



Behind the scenes

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USA Secures Monopoly on LNG Supply to Sri Lankan Power Plants, Surpassing China, and India in Late-Night Operation

Lasantha Ruhunage

“The government emphasizes the following of competitive bidding to affirm the transparency and value for money in implementing development projects and also discourages unsolicited proposals. However, many countries follow the Swiss Challenge Procedure on such unsolicited proposals considering their positive aspects such as reveal of potentialities that have not been considered. Accordingly, the proposal made by Hon. Prime Minister Ranil Wickremesinghe, in his capacity as the Minister of National Policies and Economic Affairs, to include the Guidelines on Swiss Challenge Procedure prepared by the Ministry of Finance in the Government Procurement Guidelines to be followed on unsolicited proposals, was approved by the Cabinet of Ministers.”

This statement is mentioned in the Cabinet decision dated 09.08.2016 regarding the Guidelines on Swiss Challenge Procedure.

A Swiss Challenge Proposal was initially presented to the Cabinet in July 2016 by then-President Maithripala Sirisena. It was subsequently presented again in October 2017, jointly proposed by the Minister of Electricity and Renewable Energy, Ranjith Siyabalapitiya, and the Minister of Special Duties, Sarath Amunugamage. The unsolicited proposal was put forth by SKE & S Company in South Korea. The proposal aimed to construct an LNG re-conversion and storage terminal in the sea around Colombo, along with the construction of related pipelines and the supply of gas to power plants to be converted into LNG in Sri Lanka and to newly constructed LNG power plants. It was also mentioned that the funding

for this project would be provided by the EXIM Bank of South Korea.

The Korean company has presented the proposal under the Build, Operate, and Transfer (BOT) method. This means that they have agreed to undertake the construction of the terminal and related pipelines, operate them for a certain period of time, and then transfer them back to Sri Lanka.

After the proposal was presented to the Cabinet, it was forwarded to the Steering Committee on Power Generation, Procurement, and Development by the Secretary to the Ministry of Electricity and Renewable Energy. The committee, in their report on 02 January 2019, highlighted the significance of the project, stating that it was valued at USD 7 billion and would be the largest project undertaken in Sri Lanka. They emphasized the need to take measures to mitigate the project's risks.

The committee also emphasized the separation of the construction of the floating gas terminal and the procurement of gas for the power plants as two distinct projects. They highlighted the importance of not committing to a specific gas quota, as it would result in payment obligations even if the actual gas purchase is less than the agreed quota. Additionally, the committee expressed uncertainty regarding the realization of the planned power plants in Keralalapitiya and noted that the Kelanitissa cycle power plant may not require the amount of gas specified in the proposal. As a result, they suggested that Sri Lanka's gas quota could potentially be reduced by half of the proposed amount.

The committee highlighted the potential for gas extraction from the Mannar Basin within the next ten years, which could provide an alternative source of gas for Sri Lanka's power plants. They indicated that this development could impact the proposed 20-year agreement for gas purchase, as domestically extracted gas could potentially be utilized instead.

The Engineer's Union of the Ceylon Electricity Board (CEB) expressed their objections to the proposal in a letter dated 17 January 2017, addressed to the Secretary of the Ministry of Electricity and Renewable Energy. In the letter, they emphasized the importance of considering risk and reward, legal factors, and economic factors when evaluating LNG projects. They advocated for transparent and fair competition in the assessment process. Additionally, they stressed the need for separate agreements for infrastructure development and gas procurement and recommended that all gas purchase agreements have a duration of less than ten years.

On 5 November 2018, amidst objections and observations, a newspaper notice was published in the Daily News Newspaper to initiate the Swiss Challenge Process. The Ministry of Electricity and Renewable Energy called for international quotations to construct an LNG re-conversion and storage terminal in the sea around Colombo, along with the construction of related pipelines and the supply of gas. This process aimed to invite proposals that could challenge or compete against the previously submitted Korean proposal. It was noteworthy that this was the first time the Swiss Challenge Process was being utilized in Sri Lanka.

However, only 35 days until 12 December was given to present the challenging proposals. This shows that the government clearly wanted to give the project to the Korean company, and this whole use of the Swiss Challenge Process was just a light show by the Rajapaksas to show fake transparency.

In this case, the challenging companies were not provided with the proposed prices of the original proposal submitted by the Korean company. In this process, a company can secure the project away from the original proponent by presenting a superior and more profitable proposal. However, even if a company successfully obtains the project through this process, they are still required to cover the project development costs incurred by the original proponent.

During the challenging process of the Korean company's proposal, another proposal surfaced

involving the transfer of 27% of the Sri Lankan government's 51% ownership in the Yugadanavi Power Plant to an American company named New Forest. This proposal was presented with the mediation of the then-American ambassador to Sri Lanka to the Secretary of the Treasury. However, the Engineer's Union of CEB expressed objections to this proposal by sending a letter to the then Minister of Power and Energy, Dadasa Renuwara in July 2021.

The letter expressed concerns about the proposal to convert the Yugadanavi Power Plant to operate solely on LNG provided by the New Forest Company. It also raised issues regarding the construction of a floating terminal and pipelines to supply gas for the power plant.

On September 6, 2021, the Minister of Finance, Basil Rajapaksa, presented a Cabinet paper titled "Investing in West Coast Power Pvt. Ltd. to reduce the cost of power generation," making that proposal a reality.

The Cabinet paper states that the power to establish a framework agreement between the New Forest Company and the Sri Lankan government has been granted to the Secretary of the Ministry of Finance through a Cabinet memorandum. Subsequently, the framework agreement was signed on July 7, 2021.

The clauses included in the agreement involve selling 40% of the West Coast Company, which owns the Kerawalapitiya Yugadanavi Power Plant. Additionally, it includes the initiation of a project to construct an LNG re-conversion and storage terminal, as well as the initiation of a project for the construction of related pipelines and the supply of LNG to the West Coast Company or any other power plant.

Furthermore, the Cabinet paper outlines that the Secretary of the Ministry of Finance has appointed two committees comprised of experts from the treasury, the Ministry of Power and Energy, the Ceylon Electricity Board (CEB), and the LNG industry. These committees are tasked with engaging in discussions with the New Forest Company.

The Cabinet paper also includes a proposal to acquire a 40% stake in the West Coast Power Company for an estimated amount of USD 250 million, which aligns closely with the valuation provided by the Government assessor.

The Sri Lankan government has committed to providing the tax concessions and investment incentives outlined in the framework agreement. The

project has been classified as eligible for tax concessions and investment encouragements under the Strategic Development Act No. 14 of 2008.

In the Cabinet paper, the project for the floating terminal and related pipelines, which was previously challenged through the Swiss Challenge Process, is now referred to as the "Operations of the project to supply LNG to power plants and construction of the Terminal."

The Cabinet paper states that the New Forest Company has been granted the right to supply LNG to the West Coast Company for five years. Additionally, the Secretary of the Treasury is responsible for granting the rights to supply LNG to the proposed 350MW Sobadanavi power plant in Kerawalapitiya to the New Forest Company. It further emphasizes that during these five years, while the New Forest Company remains the gas supplier, they will have exclusive rights to supply gas for any future proposed LNG or power plant projects in the Kerawalapitiya area.

Furthermore, the Cabinet paper states that at the end of the fourth year of the initial five-year period, the Sri Lankan government will have the option to extend the agreement for an additional duration.

Additionally, the Cabinet paper outlines two formulas that can be used to determine the price of LNG supplied by the New Forest Company. The Sri Lankan government and the supplier have the flexibility to choose one of these formulas when deciding on the price of the LNG.

According to the framework agreement, the New Forest Company will be responsible for covering the entire cost of the terminal development project. This includes the construction of the floating LNG re-conversion and storage terminal, the installation of the docking system, the establishment of supply pipelines, and other associated facilities and infrastructure.

The framework agreement also specifies the volume of gas to be purchased during the five years as well as the corresponding price.

The Cabinet paper seeks approval to authorize the Secretary of the Treasury to finalize and enter into the agreement to sell 40% of the shares of the West Coast Power Company. It also requests permission to amend the existing framework agreement and to develop a condition paper for the supply of LNG, either as part of the share sale agreement or as an independent document. Furthermore, the paper proposes advising the relevant ministers, secretaries, and institutions to provide necessary support and facilities to grant tax

concessions for the terminal project.

On midnight of September 17, 2021, an agreement was signed between the Democratic Socialist Republic of Sri Lanka and NFE Power Holdings LLC Sri Lanka. The agreement involved the purchase and sale of a 40% stake in West Coast Pvt. Ltd., which owns the Kerawalapitiya Yugadanavi Power Plant.

The signing of the agreement in secrecy on the midnight of September 17, 2021, drew objections from various parties. Political parties such as JVP, UNP, and SJB, as well as religious figures like Cardinal Malcolm Ranjith and Rev. Elle Gunawansa, along with a few social activists, filed Fundamental Rights (FR) petitions against the agreement. Additionally, Cabinet members Wasudeva Nanayakkara, Vimal Weerawansa, and Udaya Gammanpila joined as intermediate petitioners, expressing their concerns. One of the objections raised by them was that the Cabinet paper related to the agreement was not presented for approval before its signing.

The signed agreement specified the transaction value at USD 250 million, to be paid in two installments: USD 187.5 million for the first installment and USD 62.5 million for the second. The conditions for the two installments are outlined in the agreement under the 1st phase and 2nd phase conditions. One of the 1st phase conditions is that the Sri Lankan government should establish an LNG company responsible for supplying gas to power plants, with the requirement to purchase gas from the New Forest Company. Another condition grants exclusive rights to the buyer, NFE Sri Lanka Power Holdings LLC or its subsidiary companies, to import, store, supply, and sell LNG. The government LNG Company will be supplied with LNG up to the maximum capacity of the terminal, and any excess LNG will be counter-exported. Additionally, the LNG terminal project is entitled to all tax concessions provided under the Sri Lanka Strategic Development Act.

The 2nd phase conditions of the agreement stipulate that the Sri Lankan government should negotiate and reach agreements acceptable to the buyer regarding the purchase of gas by the government's LNG Company for the Sobadanavi power plant and other power plants. Additionally, the agreement includes conditions related to obtaining permission for the floating LNG terminal unit to enter and anchor in the Sea of Sri Lanka. It also addresses the granting of permission for the construction of the gas terminal and the installation of pipelines both in the sea and on land.

According to the agreement, in this so-called American investment, Sri Lanka receives money not only for the sale of 40% stock ownership of the West Coast Power Company but also for the completion of 1st and 2nd phase conditions, which are not directly related to the stock ownership purchase. These conditions aim to establish a monopoly for the supply of LNG to Sri Lankan power plants. As per the agreement, all existing and future power plants in the Kerawalapitiya area, including the Yugadanavi Power Plant, proposed Sobadanavi Power Plant (an extension of Yugadanavi Power Plant), the power plant to be jointly developed by Sri Lanka, Japan, and India (based on a memorandum of understanding already signed), Kelanitissa cycle power plant, and Sojit Power Plant, are required to purchase their LNG exclusively from the New Forest Company.

This means that the monopoly to supply gas to Sri Lanka's future LNG power plants has been acquired by an American company through an agreement that lacks transparency. The manner in which this agreement has been executed appears to be more deceptive compared to unsolicited proposals received from India and China. Furthermore, it is noteworthy that an American company has acquired a project for which competitive international proposals were already called, without having presented any proposals using diplomatic intervention.

Therefore, as a result, any future power plant located in the Kerawalapitiya area, whether owned by Sri Lanka, China, India, or any other country, will have to operate under the authority of the American company.

Whose Interest Was Served by Termination of the LRT Project?

Bigun Menaka Gamage

In June 2016, a Cabinet paper was presented to initiate a Light Rail Transit (LRT) project from Malabe to Colombo, with a budget of USD 1.5 billion, utilizing a concessional loan from Japan. However, after a change in government, the newly elected Gotabaya Rajapaksa government decided to terminate the project unilaterally, citing concerns over its cost and efficiency. At the time of the termination, the Japanese company Oriental Consultant Global Company Ltd. was already involved in advisory operations for the project. Japan was taken by surprise by the sudden decision of the Sri Lankan government.

Under the orders of the President, former Presidential Secretary P. B. Jayasundara communicated in writing to the Secretary of the Ministry of Management of Transportation Services, N. B. Ranatunga, instructing the termination of the project and the immediate closure of the project office. However, the secretary responded that he did not have the authority to terminate a project that was initiated by a Cabinet decision. He argued that although the subject of the project was recently placed under the Ministry of Transportation, the Cabinet paper should have been presented by the Ministry of Finance. Eventually, the project was terminated through a Cabinet decision dated 28 September 2020.

During a press conference to announce Cabinet decisions, the then Media Minister, Keheliya Rambukwella, stated that the government had decided to explore alternatives for the LRT project. However, it was revealed that significant progress had already been made on the project, including the acquisition of land

and the initiation of fundamental construction works. A notice from the Japan International Cooperation Agency (JICA) indicated that a loan agreement of JPY 30 billion (USD 285 million) had been signed in March 2019 between JICA and the Secretary of the Ministry of Finance, representing Sri Lanka, for the first phase of the project. Consequently, notifying the Japanese government about President Gotabaya Rajapaksa's decision posed a complex matter. An attempt by the then Transport Minister, Gemini Lokuge, to convey this message to Japanese Ambassador Akira Sugiyama on 8 September 2020 exemplified the challenges involved.

Diplomacy at the start of the project

There is evidence to suggest that the initiation of the LRT project involved diplomatic interactions between Sri Lanka and Japan. Sri Lanka initially requested financial support from Japan for the project after the Sri Lanka-Japan Economic Cooperation Policy Negotiations on 5 February 2016. In a Cabinet memorandum dated 16 June 2016, it is stated that the then Prime Minister Ranil Wickremesinghe discussed the possibility of Japan investing in the development of the transportation sector in the Western Province with the Japanese government during his visit to Japan in 2015. Subsequently, Cabinet approval was sought to proceed with the project using official funding from the Japan International Cooperation Agency (JICA) and to establish a legally stable institution for its implementation. The decision to prioritize the section from Malabe to Colombo was based on a JICA-

funded survey conducted in 2014 and 2016, which compared monorail and LRT systems and concluded that LRT was more suitable. This is further supported by a letter dated 18 February 2016, sent by the then Secretary to the Prime Minister, E.M.S.B. Ekanayake, to the Secretary of the Ministry of National Policy and Economic Development.

In response to the letter from the Secretary to the Prime Minister, the Director of Planning at the Ministry of National Policy and Economic Development, Dr. M.M.S.S.B. Yalagama, sent a letter on 19 February 2016. The National Policy Institute then requested a concessional loan agreement from the Japanese ambassador's office. However, during the investigation of related documents, it was found that there were proposals from Japanese representatives stating that a monorail system would be a better choice over an LRT. This information is mentioned in Economic Management Committee reports dated 27 and 29 July 2016. The reports state that a representative from the Japanese Ministry of Economy, Trade, and Industry expressed interest in providing loan facilities for the development of the urban transport sector in Sri Lanka. According to a Japanese feasibility study, it was revealed that a monorail project would be more suitable than an LRT. Subsequently, the subsequent steps for the LRT project were determined through a Cabinet paper dated 3 August 2016, with the Ministry of Metropolitan and Western Development taking the lead in the project.

A Special Report from the Auditor

The special audit report issued by the Auditor General on 23 November 2022 provides 24 observations and nine recommendations regarding the termination of the LRT project. The report confirms that the Sri Lankan government's decision to terminate the project was premature. The Auditor General noted that there were no documents justifying the termination of the project based on it being expensive and inefficient. In a special interview with BBC Sinhala service, the former Secretary of the Ministry of Finance, S.R. Atigalle, mentioned that the government decided not to continue with the project due to concerns about foreign exchange exposure but would not object to a private party continuing the project. However, no supporting documents for these claims were presented to the Auditor General.

According to the Auditor General's report, stating that the termination of the project was due

to the Covid-19 pandemic when notifying the Japanese government can damage the trust and honesty between the two parties. The report also highlights that there is no clear understanding regarding the termination of the project, even among the involved parties. If the project is not restarted or an alternative project utilizing the benefits of the already spent LKR 5,977 million is not initiated, it can be seen as an uneconomical cost incurred by the government. Additionally, the report notes that any compensation, late charges, or other expenses resulting from this decision, including the LKR 5,169 million compensation for lost profit requested by the main consultant of the project, Oriental Consultant Global Company Ltd., are considered uneconomical expenses.

An Era that Neglected Expert Opinions

During Gotabhaya Rajapaksa's rule, there were allegations of biases in important policy decisions, leading to unscientific and biased policy outcomes. The decision on Organic agriculture serves as an example of such biases. Similarly, in the case of the LRT project, experts and economists warned the President about the negative diplomatic and economic consequences of terminating the project. Dr. Priyanga Dunusinghe from the Economic Studies Department of Colombo University was among those experts who cautioned against the decision. However, the government under Gotabhaya Rajapaksa did not heed these expert opinions.

“I told the government to pay attention to this while they were taking this decision. The termination of the LRT project was a wrong decision based on political expediency. This project can be identified as a project that can prepare the country for the next century. I told them that Sri Lanka will have to face the economic and political consequences of the unilateral termination of this project. But what happened after expressing my opinion was certain ideological stalwarts of the government taking up arms against me. It was obvious that the points brought up by the government against this project, which was initiated by the previous government were baseless. I showed everyone that if we make terminating

foreign investments for political expediency our policy, we will soon be neglected by foreign investors. Japan is one of the countries that has granted the most amount of long-term financial aid to Sri Lanka for lower interest rates. This decision taken against such a country is a prime example of not only bad economic decision making but also bad diplomatic decision making.”

