



**EMBASSY OF SRI LANKA
COUNTRY INFORMATION UPDATE
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**SRI LANKAN PRESIDENT MAHINDA RAJAPAKSA OP-ED ON THE
FIFTH ANNIVERSARY OF THE TSUNAMI**

COLOMBO, Sri Lanka, Dec. 26 -- This time of year is a period for reflection for many people around the world. For the people of Sri Lanka it brings back acutely painful memories, but also for the first time in many years, a genuine sense of hope.

On the 26th December 2004, one of the worst natural disasters in modern times befell our country and we required aid and other support from the world on an unprecedented scale.

The tsunami that struck the length of Sri Lanka's eastern coast and enwrapped the island had a devastating effect. In a matter of moments, over 40,000 people had lost their lives and a further 20,000 were injured. More than half a million people were displaced with in excess of 100,000 homes destroyed.

Those who survived or who came to assist in the aftermath, from across Sri Lanka and from abroad, will never forget the horror the ocean wrought on the island that day.

Thankfully those events are in the past. And for the people especially in the north, east and south that survived and gradually rebuilt their lives with the assistance of the international community, NGOs and Sri Lanka's own Reconstruction and Development Agency (RADA), it can finally be said that the future holds great promise. For, our people are now living without the threat of terrorism for the first time in over a quarter of a century.

This closing of a chapter will bring improvements in quality of life beyond many Sri Lankans' living memories.

For a country that has managed average economic growth of over 6% since 2005, despite our difficulties, it is clear that our promise is significant, something that is beginning to be recognised internationally.

In October 2007, in the midst of the sub-prime crisis, Sri Lanka floated its debut US\$ 500 million sovereign bond which was three times oversubscribed. And in October this year the Government issued a second \$500 million sovereign bond that received the highest oversold subscription of the year, over 13 times oversubscribed, while both Fitch and S&P have revised their ratings from 'negative' to 'stable'.

Analysts are now excitedly talking about Sri Lanka as the next Singapore and comprehensive plans are being put in place to make this vision a reality.

We are increasingly seeing large investment funds plough money into the country, not as an act of generosity, but because they see the potential that is being unlocked in Sri Lanka.

Over the whole of Sri Lanka, massive infrastructure projects are taking place, from the construction of one of the largest deep water ports in the Indian Ocean, at Hambantota in the south, to the establishment of the Trincomalee Investment and Tourist Zone in the east. Formerly at the heart of our troubled areas, Trincomalee, with its natural harbour and scenic beauty, is now emerging as a potentially major commercial and industrial hub in the South Asian region and a tourism destination in its own right.

Moreover Sri Lanka's people have talent. Our potential as an outsourcing destination is already being recognised and the success of our expatriate doctors and engineers, lawyers and accountants, confirms just what extraordinary capabilities our people possess.

We also have a thriving garment industry that not only provides the West with value goods, but also enshrines the highest of labour conditions and environmental standards.

We have vast untapped potential in our fertile agricultural lands, particularly in the north and east; previously setback through terror for three decades and now active once again.

And there's tourism. Overseas visitors have always flocked to Sri Lanka, but never in the numbers that we could have achieved without the threat of terrorism. With terrorism now at an end, we have set an annual target of 2.5 million visitors by 2016. We encourage people from around the world to come and experience the unrivalled Sri Lankan spirit of hospitality.

So, five years on from the terrible events of 2004, now is truly an exciting time for our country. We are creating a land of opportunity for all Sri Lankans and no-one will be left behind. Aid is no longer the priority for us. We offer investment opportunities, an island of beauty and tranquillity to be enjoyed, not pitied.

Sri Lanka is ready to make its mark. Our troubles are behind us and we look forward to welcoming the world. As scientist and writer Arthur C. Clarke said of his adopted home, this is the best place in the world from which to view the universe.

Mahinda Rajapaksa
President of Sri Lanka

RESETTLEMENTS CONTINUE AS DISPLACED ARE LIBERATED

The government of Sri Lanka continues to resettle thousands of displaced citizens who have lived in government-run welfare centers following the May 2009 conclusion of the 26-year war against the terrorist group Liberation Tigers of Tamil Eelam (LTTE).

The government remains committed to its goal of resettling all 290,000 displaced people by Jan. 31, 2010, when the welfare villages will be permanently closed.

