



THE 21st ASIA CONSTRUCT CONFERENCE

November, 2016

Japan

SRI LANKA COUNTRY REPORT



Prepared by

Arch. H K Balachandra

Director General

Construction Industry Development Authority (CIDA)

“Savsiripaya”, No. 123, Wijerama Mawatha, Colombo 07.

Telephone : 94-11-2696017, 94-11-2699801

e-mail : cidadg@sltnet.lk

website : www.cida.lk

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1.0 Executive Summary

Construction Sector continues to be the major value additor to the national Gross Domestic Product making a share of over 9% to the national Gross Domestic Product in the four consecutive years driving the economic growth of the economy.

In the construction sector growth rate which stood at 20.2 in the year 2014 has recorded a lower growth rate in the year 2015 due to the change of political environment.

The major infrastructure development projects being carried out by the previous regime have been put on hold due to procurement issues and environmental impacts which also dampen the emerging growth of the construction sector.

The sustainable growth of the construction sector has been hampered by many issues. Absence of consistent policies, lack of investment, shortage of skilled labour, scarcity of materials, lower productivity, high construction cost are some of the major factors which demand immediate attention for the sustainable development of the construction industry.

These issues lead to the creation of uncertainty in the minds of the investors creating sluggish construction market, jeopardizing the sustainable and inclusive growth of the Construction Industry.

The construction activities, which is the second largest industrial segment contracted by 0.9 % in 2015 against 6.6% growth recorded in 2014.

The comparative slow down in large scale infrastructure development projects was largely responsible for the witnessing of a lower growth rate.

The material consumption for the construction activities continued to rise in the year 2015. The availability of cement grew by 5.8% percent in 2015 recovering from stagnant performance in 2014. More over the building material import volume index also expanded by 9.7% in year 2015.

The labour wages continued to increase in the year 2015 due to the shortage of skilled labour. The skilled labour going overseas for higher wages continue to decrease due to more

opportunities in the local market. The continuous increase of labour and material prices leads to the continuous rising of the cost of construction making the construction cost of Sri Lanka one of the highest in the Asian region.

The credits to the private sector granted by licensed commercial banks for construction activities, increased significantly by 36.1% reflecting the increased participation of the private sector in the construction activities.

The credit granted to the personal housing construction activities by commercial banks also grew by 35.3% witnessing more investment in private residential activities.

2.0 Macro Economic Review and outlooks

2.1 Overview of National Economy

The real economic growth in Sri Lanka in 2015 is registered 5.7% as compared with 7.4% in 2014. A slowdown in the growth of traditional Sri Lankan markets had a negative impact on the export income.

Agricultural and service sectors grew by 4.8 % and 6.3% respectively while industrial sector recorded a growth of 4.8 % compared to the year 2014.

The contributions to the GDP by the agricultural forestry and fishing sectors continue to decline while the industrial and service sectors make strong contributions to the GDP.

The percentage share of the agricultural, forestry and fishing sectors remain to be in the region of 10% and the percentage share of the industry and services stood at 32% and 56% respectively.

Banks interest rate remains to be in the single digit although there is a very marginal rise in the interest rates compared to the previous year. The rupee has depreciated considerably against the US\$ recording a all time low rate of Rs. 145 US\$ per US\$.

The population recorded a very marginal growth of 0.9 % and lab our force also witnessed a very lower growth rate of 1.90%. The unemployed rate also recorded a marginal increase of 6% in year 2015 when compared with the previous year.

2.2 Main Economic Indicator

	2010	2011	2012	2014	2015
GDP and Components (Rs. Million)					
GDP at real Price	2,645,542	2,863,715	3,047,277	3,506,664	3,705,563
GDP at Current Market Prices	5,604,104	6,543,313	7,578,554	9,784,673	10,659,917
Real GDP growth (%)	8.0	8.2	6.3	7.4	5.7
Agriculture, Forestry and Fishery	717,910	791,761	833,477	964,766	1,079,755
Mining	89,226	112,386	152,113	214,235	236,567
Manufacturing	1,009,003	1,191,579	1,354,897	1,728,286	1,914,050
Services	3,236,926	3,794,893	4,356,837	5,511,568	6,043,596
Construction	423,414	511,220	712,272	1,150,010	1,215,350
Source : National Accounts of Sri Lanka 2015					
Demographic Indicators (000 persons)					
Population	20,675	20,869	20,424	20,771	20,966
Population Growth rate (%)	1.0	1.0	0.7	0.9	0.9
Total labor force	8,108	8,555	8,454	8,805	8,973
Labor force growth rate (%)	48.1	47.8	52.6	53.3	53.8
Unemployment rate (%)	4.9	4.2	4.0	4.3	4.6
Inflation rate (%)	6.22	6.74	7.53	3.29	0.93
Source : Central Bank Annual Report 2015					

Financial Indicators					
Interbank interest rate (%)	8.03	8.97	9.83	6.21	6.40
Short term interest rate (%)	9.27	10.49	14.29	6.49	7.32
Long term interest rate (%)	8.20	8.95	13.21	7.33	7.57
Exchange rate against US \$	113	110	128	133	145
Source : www.cbsl.gov.lk / www.customs.gov.lk					

GDP at Constant (2002) Prices

3.0 Overview of the Construction Industry

The Construction Industry is the backbone of the National Economy and its fluctuations in positive and negative directions always reflects where economy is heading for.

The cyclical variation in the Construction Industry is expected phenomenon and industry stakeholders must be able to absorb the shocks of this cyclical variations to diversify their operations specially during the lean periods.

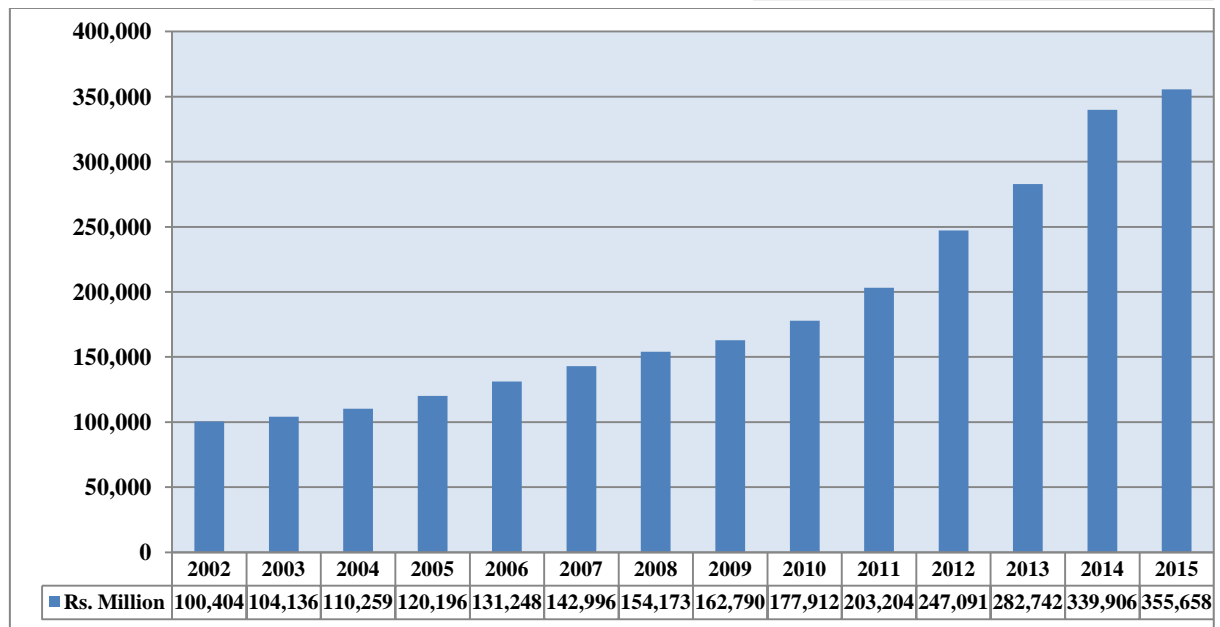
The Construction sector has recorded a marginal growth of 4.6% in the year 2015 when compared to the growth rate of 14.2 recorded in the year 2014.

The Construction Industry continues to retain its position as a major value additor to the national economy contributing 9.6% to the national Gross Domestic Product. The slowness of the growth rate can be attributed to the political transition which took place in the beginning of year 2015. The major infrastructure development projects specially those funded through the external sources which have been carried out by the previous government were temporarily suspended, until real economic benefits of those projects in terms of backward linkages such as employment generation, technology transfer, environment factors are assessed by the various technical committees appointed by the new Government creating a lean period in construction in the year 2015.

The most of the mega infrastructure development projects are now being cleared with scope and cost modifications are expected to take-off creating signs of upward trend in the construction market.

VALUE ADDITION BY THE CONSTRUCTION SECTOR TO GDP

(AT CONSTANT 2002 PRICES)



Construction Sector has become major value additor to the GDP mainly due to the Implementation of major infrastructure development projects such as express ways, high ways, international ports and airports.

3.1 Construction Investment

The investment by the public sector recorded the positive growth of 19.36% in the year 2015 while the private sector also recorded a positive growth.

Public sector investment in infrastructure activities such as road projects, water supply scheme, ports and airports have created more works for the construction companies positively impacting economic growth.

3) -1. Breakdown of the Construction Investment

(Rs. Million)

Type of Investment	2010	2011	2012	2014	2015	2016
Private Residential	61,518	62,655	15,109	17,913	23,745	28,342
Private Non-Residential (including Civil Work)	271,222	310,985	64,368	84,390	111,868	133,526
Public (Residential & Non – Residential)	119,420 526,491	121,624 603,678	245,394 1,045,443	290,935 1,370,638	385,659 1,816,896	460,323 2,168,648
Repair & Maintenance (Private & Public)	17,532	19,687	30,054	38,685	51,102	61,210
Total	996,183	1,118,629	1,400,368	1,802,561	2,389,270	2,852,049
Source : National Accounts of Sri Lanka 2015 Survey of Construction Industries Final Report 2011/ 2013						

3.2 Construction companies

Construction Industry Development Authority plays a vital role of registration of construction companies operating in Sri Lanka evaluating their technical and financial capacities.

The CIDA registration is a mandatory requirements for being engaged in the construction activities in Sri Lanka. No contractor is allowed to bid without a valid registration at the time of bidding.

Although there are over 3000 registered contractors, there are only very few mega contractors with necessary in-house infrastructure such as machinery, equipments, human and financial capital and with the latest technology and systems of construction, handling large infrastructure projects. Due to this situation lot of major infrastructure development

projects are handled by the foreign contractors where Sri Lankan contractors play a role of sub contractors.

This situation also leads to creating less competition for the projects of higher value. The CIDA has recently introduced a programme called Continuous Competency Development (CCD) of contractors with the objectives of capacity building of the contractors, so that they can continuously upgrade their grading providing a solution to the issue of lack of contractors representing the higher grades.