Dr. Lalithasiri Gunaruwan, an academic from the Economic Studies Department of Colombo University, was accused of advising President Gotabhaya Rajapaksa and influencing the decision to terminate the LRT project. These allegations were based on a video that circulated on social media, misinterpreting his remarks on the modernization project of the Kelani-Weli Railway Line. However, the professor clarified the context of his interview with the President and his role in the transportation sector within the Gotabhaya Rajapaksa government. This incident highlights the ease with which the decision on the LRT project was reached under President Gotabhaya Rajapaksa's administration.

National Investment Reviewing Committee

During an interview with Hiru TV on October 21, 2020, Dr. Gunaruwan disclosed that he, along with two others, was assigned to review the government's capital projects. He clarified that while the modernization of the Kelani-Weli Railway Line was included in their review, the LRT project was not. This raises an important question as to why the LRT project was not presented to the Gunaruwan committee for evaluation. When asked about this, Dr. Gunaruwan replied, "Not all patients are taken to the doctor. Some are given home remedies, some are taken to the hospital, and some are left to die." However, a letter dated October 12, 2022, from the Ministry of Foreign Resources' Additional Director General (Bilateral Finances), Sampath Manthrinayake, provides a clear answer. The letter states that their department did not receive a final report on the LRT project from the Gunaruwan committee and acknowledges that the President had already decided to terminate the project by the time the committee was reviewing it. Despite referring to numerous newspaper articles from the time of termination, none of them mentioned any government efforts to negotiate or reach an agreement

with the relevant parties. Thus, it is evident that the decision to unilaterally terminate the LRT project was not based on scientific considerations.

During the Government Accounts Committee meeting on June 9, 2022, the Department of Foreign Resources was questioned about its role and why it did not raise objections when questionable decisions were made. In response, they stated that as government officials, they do not have the authority to object to decisions made by the President and the Cabinet. The committee emphasized the importance of establishing a government mechanism comprising officials who can provide proper recommendations and guidance, rather than blindly following orders. They also questioned whether the country is initiating development projects that are necessary and aligned with the country's physical plan while entering into foreign loan agreements. The officials from the Foreign Resource Department highlighted the lack of a long-term national plan spanning around ten years, which they believe is a significant loss for the country. They proposed the preparation of a definite plan with the guidance of institutions like the World Bank and the Asian Development Bank, which would need approval from the parliament. This, they argued, would help minimize issues that arise from projects. The Government Accounts Committee approved this proposal and expressed their full support, pledging to contribute to the best of their abilities.

According to Cabinet spokesman Bandula Gunawardena, Cabinet approval has been granted to hold discussions to restart the LRT project. This approval was given before the President visited Japan. Gunawardena highlighted the importance of Japan as a major ally and the main country that has provided aid to Sri Lanka. However, recent terminations of proposals and aid projects have strained the friendship between the two countries. The purpose of the President's visit to Japan was to create a favorable environment to address and rectify this situation. Gunawardena also mentioned that trust assurance has been obtained from the Cabinet to present any bilateral agreement to the parliament, and in the case of termination, it must be approved by the parliament. These decisions have been made to rebuild international trust in investing in Sri Lanka.

Whose Decision Was It?

The responses from the current government regarding the LRT project may indeed appear confusing and

raise questions about governance as many members of the current Cabinet were also part of the Cabinet that decided to terminate the project on 28 September 2020. The involvement of the Minister of Urban Development and Housing, Prasanna Ranatunga, in the mediation process, exemplifies this situation. Following the backlash from the national policy decision, Minister Ranatunga presented a Cabinet memorandum on 28 June 2022. This memorandum includes information about the over USD 31 million in damages claimed by the main advisor of the project, O.C.G.J.V. Japanese Company, as well as proposals from government-appointed discussion commissions and the company's response to those proposals.

The memorandum presented by Minister Prasanna Ranatunga includes several proposals related to the payment of damages claimed by the Japanese company. The first proposal suggests paying USD 2,930,307.48 for the completed work claimed by the company. The second proposal recommends paying USD 3,733,128.00 as late interest fees for VAT. The third proposal suggests paying USD 492,749.54 for overhead costs, including the termination of the company's staff due to the project's suspension.

The inclusion of an ironic statement at the end of the proposal, directing the Department of Foreign Resources to explore the possibility of using the loan funded by Japan, as per the agreement with JICA, to pay the damages claimed by the Japanese company, highlights the contradiction of using the loan amount to repay Japan with their own funds.

Continuing the LRT project would not be a viable option for Sri Lanka as it would only exacerbate the financial burden. Ironically, now there is a need to pay reparations for a project that was originally planned to be completed by 2025, leading to a paradoxical situation. The Auditor General's final recommendation in the report is particularly significant. It suggests that when revising or reversing previous decisions made after a thorough study, the input from the parties involved in the initial studies should undergo a professional evaluation. In essence, this statement unveils a narrative of a project that has squandered millions of dollars of taxpayers' money. Such a situation can be considered a financial crime. Therefore, to ascertain who was responsible for terminating the LRT project, this evaluation standard should be applied to all members of the Cabinet who were present on the day of termination.

Trincomalee Harbour and the Oil Tank Farm

Harshana Thushara Silva

The Trincomalee Oil Tank Farm, with its long-standing history, has remained a subject of frequent discussion for the past two decades. It has been extensively covered in media reports and has been a topic of parliamentary debates. The issue was raised during the administrations of both the previous Gotabhaya Rajapaksa government and the current Ranil Wickremesinghe government.

Last March, a high-level Indian diplomatic group visited Sri Lanka, and discussions regarding the Trincomalee harbor and the Oil Tank Farm were held during their visit. Prior to their arrival, President Ranil Wickremesinghe visited the IOC oil tank and storage terminal, where he emphasized the urgency of developing an immediate action plan to reactivate the Oil Tank Farm and integrate it into the national economy.

In the first week of April, there were reports in Sunday newspapers about a proposal for an oil refinery in Trincomalee from India. On April 2nd, Sunday Lankadeepa published an article titled "A proposal for an oil refinery in Trincomalee from India." Simultaneously, Sunday Aruna published an article titled "China-Japan-India to construct two refineries in Sri Lanka - Hambantota Refinery to be given to China."

The former Minister of Energy, Udaya Gammanpila, announced that an agreement had been reached with India regarding the Trincomalee Oil tanks. He made this statement after the Cabinet paper he presented was approved.

According to a notice from the Department of

Government Information dated 4 January 2022, it was announced that the Cabinet paper presented by the minister regarding the Oil Tank Development project had been approved by the Cabinet on 3 January 2022.

According to the notice, it was stated that after reviewing the agreement between the two countries regarding the Trincomalee oil tank farm, they have agreed to initiate a joint development project. The minister proposed to allocate 24 tanks for the operations of CEYPETCO, 14 tanks for the operations of Lanka IOC, and to grant 51% ownership to CEYPETCO and 49% ownership to Lanka IOC for the remaining 61 oil tanks through Trinco Petroleum Terminal Ltd. This proposal was approved by the Cabinet.

Prior to the agreement reached in 2022, a memorandum of understanding (MoU) was signed with India in 2017 regarding the Trincomalee oil tank farm. However, at that time, the workers of CEYPETCO raised objections, expressing concerns that the agreement would give India an advantage in determining oil prices.

During a visit to Sri Lanka in March 2015, Indian Prime Minister Narendra Modi announced that the Sri Lankan company of the Indian Oil Corporation, Lanka IOC, and CEYPETCO (Ceylon Petroleum Corporation) had reached an agreement for the development of a Strategic Oil Storage Facility in Trincomalee. This announcement brought the Memorandum of Understanding (MoU) between the two countries regarding the Trincomalee oil tank farm first into the spotlight.

The Trincomalee Oil Tank Complex is often

regarded as the largest oil tank farm between Western Asia and Singapore. It holds significant strategic importance as it is positioned between oil exporters in the Gulf and consumers in Asia. The construction of the oil tank farm was initiated by the British in the 1920s and was completed in the 1930s. However, during World War II, the site became a target for the Japanese, who launched an attack in 1942 and destroyed one of the oil tanks.

In April 2017, the then Prime Minister of Sri Lanka, Ranil Wickremesinghe, visited India to enhance and establish new collaborations on economic development between the two countries. During this visit, a Memorandum of Understanding (MoU) was agreed upon. Following this, in May 2017, the Indian Prime Minister visited Sri Lanka to initiate a joint project for the development of the Trincomalee Harbor. Additionally, the purpose of these visits was to facilitate an agreement between CEYPETCO and IOC (Indian Oil Corporation) for the co-development of a strategic oil storage facility and to sign lease agreements for the necessary land requirements associated with the project.

During the 1980s, there were significant discussions and attention paid by India to Sri Lanka due to various geopolitical factors. One key aspect was the strategic importance of harbors, including Trincomalee, in the region. These discussions were influenced by the contrasting policies of then Sri Lankan President J.R. Jayawardena, who pursued a Western-oriented approach, and India's alignment with the Soviet Union. Additionally, the India-Pakistan crisis and the growing presence of China in the region were contributing factors that shaped India's focus on Sri Lanka during that time.

In 1985, India presented a proposal concerning the strategically important Trincomalee harbor to Sri Lanka. However, Sri Lanka did not respond positively to this proposal. During that time, Sri Lankan President J.R. Jayawardena reminded British Prime Minister Margaret Thatcher about the defense agreement that existed between Ceylon (as Sri Lanka was then known) and Great Britain. Concurrently, Indian Prime Minister Indira Gandhi requested Margaret Thatcher, urging her not to support Sri Lanka.

In 1987, President J.R. Jayawardena of Sri Lanka and Prime Minister Rajiv Gandhi of India signed the Indo-Lanka Agreement. As part of this agreement, the leaders exchanged letters outlining their commitments. They agreed not to use any

harbor, including Trincomalee, or deploy any armed forces in a manner that would be detrimental to India's interests. They also emphasized the need for joint development of the Trincomalee Oil Tank Farm, underscoring the importance of cooperation between the two countries in this regard.

In the following decade, India's stance on the development of the Trincomalee oil tanks underwent a shift. Instead of pursuing a joint project with Sri Lanka, India adopted a policy of opening up to the United States and Japan in this endeavor.

Although an agreement was reached in 1987, it took until 2003 for it to be implemented. As per the agreement, the Trincomalee oil tank farm, which consists of 99 oil tanks, was leased to the Indian Oil Corporation (IOC). Subsequently, the Lanka IOC company was established, and they took over the operations of 14 oil tanks within the facility.

Against this backdrop, discussions were initiated in 2015 and 2017 for a new agreement regarding the development and operation of the Trincomalee oil tanks. In 2021, a spokesperson of the Indian High Commission announced that discussions are underway between the two nations based on existing bilateral understanding and the Memorandum of Understanding (MoU) signed in 2017.

According to the announcement, the discussions between the two countries have focused on developing and operating the Trincomalee oil tanks in a manner that benefits both nations. Following discussions held in February 2021, it was decided to develop and commence operations of the oil tanks in the upper part of the oil tank farm.

In January 2022, Sri Lanka and India reached a final agreement regarding the Trincomalee oil tanks. Under this agreement, the Ceylon Petroleum Corporation (CEYPETCO) obtained 24 oil tanks, Lanka IOC acquired 14 oil tanks, and the remaining 61 oil tanks were granted to the Trinco Petroleum Terminal Company (TPTC).

Trincomalee Harbor, known for its strategic, political, and geopolitical significance, remains underdeveloped. Constructed during World War I and playing a crucial role for the Allied forces during World War II, the Trincomalee oil tank farm, which is of significant strategic value, is also in an underdeveloped state.

Yan Oya's Tears: Trapped in the Clutches of Chinese Debt, a Nation Weeps

Lakmal K. Baduge

The Yan Oya Reservoir project, initiated by the Mahinda Rajapaksa government as part of their agricultural policy, aimed to promote self-sufficiency in agriculture and improve the economy of the people living in the north-eastern border regions of Trincomalee and Anuradhapura districts. The project involved the construction of a reservoir, which was intended to be the longest and largest in the country after the ancient irrigation systems.

However, despite significant investment and efforts, the Yan Oya Reservoir project did not achieve its intended objectives and has been considered one of the most unsuccessful irrigation projects in Sri Lanka. The reservoir, upon completion, was the third largest in the country but fell short of meeting the expected goals.

The Yan Oya Reservoir project, implemented as part of the Irrigation Development Plan, involved collaboration between the Sri Lankan Irrigation Department and China CAMC Engineering Pvt., a Chinese construction company. The construction responsibilities were divided, with China CAMC Engineering Pvt. Ltd. handling the construction of the left bank canal and dam, while the Irrigation Department took charge of the remaining construction activities. The total cost of the project was estimated at USD 210 million.

Despite the efforts invested in the project, it is evident that the desired goals set by the Irrigation Department have not been fully realized.

China funds the project

The construction of the Yan Oya Reservoir was initiated with the objective of building a dam across the Yan Oya, which originates from a waterfall near Ritigala and flows into the sea at Pamburugaswewa, Gomarankadawala. At the start of the project in 2012, President Mahinda Rajapaksa stated that the reservoir would create employment opportunities for around 7,200 young people in the North-East region. Additionally, he claimed that approximately 10,000 farming families would benefit from the reservoir, which was planned to provide water for an area of 9,500 hectares. The funding for the project was primarily sourced from China, accounting for 85% of the total cost.

In February 2017, the Cabinet of Sri Lanka approved the decision to invite technical and financial proposals from the Chinese company involved in the project. The purpose was to complete the engineering, procurement, and construction (EPC) contract for the design and construction of the main canal on the left bank of the Yan Oya Reservoir. The proposed construction involved building a five-kilometer underground tunnel and various complex structures with concrete lining. The Minister of Irrigation and Water Resources Management at that time, Vijith Wijayamuni Soysa, presented this proposal to the Cabinet, emphasizing the need for the completion of these specific components of the project.

During the discussion, Minister Vijith Wijayamuni Soysa emphasized the importance of seeking the support of internationally renowned

contractors who possess advanced technology and expertise in order to ensure the design and construction of high-quality infrastructure. He acknowledged that following open, international, and competitive procurement methods would take additional time, resulting in a delay of approximately one year in supplying water to the local population.

To mitigate this delay and to achieve more effective and practical outcomes in terms of both technical and economic aspects, the minister proposed utilizing the services of China CAMC Engineering, the main contractor responsible for planning and constructing the Yan Oya Reservoir. By involving the same contractor in the planning and construction of the Left Bank Canal, the project could benefit from their experience and expertise, thereby expediting the overall progress and ensuring an efficient and productive process in the delivery of water supply to the area.

Cabinet Approves Contract Award to China for Yan Oya Reservoir Project

Taking into account the aforementioned considerations and recommendations, the proposal put forward by Minister Vijith Vijayamuni Soysa to award the contract for the construction of the left bank canal and the main dam of the Yan Oya Reservoir Project to the Chinese CAMC Company was approved by the Cabinet. The negotiation consensus committee, appointed by the Cabinet, had reached an agreement on this matter. The contract, which involves both planning and construction, was finalized for a total amount of 39.5 million US dollars and approved on December 2017.

Contrary to the claim made by Mahinda Rajapaksa regarding Chinese funding covering 85% of the Yan Oya Reservoir project, inquiries made to the Central Bank and the Department of Foreign Resources revealed a different reality. The Central Bank stated that it did not possess any information regarding Chinese loans or aid funds specifically allocated for the reservoir project and suggested that the Ministry of Finance might have such information. The Department of Foreign Resources stated that they were unaware of any foreign funding for the Yan Oya project and indicated that it had been carried out using solely local funds.

According to a report by the "Economy Next" website in 2017, the main dam works of the Yan Oya Reservoir project were completed at a cost of 150 million dollars. The Chinese construction company,

CAMC, had initially offered to build the entire project for 176 million dollars. However, it seems that the Chinese funding agencies did not provide the full amount of money for the contract. As a result, the government decided to pay an additional 39.5 million dollars for the construction of the left bank canal, which is only a part of the project, which resulted in a total payment of 189.5 million dollars to the Chinese company, exceeding the estimated cost of the entire project for no particular reason.

Yan Oya Project: A Chinese Economic Mission

By obtaining the main contract for the construction of the Yan Oya Reservoir without following open, international, competitive procurement methods the Chinese CAMC Company had strategically utilized local funds amounting to Rs. 34,000 million to build the reservoir. This is not a coincidence or an isolated incident related to the pro-China policy of the Rajapaksa government but rather a deliberate and well-planned economic operation.

In the early 1990s, the Central Engineering Consultancy Bureau (CECB) conducted a pre-feasibility study on the Yan Oya Reservoir. The study revealed the potential to divert Yan Oya water to enhance agricultural productivity in the cultivated areas surrounding the Padaviya Reservoir. Building on these findings, a comprehensive study called the Yan Oya-Padaviya Agricultural Extension Project was undertaken in 1992. This study carried out with local resources and expertise, resulted in a five-volume report that was completed in January 1994.

In February 2006, the feasibility study for the Yan Oya Reservoir was updated based on a preliminary report prepared by the Central Engineering Consultancy Bureau (CECB) under the Ministry of Agriculture, Irrigation, and Mahaweli Development. Subsequently, knowing the feasibility study report prepared two decades ago for the Yan Oya project by spending a lot of money and labor in this country, in October 2010, the Chinese CAMC company presented a technical proposal to the government led by Mahinda Rajapaksa for the construction of the Yan Oya Reservoir with a capacity of 169 million cubic meters. The Rajapaksa government, which had close ties with China, not only accepted the proposal but also awarded the main contract to the Chinese company without following the usual procurement process.

Chinese Labor in the Project

According to the "Xinhuanet" website, the Yan Oya Reservoir Project was described as a "Sri Lanka and China Cooperation Irrigation Project to Improve the Lives of Local Farmers." The project, scheduled to be completed between February 2015 and June 2018, was presented as a public welfare initiative. Initially, it was claimed that the project would create approximately 5,200 job opportunities. However, during the four-year construction period, a significant number of Chinese workers were involved in the project alongside roughly 1,200 local workers. It was reported on the "Xinhuanet" website that the economic status of the local workers residing near the construction site had also been improved as a result of their involvement in the project.

