

**Report of
Public Expenditure Review Committee (PERC)
for
Ministry of Transport and Highways**

13.07.2023

Report of the Public Expenditure Review Committee (PERC) on the Ministry of Transport and Highways

1. Background/Context

Based on the Cabinet Memorandum dated 06.02.2023, submitted by the Minister of Finance, Economic Stabilization and National Policies and the related Cabinet decision No 23/0256/604/030 dated 06th February 2023, the following committee of experts (hereinafter referred to as 'the Committee) has been appointed to review the expenditure of the Ministry of Transport and Highways. The Committee was responsible for rationalizing the expenditure of the above Ministry through a systematic review based on the principles of Zero-Budgeting.

The Members of the Committee:

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|---------------------------|---|------------|
| 1. Mr. R.M.P. Rathnayake, | Deputy Secretary to the Treasury | - Chairman |
| 2. Mr. Nilupul Perera | Chief Financial Officer, Ministry of Transport and Highways | - Member |
| 3. Prof. Amal S. Kumarage | Senior Professor, Department of Transport and Logistic Management, Faculty of Engineering, University of Moratuwa | - Member |
| 4. Dr. T Sivakumar | Senior Lecturer, Department of Transport and Logistic Management, Faculty of Engineering, University of Moratuwa | - Member |
| 5. Mr. Jiffry Zulfer | Founder and CEO, Digital Mobility Solutions Lanka (Pvt) Ltd | - Member |
| 6. Mr. T.M.D.P Thennakoon | Deputy Director, Department of National Budget | - Convener |

2. Committee meetings and framework for its proceedings

The Committee had several meetings with the Officials of the Ministry of Transport and Highways, Road Development Authority, Department of National Planning and Department of Project Management and Monitoring to understand its mandate and to proceed accordingly (*Annex I* – list of participants).

At the initial meeting, the Committee decided to develop a Guideline for Medium Term Budget Framework as a guiding framework to continue with its proceedings (*Annex II*):

In accordance with the Terms of Reference provided by the Secretary to the Treasury, Committee reviewed the expenditure programmes and projects currently been implemented by the Ministry of Transport and Highways and the institutions coming under the purview of the Ministry, with special focus on the period of economic recovery (3-5 years) and achieving short term targets, and the sustainability of investments for long-term developments.

Based on the Guideline for Medium Term Budget Framework, a set of criteria with assigned weights was prepared for project review and prioritization and on-going projects were reviewed accordingly (*Annex III*).

The Committee acknowledge that it should comply with the recommendations provided by the Cabinet of Ministers, various Cabinet Appointed Committees and institutions relating to road and transport sector projects

- Decisions by the Re-strategizing and Acceleration of Mega Projects (RAMP) and National Operation Room (NOR) on on-going transport and road projects.
- Understanding with the initiatives on restructuring the balance sheet of RDA to a healthy / bankable balance sheet
- Cabinet decision on winding up of the Maganeguma Subsidiary Companies (Maganeguma Road Construction Equipment Company Pvt Ltd, Maganeguma Consultancy and Management Company Pvt Ltd, Maganeguma Emulsion Production Company Pvt Ltd) and to hand over Expressway Transport Company Pvt Ltd to a suitable investor- Cabinet Decision Number 23/0394/608/033 1 on 23.03.2023)

3. Main observations of the Committee

1. The Committee members are of the view that the most appropriate public investment strategy for the next few years would be to maintain and use the existing transport infrastructure to their full potential to provide optimum throughout and thereby improve the quality of mobility, rather continuing investment on comparatively expensive new infrastructure, specifically, new roads. It is observed that the current transport and road sector maintenance budget is around Rs 27 billion whereas this is not sufficient to maintain related assets. RDA only requires around Rs 50 billion annually to maintain poor and bad roads (around 2780 km) during the next 5 years. However, the current road maintenance budget is around Rs. 15 billion per annum and this deficiency should be addressed during the next 5 years unless the existing road network will be a main barrier for the development of the country in future. The annual maintenance budget for railways will have to be doubled during the next 5 years to around Rs. 20 billion. Hence,

the total maintenance budget for the sector should at least be around Rs 70 bn since 2024 onward.

2. Reforms in the transport sector are urgently required to make sure that the Government obligation towards ensuring mobility needs of its people and corporate citizens is satisfactorily met. As such the transport planning should be based on the “mobility” that pays attention mainly to the needs and preferences of the people. The committee acknowledged that the planning of mobility related projects should be formulated based on actual/precious data. However, at present there is no proper system or encouraging environment to collect and analyze actual /precious data to understand the demand side information and come up with better transport solutions. Alternatively, real time data could also be utilized for the same purpose with the assistance of network operators. Research, studies, and data gathering required for implementing a strategic reform program for the different transport sub-sectors and agencies need to be carried out as a priority.
3. The committee is of the view that transport projects should demonstrate outcomes such as increased efficiency, reliability, safety, economic viability, affordability and finally sustainability. Committee acknowledged that those projects should essentially contribute towards reducing the country’s unsustainable dependence on imported private motor vehicles and fuel. Promoting reliable and quality public transport modes is important for this purpose.
4. The Committee is also of the view that the logistic and transport sector in the country is far behind in adopting information technology and digital operations and therefore, it is highly important to introduce IT and digital platforms to ensure efficient operations for all mobility related services offered to the public.
5. Poor integration across the different agencies providing mobility services has become an issue. At present, a large number of government institutions are in operation to provide a range of services related to road development and transport. Since these two subjects are devolved subjects, Provincial Councils are also taking part. However, integration and the coordination of the activities among these institutions are weak even since the project planning stage. As a result, there are duplication and repetition of works, non-addressing of citizens’ priorities properly and waste of public resources. Therefore, the Committee is of the view that the line Ministries who are responsible for road and transport should play a leading role to have continuous dialogue with respective provincial setup in order to maintain a proper integration of all respective institutions from planning to implementation stage. The scope of work of national level institutions need to be reviewed and the current project portfolios should be rearranged accordingly.

