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Rising from the Ashes – The Central Bank’s Remarkable Recovery from the Terrorist Attack

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The Day of Deadly Attack

It was 31 January 1996, a Wednesday. With the dawn of this business day, the Central Bank of Sri Lanka (CBSL), the intellectual power house and the heart of the financial sector of the economy, was awaking to another busy day of hard work to provide a stable economic environment and professional guidance for the nation to strive for prosperity.

As the day was growing, all departments of the Bank with specific responsibilities were warming up for the day: to execute international payments and settlements, to provide liquidity to the economy through the banking system, to raise required funds for the government Treasury, to monitor and supervise banks and other registered financial institutions to ensure financial system stability, to conduct the monetary policy to maintain price stability, to provide economic advice to the government for better economic management, to collect data and information and to attend to other services demanded by the nation from the Bank. As usual, people were flocking to the cash



counters with busy cashiers to meet their needs with respect to cash and payments. Commercial banks were busy with both withdrawing and depositing cash to match their liquidity requirements to cater to the needs of the economy. The entire financial sector was gearing up for yet another day with the pulses of the Central Bank operations providing life and strength to the entire economic system.

The day was still young, and every pulse of the Bank was moving with its usual busy rhythm when suddenly it was disturbed with sounds of firing bullets around the CBSL premises. Some of those inside the building, without knowing exactly what was happening, were peeping through the windows with curiosity. Those who were outside the building were terrified with what they were observing. LTTE terrorists were trying to enter the Bank premises with a lorry laden with a huge load of explosives to destroy the heart of the country's financial system with the aim to paralyse the whole economy. Fortunately, they were not successful in entering the lorry to the Bank premises, thanks to the barriers constructed during late Dr. H N S Karunatilaka's Governorship. Had they been successful, the story would have been a horribly different one, perhaps written by another writer. To the horror of all, the deadly bomb exploded outside the Bank premises around 10.50 in the morning with a trembling thunder that shocked the entire Fort area.



Rescuing the Affected

The shock was felt in a radius of many miles. A dead silence prevailed for a moment, as all were numb with the shock. Then, those who panicked with the shock and feared that more severe disasters were imminent started screaming. However, those who were courageous and able to manage themselves to face the situation guided the frightened colleagues to the rear exit doors and attended to take the wounded to hospitals soon. A stream of people with cuts, wounds, and blood stains was seen climbing down through the emergency exits to move to safety, fearing that the whole building would be caught in fire, explode, and collapse soon. Despite an imminent danger to their lives, there were many brave sons and daughters of the Bank who dared to go into the building to search, if any of their colleagues or visitors were trapped in and to help them out safely. The Governor of the Central Bank at the time of the incident, Mr. A S Jayawardane, in an interview with the writer, remembered those brave officers with gratitude and commended that “they did everything possible to rescue the affected including their colleagues, and by the time the rescuers came from outside, most of the affected had been removed to safety and sent to hospitals”.

It is worth mentioning that there was no central coordination of the rescue operation, and everyone who felt the need of their service offered it in whatever way they could. Some officers were seen driving bank vehicles loaded with affected colleagues rushing them to hospitals. Since all the entry and exit gates at the ground level were blocked with rubble, the wounded had to be brought through narrow stairways at the back of the building, a difficult task. Some were injured so badly that the rescuers could not even touch them and hence, they were brought down in window curtains, as stretchers were not available at the time. Some of those who are still in the bank cannot even remember how they did it. “It is our inherited spirit that energised us there, nothing else I can think of”, one officer claimed proudly. True, we should be proud of our being able to save our affected colleagues to get medical attention soon, failure of which could have registered a much higher fatality rate.

However, the attack left 41 CBSL officers and several visitors dead, 8 CBSL officers totally blind, 11 CBSL officials partially paralysed, and few hundreds wounded, some badly. The estimated financial cost of the physical destruction was enormous.

They All were Wrong

There is no doubt that the terrorists would have celebrated their victory of destroying the heart of the financial sector and paralysing the entire economic machine to peril the entire nation enabling them to move few extra miles to reach their dreamed kingdom, had their expectations been materialised. In terms of strategic objectives, this attack has parallels with the September 11 terrorist attack on the World Trade Centre in New York, as terrorists, in general, illusively believe that the heart of an economy and its strength lie in physical structures, especially of the financial system, of the economy. The LTTE terrorists at that time had attempted a series of attacks on the key economic centres of our economy, while many more targets were in their planned future attacks. Among all their targets the Central Bank attack could have been considered their master piece, as the Bank has been the power house of the entire economy both in terms of managing the economy in turbulent times in all fronts and assisting the government to mobilise financial resources to finance its projects. Accordingly, the terrorists had many reasons to celebrate their attack, had they achieved their strategic objective.

