

REGAINING SRI LANKA:
Vision and Strategy for
Accelerated Development



Government of Sri Lanka
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Prime Minister of Sri Lanka

Preface From The Prime Minister

Regaining Sri Lanka

The most important determinants of the high incidence of poverty in Sri Lanka today have been the war that has raged for two decades and a legacy of poor economic management. This Government is fully committed to overcoming both of these challenges and building a country that is at peace and that provides the social and economic opportunities necessary for all of its citizens to meet their needs and lead fulfilling lives.

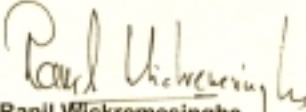
The poor economic management in the past has to a large extent been the result of the inability to effectively implement change. We have known for a long time what steps were needed to improve economic performance – but too often these steps were not taken. Sri Lanka began the process of liberalization and reform in 1977, seeking to reverse a regime of nearly total state control of the economy and near universal deprivation. This process began well and produced good results, but over time it has lost its momentum, reaching the point where last year Sri Lanka experienced its first serious economic contraction and we found ourselves nearly buried under a rapidly expanding public debt.

Regaining Sri Lanka brings together several important and complementary elements of the Government's economic program:

- Part I presents the framework for economic reform developed during the Government's first year in office. It is based on the work of a large group of people, drawn from both the private and public sectors, and largely focuses on the immediate actions necessary and particularly on the challenges of effective implementation.
 - Part II presents the *Poverty Reduction Strategy*, which was developed over the course of the last four years with the participation and consultation with stakeholders and interested groups. The PRS provides a somewhat broader, medium-term perspective that also addresses in greater depth the critical actions required in key areas.
 - Part III includes a fully integrated *Action Plan* following from Parts I and II.
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Many people have noted during the last year that Sri Lanka is at a pivotal point in our history and this is undoubtedly true. The peace process has raised hopes throughout the island that a genuine, lasting peace may be within reach. This is something that would have been difficult to believe as little as one year ago. But the hopes and expectations of the people of Sri Lanka extend beyond peace, to better jobs, greater educational opportunities and a more secure and satisfying life generally. It is increasingly clear that there is a direct, inextricable relationship between building a lasting peace and substantially improving economic conditions – and we must succeed in *both* areas if we are to fulfill the aspirations of the people of Sri Lanka.

There is no doubt that considerably increased economic growth will be essential if a substantial reduction in poverty is to be realized. During the last 30 years Sri Lanka has had an average real growth rate of about 4.5 percent. If this were to continue, there is little chance that much progress would be made in reducing poverty or in achieving the important social and economic goals contained in the *Poverty Reduction Strategy*. That is why the Government undertook to develop an economic framework that would provide the necessary economic foundation in building a lasting peace and significantly improving the economic welfare of all of our people. Without this foundation, peace and poverty reduction might prove to be empty promises.


Ranil Wickremesinghe
Prime Minister of Sri Lanka

5th December 2002