6. Ensuring road safety is essential as road accidents continue to pose a significant threat to public safety. In 2022, a total of 19,740 road accidents were reported, out of which 2,371 were fatal accidents, according to the annual data reports from the Police Media Unit. Motorcycle accidents accounted for the majority of serious injuries and deaths, among the total of 2,485 fatalities recorded last year. Motorcycle accidents left 806 individuals dead and 5,133 disabled. The Western province witnessed the highest number of accidents, with speed and negligence being a major contributing factor.
7. Committee acknowledged the government commitment to fully implement the programmes for net-zero transition and nationally determined contributions in line with the Paris Agreement. The expected contribution from the transport sector towards these targets is significant. Therefore it is vital to promote environmentally friendly transport modes while discouraging the use of fossil fuel. It is noted that the government has already taken a policy decision (para 11.4 of 2022 Interim Budget Speech) to ban the import of fuel vehicles for public sector institutions in future and allow only to import electric vehicles in a phase out manner.

4. Committee Recommendations

Based on the above observations, the Committee recommendations are basically categorized in to two namely "General" and "Projects Specific" recommendations

4.1. General Recommendations

1. The Committee recommends that the Ministry of Transport and Highways should focus its activities on providing policy guidance and leadership to the sector development aiming for an efficient and quality public transport network together with modernized, environmentally friendly integrated mobility system in the next 2-3 years. Accordingly, the sector priorities should be lined up as follows.
 - a. Settlements of liabilities including bills in hands and compensation for the lands acquired and livelihood losses.
 - b. Periodic and routine Maintenance of related assets to ensure that these assets are used to their full potential providing optimum throughout improved quality of mobility.
 - c. Completion of nearly completed project works (physical progress is above 80%) / restructured works .
 - d. Ensuring safety and sustainability of partially completed works; converting partially completed works to safe state and descopeing the other on-going project activities to suit the current context.
 - e. Essential project preparatory works relating to future investments. These investments are related to the following areas.

- i. Introducing user friendly IT and digital solutions for all mobility related services offered to the public. Aim is to increase efficiency, reduce operation cost and simplify the procedures.
 - ii. Building up of the domestic logistic industry- Preparing relevant plans, project documents and feasibility reports.- Ministry to take the lead in consultation with relevant stakeholders including the private sector.
 - iii. Minimizing road accidents and ensuring road safety- raising targeted awareness about road safety among vulnerable segments of society, safe infrastructure, vehicle safety, emergency response systems, education, and enforcement programmes- Ministry to take the lead in consultation with relevant stakeholders.
 - iv. Environmental friendly urban bus services; Incentivising private transport to convert to "Green Transport" modes
 - v. Plan and implement an efficient traffic management program within Colombo, it's suburbs and congested cities like Kandy.
 - vi. Increasing of non-fare revenue of related government owned public transport operators
2. Given the current macroeconomic outlook, large scale government investments in the mobility related mega infrastructure projects cannot be expected during the forthcoming period (at least for 5 years) due to the resource constraints and the limited space in the budget to accommodate large expenditure programmes. Therefore it is necessary to optimally use the available government funding while encouraging private sector investments in the transport sector to improve the quality of mobility.
3. On-going projects should be prioritized to manage within the limited fiscal space. Committee observed that a large number of construction projects are currently performing under the Ministry and the institutions coming under the Ministry. Most of the projects have encountered issues such as long delays and time extensions, scope changes, price escalation, poor contractual performance etc. Return on Investment in some of the projects and their sustainability are doubtful. Thus it is recommended to review these projects to understand possibilities of rescoping/ descoping the project activities to suit the current context.
4. It was noted that providing additional financing for the completion of on-going projects has become a huge challenge. Substantial increase of prices of the construction materials in the recent past and suspension of the disbursement of already agreed loans by the development partners have resulted in an additional burden on the government budget. Meantime, it is reported that around Rs 29,600 Million worth of unpaid bills are in hand as of 31/05/2023. Since these bills are considered as legal obligations, contractors

are entitled to get interest on delayed payments. This would also be a significant additional burden on the Government budget. Therefore, the committee recommends that priority should also be given to settle the bills in hand for already completed works

5. At present, the economy of the country is in a recovery phase from the crisis and this is the appropriate time for the transport sector institutions to internally review and revitalize their activities, focusing on the 'essentials' and the 'core-functions' that are critical for ensuring sustainability and progressive developments in the sector as well as the whole economy. Committee recommends that all development activities of the mobility related institutions should be strictly confined to the mandate assigned to those agencies by means of the Constitution, Gazette or any other legal means. With regard to new road developments, the activities of the Road Development Authority (RDA) should be confined to the expressway network and national roads (A & B class).