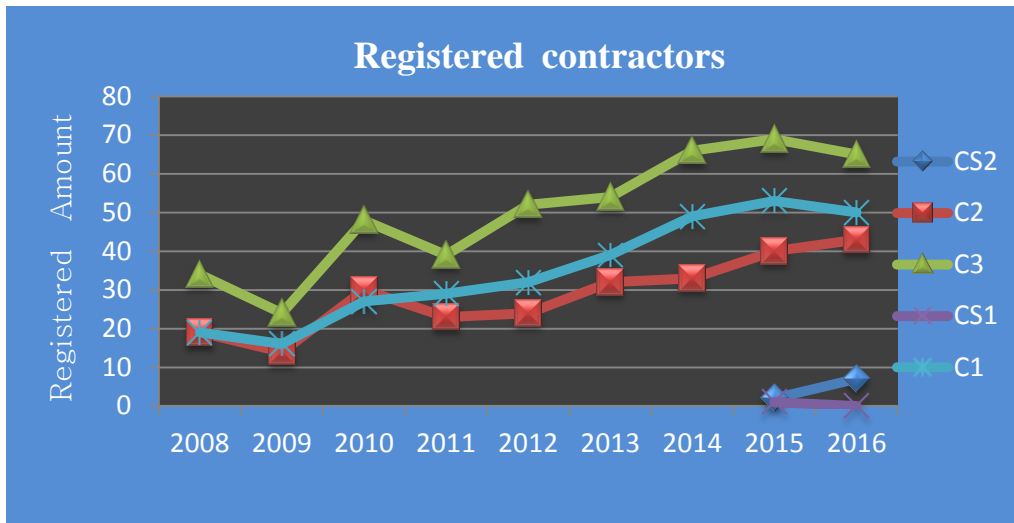
Each grade has been specified by the number of CCD points to be obtained in an annum and contractors who obtained a required number of points will only be eligible to renew their registration.

Number of registered Contractors according to their grading

	CS2	CS1	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	Total
2008			19	19	34	71	81	157	545	151	71	20	1168
2009			16	14	24	55	116	182	784	303	96	41	1631
2010			27	30	48	103	173	293	1162	492	126	51	2505
2011			29	23	39	92	165	256	1151	446	114	53	2368
2012			32	24	52	101	183	271	1229	415	104	41	2452
2013			39	32	54	116	187	326	1180	310	84	20	2348
2014			49	33	66	146	217	477	1305	317	79	62	2751
2015	2	1	53	40	69	153	219	485	1239	316	74	13	2664
2016	7	0	50	43	65	171	209	513	1673	690	826	5	4252

Source : Construction Industry Development Authority (CIDA)

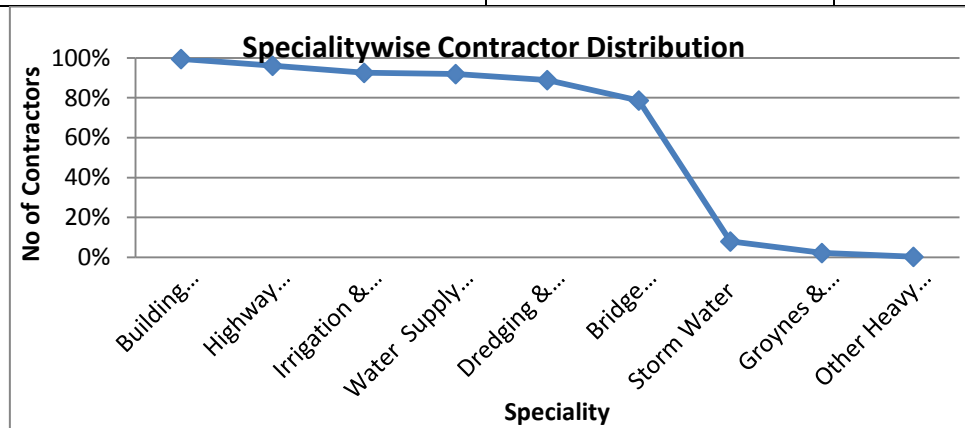
The chart reflects that majority of registered contractors fall into the category of medium and small scale creating very high competition in the projects ranging from Rs. 10 M Sri Lankan Rupees to 100 M Sri Lankan Rupees



Source : Construction Industry Development Authority (CIDA)

3.2.1 Speciality vs No of Contractors – 2015

Speciality	No of Contractors in 2015	% per Total Contractors
Building Construction	2650	99.47%
Highway Construction	2560	96.10%
Irrigation & Land Drain	2465	92.53%
Water Supply & Drainage	2449	91.93%
Dredging & Reclamation	2368	88.89%
Bridge Construction	2095	78.64%
Storm Water	210	7.88%
Groynes & Revetments	56	2.10%
Other Heavy Construction	5	0.19%
Total Contractors	2664	



Source : Construction Industry Development Authority (CIDA)

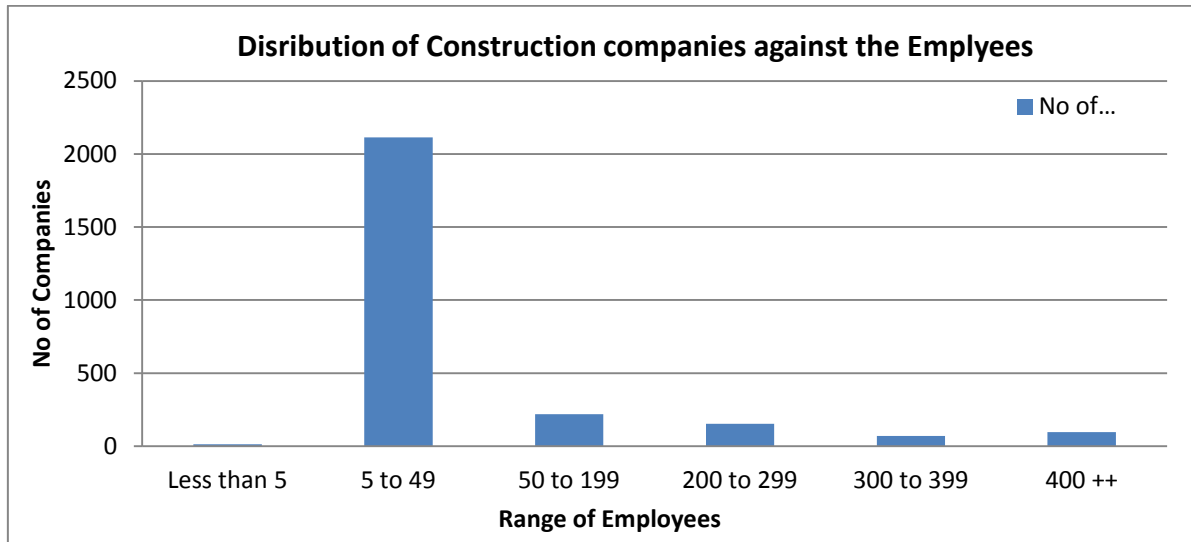
3.2.2 Distribution of Contractors by Employment Size

CATEGORY	Minimum no of Employees (Technical)			Total No of Contractors	% Distribution	No of Employees (Assumed)
	Professional Staff	Supervisory Staff	Total			
CS2	22	44	66	2	0.08%	3000
CS1	17	22	39	1	0.04%	2000
C1	8	14	22	53	1.99%	1400
C2	5	9	14	40	1.50%	400
C3	4	7	11	69	2.59%	300
C4	2	5	7	153	5.74%	200
C5	1	2	3	219	8.22%	125
C6	1	2	3	485	18.21%	40
C7	1	1	2	1239	46.51%	30
C8	0	1	1	316	11.86%	10
C9	0	1	1	74	2.78%	5
C10	0	1	1	13	0.49%	3
Total				2664	100.00%	

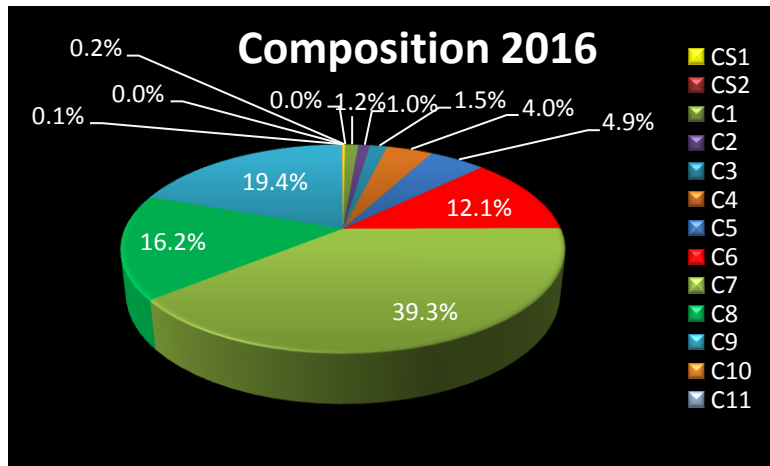
Source : Construction Industry Development Authority (CIDA)

Range of Employees	No of Companies
Less than 5	13
5 to 49	2114
50 to 199	219
200 to 299	153
300 to 399	69
400 ++	96
Total	2664

Source : Construction Industry Development Authority (CIDA)



Source : Construction Industry Development Authority (CIDA)

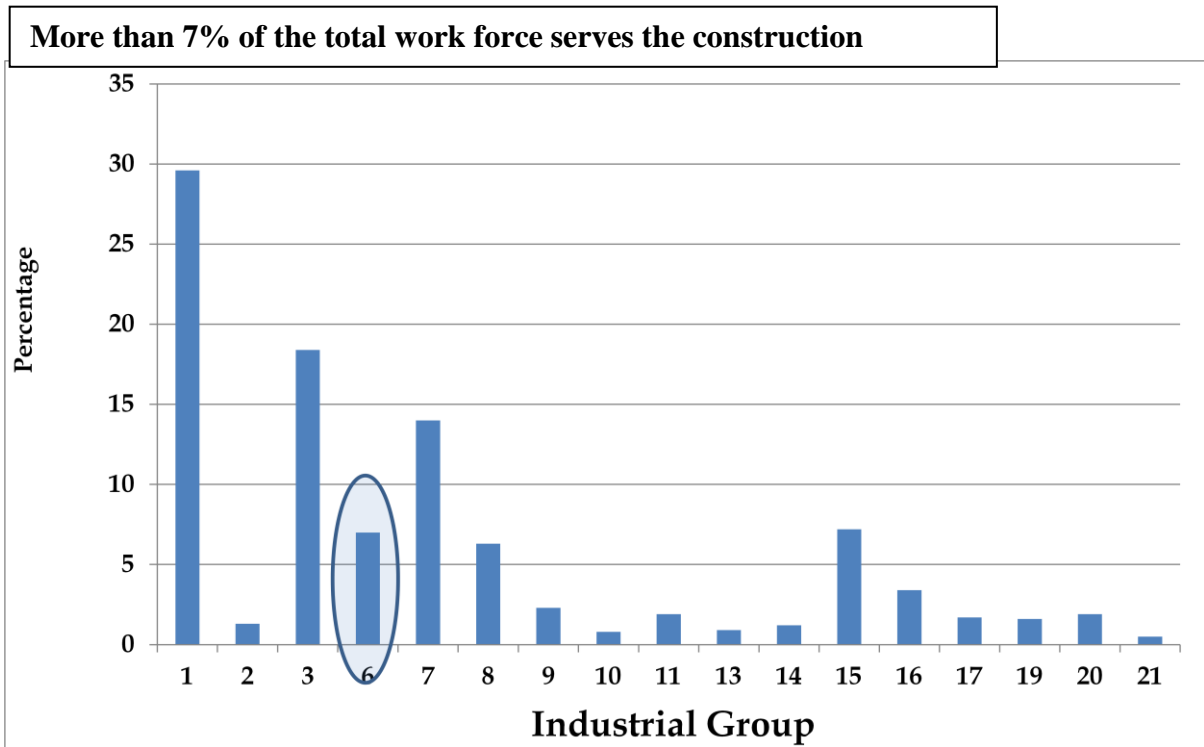


Source : Construction Industry Development Authority (CIDA)

3.3 Employees and Construction Labour

3.3.1 Breakdown of Employers in terms of occupation

Current employment in the construction sector is 591,000 persons. The survey conducted revealed that about 11% of the total employees was in the professional grades, 12% in the technical grades, 71% in the craft grades and 6% in the operator grades. The construction sector has provided employment for over 7% of total employment.



