

OPS cc MASTER

R. PREMADASA, M. P.  
Prime Minister



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 388 / 83

DEMOCRATIC SOCIALIST REPUBLIC  
OF  
SRI LANKA

SUBJECT: Sri Lanka:  
Visit of PM May 1979

PM/S/Conf/83  
March 25, 1983.

My dear Prime Minister,

Thank you very much for the opportunity you have provided me with on my short visit to London to talk to you on so many matters of common concern. I personally value very highly the many opportunities I have had of exchanging views with you, both in London and in other parts of the world at Commonwealth Meetings.

As I mentioned at our discussions today, work on the Victoria Project is going on very smoothly. However, we will be faced with a serious problem of financing the expenditure on Victoria during the next few months, and the purpose of this letter is to seek your kind intervention again in trying to enhance the British contribution to the Victoria Project.

I am certain you would have received reports from all who have seen Victoria recently about the manner in which the project is keeping to schedule. I believe Her Majesty the Queen, herself was very pleased at the manner in which work was proceeding, and the splendid way in which British capital, British materials and British expertise were combining with our own personnel in creating an asset, which would be of lasting benefit to our people.

I recall, particularly your gracious gesture in Lusaka in 1979, when you took the decision to grant £100 million for the Victoria Project. We are extremely grateful to you, and your Government for this act which enabled us to start the Accelerated Mahaweli Programme. We have since the commencement of disbursements been receiving from Britain for the Victoria Project around £ 20 million annually, and I am told that so far we have received about £ 67 million. There are further grants from the balance which we will receive in 1983 and 1984.

While work has been going on very satisfactorily and our schedules have been met, our problem is that due to the world-wide increase in costs, we are facing ourselves, a cost over-run on the total project which is estimated to be in the region of £ 25 million. These payments will fall due before construction is completed which, on the present work schedule, is mid-1984.

We have had discussions at official level with members of your government who have recently visited Sri Lanka, and while the general reaction to further assistance has been favourable, the question of the timing of the assistance has been raised.

Our particular problem is that we do not see the possibility of being able to allocate more funds for Mahaweli from our capital budget, since currently around 33 percent of the capital budget is for the various Mahaweli projects. We adopted this as a conscious policy position when we took office in 1977 owing to the priority importance of building a strong base of irrigation and hydro power, and we have maintained this position in spite of very many pressures.

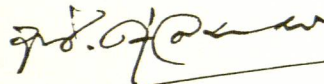
I am sure you will appreciate our present difficulty which is one of liquidity to make the payments falling due before the project is completed in mid-1984. The last alternative, and one which we do not want to take is that of slowing down work at Victoria. With the momentum that has already been created, this would be, in many ways, a grievous blow. Moreover, since our people have been anxiously awaiting the completion of the first of the projects - Victoria, it would, to some extent, affect our credibility as a Government.

Victoria will be a lasting monument to British interest in Sri Lanka. It is a show-piece which will testify to the skill, the perseverance and the dedication of the many British personnel who have taken part in its construction. I am therefore requesting you to come to our assistance once more.

I am attaching to this letter a pictorial record which would give you some idea of the progress that has been made at Victoria since work commenced. I am confident, that with your personal intervention, our objective of completing the project on schedule, will be achieved.

With all good wishes,

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'M. Thatcher', written over a horizontal line.

The Rt Hon Margaret Thatcher, M. P.  
Prime Minister  
Britain.