towards fostering positive nutrition practices among the public. In this regard, it is needed to encourage new investments in basic health and nutrition services with a view to expanding access to such services, while introducing a basic nutrition package for the most underprivileged community. Further, investing in education, particularly targeting the vulnerable population, remains crucial, as education and malnutrition show a strong inverse relationship. Investing in women's education plays a vital role in determining children's nutrition levels, where income opportunities for women created through education help support the nutrition vulnerability of households.

Considering the far reaching socio-economic consequences of renewed threats of child malnutrition amidst the crisis, policy makers should focus on reformulating strategies spanning from short run and medium to long run to combat malnutrition among children in Sri Lanka. In this regard, collective and coordinated efforts of all the stakeholders of the economy, particularly the Government, health systems, education systems, and participants in the food systems along with the support from all the citizens of the country remain important in transforming policies to actions, thereby supporting to uplift the nutritional conditions of the children. These concerted efforts can strengthen the linkages between stakeholders in formulating nutrition strategies, strengthening capacities of existing nutrition programmes and mobilising funds for such initiatives, while enabling a data centric evidence based decision making process to secure children's right to nutrition.

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while fostering investments in domestic production of drugs and other medical supplies and improving efficiency in the healthcare system in the country to promote the wellbeing of its citizens.

Several infrastructure developments and capacity building initiatives aimed at improving the quality of healthcare services were underway in 2022. Accordingly, primary healthcare

delivery facilities were developed and strengthened in five hospitals using the funds allocated by the World Bank under the Primary Healthcare System Strengthening Project to provide quality services through primary medical care institutions. In 2022, the establishment of accident and emergency care services in selected hospitals, including District General Hospitals in Kalutara and Ampara, was in progress. Further, various projects aimed at

upgrading accident and emergency care units of the government hospitals, such as Ratnapura, Karapitiya, and Monaragala hospitals, were in progress. Additionally, the construction of a national simulation centre at the Mulleriyawa Base Hospital as a national centre for stroke care was underway during 2022. Meanwhile, programmes targeted at building human capital capacity in the health sector were continued. Considering the shortage in high skilled professionals in the health sector, as an interim policy provision, the retirement age for medical consultants, government medical officers, dental surgeons, and registered medical officers was extended by one more year with effect from 12 December 2022 for which the policy validity will remain up until 31 December 2023. In addition, the Government decided to allow public servants, including health sector employees, to avail five years of no pay leave for employment abroad. Nevertheless, the emerging trends in high skilled labour migration from the health sector amidst the economic crisis could have severe implications in continuing public health services in the period ahead, suggesting immediate policy response to retain the high skilled medical professionals and consultants within the country.

The private sector continued to play a significant role in healthcare delivery in both preventive and curative services in Sri Lanka. The number of registered private hospitals stood at 250 by end 2022 with a total bed capacity of 5,602, while six new full time private general practices/ dispensaries/medical clinics were established during the year. Complementing efforts of the Government to contain the COVID-19 outbreak, 25 Intermediary Care Centres and three COVID-19 treatment centres were operated by private hospitals with the approval of MoH, and 13 private laboratories were authorised to conduct PCR and Rapid Antigen Tests in 2022. Given the limitations in the regular health services provided by public

hospitals amidst the medical supply shortages, a majority of people opted for services provided by private hospitals during 2022. However, with the higher cost of medical supplies, medicines, laboratory tests, and consultation fees, the charges of such medical services rose sharply to excessive amounts, reflecting the flaws in the existing regulatory mechanisms for private healthcare providers. As a result, individuals, especially middle income earners, were seen to opt out of their ordinary access to private healthcare facilities. In this context, policies targeted at strengthening the regulation of the private sector and streamlining accreditation policies related to private healthcare service providers remain vital to widen the private healthcare sector to complement public healthcare provisioning, without compromising the benefits of providing public healthcare services largely for marginalised groups to ensure equitable access to health by all.

