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Statement by the Hon. **SARATH AMUNUGAMA**,  
Governor of the Fund and the Bank for **SRI LANKA**



**Statement by the Hon. Dr. Sarath Amunugama,  
Governor of the Fund and the Bank for Sri Lanka**

Mr Chairmen, Fellow Governors, Ladies and Gentlemen

When we met last in Washington we saw signs of recovery in global economic activity. But we were uncertain about the pace of recovery. We were concerned that the recovery may be slow and protracted. Unfortunately, uncertainties on the pace of recovery still remain at the present time. Countercyclical fiscal stimulus packages have raised fiscal and debt vulnerabilities of many countries. Yet unemployment remains unacceptable at high levels. We are concerned that slow recovery and high unemployment may increase pressures for more protectionist policies in advanced countries. Such a development could have adverse consequences on both advanced and emerging market economies.

We welcome initiatives taken by the IMF by way of introducing a new Precautionary Credit Line and reforms to the Flexible Credit Line. Both measures have strengthened crises prevention instruments available to member countries. Making the Financial Sector Assessment Program (FSAP) mandatory for systemically important countries and the IMF-FSB Early Warning Exercise would help identify vulnerabilities early and prevent spill-over effects. We also welcome the World Bank's enhanced financing under zero-interest in the areas of health, education and agriculture to help developing countries.

As regards the forthcoming quota reform we strongly support governance reforms of the IMF in order to enhance the legitimacy and credibility of the IMF through an increase in the voice and representation of emerging market and developing countries (EMDCs). In the 2008 quota reforms, several EMDCs like Sri Lanka agreed to reduce

our share in a spirit of compromise with the expectation of at least a shift of 5 to 6 percentage points from advanced economies to emerging economies. We sincerely hope that the next shift of quotas will not come at the expense of quota shares of the other EMDCs.

Mr Chairman, let me now turn to my own country, Sri Lanka. After the ending of a three decade long war against terrorism, my government under the leadership of His Excellency the President Mahinda Rajapakse, has given the highest priority to building a lasting peace, to healing wounds of war, ensuring economic prosperity and guaranteeing the rights of all our citizens. In order to fulfil these aspirations, we strongly believe that economic development and political reconciliation must go hand in hand.

We believe that for the rebuilding and healing process to succeed we must begin from within. In the words of the Buddha we must be a lamp unto ourselves. Accordingly, a Lessons Learnt and Reconciliation Commission has been established. This independent Commission, comprising eight Sri Lankans of eminence and stature, has already begun its work.

Over 90 per cent of the IDPs have already been resettled in their original villages where landmines have now been cleared. They have been provided the infrastructure necessary to resume normal life. It is fair to say that this effort has been acclaimed by the international community.

The rebuilding of the war torn Eastern and Northern provinces and their integration with the rest of the country has significantly increased the country's growth potential.

Our economy is well on the way to realising the peace dividend. We are experiencing a steady and sustained growth during the last quarter of over eight per cent, moderate inflation and low interest rates. During the last five (5) years, we saw our per capita income doubled. It is our ambition to take this further; to double yet again the present per capita income by 2016.

Recent developments reinforce the growing confidence in Sri Lankan economy and its positive macroeconomic outlook. All International rating agencies have upgraded our sovereign ratings. In terms of Global Competitiveness Indicators published by the World Economic Forum, Sri Lanka has gained 17 places to rank at 62 during the year, which is the second highest improvement by any country during 2009/10. The Colombo Stock Exchange became the best performing market in the world based on performance so far in 2010.

I am also happy to note that Sri Lanka is a leader in realizing the millennium development goals, well in advance of the targets set by the United Nations.

The vision of my government aims at positioning Sri Lanka as a maritime, aviation, energy, knowledge and commercial hub in the region. Developing sound infrastructure at the national, provincial and rural levels is vital for realising our vision. Towards this end, we are focussing on putting in place the necessary public infrastructure and strengthening the enabling policy environment for the private sector to enhance its role.

We have benefited substantially from assistance extended by the IMF, World Bank, Asian Development Bank, UN agencies and several other bilateral donors. It could be said that we are a global model for such productive cooperation. We look forward to continuing these partnerships in the day ahead.

Thank you.