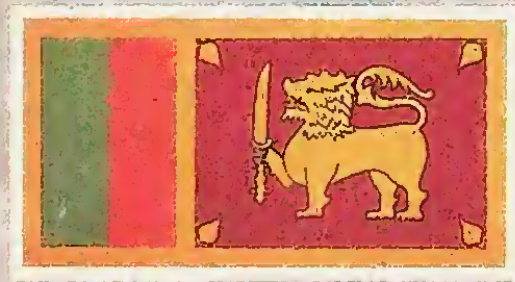


S R I L A N K A



Towards
Peace & Stability
&
Prosperity

◆



PRESIDENTIAL SECRETARIAT
LIBRARY

"My government stands committed to build a strong national economy within a market framework. The longer term dimensions of policy will be based upon a ten-year perspective, encompassing the period 1995 to 2005, which would be implemented through a succession of three-year policy framework cycles. The ten-year perspective takes as it's premise the vigorous development of national production in all sectors. The resolution of the Northern conflict will result in the channelling of the savings along with matching foreign aid contributions into rehabilitation of damaged areas and retraining for demobilisation. There will be a further channelling into productive investment in the private sector of the new capital inflows which will be generated by increased international confidence in Sri Lanka".

**- Chandrika Bandaranaike Kumaratunga
President - Democratic Socialist Republic of Sri Lanka**

(Economic Policy Statement.-13th September 1994)

SRI LANKA & HER PEOPLE

Sri Lanka with a civilisation rich in Indo-Aryan culture stretches back over 2535 years. Our History in written record describes in detail how our ancestors moulded the society and culture of Sri Lanka. Their achievements in diverse fields have contributed in many ways to the evolution of our civilization.

It has a land area of 64,453 sq.km. and an estimated population of 17.6 million. The population of Sri Lanka constitute with people belonging to various ethnical, religious and lingual groups, with a high population density of 260 per Sq.km. and a low population growth rate of 1.27 percent.

The ethnic composition comprises of Sinhalese forming 73.9 percent of the population. Sri Lankan Tamils 12.7 percent, Sri Lankan Moors 7.5 percent, Indian Tamils 5.5 percent and others inclusive of Burghers 0.7 percent.

Population by religion the Buddhists form 69.3 percent, the population followed by Hindus (15.4 percent), Muslims (7.6 percent), and Christians (7.6 percent) and others 0.06. Sinhalese are mainly Buddhists, Tamils Hindus

and Muslims adherents of Islam. Christians are from Sinhala and Tamil communities. For centuries our people have lived together with peace and harmony.

THE HISTORY

Sri Lanka is an ancient land with highly developed pre-historic human settlements. Recorded history begins from about 4th century BC when people settled down in Anuradhapura. The King of Anuradhapura embraced Buddhist doctrine in 247 BC. Invasions from South India continued and in the 11th Century AD the Sinhalese kingdom moved its capital to Polonnaruwa and thence southwards. This resulted in the abandonment of the highly developed tank (reservoir) irrigated rice cultivation system, which the Sinhalese had developed and resulted in the decline of the Sri Lankan economy.



The temple of the tooth relic of Lord Buddha in Kandy

The remains of the civilisation from 500 BC to 1300 AD are the spirit and inspiration of this independent people of Sri Lanka. We take pride now in unearthing these treasures and seeing the high levels of university education, monasteries medical research at the many hospitals unearthed, the refined engineering achievements in water management and building construction, government and justice, literature, painting Art and sculpture to a class of their own; are all what the present day visitors from far and near view with pride and admiration.

In 1505 when the Portuguese came to Sri Lanka for spices the capital was in Kotte in the outskirts of Colombo. Portuguese captured the coastal belt and ruled it until the Dutch ousted them in 1656. The Dutch were displaced by the British in 1796. The British captured the Kandyan Kingdom in the Central Hills and brought the entire country under their rule in 1815 and unified the administration in 1833. A Legislative Council was established in the same year to administer the country. The governor presided at the Legislative Council meetings and the key officials of the government were appointed members. Unofficial members representing the different communities were also appointed. But they enjoyed no powers. The first phase of Sri Lankan independence struggle was to get the British to increase the number of unofficial members and to give them power. Then they asked for elected representation and finally for independence. Sri Lanka attained independence on 4 February 1948 and became a republic in 1972.