6. Provincial Authorities should take the full responsibility of developing and maintaining provincial roads while Local Authorities are responsible for improvements and maintenance of rural roads. The on-going projects (non-RDA roads) currently handled by the RDA should be handed over to relevant institutions after upgrading to a motorable level by completing only the critical activities. The Committee noted that the Cabinet of Ministers has also directed the RDA to hand over non-RDA roads under 100,000 km programme to relevant institutions- CM no:23/0738/608/051 i. Further, RDA should immediately introduce initiatives to enhance its financial soundness to cover its costs. Accordingly,
 - a. Both the scope, mandate the Charter of RDA should be reviewed
 - b. New income sources should be identified (eg: new business, non-fare revenue sources such as efficient utilization of under utilized lands, buildings and equipments)
 - c. Operational cost reduction methods should be introduced (eg. Business Process Outsourcing -BPO) and new revenue sources should be identified to the already established Road Maintenance Fund
 - d. Proper toll policy for expressways and rented spaces/buildings should be introduced

7. Maintaining the existing assets in optimum condition is recognized as priority. It is necessary to ensure that required financing for this purpose is allocated by the respective agencies. Further, the Ministry/RDA should come up with a prioritized action plan to utilize the maintenance budget optimally. Considering the significant fund requirement for maintaining the existing roads, low-cost and easily maintainable technologies should be introduced to improve affordability of relevant institutions related to road maintenance and sustainability of road related infrastructure.

8. Prioritizing road safety is essential as road accidents continue to pose a significant threat to public safety. The ministry should implement a suitable programme on priority basis to ensure safety of road users by introducing standards, infrastructure and road furniture, road worthy vehicles, emergency response systems, education, and enforcement in collaboration with all relevant stakeholders.

9. A mechanism should be in place to facilitate inclusive decision making processes with the participation of all mobility related institutions when new projects are planned. Also the Ministry needs to adopt an integrated planning approach for mobility improvement, combining road, rail and bus transport throughout the implementation cycle, from the beginning of the planning stage. It is recommended to set up a national level advisory committee (including provincial as well as national level institutions) for adopting policy level initiatives in the transport sector. The recently established Advisory Council for Roads at the Ministry of Transport and Highways could be the arm for integrated decision making for road development.
 - a. It is recommended to review all the mobility related projects proposed for the Western Province (Bus Priority Lane -BPL, Bus Rapid Transit- BRT, Railway Electrification, Light Rail Transit - LRT and Expressways) to agree on a modernized, environmentally friendly and integrated mobility system and identify the priority investments.
 - b. During the initial planning stage of projects (pre-feasibility stage), a rigorous study/ analysis should be carried out to decide the funding method of the project in consultation with relevant institutions to ensure the sustainability of new assets.
 - c. Mobility related infrastructure development and service providing businesses that are feasible for private sector investments should be implemented under PPP arrangement or with direct private investment without any financial commitments from the government.

10. The need for modernization of public transport is acknowledged by the committee as a priority. It was noted that some initiatives have already been taken during the recent past with formation of professional bus management companies for operation of public buses, introducing centralized bus operation systems and introducing digital bus time tables for passengers. Accordingly, the Committee recommends the Ministry of Transport and Highways to review all previous initiatives and prepare an action plan with a timeline for the modernization of public transport. In this regard, it is recommended to consider the following initiatives also.
 - a. Digitalization of the bus transportation sector
 - i. Formation of professionally qualified bus management companies for operation of public buses in the country
 - ii. Introducing centralized bus operation system with the assistance of domestic experts in the fields

- iii. Introducing digital bus time tables for passengers - a real time information system for passengers
 - iv. Introducing mobile electronic payment methods/ card system that can be used across any public transport modes
 - b. Introducing value added services (more comfortable buses) to bus transportation with the assistance of private sector
 - c. Incentivising on investing in electric buses to urban public transportation

- 11. The Committee recommends the Ministry to take the lead role in preparing and implementing a comprehensive strategy to develop the domestic logistic industry in consultation with all stakeholders including the private sector.

- 12. Mobility related infrastructure development in urbanized areas should be carried out in accordance with a comprehensive plan. Committee noted that the JICA funded CoMTrans study and its review by the University of Moratuwa in 2015 could be used as a guiding document for development of mobility related infrastructure in urban areas of the Western Province.

- 13. An integrated central database that includes all types of mobility related data should be established under the Road Development Authority (RDA) and RDA should provide the accessibility to any mobility related public institutions to obtain required data for development purposes.

- 14. Committee observed that the owners and their families of the lands acquired by the Government for construction/ improvement of mobility related infrastructure specially roads have been facing severe economic and social problems for a long time due to the non-payment of compensation for acquired lands on time. As this has become a serious social issue, the committee recommends that first priority should be given to payment of compensation to these families with a reasonable compensation for loss of livelihood during the delayed period. Relevant agencies should recommend and appropriate compensation for the loss of livelihood in consultation with relevant authorities.