Despite inquiries made to the Immigration and Emigration Department, Irrigation Department, and Ministry of Irrigation, it is concerning that the requested information regarding the employment of Chinese workers in the Yan Oya Reservoir Project has not been received yet. The Ministry has also forwarded the information to the Additional Secretary for Water Resources Development, but it is concerning that the information has not been received so far. The delay in receiving this information raises many doubts about the project.

A Massive Environmental Damage

In February 2013, the Mahaweli Consultancy Services Bureau (PSU) completed the environmental impact assessment report for the construction area of the Yan Oya Reservoir. The report was submitted to the Ministry of Irrigation and Water Resources Management. Alongside this, an archaeological damage assessment report was prepared, which included recommendations from the Department of Archaeology. The report identified the impact on 49 archaeological sites directly and indirectly affected by the project.

According to the reports, the construction and filling of the Yan Oya Reservoir resulted in significant environmental damage. This included the flooding of 21 tanks, leading to adverse impacts on their ecosystems. Moreover, the project had a direct or indirect effect on 255 animal species and 79 plant species. However, it is concerning that the Irrigation Department did not display any concern regarding these environmental impacts.

Environmental activist Sajeeva Chamikara has raised concerns about the lack of assessment on the impact of the Yan Oya Reservoir project on the Pulmude mineral sand deposit. According to Chamikara, this omission in the Environmental Impact Assessment (EIA) report is a significant issue, as the Pulmude mineral sand deposit is connected to the Yan Oya Basin. The potential effects of the reservoir on this mineral deposit should not be overlooked or taken lightly.

The construction of the Yan Oya Reservoir proceeded despite the concerns raised, and the current situation has escalated into conflicts between wild animals and humans. Tragically, there have been reports of human casualties, such as the recent incident where an individual from Gonabandivewa in Gomarankadawala was killed in an elephant attack. Over the past two months, four people have lost their lives in the Gomarankadawala area as a result of such elephant attacks.

The acquisition of land for the Yan Oya Reservoir involved taking approximately 6,000 acres of untouched forest lands from the government reserve, as well as acquiring land from residents, including nine villages. These lands had been home to generations of people who cultivated and lived there. Unfortunately, submerging these lands under the reservoir resulted in the displacement of both human populations and the habitats of wild animals. As a consequence, the displaced wild animals are forced to seek new food sources and habitats, often encroaching upon human lands. This is an unavoidable situation.

Additionally, 700 acres of forest were cleared to accommodate the resettlement of the displaced people, leading to further environmental and social damage. The loss of forest habitat due to land acquisition has had negative consequences for elephants, particularly in terms of their habitats. A recent review of the Supplementary Environmental Impact Assessment highlighted that the resettlement of families under the Yan Oya Reservoir Project is likely to result in a significant increase in human-elephant conflicts in the North Central Province.

No Lands or Compensation

Providing adequate compensation and resettlement options to people affected by development projects involving land acquisition should be a primary consideration. Unfortunately, in the case of the Yan Oya Reservoir project, this crucial step was neglected

and given little attention. The failure to engage in meaningful consultation and involve the affected communities in the decision-making process regarding suitable alternative locations for resettlement has resulted in resistance and reluctance among the people to accept the proposed options.

Despite initial plans and the identification of three resettlement sites in the Environmental Impact Assessment (EIA) report, a subsequent review revealed that 1389 people would lose their homes or agricultural lands or both, which is a significantly higher number than the initial estimate. As a result, additional resettlement sites and irrigation areas had to be identified by the Forest Conservation Department and the Irrigation Department. This led to a significant increase in the amount of land required for resettlement purposes.

Compensation and resettlement efforts have been undertaken for some of the families affected by the submerging of their lands during the filling of the reservoir. Specifically, 131 families have received compensation in the form of 1 acre of dry land and 1 ½ acres of mud land, along with monetary compensation for damaged houses. These families have been relocated to areas such as Malporuwa, Mailawewa, and Kajuwatta, which are located on the right bank of the reservoir. The government has made efforts to improve infrastructure in these areas to support the resettled families.

However, it is concerning to note that there are reports from the Horovpothana, Gomarankadawala, and Padavi Sripura divisional secretariats indicating that many displaced people are still awaiting compensation and the allocation of mud lands.

A. Karunaratne, Coordinator of the Lower Yan Oya Aggrieved People's Union, expresses disappointment and frustration with the handling of the Yan Oya Reservoir project:

"We were not given alternatives for paddy lands that were going under the reservoir, so we missed six farming seasons during the construction of the dam. The Mahinda Rajapaksa government gave us false promises and built the reservoir, and in the end, we lost our lands."

In response to the grievances and challenges faced by the affected people, including A. Karunaratne, five individuals have taken legal action by filing a fundamental rights case in the Supreme Court,

demanding justice and resolution for the issues they had to face due to the Yan Oya Reservoir Project.

Failure to achieve expected goals

The Yan Oya Reservoir, composed of four adjacent dams spanning a length of 3.59 kilometers, along with a main dam of 2.35 kilometers, was initially designed to have a water capacity of 140,000 acre-feet upon completion. However, during the process of filling the reservoir with water, the capacity unexpectedly increased to 149,000 acre-feet.

As a result of this increased capacity, several additional villages beyond the initial nine mentioned in the plan were submerged. These include Mawathagama, Aliyakada, Maradanmaduwa, and Wagolgakada, among others. It is regrettable that despite the initial plan outlining multiple objectives for the Yan Oya Reservoir project, the Irrigation Department has thus far been unable to effectively fulfill even half of them.

The claim that the Yan Oya Reservoir project would reduce poverty in the area by cultivating 17,814 hectares of land and improving the economy of around 14,000 families has become stagnant due to the farmers having to spend time driving away elephants that encroach on their villages.

The Yan Oya project promised to provide clean drinking water to 500,000 people in areas such as Trincomalee City, Kutchaveli, Gomarankadawala, Padaviya, and Pulmude. However, the Water Supply Board has stated that they are unable to implement the project due to a lack of funds.

The Yan Oya Project, which involved submerging 10,000 acres of wilderness, including numerous small and large tanks, archaeological sites, and traditional villages, destroyed approximately 1,677 hectares of paddy land. Despite these significant costs, the project was unable to achieve a sufficient return on investment. Furthermore, the project's implementation using local funds amounting to Rs. 36,000 million has added a considerable debt burden to the country's economy.

The burden of failed projects initiated by politicians has fallen on the general public of the country. In this particular case, the people of Gomarankadawala, Paburugaswewa, and Mawathawewa are paying the price for the unsuccessful Yan Oya Project. Not only are the local communities affected, but wildlife also suffers due to the loss of their habitats caused by the reservoir. It is only a matter of time before the longstanding human-elephant conflict ignites in these areas. While all this is happening, China will take hold of another economic project.

The Lotus Tower: Height and its Length and Width at the Base

Sunil Jayasekara

Today, Sri Lanka has officially acknowledged its state of bankruptcy. The country reached this status by openly declaring its inability to repay USD 26 billion out of its total foreign debt of USD 38.1 billion.

According to the Sri Lanka Parliamentary records and as reported by Den Chu, Economic Editor of News Night, BBC World, China's loans account for USD 7 billion of Sri Lanka's total foreign debt. Additionally, based on information from Fitch Ratings and IMF records, official bilateral loans from China and loans obtained from the China Development Bank and EXIM Bank of China make up approximately 13% of Sri Lanka's total foreign debt.

According to the administrator of the American Embassy, Samantha Power, Chinese loans in Sri Lanka have been characterized by a lack of transparency and higher interest rates compared to other lenders. Power has also pointed out that China has emerged as one of the largest lenders to Sri Lanka.

The introduction regarding Chinese loans is significant as it provides insight into the various loan facilities granted by China for different projects. One such project is the Lotus Tower, a multipurpose television and telecommunication project located in the heart of Colombo.

The construction of the Lotus Tower commenced in 2011 following two Cabinet decisions. The first Cabinet paper, presented by then-President Mahinda Rajapaksa, was Cabinet paper No. 10/2473/401/031 (Attachment 1) dated 13 October 2010. It sought approval to construct a 350-meter multipurpose television and telecommunication tower with a garden.

Cabinet paper No. 11/2262/501/026 (Attachment 2) was subsequently presented on 19 December 2011 as an extension of the initial Cabinet paper.

The construction of the Lotus Tower project was awarded to two Chinese companies, namely CNEIEC (China National Electronics IMP. & EXP. Corp.) and ALIT (Aerospace Long-march International Trade Co. Ltd.). It appears that no tenders were called for this project. Furthermore, as per Article 2.4 of the Cabinet paper, an agreement had already been reached with these two companies before the submission of the Cabinet paper. On 3 January 2012, an agreement was signed between TRCSL (Telecommunications Regulatory Commission of Sri Lanka) and the two companies, CNEIEC and ALIT. It is worth noting that these companies are wholly owned by the Chinese government. The estimated total cost of the project was USD 104,300,000.00 (Attachment 3).

Based on the approved Cabinet decisions, the Chinese EXIM bank provided loan facilities for covering the costs of the Lotus Tower project. Additionally, according to the agreement between TRCSL and the two companies, an advance payment of 15% was required. On 28 September 2012, the advance payment of USD 15,645,000.00 was made. However, it is worth noting that the payment was not made to a joint account of the two companies, instead, it was made to an account of the CNEIEC company.

Upon a review conducted by the newly appointed government in 2015, it was discovered that the involvement of ALIT company in the Lotus Tower

project was questionable and doubtful. The review found that ALIT had not participated in any aspect of the construction and did not have a physical presence in Sri Lanka, including an office or employees. Furthermore, there was no evidence of ALIT's involvement in the project management process.

As a result of these findings, the Director General of TRCSL sent two letters to the person identified as the CEO of the company, Guo Zhaopig, at the address specified in the agreement. However, both letters were returned stating that there was no company by that name at the given address. (Attachments 5, 6, and 7)

Furthermore, the Office of the President and TRCSL made several inquiries regarding the involvement of ALIT in the Lotus Tower project to the other company mentioned in the agreement, CNEIEC. CNEIEC responded by stating that all the responsibilities originally assigned to ALIT had been transferred to their company through a power of attorney. However, it is important to note that in a trilateral agreement, an individual party cannot unilaterally evade their responsibilities or transfer them to another party without proper notification.

Due to the unusual and serious nature of the situation, then Presidential Secretary Austin Fernando and TRCSL Director General P.R.S.P. Jayathilake wrote to Sri Lanka's Ambassador in Beijing, Dr. Karunasena Kodithuwaku, seeking clarification on the power of attorney claimed by CNEIEC and the identity of Luo Zepig, who was identified as the CEO of ALIT instead of Guo Zhampig, the signatory of the trilateral agreement. The responses received from the companies during the inquiry conducted by the ambassador were surprising.

In their response, the companies stated that apart from transferring ALIT's responsibilities to CNEIEC through a power of attorney, ALIT itself has been transferred to a different Chinese ministry. The CEO who signed the agreement has also been transferred to a different institution, and the company's address has been changed. (Attachments 8, 9, 10, 11, and 12)

Even more questionable is the fact that neither of the companies notified the Sri Lankan party about these developments until the Sri Lankan government inquired about the matter.

In a special statement, then-President Maithripala Sirisena highlighted that based on these developments alone, Sri Lanka incurred a loss of USD 15.6 million. Furthermore, despite the original timeline for the project construction being from 2012 to 2016, it was

ultimately completed in 2019. Despite raising the matter with the Auditor General, there is no evidence to suggest that Sri Lanka received any compensation for the project delay.

This situation draws parallels to the infamous MIG fighter transaction, which tragically resulted in the death of Sunday Leader's founder-editor, Lasantha Wickrematunga. In that case, the agreement was signed with Ukrainemash, but the payment was made to a company called Belimissa Holdings, which was later found to not exist at the provided address. While the details of the Lotus Tower project differ slightly, such dramas often follow a similar script with recurring characters.

As Samantha Power aptly pointed out, transactions lacking transparency can lead to such occurrences. The motives of corrupt leaders in various countries for engaging in such transactions become evident. Lasantha Wickrematunga, who had a keen understanding of this, paid the ultimate price for exposing it to the world. Unfortunately, now it is the people of a bankrupt country who must bear the consequences of these decisions. The colossal debt bestowed upon Sri Lanka by China is prominently displayed in the heart of Colombo, adorned with vibrant lights.

Uma oya Dream...

D. N. Kumarage

The Uma Oya hydropower project, implemented with foreign loan assistance, has had a significant impact on the lives of people in the Uva Province of Sri Lanka. The project, initiated in 2012 without a proper environmental assessment report, has caused upheaval for the people of Uva Province.

While some made a fortune out of this project, it has resulted in the loss of honest livelihoods for many individuals. The project faced massive public backlash and encountered various challenges. However, according to the Minister in charge, Kanchana Wijesekera, the first phase of the Uma Oya hydropower project is expected to commence production in August, with the second phase being added to the national power system in September. This will result in an additional 120 megawatts of power being added to the national grid upon completion of the project.

The Uma Oya Development Project initially had a formal estimate of \$155 million prepared by the consulting firm Dublin in Canada in 2005-2006. However, Iran intervened in the project three years later and proposed a revised cost of \$548 million, which was eventually accepted. Concerns were raised by the Secretary of the Ministry of Irrigation regarding the lack of a proper feasibility study, but a blank agreement was signed during the visit of the Iranian president, with the condition of conducting a feasibility study afterward.

As the project progressed, the estimated cost continued to rise, eventually reaching a limit of \$300 million. Government officials and engineers deemed

it inappropriate to allocate further funds to the project due to these escalating costs.

In December 2008, a joint estimate by Sri Lankan officials and a group claiming to be Iranian experts projected the cost of the Uma Oya Development Project to be \$548 million, which was \$248 million higher than the amount agreed upon by Sri Lanka's irrigation engineers. This equates to approximately 76,320 million rupees. According to the agreement, the Iranian government would cover 85% of the project cost, while the Sri Lankan government would bear the remaining 15%.

Out of the estimated 1,670 employees for the project, the majority, 1,334, were designated as laborers. While 1,197 of these labor jobs were given to Sri Lankan workers, it was decided that all other positions, including engineering jobs, would be filled by Iranian nationals.

Despite various countries and financial institutions previously rejecting the project on multiple occasions, the Uma Oya multi-purpose project was initiated by the Mahinda Rajapaksa government on April 29, 2008, with financial and loan support from the Iranian government through the country's Export Development Bank and FARAB Consultant Company. The project's inauguration was attended by then Prime Minister Rathnasiri Wickramanayake and then Minister of Finance of the Islamic Republic of Iran, Amir Razami. It is worth noting that no environmental assessment report or feasibility study was conducted before its commencement.

Despite receiving the highest number of written

objections ever to a government project in Sri Lanka, the government approved the environmental report on April 12, 2012, deeming the project appropriate. The foundation stone laying ceremony alone incurred an expenditure of Rs. 26 million.

The Uma Oya project's financial burden on Sri Lanka raises concerns about the possible misappropriation of funds and the receipt of excessive commissions by influential individuals. The apparent misappropriation of funds, coupled with the project's inflated estimate, prompted the then Secretary to the Ministry of Irrigation, A. D. S. Gunawardena, to resign and submit his resignation letter to the President. The project's inflated estimate and the loan provided by the Export Development Bank of Iran without proper technical evaluation, to be repaid over 20 years, further add to these concerns given the previous government's history of substantial borrowing from such banks. The Farab Company of Iran, acting as the project contractor, aimed to complete the project within five years.

The initial plan estimated a total cost of 76,316 million rupees, with the Sri Lankan government covering 24,600 million rupees (including 15% of the construction cost) and the Export Development Bank of Iran funding the remaining 51,716 million rupees (85%). The Sri Lankan government also had to bear additional expenses of 1,475 million rupees for land acquisition, resettlement, environmental conservation, irrigation restoration, project management, and consultancy.

The irregularities in land acquisition and resettlement activities during the project were largely attributed to the government's inability to bear such a large cost. Notably, a significant portion of the loan funds allocated by Iran for this project would flow back to Iran through the Farab Company, which acted as the contractor. This raised concerns about the contractors' reluctance to allocate funds for compensating displaced individuals or ensuring environmental protection, as those funds would not directly benefit Iran.

The Uma Oya project has caused numerous challenges and hardships for thousands of residents, highlighting the need to carefully examine all the presented facts to determine who truly benefited from the project. A significant public opposition arose against this project, which was deemed detrimental to nature and a waste of public funds. It is widely known that a substantial amount of project funds was utilized to suppress this public outcry. Certain

government officials have reportedly obtained buildings from private businessmen, leasing them at exorbitant monthly rents, to establish project offices without proper justification. People are pointing fingers at these officials, as they are allegedly involved in constructing their private residences on the land owned by the original building owners, further adding to the controversy surrounding the project.

Before the initiation of the Uma Oya multi-purpose project, a group of environmental experts and ecologists visited the area and warned the public about the potential disaster associated with the project. However, initially, their concerns did not receive much attention. It was during the excavation of the main tunnel, stretching 15.15 kilometers from the newly constructed Mathatilla Reservoir to the Karandagolla Underground Power Station, that the magnitude of the disaster unfolded. The impacts experienced by the local communities far exceeded what the environmental experts and activists had anticipated.

In addition to the main tunnel, another newly constructed tunnel, spanning 3.9 kilometers, connected the Puhulpola Reservoir to the Mathatilla Reservoir. The excavation activities resulted in cracks in houses across several villages. As a result, approximately 7,450 families in the Bandarawela, Welimada, Hali Ala, Ella Wellawaya, and Uva Paranagama divisional secretariat divisions of the Badulla and Monaragala districts were affected. The underground tunnel digging led to water leakage, causing a complete drying up of wells and water sources in the area. This had severe consequences for the local farming communities, pushing them into dire circumstances.