HUMAN DEVELOPMENT

Sri Lanka stands out among the developing countries in the area of human development. That was because Sri Lanka introduced free education and free health care even before it won independence. After independence all governments invested highly on human development.

Human Development Indicator

Population	17.6 million
Birth rate per '000	20.1 (1992)
Death rate	5.6 (1992)
Infant Mortality Rate	17.2 (1991)
Expectation of life at birth	
Male	69.5 (1991/96 -Projection)
Female	74.2 (1991/96)
Literacy Rate	87.2 (1981)
Male	91.1 (1981)
Female	83.2 (1981)
Population by sex	
Male '000	8,981 (1993 - Estimate)
Female '000	8,638 (1993 - Estimate)
GDP Growth	6.9 percent
School going population	96.6 percent
Urban Population Percentage	21.5 (1981)
Rural Population	78.5 (1981)
Labour Force '000	7,544 (1991)

YOUTH UPRISING

In the last 24 years Sri Lanka faced two insurrections and a war in the North and East. Poverty, unemployment, economic backwardness and political neglect were the prime factors for this situation.

In the South the Janatha Vimukthi Peramuna (JVP) launched an armed insurrection in 1971. It failed because it lacked popular support. The JVP reorganised itself and launched another attempt in 1989 and 1990. It was again defeated by the army and there were charges of excesses, massacres and disappearances.

THE NORTH EAST CONFLICT

The country also witnessed an armed conflict in the North and East where - Tamil groups sought to establish a separate State. The conflict has a long history and in 1977 the United National Party had identified in its election manifesto four main grievances which led the Tamil United Liberation Front (TULF) to decide in 1976 to ask for a separate state called Eelam. The four grievances were : education, colonisation, use of Tamil Language and employment.

The armed conflict escalated during the years 1983 to 1987 and resulted in Indian intervention. The Indo-Sri Lanka's Peace Accord provided for the establishment of provincial councils, the temporary merger of the northern and eastern provinces, and the laying down of arms by the armed Tamil Groups.

The thirteenth Amendment to the 1978 constitution was enacted to implement the Indo - Sri Lanka Peace Accord. The Provincial Councils were established and they are functioning in all the provinces except the North and East. In those two provinces the war erupted again despite the induction of the Indian Peace Keeping Force. (IPKF).

The People's Alliance Government now in power pledged during the election that it would work out a political solution to the ethnic conflict. It told the people that war was costing the country Rs. 48,000 every minute. It caused untold destruction of lives and property.

BRIBERY AND CORRUPTION

The Peoples' Alliance election manifesto identified bribery and corruption as one of the fundamental malaise that affected the political culture of the country today. It said that its incidence had assumed unprecedented proportions.

THE WASTE AND EXTRAVAGANCE

Waste and Extravagance was also identified by the Peoples' Alliance Election Manifesto as one of the ills the country faced.

Sri Lanka had 91 Ministers, a world record. Monthly and yearly functions were held to which funds meant for administrative purposes and capital expenditure were diverted.

Luxury vehicles were purchased for the use of Ministers and their close supporters and staff .

UNPLANNED ECONOMIC MANAGEMENT

The credit of liberalising the economy must be given to the United National Party. But it was done haphazardly. There was no proper plan , no targetting. No standards were set for imports resulting in dumping of substandard goods.

Unplanned economic growth led to greater dependence on a few industries like the garment industry and to the concentration of the industries in and around Colombo. This has created social tensions in the provinces.

Inefficient economic management caused massive budget deficits which bred inflation, high interest rates , and the drying up of funds for private sector investment.