- 15. The Committee recommends the ministry to prepare a strategy paper with the expected timeline to convert the existing fossil fuel based transport system into a "Green Transport System" to gradually reduce the fossil fuel usage in the sector. The Strategy paper should also focus on the legal and procedural barriers preventing private sector entering into a transition, institutional readiness, infrastructure gaps etc.

16. Once the government is able to borrow from development partners to finance projects, railway electrification should be given the priority for implementation. The projects that cover the prerequisite for electrification and are being implemented currently should be continued without any interruption.

17. The Committee recommends the Department of Railway to adopt industry norms to provide services that are demand-driven, customer-oriented, market-determined, and results-led. Well maintaining and optimizing the existing railway related infrastructure is the least-cost means of meeting the growing transport requirement during this crisis period. The Railway enterprise should be restructured into stand-alone enterprises operated on commercial principles. Accordingly,

- a. New income sources for SLR needs to be identified. SLR has around 14,000 acres of land islandwide. Depending on the location, these lands can be used for a wide variety of purposes from Agricultural to mixed development with private investments. Therefore, the Committee recommends SLR to initially identify lands that are not immediately required for railway development activities. Further, it is recommended to identify legal and procedural barriers of offering these lands to the private sector for development and take necessary actions to lift up such barriers.
- b. It was also noted that a large number of assets including carriages are lying idle in various locations for long periods without putting them into a proper use. Committee recommends the Sri Lanka Railways to identify the assets that can be used productively with a time bound action plan and to dispose of the unusable assets immediately.
- c. Operational cost reduction methods should be introduced. SLR should review its operations and related costs and need to identify alternative models with private sector to reduce possible costs (eg BPO)
- d. Appropriate pricing policies should be introduced (eg: Marginal cost pricing and value of service pricing)
- e. Efficient technologies that can drastically change the quality of services to passengers should be introduced
- f. Clear identification of social service commitments, level of required support and responsible agencies for fund provision should be identified
- g. Create an enabling environment to private sector to invest in rail sector

18. The Committee recommends SLTB the following

- a. Identify idle assets and utilize them in productive manner to enhance non-fare revenue of SLTB
- b. Priority should be given to maintenance of the bus fleet
- c. Integrated cash management, asset management and procurement system should be introduced covering all SLTB depots

19. The Committee recommends reviewing all subsidy programmes related to transport (all seasons, socially obligatory bus services, bus passes etc.) considering the current context.

20. The Committee also recommends adopting an overall distribution of the Ministry's budget allocation by the different sub-sectors during the forthcoming medium term in order to ensure high priority on provisioning demand driven mobility services. The Committee further introduces the following distribution rates for sector (maximum)

Sector	2023	2024	2025	2026
Highways and traffic management (road and bridges rehabilitation, improvement, widening construction, expressway construction)*	72%	70%	64%	55%
Railways (railway track, signaling, fleet and other related infrastructure maintenance, improvement and construction, operation related assistance, subsidies)	17.5%	18%	18%	25%
Bus transport (Multimodal Transport Centers Development, subsidies to bus transportation, assistance of the government to promote bus sector)	8.5%	8.85%	14.85%	16.85%
Taxi and ride sharing (promoting electric taxis)	-	0.05%	0.05%	0.05%
Modern technology and transport safety (promoting IT systems and electronic payment systems, road safety related initiatives, level crossing protection)	2%	2%	2%	2%
Freight and logistics (railway freight transport and other development)	-	1%	1%	1%
Research and development	-	0.05%	0.05%	0.05%
Planning (updating and preparation of new plans for transport, freight, logistics,	-	0.05%	0.05%	0.05%

- Total investment calculated by excluding Gap Financing component of RDA

4.2. Project / Program specific recommendations

Roads- During the forthcoming medium term, completion of the following projects should be given the priority (Details are in annex IV)

1. Road and weak bridge maintenance together with widening and improvement of priority road sections
2. Repayment of loans obtained by RDA for roads development (Gap Financing)
3. Compensation payments for acquired lands for road development projects
4. Central Expressway phase I from Kadawatha to Mirigama including the missing links with the Outer Circular Highway (OCH) at Kadawatha
5. Port Access Elevated Highway from Ingurukade Junction to Port City and Colombo Port
6. Kandy Multimodal Transport Terminal Development Project
7. Inclusive Development and Connectivity Project
8. Roads of which the rehabilitation has already been commenced under integrated Road Investment Programme and Development of alternative roads to access main roads and expressways and to ease the traffic congestion (100,000 km programme) up to motorable level
9. Projects of which the present physical progress is more than 80% (eg: Badulla Chenkallady road..)
10. Projects that are currently underway with foreign financing assistance and have secured future funding after consultation with Department of External Resources (Deniyaaya - Rakwaana road)

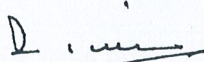
Transport - During the forthcoming medium term, implementation of the following projects should be given the priority (Details are in Annex V)

1. Maintenance of both railway and bus related infrastructure
2. Replacement of the existing old railway bridge over the Kelani river along the main line
3. Colombo Suburban Railway Development Project (CSRP) that is a prerequisite to electrification of railway network
4. Maho - Omanthai Railway Development Project
5. Subsidies and socially obligatory bus services (Sisusariya, Nisisariya, Gamisariya etc.)