Education

Education activities were gradually revived towards the second half of 2022 with the abatement of energy crisis induced disruptions and COVID-19 interferences on the education system. Despite the resumption of in-person academic activities at the beginning of 2022, following the intermittent closures of schools, universities, and other education centres since 2020 due to the COVID-19 pandemic, educational activities were once again hampered in the early part of the second quarter of 2022, owing to transportation difficulties arising from severe shortages in domestic fuel supplies. Amidst the transportation difficulties witnessed across the country, academic activities were shifted towards online platforms in mid June 2022. However, these online education systems were also adversely affected by the regular power

outages that the country experienced during the year. With some resolution of the issues pertaining to the fuel supply, educational activities gradually recovered towards the second half of 2022, allowing the commencement of in-person academic activities on a full time basis since August 2022. Although in-person academic activities resumed during the year, learning losses caused by intermittent disruptions to academic activities since 2020 continued to persist. These disruptions are likely to create far reaching adverse consequences on learning outcomes, thereby widening the inequalities in educational outcomes among children in different economic and social backgrounds and geographical locations, given the already existing disparities in access to education infrastructure and technology related infrastructure facilities. As per the assessment on achievement levels of foundational skills in literacy and numeracy of grade 03 students in Sri Lanka which was conducted by the Ministry of Education (MoE) during the period of 2021-2022, the percentage of students who achieved every foundational skills in literacy remained only around 6 per cent of the sample, while the percentage of student who achieved all the skills in numeracy also remained low at 7 per cent. Furthermore, prolonged school closures following the COVID-19 outbreak and the spillover effects of the unprecedented economic crisis in the country led to an increase in school dropouts among vulnerable households. According to the latest available data for 2020, school dropouts in the primary sector increased to 9,269 from 8,834 in 2019. In this context, school dropouts are likely to have further increased in 2022, as vulnerable households opted to cut education expenses as a coping strategy amidst the economic distress. Meanwhile, children from low income households faced further difficulties due to shortages of stationery and school supplies, and soaring prices of such items caused by galloping inflation amidst

the financial hardships of households during 2022, indicating the possible risks of widening inequalities in learning outcomes. On the other hand, the postponement of national level examinations, instead of adopting alternative methods of assessment and adjusting significant compromises on syllabi, hinders the timely assessment of academic progress of students in the short run and highlights concern about the development of a productive human capital base of the country in the long run. Given the persistent nature of the difficulties students has been experiencing over the past three years, future policies should be adjusted with due consideration given to the impact of the

Table 3.11
Salient Features of General Education

Item	2021 (a)	2022 (b)
1. Schools (No.)	11,088	11,082
Government Schools	10,146	10,134
Primary	3,893	3,883
Secondary	6,253	6,251
o/w National Schools	396	396
Other Schools	942	948
Pirivena	819	823
Private and Special Schools (c)	123	125
2. Students (No.) (d)	4,260,466	4,236,207
Government Schools	4,048,937	4,024,207
Other Schools	211,529	212,000
Pirivena	70,310	70,500
Private and Special Schools (c)	141,219	141,500
International Schools	n.a.	n.a.
3. Teachers (No.) (d)	256,676	n.a.
Government Schools	241,054	n.a.
Other Schools	15,622	n.a.
Pirivena	7,347	n.a.
Private and Special Schools (c)	8,275	n.a.
International Schools	n.a.	n.a.
4. New Admissions (No.) (e)	304,105	301,519
5. Student/Teacher Ratio		
Government Schools	17	n.a.
Other Schools	14	n.a.
International Schools	n.a.	n.a.
6. Primary Net Enrolment Ratio (Grade 1-5)	n.a.	n.a.
7. Secondary Net Enrolment Ratio (Grade 6-11)	n.a.	n.a.
8. Age Specific Enrolment Ratio (Grade 1-9)	n.a.	n.a.
9. Teacher Training Colleges (No.)	8	8
10. Teachers Trained during the Year (No.)	n.a.	n.a.
11. National Colleges of Education (No.)	19	19
Teacher Trainees (No.)	n.a.	n.a.
Number Passed Out during the Year	n.a.	n.a.

(a) Revised

Source: Ministry of Education

(b) Provisional

(c) Private schools approved by the Government and schools for children with special needs (This figure excludes international schools, which are registered under the Companies Act)

(d) Excluding data from international schools

(e) Government schools only

disruptions on the learning outcomes of students at all levels within the public education system and lifelong implications of these disruptions in terms of pursuing higher education and employment opportunities. Therefore, a concerted effort is required to enhance the quality of online learning outcomes and infrastructure base, novel assessment methods, and upgradability of syllabi to upskill the labour force, across all education levels, while aligning them with the sectoral priorities of the country.