Youth participation in skilled development programs

The People's Alliance in its election manifesto, announced the measures it would take to rectify the crisis situation. The People's Alliance government which was sworn in on August 19, 1994 started almost immediately to implement those measures. The implementation process was accelerated after Mrs. Chandrika Bandaranaike Kumaratunga won the 1994 November 9 Presidential election with a record of 62 percent voter support the highest mandate ever won in the Parliamentary history of Sri Lanka. That was the third time she that secured the People's support for her program of work within a short period of nine months. Prior to that on 24 March 1994 she won the Southern Provincial Council election in which People's Alliance obtained 30 of the 54 seats. On August 16 , 1994 she won the parliamentary election and was appointed Prime Minister.

Mrs. Chandrika Bandaranaike Kumaratunga swearing in as the first woman President in Sri Lanka.



RESTORING DEMOCRACY

The government took a series of steps to defuse the fear psychosis that gripped the people and to restore and revitalise democracy.

Rescinding the state of Emergency

The state of emergency prevailed for the past ten years. The police and the security forces were given immense powers by way of Emergency Regulations and other special laws enacted. Within ten days of assumption of office the government took action to rescind the emergency in all parts of the country except the North and the East and few border areas where military situation continued. By doing so the government has restored to Parliament its legitimate authority which was enjoyed by the President through Emergency Powers.

Disappearances and punishment of offenders

During 1989-1992, thousands of young men and women disappeared and most of them had never returned. A Presidential Commission of Inquiry has been appointed to investigate into the involuntary removal or disappearances of persons in Central, North Western, North Central and Uva Provinces and this commission has received 11,038 complaints. The government appointed two other

Commissions of Inquiry, one for the Western, Southern and Sabaragamuwa Provinces and other for Northern and Eastern Provinces to ascertain the truth about these murders and disappearances. The Commissions have also been given authority to identify the persons responsible for these murders and disappearances and recommend suitable punishment for them.

The three Commissions headed by retired judges and leading lawyers are currently conducting their inquiries. The Commission for Western, Southern, and Sabaragamuwa Provinces has received 5545 complaints, as well as the Northern and Eastern 12,195. They will submit their reports before the end of this year and suitable action will be taken to provide financial relief to the families that had lost their bread winners and to punish the offenders. The most important result of this exercise will be to clear the air of uncertainty that in the minds of thousands of parents.

Investigations into the killings of political leaders

During the rule of the United National Party government several political leaders including President Chandrika Bandaranaike Kumaratunga's husband Vijaya Kumaratunga were murdered. The government has appointed a Commission to probe the murders of those leaders.

PTA Detenus

Many youths were picked up on suspicion under the Prevention of Terrorism Act (PTA) and kept in detention for long periods without trial. The government appointed a one-man committee to study their cases and to recommend to the Defence Ministry the release of those against whom there were no charges. The committee has already recommended the release of 141 youths.

Constitutional Reforms

The People's Alliance government had identified some of the provisions of the 1978 constitution as having created the environment for the abuse and misuse of power. The features identified were:

Executive Presidential System

The Soulbury Constitution of 1948 and the 1972 Republican constitution were based on the British Westminster model according to which Prime Minister, who is the head of the government is answerable to Parliament. The 1978 constitution created the Executive President who while being the head of the government remained outside parliament. The President retained for himself the right to form a government, appoint ministers, retain with him any number of cabinet portfolios, appoint the holders of all top

posts, give pardon etc. He at the same time was head of a political party. He was also above the law. No legal action, criminal or civil, lay against him.

The Parliamentary Select Committee which was appointed in September has prepared a draft for the new constitution based on the consensus that has emerged among the members, from all political parties having representation in parliament, providing for a ceremonial President. The Prime Minister will be the head of the government and the cabinet of ministers. Steps are being taken to enact the new constitution before the end of this year.