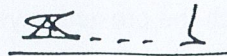
4.3 Reforms Related

1. The Committee recommends the following projects to be considered in the forthcoming medium term relating to proposed reforms to the sector.
 - a. To conduct a detailed study to seek the possibility of pooling and sharing of public office vehicles among officers traveling same direction for official purposes using digital solution
 - b. Establishment of bus priority lane with private sector participation for operation

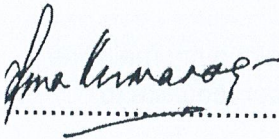
- c. Formation of bus management companies, introducing IT based centralized bus operation systems, passenger real time information system and modernized ticketing and revenue collecting system
- d. Support to upgrade the bus fleet gradually to modernized low floor buses
- e. Facilitating the conversion/ replacement of petrol/diesel fuel taxis into electric or hybrid
- f. Identify road blackspots and rectifying them
- g. Proper maintenance and expansion of road sidewalks and cycle lanes
- h. Study on the development of suitable business models together with required facilities to operate railway freight transportation with the private sector
- i. Conducting research for the development of the areas such as domestic logistic, road safety, traffic management, railway modernization,
- j. Preparation of plans for the development of national logistic and supply chain, road safety plans and updating of existing urban development plans and transport related plans (CoMTrans study)



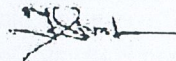
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 R.M.P. Rathnayake,
 Deputy Secretary to the Treasury,
 Chairman to the Committee



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 Nilupul Perera
 Chief Financing Officer, Ministry of
 Transport and Highways,
 Member to the Committee



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 Prof. Amal Kumara
 Senior Professor,
 Department of Transport and Logistic Management,
 Faculty of Engineering, University of Moratuwa
 Member to the Committee



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 Dr. T. Sivakumar
 Senior Lecturer,
 Department of Transport and Logistic
 Management, Faculty of Engineering,
 University of Moratuwa
 Member to the Committee



.....
 Jiffy Zulfer
 Chief Executive Officer,
 Digital Mobility Solutions Lanka (Pvt) Ltd.
 Member to the Committee

Annex – 1. Name of the officials who assisted the committee

Meeting Date	Participants	Designation
09.03.2023	R.M.P.Rathnayake	Chairman of the Committee – Deputy Secretary to the Treasury
	Amal Kumarage	Committee Member - Senior Profesor , University of Moratuwa
	T.Sivakumar	Committee Member - Senior Lecturer , University of Moratuwa
	Jiffry Zulfer	Committee Member CEO – Digital Mobility Solutions Lanka (Pvt) Ltd
	M.M.P.K.Mayadunne	Secretary , Ministry of Transport and Highways
	Jude Nilukshan	Director General , Department of National Budget
	L.V.S.Weerakon	Director General , Road Development Authority
	J.K.N.S. Perera	Chief Finance Officer , Ministry of Transport and Highways
	U.N.Mallawarachchi	Director , Department of National Planning
	Dhammika Premarathna	Director , Department of Project Management and Monitoring
T.M.D.P.Thennakoon	Deputy Director , Department of National Budget	
27.03.2023 Zoom Meeting	R.M.P.Rathnayake	Chairman of the Committee – Deputy Secretary to the Treasury
	Amal Kumarage	Committee Member - Senior Profesor , University of Moratuwa
	T.Sivakumar	Committee Member - Senior Lecturer , University of Moratuwa
	Jiffry Zulfer	Committee Member CEO – Digital Mobility Solutions Lanka (Pvt) Ltd
	L.V.S.Weerakon	Director General , Road Development Authority

Meeting Date	Participants	Designation
	J.K.N.S. Perera	Chief Finance Officer , Ministry of Transport and Highways
	U.N.Mallawarachchi	Director , Department of National Planning
	T.M.D.P.Thennakoon	Deputy Director , Department of National Budget
19.04.2023	R.M.P.Rathnayake	Chairman of the Committee – Deputy Secretary to the Treasury
	Amal Kumarage	Committee Member - Senior Profesor, University of Moratuwa
	T.Sivakumar	Committee Member - Senior Lecturer , University of Moratuwa
	Jiffry Zulfer	Committee Member CEO – Digital Mobility Solutions Lanka (Pvt) Ltd
	L.V.S.Weerakon	Director General , Road Development Authority
	J.K.N.S. Perera	Chief Finance Officer , Ministry of Transport and Highways
	D.A.S.Jayasekara	Director Planning , , Road Development Authority
	U.N.Mallawarachchi	Director , Department of National Planning
	T.M.D.P.Thennakoon (Zoom)	Deputy Director , Department of National Budget
25.05.2023	R.M.P.Rathnayake	Chairman of the Committee – Deputy Secretary to the Treasury
	Amal Kumarage	Committee Member - Senior Profesor , University of Moratuwa
	T.Sivakumar	Committee Member - Senior Lecturer , University of Moratuwa
	S.S.Mudalige	Director General (Planning) , Ministry of Transport and Highways (Highways)

