
Post CFA economic growth in North and East faster than country– Govt. Peace

Secretariat

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Construction led growth not enough, developing livelihoods a must By Devan Daniel A recent study by the Government Peace Secretariat says the economies of the North and East had continued to grow despite the breakdown of the cease fire agreement (CFA) and at a faster rate than the rest of the country.

It also advises the government to focus on establishing livelihoods of the people once the two provinces return to complete normalcy and ensure policies are put in place for long term sustainable development. "A lot of people thought that the breakdown of the CFA resulted in the economies of the two provinces collapsing but the thrust of the report shows that GDP and growth figures of the Census and Statistics Department and other studies show that growth has continued during the post CFA period," author of the report, Anushka Wijesinha, Assistant Director for Economic Affairs of the Govt. Peace Secretariat said. "In fact, contrary to what was expected, contractions to growth did not take place and the two provinces have demonstrated resilience," he told the Island Financial Review. Between 2005 and 2007 the Northern and Eastern Provinces had recorded GDP growth rates of 12 percent and 13.3 percent respectively, higher than the country's economy did during this period. During the 'Peace Dividend' years between 2002 and 2004 when there was a lull in hostilities the Northern Province recorded 11.9 percent GDP growth as against 3.6 percent during the proceeding five years. The Eastern Province grew by 5.8 percent during the CFA period as against 4.9 percent during the five years leading up to the CFA. Not felt; Wijesinha said the growth experienced post CFA was largely due to recent infrastructure development of the government and Tsunami related housing and construction activities. "During the CFA period the boom in the two provinces was mostly led by the natural revival of the agricultural and fisheries sectors when restrictions in place during times of conflict are removed," he said. However, limited access to markets and inefficient distribution methods placed constraints on these sectors' growth potential. When the CFA came into affect many economists and analysts assumed that development in the manufacturing and services sectors would automatically follow. But this was not what happened. "The Peace Dividend years showed that while agriculture and fisheries had a natural revival, manufacturing and services did not perform as expected because the private sector adopted a wait-and-see attitude and the LTTE wanted high taxes too," Wijesinha said. This leads to the conclusion that policy makers during the CFA period failed to take the right steps that would ensure meaningful development through manufactory and services. Lessons for tomorrow; Wijesinha said the CFA brought a revival in the economies of the North and East as lands were unlocked for agriculture and fishing restrictions were removed but slumped again once hostilities resumed to be revived again once areas began to be brought under the government. "These sectors had a sudden recovery almost as soon as the CFA came in to being and it gives a clear indication that this time the government will have to place more emphasis on building livelihoods as it will have a quicker effect on people's lives and economic growth," he said. The East is already experiencing a revival in agriculture but Wijesinha said the lack of storage and milling facilities have resulted in tonnes of paddy going waste. Right policies; Wijesinha said based on the experiences during and after the CFA, the policy direction the government should take for the future development of the two provinces was clear. "The first step should be to establish the livelihoods of the people, especially to introduce policies to encourage higher productivity agriculture so that farmers are willing to move away from subsistence farming to commercial farming as they will be able to earn a better income. "This should be the short term to medium term focus but it must be borne in mind that agriculture-led development can only go so far. Long term sustainable development will require strong manufacturing and services sectors, so infrastructure development to facilitate this sector must then begin to kick in, and several projects have already commenced," Wijesinha said. Not alone; Wijesinha said the private sector could be encouraged to take on a greater share in developing the two provinces by identifying the specific sectors that would require meaningful investments such as to establish manufacturing plants and invest in service providers to the agricultural sector. "The government will have to be clear on their tax policies and assure a climate conducive for investments." "This time round there is a window of opportunity to make sustainable, substantial and comprehensive economic gains," he said. Courtesy: Island.lk