Displaced people may now leave the villages whenever they choose. The Associated Press reported that, as of Dec. 23, about 87,000 people remained in the villages.

Those who have elected to return to their homes in the Northern Province, where most of the fighting with the LTTE took place, are given money, food stuffs, tools and material for repairing their homes and agricultural supplies.

The government has also launched an extensive effort to rebuild the infrastructure of the Northern Province, which was neglected for years under the LTTE. The projects include new roads, water works and irrigation systems, new hospitals and clinics, renovated schools and expanded electrical service.

Business and agricultural development and new investment is also being directed to the North to provide livelihoods for returning citizens.

Government troops, together with international agencies, continue to remove the estimated 1.5 million landmines and pieces of unexploded ordnance in the north. The LTTE landmines were the primary impediment to the earlier return of the displaced.

EVICTED MUSLIMS WILL BE RESETTLED BY MAY - PRESIDENT

(Sunday Observer)

President Mahinda Rajapaksa said all Muslim civilians who were forcibly evicted from the North 20 years ago will be resettled in their original places of residence with all infrastructure facilities. President Rajapaksa was speaking at the All Ceylon Muslim Congress Northern Convention - 2009 at Alankuda, Kalpitiya yesterday.

The President in his address at the convention which was organised by Minister Rishard Badiudeen said: "When the innocent Muslims were harassed and forcibly evicted from the North by the LTTE, no one came forward to stop this displacement. Instead of addressing the plight of his own people, Sri Lanka Muslim Congress leader Rauff Hakeem went to the extent of signing an MoU with the terrorist outfit. "During my visit to the United Nations, I pointed out the plight of the displaced Muslims from the North to the international community." Now, with my Government putting an end to terrorism, all efforts will be made to resettle the Muslims who were displaced from the North by May next year.

My Government will not let down the innocent Muslim civilians in the North who lost all their belongings at the hands of the LTTE 20 years ago." "We will ensure that innocent Muslim civilians who had to leave their original places in the North due to LTTE threats will be resettled in their own properties. Their houses, schools and business establishments will be rebuilt with all necessary infrastructure facilities," the President said.

He added that he would not allow terrorism to raise its ugly head again. "Terrifying incidents such as the Kathankudy Mosque massacre in the East will not be allowed to happen again. There won't be room for petty political differences and equal opportunities will be given to all citizens in the country," the President said.

Senior Presidential Advisor and Parliamentarian Basil Rajapaksa said the displaced Muslims from the North would be resettled in their original places by May 2010. "The Government has worked out extensive plans for the resettlement with all necessary infrastructure facilities," he said.

Ministers Rishard Badiudeen, Milroy Fernando and Champika Ranawaka, Deputy Minister Neomal Perera and Governor Western Province Alavi Mowlana also spoke at the event, where thousands of displaced Muslims from the North, who are currently living in Puttalam and Kalpitiya districts, participated.

SRI LANKA TARGETS HIGHER ELECTRIFICATION RATIO

(SerendibIsland.com)

By Mario Andree

Sri Lanka's electrification ratio is expected to hit 98 percent by 2016, a top economist has predicted.

Investments in sustainable power will also help increase this ratio from 82 percent last year to 86 percent next year, added Asian Development Bank (ADB) Economist Narahari Rao.

Efforts are also underway to provide quality power supplies to customers, he said.

The development process in the Northern and Eastern provinces was held back as a shortage of power hurt industrial growth in those areas, Rao pointed out.

He said that transmission systems in the provinces were being strengthened to meet the high demand for power.

Sri Lanka needs an energy efficient system to reduce the total technical and commercial losses of the Ceylon Electricity Board network on net generation from 16.7 percent in 2008 to 12 percent by 2016, Rao said at a recent press conference.

The ADB will provide US\$90 million for the second programme of sustainable power, which will be funded for construction or rehabilitation of transmission lines and grid substations in the Northern, Eastern and the Southern provinces.

It will also support rural distribution sub-projects in the Eastern Province.

Rao also said that other regions would also receive aid for demand-and supply-side management and consulting services for detailed engineering of hydropower plants.

He said US\$154 million would be provided next year for 157km of national highways and 80km of provincial roads. Further, US\$130 million and \$80 million will be released in 2011 and 2012 respectively.