They would have been assessing: how our nation would be humiliated and condemned by the world for failing to honour international payments and settlements and for defaulting in servicing our foreign debt, how the whole economy would come to a deadly standstill with the collapse of the entire financial system, how the government would run out of money with the collapse of borrowing programmes, how the destruction of the database of the nation’s largest provident fund, Employees’ Provident Fund, would also have created public unrest against the government, and all in all, how the entire Sri Lankan nation would be stranded in chaos in all fronts. Had this happened, the terrorists would have been able to claim their victory. Had anyone expected a similar situation by undermining the strength of our spirit and our resilience to shocks, they all were wrong.

Rising from the Ashes

Sri Lanka is a nation with a hidden spirit that has always surprised others with her resilience and revival in crisis situations. During the pause of dead silence that prevailed after the explosion those hidden spirits invigorated the forces and kept them in motion to rejuvenate the affected heart of the economy. While the brave officers of the CBSL were attending to the immediate task of rescuing affected colleagues and sending them for medical treatment, the place had to be protected from possible further attacks and from opportunists who could attempt to exploit the situation to loot. Accordingly, the whole area was brought under the control of security forces and declared a restricted zone. The immediate business task was to address the public confidence with respect to the operations of the Bank and ensure that financial sector operations were intact. Immediately after attending to the needs of that crucial time, it was decided to resume operation of the Central Bank from the premises of its own Centre for Banking Studies (CBS) at Rajagiriya the very next day, and accordingly, a public announcement was made through media that all financial operations of the Bank would be available to meet the public requirements. The Central Bank officers who were not affected physically were also requested to report for duty the next day at CBS at Rajagiriya.

On Thursday, 01 February 1996, all officers who were not hurt at the previous day bomb attack at the head office flocked at CBS by early morning. They all were prepared with high spirit, enthusiasm, and determination to bring the Bank back on her breath and feet soon and resume operations to make her presence felt to the nation. The spirit of this sense of responsibility and the commitment had even amazed some observers abroad. The Governor, Mr. A S Jayawardena, at a discussion with the writer, at the time of writing, on his experience in the aftermath of the attack quoted a CEO of a foreign bank who paid him a visit of solidarity saying that “I cannot believe that your officers reported for duty the very next day. Had this happened in my country, people would not have even thought of reporting to work for weeks”. “Our strength is that spirit” Governor commended with a high sense of gratitude.

At the special assembly that morning, the Governor, briefed the eagerly waiting workforce about the plans ahead for revival of the Bank, while attending to the needs of the affected ones. Accordingly, the department heads were to arrange task forces with their officers to resume their duties in whatever ways possible. A special task force was formed under the welfare department to look after the welfare of those who were affected and their loved ones, and to attend to funeral arrangements of the deceased. Since the new location had limited space to accommodate all officers, some of the employees were requested to stay at their homes and kept them on standby and to be called to duty at short notice.

According to the priorities at that moment, the international obligations were to be attended to first. Even without prior instructions, officers who were responsible for handling international transactions had come with whatever information accessible to them to resume their work. Some

officers had managed to grab whatever important documents they were working with at the time of explosion when they left the Bank premises for safety after the bomb and such documents were very useful for speedy resumption of work. Institutional memory of the experienced officers was an invaluable wealth of information in making required payment and settlement arrangements. Accordingly, on the very next day of the attack all counterparties in the network of international payments and settlement were contacted. All of them were already aware of the situation and were even prepared to offer whatever possible support for the speedy recovery of the Bank. Some foreign banks offered their support to settle due international obligations that were to be attended to immediately. Some were so generous and caring to write off certain dues in appreciation of the sound and long standing cordial relationships the Sri Lankan nation had established for generations. Governor Jayawardena was proud in saying “we did not default in any of our foreign obligations, which is a verdict to our resilience to adjust to any contingent situation.”

Public Debt management was another area of priority. The weekly Treasury bill auction was disrupted due to the bomb explosion, as it was to be conducted on the same day. The Bank was able to avert any shortage of funds for the government by arranging the auction on the very next day in collaboration with the officers from the Treasury and primary dealers. All other financial transactions with respect to government fiscal operations were resumed with similar arrangements to the credit of the responsible officers with high degree of commitment. Currency operations with commercial banks were started from the Treasury building while public counters were opened with the help of the two state banks. The establishment of the EPF database with physical and electronic records relieved the members of the fund that their life savings were secured. The nation could take a breath of relief that the worst was over.

The timing of the bomb posed another challenge to the Bank. It was the time that all key departments of the bank were geared to the preparation of the comprehensive analytical report with policy prescriptions for economic management, the Central Bank Annual Report, 1995. The entire project had to be revamped from ground zero, as the entire data base and work in progress had been destroyed by the fire that erupted following the bomb. Compared to the usual time period of one year under normal circumstances, the officers had only less than three months to establish the data base and redo the entire report to be submitted to the Minister in charge of the subject of Finance by 30 April 1996, which was a statutory obligation under the Monetary Law Act. Exceptional skills, experience, and indefatigable commitment of the human wealth that the Bank can be proud of, made it by having the report ready on the due date. Notably, one senior officer of the Bank proudly said “it was the best report the Bank had produced ever, as it was prepared with a new and better structure, and more importantly, it was completed with the least facilities at disposal.”