Source : Labour force survey, Dept. of Census and Statistics

3.3.2 Demand for the occupations of the construction sector

The construction sector after lean period is ready to take off under the mega development plan of the new Government which came into power in 2015. The demand for the construction work force under different categories for the major development plan of the government including the megapolis are shown in the table below :

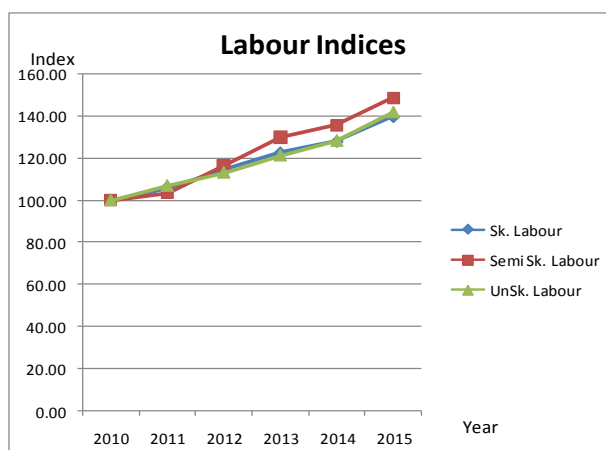
LABOUR PROJECTION FOR THE SRI LANKAN CONSTRUCTION INDUSTRY FOR
NEXT FIVE YEARS
(Upto 2020)

Segregation of Labour

NO.	DESCRIPTION			NUMBERS	
1	Unskilled			752,308	40.50%
2	Skilled Civil Masons Painters			460,115	24.77%
3	Carpenters & Fabricators			241,667	13.01%
4	Skilled MEP Plumbers Electricians			347,362	18.70%
5	Technical supportive staff			39,659	2.14%
6	Administrative support Staff			2,300	0.12%
7	Professionals (Approx, Projection)			14,139	0.76%
7.1	Project Managers	1,131	8%		
7.2	Architects	1,414	10%		
7.3	Civil Engineers	6,363	45%		
7.4	MEP Engineers	3,535	25%		
7.5	Quantity Surveyors	1,696	12%		
Total Human Resource Requirement				1,857,550.00	100%

Note: This is only a future prediction

Source : 2006 budget and megapolis development plan



Labour	2010	2011	2012	2013	2014	2015
Sk. Labour	100.00	106.08	114.80	122.71	128.12	140.03
Semi Sk. Labour	100.00	103.61	116.66	130.04	135.99	148.84
UnSk. Labour	100.00	106.85	113.14	121.31	128.30	141.84

Source : Construction Industry Development Authority (CIDA)

Prices of Labour							
Labour category	Average Price						unit
	2010	2011	2012	2013	2014	2015	
Skilled labour	911.00	966.35	1,045.82	1,117.92	1,234.00	1,352.00	Day
Semiskilled labour	858.00	888.99	1,000.83	1,115.55	1,215.00	1,342.00	Day
Unskilled labour	678.00	724.45	767.12	822.51	893.00	998.00	Day

Source : Construction Industry Development Authority (CIDA)

4.0 Productivity

4.1 Productivity of the Sri Lanka Construction Industry

In order to ensure proper economic benefits, it is required to increase the productivity for the construction sector.

Factors seriously impairing Construction productivity are related to project conditions, design and procurement construction management, government policy and training of industry personnel. Also such factors as weather variation, material shortage, lack of experienced design and project management personnel, many scope changes during construction, slow approvals and issues of permits also impair construction industry.

Continuous application of the traditional practices has prevented and delayed the use of technology innovations and created a stagnant environment.

The ICTAD as national body has made it compulsory that all the contractors falling in to the categories of C1 to C3 should have the ISO 9001 - 2008 and all the contractors have now fulfilled this mandatory requirement. The adherence to the international accepted processes improve the productivity of contactors making them globally competitive. The increased use of new technologies and IT based new tools for managing the process have also led to the increasing of productivity of the construction industry.

4.2 Labour Productivity – Value added per employee

Labour productivity which is measured as output per employed person increased by 3.7% from Rs. 425.52 per hour in 2015 compared to Rs. 410.20 per hour in 2014. The service sector recorded the highest labour productivity levels of Rs. 525.64 per hour worked. The Industry sector productivity level was Rs. 470.34 per hour worked. Meanwhile agricultural sector recorded the lowest productivity level of Rs. 155.76 per hour during the year.

Labour Productivity by Major Economic Sectors		
	2014	2015 (a)
Gross Value Added at Constant (2010) Prices, Rs.mn	7,470,465	7,817,394
Agriculture	641,493	676,899
Industry	2,194,167	2,259,223
Services	4,634,805	4,881,273
Labour Productivity, Rs. per Hour Worked (b)	410.20	425.52
Agriculture	151.13	158.76
Industry	451.82	470.34
Services	508.71	524.64

(a) Provisional

(b) Data covers all districts

Sources: Department of Census and Statistics Central Bank of Sri Lanka

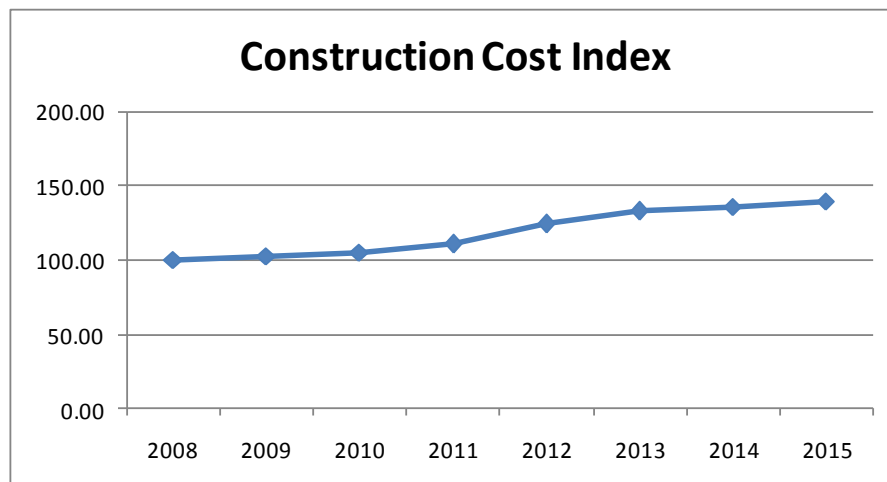
The labour productivity needs to be further enhanced with proper and suitable skill development programmes in order to accelerate the economic output.

Handling of the infrastructure development projects by foreign contractors has also made positive impact on the labour productivity due to the transferring of knowledge to the local counterparts.

5.0 Construction cost

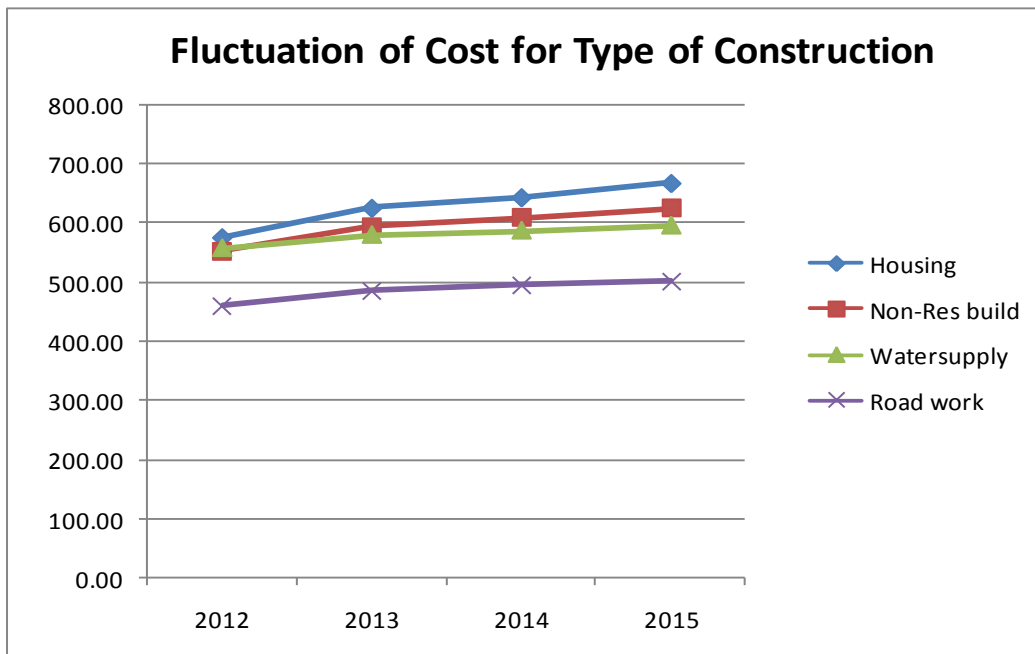
Fluctuation of cost for type of construction has been going up regularly. The unit cost has been escalating due to price increase in major construction materials, labour machinery and fuel.