The road network is an essential part of the development process as it connects regions. Provincial trade and connectivity of resources will help Sri Lanka to expand its export market capacity, said Rao.

ADB Country Director Richard Vokes highlighted the need for rapid economic development, reconstruction and rehabilitation activities in the North and the East.

He said Sri Lanka was adversely affected by global recession and domestic military operations. With the end of the war, it should now exploit the improved investor confidence and global economic recovery to target a growth rate of more than six percent.

New projects in the North and the East development will help Sri Lanka to achieve high economic growth rate. Many industries in the country are also drawing high levels of investment and foreign exchange.

Sri Lanka's industrial and services sectors are playing a vital role in the economic growth. The country has the potential to attract more investments.

Rao also pointed out that Sri Lanka is targeting a six percent economic growth in 2010 and the rate will improve gradually reaching seven percent in 2011 and eight percent in 2012.

INDIAN COMPANIES PLAN TO MAKE HUGE INVESTMENTS IN SRI LANKA

by S Venkat Narayan
Our Special Correspondent
(Sunday Island)

NEW DELHI, December 26: Seven months after the bloody civil war ended in Sri Lanka, Indian companies that are already working in the island are now busy making plans to make huge investments to expand their business there.

They appear eager to participate in the anticipated post-war reconstruction boom, especially in core sectors, such as energy and information technology.

According to information available here, at least six such companies have finalized their plans.

They are: Power Grid Corporation of India Ltd (PGCIL), National Thermal Power Corporation (NTPC), Lanka India Oil Corporation (Lanka IOC), Cairn Lanka Pvt Ltd, Lanka Ashok Leyland, and Mphasis.

India is Sri Lanka's largest trading partner. It is now the island's largest source of imports, and the fourth largest export destination. Bilateral trade witnessed a boom after the India-Sri Lanka Free Trade agreement came into force on 1 March 2000. In 2008, the two-way trade shot up to \$3,265 million or LKR 3,72,210 million, from just \$658 million or LKR 75,012 million in 2000.

Nearly a hundred Indian companies are currently doing business in Sri Lanka. So far, they have invested \$400 million, or LKR 45,600 million. An additional investment of about \$300 million or LKR 34,200 million, is involved in projects that are in various stages of implementation after receiving due approvals from the Sri Lankan Board of Investment (BOI).

The proposed investment plans of the NTPC and PGCIL alone amount to a staggering one billion US dollars, or LKR 114,000 million.

PGCIL plans to install power transmission lines between India and Sri Lanka to pave the way for eventual trading of electricity between the two countries. The proposed 285km line includes submarine cables over a stretch of 50km. Once ready, it will enable the two neighbours to trade

their surplus power with each other, thereby offering a cheaper option to bridge a power generating deficit.

The project, estimated to cost US\$500 million, or LKR 57,000 million, will link the power grid in Tamil Nadu to the transmission system in Sri Lanka. Initially, the line will have a capacity of 500 Mw, and is proposed to be doubled later.

NTPC, India's biggest power company, is in the process of signing a joint venture agreement with the Ceylon Electricity Board (CEB) to set up a 1,000-Mw coal-based power unit with an investment of \$500 million.

The project got delayed due to differences over where to locate the plant. All issues have now been sorted out, and the joint venture is likely to be signed soon. Now that the security concerns have vanished, NTPC has agreed to set up the plant in Eastern Trincomalee.

Indian Oil, too, is looking to diversifying into the bitumen business in the island. SV Narasimhan, IOC's Director (Finance) and Chairman of Lanka IOC, told "Business Standard" newspaper: "The Sri Lankan economy will be on a growth trajectory. We already have a presence in lubes, bunker and fuel retailing. Now, we are trying to get into bitumen business and also exploring other avenues. In the lube business, we are tying up with other parties for utilizing our surplus capacity."

Since the end of the civil war, Lanka Ashok Leyland, a joint venture company between Ashok Leyland and the Sri Lankan government, has been experience in demand. The company hopes to sell 1,300 vehicles in the next four months.

Says Lanka Ashok Leyland's CEO Umesh Gautam: " We have witnessed a boom in the local economy during the past three months. The government is opening all the highways and there will be a demand for commercial vehicles to transport construction equipment for rehabilitation work (in the North and East). We are gearing up to be a part in all this."

