



**SRI LANKA**

**K.N.CHOKSY, Governor**

It gives me much pleasure to address this meeting on behalf of the Government and the People of Sri Lanka. Sri Lanka has been a member of the Asian Development Bank (ADB) since its inception, and has been a fortunate beneficiary of considerable financial assistance from ADB, through its donors, in furthering the country's economic progress in varied fields.

The year 2002 commenced propitiously for Sri Lanka with the visits of President Chino followed by a group of Board members. During the President's visit, we together signed the landmark Poverty Partnership Agreement. I trust President Chino and the Board members left Sri Lanka with a good impression of our people and our country, and with the firm conviction that ADB has done well in investing in Sri Lanka. I congratulate President Chino on his reelection for another term in office. ADB and President Chino have been constant companions since ADB's very inception.

As you are aware, in December last, a new government was installed in office by the people of Sri Lanka, under the premiership of Hon. Ranil Wickremesinghe. Sri Lanka has been affected most unfortunately for the last 20 years by the ongoing conflict in the north and east of the country, with the Liberation Tigers of Tamil Ealam. The new Government made an election pledge that immediate steps would be initiated to endeavor to end this conflict. We have secured the first step in this direction by entering into a cease-fire agreement. Foreign investment and tourism in our country were virtually crippled by the conflict. The cease-fire has dramatically liberated the economic atmosphere and signs of increasing investor's confidence are already visible. The Government is now moving forward to a negotiated constitutional resolution of the issues involved.

I was pleased to find from ADB's *Annual Report 2001* that although the year was one of great challenges and tragedies, including the September 11 incident, it was nevertheless also a landmark year for ADB with \$5.3 billion of loan approvals.

Our new Government's maiden budget was introduced in March. The country suffered negative growth of minus 1.3% for 2001, due to the ongoing internal conflict, the

prolonged drought that affected power generation, the recession in the world economy, and overall economic management. The budget concentrates on basic economic issues. The thrust is to move away from state subsidies, and state financial involvement in utility services and the supply of essential commodities. Deregulation and measures for good governance and transparency are stated in our budget in affirmative terms, and implementation has commenced. Land and labor market reforms are under way.

Our aim is to create a more commercial orientation so that private sector and foreign investment will be attracted to take the lead in increasing production and employment. The state will provide the appropriate legal and regulatory framework. By these measures we anticipate gross domestic product in 2002 to increase from minus 1.3% to plus 3.7%. The budget deficit will be reduced from 10.8% to 8.5%.

It is appropriate for me to mention that we in Sri Lanka have done our best, using our own resources, to lead our people out of the degradation of poverty and to revitalize our economy. We have achieved a measure of success through the well-structured and state-subsidized education system, which has made our country one of the most literate in South Asia. Family planning projects have succeeded in stemming population growth. Nevertheless, we require continued support from international financial institutions, particularly for infrastructure development. ADB has been one of our largest supporters; Sri Lanka has received approximately \$2.8 billion of mainly concessional assistance since 1966.

I appreciate that many countries in Asia and the Pacific encounter similar problems to ours. The concept of ADB and its continued activities have therefore been a great boon to these nations.

I thank the Government of the People's Republic of China, and ADB and its officials for the very appropriate arrangements made for this meeting, which have greatly contributed to the cordiality and better understanding between the delegations of all the participant countries.