Meeting Date	Participants	Designation
	Chinthaka Hettiarachchi	Director General (Planning) , Ministry of Transport and Highways (Transport)
	J.J.D.Jayasundera	Director General (Planning) , Ministry of Transport and Highways (Transport)
	J.K.N.S. Perera	Chief Finance Officer , Ministry of Transport and Highways
	D.A.S.Jayasekara	Director Planning , , Road Development Authority
	U.N.Mallawarachchi	Director , Department of National Planning
	T.M.D.P.Thennakoon	Deputy Director , Department of National Budget
08.06.2023	R.M.P.Rathnayake	Chairman of the Committee – Deputy Secretary to the Treasury
	Amal Kumarage	Committee Member - Senior Profesor , University of Moratuwa
	T.Sivakumar	Committee Member - Senior Lecturer , University of Moratuwa
	S.S.Mudalige	Director General (Planning) , Ministry of Transport and Highways (Highways)
	J.K.N.S. Perera	Chief Finance Officer , Ministry of Transport and Highways
	D.A.S.Jayasekara	Director Planning , , Road Development Authority
	T.M.D.P.Thennakoon	Deputy Director , Department of National Budget
	S.G.R.P.M.Samarakoon	Assistant Director , Department of National Planning

Guidelines for Medium Term Budget Framework to be followed by the Public Expenditure Review Committee (Min/Transport & Highways)

1. The approach that is considered by the PERC to be the most prudent for investment in the transport and highways sector given the country's current requirements and constraints for investments over the next few years, is as follows: 1. Post-Covid travel patterns and the economic crisis has reduced the demand for mobility by 20-30% in both passenger and freight transport. Since there is a temporary respite in the demand for new transport infrastructure, the most appropriate strategy for the next few years would be to invest in making the existing transport infrastructure provide higher quality of mobility as well as provide optimum throughout. This is considered the more appropriate strategy and change from investing in expensive new infrastructure, specifically, new roads and railways. Therefore, projects should demonstrate outcomes such as increased efficiency, reliability, safety, air quality, reduced cost of mobility and specifically contribute towards reducing the country's unsustainable dependence on imported private motor vehicles and fuel. Ensuring that the existing assets are maintained in optimum condition will become a priority in ensuring current infrastructure is used to its fullest potential.
2. The transport & logistics sector in Sri Lanka has fallen behind in adopting new technology. To speedily close this gap, the use of information technology and digital operations will be made mandatory in all mobility related services offered to the public. The IOT-based Industry 4.0 standard shall be made a benchmark for developing passenger and freight operations for both domestic and import/export transport.
3. Sri Lanka has historically had poor integration across the different agencies providing mobility services. This has become complex since transport and highways is also a devolved subject. New investment proposals will be appraised to ensure that they will be fully integrated from the planning stage to the operational stage. This will cut down the current wasteful duplication of investment, perusal of unsolicited proposals for projects that are sub-optimal and instead provide a wide array of choices that best meet user requirements. Transport sector pricing will be further rationalized for improved economic efficiency and greater social equitability. Transport and Logistics operators will be mandated to integrate and schedule services offered for public use by sharing data and providing seamless ticketing to enable users to choose the best combination of services.
4. Reform in the transport sector is urgently required to ensure that the Government obligation towards ensuring efficient mobility needs of its people and corporate citizens is satisfactorily met. Research, studies, and data gathering required for implementing a strategic reform program for the different transport sub sectors and agencies will be carried out as a priority

Suggestions for Investment Envelopes in ZBB

1. It is proposed to adopt an overall distribution of the budget allocation by the different sub-sectors initially:
 - Highways & Traffic Management- 50%
 - Railways – 20%
 - Bus transport – 20%
 - Taxis and Ride sharing – 5%
 - Motor Vehicle Management and Transport safety – 2%
 - Freight & Logistics – 2%
 - Research & Development – 1%
2. Any payments arising from past liabilities should be taken out from the respective envelope, based on an established priority order.
3. Ongoing projects where investment has already been made (sunk cost) shall only be considered given the current requirement of the project, its remaining investment and lower cost alternatives established through a project evaluation and economic review.
4. Missing road or rail links urgently needed for newly emerging service requirements, emergency repairs and essential network development shall be considered as a priority based on the relevant economic/cost effective studies.
5. Any project valued at over \$10 million will be considered only if its requirement has been established in a relevant national, regional, or urban transport study approved by the NPD. For this purpose, the JICA funded CoMTrans study and its Review by the MoT/UOM in 2015 will be considered as the base plan for transport investments in the Western Province, and for Kandy, the 2014 World Bank funded Kandy Transport Improvement Study, as would be other relevant studies carried out for Jaffna, Anuradhapura, Galle etc for those cities. The project shall also subscribe to the goals and objectives of the National Physical Plan.
6. Projects that demonstrate an active shift of mobility from private to public transport, motorized to non-motorised as well as from road to rail will be given priority consideration

Priority Criteria

Area	Criteria	Weight	Project	
			Marks	Remarks
Importance of the Project		40%	0.0%	
	Active shift of the mobility from Private to Public	10%		
	Active shift of the mobility from Road to rail	9%		
	Active shift of the mobility from Motorized to non-motorized	3%		
	Repair and maintenance	8%		
	Missing link improvement	4%		
	Essential network development	4%		
	Other mobility alternatives studies? If so, mention them	2%		
Outcomes of the project relating to mobility		25%	0.0%	
	Passenger	15%	0.0%	
	Travel Time saving	4%		
	Reliability	2%		
	Ensuring on-time arrival	2%		
	Reduced vulnerability to accidents	2%		
	Reduce travel cost	2%		
	Saving of Vehicle Operating costs	3%		
	Increased comfort	1%		
	Service Provider	10%	0.0%	
	Increased utilization of existing assets	1%		
	promote multimodality	1%		

