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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 AMUNUGAMA**,
Governor of the Bank and the Fund for **SRI LANKA**,
at the Joint Annual Discussion

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Governor of the Bank and the Fund for Sri Lanka,
at the Joint Annual Discussion**

Mr. Chairman, Fellow Governors Ladies and Gentlemen;

When we met in Washington last, we were in the grip of the global crisis. The economic crisis was unfolding in advanced countries and most of the emerging market and developing countries were began feeling its spillover effects. The period since late 2007 has been extremely challenging and we collectively and individually as country authorities, had to focus on measures and strategies for crisis prevention.

Mr. Chairman, today, we are witnessing a gradual slowing down of the pace of decline in global economic activity. This is no doubt a favorable development. However, we are most concerned that the recovery will be slow and protracted.

We are encouraged by the initiatives taken by the IMF with regard to developing Countries. Mr. Chairman, these countries were affected by the worst ever external conditions at a time when the vast majority were showing improved performance and making strides towards macro-economic stability. At the onset of the current crisis, many of these economies were becoming increasingly open and integrated to the global economy.

We are glad to note that both, the IMF and World Bank responded swiftly and effectively to face this situation by making more money available to the countries that were in dire need of liquid funds. Changes effected to the Exogenous Shocks Facility by the IMF in late 2008 to make it more flexible benefited a number of countries affected by the crisis. We appreciate the steps taken by the IMF to double the LIC access limits under this borrowing window on concessional terms. We take positive note of the new financing architecture that was put in place in July 2009 and consider it as a progressive step by the IMF. The US\$ 250 billion allocation of Special Drawing Rights is another important

milestone. I am hopeful that the proposed tripling of World Bank assistance to developing countries also will materialize soon.

That said, I wish to reiterate a key point that I underscored in my statement last year, that is the issue of strengthening IMF governance. There is widespread belief that both the Bank and the Fund have missed the current crisis as it was emerging and failed to issue early warnings. However, we believe that these two international institutions should remain center stage of the global financial architecture while they undergo comprehensive reforms.

Let me now turn to my own country, Sri Lanka

Mr. Chairman, under the leadership of President Mahinda Rajapaksa, Sri Lanka, has comprehensively defeated LTTE terrorism, and established an environment for enhanced growth and development. Law and order has been restored in the formerly conflict ridden areas in the Northern and Eastern Provinces of the country. Development activities in these areas have been accelerated. Extensive demining of areas which were mined by the terrorists have been undertaken with both state and international donor assistance. The resettlement of internally displaced is now being undertaken. By the end of this year, we hope to resettle over 100,000 IDPs in their villages. We are confident that with the end of violence the growth performance of Sri Lanka will bounce back. With the prospect that global economy will recover, even though at a slow pace, we expect the Sri Lankan economy to grow by about 6.5 percent in 2010.

With the implementation of development programs growth was accelerated, regional disparities declined and unemployment and poverty levels dropped to historic low levels.

The highest priority of the country at present is the reconstruction and development of the previously conflict affected areas and re-settlement of internally displaced persons. A high powered institutional structure including a Presidential Task Force and a Consultative Committee on Humanitarian Assistance was set up immediately after the

war ended in May 2009. The government is accelerating the reconstruction and development activity in the Northern province of Sri Lanka to ensure that the benefits of development accrue to all communities living in these areas and to improve linkage with the rest of the country and the world economy. We appreciate the assistance extended by the World Bank, Asian Development Bank, UN agencies and many other donors in support of this endeavor.

I am also pleased to state here that my country has received IMF assistance in July this year under a Stand-By arrangement of US\$ 2.6 billion. This facility is very much more in money terms than we usually receive from the IMF. It has contributed to a strengthening of confidence in Sri Lanka's development policies among the international community. All on all, we can now look forward to a better future for all our people.

Thank You.