Welcome remarks by Mr. K. M. Mahinda Siriwardana, Secretary to the Treasury and Ministry of Finance, Planning and Economic Development at "Data for Development – A Breakfast Dialogue with Donors" held at the Cinnamon Grand Hotel on 6th December 2024

Your Excellencies Ambassadors and Heads of Missions present,
UNFPA Representative,
Heads of UN Agencies and
Distinguished Partners.

Good morning,

I warmly welcome you all to this "*Data for Development*" breakfast dialogue. Your presence here today demonstrates our shared commitment to harness the transformative power of data for Sri Lanka's national development. Global experiences have demonstrated the positive impact of high-quality data in improving governance, public services, fiscal management, financial inclusion, and welfare distribution, among others. **As we strive to recover and rebuild our nation, the need for evidenced based and people centered decision making cannot be overemphasized.**

One of the key factors that triggered Sri Lanka's economic crisis was the failure to implement policy, based on evidence, sound data, and analysis. In the lead up to the 2022 crisis, I was serving as Deputy Governor at the Central Bank of Sri Lanka. As a trained economist, **it was abundantly clear more than a year before the crisis hit that Sri Lanka was at risk of a significant economic shock.**

To this day, I maintain that Sri Lanka's economic crisis was a man-made crisis, since the crisis could have been prevented or at least the impact could have been mitigated, if the warning signs had been heeded and policy direction was changed in a timely manner. As a senior official at the Central Bank, I did my utmost to alert the decision makers within the Central Bank regarding the risks ahead and the recommended actions, including an early engagement with the IMF.

Unfortunately, the key decision makers within the Central Bank and the government at the time chose not to be guided by evidence and analysis, but to rely on dogmatic beliefs and ideological leanings. We all know the outcomes of these grave policy errors – the hopes and expectations of 22 million people were shattered as Sri Lanka's deepest, most complex economic crisis gripped the country since 2022.

Since then, I have had the privilege of providing leadership to the General Treasury in Sri Lanka's efforts to emerge from this crisis. The recovery process required extremely challenging policy decisions, all of which entailed trade-offs where it was necessary to navigate costs and benefits in a manner that the best interests of the country are served. In this process, we have always been guided by our professional training and experience as practitioners. There was plenty of criticism and even personal condemnation due to the reform measures that were undertaken. But we had conviction in the reform process since it was grounded in robust analysis, evidence, judgment informed by experience, and was implemented in good faith.

We continuously sought the support of our development partners in sharing global best practices and tailoring those to the specific needs and considerations of Sri Lanka's context. **Many of you in the room today have been a pillar of strength in Sri Lanka's recovery thus far, and I thank you for your valuable contribution**. <u>**But this journey is far from over.**</u> **The macroeconomic outcomes have indeed been satisfactory,** such as the rapid decline in inflation and interest rates; the improvement in public finances, the reversal of losses in state enterprises, and the faster than expected recovery in economic growth. However, people still feel the pain from the crisis and the difficult remedial measures. **The economy has stabilised** but **measures are now needed to provide further momentum for inclusive and sustainable growth. This is necessary to create jobs, and generate income that will help rebuild the lives of all Sri Lankans.**

However, <u>this growth cannot come at the expense of economic stability</u>. All too often in Sri Lanka's past, **whenever the economy has stabilised following a shock, we are too eager to provide unsustainable fiscal and monetary stimulus to re-invigorate growth. The result is a rapid return to instability – which has characterised several stop-go cycles in Sri Lanka's post-independence economic history.** In the past, Sri Lanka's economic policy has been volatile, vacillating from one extreme to the other based on political shifts. **It is crucial that regardless of political changes, Sri Lanka adheres to some fundamental economic principles, such as fiscal discipline and sound monetary management.** It is indeed heartening that we are now seeing early signs of de-politicisation of macroeconomic policy discipline. This would be entrenched by a strong legal and institutional framework, including the Central Bank of Sri Lanka Act, Public Financial Management Act, Public Debt Management Act, and associated institutions.