3 In 2022, several initiatives were undertaken to improve equitable access to general education and to enhance quality, governance, and service delivery of education services in Sri Lanka. During the year, MoE together with the relevant stakeholders continued to review the current education system aiming at implementing the curriculum and learning reforms, identifying future learning needs, providing assistance to recover learning losses and acquiring the essential learning competencies, as well as standardising the teacher development process, thereby uplifting the quality in general education in the period ahead. The National Institute of Education (NIE) continued to work on new curriculum reforms, which are expected to be launched as a pilot project in selected schools for Grades 1, 6, and 10 students in 2024. Other initiatives, such as the 'New National School Development Programme' and the 'Nearest School is the Best School' project were also underway. The '13-Years Mandatory Education' policy was further strengthened in 2022 with the offering of the Vocational stream for Advanced Level studies in 525 schools nationwide. In 2022, about 8,000 students who had been undertaking studies under Vocational stream were directed to institutional training, while initiatives were taken to get the approval of the Cabinet of Ministers to establish the vocational education stream as the

seventh Advanced Level education stream during the year. Meanwhile, MoE continued to facilitate academic activities through a blended learning approach as required amidst the interruptions to in-person education activities during the year with the continuation of online programmes that were in place since 2021. MoE conducted the 'Improving and Assessing of Listening and Speaking Skills' training programme via the 'Moodle' platform to uplift proficiency in the English language and trained around 150 trainers as well as English teachers across the country in 2022. Activities aimed at developing proficiency in foreign languages, such as German and French, were uploaded to MoE's 'e-thaksalawa' learning management system during the year. The Government managed to hold all national level examinations that were due in 2021 during the first half of 2022, while the Grade 5 Scholarship Examination and Advanced Level Examination due in August 2022 were postponed to December 2022 and January 2023, respectively. The Ordinary Level Examination, which was due in December 2022, is planned to be held in May 2023 without any significant compromises.

The higher education sector strived to ensure the continuity of education activities by resorting to hybrid mechanisms in 2022, while several measures were undertaken to strengthen the higher education infrastructure base of the country. During the year, the state universities carried out their education activities, continuing the learning mode adopted under the online platform of Lanka Education and Research Network (LEARN), which was established since the onset of the COVID-19 pandemic, combined with the in-person education activities, thereby minimising the adverse consequences of economic disruptions on the higher education sector. While ensuring the continuity of education activities, authorities committed to enhance the education infrastructure base, despite

the financial constraints imposed by the economic crisis. Accordingly, approval for two new faculties of computing at the University of Sri Jayewardenepura and Sabaragamuwa University, and a faculty of graduate studies in the Eastern University was granted by the University Grants Commission (UGC) during the year, while 14 new departments in eight universities were also approved. Moreover, around 54 new degree programmes, covering undergraduate degree programmes, undergraduate specialisation degree programmes, postgraduate degree programmes, and external degree programmes, were approved in 2022. Meanwhile, measures were taken to introduce the University Test of English Language (UTEL), a national level test administered under the guidance of UGC for third-year students in all the universities during the year. A national level certificate is planned to be offered upon the completion of this examination.

Table 3.12
Salient Features of University Education (a)

Item	2021 (b)	2022 (c)
1. Universities (No.)	17	17
2. Other Higher Educational Institutions (No.)	19	19
3. Students (Undergraduates) (No.) (d)		
Universities (e)	119,068	128,638
Institutes	3,611	3,712
Open University	28,824	28,591
4. Total Staff (All Universities) (No.)		
Academic	7,004	7,204
Non-Academic	13,164	13,150
5. Student/Teacher Ratio	19.4	20.2
6. Age Specific Undergraduate Enrolment Ratio (18-22 yrs) (d)	8.9	9.3
7. Progression to University from GCE (A/L)		
Eligible for University Admission (%)	62.47	62.89
Admission as a Percentage of Eligible (%)	22.58	n.a.
8. Students Graduated (No.) (f)	36,012	n.a.
Basic Degree	25,890	n.a.
Postgraduate Degree	10,122	n.a.
9. New Admissions for Basic Degrees (No.) (g)	43,927	n.a.
10. Students Eligible to be Admitted to Universities (No.)	194,366	171,497

(a) Universities and higher education institutions that come under the purview of University Grants Commission

