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### **Regional imbalances are a normal process of development – World Bank**

The World Bank says regional imbalances in Sri Lanka are a normal process of economic growth. However, lagging regions should be integrated better with urban centres, to facilitate a smoother distribution of benefits.

“A concentration of economic activity in Colombo and the Western Province is not a bad thing. A thriving Colombo is probably necessary for other cities to thrive. So if you stop investing there it may starve other places as well,” said Director of the World Development Report (WDR), Indermit Gill, speaking at a conference organised by the Institute of Policy Studies last week on the WDR and its implications for Sri Lanka. The World Bank says economic growth comes hand-in-hand with concentration of economic activity in a few places, and not with an equal spread of economic growth across the country.

“The general finding is that no country has been able to grow to high income levels without urbanising. So this is inevitable. When Sri Lanka’s economy grows from an agricultural economy to an industrial one, urbanisation will increase and economic activities will concentrate in a few places; and when the economy grows to high value services it will concentrate more,” said Mr Gill.

Although growth is unbalanced, the government is advised not to force economic growth on the regions. Instead, market dynamics should be allowed to decide what the regions will produce and how much of it.

“The reality is, economic growth will be unbalanced. If you try to push it too far, too fast, it may not work. The key is to let the markets pick the places and to let governments facilitate the process. Governments should not force the private sector to be where it does not want to be, because there are other powerful forces that decide where private sector concentrates,” said Mr Gill.

### **Walk the talk**

Many local economists however, noted that much of the World Bank’s recommendations are not only a few decades late but also ignored practical realities. For instance, Sri

Lankan planners realised the need for regional integration, for inclusive growth, as far back as 1946. But putting this into practice has been easier said than done.

“All urban planning legislation in Sri Lanka talks about integration since 1946. But in this country, the problem is urban planning which is disconnected from economic planning,” said Professor Willie Mendis from the University of Moratuwa.

The World Bank does not offer any solutions to overcome such realities. In addition, social and environmental costs of pushing faster urbanisation are also ignored, not to mention political realities that define economic policies. The electoral system in Sri Lanka for instance, encourages politicians to buy votes by providing uneconomical facilities at village level. Roads and schools that are unviable are good examples.

“The political and electoral structure is not taken into account. The electoral process is such that it will try to spread resources as much as possible, thinly and at high cost,” said Dr Ramani Gunatilaka, a freelance consultant.

Meanwhile, although the World Bank is advocating ‘spatially blind’ interventions, international pressure is intense on the government to devolve political power, again, at spatial/regional level, as a means of resolving the internal conflict. “We need an electoral system that is less territorially dependent but donors are convinced that devolving power on a spatial basis will resolve our conflict,” said Dr Gunatilaka.

Focussing on linkages to reduce divisions and increase accessibility, is seen as a better option. “At this point in time we need to take into account emotional and mental wellbeing of people and not just physical aspects of life. We are at an advantage because we are a small island, and this makes it easier to overcome access difficulties. So we can focus on linkages through infrastructure and a ‘link language’,” said Dr Anila Dias Bandaranaike, a former Assistant Governor of the Central Bank.