The Uma Oya project faces strong accusations of being the most corrupt project among those implemented with foreign loan assistance, burdening future generations with debt. The environmental assessment report prepared for the project has been criticized for its failure to identify and address the environmental impacts adequately. It is believed to be a document written for political interests rather than a proper assessment report. One of the main objectives of the project was to divert water from Uva to Hambantota, serving the development projects initiated and implemented by the Rajapaksa family to consolidate their political power. The Central Environmental Authority has been accused of being a political puppet, violating the Environmental Act, and irresponsibly approving the flawed environmental

assessment report. Many individuals involved in approving and implementing the project are leading more comfortable lives compared to before.

Despite the plans to provide compensation for the land acquired for the Uma Oya project, the poor environmental assessment report has resulted in numerous problems, including sinking houses, dried-up water sources, and destabilized farmlands. The affected people have been enduring these hardships, while a select group of individuals associated with the project has exploited these issues for personal gain. Many of these individuals have become unexpectedly wealthy, directly or indirectly benefiting from the Uma Oya project.

The government allocated funds to compensate for the damaged houses, and a project was implemented to distribute water to the affected people through tractors and bowsers as water sources dried up. Millions of rupees were allocated for these purposes. Additionally, a compensation process was initiated for agricultural lands that turned into wastelands due to earth instability and water source depletion. However, the allocation and utilization of these funds have lacked transparency, raising concerns about mismanagement and potential corruption.

Regarding house damage assessment, cash payments have been categorized into three groups: total damage, partial damage, and minor damage. Steps have been taken to provide land compensation to the owners of houses classified as suffering from total damage. However, there is ample evidence in the area indicating that the compensation amount has been determined based on favoritism, without proper justification or fairness.

Ms. Nimali Munasinghe, who had invested her entire life savings and took a bank loan to build a new two-story house, tragically lost her home due to unstable ground caused by the Uma Oya Project. She vividly recalls the devastating impact the project had on her family:

"As soon as the tunnel excavations of the Uma Oya Project began, we started noticing alarming signs of damage to our house. Cracks appeared on the walls, and spaces and gaps became visible. The tiled floors had cracks as wide as three inches. In response to the worsening condition of our home, the officials at the Bandarawela Divisional Secretariat Division advised us to evacuate. They assured us that we would receive compensation of Rs. 15,000 per month to cover the cost of renting a house.

We decided to return to our house after staying in a rented house for three years. Following the assessment of the damages, our house was categorized as fully damaged, and we received Rs. 4 million and a piece of land to construct a new house."

Nimali Munasinghe has made the difficult decision to move back into her house despite it being confirmed as unfit for residence by the National Building Research Organization. She shares her story, explaining the reasons behind her choice:

"When we were asked to move to a rented house, they initially provided rent payments for two and a half years. However, they stopped paying for the last six months, leaving us to bear the financial burden ourselves. Frustrated with the situation, we made a written request to the director of the Uma Oya Project and the Bandarawela district secretary, stating our intention to return to our original house due to their failure to fulfill their responsibility of paying for the rental house. We explicitly highlighted that if any harm comes to us, they should take responsibility. Unfortunately, we received no response or support from them.

Thus, we made the difficult decision to move back into our house, despite its designation as unfit for living. We informed the authorities of our choice, but they did not address our concerns or provide an alternative solution. It has been a distressing journey for my two children and me. They were young when we initially left this house in 2017.

The compensation we received, a mere Rs. 4 million, was grossly inadequate for a house of this nature. We appealed, expressing that such an amount could not cover the cost of constructing a house like ours. The entire compensation process was unfair and marred by corruption. We witnessed instances where clay-plastered huts received higher compensation amounts than what we received for our severely damaged house. It became apparent that political affiliations played a significant role in determining compensation.

Although the compensation was paid in 2018, we had to wait until 2022 to receive the land allocated to us. If we had received the land around the same time as the monetary compensation, we could have at least started construction and made progress toward settling in a partially finished house. However, with the soaring construction costs today, it is impossible to even lay the foundation and raise the main walls with the given amount. Our lives have been plunged

into misery due to this project, and the mistakes made in determining compensation have only compounded our struggles."

The impact of the Uma Oya Project on the water sources and agricultural activities in the Badulla district has been severe. Approximately 3,000 wells have dried up, leading to the complete disruption of agricultural activities on around 2,200 acres of land that relied on these water sources. To address the water scarcity faced by the affected families, a project was implemented to provide water tanks for approximately 4,500 households. This initiative involves the use of 57 bowsers and tractors to distribute water daily. The distribution of water through bowsers and tractors continued despite 2,000 dried wells re-filled with water.

However, there have been allegations of favoritism and misuse of resources in the distribution of water tanks, bowsers, and tractors. It is claimed that some politicians and project officials have used these resources in the name of their family members, even in areas where there is no genuine need. This practice is seen as a means for personal gain while wasting taxpayer money and further burdening the country's debt. Additionally, the compensation provided to 642 farming families for crop damage amounts to Rs. 267 million, covering only one damaged crop season. Some farmers have reportedly received no compensation at all.

There is a lack of clear criteria for determining compensation for families whose homes have been damaged, leading to allegations of compensation being influenced by political and bureaucratic relationships. Furthermore, authorities have been accused of offering significant compensation to individuals who voiced opposition to the project as a strategy to silence them.

Due to the impact caused by the Uma Oya project, a movement called the National Movement to Save Uma Oya was born. Lalith Wijesinghe, one of the founding members of the movement, expressed his opinion on the launch and expansion of the project:

"On December 27, 2014, a crack appeared in a Makulella school building, which was the first visible impact of the Uma Oya project. At that time, the Karandagollla tunnel had reached a distance of approximately five kilometers. Subsequently, reports of house damages became a daily occurrence. The situation worsened when a significant leak of 2,500 liters per second was detected in the tunnel. In 2017, residents from seven divisional secretariats came together and organized a massive protest.

The project's dynamics changed when Mahinda Rajapaksa was defeated, and Maithripala Sirisena assumed the presidency. Harin Fernando, a Member of Parliament who had previously protested against the project while in opposition, spoke in favor of it under the new government's banner of good governance. This led to a sense of duplicity among many politicians regarding the project. During that time, Chamara Sampath, acting as the Chief Minister of Uva, attempted to address the people's problems. However, there were instances of preferential treatment, such as carpeting the road leading to the Chief Minister's hotel when roads related to the project were being paved.

There were significant irregularities in the payment of compensation, raising concerns about the misuse of project funds. When houses were damaged, and livelihoods were affected, pressure was exerted on project officials to provide prompt solutions. In response, bags of dry rations worth approximately Rs. 6,000 were distributed to each affected family by Project Director Dr. Sunil Silva and District Secretary Nimal Abeyasinghe. These actions raised questions about the ability to make decisions and allocate large sums of money swiftly and seemingly at will.

In one incident, people stormed the Bandarawela Divisional Secretariat demanding promised rental money, resulting in the distribution of checks within an hour. Additionally, individuals met with Chief Minister Chamara Sampath, expressing their lack of access to drinking water due to dried-up water sources. In response, he promptly allocated Rs. 1.2 million for a water project. The expeditious movement of significant amounts of money in these instances raises concerns about transparency and the proper use of funds. How do they do it? How do they move large amounts of money this quickly? We have to think about these a second time."

"The Chinese debt trap that engulfed the Hambantota port"

Rahul Samantha Hettiarachi

For generations, we have been fishermen, and my father, too, worked as a fisherman. The new port is now built where our old fishing port was in those days. Boats in our fishing port were also caught in the Tsunami. We saved our lives with great difficulty. But from the day Hambantota Port started to be built, we lost our jobs. The port authority said they would give us small compensation and jobs. But until today, jobs were not given. It all happened for political power. That's why I started selling salt packets and corn cobs from the side of the road. In the past, when any government leader came to Hambantota, we were

removed from the road. Sometimes I think it would be better if we hit the tsunami".

Mr. LB Priyantha, who is trying to protect his family by selling salt packets on the side of Hambantota Mirijjawila Road, said so. Mr. Priyantha is shocked to see that the Chinese have been owning land that they have owned for many generations. "Now this land is neither for us nor for the country. The only thing that happened was that the country got into debt".

With an investment of 794 million US dollars, Sri Lanka is restructuring the project of Hambantota



port, and the irregularities in its implementation are currently under discussion and analysis.

The Hambantota Port Lease Agreement signed with China by the previous Sri Lankan government in 2017 has sparked debate over concerns about its profitability and irregularities associated with its implementation. The agreement gave China a controlling stake and a 99-year lease for the Hambantota port. There are different perspectives on the economic rationale and potential benefits of the Hambantota Port project. Some argue that the economic justification for the port is weak considering Colombo Port's existing capacity and project plans. It has raised concerns that it could become a Chinese naval facility. And some say that Hambantota Port's strategic location, its ability to develop business opportunities, and its location as a sea gateway to India caught the eye of the Chinese.

In particular, the Hambantota Port Leasing Agreement is often cited as an example of China's so-called debt-trap diplomacy. In this way, the 99-year agreement signed in 2017 has also provided for the establishment of joint venture companies to oversee the commercial and security operations of the port.

Fortress of Hope

During the regime of Mahinda Rajapaksa, Hambantota district, which was one of the poorest districts in the country at that time, was made a bastion of hope, and many huge development projects were carried out there. Hambantota Port can be pointed out as a major project rooted in it. Hambantota Port has become strong enough to make the developing economy a debtor to China.

The confusing story behind the failed Hambantota port, built with much controversy on Sri Lanka's southern coast, has become a stark example of the dangers of China's coercive use of financial and political influence over neighboring developing nations.

The promise of trade, new jobs, and wealth brought to one of the country's poorest regions was as dramatic as the port's eventual demise. Hambantota became so bad that the port of Hambantota was bypassed by the thousands of ships that pass through it almost every day. So the non-payment of debt to China was made possible through the non-investment port. Eventually, the loan defaulted. The saddest thing





about it is that the Sri Lankan government had no choice but to transfer 80% of the ownership of the port to China on loan.

Experts have pointed out that the Hambantota port may have been a victim of various dangerous economic conditions for three decades. Accordingly, the multi-feasibility studies conducted show that it cannot compete with Sri Lanka's largest port, Colombo, which has ample potential for expansion.

However, the warnings were ignored, and the port was created thanks to a combination of China's opportunistic strategy of gaining power in the region and revitalizing former President Mahinda Rajapaksa's homeland and core political base. A New York Times investigation revealed that many secret deals had taken place since the beginning of the project.

According to the Sri Lanka Ports Authority (SLPA), the decline in port performance during that period (before 2017) was attributed to the global slowdown in the transshipment of vehicles.

High expectations

The idea of a Hambantota port had been floated for about three decades, but soon after Rajapaksa was elected president in 2005, there was renewed interest in the project with infrastructure initiatives such as an international airport, a new city, a convention center, and a highway extension.

The first phase of the Hambantota port project was built with a \$307 million loan from the Export-Import Bank of China (Exim Bank) at 6.3% interest. According to a report published by the website ship-technology.com on September 18, 2018, the Sri Lanka Port Authority said that China was the first to respond to the construction of the port when it requested funds.

According to the Asia Maritime Transparency Initiative, "Given the existing capacity and expansion plans of the Colombo Port, the economic benefits that can be received from the Hambantota Port are not very successful. Accordingly, the tendency for it to become a Chinese shipping facility has also increased.

"The first phase of the Hambantota port project was built with a \$307 million loan from the Export-Import Bank of China.

According to the WikiLeaks website, the SLPA expects to receive significant business from the 70,000–80,000 ships that pass the southern tip of Sri Lanka every year. As such, the Sri Lanka Ports Authority hoped to attract up to 10,000 additional vessels every year, and a significant portion of them were expected to come to Hambantota Port for services. But it was not expected to be fruitful.

Job loss

The Sri Lanka Ports Authority promised that more

China's national flag is hoisted at Magampura port after Magampura port was leased to China.

than 50,000 indirect jobs would be created before the start of the Hambantota season, which means that in a few years the per capita income of the Hambantota district is expected to be similar to that of the districts in the Western Province. It was also pointed out that this project will become one of the largest projects in Sri Lanka and thereby raise Sri Lanka to a middle-income economy.

However, before Hambantota Port was handed over to China on a lease basis, the 435 employees who worked under Magampura Port Management Private Company at Hambantota Magampura Port were told by the company not to enter the port premises on November 30, 2017, and from that day on, the services of the port employees were lost.

The employees who lost their jobs in that way held continuous satyagrahas, protests, and hunger strikes for almost two months, but they did not get jobs, and the only thing that happened in Sri Lankan politics was that the employees were deceived by false promises.

The first ship to arrive after leasing to China

After Hambantota Magampura International Port was handed over to "China Merchant Port Holding Company" on December 9, 2017, the first vehicle transport ship arrived at Hambantota Magampura Port at around 4 p.m. on December 18.



The ship called Pocitivi Pioneer from Panama had arrived in Sri Lanka with about four hundred vehicles, and since there were no employees at that

time, its operations were handled by the Colombo Logistics Institute.

However, since there were no employees for



the operation of these vehicles, it was also revealed during the investigation that 135 employees had been recruited and trained for that purpose a few days earlier. Since December 18, 2017, they have been temporarily performing operational services at Magampura Port.



Meanwhile, while the ship was docked at Magampura port, the ex-employees of Magampura port, who were supporting the parents of the port employees, joined the satyagraha and prayed to God for the injustice done to them. They protested by waving coconuts in front of the port's main entrance.

The national flag of Sri Lanka was defaced.

After Hambantota Magampura International Port was handed over to China Merchant Port Holding Company on December 9, 2017, the Chinese national flag was hoisted for the first time on January 1, 2018 in front of the main administrative building of Magampura Port.



In particular, before this, the symbolic flags of the Port Authority, including the Sri Lankan national flag, were hoisted there. But there, the Sri Lankan national flag was raised about one and a half feet higher than the other flagpoles, but after the lease of the port to China, the relevant Chinese company worked to reduce the height of the flagpole that raised the Sri Lankan national flag so that all the flagpoles were equal.



In particular, before this, the symbolic flags of the Port Authority, including the Sri Lankan national flag, were hoisted there.

People's protest

Since December 2016, the people of the area have been protesting against the government's decision to hand over Hambantota port and property to the Chinese government. Its peak was when thousands of people protested in Hambantota on January 8, 2017, the day the foundation stone of the Hambantota Investment Zone was laid under the leadership of the then Prime Minister and current President, Mr. Ranil Wickramasinghe.

Especially on that day in Ambalantota town and Hambantota town, shops were closed and tires were burned to block the roads to show support for this protest. This only resulted in the police arresting 41 people who were involved in the protest that day. After that, hundreds of other protesters were arrested by the police on several occasions.

A messy affair

Not only were the promises of increasing trade and economic wealth in this way canceled almost



immediately after Hambantota Port was handed over to the China Merchant Port Holding Company, but the project plunged Sri Lanka into a debt crisis with China.

Many fear that China's judicious lending for white elephant projects is a powerful economic and political strategy in a weak economy, despite the unlikely prospect of being a debtor to China. In this regard, a report by the New York Times has revealed that it is completely preventable.

A year after Hambantota Magampura Port opened in 2010, a large rock on the seabed was blocking the entry of vessels. Also, it was heavily discussed on Sri Lanka's political scene, especially during the election season. However, it is no secret that it affected the entry of large ships into the port. As a remedy, the rock was blown up.

In 2012, only 34 ships arrived at the port, which was built at great expense. However, due to the signing of further loan agreements and the price of the project, Chinese investment has continued to flow in the next four years, as indicated by the annual reports of the Ministry of Finance.

However, by now, the performance of the port was deteriorating. In 2016, statistics obtained by the media showed that the port was making losses with revenues of \$11.81 million and expenses of \$10 million.

Black money, Political ambitions, and Hollowed egos

The foreign media alleged that the Hambantota Port funds, as well as the Chinese funds received for it from the beginning, flowed directly to support Rajapaksa's presidential election campaign.

Corruption and political patronage may be significant factors focusing attention on Hambantota. Often, when Chinese companies get contracts, their success is due to their widespread distribution of graft to senior Sri Lankan government officials.

China's focus on the Hambantota port can be seen as part of its ongoing strategy to build a strategic foothold in South Asia.

China's long-term goal is to use this port as a stopping point for Chinese naval vessels to promote power and energy supply trade and security measures in the Indian Ocean, but Chinese Foreign Ministry Spokesman Lu Kang denied those allegations.

"I can tell these people that China and Sri Lanka are committed to further cooperation on the Hambantota Port Project in an effort to make Sri Lanka the logistics hub of the Indian Ocean," Kang said at a press conference.

"China's focus on Hambantota Port is part of its ongoing strategy to build a strategic foothold in South Asia."

In 2017, Beijing-based business news organization Caixin reported that the country's two policy banks, China Development Bank and Exim, provided \$200 billion in loans for projects in the plan. Regardless of the expected success of those deals, many governments will no doubt now be closely examining their own affairs to assess the extent of China's influence if they can get away with those deals.

As for irregularities, it has been reported that the Sri Lanka Ports Authority (SLPA) suffered a loss of \$19.9 million at the Hambantota port due to an "irregularity" during Sri Lanka's last administration. This loss is due to buying rejected oil at higher prices when world oil prices were at their peak.

Yuan Wang 5 to Hambantota

A Chinese scientific research ship, Yuan Wang 5, arrived at Hambantota port on the morning of August 16, 2022, five days after the scheduled time. It was originally scheduled to arrive on August 11. This ship left China on July 13, 2022, but due to the special attention of India, a country in the region, the dates of its arrival were changed on several occasions.

The Sri Lankan government allowed the Chinese tracking vessel Yuan Wang 5 to arrive at the Hambantota port after the Indian and US governments failed to provide reasons to oppose its arrival.

Earlier, Sri Lanka asked China to postpone the visit until discussions were held in this regard.