	2008	2009	2010	2011	2012	2013	2014	2015
Construction Cost Index	100.00	102.59	104.76	110.38	123.86	132.75	135.99	139.68



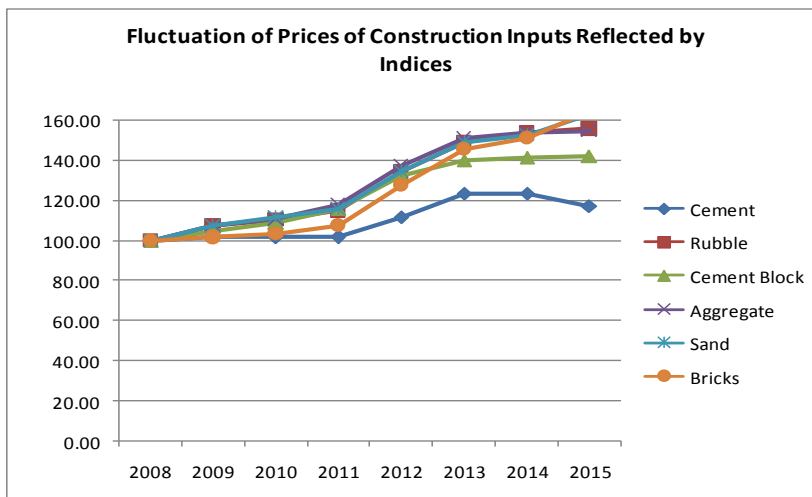
As these numbers appeared to be daunting, the most of the mega contractors are advocating the government that it should seriously consider the importation of foreign workforce under special conditions to ensure the smooth implementation of mega projects being launched. Labour indices maintained by the CIDA also reflects the continuous uprising of the labour prices due to the grave shortage of skilled labour in the market, making the escalation of the construction cost unavoidable.

Fluctuation of cost for type of construction



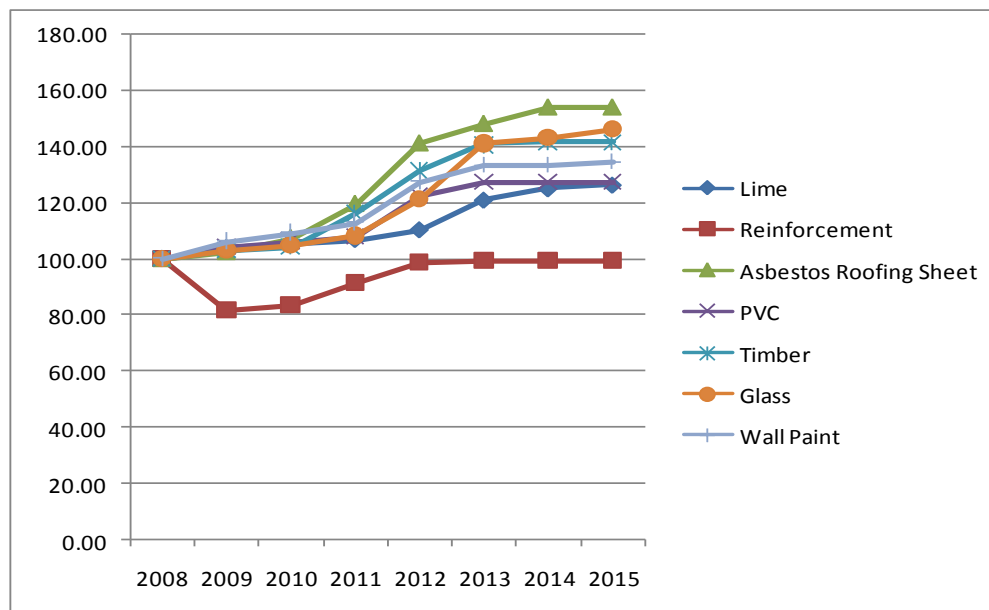
5.1 Construction material prices and indices

The price indices compiled by the CIDA reflects that material prices started climbing drastically with launching of the massive development drive by the government in the post war environment. The upward trend of the material prices commenced in the year 2010 remained to be so until year 2013. After the year 2013 material prices started to stabilize and remain to be high, making the construction cost one of the highest in the region.



Material	2008	2009	2010	2011	2012	2013	2014	2015
Cement	100.00	101.82	101.55	101.55	111.51	123.42	123.42	117.15
Rubble	100.00	107.02	110.16	114.81	134.28	149.12	153.69	155.72
Cement Block	100.00	104.76	108.73	115.83	132.48	140.03	141.53	142.24
Aggregate	100.00	107.38	110.52	118.04	137.19	150.79	153.66	154.47
Sand	100.00	107.14	111.86	115.87	134.42	149.29	152.58	163.13
Bricks	100.00	101.67	103.54	107.58	127.78	145.47	151.07	164.27

Source : Construction Industry Development Authority (CIDA)



Source : Construction Industry Development Authority (CIDA)

Material	2008	2009	2010	2011	2012	2013	2014	2015
Lime	100.00	103.94	105.36	106.85	110.35	121.10	125.20	126.54
Reinforcement	100.00	81.90	83.66	91.68	98.89	99.33	99.33	99.33
Asbestos Roofing Sheet	100.00	102.46	107.47	119.68	141.31	148.25	154.15	154.15
PVC	100.00	104.05	106.36	107.70	122.57	127.52	127.52	127.52
Timber	100.00	103.18	104.13	116.26	131.61	140.84	141.70	141.70
Glass	100.00	102.90	104.81	108.23	121.45	141.09	143.43	146.19
Wall Paint	100.00	106.31	109.32	112.96	127.53	133.40	133.39	134.56

Source : Construction Industry Development Authority (CIDA)

6.0 Import and Export of construction services

The Sri Lankan mega contractors have already ventured overseas as most of the contractors were able to develop their capacities and capabilities by working with foreign contractors forming joint ventures who undertook mega development projects such as highways, power projects, ports and airports.

Several Sri Lankan contractors have already undertaken projects overseas particularly the countries of Myanmar and Maldives. Government also facilitates the contractors going overseas as a policy measure since they generate valuable foreign exchange for the country's economy. There is a very high demand for the Sri Lankan skilled construction craftsmen in the overseas market and departures for foreign employment in construction related activities continue to decline due to the very high demand for the skilled workers in the local market. The number of opportunities available and number of departures shown in the below chart reflects that departures are on declining trend.

Foreign Employment Placements for Selected craft and Related Workers

Job Category	2008	2009	2010	2011	2012	2013	2014	1st Half 2015
Electrician - General	2,963	2,011	1,927	1,170	522	621	654	516
Mason - General	2,932	1,872	2,339	1,014	602	564	816	596
Fitter - Plumber/Pipe	1,266	1,471	1,508	794	189	542	77	24
Welder - General	2,066	1,336	1,485	677	310	344	299	141
Carpenter - Junior	1,516	990	1,352	373	13	-	-	-
Fixer -Steel	274	887	535	358	259	254	503	634
Painter - General	1,392	677	518	335	186	296	372	89
Mason - Tile fixer	133	194	684	328	73	106	78	47
Mechanic - General	2,014	728	349	225	126	272	218	43
Electrician - Auto	133	88	57	195	73	71	43	16
Tailor	399	183	172	92	25	103	48	138
Painter-Spray	215	561	228	52	24	27	73	10
Carpenter-Furniture	1,067	585	340	47	79	23	18	3
Fabricator	146	24	86	34	99	27	11	2
Fitter-General	114	16	100	11	77	22	44	12
Bar bender	116	24	125	10	95	16	50	-
Tinker	220	84	10	10	13	9	5	5

Source : Labour Market Information Bulletin Vol 1/15

The 21st Asia Construct Conference

Country Presentation

Sri Lanka

23 - 25 November, 2016
Tokyo, Japan

Arch. H K Balachandra
Director General

Construction Industry Development Authority



Sri Lanka

Located at the southern tip of India
South Asia

Income level Lower middle income



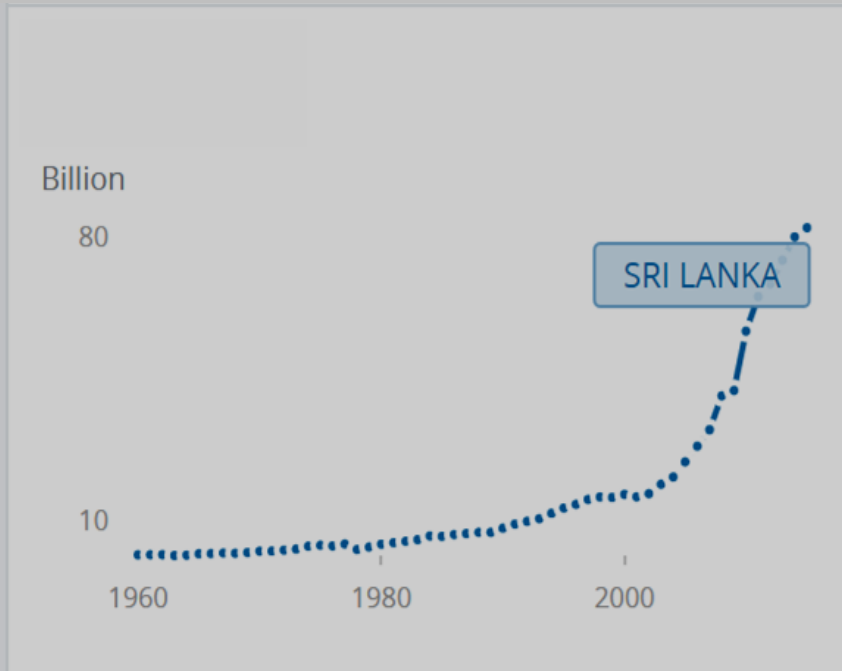
GDP (current US\$)
\$82..32 billion 2015

Population total
20.97 million 2015

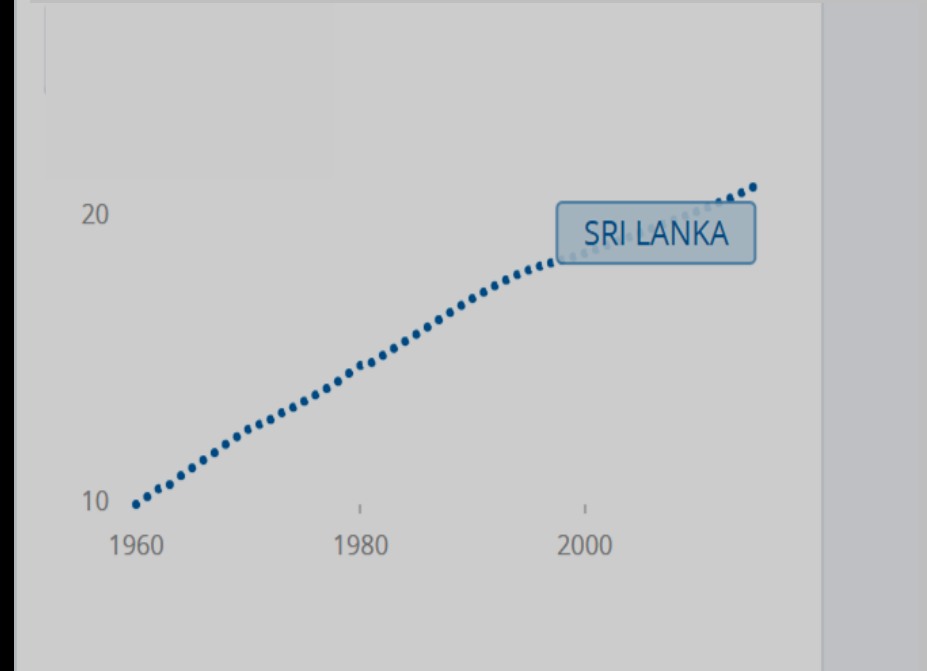
Land area
65,610 square km
(sq.km)