(b) Revised

(c) Provisional

(d) Excluding external degree courses

(e) Excluding Open University

(f) Including external degrees and Open University

(g) Excluding external degrees and Open University

Source: University Grants Commission

Table 3.13
Salient Features of Tertiary and Vocational Education and Training (TVET)

Item	2021	2022 (a)
1. Registered TVET Institutions (No.) (b)	1,071	1,136
Public	478	526
Private and Non-Governmental Organisations	593	610
2. Total Accredited Courses (No.)	3,014	3,043
Public	2,387	2,370
Private and Non-Governmental Organisations	627	673
3. Issued NVQ Certificates (No.)	45,033	117,954
Department of Technical Education and Training (DTET)	4,633	9,782
National Apprenticeship and Industrial Training Authority (NAITA)	7,441	50,029
Vocational Training Authority (VTA)	17,253	25,432
National Youth Services Council (NYSC)	3,897	4,903
Private	11,809	27,808

(a) Provisional

(b) As at year end

Source: Tertiary and Vocational Education Commission

In addition, UGC initiated a project to establish separate Departments of Information Technology in the Faculties of Humanities, Arts, and Performing Arts in universities aimed at enhancing the future employability of undergraduates in the streams of Arts, Humanities, and Aesthetics.

In 2022, the private sector played an important role in providing tertiary education to meet the dynamic demand of the labour market. By end 2022, there were 24 Non-State Higher Education Institutes (NSHEIs) recognised by the Non-State Higher Education Division of MoE as degree awarding institutes, offering 221 accredited degree programmes. During the year, one new institute was recognised as a degree-awarding institute, and 34 new degree programmes offered by NSHEIs were also recognised. Meanwhile, reviews of several new degree programmes and new institutions were underway during 2022. The preparation of guidelines for ascertaining the minimum standards for Degree Awarding Institutions and subject review of NSHEIs were completed during the year.

The Technical and Vocational Education and Training (TVET) sector continued to enhance opportunities to cater to the contemporary skill needs of the economy. By the end of 2022,

3 there were 1,136 registered institutions in the TVET sector, comprising of 526 public institutions and 610 non-government sector institutions. These institutions offered 3,043 accredited TVET courses covering various technical and vocational subject areas. During the year, 117,954 National Vocational Qualification (NVQ) certificates were awarded to qualifying students. Despite the constraints imposed by the economic crisis, the Tertiary and Vocational Education Commission (TVEC) continued to adopt several measures to facilitate training delivery, assessment, and certification activities. Most training institutes continued to use blended education modalities, and the Flexible Learning Method (FLM) was promoted to reduce time, the financial cost of travelling, cost of accommodation, and cost of logistics arrangements. Meanwhile, the Governing Council of the TVEC granted coverup approvals of training institutes offering caregiver training courses to expedite the registration process, acknowledging the fast growing nature of the caregiver sector in the global job market. Additionally, the TVEC issued NVQ Circular 05/2022, facilitating On-the-Job Training (OJT) for several NVQ levels starting from 01 November 2022, providing faster adaptation to prospective employment opportunities.

Housing and Urban Development

The progress in housing development projects of the Government remained stagnant in 2022, reflecting the impact of tight fiscal space and supply shortages in raw materials as well as the surge in cost of inputs in the construction sector during the year. The preliminary work of the Middle Income Housing Projects planned to be implemented under the Public Private Partnership (PPP) arrangement was carried out by the Urban Settlement Development Authority (USDA) during the year. However, four major projects under USDA,

including the Wattala and Nittambuwa middle income housing projects and Mixed Development Projects of Sri Jayawardenapura Kotte and Kaduwela, were discontinued in 2022 due to cashflow pressures of the Government, while the planned Low Income Housing Projects in Hikkaduwa and Nawalapitiya were also halted due to budgetary constraints. Nevertheless, the Ministry of Water Supply and Estate Infrastructure Development continued several housing projects with financial assistance from the Government of India to improve the living conditions of the estate population, while several Government funded projects of a similar nature were also underway during the year. Meanwhile, the development activities pertaining to the housing projects of 'Obata Geyak – Ratata Hetak', 'Mihindu Niwahana', and 'Viru Sumithuru' continued at a moderate pace.