Strengthening Fundamental Rights

The new constitution will have an exhaustive chapter on Fundamental Rights. The clause on personal freedoms include the freedom of thought, conscience and religion, life, liberty and security, privacy, family, home, correspondence, honour and reputation and the right to own property. It also includes freedom from arrest, torture, discrimination on the grounds of ethnic group, religion, languages, caste, sex, political opinion, place of birth or any one of such grounds. Apart from the normal freedoms of peaceful assembly, association, forming and joining trade unions, the new

constitution will provide for the freedom of speech and expression including publication and information. The restrictions placed on the exercise of these freedoms have been minimised.

Ombudsman

Under the earlier system a person with a grievance had to approach the Ombudsman through a Member of Parliament by way of a petition to Parliament. The law was amended last year by the People's Alliance government to enable a person to approach the Ombudsman directly. Now, the Ombudsman reports direct to the President and not to Parliament. After the amendment the Ombudsman had hitherto received 2452 complaints.

Other improvements

The new constitution will effect many more improvements. Notable among them are: making the Public Service independent; permitting judicial review of the legislation within two years of enactment; adopting the German model for the electoral system.

Human Rights Commission

The government has decided to appoint a Human Rights Commission. Draft legislation for the establishment of the Human Rights Commission is now being studied.

THE PEACE PROCESS

The present government obtained a firm mandate from the general public in three different successive elections to negotiate with the Tamil Leaders and find a political solution to the ethnic problem. Mrs. Chandrika Bandaranaike Kumaratunga initiated the peace process six hours after she was sworn in as Sri Lanka's second woman Prime Minister (her mother Mrs. Sirimavo Bandaranaike is Sri Lanka's and world's first). She told a crowded press conference: "I wish to extend my hands of friendship to the people of the north and I hope the LTTE would reciprocate". In answer to another question she said: "My message to the LTTE is this: The people of this country had given me a clear mandate to negotiate with them. I expect a clear response from them". She also made it clear that she considered the LTTE as a predominant factor among the Tamils. She expressed similar sentiments in her address to the nation later that day.



President addressing her first press conference just after the swearing -in ceremony

LTTE responded positively. LTTE spokesman Anton Balasingham told the Jaffna press that they would welcome the initiative. The Prime Minister took a unilateral initiative on August 31, 1994 and announced the relaxation of the economic embargo imposed by the United National Party four years earlier. She announced that the ban on 28 items of civilian use would be lifted. LTTE chief Velupillai Prabhakaran wrote to the Prime Minister welcoming the relaxation of the economic embargo and suggesting a meeting. The LTTE also released 10 captivated policemen and soldiers. The first round of talks was held on October 13, 1994 and the government released 18 LTTE cadres. The government announced its readiness to rebuild the war-torn Jaffna, specially the Public Library. The second round fixed for September 24, 1994 was postponed because of the assassination of the United National Party Presidential candidate Gamini Dissanayake and tension that was created.

The second round of talks took place on January 3, 1995 after Mrs. Chandrika Bandaranaike Kumaratunga was elected President. On that day the government presented a Rs. 39 billion package for the reconstruction of Jaffna and the LTTE released 4 more prisoners. Agreement was also reached about the cessation of hostilities and about the setting up of monitoring committees with representatives from Canada, Norway and Denmark as their heads. The cessation of hostilities agreement signed by the President and the LTTE leader also provided for its ending by giving 72 hour notice. President Chandrika Bandaranaike

Kumaratunga announced in Parliament on January 6 that the cessation of hostilities would come into effect on 7th midnight. Guns fell silent at that appointed hour and gave the media the details that evening.

