

# ADB Report: Sri Lanka's Economy Shows Continued Strong Growth



The Asian Development Bank's (ADB) flagship annual economic publication Asian Development Outlook (ADO) says Sri Lanka's economy grew 8.3 percent in 2011.

Growth is expected to remain around seven percent in 2012 and the economy to improve in 2013 with a better global economic outlook and growth driven mainly by domestic and foreign investment.

"The government's development policy framework has the laudable aim to raise GDP growth to above eight percent in the medium term, and nearly double the per capita income from USD 2,400 to USD 4,200. ADB supports the government's gradualist approach to implement its reform plans, which will take time to achieve their full positive impact," said Rita O'Sullivan, Country Director - ADB Sri Lanka Resident Mission.

The ADO's theme chapter looks at widening inequality, noting that in spite of developing Asia's great success in raising living standards and reducing poverty,

swelling income disparities threaten to undermine progress. Regional policymakers need to ensure that the benefits of growth are widely shared, states the report.

Sri Lanka's performance in FY 2011 reflected the continued progress of the services sector which grew by 8.8 percent contributing over 60 percent of GDP. The tourism sector recorded the best achievement with nearly 31 percent growth in visitor arrivals.

Foreign Direct Investment inflows exceeded the government target of USD one billion with an influx of investment into tourism and apparel sectors and information technology industries. Net inflows to the capital and financial accounts largely offset the current account deficit. Overall, Sri Lanka scores a good performance rating.

The report also highlights challenges for policymakers in the region, including tackling income inequality and reducing pressure on natural resources, both of which threaten the sustainability of future growth and poverty reduction. These will require stepped up investment in rural areas and more comprehensive social security safety nets, as well as stronger management of water and other natural resources, and improving energy efficiency.

"If we look at the apparel industry, Sri Lanka has been able to forge a very specific niche, in the middle to high range and it has a very strong hold in that industry," commented Rita O'Sullivan expanding on Sri Lanka's performance. "What the ADB is working with the government and the private sector is to create more of these market niches where Sri Lanka will have a strong market in the future and will achieve similar success in other industries."

Subsequently, she proceeded to present the ADB's vision for "Sri Lanka, that they have named as the 'Strategy 2020'. According to the Country Director it is very much in line with the government's policy framework and thus the ADB and the Sri Lankan government share a very similar goal. The main objective of the ADB is to make the Asia Pacific Region free of poverty. "This includes moving towards getting inclusive growth, environmentally sustainable growth and regional integration," said Rita O'Sullivan during the presentation.

However, she stresses that it is hard to deal with the global economic condition currently underway as the ramifications and the policies take time to be felt.

She furthermore went onto outline ADB's approved development strategy for Sri Lanka during the years of 2012 to 2016, dividing the process mainly into three pillars - inclusive and sustainable economic growth, catalysing private investment and enhancing private investment and looking at human resource and knowledge development - while giving in-depth analysis of the afore said three pillars.