

Chair's Summary of Meeting of the Board of Directors

20 October 2008

Sri Lanka: Country Partnership Strategy (2009-2011)

1. Directors endorsed the Sri Lanka Country Partnership Strategy (CPS), particularly appreciating the consultative nature of the strategy preparation with stakeholders in the country. Directors supported ADB's approach towards conflict and conflict sensitivity in Sri Lanka. They also noted the fact that the provision for additional staff at the resident mission, to be recruited within 2008, will further improve project implementation in lagging regions and conflict affected areas. Directors also welcomed the focus of the strategy on the poorer provinces in Sri Lanka, including provinces in the south. Some directors supported the neutral and non-political approach taken by ADB in such a politically complex environment, and appreciated the fact that assistance was going both to conflict affected areas and to other regions that remained poor, although for different reasons. One director would have preferred the conflict sensitive approach to be applied to all of ADB's projects within Sri Lanka. Some directors also appreciated the fact that program lending was used sparingly, given the fungibility of resources, while others expressed concern at a planned \$40 million program loan.

2. All directors endorsed the sharper focus of the CPS on fewer sectors, and appreciated the close alignment of the CPS with the Government's 10 Year Development Framework (10YDF). A few directors raised the issue that lowering the government's financial contribution would undermine government ownership. The Board unanimously agreed that the focus of the strategy - strengthening the investment climate by improving the ability of the government to catalyze private sector investment, and socially inclusive development - was highly relevant in the current context of Sri Lanka. Most directors agreed with the approach taken to support the private sector. Sri Lanka's tax system needs reforming to be more business friendly, and one director suggested ADB become more involved in consultations with the private sector to help improve the investment climate. One director emphasized the importance of knowledge transfers from ADB to facilitate the country's economic restructuring and transformation.

3. Most directors agreed with the approach taken in the strategy to improve governance which focuses on realistic and implementable measures. One director would like to see more interventions directly tackling corruption. One director urged ADB to help Sri Lanka to comply with ADB's safeguard policies by improving the country systems.

4. Most directors voiced concern over the current global financial crisis and its impact on Sri Lanka, given its increasing reliance on short-term commercial borrowing and high current account deficit. One director also pointed out that the current credit crunch would make attracting private sector cofinancing increasingly difficult, and that it was regrettable that ADB's internal constraints did not currently allow for an increase in lending levels.