The third round of talks was held on January 14, 1995 to review the cessation of hostilities and both sides agreed that the truce was holding and steps should be taken to take the peace process forward. Agreement was reached about the relaxation of the ban on fishing. At that meeting the LTTE asked for the vacation of the Pooneryn military Camp and the opening of the Pooneryn road for civilian traffic. In responding to this the government shifted the Pooneryn Camp by 600 m. away from the forward defence line. The lifting of the ban on the transport of diesel and petrol to the north, the total lifting of the fishing ban and for the free movement of its cadres in the Eastern Province carrying arms which created some problems and delay. The government wanted to link these with the political talks but

Peace talks in progress with government and LTTE representatives in Jaffna



the LTTE wanted them granted before they commence political dialogue. It took about three months to sort out these problems. The government and the LTTE exchanged over 35 letters during this period. Patience and persuasion were employed by the government to edge the LTTE towards a compromise. The compromise worked out was mentioned in the letter President Chandrika Bandaranaike Kumaratunga wrote to Prabhakaran on April 12, 1995. In that letter she conveyed the government's willingness to lift the ban on the transport of petrol and diesel to the north and to the further relaxation of the fishing restrictions. She suggested that the question of vacating the Pooneryn camp and the issue concerning the freedom of movement of armed LTTE cadres in the East be discussed at the 5th round. She also requested the LTTE to give a date for the fifth round on any day between May 5 and 10, 1994 .

Prabhakaran sent a reply on April 18 which reached the government late in the evening. In that letter he said that he had decided to end the cessation of hostilities. Within 5 hours the LTTE attacked and sank two navy boats anchored in Trincomalee harbour killing 12 naval personnel and wounding 21.

The LTTE had violated the cessation of hostilities agreement as it had failed to give the government the required 72 hour notice. The LTTE had also not honoured the agreement as it had blocked the functioning of the monitoring committees, though the 3 foreign heads had had a meeting with Prabhakaran in Jaffna.

The LTTE had also prevented the government from carrying on its Rs 39 billion rehabilitation programme which involved the rebuilding of the Public Library, the renovation of the Jaffna hospital, reconstruction of the damaged houses, roads, bridges, supply of electricity etc. The LTTE, which promised assistance, failed to provide it.

The government had made all arrangements to start the reconstruction work and had transported two huge power generators, two ship loads of cement, several ship loads of medicine, food and kerosene.

The government also facilitated the transport of goods by road. Prior to the January 8, when cessation of hostilities became operative, only one lorry a day passed through Thandikulam the last security forces check point. In April an average of 50 lorries passed through the check point carrying a variety of goods. The government also opened three new C.W.E retail markets in Jaffna recently.

The government decided on April 19 to reimpose embargo only on 19 items. The government also decided to withdraw the relaxation of fishing restrictions announced on April 14th. In a statement issued on April 19 the government reiterated its determination to continue the peace process. The government considers this incident to be only a temporary

set back to one stage of the peace process. It is not a defeat of the peace process undertaken by the government" the statement said.

BRIBERY AND CORRUPTION

Another area in which the government took action soon after assuming power was to enact legislation for the establishment of a Permanent Commission to investigate allegations of Bribery and Corruption. The necessary legislation was passed by Parliament in October 1994 and the Commission commenced functioning on 15 December 1994. The Commission consists of three persons, two of them retired judges and the other a person with investigative experience. The commission has received several complaints and had commenced investigating them.

The government authorised the ministers to appoint their own committees to investigate complaints of corruption and bribery in their ministries. Several cases of corruption and fraud have surfaced during those investigations. Since the corrupt practices of the past cannot be effectively dealt with by the Permanent Commission a Special Presidential Commission of Inquiry has been appointed to, inquire into and report on those transactions. The Commission consists of three sitting members of the judiciary.

TRANSPARENCY

Investigations revealed that the current tender and procurement procedures provided room for corruption and bribery. Action has been taken to revamp the tender and procurement procedures so as to make them open and transparent. Since January the Business Intelligence Unit of the Ministry of Internal and External Trade is publishing a monthly booklet titled "Sri Lanka Business Report" where all the tenders and procurements are published. This prevents any underhand deals.

WASTE AND EXTRAVAGANCE

The Government took effective steps to cut down waste. The number of ministers was reduced to 24 and the number of vehicles allocated to ministers and top officials had been drastically pruned. The extravagant functions and ceremonies have been stopped. Action is also being taken to cut down waste in the administration.