The Government's infrastructure projects continued to progress at a slower pace in 2022 amidst the financial constraints associated with the deepened economic crisis. The Urban Development Authority (UDA) continued to engage in around 180 projects under the Urban Infrastructure and Township Development Programme (Siyak Nagara), including city beautification and urban development endeavours, to enhance the infrastructure base of the country. Under the programme to develop five roads in the Homagama Tech City, a new access road from Kottawa to Mahenwatta was completed during the year. Several other key projects, including the Beira Lake Rehabilitation and Redevelopment Project, and the Reconstruction of Jaffna Town Hall were also underway during 2022. Development activities related to the Metro Colombo Solid Waste Management Project also continued during the year, achieving cumulative physical progress of 90.0 per cent at end 2022. Further, the Metro Colombo Urban Development Project, which is targeted

at addressing the issue of urban flooding and developing the Colombo metropolitan area into a world class city, recorded a physical progress of 99.6 per cent by end 2022. Further, after completion of the construction work, the Colombo Lotus Tower was handed over to the Government on 28 February 2022, and accordingly the operations were entrusted to the Colombo Lotus Tower (Pvt.) Ltd, a company established under the Ministry of Finance, Economic Stabilisation and National Policies. The Colombo Lotus Tower was opened for public viewing from mid September 2022, and negotiations are underway with several private investors to develop an entertainment zone within the premises.

Activities pertaining to the development of Colombo Port City continued in 2022, achieving many milestones. Accordingly, Development Control Regulations (DCR) for the entire project were gazetted in April 2022, and the key regulations in relation to businesses of strategic importance, offshore companies, authorised persons, and duty-free retail operations were finalised in 2022. However, considering the importance of establishing a world class university and an international school in the Port City, measures were taken to revise the DCR during the latter part of 2022. Infrastructure development of the region's first Downtown Duty Free Mall was completed, and the Port City's Duty Free Passenger entry system was also being developed, and is planned to be launched in mid 2023. Land preparation and technical preparation of 42 plots out of the 74 plots were concluded by the Colombo Port City project company, enabling the Colombo Port City Economic Commission (CPCEC) to issue completion certificates to the project company, while six plots in the Marina District of Colombo Port City were sold during the year. Licenses for four banks, including two state owned banks, were granted to commence operations in compliance

with all relevant regulations and pre-operational requirements. Three types of visas; Investor Visas, Employment Visas, and Residence Visas were introduced by the Commission, while the visa application and approval processes were streamlined and automated in collaboration with the Department of Immigration and Emigration (DIE). Moreover, discussions were held in late 2022 to obtain investment support from a Saudi Arabia based company for several projects, including Colombo International Financial Centre Phase I, Marina Waterfront Commercial, Marina Hotel, and Super Luxury Villa.

Poverty Alleviation and Safety Nets

Sri Lanka's progress in eradicating poverty stalled with heightened economic vulnerabilities from multiple fronts during the economic recession. Although commendable progress has been made in poverty eradication at the national level, a considerable portion of the population still lives below the poverty line, with significant income disparities across different dimensions. By 2019, the percentage of the population living below the poverty line had declined to 14.3 per cent, compared to 46.8 per cent recorded in 2002, as per the updated poverty line of the Department of Census and Statistics (DCS). However, poverty level in the estate sector remained high at 33.8 per cent, compared to 15.0 per cent in the rural sector and 6.0 per cent in the urban sector in 2019, reflecting significant disparities across the economic sectors. The household Income and Expenditure Survey (HIES) - 2019 highlighted that the poorest 20 per cent received only 4.6 per cent of the country's total household income, whereas the richest 20 per cent of the population received around 51.3 per cent of the total household income, reaffirming the severity of the persistent issue of income inequalities in the country. These poverty

3 statistics indicated that a significant portion of the population of the country was vulnerable to poverty even prior to the recent economic fallout. Against this backdrop, poverty pockets of the population have been largely exposed to economic shocks since the onset of the COVID-19 pandemic, while their vulnerabilities have been amplified by worsened macroeconomic conditions throughout 2022. Continuous economic disruptions and the slowdown in economic activity forced certain segments of the population, who were faring well prior to the crisis, towards the poverty line, with crisis associated undesirable consequences on their income levels and employment opportunities. Meanwhile, the acceleration in consumer prices had a severe impact on vulnerable households, exacerbating pre-existing income inequalities. Reflecting the current vulnerability of the population, the national poverty line reached Rs. 13,777.00 by the end of December 2022, registering a significant year-on-year increase of approximately 74.1 per cent, along with the surge in inflation during 2022. In December 2022, the district poverty lines of Colombo and Gampaha surpassed Rs. 14,500.00, highlighting the disproportionate impact of inflation on the cost of living in urban areas, when compared to rural districts, such as Kilinochchi and Monaragala, where district poverty lines remained at Rs. 13,311.00 and Rs. 13,174.00, respectively.

