



# 39<sup>TH</sup> ANNUAL MEETING

## BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

Hyderabad, India

4–6 May 2006

**GS-35**

### **SRI LANKA**

**Sarath Amunugama**, Temporary Alternate Governor

On behalf of the Sri Lanka delegation, I wish to convey our sincere appreciation to the Government and the people of India for their gracious hospitality. I would also like to thank President Kuroda and his staff for the excellent arrangements that have been made for this meeting. I have no doubt that under our chair's able leadership, our discussions will produce better mutual understanding, and the further fine-tuning of ADB's strategies to promote rapid economic growth and reducing poverty in the region.

ADB has a unique role to play in the Asia and Pacific region. While growth in the regional economy last year attained a robust rate of 7.8%, nevertheless significant ground remains to be covered for the timely attainment of the Millennium Development Goals (MDGs). Sri Lanka therefore welcomes the new approach in ADB's second medium-term strategy (MTS II), aimed at meeting the development challenges facing the region. We also endorse ADB's selection of regional cooperation and integration as one of its key priorities.

ADB has been a strong and continuous supporter of Sri Lanka's development efforts for more than three and half decades. In fact, the amount of assistance given by ADB has increased substantially during the last 3 years. In 2005, while ADB approved loans totaling US\$3.65 billion in South Asian countries, Sri Lanka's share of the approved loans amounted to US\$410 million. I wish to acknowledge the generous response of ADB following the tsunami disaster, by providing US\$157 million for the recovery activities. The value of the portfolio of ADB-funded projects in Sri Lanka has now reached US\$1.8 billion, including US\$215 million in programme loans. I am happy to report that many of these ADB-funded projects, including those related to recovery from the tsunami, have been successfully realized.

For Sri Lanka, 2005 marked a year of encouraging progress in the conduct of fiscal policy and budget management, despite the tsunami shock and the sharp escalation of world oil prices. The budget deficit excluding these externalities declined from 8.2% in 2004 to 7.2% in 2005, providing more resources to other development activities and contributing to overall economic growth. The economic growth rate for 2005 was 6.2%, compared with 5.4% in 2004. The balance of payments improved, with the deficit in the current account declining and being replaced by a large overall surplus. The country's overall debt indicators also improved, with the overall public debt to GDP ratio declining from 104% of GDP in 2004, to 92% at the end of 2005.

Let me now turn to the "Mahinda Chintana" which is the policy statement of the government that assumed office after the November 2005 presidential elections. The policy statement was encapsulated in the 2006 budget, giving greater clarity to the roles of the private and



public sectors in our mixed economy, particularly with regard to the reform of the state-owned enterprises. The budget also emphasizes the need to protect vulnerable groups such as women and children, and to promote rural and small and medium-sized enterprises. It seeks to accelerate infrastructure development to achieve faster and more equitable economic development.

Our medium-term development strategy is focused very much on improving and expanding our infrastructure. It is clear that the development of physical infrastructure is a prerequisite for the attainment of any country's economic goals.

Last May we successfully concluded the Sri Lanka Development Forum. The government presented the medium-term economic framework and poverty reduction strategy to its development partners. The Forum led to pledges of US\$3.3 billion for post-tsunami recovery activities.

May I now turn to the all important question of the peace process in Sri Lanka. Discussions were held last February in Geneva between the representatives of the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE). The Government looks forward to the second round of these talks in the near future. The Government will continue to devote all its energies toward a negotiated political solution within an undivided country.

Sri Lanka holds ADB in high esteem. As Sri Lanka progresses on its path of development, we are confident that it will do so in close dialogue with the President and the staff of the ADB.