Sri Lanka - Development Indicators

GDP – current 2015 (US\$)
82.316 Billion

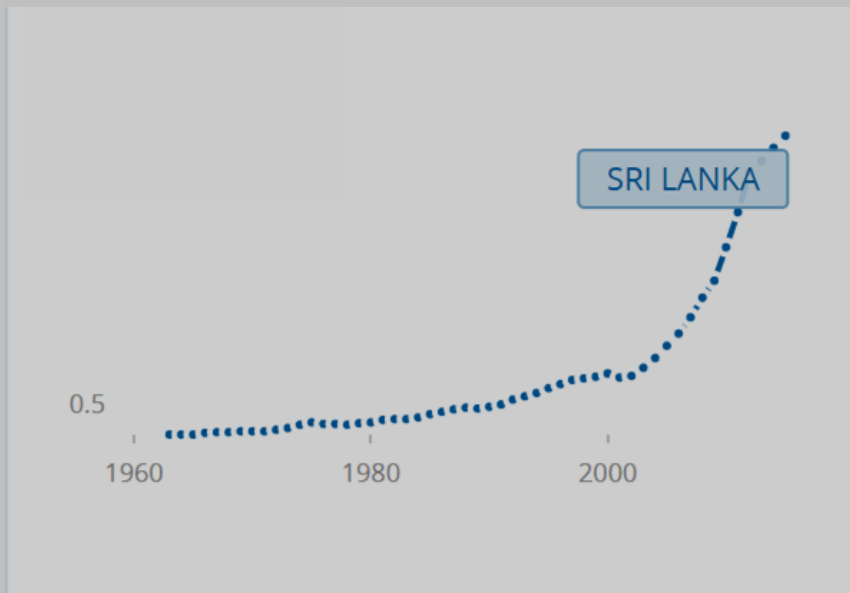


Population 2015
20,966 Million

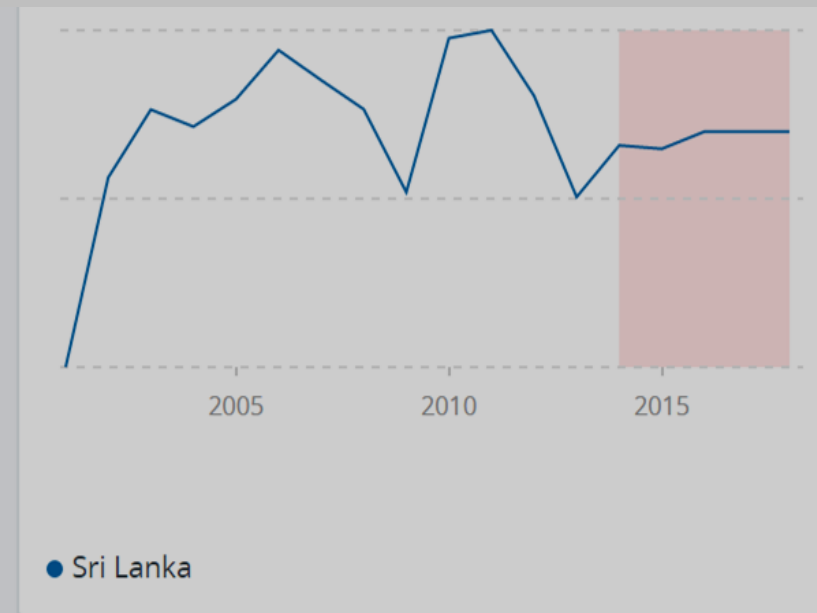


Sri Lanka - Development Indicators

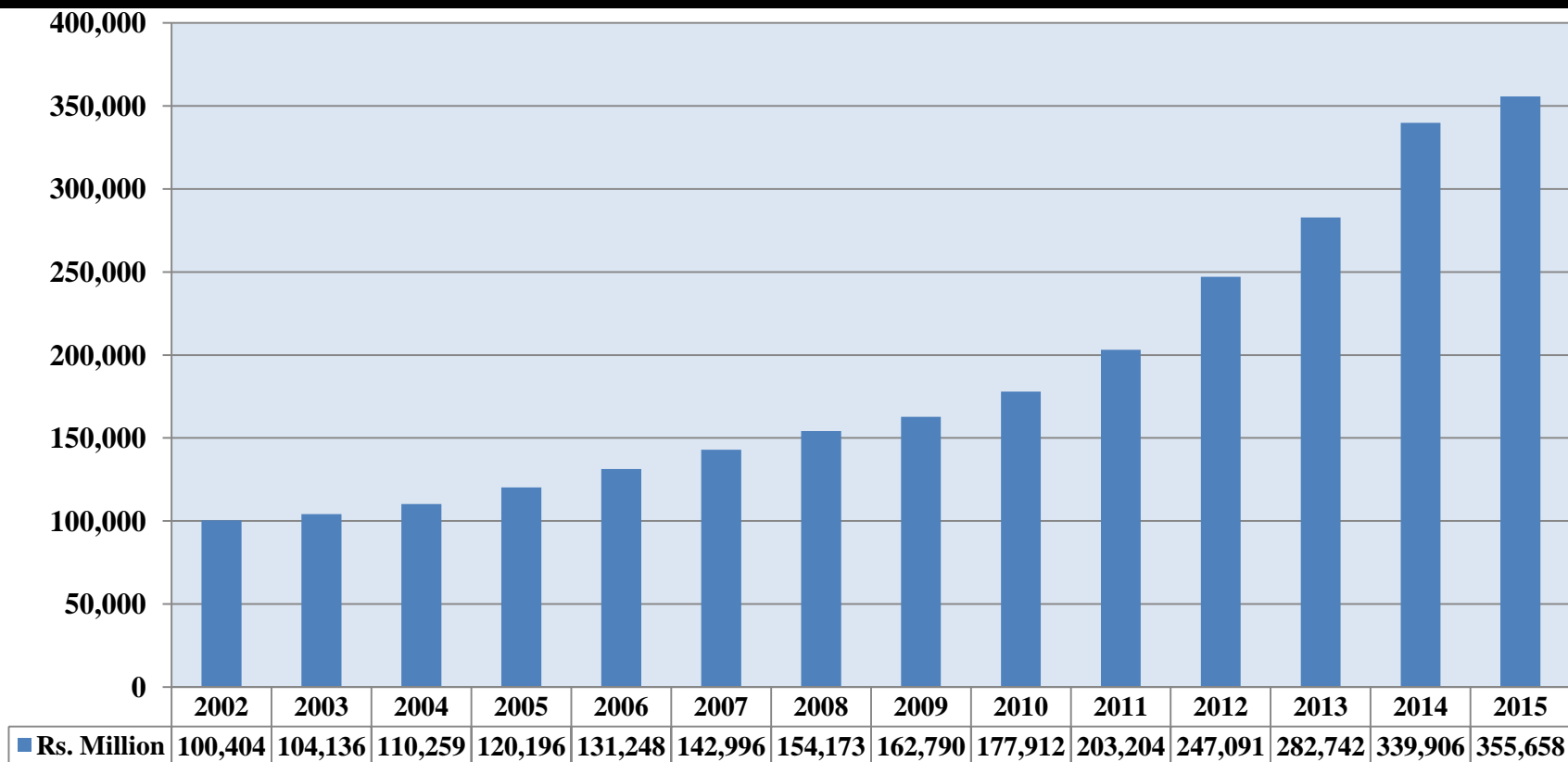
GDP per capita – 2015 (US\$)
3,800 thousands



Annual GDP – 2018
5.3%



VALUE ADDITION BY THE CONSTRUCTION SECTOR TO GDP



Construction Sector has become a major value additor to the GDP mainly due to the implication of major infrastructure development projects such as expressways, highways, international ports and airports and housing schemes under the Janasevana Programme.



Multi purpose tower

Southern highway

This massive growth was underpinned by the mega infrastructure development projects implemented by the Government and the increased investments by the private sector developers, particularly on hotel and housing construction

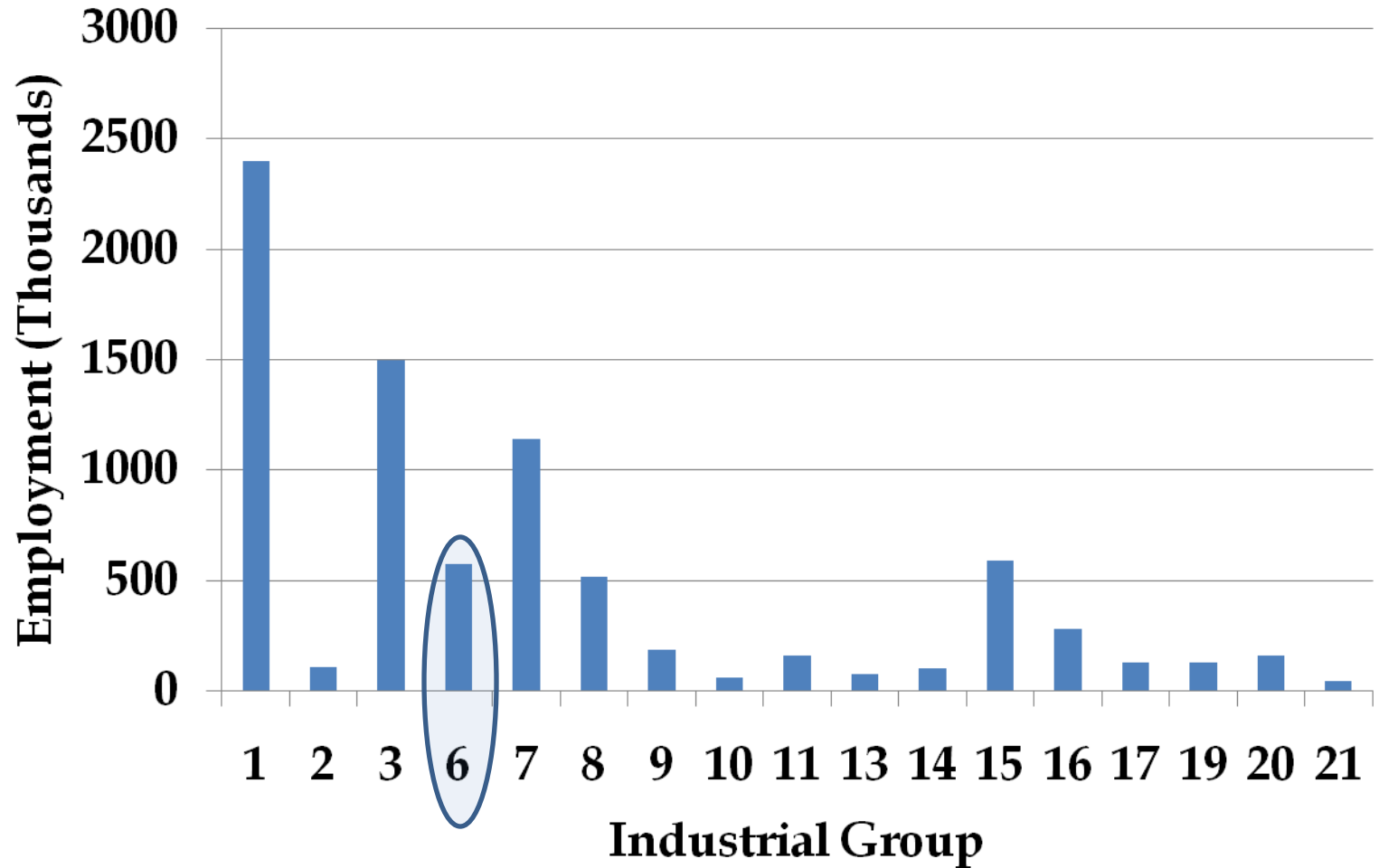
Mattala air port

Katunayake expressway

Hambantota port



Employment by Selected Industrial Groups



Construction sector generates employment for over six hundred thousand people

Main issues with the construction industry

- **Shortage of skilled labour :**

The scarcity of skilled craftsmen in the sector is one of the main challenges faced by local contractors. Less than five percent of construction workers in the country have been systematically trained and carry certificates that are indicative of their skill. Therefore, it is imperative that the government and the industry join hands and initiate an island-wide construction worker skill development programme via technical colleges to develop a strong structural base for the Sri Lankan Construction Industry through manpower training and development.