During the meeting with President Ranil Wickremesinghe, American Ambassador Julie Chang also raised concerns about the ship. She was asked to give solid reasons for objecting to its presence.

However, on August 16, 2022, the ship arrived at Hambantota port, where a reception ceremony was also organized for it. However, when this ship was sent, many people expressed their opinions and said that this confirmed the Chinese intention of getting Hambantota port.

The Chinese debt trap

Dr. Vijayadasa Rajapaksa says that the future leadership of Sri Lanka can cancel all corrupt Chinese projects. It has been mentioned in a letter sent to Chinese President Xi Jinping through the Chinese ambassador

on January 3, 2023, consisting of 45 points.

It has been mentioned that the current government will be democratically overthrown at the first opportunity.

"Dr. Wijayadasa Rajapaksa has written to the Chinese President that he will re-examine all the agreements made with foreign countries in the last 15 years and cancel all the agreements to eliminate corruption and fraud."

Dr. Wijayadasa Rajapaksa says in his article that the next presidential election or general election in Sri Lanka will be held under a referendum. The article states that the power of the public will be used to restructure or cancel agreements that have been proven to be detrimental to Sri Lanka.

President's lawyer (Dr.) Wijayadasa Rajapaksa has emphasized in the letter that if China tries to invade Sri Lankan lands through the Zelendiva investment, dismissal measures will be taken immediately.

Hambantota Port is a contentious issue between Sri Lanka and China, and the future leadership of Sri Lanka can cancel all corrupt Chinese projects and deals. According to the International Forum for Rights and Security (IFFRAS), President and Member of Parliament Dr. Wijayadasa Rajapaksa has warned Chinese President Xi Jinping that a future leadership in Sri Lanka can cancel all corrupt Chinese projects and deals.

In the letter addressed directly to the Chinese President on January 3, 2022, Dr. Vijayadasa has named the Hambantota Port project offered to China as "the most corrupt transaction of the highest scale in the history of Sri Lanka". His six-page letter revealed China's interest in trapping Sri Lanka with projects that did not deliver the desired results but paid unsolicited commissions to local politicians.

Dr. Vijayadasa has warned in the letter that the next national election, whether presidential or parliamentary, will be combined with a referendum to seek a mandate from the people to restructure or cancel all agreements or contracts that are detrimental or disadvantageous to Sri Lanka.

He points out that the same applies to deals secured by China through corruption, and Sri Lanka is not obligated to repay loans obtained through such contracts. Dr. Vijayadasa insisted, "In case of any restructuring, under no circumstances shall the duration of any contract exceed 15 years from the date of inception of such contracts."

This project was started in September 2014, when

Chinese President Xi Jinping landed in Colombo to fulfill the dream of the then Prime Minister of Sri Lanka, Mr. Mahinda Rajapaksa. It is widely known that the Rajapaksas, Mahinda, and President Gotabaya enjoyed a special relationship with China for more than a decade after Beijing provided arms and ammunition to Sri Lanka during the civil conflict that ended in 2009.

The Chinese model of debt trap diplomacy is well accepted, and international financial institutions and research organizations have described aspects of China's lending around the world. Earlier, a number of international groups and non-governmental organizations had given details of how China trapped Sri Lanka in the Hambantota loan.

Hambantota Port became the main topic on the political stage for many who came to power in Sri Lanka. Although giving Hambantota land to China and saving the port from China are among their main slogans, even today no one has been allowed to enter the port without the permission of the Chinese company. Accordingly, what will China's supremacy in Hambantota port show?

Dr. WIJEYADASA RAJAPAKSHE

President's Counsel
Ph. D. University of Colombo
Ph. D. University of Kelantan
LL. D. (Honoris Causa) Commonwealth University

By hand

03rd January 2022

Through - His Excellency the Ambassador of China in Sri Lanka

Your Excellency Xi Jinping,
President of the People's Republic of China,

Enhancing Mutual Corporation and Re-building of Reciprocal Trust and Confidence in between Sri Lanka and China

Your Excellency the Xi Jinping,

Our relation of goodwill and friendship could be traced back to pre-era of B.C. Bhikkhu Faxian in his voyage has visited Sri Lanka and noted valuable and longstanding historical connections we had among ourselves.

1. "China-Ceylon Rubber-Rice Pact" in 1952, during the Vietnam war was a high watermark of our relations amidst many oppositions from the powers that was in the World.
2. Your then leaders were highly remarkable to us as they were gracious enough to extend the grants of R.M.L.C.H. building complex during our Prime Minister Madam Srimavo Bandaranayake's tenure of office and Superior Court Complex during the President J.R. Jayawardena's tenure of office.
3. At every instance, where Sri Lanka faced a crisis in international forums, your country has extended unstinted support to Sri Lanka. Similarly, Sri Lanka also reciprocated in support of China at every instance.
4. It is commendable that your country reached to a great height of economic development during the recent past and you have expanded your economic potentials in a speedy manner in many parts of the Globe.
5. The longstanding relations of ours has turned into a different course since your country launched "One Belt-One Road" policy on the pretext of strengthening the foreign policy and economic strategy of China.
6. It is manifestly visible that your friendship with us is no more genuine and candid, instead you use our relations to achieve your ambition of becoming the world power at the stake of lives of our innocent people. Further you are dismantling the peace in our region as well as in the world by making our nation the first victim of your power struggle with other nations of powers that be.

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No. 17, Wijeyewa Mawatha, Ramula Road, Nuwagoda, Sri Lanka
Tel: 011 2 852841 Fax: 011 2 827208 E-Mail: rajapakshew@gmail.com

7. Your country initiated to make our country first bankrupt in the sphere of economy and then to dismantle our relations with all the friendly countries which were supporting us enormously through out in the history, which include India, Japan, Korea, U.S.A. European countries (including UK), Australia and in time to come Soviet Russia too.
8. This was predicted by our then Prime Minister Sir John Kotelawala, who said at the Bandung Conference in Indonesia held in 1955, in the presence of Zhou Enlai, the first Prime Minister of China, Jawaharlal Nehru, the first Prime Minister of India and other leaders in the region that "in decades to come, there won't be any invasion from the Europe into our region; instead, the Chinese economic invasion would dismantle the peace of our region exposing us into danger". How true is that prediction made 65 years ago.
9. Our former President Chandrika Bandaranayake Kumaratunga initiated the project to construct a harbour in Hambantota during your predecessor the President Hu Jintan and at the request of our President, one of your companies on advice of your President preferred a quotation of US\$ 390 as the total cost of construction of the Harbour in Hambantota in 2005.
10. After Mahinda Rajapaksa was elected as the President in November 2005, it was stalled and later it was re-commenced with a new understanding and an agreement whereas your company initially quoted US\$ 500 million, but ended up with a payment of around US\$ 1,285 million as represented by our heads of government to people.
11. Our then President Rajapaksa was shameless to enter into the said agreement to obtain the entire cost (as he represented) as a loan at a commercial interest rate over 6%, whereas we never had loans from international communities or agencies exceeding the annual interest rate of 0.01% to 1%.
12. When Rajapaksa's government obtains loans with high rates of interests from your companies, the only presumption that can arise is that they cannot get commissions from internationally recognized lending institutions whereas payment of commissions is a frequent feature to secure transactions in business activities of Chinese companies.
13. It must be noted that it was the most corrupt transaction with a very high magnitude occurred in the history of our country.
14. In addition to the said transaction, there had been several other transactions that were entered into in between Sri Lanka and Chinese companies with the involvement of Chinese Government as mentioned below:
 - a) Colombo Port, South Terminal
 - b) Coal power plant at Norscholcheli
 - c) International Airport at Matsala
 - d) Lotus Tower (Nelum Kulana) in Colombo
 - e) Lotus Theatre (Nelum Pokuna) in Colombo

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15. International Credit facilities at Suryapwera
16. International Conference Hall in Hambantota
17. We have provided funds either directly or indirectly by way of loans at commercial rate of interests ranging up to 8% for the above projects prior to 2015 and eventually granted while having prior knowledge that strong Norscholcheli power plant, all the other projects were either waste and also with the intention to push Sri Lanka into your Debt Trap enabling you to control the Sri Lanka economy according to whims and fancies of yours with the ultimate intention of making this country a satellite held of yours in your voyage to the World's power.
18. It is not a secret anymore that all the said transactions were corrupt whereas it is within the public domain that commission of 15% to 20% had been paid to the corrupt politicians and officials to secure such projects for unimaginable massive prices.
19. Several public freely believe that if not for a commission, why the Sri Lankan rulers entered into two contracts with your government owned companies to hand over full control of Hambantota Port for a period of 99 years, violating the offer made by the company which committed the said failure to operate and hand back the Port in 35 years' time for an amount five times that of the amount paid by Chinese government owned company.
20. Although you paid an amount around US \$ 1 billion on the grounds of a assessment without having any tender procedure followed or at least having a valuation and environmental impact reports it was beyond your doubt that we could have at least got five times of the amount you paid, if we resorted to international tenders and hand the period to 99 years.
21. Having a Member of the Cabinet, at that time opposed to the said agreements and then government removed her from the Cabinet for the sole reason that I opposed to the said corrupt transaction.
22. At my request, the Cabinet decided to have a one-day debate on the said agreement in the parliament prior to the signing of the agreement and both the government group as well as the opposition group (some of them being greatly outnumbered as I might shortly describe the proceedings and the debate was not taken up at all.
23. A few days before the day fixed for the debate, your government placed injurious pamphlets in all 225 members in the Parliament and hand out their copies along with as I vehemently opposed to such a gift given to members of parliament, which tantamount to an offer of bribe. (They are still on the table of 225 members except mine and Speaker).
24. There are 7 cases pending in the Supreme Court whereas we have challenged the validity of the agreements. Recently named as "Constitutional Inter-Territory Agreements" (concession only for China) on the basis that the fundamental rights of

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- the people are infringed and violated as a result of the said agreements and the cases are pending in the Supreme Courts.
25. We also have had another case seeking a writ of certiorari to quash the concession granted to Hambantota Port company for a period of 25 years as the said concession is granted under an Act which had been already repealed by the legislature. The said matter is also pending in the Court of Appeal.
26. It is noted that when the said matter was taken up in the Cabinet on 21st of August, I enlightened the Cabinet that in the event of the said agreements being accepted, our country has to face the following consequences:
 - a) Chinese domination of Hambantota Port will be taken as a gesture initiated by Sri Lanka to accommodate China in their mission of aggressive invasion to dominate both economic and geo-political environment in the region.
 - b) Our country as a small nation will become a victim as the powerful nations such as India, USA and Europe would retaliate by demanding accommodation for themselves to establish their dominions in certain places of the island.
 - c) Warning I made in advance to the Cabinet became a reality, within 2-3 months, and
 - d) USA have demanded that we should enter into MCC and SRA agreements, and
 - e) India came demanding that Colombo Port Terminal, oil tank berths in Trincomalee shall be given to them.
27. In addition to the predicament that we had to go through, the newly elected President Gotabaya Rajapaksa also resorted to your pressure and you were able to get the Colombo Port City under your domination.
28. You also had the benefit of having control over Colombo Port - South Terminal which is adjacent to the newly created Colombo Port City.
29. As a result of your domination of the said Colombo Port City, due to various reasons, an investor might invest in that, especially the investors from India, Japan, Australia, USA and Europe.
30. Since our rulers have committed too much for your benefits in an inordinate and wasteful manner, USA have of having the full control of power generation and distribution and our rulers have blindly signed the said agreement.
31. If not for the above mentioned strategy and political transactions, there would not have been any interference or influence from such nations in us and now they will not have to along as they know the real value of the geo-political location of Sri Lanka in the region as well as the world.
32. As a result of the initiation of corrupt and treacherous transactions of our heads of government, country is in a severe predicament which we had never experienced such predicaments were during the last century. Sri Lanka had fallen into such a

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33. The said debt becomes creditable since it has not been used for any purpose from the inception by the Sri Lanka Government.
 34. Accordingly, our people will not be hesitant to overthrow the present government at the first available opportunity in a democratic manner and to get new rulers to repeal all agreements and contracts entered with foreign nations during last 15 years and to do the justice in compliance with the rules and positions of both terms. It includes the right to declare cancelled or annulled any transaction which had been entered by either commission or any other mode of corrupt practices.
 35. Your country as a friendly nation for a period of three millennia, I hope and expect that you will support us with the best hope of safeguarding and promoting the lives of the innocent people of Sri Lanka.
 36. Please note that the next national election whether it is Presidential or Parliamentary, will be conducted conducted with a candidate from people either as a candidate or to repeal all the agreements/contracts which are of adverse or disadvantageous to Sri Lanka.
 37. All transactions you have entered through commissions will be cancelled and we hold no liability any bank and loans obtained for such contracts. In the event of any restructuring, under no circumstances the period of any agreement will be permitted to extend a period of 27 years from the date of the inception of such contracts.
 38. Please note that any transaction you will enter into with "individuals" in case were our funds will be declared cancelled all over without any commitment and without any payment of dividends.
- What counsel will prevail?
Thanking you
Yours faithfully
Wijeyadasa Rajapaksa
Signer
1. His Excellency the President of Sri Lanka
 2. Hon. Prime Minister of Sri Lanka
 3. Speaker of the Parliament of the Republic
 4. Most Venerable High Priests
 5. His Eminence, The Bishop of Colombo (Catholic)
 6. Foreign Minister
 7. Chief Ambassador to Sri Lanka
 8. High Commissioners and the Ambassadors of the other countries

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Colombo Port City: Chinese Colony Sold for Rupees Instead of Dollars, Amidst Massive Tax and Customs Concessions

Lasantha Ruhunage

On May 22, 2023, the Cabinet made a recent decision regarding the Colombo Port City, wherein tax concessions will be provided to investors under the Strategic Development Act. The authority to grant these concessions has been delegated to the Colombo Port City Economic Commission. The commission will be responsible for identifying appropriate businesses and awarding the concessions after consulting with the relevant minister or the President.

Under the new decision, the tax concessions will not only be limited to the Colombo Port City Project Company or construction companies involved in the project. Instead, businesses that lease land at the Port City, whether through the Port City Project Company or the Colombo Port City Economic Commission on behalf of Sri Lanka, will also be eligible to receive these concessions.

It has been observed that local investors, such as the Asiri Hospitals group owned by Soflogic Group, are now leasing land at the Port City through the Colombo Port City Economic Commission. Asiri Port City Hospital Pvt. Ltd., a subsidiary of Asiri Hospitals, leased land in April 2023 for the establishment of a hospital. The hospital is expected to have over 500 beds and will be equipped with all the necessary facilities. The investment for this project is valued at USD 100 million.

There is a concern regarding the awarding of concessions under the Strategic Development Act to local investments at the Port City. Previously, the Act was primarily applicable to projects approved by the

Board of Investment (BOI), which predominantly involved foreign investments. Local investments constituted only a small percentage of these projects.

On May 22, 2023, the Colombo Port City Economic Commission announced another decision that could potentially impact the country's tax income through an Extraordinary Gazette Notification that grants Duty-Free Shopping privileges to visitors at Port City. Under this decision, tourists in Sri Lanka, as well as certain categories of individuals such as foreigners with Sri Lankan resident visas, foreign residents with Sri Lankan passports, foreign passport holders arriving in Sri Lanka, and diplomatic service workers, including UN workers, will be eligible to enjoy duty-free shopping at Port City. The maximum annual limit for these concessions is set at USD 5,000, subject to the duty-free limits on different goods.

Under the new decision announced by the Colombo Port City Economic Commission, visitors to Port City will be able to purchase a wide range of duty-free goods, including lifestyle goods such as food, clothing, home appliances, electronic appliances, and office supplies. The only items that cannot be bought at Port City, which are available for duty-free purchase at Bandaranaike International Airport (BIA) are TVs, washing machines, and refrigerators.

The issue lies in the fact that visitors to Port City receive duty-free concessions that are significantly higher than those received by typical Sri Lankan workers who work overseas, such as in the Middle East, often in jobs like house servants or similar minimum wage positions. These workers sacrifice

their entire lifetime earnings to contribute foreign exchange to the country.

Typically, Sri Lankans staying abroad for less than 90 days are granted a duty-free concession of only USD 187.50. If they stay between 90 to 365 days, the concession increases to USD 625, and for stays over a year, it further increases to USD 1750. While there have been recent additional duty-free concessions awarded to these individuals who sacrifice their entire life working abroad, it still poses a significant obstacle for workers in the Middle East or similar countries. The relatively low duty-free limits they receive in return can be seen as a significant hurdle that affects their ability to make purchases and enjoy the benefits of duty-free shopping.

Under the new concessions for expatriate workers, they are eligible for additional duty-free concessions based on the amount of foreign exchange they have sent to Sri Lanka. If an expatriate worker has sent foreign exchange ranging from USD 2400 to 4799, they will be eligible for an additional USD 600 duty-free concession. This amount increases to USD 960 for foreign exchange amounts between USD 4800 and 7199 and further increases to USD 1440 for amounts between USD 7200 and 11,999. Expatriate workers who have sent foreign exchange between USD 12,000 and 23,999 will be eligible for an additional duty-free concession of USD 2400. For amounts exceeding USD 24,000, the concession increases to USD 4,800.

The additional duty-free concessions provided to expatriate workers are still lower than the minimum concessions enjoyed by Port City visitors. Many expatriate workers face challenges in meeting the minimum foreign exchange limit required to qualify for the highest duty-free concession. To be eligible for the maximum additional duty-free concession, a worker would have to send nearly USD 2,000 per month, which is equivalent to approximately Rs. 600,000. This amount is not feasible for minimum wage workers such as house servants working in the Middle East, as their salaries are typically lower than that.

Even to qualify for the additional duty-free concession of USD 2,400, expatriate workers are required to send a minimum of USD 1,000 per month to Sri Lanka, which roughly amounts to around Rs. 300,000. However, for many of these workers, even sending USD 600 per month to qualify for the USD 1,440 additional duty-free concession is unrealistic and beyond their means.