ECONOMIC POLICY AND MANAGEMENT

Policy Framework

The present government clearly enunciated its economic policy in its election manifesto and on January 6, 1995, President Chandrika Bandaranaike Kumaratunga had reiterated that position in her policy statement. The

manifesto said. "The objective of the government is to build up a strong national economy within a market framework". It said that local and foreign investments will be encouraged and that the private sector would be considered as the engine of growth. The President and the Deputy Finance Minister Prof. G.L. Peiris have met the local and foreign investors three times within the past 6 months and reiterated the government's committed support for the investment and the private sector.

Setting the Financial House in order

High level deficit financing had been practiced over the last 17 years to meet the government expenditure. It was 8 percent of the GDP in 1993 and 10 percent in 1994. In the budget presented on February 9, 1995 the government has reduced the budgetary deficit to 8 percent with the promise of further reductions leading down to 3 to 4 percent well before the year 2000. The necessary groundwork had been done this year with a current account surplus of 0.5 percent and Rs. 8-10 billion repayment of public debt. The situation will improve in the next 2 years with current account surplus rising to 2.2 percent and 3.4 percent in 1996 and 1997 respectively.

The inflation rate has declined to 8 percent in March, the lowest in several years. It was 11.4 percent in August, 1994. The government intends to reduce inflation to about 5 percent soon. Interest rates too have declined slightly and will be brought down further.

DEVELOPMENT EFFORTS

The budget presented on February 8 has been prepared in a 3 year framework. It is based on the following broad macro-economic targets.

- A gradual acceleration of economic growth from the estimated 6 percent in 1995 to 7-8 percent in 1997.
- The reduction of the rate of inflation from 7-8 percent in 1995 to 5 - 6 percent in 1997. and ,
- Reduction of the country's external current account deficit from about 6.4 percent of the GDP in 1995 to about 5 percent of the GDP in 1997.

In addition the accent will be to gradually reduce current expenditure and to increase the capital expenditure from 8.1



Female workers in a Shoe Manufacturing Factory under Board of Investment

percent of the GDP in 1995 to 8.6 percent of the GDP in 1997.

The government has worked out a detailed investment program of development. The ministries are giving priority to implement the development program.

Board of Investment

Since the People's Alliance Government came to power, 182 new projects have been approved with a total investment of Rs. 20.5 billions. They are in different industrial areas. Investment proposals are as follows.

Investment Promotion

The BOI is now conducting a vigorous campaign to attract investment. An investment promotional seminar will be held in Germany in a few days and in Malaysia soon. The investment seminars held recently in Korea, HongKong and Singapore were fruitful. The Government also opened an **Industrial Park** in Kandy last month. There were ready responses from industrialists.

A series of facilities have been awarded to investors by government are as follows :

- People Alliance Government is today committed to market economy in which the private sector is considered to be the main engine of economic growth.

The government has streamlined tariff and personal tax structures and ensured their downward revisions. The aim is to work towards a single tariff band and a simplified and lower personal tax structure.

- The corporate tax has been reduced from 55 to 40 percent and steps are being taken to reduce this further to around 32 percent as in the case of developed economies.
- Exchange control on current account is almost totally removed.
- Tax holidays running up to 20 years depending on the volume of investment and employment generation.
- A low level of corporate tax.
- Also in order to encourage foreign business particularly direct investment, the government is offering a package of incentives which includes.
 - Firstly, the majority or hundred percent equity
 - Automatic and speedy approval of investment proposals except in few areas where approval is regulated.

-
- Duty free importation of machinery, equipment and all other project related -materials.
 - Repatriation of capital, profit and dividends without any restrictions.
 - Tax free emoluments for the expatriate staff during the period of tax holiday enjoyed by the respective projects.
 - Duty free importation of household goods, motor vehicles for personal use by expatriate staff.
 - There are also additional incentives on sectoral basis which are applicable to Investment Promotion Zones outside the main Western Province, where the capital is situated.
 - The areas in which Sri Lanka invite foreign investment are wide ranging.