Governor Jayawardane, while appreciating the invaluable contribution of all officers to revive the Bank operations, finally said “it was only the loss of one day’s business and we were able to bring all the functions of the Bank into normalcy in a surprisingly shorter period of time”.

This is a victory that all Sri Lankans and their friends can claim for, as they all were together in their hearts and minds to see the fast recovery. The banking community including fellow central bankers worldwide deserves a bouquet of our appreciation for being with us throughout our recovery process.

Then, Now, and the Way Forward

The expectations of the terrorists in detonating that deadly bomb was to fuel a vicious force to exert complete destruction to the nation. However, the far reaching skillful vision of the Bank was able to see it otherwise; it envisaged the dawn of a new era through the dark tunnel of destruction enabling it to engineer the disastrous situation to fuel a virtuous force that could invigorate the Bank to face the challenges ahead. Accordingly, the recovery of the Bank was not just restoration of its operations to the state before the bomb; it transformed the entire operational structure to suit the new era with increasing globalisation. The destruction was transformed into an opportunity to remove the constraints and rigidities of the existing structure for the required change. Finally, the recovery process gave birth to a new working environment and culture.

Once the CBSL premises was ready after a complete renovation, with a facelift to the ill fated old building and added two new wings, it stood as a modern Central Bank equipped with a conference hall of international standards named to honour the Bank's founding Governor, late Mr. John Exter, complete IT environment with intra and international networks, and a working environment with all types of modern facilities including a fully equipped research library of the modern world, where knowledge commands.



To mark this historic turning point of the Central Bank a statue has been erected to honour not only those courageous sons and daughters of the Bank, who made a noble sacrifice on that day, but also to honour those who laboured through their blood, tears, and sweat to bring her breath back and to help her stand on her feet to serve the nation. The “Weera Samadhi” (the Statue of Courage), stands as the symbol our gratitude.

When modernisation of the physical structure was in the formation, a complete overhaul of the administrative structure also was in progress. The restructuring process that emerged with the revival has culminated in the overall Central Banking operations being structured under five main clusters by now. The management structure was also aligned accordingly with clear demarcation

of responsibilities and execution powers. A comprehensive strategic plan with lucidly articulated vision, mission, and the values that guide the operations and the way forward of the Bank is in place. The progress of the operations with respect to achieving the goals and the effectiveness of the strategies as stipulated in the set goals is under continuous review. The strategic plan is annually reviewed with a five year time horizon to meet the challenges in the changing business environment. A risk management committee conducts continuous evaluations of the risk profile of the Bank and implements mitigating measures following international best practices. The activity based budget plan has streamlined efficient and effective financial management. A business continuity plan is also in place to face any contingent situation to ensure continuation of its operations under any eventuality.

A comprehensive human resource management programme has been established under the Governorship of Mr. Ajith Nivard Cabraal along with the infusion of new blood at all categories of officers. It has been designed to fill the identified human resource gaps and to elevate the human capital stock of the Bank and its quality in line with the expanded scope and increasing sophistication of the operations of the Central Bank’s new business model. The need for continuous training with enhanced knowledge and skills in all fronts and at all levels to meet the challenges in a dynamic business environment is given due attention with required financial resources. The entire operation of the Bank has been repositioned to face the challenges of the new era and to deliver prosperity to the nation that has awakened with renewed expectations by seeing the dawn of lasting peace following complete eradication of terrorist menace. The nation will undoubtedly enjoy the fruits of this transition for generations to come.

All in all, the Central Bank of Sri Lanka, which revived from the deadly terrorist attack and turned the destruction into a foundation for continuous change and progress to suit a new era and face challenges of a dynamic business environment with increasing sophistication stands today with heightend might, influence, and glamour, than ever over the entire Sri Lankan economy. Now, the Bank is geared with a clear vision to serve the vibrant economy emerging in the new era.

Our Legacy

Terrorists attacked the physical structure of the Central Bank of Sri Lanka, but they failed to find and touch her heart of eternal spirit to bounce back with enhanced vigour. Every year on 31 January, all of us in the Bank flock at “Weera Samadi” not to weep, but to honour our lost heroes and also to remind ourselves of the purity of our spirit and the strength of our steel that were tested on that day. It is the day of reawakening to move forward to build a strong economy for the nation to prosper in all fronts.



The remarkable recovery of the Central Bank of Sri Lanka from the deadly terrorist attack proved that rising from the ashes is not confined to the mythical bird, the Phoenix; we can make it a reality, if we have a far reaching vision, courage to transform destruction into an opportunity and a committed team of workers with gratitude to their bread winner.

That is the legacy we are leaving behind for the generations to come.