The prolonged crisis and related economic disruptions have not only deprived the financial capacity of households but also have increased food insecurity and malnutrition among marginalised groups of the population.

According to the special report of Crop and Food Security Assessment Mission in September 2022, jointly released by the World Food Programme (WFP) and the Food and Agriculture Organisation (FAO) of the United Nations, an estimated 6.3 million people in Sri Lanka were facing moderate to severe acute food insecurity. Without adequate life-saving assistance and support for livelihoods, the situation of these people could deteriorate further. Against this backdrop, the Government opted for a reverse graduation to obtain assistance from International Development Association (IDA) of the World Bank, thereby securing access to concessional financing from IDA, while leveraging support from other multilateral development assistances to stabilise the economy and safeguard against hunger and poverty.

In light of potential emergence of new poverty pockets resulting from the economic crisis, measures were taken to strengthen the targeting of vulnerable groups in the population for safety net programmes. Accordingly, the Welfare Benefits Board initiated measures to expedite the establishment of a social registry

Table 3.14
Main Welfare Programmes - Number of Beneficiary Families and Value of Grants

Year	Divineguma / Samurdhi Subsidy Programme		Nutrition Allowance Programme (a)	
	Families (No.) (b)	Value (Rs. million) (c)	Beneficiaries (No.) (b)	Value (Rs. million)
2018	1,384,021	39,239	329,047	5,490
2019	1,800,182	44,660	300,246	5,279
2020	1,770,086	52,434	238,034	4,751 (d)
2021	1,760,485	55,400	250,848	5,248
2022 (e)	1,760,485	120,988 (f)	n.a.	3,690

(a) For pregnant and lactating mothers

(b) As at year end

(c) Including the kerosene subsidy

(d) Revised

(e) Provisional

(f) Including the subsidy granted under the multilateral assistance

Sources: Department of Samurdhi Development
Ministry of Women, Child Affairs and Social Empowerment
Ministry of Finance, Economic Stabilization and National Policies

under the 'Leave No One Behind' programme with technical assistance from multilateral agencies in 2022. Under this programme, it is planned to establish the Welfare Benefits Information System (WBIS) and develop an Integrated Welfare Management System (IWMS) by end June 2023 with financial assistance from the Social Safety Nets Project (SSNP) of the World Bank. The selection process to determine eligibility for welfare benefit payments under this programme was carried out during 2022, while the verification of data through household visits commenced in early 2023. Further, the initial application process to gather data for WBIS continued during the year, while basic information of 3,726,596 applicants had been registered by the end of 2022. This programme aims to establish a continuous assessment of social welfare beneficiaries' eligibility and to eventually create a proper mechanism to exit from welfare programmes by strengthening household economic status. In early 2023, DCS, in collaboration with the Ministry of Finance, Economic Stabilisation and National Policies and several other key government institutions, initiated steps to conduct a household survey to assess the impact of the economic crisis on living conditions. There is an urgent need to expedite the development of a social registry for identifying those in need to ensure that timely assistance reaches the intended beneficiaries. Creating such a database, along with digitising welfare programmes, would enable effective policy interventions for poverty eradication, by improving the quality, adequacy, and timeliness of data, while simultaneously strengthening evidence based policy decisions in the future.

The Government continued to carry out existing safety net programmes during the year to improve the socio-economic wellbeing of low income households. The Department of Samurdhi Development (DSD) distributed