Area	Criteria	Weight	Project	
			Marks	Remarks
	Saving of Operating costs	2%		
	Increased revenue	3%		
	Ensuring sustainability of related assets	2%		
	Increased frequency	1%		
Outcomes of the Project relating to economy of the country		15%	0.0%	
	Imports can directly be reduced	3%		
	Exports can directly be increased	3%		
	New employment opportunities can be generated (after project period)	2%		
	Mobilize FDI/ Private investments to the country	3%		
	Support for poverty reduction	2%		
	Reduction of Climate Change	2%		
Applying Science , Technology and Innovation		5%	0.0%	
	Real-time road navigation,Real-time public transit information/data,	2%		
	Digital payments in public transit	1%		
	Intelligent traffic signals	1%		
	Sharing of vehicles (demand-driven flexible routing and flexible scheduling of vehicles)	1%		
Cost and Financing		10%	0.0%	
	Total Estimated cost (if on-going , the total estimated cost for balance work)			
	Annual allocation requirement for 2024 – 2027 period			
	Is proper funding source available? If yes, mention the funding source if yes 5%	5.0%		

Area	Criteria	Weight	Project	
			Marks	Remarks
	Bills in hands up to 31/03/2023 (construction and compensation for land acquisition separately)			
	Is any imported item required as project inputs? (If No-3%, If Yes 0)	3.0%		
	How are the imported items obtained?			
	Directly imported by the project / implementing agency			
	Purchased from the local market (imported by any other supplier)			
	Foreign currency requirement for 2024-2027 period for the project (for importing any input)?			
	Sources of foreign currency			
	Provided by the development partner	2.0%		
	Seek from domestic market (eg. Domestic banks)			
If the project is an on-going project			0.0%	
	Progress as at 31/03/2023 (both financial and physical) -(if physical progress is more than 80% , allocate full marks)	2.0%		
	Is there any restructuring (eg. scope reduction, introducing alternatives ect..) for the remaining activities considering the current economic situation faced by the country? If yes describe briefly	2.0%		
	If alternatives are available, have new specific proposals been prepared and what is the cost?			
	Has any study been done to identify "cost reduction measures" for the remaining works, if yes, how (if yes give 10, if no - 0)	1.0%		
	Rank			

Annex IV : Results of Road related Project Prioritization

Priority Order	Name of the Project	TEC (Rs Mn)	Duration (from... to...)	Objectives	Progress	
					Physical	Financial
1	Kandy Multimodal Transport Terminal Development Project	16,039	2021.12.31 - 2025.05.31	1. To improve Connectivity, Mobility and Accessibility 2. To Reduce Travel time 3. To reduce vehicle operation cost	6.40%	>1%
2	Road Maintenance	Annual	2023.01.01 - 2023.012.31		45%	31%
3	Weak Bridges	Annual	2023.01.01 - 2023.12.31		49%	43%
4	Hungarian Tide Aid Loan. Soft loan Scheme under concessional Credit Facility (Construction of Kohuwala & Gatambe Flyovers)	11,536	2021.08.16 - 2023.10.16		61%	52%
5	Construction of 02 Flyovers In Slave Island	9,133	2021.06.07 - 2023.05.10		69%	68%
6	Widening and Improvement vote	Annual	2023.01.01 - 2023.12.31		33%	22%
7	Port Access Elevated Highway Project	55,817	2019.03.13 - 2025.06.30		59%	20%
8	Central Expressway Project Section - 1	176,785	2020.09.15 - 2024.09.14		36%	4%
9	I Road 1 Program	135,900	2014.09.01 - 2024.03.31		88%	20%

Priority Order	Name of the Project	TEC (Rs Mn)	Duration (from... to...)	Objectives	Progress		
					Physical	Financial	
10	Inclusive Connectivity & Development Project (ICDP)	54,300	2021.10.01-2026.10.01		33%	16%	
11	I Road 2 Program	184,382	2017.06.01 - 2027.06.01		67%	1.12%	
12	SPMU - Reconstruction of 25 Bridges Project	6,960	2015.09.07 -2022.09.14		P I - 100% , P II - 100%, P III - 90.5%	>1%	
13	Badulla Chenkaladi Road Improvement project	SFD - 13,550 OFID - 16,949	2017.01.17 -2022.05.31		P I - 100%	SFD - >1% OFID - 16%	
14	Central Expressway Project- Section 3	129,897	2016.01.01 - 2024.06.30		Civil works - 2.9%	14%	
15	Development of 100,000 km of Alternative Roads to Access Main Roads and Expressway under Local Banks Funded and Rural Roads Project	400,000	2020.04.17 - 2024.12.31		56%	39%	
16	National Roads Improvement Project funded by OPEC fund for International Development (OFID-1)	7,035	2013.06.01 - 2024.02.02		1. To improve Connectivity, Mobility and Accessibility 2. To Reduce Travel time 3. To reduce vehicle operation cost	91%	47%
17	Colombo National Highway Project funded by OPEC fund for International Development (OFID-2)	23,110	2003.12.01 - 2023.07.30			98%	42%
18	Western Province Road Development Project funded by OPEC fund for International Development (OFID-3)	5,600	2017.10.01 - 2023.05.30	99%		97%	