To be eligible for the additional duty-free concession of USD 960, expatriate workers are currently required to send a minimum of USD 400 per month to Sri Lanka. However, for many workers, especially those in low-paying jobs like house servants in the Middle East, even meeting this threshold can be challenging. Realistically, the most attainable additional duty-free concession for these workers is USD 600, which necessitates sending USD 200 to Sri Lanka each month.

These concessions are not primarily intended to benefit hardworking expatriate workers who dedicate their lives to serving the country. Instead, they create a tax-free haven for individuals with financial means, enabling them to enjoy a high-quality lifestyle at a lower cost. As a result, Colombo Port City is nothing but a reclaimed artificial island that significantly reduces the country's tax revenue.

Port City's tax concessions extend beyond that. The concessions granted to its construction company, China Communication Construction Company, can be regarded as the most significant concessions ever awarded to any investor or Investment Company in Sri Lanka's history. The project was initially designated for tax concessions on 24th January 2014, under Act Number 14 of 2008, the Strategic Development Act, by the then Minister of Investment Promotion, Lakshman Yapa Abeywardena. According to the Gazette, the investment was valued at USD 1.3 billion under the name Check Port City Colombo Pvt. Ltd.

However, when the first Cabinet paper on the project was presented on 20th November 2013 by the then President and Minister of Highways, Ports, and Shipping, Mahinda Rajapaksa, it was revealed that China Communication Construction Company would be the construction company for the project. The Cabinet paper stated that an unsolicited proposal had been received for the development of Colombo Port City.

The concessions granted through the Gazette were further expanded by an Extraordinary Gazette notification on 11th September 2014, issued by the then Minister of Investment Promotion, Lakshman Yapa Abeywardana. The Gazette proposed to award tax concessions not only to Check Port City Colombo Pvt. Ltd. but also to the construction company China Harbour Engineering Company.

Accordingly, China Harbour Engineering Company has been exempted from paying corporate

income tax under the Inland Revenue Act for the profits and income generated from the port city project for eight years from the start of construction. Additionally, the transfer or lease of land developed by the project or the project company to potential investors is exempted from the payment of VAT and nation-building tax.

In addition to the expanded tax concessions, the project company has been exempted from paying corporate income tax for 25 years starting either from the time the company begins to earn a profit or six years from the commencement of the project, whichever comes first.

The dividend tax under the Inland Revenue Act has been exempted for the entire 25-year tax-exempt period. Additionally, for the subsequent one-year period, dividends paid to shareholders from the profits of the project will also be exempted from dividend tax. Furthermore, the project company is exempted from withholding tax and pay-as-you-earn tax under the Inland Revenue Act. This specific concession applies to a maximum of 30 foreign staff members employed by the project company. The exemption will remain in effect for the next ten years, starting from the commencement of the project.

The project company has also been granted VAT exemptions for the importation and local purchase of goods and services for eight years. This includes exemptions from taxes under the Port and Airport Development Act. These concessions apply to both the project company and its contractors and sub-contractors for imports related to the project.

Contractors and sub-contractors involved in the project have been granted further exemptions. These exemptions include the Construction and Industry Guarantee Fund Levy, Excise Duty, cess tax, and nation-building tax, all of which are waived for eight years. Additionally, they are also exempt from all customs taxes on imported goods, including capital goods, throughout the eight years.

The crucial question that arises is the return on investment for Sri Lanka after granting such extensive tax concessions. The initial claim was that the Colombo Port City project would bring foreign exchange to the country. But that has not been the case so far.

According to a Cabinet paper presented by former President Mahinda Rajapaksa, the China Communication Construction Company's investment in the Colombo Port City project was valued at USD

1,337 million. The plan involved reclaiming a land area of 233 hectares for the construction of the Port City. Initially, 125 hectares of the total land area were designated for the Sri Lanka Port Authority, with 63 hectares for common services and 62 hectares for sale. Another 108 hectares were intended to be allocated to the project proponent to settle the loan amount, cover sales promotion expenses, and generate profit. Additionally, 20 hectares were set aside for unrestricted use, while the remainder was to be leased on a 99-year lease basis. However, later on, the land area was increased to 269 hectares. According to a Cabinet paper presented by former President Mahinda Rajapaksa, the China Communication Construction Company's investment in the Colombo Port City project was valued at USD 1,337 million. The plan involved reclaiming a land area of 233 hectares for the construction of the Port City. Initially, 125 hectares of the total land area were designated for the Sri Lanka Port Authority, with 63 hectares for common services and 62 hectares for sale. Another 108 hectares were intended to be allocated to the project proponent to settle the loan amount, cover sales promotion expenses, and generate profit. Additionally, 20 hectares were set aside for unrestricted use, while the remainder was to be leased on a 99-year lease basis. However, later on, the land area was increased to 269 hectares.

After assuming power in 2015, the Good Governance government decided on 1st August 2016 not to allocate the 20 hectares of land from the Port City to the project company, as previously agreed upon by the previous government on 16th September 2014. Instead, it was decided that the land would also be leased on a 99-year lease basis.

During the Good Governance government, the 125 hectares of land that was initially designated for the Sri Lanka Port Authority was awarded to the Urban Development Authority (UDA). Currently, that land is under the jurisdiction of the Port City Economic Commission.

According to the Cabinet paper, the estimated value of one hectare of the Colombo Port City was USD 24 million. If the 108 hectares given to the Chinese company were leased at this value, the government could have earned a revenue of USD 2,592 million, which is twice the investment value of the project company. Additionally, by leasing the 62 hectares of leasable land it possesses, the Government of Sri Lanka could have generated a revenue of USD 1,488.

The Sri Lankan government supplied the sand

needed for the reclamation of land for the port city at no cost. This decision was made by the Cabinet on 03.10.2017. Initially, the sand was sourced from a sand deposit near the port of Colombo. When the sand from this deposit was depleted, the Sri Lanka Land Reclamation and Development Corporation provided sand from another sand deposit located around the port of Colombo.

Sri Lanka's significant contribution to the port city was the construction of a breakwater for the southern port of Colombo. The port city was reclaimed adjacent to the breakwater. To finance the construction of the breakwater, Sri Lanka obtained a loan of USD 375 million from the Asian Development Bank. The repayment of this loan is on the Sri Lankan government as a country.

The absence of a requirement to invest in foreign currency when leasing land at the Colombo Port City, as stated in the Colombo Port City Economic Commission Act No. 21 of 2021, raises concerns about Sri Lanka's ability to achieve its desired goals from the project. Without the mandatory use of foreign currency, the expected foreign exchange benefits for Sri Lanka may not materialize. This is particularly worrisome as local currency transactions at Port City may not significantly contribute to the country's efforts to overcome its economic crisis.

However, this has a limited impact on the Chinese Project Company and foreign businesses operating within the port city. They have the flexibility to convert the local currency into foreign currency and repatriate it outside the country.

After considering all these facts, it is evident that the Colombo Port City project may not provide a comprehensive solution to Sri Lanka's foreign currency crisis. Instead, it can be seen as a project that serves China's strategic interests in the country, facilitated by the provision of significant tax concessions and duty concessions.

What did the ASMP do for 61.19 million dollars, which added another debt burden to Sri Lanka?

Rahul and Samantha Hettiarachi

- **Most of the majors are given to friends and powerful people. • ASMP is not disclosing the names of the entrepreneurs who received large-scale grants of more than \$37 million, despite the order of the Information Commission.**
- **More than 11 lakh US dollars in interest have to be paid for the loan amount of 61.19 million dollars given by the World Bank.**

The current economic crisis in Sri Lanka has had significant consequences for the financial stability of the country, and the poor economic policies of the Sri Lankan regime and public administration, as well as financial misuse, have greatly affected it. The inability of the government to effectively manage its debt and reduce it to the target level has led to this ongoing economic crisis.

In view of the current economic crisis in Sri Lanka, international organizations such as the World Bank, the International Monetary Fund (IMF), the Asian Development Bank, and the twin countries have taken many loans in this way for various development projects in Sri Lanka.

Sri Lanka's public debt consists of domestic debt and external debt and includes project and program loans on concessional terms from bilateral and multilateral creditors as well as commercial loans. Accordingly, by the end of 2022, the total amount of public debt in Sri Lanka, including arrears, will be USD 83.6 billion, as confirmed by the information of the Ministry of Finance, Economic Stabilization, and National Policy. (<https://www.treasury.gov.lk/api/file/>

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Ministry of Finance, Economic Stability, and National Policy

The World Bank, which is among the multilateral lenders, currently represents 11% of the total loans given to Sri Lanka.

In this way, making the country and the people debtors, another 61.5 million-dollar foreign loan given by the World Bank was misused and lost, and this research is based on another project.

With the aim of increasing agricultural productivity in Sri Lanka, improving market access, and adding value to smallholders and agribusinesses in the project areas, \$125 million has been provided under the World Bank loan in 2017, of which \$63.81 million is under the Ministry of Agriculture and the Ministry of Plantations. An amount of USD 61.19 million has been given for the Agriculture Sector Modernization Project-Value Chain Development Project (ASMP) under the Minor Export Plantation Crops Development Division. The loan money has

been given as grants to the entrepreneurs selected by the respective project, and accordingly, after giving this money, not even a cent will be recovered from them.

The loan amount given by the World Bank under several circumstances in 2017 must be paid by June 15, 2041. For that, 1.25% should be given annually as interest, according to which only ASMP should pay an amount of eleven thousand nine thousand six hundred and sixty-seven American dollars (1109667.58) as interest for the amount of 61.19 million dollars received from the World Bank.



Non-disclosure

In spite of this situation, according to an information request sent to the relevant public authority on May 5, 2022, requesting information on the businessmen who received grants of millions of dollars under the Agriculture Sector Modernization Project-Value Chain Development Project, which is being implemented under the Minor Export Plantation Crop Development Division under the Ministry of Plantations, According to an appeal made to the Right to Information Commission on October 7, 2022 through the prescribed method due to the refusal of the relevant public authority to provide the information of the entrepreneurs who were granted grants, under appeal number RTIC/Appeal/1116/2022, at the appeal hearing held on January 26, 2023, The relevant information was provided after the order given by the Information Commission to provide that information to the applicant. Despite the information provided in that manner, the Agriculture Sector Modernization Project has not yet disclosed the names of the entrepreneurs who have given more than 6 billion rupees (6,049,683,907.88) in cash grants as of October 3, 2012, including those who have given large-scale grants. This further confirms that the relevant public authority has given these grants to a group of people whose names cannot be disclosed.

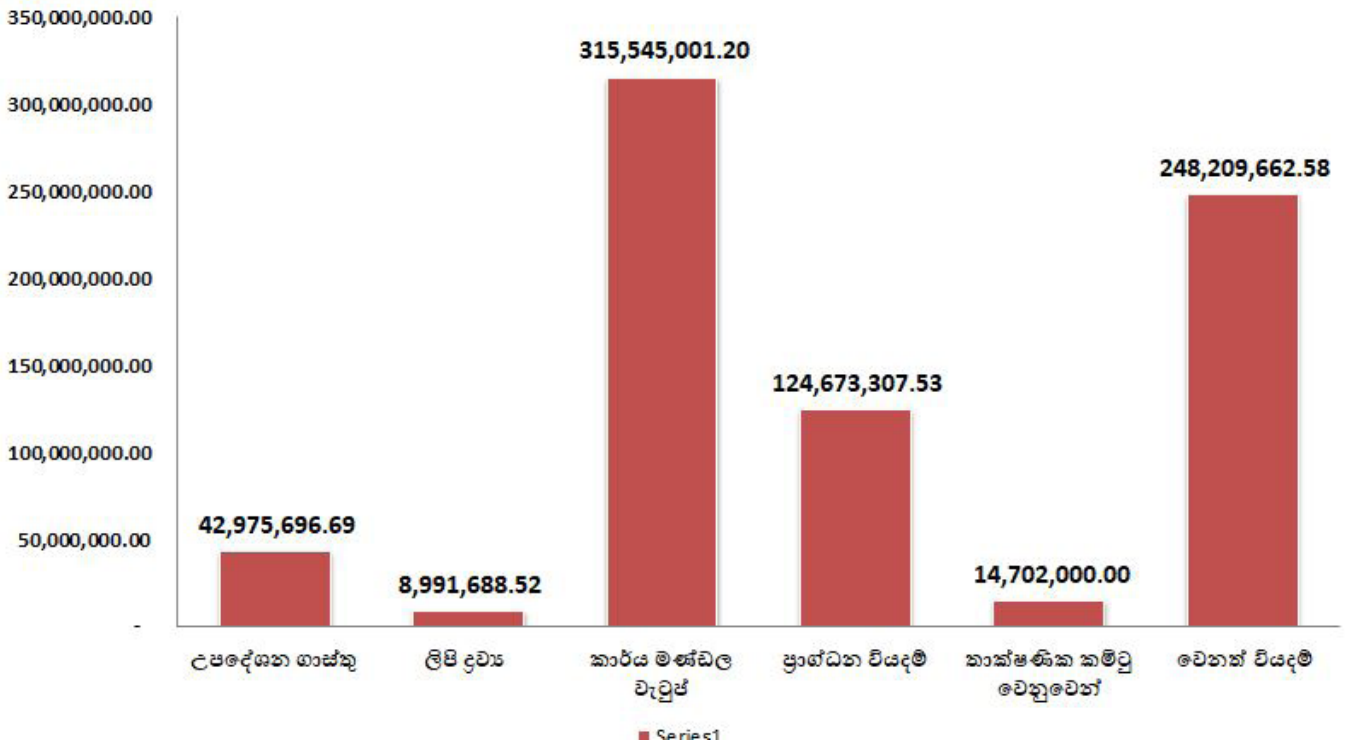
Also, an institution named Agriculture Sector Innovation has been established separately to implement this project. Its main office is on the 16th floor of Battaramulla Suhurupaya, and in addition, four regional offices have been established in the districts of Ampara, Galle, Vavuniya, and Kandy.

Also, according to other information provided, many other expenses have been incurred for the maintenance of the institution and for the maintenance of the employees and their salaries, using the loan given by the World Bank for the related project. As of July 30, 2022, the expenditure has been incurred as follows: Consulting Fees: 42,975,696.69; Stationery: 8,991,688.52; Other: 248,209,662.58; Staff Salary: 315,545,001.20; Capital Expenditure: 124,673,307.53; Technical: 14,702,000.00 for Committees, etc., for a total cost of Rs. 755 million (755,097,356.52), has spent too much money. Apart from this, over 769 million rupees (769,038,222.52), including 19 lakh rupees (1940866) for the training workshops of the officers and another 12 million rupees for television programs, will have been used for all the above activities by July 30, 2022.

It should also be emphasized here that due to the fact that this public authority, which has used the public money of the country in this way, does not act in a proper manner according to the regulations of the Right to Information Act, which is a basic right of the people of the country, it is very difficult to get timely information from the relevant public authority.

Dealing with diversity among the people is the responsibility of any government institution. One aspect that confirms that diversity is giving the people the opportunity to access the information of the public authority and providing that information to them in a proper way. However, by disclosing information in this regard, the Agriculture Sector Modernization Project-Value Chain Development Project (ASMP) did not act according to the established terms in any case when we requested information in this regard, and it is inevitable that the citizens will have a serious problem regarding the diversity of this public authority.

According to the information obtained after spending months in this way, as of July 18, 2022, it was revealed that the total principal value provided by this project under three categories is more than 6 billion rupees (6,049,683,907.88). In this project, which is to be completed by July 2023, from July 18, 2022, until now, grants and remaining installments are to be paid to another group in this way, and

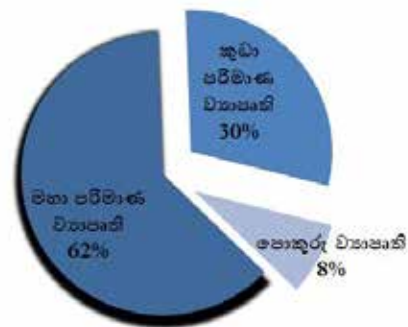


accordingly, the above amount will be taken higher than that. This project, which has given grants under three types of projects, has provided over three billion rupees (3,762,976,719.00) for 132 large-scale projects, over one billion rupees (1,781,996,453.00) for 236 small-scale projects, and over 504 million rupees (504,710,735.00) for 602 cluster projects. 88) get In the request for information made by ASMP, it is indicated that

Conflicting information

Regarding this project, information has been requested on several occasions, but the delay in providing information, the non-giving of information, and the contradictory information have been given to cover up a serious problem. In that way, when asked how many people have been given grants up to August 22, 2022, it has been stated that 872 people have been given grants for the information request dated May 8, 2022. Also, in the request of August 12, 2022, in the request for information to provide the document of those who gave the grant, the information officer of the relevant project refused to provide the information, citing a clause that is not in the Information Act but in the Right to Information Commission under Appeal No. RTIC/Appeal/1116/2022 2023. It was revealed that the number of people who received grants was about 1211. If so, what is the actual amount paid for these people who gave the money obtained as foreign loans, making the entire population of the country debtors?

ප්‍රධාන ලබාදීම් වෙනුවෙන් මුදල් යොදවා තිබූ අයුරු (2022.03.10 දක්වා)



Why hide the names of the grantees in this way? The responsible officials of the relevant public authority should definitely disclose, and an investigation should also be conducted regarding non-disclosure.

Financial use

It is also observed that unlimited powers were given to the officers of ASMP in the use of public authority's money. In this case, all activities such as calling applications, selecting projects and people who will grant money, providing money, checking whether the given money is properly used in the project, etc. were assigned to the ASMP officials.

Mr. Janaka Dharmakiriti, the secretary of the Ministry of Plantations, said that he did not know how the person was recruited for the administrative relations, but he believed that it must have been worked out together with the Treasury and the World

Bank.

He said, "Treasury and ASMP are investigating the main receivers separately, but there were different conclusions about each institution."