Cairn India Pvt Ltd, a wholly-owned subsidiary of Cairn India, has already started a 3D seismic survey in the Mannar Basin. Drilling will follow in the first half of 2011.

Last fortnight, Indian IT services company Mphasis announced plans to set up a facility in Sri Lanka that will be operational by the middle of 2010. It plans to hire 2,000 professionals over the next three years.

In 2008, Sri Lanka attracted \$889 million or LKR 1,01,346 million in foreign direct investment (FDI). Of this, \$126 million or LKR 14,364 million came from India.

A recent study by the Federation of Indian Chambers of Commerce and Industry (FICCI) said that upcoming investments in Sri Lanka are likely to be in core sectors such as oil exploration and production, power, telecom, IT and real estate.

CENTRAL BANK PREPARES TO IMPLEMENT 20% BONUS INTEREST FROM JANUARY SENIOR CITIZENS TO BENEFIT

(Sunday Island)

The Central Bank is now busy preparing the necessary operative instruction to the banks to implement a 20% bonus interest scheme for senior citizens hard hit by the recent interest rate reduction, Governor Ajith Nivard Cabraal said yesterday.

This scheme, announced last week by President Mahinda Rajapaksa at a meeting with the Organization of Professional Associations, will be limited to a possible maximum of Rs. 90,000 per year and will be effective from January, he said.

"We haven't yet decided what the cap on payments will be but Rs. 90,000 is the figure that is being looked at," Cabraal said. "The Treasury Bill rate floor at which the scheme will kick off has also not yet been finally decided."

People above the age of 60-years will be entitled to the bonus interest on savings deposited in the banks.

In his speech to the OPA, the president acknowledged that while the decrease in interest rates is welcomed by entrepreneurs and businessmen, this was not the case where savers, especially senior citizen were concerned.

“Consequently, many senior citizens have appealed to us to intervene in this regard. As a leader who is sensitive to the issues confronting our people, we do see some merit in this request,” the president said.

“Therefore, we have decided to respond by developing a scheme whereby the Government will pay a bonus interest of 20% of the interest paid by banks on deposits of senior citizens, to be effective from January 2010.

“This would mean that a senior citizen who receives interest on a deposit with a bank, will receive an additional one-fifth of such interest from the Government as a special support, so long as Treasury bill interest rates are lower than a certain specified level.”

KERALA EXPERT HELPS CLEAR LANKAN MINES

(The Hindu)

P K Balachandran

PERIYATHAMPANAI -- Maj K RAJU, formerly of Madras Sappers and Miners, is helping the Sri Lankan authorities rid the northern battlefields of landmines and other improvised explosive devices (IED) laid by the LTTE. A native of Thiruvananthapuram, Raju and his team of de-miners from the Swiss Foundation for Mine Action (FSD) started work in the rice bowl area of Mannar district and gradually worked their way to Periyathampanai and Pannivirichchan in Vavuniya district.

The total number of mines in north Sri Lanka is officially estimated to be 1.5 million.

Raju told visiting journalists at Periyathampanai, that the FSD had cleared 2 lakh sq m and removed 4,589 anti-personnel mines and 12 anti-tank mines.

In Pannivirichchan, they cleared 1 lakh sq m.

Over 600 Tamil families, who are currently living in refugee camps in Vavuniya district, are expected to return to Periyathampanai and over 100 to Pannivirichchan.

Like other de-mining groups, the FSD has had to work overtime, because the Sri Lankan government had announced that it would close the refugee camps by January 31, next year, paving the way for the speedy resettlement of all the 280,000 war refugees presently housed in camps and transit shelters.

“But progress is slow because of the jungle that had grown during the war. And the monsoon is adding to the problems,” Raju said.

No method in the madness

The task of demining in the island nation is tough because the LTTE had not laid mines in any predictable manner. The mines also have more than the normal amount of explosive packed into them.

“The LTTE’s mines have 30 to 60 gms of explosive. A normal mine will have up to 30 gms. In Mannar, we found a house with 180 mines in it! The LTTE had apparently expected government troops to enter the house in large numbers,” Maj K Raju of Swiss Foundation for Mine Action said. The mines and other IEDs used by the LTTE are locally made. “We were familiar with the LTTE’s Jonny mines.

But this time we found mines carrying the inscription Maj. Ilavazhuthi on them. Perhaps, Ilavazhuthi was the designer of the new mine,” the Indian de-miner said.