Priority Order	Name of the Project	TEC (Rs Mn)	Duration (from... to...)	Objectives	Progress	
					Physical	Financial
19	Rehabilitation of the Road Corridor Project (OFID-4)	7,600	2022.10.17 - 2024.12.26		3.60%	31%
20	Rehabilitation & Improvements of Road Network Development Project under Saudi Fund for Development (SFD)	9,755	2013.06.05 - 2023.04.30		100%	99%
21	Marine Drive Extension up to Panadura	5,346			Civil works - 92%	100%
22	Kandy Tunnel Construction Project (KTCP)	50,461	2021.09.01 - 2027.12.01		2.50%	>1%
23	Transport Connectivity and Asset Management Project	1,545	2016.05.09 - 2023.08.31		87%	19%
24	EXIM Bank of China (Hunan Branch) Funded Widening and Improvement of 64.31 km Roads and Reconstruction of 13 Bridges in Central and Uva Provinces	20,500	2018.11.29 - 2023.03.31		100%	15%
25	Ruwanpura Expressway Project - Phase I	Temporarily on Hold				
26	NKB to Athurugiriya	Temporarily on Hold				

Annex V : Results of Transport related Project Prioritization

Priority Order	Name of the Project	Implementing Agency	Total Estimated Cost (TEC)	Duration (from to)	Objectives	Progress	
						Physical	Financial
1	Township Development Component of Greater Colombo Urban Transport Development Project (3K Project)	3k	4980 Rs. Mn.	2008-2023	To develop a comprehensive township plan for Outer Circular Expressway corridor and develop necessary road infrastructure.	98%	16%
2	Colombo Suburban Railway Efficiency Improvement Project	CSRP	9400 USD Mn.	2019.08.20 - 2025.06.30	To improve efficiency, safety and sustainability of railway operations to achieve efficient, inclusive, safe and sustainable movement of people and goods promoted to support sustainable economic development.	55.16%	46.83%
3	Rehabilitation of the track from Maho to Omanthai		91.27 USD Mn.	2019.11.29 - 2022.11.29	Rehabilitation of Maho to Omanthai rail line to upgrade operations.	61%	60.86%
4	Kandy, Peradeniya & Kadugannawa Rail line development project	SLR	200 Rs .Mn.	2023.01.01 -2023.12.31	To improve the infrastructure facilities in order to enhance the Railway passenger and Freight transport service	30%	48%
5	Improvement of Railway Station building project	SLR	50 Rs.Mn.	2023.01.01 -2023.12.31		30%	48%
6	Kelaniya Railway Bridge Project	SLR	25 Rs. Mn.			-	33%

Priority Order	Name of the Project	Implementing Agency	Total Estimated Cost (TEC)	Duration (from... to...)	Objectives	Progress		
						Physical	Financial	
7	Maintenance of Signaling & communication System	SLR	1000 Rs.Mn.	2023.01.01 -2023.12.31		48%	21%	
8	Maintenance of Rolling stock - Major repairs	SLR	3000 Rs. Mn	2023.01.01 -2023.12.31		35%	29%	
9	Maintenance of Rolling stock - Mjnor repairs	SLR	2000 Rs. Mn.	2023.01.01 -2023.12.31		49%	32%	
10	Track Rehabilitation	SLR	4000 Rs. Mn.	2023.01.01 -2023.12.31		41%	45%	
11	Construction and rehabilitation of Building of CSTE	SLR	27.47 Rs. Mn.	2023.01.01 -2023.12.31		15%	3%	
12	Work done to other parties	SLR	136.35 Rs. Mn	2023.01.01 -2023.12.31		30%	16%	
13	Installation of level crossing protection	SLR	100 Rs. Mn.	2023.01.01 -2023.12.31		35%	0.03%	
14	KV Line	SLR	12 Rs. Mn.	2023.01.01 -2023.12.31		30%	36%	
15	Sisu Sariya -(School Bus Service)	NTC	2000 Rs. Mn.	Started from 2005 & continuous		Provide transport facility to school children to come to school in the morning and return home after school	1638 services	274.285 + 257.00 bills in hand(13.7%)
16	Gami Sariya -(Rural Bus Service)	NTC		Started from 2005 & continuous		Provide public transport bus service to the people where any other public transport facilities are unavailable		

Priority Order	Name of the Project	Implementing Agency	Total Estimated Cost (TEC)	Duration (from to..)	Objectives	Progress	
						Physical	Financial
17	Nisi Sariya -(Night & Eaily Mornning Bus Service)	NTC		Started from 2005 & continuous	Provide public transport bus service in the late night and early morning	256 services	
18	Bus Rehabilitation (200 buses- phase 01)	SLTB	1000 Rs. Mn. (estimated amount)	2023.02.02 -2023.12.31	Sustain of bus fleet	80%	0.50%
19	Procurement of 600 buses	SLTB	Rs. 4,056 mn	2019-2023		80%	33%