Telecommunication,
Power, irrigation,
Electronic & information technology,
Agriculture and food processing,
Rubber processing and rubber based industries

Regional Development Efforts

The government is setting up three government private sector development institutions in three of the 9 provinces. They are being set up in the Eastern, Southern and North Western provinces. The private sector has agreed to provide the initial capital of Rs. 100 Million for each of these institutions. The institutions will promote industries using local resources.

Agriculture Fisheries and Livestock Development

Agriculture sector contributes about 50 percent of the GDP, 24 percent of which is derived from rice production. The government's policy thrust is to increase the yield per hectare and a fertilizer subsidy scheme has now been implemented.



Sri Lanka farmers busy with harvesting in a threshing floor

Fruit and Vegetable Boards are being established to boost commercial cultivation of these products.

The cultivation of spices and beverage crops which constitute about 8-10 percent of foreign exchange earnings are assisted and encouraged.

Forestry programs designed to conserve the forests for posterity are being implemented.

Fishing industry constitutes an important sector in the national economy. The Fisheries Ministry has launched a crash programme to increase the number of fishing boats and engines. Inland fishery, which had been neglected for some time, is now being encouraged.



Fishing boats gifted by the Govt. to boost the fishing industry

The Livestock Industry, is being revitalised.. Milco, the state body which collects and distributes milk is joining a leading Indian venture to bring in management expertise and technology.

Infrastructure Development

In her policy statement the President has clearly laid the guidelines for infrastructure development. She said the burden would fall on the private sector. BOO and BOT arrangements would be used for that purpose.

An aerial view of the heart of Colombo city



The Posts and Telecommunications Ministry has already launched massive projects to upgrade the postal and Telecommunication services. BOO and BOT arrangements are being worked out to improve the telephone system.

A Telecommunication project to provide 150,000 telephone lines was inaugurated in December 1994. There are 183,000 direct exchange telephone lines in Sri Lanka and 85,000 new lines will be provided this year. The cellular mobile telephone service is expanding rapidly. There are about 30,000 cellular phones now.

The government has decided to make use of BOO and BOT arrangements to build highways. A highway connecting Colombo City and the Air Port is now planned. Similar highways will be constructed.



Colombo Airport

Attention is also being drawn to develop Colombo, Galle and Trincomalee Harbours. Container handling facilities are being improved in the Colombo Port. The demand for electricity is expected to grow at the rate of 10 percent in the next 5 years. The present generation capacity of 1385 mega watts will have to be raised to 1,869 mega watts by the year 2000. Steps are being taken in this regard. A coal power plant will be installed in Trincomalee. Approval has been given to the private sector to put up a mini hydro plant and 9 wind power plants. Tenders will be called to put up additional power plants.

Irrigation is another area to which attention is being paid. The on - going projects include, National Irrigation Rehabilitation Project encompassing 800 minor irrigation schemes and 35 major or medium schemes. EC funded rehabilitation of minor and medium irrigation systems in the North Western province, and ADB funded North Western Water Resources Development project are the other important schemes.

Provision of housing and public utilities are the other areas for which the government is giving priority. Attention is being paid to the housing needs of low income groups. Action is being taken to provide them with land, financial and technical assistance.

Provision of pure drinking water and a hygienic drainage system are the prime needs of any healthy society. Foreign and private sector assistance is being sought to provide these

utilities. Already , the government is implementing a series of projects.

Human Development Efforts

Education, health, man power training are areas of vital importance to any country. Sri Lanka has a proud record of paying attention to human development. Sri Lanka's high level of achievement in human development had been commended by the UNICEF and other world bodies.

The new government has increased the salaries of the teachers and has taken action to revamp man-power training schemes.

Sri Lanka has an impressive record of health achievements, specially in controlling of communicable diseases and high coverage of childhood immunization.