There have also at times been various misconceptions in society that the elimination of corruption or the recovery of ill-gotten assets would enable the relaxation of fiscal disciplines and tax relief. Enhancing governance and eliminating corruption vulnerabilities are key priorities in the mandate of the new government, and these objectives will be pursued with the highest level of commitment from all arms of government. However, eliminating corruption would not on its own be a substitute for disciplined fiscal management. In the medium term, improving governance and addressing corruption vulnerabilities, will help enhance revenue collection and improve public expenditure efficiencies as well. Once these gains do materialise, it would be possible to pass on these benefits to citizens in a manner that ensures revenue targets are still met. **However, it would be a mistake to pre-emptively pass on such efficiency gains before they actually materialise, thereby compromising revenue targets and fiscal objectives.**

Building on sound macroeconomic policy, Sri Lanka's growth story going forward should be driven by sound fundamentals – particularly in terms of continuous productivity enhancement, which is the key to persistent real wage growth in an economy. **Sri Lanka also needs a qualitative shift in growth from an inward orientation to growth that is driven by non-debt creating inflows** such as exports of goods and services, and foreign direct investment. This would be crucial, particularly to ensure Sri Lanka's future external debt sustainability.

In the same way that Sri Lanka's economic stabilisation was grounded in sound evidence based macroeconomic policy, **it is essential that Sri Lanka's economic growth path is also informed by high quality evidence-based policy measures**. <u>**It is important to learn from the mistakes that led us to this deep and complex economic crisis.**</u> **Policy making should not be weighed down by ideological baggage or personal beliefs,** but **should be supported by sound economic theory, robust analysis, and credible evidence**. Policy making should be informed by global best practices, but at the same time, relevant to Sri Lanka's context and realistic in terms of implementation capacity.

To achieve this, it is very clear that quality data will be instrumental in shaping policies that drive sustainable growth, create economic opportunities, reduce inequalities and enhance the well-being of all Sri Lankans. We are not talking just about numbers; **we are talking about information that will be the foundation for effective evidence-based decision-making to design and implement impactful interventions that uplift our citizens' lives.**

This is particularly crucial in today's rapidly evolving digital landscape. **Sri Lanka has bold ambitions to establish a thriving digital economy, and data is the key to unlocking its full potential.** To compete globally in innovation and entrepreneurship, **we need a robust data ecosystem that provides timely and accurate insights into emerging trends, market demands, and the needs of our citizens.**

Developing this data ecosystem is a national priority for the government. We have already made significant strides: rebranding the Department of Census and Statistics; our national institution responsible for the generation and dissemination of statistics, formulating the Sri Lanka Strategy for the Development of Statistics (SLSDS), and drafting new legislation to modernize our statistical system. These efforts align with the vision of Hon. President Anura Kumara Dissanayake, whose Manifesto, "*A Thriving Nation – A Beautiful Life*", charts a path toward a digital economy and a just, equitable society. **He recognizes the critical importance of timely data for realizing this vision.**

The Strategy (SLSDS) will be instrumental in realizing the vision of a data-driven nation. It will help us strengthen our data infrastructure, improve data quality, and enhance data accessibility. As we speak, **we are conducting a National Census;** the first in over a decade. **The Census of Population and Housing is another vital exercise that will provide a comprehensive snapshot of our nation** by accounting for every individual in Sri Lanka and equipping us with the evidence needed to address critical development challenges and monitor the effectiveness of our interventions.

We are determined to build a data-driven nation where evidence informs policy and every citizen benefits from the power of information. This, however, hinges on the successful implementation of the Strategy (SLSDS) and the Census of Population and Housing.

Despite resource and financing challenges, **we are committed to completing these vital initiatives**. However, we cannot do this alone. **We recognize the importance of collaboration and seek your invaluable support. We look to our partners to share their expertise and learn from their experiences.** And we seek your invaluable support to bridge the knowledge, resource and financing gaps. Our immediate request is for your financial support to meet the funding gap of USD 2 million for the ongoing census.

I want to emphasize that this dialogue is not just about addressing immediate needs — **it is about forging long-term collaborations that will help Sri Lanka thrive in the years to come**. We would like to hear your thoughts and opportunities for collaboration in this regard. We invite you to join us on this journey and **help us unlock the transformative power of data for a brighter future for all Sri Lankans.**

Thank you!