



## Inclusive Growth

### Sri Lanka must link leading region to rest of country: World Bank

March 17, 2009 (LBO) - Sri Lanka needs to urgently integrate the western province, which accounts for half of gross domestic product, with the rest of the country to accelerate economic growth, a senior World Bank official said.

Naoko Ishii, World Bank Country Director for Sri Lanka, said one of key objectives of the government's development strategy was how to integrate lagging regions into the growth path led by the leading region without discouraging its own growth momentum. This, she said, was the challenge identified by the bank's new World Development Report (WDR) 2009 and something that resonates well with the World Bank's Country Assistance Strategy (CAS) for the island.

"The CAS identified expanding economic opportunities in the lagging regions for inclusive and equitable growth as one of three strategic objectives," Ishii told a seminar where the WDR was launched.

It was organised by the Institute of Policy Studies, a think tank, to discuss the report's policy implications important for Sri Lanka.

This year's World Development Report focuses on the vast differences in prosperity between different geographical areas that seem to be an unavoidable companion to economic development, Ishii said.

Economic activity in Sri Lanka is concentrated in the Western Provinces which makes up only five and a half percent of the land area yet houses 29 percent of the country's population.

GDP per square kilometre in the Western Province amounts to about 3.8 million dollars. By comparison, in the rest of the country GDP per square kilometre amounts to only 230,000 dollars.

"In the language of the WDR, the economic density of the Western Province is far higher than the rest of the country," Ishii said. "Measures of individual economic welfare also show that the Western Province is ahead of the rest of the country," she said.

"Average incomes are higher. Per capita GDP in the Western Province is around 2,400 dollars. This is more than twice as much as the average in the rest of the country, where it is about 1,000 dollars."

As a result, the poverty rate in the Western Province is much lower than in the rest of the country.

Ishii said the World Bank's World Development Report presents ample evidence that economic development almost always is unbalanced.

"That is, as the WDR notes, somewhat unfairly, prosperity does not come to every place at the same time," she said.

"This is true at the local, national and global scales. Locally, cities pull ahead of the country side. Nationally, some provinces grow fast, while other lag behind.

"And globally, growth in some countries accelerates, while it stagnates in other countries," Ishii said.

"As the WDR emphasizes, development is bumpy, not smooth. The WDR also argues that efforts to equalize economic growth prematurely will jeopardize progress."

Experience shows that the most successful nations are those that have managed to facilitate concentration of economic production, and at the same time instituted policies that have made basic living standard more uniform across space.

"These nations have experienced unbalanced growth, but inclusive development," Ishii said.

"And it is through economic integration which will get a country the benefits of both uneven growth and inclusive development. The governments can potentially play a huge role of putting policies and institutions to unify regions, and building infrastructure to connect regions."