Shortage of skilled labour :

- The composition of the GDP has shifted from agriculture to industry and services sector.
- Agriculture share of GDP declined from 20% to 11%.
- Share of the industry has increased from 27% to 33%.
- School curriculum technical education and vocational training programmes have not evolved adequately to meet changing demands, resulting in a large skill gap and mismatch in the local labour force.
- Lack of adequate skill is one of the major constraints in operating and growing business, third only to tax and regulation.

COLOMBO PORT CITY



Colombo port city – massive development drive will transform the colombo creating more investment opportunities driving the economic growth of the metro polis



Availability of skilled work force will be the one of the most vital factors which Investors will take into consideration when making their investment decisions

WESTERN MEGAPOLS DEVELOPMENT



Labour shortage presently being experienced will be further aggravated unless necessary policy reforms is introduced to over come the shortage of resources

LABOUR PROJECTION FOR THE SRI LANKAN CONSTRUCTION INDUSTRY FOR NEXT FIVE YEARS

(Upto 2020)

Segregation of Labour

NO.	DESCRIPTION			NUMBERS	
1	Unskilled			752,308	40.50%
2	Skilled Civil Masons Painters			460,115	24.77%
3	Carpenters & Fabricators			241,667	13.01%
4	Skilled MEP Plumbers Electricians			347,362	18.70%
5	Technical supportive staff			39,659	2.14%
6	Administrative support Staff			2,300	0.12%
7	Professionals (Approx, Projection)			14,139	0.76%
7.1	Project Managers	1,131	8%		
7.2	Architects	1,414	10%		
7.3	Civil Engineers	6,363	45%		
7.4	MEP Engineers	3,535	25%		
7.5	Quantity Surveyors	1,696	12%		
Total Human Resource Requirement				1,857,550.00	100%

Note: This is only a future prediction

Source : 2006 budget and megapolis development plan

Almost 97% of total persons employed were males with 75% falling in the 25-45 age-group. 52% were with experience of less than five years.

Modernize their training to acceptable levels to meet these emerging requirements.

Foreign employment placements in two major craftsmen categories of Masonry Technician and Electrical Technician have come down considerably recording more than a 40% drop.



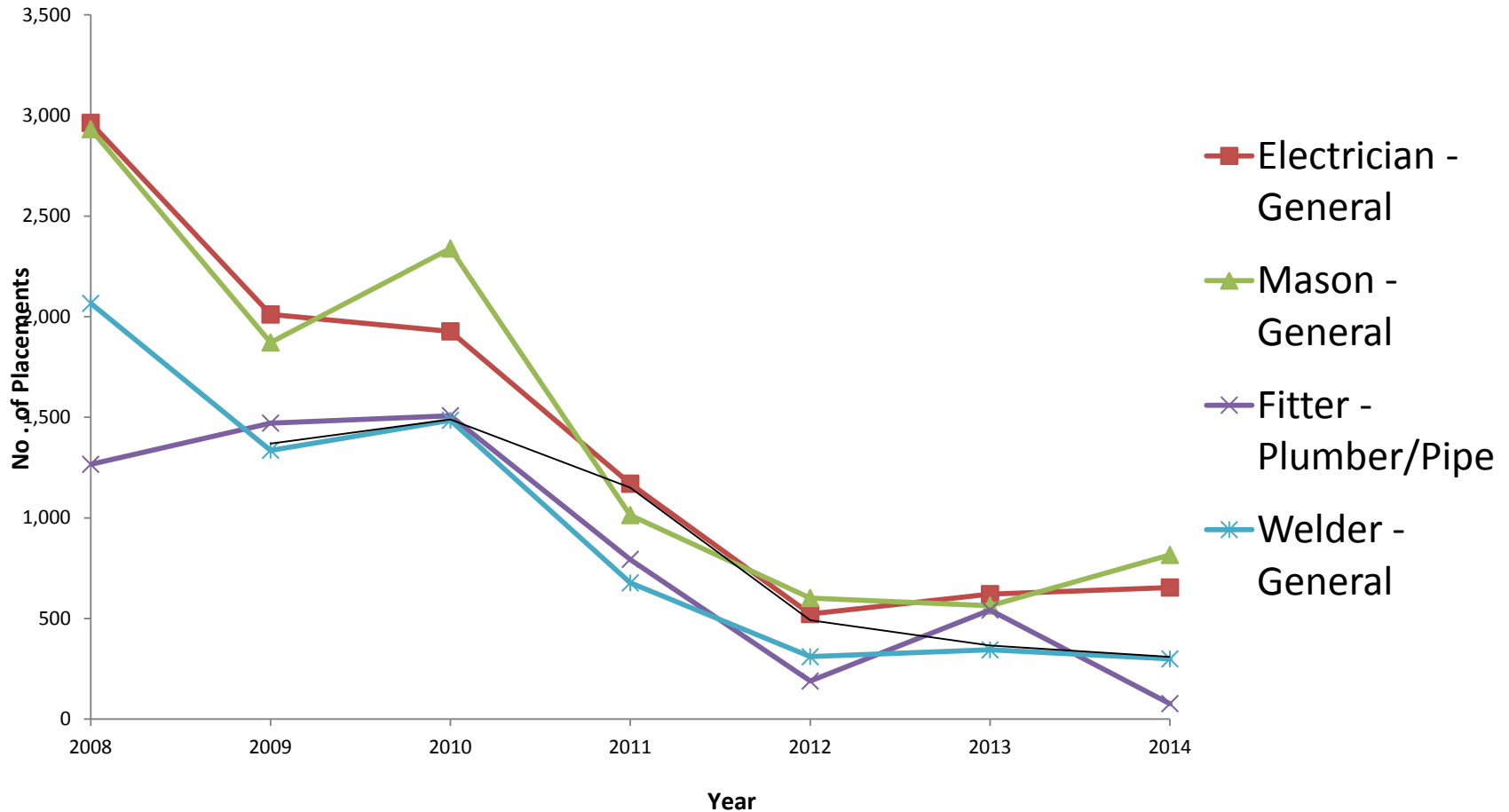
Foreign Demand for Skill Construction Craftsmen

Vacancies and Departure on Construction Craftsmen Abroad

Occupation	2013		2014		2015	
	V	D	V	D	V	D
Mason	2666	364	2505	816	1434	596
Carpenter	-	-	-	-	1309	516
Electrician	3548	621	3150	654	1437	-
Plumber	3126	342	3032	77	816	24
Welder	1341	344	1574	299	683	141
Painter	1028	296	1048	372	461	89

To satisfy the new and further training needs, public and private institutions should work hard and achieve expected goals. In addition to the local requirement, there is a foreign demand for construction workers, which amounts to an average of 15,000 annually.

Trends in Selected Crafts & Related Worker Jobs



Considerable decline can be observed in foreign employment placement due to the employment opportunities created by the massive emerging growth in the construction sector .

Do we spend enough on Skills Education ?

Ministry	Expenditure as % of GDP				
	2009	2010	2011	2015	2016
Education	1.65% (Rs. 80 Bn.)	1.53% (Rs. 86 Bn)	1.34% (Rs. 87.4 Bn)	0.55% (Rs. 62 Bn)	2.21% (Rs. 250 Bn)
Higher Education	0.37 % (Rs. 18.1 Bn)	0.32% (Rs. 18 Bn)	0.28% (Rs. 18.8 Bn)	0.39% (Rs. 45 Bn)	0.53% (Rs. 60 Bn)
YA & SD and other skills dev. Agencies	0.1% (Rs. 7.9 Bn)	0.1% (Rs. 7.9 Bn)	0.13% (Rs. 11.5 Bn)	0.09% (Rs. 10 Bn)	0.18% (Rs. 20 Bn)

Reluctance of young generation to join the Construction Industry

The image of industry :

The construction industry has been classified as a 3D industry (Dirty, Difficult, Dangerous)

It is required to transform the industry image from 3D to 3P. (Professional, Productivity and Progressive industry)

Recognition and rewarding of construction craftsmen “

It was started with the goal of promoting youth from island wide to enter into the industry and encourage skills enhancement among construction workers, who are already in the trades.

Assessment of Craftsmen for national Awards



More than 6000 craftsmen participated enthusiastically for craftsmen assessment programme conducted island-wide

Scarcity of construction Materials

Construction Industry depends on mainly materials, equipment, labour, finance and time constraints.

The Sri Lanka Construction Industry still use the traditional materials of bricks, sand and lime creating negative environmental impacts. Several attempts to introduce alternative materials have not yielded the expected results as it is customary to resist the change.

The continuous usage of river sand as one of the main construction materials have already created many negative environmental impacts. Demand for sand will continue to rise with the emerging developments. Excessive mining to meet the demand may create severe stress on the ecological systems resulting following consequences :

- Lowering of river beds allowing sea water inclusion, polluting ground water sources
- The lowering of water table near rivers which in turn lowers water levels in wells
- The drying up of irrigation channels
- The increased instability of the banks and collapsing of river banks

Types of Sand	Annual availability Cu. (2014)
River sand	3,673,200
Off-shore sand	33,815
Land based sand and Dune	477,540
Manufactured sand	Not available in the market

Quality of Materials

There are many numbers of forged, poor quality construction materials and components in the market. There is a national need of formulating a quality controlled construction material manufacturing/import industry and building codes, in order to develop and improve quality standards of construction sector in Sri Lanka. For this, building codes covering all the aspects of the industry such as design, construction, maintenance etc. would be much useful in achieving the desired results in the act of building.

Lack of investment specially foreign direct investment in infrastructure development, creating a sluggish market

Sri Lanka has been ranked 107 in the doing business index and several factors which are not much favourable from the point of investment have contributed to lower ranking in the index.

Lack of consistent policies, too many regulations, complex institutional structure, lengthy procedures and complicated tax structure with less transparency are the key factors which create unfavourable climate for the foreign direct investment.