around a total of Rs. 120 billion among 1.7 million beneficiary families and other categorical beneficiaries under the cash transfer programme of Samurdhi Subsidy programme, the Government's flagship safety net programme. Considering the disproportionate and immediate impact of the pandemic on poor households, the Government increased the monthly Samurdhi allowance for beneficiary households by around 28 per cent per family from February 2022, in line with the Government Budget 2022. Accordingly, the family unit allowances of Rs. 3,500, Rs. 2,500, and Rs. 1,500 were increased to Rs. 4,500, Rs. 3,200, and Rs. 1,900, per family, respectively. With financial assistance from multilateral agencies, DSD conducted an emergency cash transfer programme from May to November 2022, providing allowances ranging from Rs. 3,000 to Rs. 5,000 to existing Samurdhi beneficiary families and waiting listed families under the Samurdhi programme as well as individuals, who were in waiting lists for subsidy schemes for elderly, disabled, and kidney disease categories. Under this programme, DSD disbursed around Rs. 38.5 billion among 2.6 million beneficiary families with financial assistance from the World Bank, while the ADB provided financial assistance for disbursing Rs. 45.5 billion among 3.0 million beneficiary families. Moreover, another financial assistance programme was implemented during the year to ensure the nutritional well-being of vulnerable families, including low income pregnant and lactating mothers, women-headed families, children under five years, and malnourished individuals, with the facilitation from the WFP. This project covered 41,710 selected families in the districts of Ampara, Jaffna, Mannar, Monaragala, Galle, Mullaitivu, and Nuwara Eliya, and the total funds disbursed amounted to Rs. 625.7 million by the end of 2022. Meanwhile, a direct cash assistance of Rs. 10,000 per family was distributed

in the Kalutara District in August 2022, covering families with children under five years of age. During the year, DSD also remained involved in numerous programmes aimed at enhancing livelihood, social, and entrepreneurship development to uplift the living standards of people. To improve the efficiency of fund transfers, novel strategies were adopted, such as developing software for Customer Relationship Module (CRM), a Mobile Application for Samurdhi Officers, and more banking opportunities for beneficiaries. The Government introduced several other social welfare packages during the year, including a kerosene subsidy for small boat owners in the fishing industry and those in plantation areas with no electricity, to provide a financial cushion to families, who lost their livelihoods due to the crisis. Additionally, a Multi-Sector Combined Mechanism for Empowering Rural Economic Revitalisation Centres was introduced in September 2022, to achieve the dual objectives of ensuring food security and preventing renewed risks of malnutrition among children. Meanwhile, the Ministry of Women, Child Affairs and Social Empowerment continued to provide the nutrition allowance of Rs. 2,000 for expecting mothers, who registered with the clinics of the Medical Officer of Health for the last 06 months of pregnancy and the first 04 months of lactation. The Morning Meal programme for pre-school children, for upgrading the nutrition level of underweight children in preschool age, was also carried out during the year with the financial support from the World Bank Project on Early Childhood Development.

Despite the numerous poverty eradication programmes implemented by successive governments over the past few decades, Sri Lanka still experiences considerable income disparities across multiple dimensions, leaving its citizens more susceptible to abrupt

socio-economic setbacks. Therefore, revisiting policy approaches to eradicating poverty remains a major initiative in the country's development agenda towards achieving inclusive development. The establishment of the national social registry would support better resource utilisation by channeling resources to the needy sector. The framework should be allowed for greater flexibility in updating the registry on a regular basis. Additionally, while addressing the crisis driven burden on vulnerable segments of the population in the near term, the Government should focus on uplifting the long term resilience of these population groups by implementing well focused rapid livelihood development programmes, which would in turn reduce their dependency on government subsidy programmes in the future. Furthermore, poverty eradication policies should take into account demographic changes in the population, as well as the occurrence of natural disasters, health emergencies, etc. Given the larger share of the population employed in the informal sector, implementing measures to establish and promote superannuation funds would help secure the future of these communities during their retirement, without placing an additional financial strain on the Government, in the context of the ageing population, in particular. Further, growing inequalities in education and health should be addressed on a priority basis, thereby breaking the vicious cycle of poverty faced by marginalised populations of the economy. In light of the economic crisis, a policy framework that addresses worsening poverty levels both in the short and long term should be formulated, ensuring that the benefits of envisaged growth recovery and progress are equitably distributed to all citizens of the country. More importantly, the political and other interference in the delivery of welfare packages to the vulnerable needs to be reduced to a minimum.

Environment

The National Environmental Policy (NEP) was launched successfully in 2022, while making a significant stride in developing a consistent policy framework to protect the present and future ecological sustainability of the country. The Cabinet of Ministers granted approval to the Ministry of Environment in June 2022 to spearhead the implementation of NEP, which comprises policy interventions proposed under seven thematic areas: land and water resources, biodiversity and ecosystems, coastal and marine resources, environmental pollution prevention, control and waste management, climate change and global environmental challenges, built environment and green development, and cross-cutting issues and challenges. NEP is expected to ensure sustainable use, management, and protection of environmental resources to create enabling conditions for sustainable development in Sri Lanka through a well defined policy framework. Further, with the intention of effectively implementing NEP, the national environmental action plan for 2022-2030 was finalised during the year, identifying strategies that convert policy statements of NEP into implementable actions.

