

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **SARATH LEELANANDA BANDARA AMUNUGAMA**,
Governor of the Bank and the Fund for **SRI LANKA**,
at the Joint Annual Discussion

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Chairman, Ladies and Gentlemen,

May I begin by extending my sympathies to all those people and governments which have had to face natural as well as man-made disasters in the recent past. My country too has suffered from both types of ravages and we identify sincerely with those countries in their sorrow.

Mr Chairman, we meet at a time when the world economy is relatively benign. Nevertheless, global imbalances and risks remain. If global growth is to be sustained and imbalances are to be reduced without causing dangerous instability in markets, concerted and co-operative efforts are needed from the global community. A major cause of concern is the high and rising price of oil in international markets. We stress the importance of all players in the petroleum sector, i.e. producers, suppliers and consumers, working together to maintain oil prices at a reasonable level. The Fund too has an important role to play in this regard. We urge that an oil facility to assist low income countries affected by the surge in prices be operationalized soon. This could be in the form of a modification of the CFF.

We believe that the International Monetary Fund and the World Bank both have important roles to play in strengthening and sustaining the world economy. The efforts being made by these institutions to assist low income countries to reach the Millennium Development Goals are extremely important. The Fund's Medium Term Strategy, with its focus on addressing the challenges of globalization, is very welcome. We welcome also the Fund's continued involvement in supporting low-income countries. We encourage the broadening of the recent G-8 initiative on further debt relief for HIPC's to include other low-income countries that are similarly disadvantaged due to debt.

Mr Chairman, let me now speak of my own country. Sri Lanka has graduated from being a low income country, to the lower end of middle income status. We have now reached a per capita income of US\$ 1,040. My country was badly affected by the Tsunami. With the assistance of the international community, we were able to undertake successfully the initial relief work. We are now engaged in the more arduous and longer-term activity of reconstruction and rehabilitation. We are deeply appreciative of the many pledges of assistance that were made and are now being converted into firm commitments. Despite the impact of the tsunami, we expect our economy to grow by over 5.5 per cent in 2005, with agriculture, industry and services all registering robust growth. Our export sector has been performing well despite challenges associated with the end of the Multi Fibre Agreement. Tourism is recovering from the effects of the tsunami. The surge in oil prices has become a major drawback because we are heavily dependent on imports for our energy needs. This is affecting the pace of economic

growth, inflation and the balance of payments. We stress, once again, the importance of activating a medium-term financing arrangement to assist low income countries severely affected by the recent sharp rise in oil prices so that open and liberal trade and exchange systems in these countries can be sustained.

Another aspect that I would like to emphasize is that the Bretton Woods institutions should reward the countries that have, with proper policies and management, emerged from low income to middle income status. While we welcome and strongly support the emphasis on LICs, it should not be forgotten that these middle income countries too need special attention and support.

Our government is committed to prudent macro economic policies promoting economic growth that would be pro-poor and will deliver equitable growth. We are taking measures to ensure that the disadvantaged segments of our population would benefit from this growth. The private and public sectors are working together to speed up economic prosperity in our country. Our current focus is on the development of infrastructure facilities, particularly in key areas such as Power, Roads and Transport systems, Ports and developing of institutions catering to the needs of the rural and SMI sectors. We are making efforts to achieve the Millennium Development Goals in areas where we need to make further progress, even though Sri Lanka has a good record in human development. Over the years, my country has achieved considerable success in human development. Our Human Development Indicators bear witness to these achievements.

Meanwhile, there are signs of good fortune for Sri Lanka. The preliminary findings of a seismic survey recently conducted in the Gulf of Mannar, west of Sri Lanka, has revealed the presence of a world class petroleum system offshore. This indicates a potential for high quality hydro carbon deposits. This prospect is expected to be further defined by additional 2D seismic surveys in December. International licensing is scheduled for the first quarter in 2006.

In conclusion, Mr Chairman, let me thank the Fund and the Bank for the continued assistance extended to Sri Lanka and assure you of our cooperation in the days to come.