

# Spotlight: Econ Op-eds in Summary

Week ended 02<sup>nd</sup> October '19

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## In Summary

*The underneath contains summaries of the articles given above, including key extracts from these articles.*

### 1. The provincial divide

**By: DailyFT**

- Provincial GDP statistics for 2018 indicate that the Western province continues to dominate in terms of contribution to GDP. Almost all other provinces have either remained unchanged or decreased their contribution. Hence, taking private sector jobs outside the Western province is an equitable solution to Sri Lanka's slow economic growth.
- The Western province continues to attract jobs due to its dominant service sector and industrial sector. Meanwhile, regional provinces are more dependent on the less-productive agricultural sector, and public services. Attractive alternative employment opportunities outside the Western province are vital in shifting the labour from unproductive to productive sectors.
- Skills, land, capital, market access and infrastructure are key in attracting labour. However, the Sri Lankan provinces do not compete with each other to attract investment, increase public revenue, or foster enterprises. Therefore, communicating clear policies in reducing the skills gap, encouraging investment, and ensuring labour the freedom to move up the value chain will be crucial in taking growth to the provinces.

Much has been discussed and written about Sri Lanka's slow growth and solutions to it, but perhaps the best – and certainly the most equitable way – is to take well-paying private sector jobs to the Provinces. This is easier said than done, going by the most recent statistics released by the Central Bank.

The share of GDP contributed by the Western Province has increased from 37.9% to 38.5% in 2018, with the Central Province recording a corresponding decline from 12.1% to 11.8%, as regional growth continued to lag behind.

The Western Province continued to account for the largest share as per the Provincial Gross Domestic Product (PGDP) estimated by the Statistics Department of the Central Bank (CBSL) for 2018. Central and North Western Provinces were the second and the third highest contributors, respectively.

The highest increase in PGDP share on year-on-year basis was reported in the Western Province. The only other Province that reported an increase was the North Central Province. The shares of Central, Sabaragamuwa, and Uva Provinces decreased, while the shares of North Western, Southern, Eastern and Northern Provinces remained unchanged.

The North and North Central Provinces were also the worst performers, and rounded off the bottom two Provinces in the table. This has consistently been the case, and the end of the war a decade ago has resulted in little change. What is interesting is that services activities played a dominant role in all Provinces, with a contribution of more than 50% to the PGDP. Transportation, wholesale and retail trade, and other personal services activities

were the key drivers of provincial services activities, which were in line with the trends observed in national GDP. Jobs in the services sector also remain the most desired and match the aspirations of the workers. This is also why historically the Western Province attracts the cream of the labour from other Provinces, and the imbalance between the Western Province and others has been consistently wide.

The contribution from industry activities to PGDP varied from 16.2% in North Central Province to 32.8% in Western Province. Construction, manufacture of food, beverages and tobacco products, manufacture of textiles, wearing apparel and leather-related products, and mining and quarrying were the main contributors in most of the Provinces. Outside the Western Province, the share of agriculture remained high, but its comparatively lower level of productivity remains a challenge.

Even though successive Governments have encouraged businesses to invest outside of the Western Province with preferential taxes, many other elements, such as skills, land, capital, market access and infrastructure, have a role to play in attracting them. Releasing labour from underproductive sectors, such as agriculture and the public service, will continue to be challenging unless attractive alternative employment opportunities are generated in the Provinces. Quite simply put, the Western Province has a captive clutch on growth.

Sri Lanka's provincial political system, usually headed by a Chief Minister, is also a disincentive as unlike in India, they do not compete with each other to attract investment, create their own public revenue, and foster enterprise at a provincial level. Implementing incremental change by communicating clear policies, working to reduce the skills gap, encouraging investment, and giving labour the freedom to move up the value chain will be crucial elements in a reform process to take growth to the Provinces. It is this clear gap that also feeds into the demand for public sector jobs and higher salary increase at every election cycle. Fixing inequality and this provincial divide is the answer to growth.

[For the full article – Refer Daily FT](#)

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