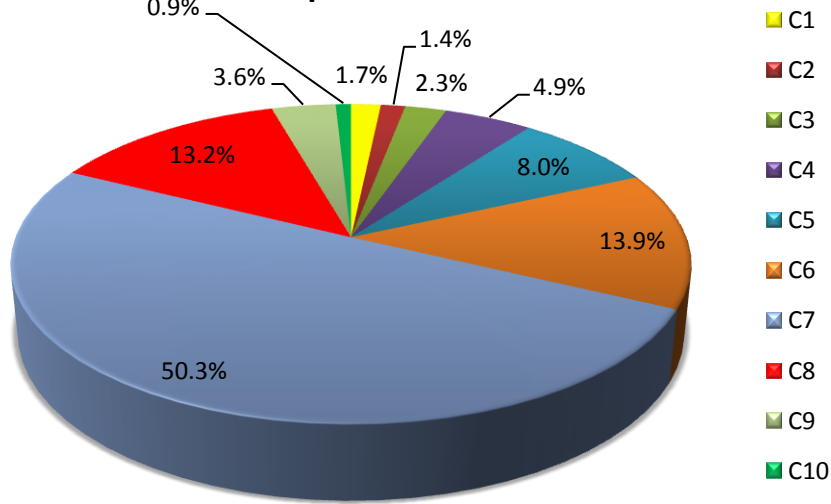
The present Government which came in to power in the year 2015 has already introduced several policy and regulatory changes for the creation of a favourable climate for the foreign investors ironing out bottle necks which have hindered the attraction of investors shrinking the market.

Specialty vs No. of Contractors - 2015

Specialty	No of Contractors in 2015	% per Total Contractors
Building Construction	2650	99.47%
Highway Construction	2560	96.10%
Irrigation & Land Drain	2465	92.53%
Water Supply & Drainage	2449	91.93%
Dredging & Reclamation	2368	88.89%
Bridge Construction	2095	78.64%
Storm Water	210	7.88%
Groynes & Revetments	56	2.10%
Other Heavy Construction	5	0.19%
Total Contractors	2664	

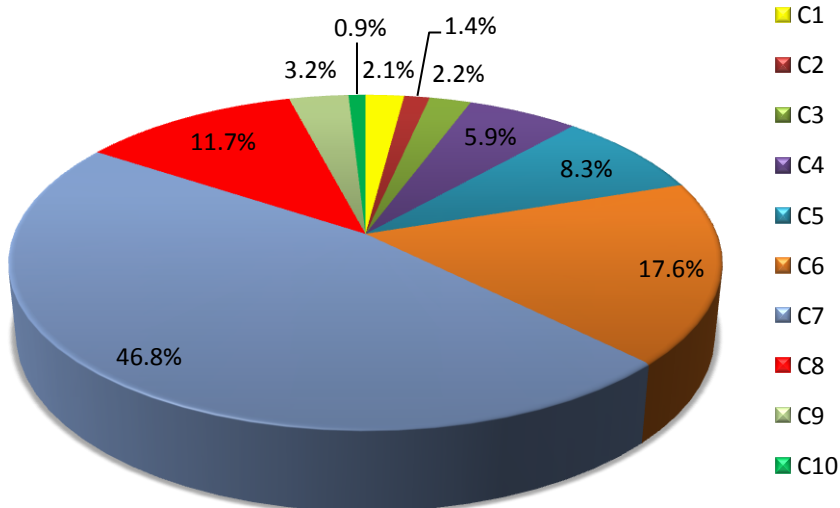
Inadequate access to the financial resources

Composition 2013



Most of the contractors falling in to the category of small and medium scale have very limited access to the loans and other financial requirements due to their incapacity to submit the elaborative securities and guaranties required by the financial institutions.

Composition 2014



This is because many of the large scale construction projects are Government initiated and many contractors often face delays in receiving payment from such projects. As a result, the sub contractors and other entities face financial difficulties, which adversely impacts suppliers of materials and ability to scale up. Payment concerns need to be addressed by arranging specialized financial assistance aiming at development of the industry.

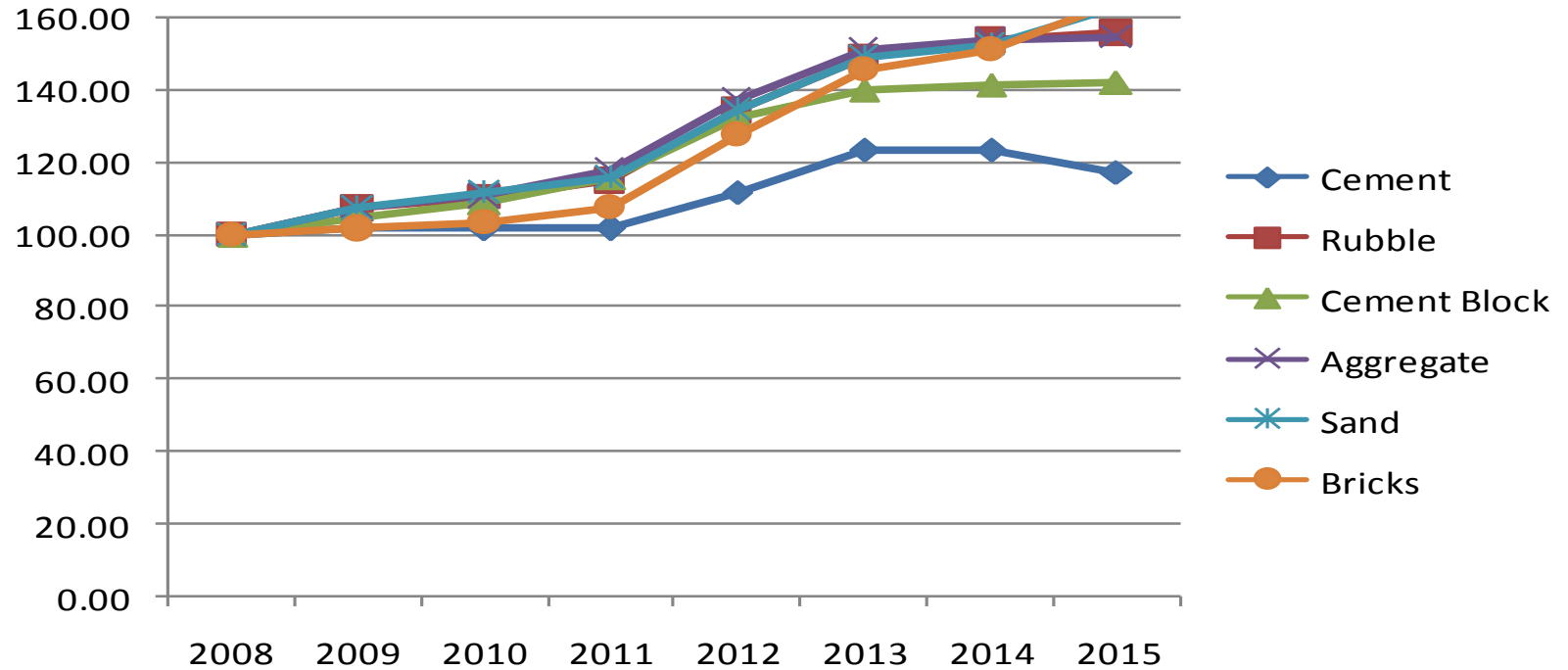
Construction material prices and indices

Material price indices compiled by the ICTAD reflect that the material prices have increased at a moderate pace from the year 2008 to 2011. But with the launching of massive development drive by the Government in the post war environment, the material prices have gone up dramatically due to the robust increased in demand.

Material	2008	2009	2010	2011	2012	2013	2014	2015
Lime	100.00	103.94	105.36	106.85	110.35	121.10	125.20	126.54
Reinforcement	100.00	81.90	83.66	91.68	98.89	99.33	99.33	99.33
Asbestos Roofing Sheet	100.00	102.46	107.47	119.68	141.31	148.25	154.15	154.15
PVC	100.00	104.05	106.36	107.70	122.57	127.52	127.52	127.52
Timber	100.00	103.18	104.13	116.26	131.61	140.84	141.70	141.70
Glass	100.00	102.90	104.81	108.23	121.45	141.09	143.43	146.19
Wall Paint	100.00	106.31	109.32	112.96	127.53	133.40	133.39	134.56

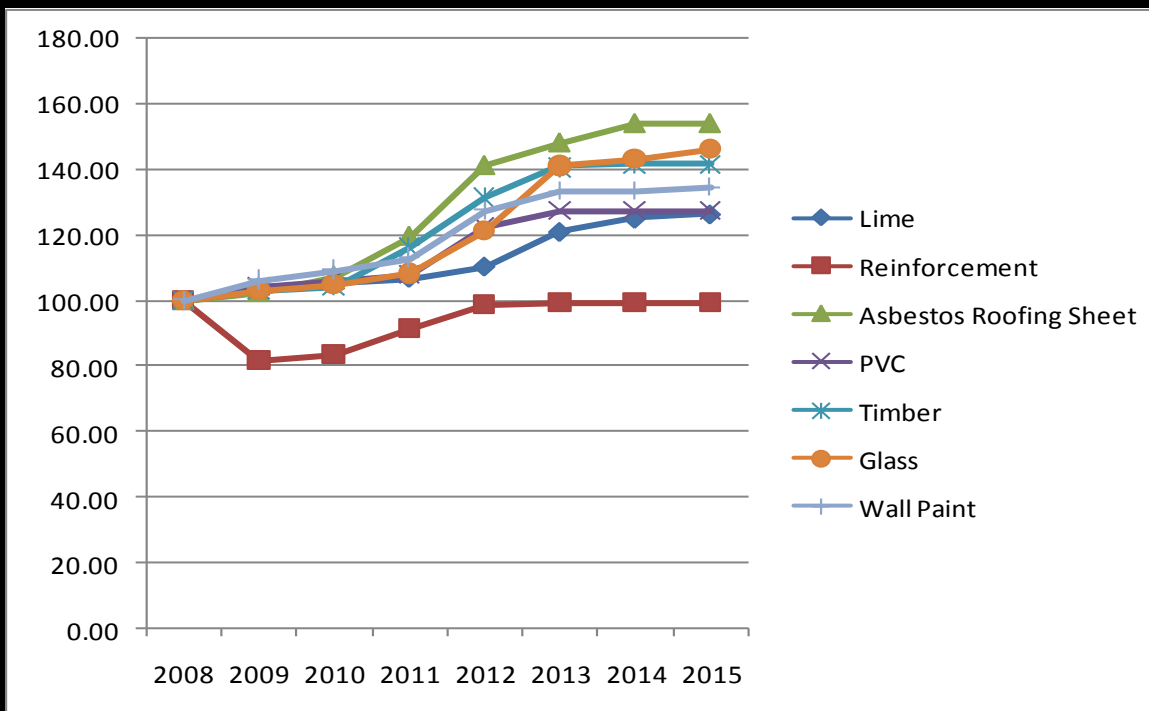
Fluctuation of Prices of Construction Inputs Reflected by Indices