Services

Tourism which suffered a down trend in the recent past recorded an upswing last year. Total arrivals were 407, 511 and it provided employment to 84,064 persons. There are 10,700 rooms and the actual earning Rs. 11 billions for the country was 224 million US dollars

A master plan has been drawn up to increase the arrival to 874,200 by the year 2001 and action had been launched to increase the number of rooms to 17, 953.

The banking and insurance sectors are being revamped, Korean Investment Bank has applied to the Central Bank of Sri Lanka for approval to open a branch in Colombo.

Privatisation

The former government started the privatisation process in 1989 with the handing over of the loss-making bus transport to the workers. The bus depots were grouped into over 90 private companies and the workers were asked to run them. Most of the companies continue to lose. A similar situation exists in the plantation sector. The state owned estates were grouped in to 23 companies. Except for four, all the others are running at a loss. Many of the ventures that were privatised were grossly undervalued and sold for one third or one fourth of their actual value. Even that money was advanced by the State Banks or the Treasury as loans. Today most of



A beach with scenic beauty in Sri Lanka

these ventures are bankrupt and the Treasury is paying the wages of the workers.

The government has decided to continue the privatisation process and has appointed the Private Enterprises Reform Commission (PERC) to do the job. PERC has had nine meetings so far and has commenced the privatisation process. It issues press releases giving the details of its decisions after each meeting. It holds press conferences every fortnight to enable the reporters to question the members of the commission. It has held two conferences so far.

PERC has identified five institutions for priority action. Of them Air Lanka is the largest. PERC will be advertising in Sri Lanka and foreign media calling for applications from firms with experience in aviation to help manage Air Lanka.

PERC has decided to sell some of the enterprises, dispose of the government shares through the stock market in the case of some others and to bring in private capital and management in the case of still others. The objective of the privatisation is to improve productivity and increase employment.

The Social Safety Net

The government will launch on June 1, 1995 the Samurdhi Movement (Prosperity Movement) which will help 1.2 million families to be raised above the poverty line. About 100,000 of these families will be paid Rs. 1000 a month. They form the poorest section of the population with monthly income below Rs. 500. The balance 1.1 million families will be paid a monthly allowance of Rs. 500. The monthly family income of these families is between Rs. 500 and Rs. 1000.

This income support scheme will be strengthened by self employment, cooperative and community projects intended to increase productivity and create employment. It is an ambitious programme for poverty alleviation.

Freeing the Media

The present government in its election manifesto pledged to free the media from government control. Lake House, the biggest publishing house, and the radio and television were in government hands.

The government vowed to broad base the ownership of Lake House the biggest newspaper publishing house. A committee was appointed to recommend ways and means of implementing the pledge. The committee submitted its report on April 12, 1995. It has recommended the sale of 65 percent of the shares through the stock exchange and distributing 20 percent of the shares to the workers. The balance 15 percent is already with private owners.

The government has permitted the private sector to start radio and television stations. There are four private owned TV channels and three private radio stations. There are number of vigorous weekly tabloids. The state owned television, (Rupavahini) and the radio, (Sri Lanka Broadcasting Corporation) have been given extensive freedom. The plans are underway to establish a media training institute free of government control to facilitate the media personnel and preparations are also in the offing to set up a National Information Centre.

Conclusion

President Chandrika Bandaranaike Kumaratunga's concluding paragraphs in her Policy Statement portrays emphatically the government's determination to set things right and march along the development path.

She said " In order to place the Nation on the right path, we have to rebuild democratic institutions, and protect and strengthen human rights. We have also to ensure that the process of government is transparent and free of corruption and everyone in public life is accountable for their actions".

" Economically we are committed to a free market economy that would generate sustainable economic and human development. While promoting rapid economic growth and employment, it would distribute its benefits equitably. The major vehicle of growth will be private enterprise. The poor will be accorded special protection, until they evolve viable livelihoods. Ours is a strategy which harnesses the market for rapid economic and social development. This is what we have called the "Free Market Economy With a Human Face".

LANDSAT MAP OF SRI LANKA
APPROXIMATE SCALE — 1 : 2,200,000





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