An unscrupulous institution head

However, during our investigation, it was revealed that a proper investigation was not done in this manner while appointing the Head of the Institution of ASMP. The person appointed as the project director here is a person who worked as a lieutenant in the Navy and is also a person who has quit his job after several months in the custody of the Criminal Investigation Department (CID) on several charges against him. Later, he started politics with Hela Urumaya, and then in 2005, he was acting as a liaison secretary to Mr. Gotabhaya Rajapaksa, who was the Defense Secretary at that time.

He then worked as the UNP Constituency Organizer in Anuradhapura West and Horovpatana Constituency, and in 2008 he worked as a member of the UNP Provincial Council of Anuradhapura. In the 2015 general election, Samagi joined the Jana Balawega while running as a UNP candidate, and in the 2020 election, his wife was nominated for the election in the Wannu district. Presently, the organizer of Samagi Janabalawega in the Vavuniya district is the wife of the ASMP project director. The peculiar fact here is that the concerned director is not qualified in agriculture.

Public money is divided among friends.

In a democratic country, any person has the ability to hold and engage in any political opinion of their choice. The problem is that a person with many political connections in this way, as a project director for the use of millions of public dollars, is inevitably involved in politics for that position.

In our investigation in this regard, it was clearly revealed that a woman named Shanika Udayangani, who works in the political office of the director's wife in Vavuniya city, was given an amount of one million sixty-nine hundred and seven hundred (1069700) rupees for a project called Shani Lanka, and she was also there when we went to meet the woman in question. Vavuniya is in the relevant office of the National People's Power, and during our questioning, she said that she was given the amount for cutting and packing the grain for sale, and about three and a half lakh rupees was used to buy the relevant

machine. But in the project proposal, it is clearly mentioned that the relevant project will cost about twenty-one lakh twenty-two thousand four hundred rupees (21,22,400). Also, even though Vavuniya went to the Mahakachchikudiya area where her project is being implemented, it was not possible to find that such a project is being implemented, and some of the local residents also said that they do not know about such a business in the area. In this regard, Shanika Udayangani said that the relevant machine is inside the house. In addition to this, an amount of one million and thirty-six thousand rupees has been given to an organization called Wijaya Product, which has an address in the same area, but there is no such business at that address. He is also a relative of Shanika Udayangani. But it was revealed during an inquiry from the local residents that the concerned person had died after receiving this grant.

Apart from this, a grant of several crores of rupees has been given for a project belonging to a former Navy Commander, and it is clear from the above information about the director that a kind of friendship exists between him and the director of this project. It is also said that money has been given to another business run in the Kalutara area, and it also belongs to someone related to the director. Several attempts were made to contact Mr. Rohana Gamage, Director of the Agriculture Sector Modernization and Value Development Project (ASMP), to find out the facts in this regard, but they were unsuccessful.

Actual status of projects

In particular, to explore the real situation of this project, which was implemented through a loan amount of about 61 million dollars, based on the personal information provided by ASMP under the Freedom of Information Act, we randomly selected several areas such as Vavuniya, Anuradhapura, Welimada, Bandarawela, Nuwara Eliya, Madu, Hambantota, Matara, etc. to investigate the projects of about 60 of the selected grantees. This research was based on a summary of the information they provided.

Through this program, over three billion rupees (3,762,976,719.00) have been provided to over 132 entrepreneurs for large-scale projects. Many of those who have been given those grants are people who have already successfully run their businesses in Sri Lanka. In many cases, Rs 20 to 50 million have been given to them as grants. By providing this money, foreign exchange will not be brought to Sri Lanka from those



businesses because those businesses are already doing business successfully. In many cases, were grants given for this with the intention of using these businesses to demonstrate the success of this project? Otherwise, the serious doubt that such a choice was made in order to give grants on behalf of their friends or other politicians' businesses arises when looking into the other projects in between.

The above fact is confirmed by the floating hotel complex (Bologala Floating Resort), built in an abandoned ditch in the Migomuwa Bologala area. The estimated amount for that project is 425 million rupees (425859250), and for that project, ASMP has given an amount of 75 million rupees (75000000) as a grant. But today that project has also been stopped, and only seven and a half crores of people's money given by the World Bank have been wasted. In particular, the information obtained through the Freedom of Information Act revealed that the guarantee of one million rupees to the Bureau of Geology and Mines for the reclamation of the site has also been released due to the initiation of this project. From this project, which was built at a cost of millions of rupees, the only thing left today is a vine and a debt to the country. What does all this tell us about the true status of this project?

We should be humble enough to say that several very successful projects are being carried out under this program. Welimada Ravana Agro Institute, which is a cluster project, is one of those successful projects. The question is whether the success of several projects



in this way will make all the citizens of Sri Lanka debtors, and will it be possible to produce enough to earn this amount of 61 million dollars given by the World Bank?

Projects stalled

In particular, after the project owners related to giving these grants have prepared a project report, the grant holders will be selected after the approval of the board of directors. 60% of the total value of

the project presented by them will be provided by the project, and the other 40% should be borne by the respective grantee. Here, most of the grant holders have obtained the 40% amount they have to pay through bank loans. This investigation also revealed that many of the business owners who have stopped at the moment have been stopped in the middle due to the fact that they have to pay loan installments more than the money they earn from their projects.

In this way, the project started by Mr. Roshan Ranasinghe in Welimada, who received a grant of 16 lakh rupees for a bell pepper plantation, is also one of the projects that have been stopped in this way. Of that, only Rs. 16 lakhs were approved for the project. So far, more than eight lakhs have been taken from it. Even when I received that money, I had used about 50 lakhs to build a greenhouse for my cultivation. The money was borrowed from a bank. I am still paying that debt".

In the conversation we had with him, it was revealed that at the beginning of the project, there were about 50 employees, but now there are only two. It was confirmed during our observation that it is also not functioning properly.

And Mr. Buddhika Manawadu, who is carrying out the Lakindu Green House project, had this idea. Rs. 71 lakhs were approved for the project, of that, approximately 35 lakh (359000) were initially distributed. I also had a 2000-square-foot greenhouse



before receiving aid. I have borrowed Rs. 40 lakhs

from two banks for this project. For that, they pay about \$100,000 in monthly installments.

He said that the price of goods and the use of agrochemicals in greenhouse cultivation have affected the cost of the project, as well as the damage caused to the greenhouse by monkeys. Although he did not get any profit, he is still doing the cultivation work.

Also, during our field inspection, we were able to see many projects that are not being implemented properly, among which Ratnafarm in Welimada Dalukwella is another one. The amount approved for it is about 10 million rupees, of which about 45 lakhs have already been given, said its owner, Mr. Ratnayake. "Despite doing this, there is still no proper income. I have to pay only the premium of about eight thousand rupees for the bank loans taken."

Also, among the information provided during our inquiry under the Freedom of Information Act, an amount of 95 lakhs has been approved for an organization called Thampa Tourist Hotel & Inn (PVT) Ltd. in the Sinnapudukulam area of Vavuniya, and more than 85 lakhs (8550000) have been given for that. In the field investigation, we conducted there, it was revealed that there is no company called Thampa Tourist Hotel & Inn (PVT) Ltd., and in that way, a fund has been given to a company called Thampa Model Farm for the cultivation of pitchfork and related production activities, but that company is also not functioning and unsafe. It was possible to see only a few thousand machines placed in a building.

The above-mentioned are only a few projects that we found. In this way, all the people of the country have become debtors due to not using the money given to many people as grants with interest from the World Bank for projects.

Reasons for failure

In particular, successful and unsuccessful grantees revealed a number of reasons that contributed to the failure of many projects, one of which was providing grants to farmers or producers to produce products that were not competitively suited to the market. Also, many farmers and producers stopped their businesses because of the loss due to the lack of a market to sell the required products.

Also, in the absence of a proper investigation by the government, many of the grantees are planting and producing only to show off the project rather than trying to increase the yield, as revealed in the investigation.



monitoring activities in this regard. We also asked the representatives of the World Bank's Sri Lanka office about how the World Bank handled this project, and the World Bank said that even if the World Bank lends money to a project in a country, the project is implemented by the government of that country.

" The World Bank is constantly providing the necessary support to implement the project. In carrying out the support operations, the World Bank also meets and conducts discussions with other stakeholders, such as the project management departments, the beneficiaries of the project, and the Ministry of Finance.

Comments from the authorities

In this regard, when asked by the Secretary of the Ministry of Plantations, Mr. Janaka Dharmakiriti, he said that if an investigation is conducted and it is confirmed that there are any irregularities in this project, appropriate action will be taken in this regard.

"If the projects are not carried out in a proper manner, there should be an investigation, and they should be recovered. We should find out whether any agreement has been signed with these people. And a specific fraud has been committed. An investigation is currently underway at the Presidential Secretariat. "

"Also, there are only 10 to 11 million rupees left from this loan. It is not being repaid. There are still people who have to give the remaining parts of those who gave," said Mr. Janaka Dharmakiriti further.

According to the World Bank, the government selects the beneficiaries through an extensive selection process, and the beneficiaries were selected by a board of directors after finding out whether the projects meet the goals of the loan principal and the environmental and social security conditions of the World Bank.



Also, when providing foreign loans or aid to a country, the institution that provides them should also carry them out further. investigations and

" We, as the World Bank, monitor these projects



not be credited to the account of the Government of Sri Lanka. But if that money is not paid for the project, it is a crime."

Debt burdening the country

The World Bank selected the projects by taking into account the economic benefits, new export goods produced, and job opportunities created by them. However, in our investigation regarding this project, it has been found that many of the projects are unable to fulfil such tasks and maintain the project properly.

According to the World Bank, another objective of this project is to get a benefit of two rupees for the government in addition to every rupee that the government invests in these projects. This means that for every rupee invested by the public's tax money, two rupees are received from the development.

However, taking into consideration the overall situation of this project through all these issues, one thing that is clearly visible is that this project has worked to increase the debt burden of the country and the individual debt burden of all the citizens by misleading even the World Bank. Therefore, it is the responsibility and duty of a government that is accountable to the people to carry out a proper investigation, which is not limited to another investigation, and to enforce the law against all responsible officials.

every six months to find out if the development goals of the loan are being reached."

It was revealed that the World Bank did not contribute at all to the selection of the beneficiaries, but it was done by a board of directors of the project, and it also supervised the implementation of the project from time to time.

The qualifications that the beneficiaries should have under this loan agreement with Sri Lanka have been mentioned. We were given a list of beneficiaries at the beginning of the project. Looking at it, there was no problem. But in some cases, we may have made notes on it and given our suggestions."

The representatives of the World Bank emphasized that the project should be implemented in accordance with the main agreements of the loan. However, according to the above, a serious question arises as a result of the suggestions. The project has been implemented in good faith.

Also, the timeframe of this project, which was supposed to be completed last year, has been extended based on a request from the Sri Lankan government. This project has been extended for 18 months. The government has asked for another 18-month extension. The World Bank often agrees to that request. After that, there will be no extension. These extensions were approved keeping in mind the COVID disaster and the collapse of the economy.

The World Bank will not give all the money at once. Unutilized money from the loan amount will

'Mattala Airport' - Feasibility study Construction and Operations 58,136 million loss in ten years

R. Ram

The delay in the construction and commencement of operations at Mahinda Rajapaksa International Airport, the second-largest international airport in the country, continues.

"A proper feasibility study was not done before starting the construction of the Mahinda Rajapaksa International Airport in 2009," said a former Sri Lanka Civil Aviation official.

"The government led by President Mahinda Rajapaksa did not conduct a proper feasibility study and investment analysis for the airport as was done during the construction of Hambantota Port." The official added

At the same time, the Airports and Aviation Services (Sri Lanka) (Pvt) Company, which responded to an inquiry regarding the study and report prepared for the construction of the Mahinda Rajapaksa International Airport in an application made under the Right to Information Act, said, "It is the Department Engineers of the Internal Airport and Aviation Structures "Made by".

However, the Airports and Aviation Services (Sri Lanka) (Private) Company is not ready to provide or publicise the feasibility study report carried out by its departmental engineers.

Meanwhile, "If a proper feasibility study was done before the construction of the Mahinda Rajapaksa International Airport, the airport would not be in this situation," said University of Singapore non-resident researcher Professor Sulani Athanayake.

Also, she pointed out the possibility of setbacks, including "dangerous conditions caused by wild

animal migration, a lack of coordination with airlines, facing local and geopolitical issues, and a lack of a long-term plan for revenue generation".

Meanwhile, "Between 1971 and 2006, Sri Lanka evaluated nine sites in various regions for the establishment of an alternative international airport. However, there is no evidence of proper comparison with already identified sites or international standards in the selection of the site for Mattala International Airport," Dr. Sulani Athanayake pointed out in the conclusion of her research paper titled 'Mattala: Attracting Business to an Isolated Airport.

Meanwhile, the contract for the construction of the Mattala Mahinda Rajapaksa International Airport has been given directly to the 'China Harbor Engineering Cooperative Company Limited' without asking for a questionnaire. Both sides have said that the reason is the long-term bilateral relations between the Chinese and Sri Lankan governments.

The company is responsible for all aspects, including engineering design, engineer's plan, runway construction, sewage systems, passenger terminal, control room, package security building, fire and rescue facility, guidance and landing aids, water supply, electricity, and waste disposal. Contracts were also issued for carrying out telecommunication, and ground maintenance works.

It was seen that the total expected cost for the construction of the airport was 209 million US dollars. The cost to complete the construction work increased by US\$ 243.7 million. Thus, the cost of the project was \$34.7 million, or 16.6% higher than the

expected cost.

Of the amount expected to be spent to complete the construction, US\$ 190 million was secured under the loan assistance of China Exim Bank, and the remaining US\$ 19 million was decided to be obtained through local funds.

At the same time, in response to a query regarding the amount requested under the Right to Information Act, the Airports and Aviation Services (Sri Lanka) (Private) Company stated that it was expected to provide a loan amount of US\$ 190 million from Exim Bank of China, but the bank did not provide it. Only 189.8 million US dollars were given.

It is also noteworthy that the Exim Bank of China has imposed a condition that the loan amount

be paid in instalments within 15 years from the year 2015 with an interest rate of 25% after the end of the 5-year grace period.

Also, the complete cost of the airport construction contract was US\$243.7 million, which required US\$53.7 million of domestic funding. That's \$34.7 million, or 182% more than the domestic funds initially expected to be spent.

However, it has not shown any evidence regarding the mechanisms received through local funding. These facts have been pointed out in a special report carried out by the Auditor General's Department entitled 'Selection of Mattala as Sri Lanka's alternative international airport and its Operations'.

Costs at Mattala Airport (Rs.)

Year	Employee benefits	Electricity	Water	Employee transportation	Total
2013	329,879,733	40,575,111	7,785,664	-	378,240,540
2014	550,917,408	144,661,652	11,309,701	-	706,888,761
2015	609,462,234	99,296,600	8,950,628	38,444,068.91	756,153,531
2016	573,639,695	94,850,239	12,302,743	16,426,953.86	697,219,631
2017	762,736,373	95,951,813	11,219,243	13,088,511.20	882,995,940
2018	714,691,811	86,076,721	8,575,481	13,446,238.00	822,790,251
2019	721,995,387	81,428,534	8,428,183	13,909,957.00	825,762,061
2020	679,359,246	81,871,722	9,728,542	21,254,435.10	792,213,945
2021	876,696,213	97,162,163	11,426,917	20,843,772.98	1,006,129,066
2022	1,069,266,849	87,021,106	13,765,349	31,935,732.40	1,201,989,036
Total	6,888,644,949	908,895,661	103,492,451	169,349,669.45	8,070,382,730

At the same time, Mr. Sumudu Upatissa, who was the Head of Revenue Management, Planning, and Commercial Division of SriLankan Airlines at that time, said that no feasibility study was conducted by the relevant authorities regarding the commencement of operations of SriLankan Airlines at Mattala International Airport.

In this matter, a presidential commission was appointed by former President Maithripala Sirisena on January 31, 2018, to investigate the irregularities that occurred at Sri Lankan Airlines, Sri Lankan Catering, and Mihin Lanka.

A Feasibility Study of the committee headed by retired High Court Judge Anil Gunaratne, consisting of Judges Kamini Rohan Amarasekara, Piyasena

Ranasinghe, retired Deputy Auditor General Don Anthony Herold, and Sri Lanka Accounts and Auditing Standards Supervisory Board Director General Wasantha Keeganaka, who would like to identify themselves in the final report, A member of the commission, who declined to be identified, confirmed that it did not happen.

The report states that 'Sri Lankan Airlines flights have been decided to operate through Mattala without any feasibility study. On February 14, 2013, SriLankan Airlines Chairman Nishantha Wickramasinghe and Chief Marketing Officer J.T. Although this decision was taken in a discussion held at Araliya Gaha Mandiraya, which was attended by Jayaseelan, the CEO and management of Sri Lankan Airlines was not happy with it.

Mr. Selvarasa Ravindran, Senior Lecturer (Planning) of the University of Jaffna, pointed out that cost and financial sustainability, market analysis, technical and operational considerations, socio-economic impacts, and risk assessment can be effectively managed by conducting a feasibility study in a transparent manner.

Accordingly, he explains the five points as follows.

First, the study helps to assess the financial feasibility of constructing an airport by estimating the cost of planning, construction, operation, and maintenance through the issues of cost-effectiveness and financial sustainability. Based on this, potential revenue streams such as passenger fees, airfares, and commercial activities within the airport can be analysed. This information helps determine whether the project is financially viable and sustainable in the long run.

Second, market demand for an airport can be ascertained through market analysis by examining factors such as passenger traffic, flight preferences, travel trends, and economic indicators. It helps identify whether there is enough demand to start airport operations and whether it can attract airlines and passengers. This analysis also helps in determining the size, facilities, and services of the airport required to effectively meet market needs.

Third, the technical feasibility of constructing an airport can be assessed by examining factors such as land availability, topography, environmental impact, infrastructure requirements, and accessibility in terms of technical and operational considerations. It includes air traffic control, runway capacity, terminal facilities, and logistics; It also evaluates operational aspects including handling, security measures, and emergency

services. This ensures that the airport operates efficiently and complies with regulatory standards.

