



**EMBASSY OF SRI LANKA
COUNTRY INFORMATION UPDATE
JANUARY 08, 2010**

WASHINGTON – Sri Lankans are preparing for a nationwide presidential election vote Tuesday, Jan. 26. The two main candidates, incumbent president Mahinda Rajapaksa, Sarath Fonseka, a retired general and the former Army Chief and 20 other candidates have garnered national and international interest.

Foreign election observers now in Sri Lanka said recently that they would monitor the presidential elections in all districts, including the North and East, where the LTTE terrorist group was defeated in May.

Forty election monitors of the Association of Asian Elections Authorities (AAEA) told reporters that they would try to observe the polling booths and counting centers that are most vulnerable to violence and vote rigging.

The monitors were invited to observe the presidential vote by Elections Commissioner Dayananda Dissanayake. The monitors said they would deploy their members in every district but due to the distance they would not be able to visit all the polling booths.

Both the ruling alliance and the main opposition made appeals to their supporters to be calm and create a peaceful environment for a free and fair election.

**IMF UPGRADES SRI LANKA'S STATUS TO MIDDLE INCOME
EMERGING MARKET**

Move Reflects Strong Economic Performance in Recent Years

The International Monetary Fund has recognized Sri Lanka as a country

with a 'Middle Income Emerging Market' status, upgrading Sri Lanka from the list of Poverty Reduction and Growth Trust (PRGT) eligible countries.

The new designation is further recognition of Sri Lanka's rapid economic growth following the end of its 25-year-long conflict with the terrorist group LTTE. Since the fighting concluded in May 2009, Sri Lanka's Colombo stock market has posted record returns and its industries - particularly tourism - have rebounded with impressive speed.

The IMF's upgrade in income-level status was made on Jan. 11, 2010. It recognizes Sri Lanka's long-term growth trend and it will allow Sri Lanka to project itself strongly in international financial and capital markets, according to the Central Bank of Sri Lanka.

A country graduates from PRGT only if it has enjoyed income per capita well above the International Development Association (IDA) threshold for a number of years, has the capacity for durable and substantial access to international financial markets and does not face serious short-term vulnerabilities, according to the Central Bank.

The Central Bank also noted that the Executive Board of the IMF has taken into account the following specific factors in considering of Sri Lanka's graduation.

- Strong economic performance in recent years that has substantially lifted Sri Lanka's per capita Gross Domestic Product (GDP) to US dollars 2,014 by 2008, well above the prevailing IDA threshold, and its per capita Gross National Income (GNI) has not been on a declining trend for the last 5 years. The strong growth performance has signaled substantial resilience to shocks, including shocks to oil prices, and to the expiration of the Multi-Fibre Agreement.
- The availability of an IMF Stand-by Arrangement facility as approved in July 2009 to cushion the impact of the global crisis. Further, the economic developments under the program have been stronger than expected, with GDP growth expected to return to almost pre-crisis levels in 2010, while exports have been showing

signs of recovery.

- The country's public external debt being projected to decline gradually over the medium term. Although debt dynamics remain sensitive to currency depreciation and export shocks, the timely implementation of fiscal consolidation, as envisaged in the Stand-by Arrangement program, will be crucial to ensure that the public debt remains on a sustainable path.
- The country's ability to access international capital markets in the past years and its ability to meet the market access criterion. Oversubscription of the recently issued five-year sovereign bond reflected the progress made under the Fund-supported program, and signaled good prospects for continued access to international capital markets.

HIGH SECURITY ZONES OPENED TO RESETTLEMENT, SCHOOLS ARE ALSO OPENED

The Defence Ministry has released the HSZs in Chavakachcheri DS Division, Eluthumadduval and Mirusuvil in the Jaffna peninsula for resettlement. Many civilians were displaced from these areas in 2006 due to their proximity to the Forward Defence Lines (FDL).

In the Kilinochchi District, five schools in Karachchi Division were recently reopened for the first time after the war. The schools were Hindu College, St. Fathima Roman Catholic School, Kanagapuram Maha Vidyalaya, Hindu Junior School and St. Theresa School. The Governor of the Northern Province informed the media that free transportation facilities would be provided for teachers of these five schools to travel from Jaffna and Vavuniya Districts.

On 5 January, 69 out of 299 schools in the Vanni region reopened for the new academic term for the first time since the end of conflict. In Jaffna

District, seven schools reopened and another five will be opened by next month out of a total 112 schools.

GOVERNMENT RELEASES 700 FORMER LTTE CADRES

The government of Sri Lanka last week released more than 700 former LTTE fighters following a rehabilitation program.

President Mahinda Rajapakse, who is touring the northern town of Vavuniya, handed over the ex-combatants to their immediate relatives, Major General Daya Ratnayake, Director General Rehabilitation said. "Out of some 12,000 Tiger combatants who are undergoing vocational training we have identified about 800 who had very minimal involvement with the Tiger movement," he added. He said 713 out of the 800 identified for release were returned to their parents while the others too would be freed soon. Some of the LTTE cadres surrendered to security forces. Others were found among the 290,000 people displaced by the conflict last year. About a third of ex-rebels are being trained in plumbing, masonry, carpentry and electrical work.

U.S. GOVERNMENT LAUNCHES DAIRY PROJECT IN BATTICALOA DISTRICT

Colombo - January 19, 2010: The U.S. Agency for International Development (USAID) signed an agreement with a major farmer society in Batticaloa District that will expand milk production in the East and raise the incomes of 1,200 participating farmers.

USAID, the development agency of the U.S. Government, is partnering with Manmunai West Livestock Breeders Cooperative Society to increase the quantity and improve the quality of milk production in 24 villages. Farmers will receive training and technical assistance to improve milk production. The project will also link farmers to the dairy industry and ensure that local farmers have a consistent buyer for their milk at fair prices.

In July 2009, USAID committed Rs 429 million (\$3.75 million) to work with 4,000 farmers in Batticaloa, Trincomalee and eastern Polonnaruwa districts. The three-year program also includes investment by Land O'Lakes, an American agricultural company, and CIC Agri-Businesses, which together are expanding dairy production as well as developing dairy processing facilities in the region.

Rebecca Cohn, USAID Mission Director said, "USAID is supporting the dairy sector in the East because we see tremendous potential, both to individual farmers and to the national economy. Sri Lanka imports about 80 percent of the milk consumed here, so there is a large domestic market for increased domestic milk production. Farmers who produce high quality milk need to be connected with the milk processors so they can sell more milk at higher prices, increasing their incomes and bring more economic activity to their communities."

USAID is supporting a number of public/private partnerships in Sri Lanka. Another USAID partnership with the private sector produces cucumbers for gherkin pickles and seed for paddy in Ampara, Batticaloa, and Monaragala districts. Together, the two programs will work with a total of 8,000 farmers, bringing improved economic benefits to about 40,000 family members. (Source: U.S. Embassy, Colombo)