Fluctuation of Prices of Construction Inputs Reflected by Indices



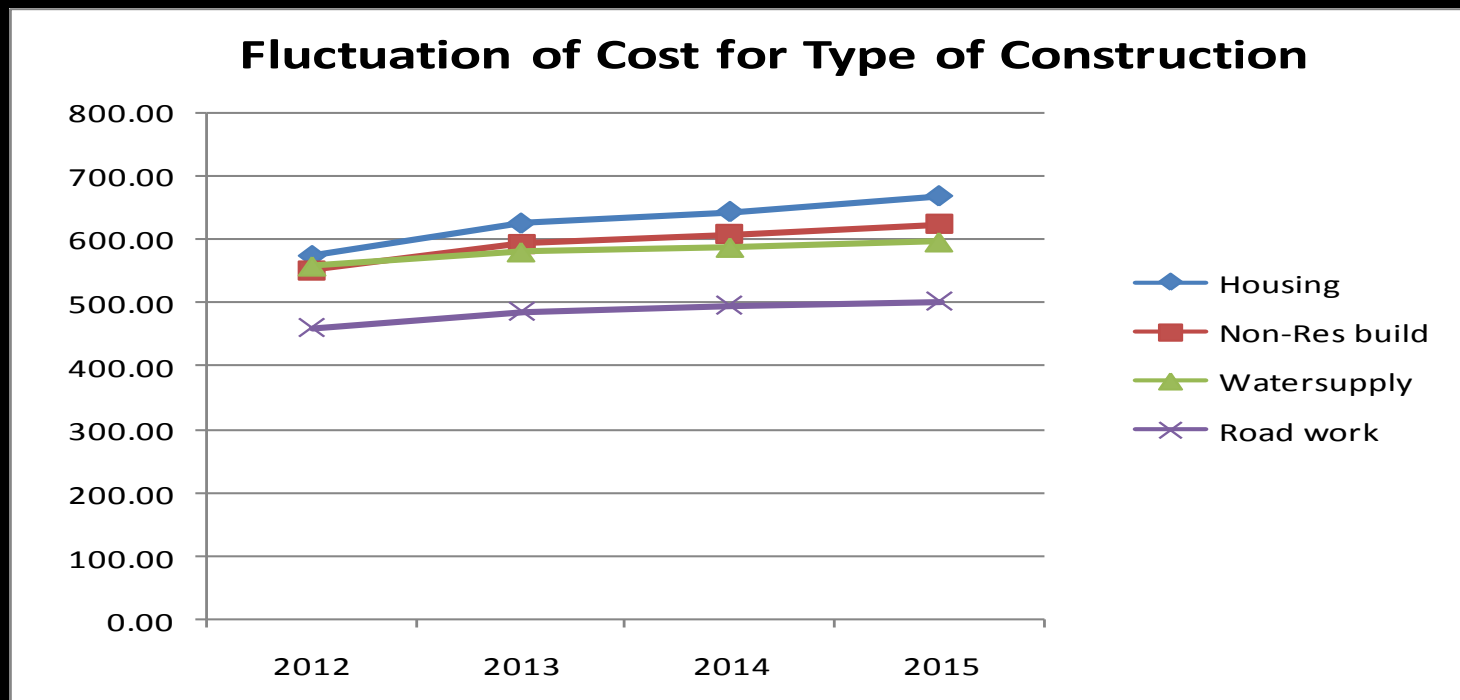
Material	2008	2009	2010	2011	2012	2013	2014	2015
Cement	100.00	101.82	101.55	101.55	111.51	123.42	123.42	117.15
Rubble	100.00	107.02	110.16	114.81	134.28	149.12	153.69	155.72
Cement Block	100.00	104.76	108.73	115.83	132.48	140.03	141.53	142.24
Aggregate	100.00	107.38	110.52	118.04	137.19	150.79	153.66	154.47
Sand	100.00	107.14	111.86	115.87	134.42	149.29	152.58	163.13
Bricks	100.00	101.67	103.54	107.58	127.78	145.47	151.07	164.27

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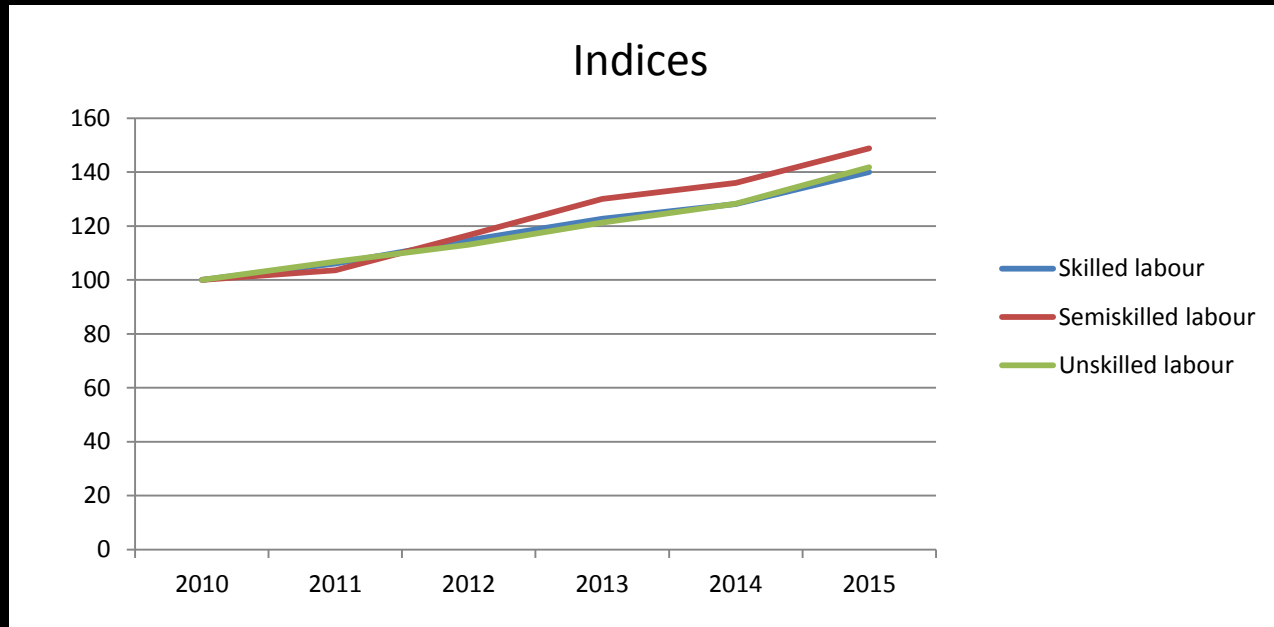
Continuous increase of labour wages due to scarcity of skilled craftsmen



Labour wages

Daily wages of the construction sector employees increased by an average rate of 10.2% during the year 2013. Daily wages for carpenters and masons in the construction sector increased by 8.0% and 8.1% respectively, compared to an increase of 12.4% and 11.9% respectively in 2012.

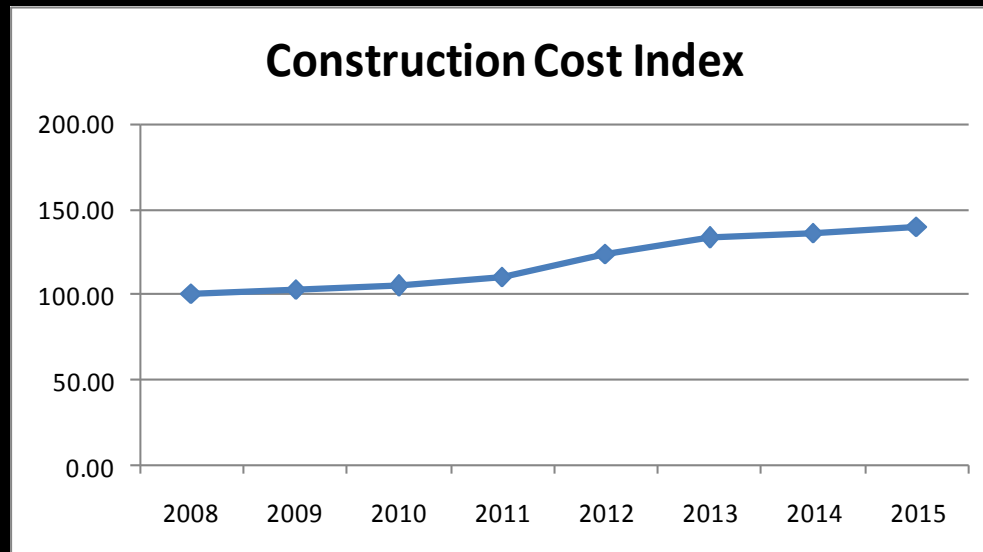
Labour wages are increasing at a rapid pace making the project cost escalated



Labour category	Indices		
	Skilled labour	Semiskilled labour	Unskilled labour
2010	100.00	100.00	100.00
2011	106.08	103.61	106.85
2012	114.80	116.65	113.14
2013	122.71	130.02	121.31
2014	128.12	135.99	128.30
2015	140.03	148.84	141.84

Construction cost

The cost of construction is going up continuously. This is evident in the construction cost index compiled by the ICTAD. The unit cost has been escalating due to price increase in major construction materials, labour, machinery and fuel.



	2008	2009	2010	2011	2012	2013	2014	2015
Construction Cost Index	100.00	102.59	104.76	110.38	123.86	132.75	135.99	139.68

Due to the escalation of material and labour prices resulting the increase of construction cost, has made the recently built condominium less affordable to the lower middle income categories .

Inadequate system for financing of contractors

Fiscal measures to be extended to contractors

Small and medium Contractors and entrepreneurs in the construction sector is treated in a low priority by most of the financiers in Sri Lanka. Presently 95% of Construction Contractor population is represented by these S & M categories.

Due to the risks associated with the industry and frequently reported delays in payments by the clientele has been a bane to the expected growth in this sector.

Commercial banks should take meaningful steps for equip themselves to be able to efficiently apprise the need to finance construction contracts in respect of project financing, re-scheduling of outstanding loans and reduction of interest to comparable rates.

Quite slow nature of introduction of innovative materials and construction methods

The supply of energy to the increasing demand is becoming more and more serious

The building sector consumes 40% of energy emitting 30% of green house gases

It is increasingly required to introduce environmentally friendly technologies encouraging the use of renewable energy sources leading to the substantial reduction in energy usage and demand

Sharing of knowledge and transferring of technologies in the field of energy conservation and use of renewable energy is very appropriate at this juncture

Slow growth in technology transfers in FDIs and other Donor Funded projects has reduced equitable sharing of global technological advances and their applications in raising the standards of the industry.

Efforts made according to the conditions surrounding the construction Industry

Establishment of the legal frame work ,policy frame work and institutional frame work are the major reforms introduced for the achievement of a sustainable construction industry

Establishment of legal framework through the Enactment of Construction Industry Development Act No. 33 of 2014

The Construction Industry Development Act. No. 33 of 2014 was enacted by the Sri Lanka Government making provisions for development of the Construction Industry in Sri Lanka publishing rules and regulations creating a environment where all stakeholders can play their respective roles in co-ordinated, integrated and inclusive manner ensuring its sustainable growth.