Fourth, in terms of socioeconomic impact, the airport examines the socioeconomic benefits that can be brought to the region. It assesses the impact on employment, tourism, trade, investment, and overall economic growth. Also, it helps stakeholders understand the positive and negative impacts of constructing an airport.

Fifth, risk assessment helps identify potential risks and challenges associated with the construction and operation of an airport. This includes analysing factors such as regulatory requirements, political stability, construction risks, market uncertainties, and competition. This risk assessment guides stakeholders to understand potential barriers and develop strategies to mitigate them.

In 1994, under the Hambantota City Development Project, an international port and an international airport were planned to be built in order to give priority to the southern province and economic development, as revolutions and acts of violence against the then-existing government arose due to various reasons such as unemployment and the economic background of the youth in the southern province.

In addition, the airport to be built there will play a key role in the development of the Hambantota area and capture market share in the development of air operations in the region, develop Hambantota as an air and sea exchange hub with the port, and play a key role in the development of the eastern and southern coasts. Its objectives were to act as a facilitating centre to create economic and investment opportunities for Sri Lanka.

The cost incurred in selecting a location for an alternate airport
(before selecting the floor)

Area Cost Details: Costs

Koggala

100,000.00 for land surveying to prepare basic operations

Higurangoda

3,608,355.00 for land surveying to prepare basic operations

3,274,000.00 Construction of an access road to the Kuka Oya work site

Kuda Oya's other works: 479,572.00

Weerawila

Geological Survey, Land Survey, Temporary Office Buildings, Preparation of Access Roads, Preliminary Land Acquisition, Foundation Stone Laying Ceremony, Travel of Officials, Accommodation, and Other Expenses 44,976,861.00

Total 52,438,788.00

Accordingly, in selecting a suitable area for an alternative international airport, various locations, including Palali, Kogkala, Higurangoda, Kudaoya, and Weerawila, were identified, and the governments at that time spent 52,438,788 rupees for activities up to preliminary surveys, the preparation of reports, measurement work, and the foundation stone laying ceremony.

The reasons for the abandonment of Kankasanthure (1971–1972) and Koggala (1994–2004) in particular have not been disclosed. A feasibility report has been prepared for the Trincomalee (1986) and Palali (2003–2012) areas only.

Mathugama (2001) and Bandagiriya (2003) were abandoned due to environmental and archaeological problems.

Areas such as Higurangoda (1992–2003) and Kudaoya (2003) were not further explored due to a lack of funding from the government, and Weerawila

(2006) was selected to facilitate development with the Hambantota port to acquire land for the construction of the airport. Because of the ease of taking

But after the opposition of local residents, the first phase of the construction of this airport was started on November 27, 2009, in Mattala, a small town located 15 kilometres north of Hambantota.

The 2000-hectare Mattala Airport project consists of 800 hectares of land for direct construction and 1200 hectares of land for environmental and infrastructure purposes.

Also in March 2013, Mattala International Airport was awarded a certificate of compliance and an aeronautical certificate, and the airport was opened for operations on March 18, 2013, by then-President Mahinda Rajapaksa.

Sri Lankan Airlines flight U340 from Dubai was the first commercial flight to arrive at Mattala that day, followed by Dubai Airlines carrying passengers from Dubai and an Air Arabia flight from Sharjah.

An amount of Rs. 210,088,015 and Rs. 54,231,197 was spent in the years 2013 and 2014, respectively, to enhance the operations of the Mattala International Airport to improve passenger and air cargo transportation and thereby increase revenue.

Steps were taken to increase air traffic at Mattala Airport: Expenditure incurred

Strategy	Activities	Expenditure for the year 2013	Expenditure for the year 2014
Incentives for preferred airlines	Meetings	1,500,000.00	-
International Development	International Digital Media Promotion Activities		67,058,224
		1,468,972	
	Print media advertising	4,753,886	36,240,032
	Local media		
	Local digital media advertising activities		81,145,663
		2,522,193	
	Activities to promote Mattala International Airport	-	6,300,000
	Large advertising banners	47,000,000	-
	Social media		
	Website development and Facebook content creation	4,315,111	-
	Website Development, Facebook Social Network, Sports Social Media		
	Page development, design, social media maintenance, website maintenance and services	2,800,000	-

Master logo design and artwork	11,515,111	-
Mattala Airport Name Development		
Advertising Campaign		
-	4,100,000	
Printing stationery	-	3,600,000
Total	210,088,015	54,231,197

However, since 2015, maintenance costs have started to rise dramatically as expected costs have fallen by more than 80 percent year-on-year, according to the feasibility study report. This eventually led to a critical situation.

According to the audit report, the operating cost of the airport in 2021 was 2.02 billion rupees, which is 21 times more than the operating income.

The net profit after tax for the year under review was Rs 4.44 billion, and the net profit after tax for 2017 to 2021 was Rs 20.59 billion.

Although Mattala Airport has a projected annual passenger capacity of around one million, the total number of passengers in the last five years was only 91,747, and the total number of flights in the last five years was 2,396.

Also, the audit report observes that 36,564 million rupees, equal to 247.7 million US dollars, spent for the construction of the airport have not been effectively utilised.

Also, 109,484,835 rupees, 172,403,390 rupees, and 1,707,926,794 rupees were paid from the treasury from 2010 to 2015 for interest management fees and liability fees for the loan of 189.8 million dollars obtained from the Chinese Exim Bank.

Apart from this, instalment payments of the loan have started since September 2015, and the first instalment of US\$ 8.4 million has been paid by the Airports and Aviation Services (Sri Lanka) (Private) Company.

Financial losses at Mattala Airport

Year	Revenue (million)	Expense (million)	Loss (million)
2013	48.01	3,348.62	3,300.61
2014	136.10	3,234.78	3,098.69
2015	71.10	5,527.85	5,456.75
2016	48.08	3,947.04	3,898.97
2017	77.27	3,467.36	3,390.09
2018	22.54	7,103.85	7,081.32
2019	16.21	2,738.78	2,722.56
2020	42.59	3,741.18	3,698.58
2021	93.47	4,504.27	4,410.80
2022	78.00	21,156.15	21,078.15
Total	633.36	58,769.88	58,136.52

The Auditor General has pointed out that the current revenue generated by Mattala Airport is not sufficient to cover its operating expenses, which has caused enormous economic problems for the Airports and Aviation Services (Sri Lanka) (Private) Company Limited.

According to the information obtained through the Right to Information Act, the Mattala International

Airport has received an income of 633.36 million rupees (633,364,859.00) and an amount of 58,769.88 million rupees (58,769,883,088.00) has been spent as the airport's expenditure.

In such a situation, after 2015, the government has given permission for the use of the cargo areas of the airport by the Rice Marketing Board. After that, Mattala International Airport became a warehouse.

Meanwhile, due to the location of this airport in an area inhabited by elephants, it was not possible to control their traffic at night. In 2016, security personnel, police, and 300 volunteers were deployed to drive wild animals from the airport. However, this scheme could not be implemented successfully.

The Ministry of Tourism had initiated a five-year development plan to make Mattala International Airport a more attractive tourist destination. Mattala International Airport is planned to handle ten lakh passengers and 45,000 metric tons of cargo per year.

Through this five-year plan prepared by the Airports and Aviation Services (Sri Lanka) (Private) Company under the theme 'Attractive Destination', Mattala International Airport was expected to become an active airport on par with Katunayake Bandaranaike International Airport by 2025. But until today, a situation has arisen where the airport cannot be operated as a way of generating income.

Number of passengers and flights arrived

Year	Number of Passengers	Number of flights
2013	36,137	760
2014	40,386	1,492
2015	6,291	522
2016	6,207	659
2017	22,972	709
2018	3,403	355
2019	1,403	393
2020	17,544	250
2021:	32,957	361
2022	11,667	132
Total	178,967	5,633

Here, as an investment for the future development of the country's alternative international airport, for further development, follow the strategic methods of the strategic financial marketing plans prepared for the airport and review their results, establish public transport facilities that contribute to increasing aviation services, Other strategies such as expediting the construction of highways, infrastructure development, setting up factories, developing the international airport as a better economic hub, and providing accommodation for tourists should be implemented as an urgent and imperative matter.

Norochcholai Coal Power Plant Project – has Sri Lanka fallen into the trap?

V. Priyadharshan

Norochcholai Coal Power Plant Project, known as Lakvijaya Power Station, which was constructed with an intention meet to the requirement of electricity supply to the whole island appears to be a trap set by China to place the country in incessant trouble.

Besides, this has been impactful in the current increase of electricity tariffs in Sri Lanka. Frequent breakdown of Power Plant shall not help meet the requirement of electricity supply, and this Power Plant Project has been posing severe threat to the natural resources, health and wellbeing of the local residents as well as the environment surrounding it.

It is apparent that this is a long-term social and environmental problem. Foreign Countries tend to execute such projects in Sri Lanka in order to attain their ulterior motives. Also, information obtained from Right to Information Act (RTA) reveals that this project has pushed Sri Lanka into an irrecoverable debt trap. Many development projects carried out under Foreign Credit lines are done through Chinese credit lines.

Norochcholai Coal Power Plant is located in a 95-hectare land, on the seashore, 100 metres away from Palali-Kalpitiya Main Road in Puttalam District.

Norochcholai Coal Power Plant is a venture carried out by Ceylon Electricity Board (CEB) with the aid of Export-Import Bank of China.

Norochcholai Coal Power Plant is the largest Power Plant in Sri Lanka to operate in Coal, and is perhaps the largest Power Plant in the island.

Ceylon Electricity Board (CEB) obtained a credit line of 1346 US dollars from Exim Bank of China

in order for the construction of Norochcholai Coal Power Plant. The responsibility of returning this line of credit has been borne by the Treasury instead of Ceylon Electricity Board (CEB). That is to say, this Power Plant Project in Norochcholai has further been an overburden to the Treasury.

Moreover, Ceylon Electricity Board (CEB) is facing a loss of 516 billion rupees. Currently, Ceylon Electricity Board (CEB) is facing a financial deficit as a result of not reforming the electricity tariffs from time to time in a manner that would recover the cost of electricity supply.

China Machinery Engineering Corporation (CMEC) has been the major collaborator throughout the construction of this project. The construction of the Power Plant was also done by indulging Chinese workmen, equipment and its raw materials.

The whole project of Norochcholai Coal Power Plant comprised of constructing three Power Plants that would generate 900MW electricity.

It was an argument laid by a party as a sense of justification that, when considered in Sri Lanka, coal-fired power stations are more economical than hydroelectric power stations.

As per the information received from the Right to Information Act (RTA), it was verified that Ceylon Electricity Board (CEB) purchased coals for 38,823.24 Mn in 2018, 46,565.53 Mn in 2019, 42,804.88 Mn in 2020, 47,310.88 Mn in 2021 and 135,125.74 Mn in 2022 respectively.

Thus, the money spent on coal purchases shows an increasing trend every year. It is doubtless that

there shall be a wide disparity between the electricity generated as well as the money expended on it. People have started realizing that its stance has now also resulted in the increase of electricity tariffs.

According to the Consumption Loan Agreement signed between Sri Lanka and Exim Bank of China, it was mentioned that loan term is 15 years, and to be paid in two installments per year.

Although it is claimed that this Power Plant fulfills the requirement of electric supply by 50%, its frequent technical errors and production costs are unbearable to the government, and has been troublesome so far.

When considered from 2018 to 2022, the loss resulted from this Power Plant outweighs the profit reaped. As such, it is evident that there shall no benefit that could be reaped in future from this power plant.

This Power Plant is regarded by many as a white elephant gifted by China which is derelict, unmaintainable and does not fit in with the economic framework of Sri Lanka.

Effluents discharged from the Power Plant surpasses the acceptable standard. Furthermore, frequent breakdowns, intermittent functions, storing the dusts in open pits unexpectedly are few of such problems.

During its initial days, although Power Plant functioned smoothly, it was normal that its generators fell into disrepair. As a result, engineers from China have to be brought in for the repairs to be conducted. It is certain that such Development Projects carried out under foreign credit lines that cause excessive expenditure of money could lead the country on to further destruction.

It is the aim of politicians and their acquaintances to fill in their pockets under the guise of Development Projects through foreign credit lines. It is a fact that rulers do not execute any plans for the welfare of the country or the welfare of the people.

Accordingly, Right to Information Act (RTA) states that Norochcholai Power Plant has fallen into disrepair for about 15 times in 2021, and 6 times in 2022. There is also an apprehension that prevails as to what kind of repercussions will this cause over time.

It is revealed through Right to Information Act (RTA) that there are about 910 employees working in Norachcholai Coal Power Plant and they are all skilled, Sri Lankan Labours.

As a result, Norochcholai Coal Power Plant has been fallen into disrepair for about 15 times in 2021.

It was asked through the Right to Information Act (RTA) from the Ceylon Electricity Board (CEB) as to how and where the money expended on this repair was obtained from, no information was provided on behalf. Despite, it broke down 6 times in 2022 and the details of the expenditure on it has been provided by the Ceylon Electricity Board (CEB) through the Right to Information Act (RTA).

The details of it have been given below in the table.

With such a backdrop, electricity generated from Norochcholai Power plant has not found to be satisfactory. Because projects such as Norochcholai that are carried out under foreign credit lines are regarded as subtle plans to trap Sri Lanka in debt traps.

It is highly doubtful that Norochcholai Power Plant, known as Lakvijaya Power Station, generates a considerable proportion of electricity in Sri Lanka's total generation of electricity.

In addition, toxic gases, acids and coal dusts emitted and generated from this power plant pose a significant threat to the people living in the surrounding.

Environmentalists have been forewarning consistently about the threat this power plant poses to the environment.

In terms of the statement made by environmentalists, trees nearby the Power Plant have already begun to show signs of damage. Emission of gases have been severely impactful such that leaves of lofty trees have turned yellow. There have also been notable changes observed in fruits of the trees as well.

Acidity in sea also spreads due to this. Thus, it is warned that construction of such harmful Coal Power Plants again in Sri Lanka in future would pose a threat to the ecosystem of the surrounding area.

As Power Plant produces substantial amount of solid wastes, heat wastes and hot water, air, water and ecosystem are all polluted. This results in a long-term environmental impacts.

Emissions produced from Lakvijaya Coal Power Plant has made considerable adverse impacts on the environment as well as the local population living in the surrounding area.

Source of power used in Lakvijaya Power Station is the Coal. This resource is scarce. Depletion of coals is a global phenomenon. This is felt by all countries that rely on fossil fuels for their energy needs.

Power Plant uses seawater on various purposes

such as boiler water, condenser and cooling water. Rate of high water discharge could pave way to destruction of marine organisms, microorganisms, eggs and reproduction of marine animals and lives.

According to the local residents, fishermen and marine researchers, marine life, especially sea turtles, are not found near the area surrounding the Power Plant. Out of a total of seven species of sea turtles, five species breed on the beaches of the Puttalam-Kalpitiya Coastal Area, local residents said.

Dusts and other emissions generated during the operation of Norochcholai Power Plant has become a pressing problem. Dumping of dusts in open sites have become a matter of concern. As a dust particle contained in it is smaller than 10 microns, it is easily carried over by the wind and pollutes agricultural lands, houses of local people, water bodies causing various diseases.

It is said that although in 2015 the first Environmental Protection License was issued for the Lakvijaya Power Station by the Environmental Authority of the North Western Province, there was no intervention of Central Environmental Authority. Despite an application being submitted by the power plant to the Provincial Environmental Authority on 14th June 2017 to renew the Environmental Protection License for year 2017/2018, it was not issued until 10th of May 2018. It was mentioned in the Report of Auditor General's Department released on 29th of March 2019 that in order to fulfill the purpose of issuing Environmental Protection License, due to the inefficiency of other responsible organizations, the Provincial Environmental Authority did not pay enough attention to the operation of the Power Plant and there were adverse environmental impacts.

Local residents have expressed concern that many children and adults who live in the close vicinity have developed skin diseases, and this was initially denied by the authorities.

Many people who live in the close vicinity of the Power Plant have been afflicted with cancer. Many children have also developed skin rashes and blisters on their skin. The bitter truth is that not even newly born babies are secured from this. Children and elders in the region are more prone to respiratory diseases like Asthma. Local residents are dreadful that inhaling coal dusts can cause Bronchitis, Pneumonia, Asthma, Emphysema and other heart related diseases.

Meanwhile, local residents also raise concern that they struggle in order to obtain drinking water,

and they are forced to pay for it. Ground water is also yellowish. Specifically, people living in areas such as Karamba, near the power plant are seen similar to the people of Somalia.

When the construction of Norochcholai Coal Power Plant began, many protests were led by the local residents based on three main issues: loss of land, environmental pollution and health issues.

The ruling class which did not pay heed on the voices of the people, started the construction works on Norochcholai Power Plant. Currently, not only it is that the region faces significant environmental and health problems due to this Power Plant, the country has also fallen into a debt trap.

It has raised deep concerns that the Government had gone unheeded on the prescient warnings of threats to marine resources, ecosystem and humanity as a whole, posed by Norochcholai Power Plant. Measures to erect a similar Coal Power Plant in Sampur were initiated, and were abandoned later on due to the persistent pressure of local residents as well as the media.

China has invested in several Coal Power Plant Projects as a part of "One Belt One Road" initiative in countries including Pakistan, Indonesia, Bangladesh, Serbia, Kenya and Zimbabwe. Sri Lanka's Norochcholai Coal Power Plant Project is also one among them.

The Coal Power Plant, like other projects, is built with Chinese investments in Sri Lanka, has turned out to be burdensome and contentious. Ever since the erection of this Power Plant, concerns have been raised regarding its technical operations and cyclical impacts. While this is not at all beneficial to the country, Government documents verify the fact that Sri Lanka has fallen into a huge debt trap that is littered with corruption through this project.

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