Several other initiatives rolled out with the significant commitment of the Government and Ministry of Environment to strengthen the focus on the sustainable and efficient use of natural resources in the economic recovery process. In the pursuit of achieving the status of Net Zero Carbon level by 2050, the Sri Lanka Climate Prosperity Plan (CPP) was presented to the UN Climate Change Conference (COP27) in 2022. CPP is expected to act as the national investment strategy to attract climate related foreign investment to Sri Lanka, while accelerating climate adaptation and reducing greenhouse gas

emissions. Further, in 2022, the draft of the National Cooling Policy was completed, intending to reduce greenhouse gas emissions through cooling sector (air conditioning and refrigeration) improvements including energy efficiency, use of renewable energy, and sustainable cooling solutions. This policy facilitates the country's plan for phasedown hydrofluorocarbon as agreed under the Kigali Amendment to the Montreal Protocol. With another significant step forward in the country's efforts to protect its unique and diverse environment, in 2022, the Cabinet of Ministers granted approval for 'The National Policy in Environmental Sensitive Areas in Sri Lanka', which is expected to strengthen the conservation and protection of environmentally sensitive areas, including areas of high biodiversity, wetlands, and coastal zones.

The Central Environment Authority (CEA) implemented several measures to safeguard the environment during the year. To prevent and minimise the release of discharges and emissions into the environment from specific industrial operations in compliance with national discharge and emission requirements, CEA implemented the Environment Protection License (EPL) procedure. In 2022, the prescribed activity list and the EPL regulations were amended by the gazette notifications No. 2264/18 and No. 2264/17, respectively, to reinforce the existing EPL procedure. As of end 2022, a total of 19,160 industries had obtained EPL licenses, while 786 BOI industries were also under the EPL procedure. Furthermore, to carry out its mandate to assess the possible environmental impact of projects through environmental impact assessments (EIA) and initial environmental examinations (IEE), CEA approved seven EIAs and 237 IEEs in 2022.

Environmental management authorities carried out several activities to improve the nation's readiness for disasters. In collaboration

3 with the National Building Research Organisation (NBRO) and DMT, CEA continued to carry out Air Quality Monitoring Programme, which was initiated in 2019. During the year, under this programme, sensor based air quality monitoring equipment units were installed in the cities of Kurunegala, Anuradhapura, and Jaffna with the assistance of WHO, reinforcing the ongoing Air Quality Monitoring Programme. Meanwhile, in December 2022, a deterioration in the quality of the atmosphere was discovered in many parts of the country to the transboundary air pollution effects, and the public was informed to remain vigilant. Recognising Sri Lanka's high exposure to such challenges and lack of established framework for guidelines to follow in such circumstances, Ministry of Environment initiated the development of a Contingency Response Action Plan in collaboration with CEA and several other stakeholders. This plan identifies local emission sources that can be limited during such critical time periods. Further, authorities continued to engage in disaster mitigating programmes during the year to minimise the socio-economic impact of natural disasters. The Department of Meteorology issued 568 weather warnings and advisories to the general public, related disaster management authorities, and the Department of

Fisheries to carry out early preparations during 2022. Meanwhile, NBRO was able to structurally mitigate two landslide sites in Nuwara Eliya and another in Colombo in 2022 as a part of its landslide risk mitigation measures, and continued its project on mapping areas with landslide hazard, covering 480 km² in the Kandy and Kegalle districts during the year.

The world is fast moving towards the circular economy and beyond. The climate change impacts are well articulated and already experienced by many countries, including Sri Lanka. The Paris Agreement (2015), COP26 (2021) and COP27 (2022) are ready to fund countries that are potentially subject severe disasters of climate change. It is necessary for Sri Lanka also to focus on these aspects and prepare a comprehensive framework in readiness and be compliant with governance principles agreed at the above mentioned summits. Economic infrastructure is one area Sri Lanka has to comply with widely agreed principles and compliant countries would be able to receive funding for earmarked infrastructure projects, primarily renewable energy projects. As it is a long drawn process, Sri Lanka needs to pay attention to global agreements.