Accelerating Inclusive Growth Trends in Sri Lanka: Challenges and Achievements

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Abstract

Economic growth has proved its difficulties to provide enough contribution for overall economic development. As a substitution newly introduce inclusive growth indicates that the broad perspectives rather than implemented economic growth process. As a developing country Sri Lanka has succeeded to eradicate 30 yearly implemented decisive and critical wars in 2009, but also remained a challenge to present government to overcome existed difficulties rapidly. End of the war in 2009, since then government implemented mega development projects on N&E. N&E is development is very important because contribution of the both areas capable to reduce regional imbalances and ultimately provide overall economy development. Rapid development process is on a correct path and proved a little bit progress, but it means that the further provisions of enough facilities nor too much and slow process substantially.

Key Words: Economic Development, Inclusive Growth, Liberalization, War
Introduction:

The conception of the economic development has been changing from time to time particularly for the last 6 decades. However, economic growth (included all of the economic features) has become the dominant component of it despite significant addition to the economic development discourse. Post 1970s era witnesses changes in the economic development paradigm. Changes have emphasized the necessity of taking social and environmental factors in conceptualizing economic development while keeping the economic growth as the major condition for development. Economic, social and environment interchangeable issues lead to sustainable economic development process significantly (Thorbecke, 2006).

At present, economic development is represented as economic growth and implementation of this development approach has revealed that it has been unable to make a spill over impact over all strata of society. It has been failed to create equity and equality in society. Developing and emerging economies witness lack of social cohesion. Some of the economies such as China and India have recorded high economic growth but economic growth has not provided benefits for the worse off of the society and they have people becoming poorer (Jayasuriya, 2001)). Major component of the economic development paradigm has taken to discuss largely due to the major drawbacks of the economic growth repercussions (De Silva, 2012). Particularly, necessity of addressing these issues has replaced former by a new paradigm which concentrate whole of the society rather than the economic growth. It is known as inclusive growth. The newly introduced concept of inclusive growth indicates that the broad perspectives rather than the mere economic growth. It is important to note that inclusive growth reveals that the relevance of the whole society’s participation for the economic growth Further inclusive growth refers to interlined facets of development. Once, President of the
World Bank says “globalization must not leave the bottom billion behind. As everyone will readily agree, it is very good to have globalization and growth, but it is very easy for the bottom billion people to be left behind when that takes place, unless suitable ‘inclusive’ policies are in place” (Cabral, 2010-2011). Illusive growth is illusive in developed and developing countries around the world.

Sri Lanka gained independence in 1948 and continuously implemented welfare oriented policies proved outstanding social attainment in several indicators but unfortunately persistence poverty, unemployment and other macro-economic imbalances continued with low economic growth with solid social development during the period 1948-1977 (Sandaratne, 2005). In 1977, economy of Sri Lanka liberalized and state intervention policies turned towards market oriented policies and largely focused towards high economic growth strategies in collaboration with private sector.

Liberalized policies and strategies favored somewhat high economic growth and further, highly emphasized economic growth succeeded to gain structural changes and better performances in some sectors (Abeyrathne, 2011) It included things such as declining trends in poverty unemployment (4.2% in 2011) etc, due to economic performances but existence of major interruptions has deterred economic growth process. One of the major problems was the protracted ethnic war. It has seriously dragged the economy into a sluggish position. However, in 2009, government has overcome the war impediment and it marked the optimistic signs for the Sri Lankan economy. War has ended with the demise of Liberation Tigers of Tamil Elam military supreme Velupille Prabakaran. However, reconstruction of war ravaged Northern and Easter Provinces of the country remains the major challenge of the Sri Lankan State. Reducing regional imbalances, increasing the productivity in labor force, introducing proper policy reforms, making state
enterprises profitable are some of the challenges in this context. Socio-economic indicators for Northern and Eastern Provinces reveal the necessity of overcoming regional imbalances of the country in achieving meaningful inclusive growth. Regional development is very important because region can play a vital role in rapid economic growth process. Capacity of a Provinces to contribute to inclusive developments depends on availability of resources, efficiency of the labor force, structural changes of the province, attitudes of the society, development of the infra-structures (economic-financial and social) etc.

Northern and Eastern Provinces in combination could play a vital role for an overall economic development. Traditionally, East was considered the granary of the country (Sarvanandan, 2007). North and East two distinct represent important combination in national economy that became obliterated by the war for nearly three decades. The Eastern province contributed around 14% to the national GDP in the early 1980s which declined to about 08% thereafter because of the unsettled conditions in the Province. The contribution of the North to the national GDP has been the lowest for a long period. Employment in various sectors of the economy also has undergone change overtime. High underemployment, unemployment and low labor productivity and also various kind of causes and effects of economic and social decline in the region (Subramanian, 2005).

The contribution of the present all provinces to national economy is very important because it is represented to accelerate and enhancement of the economy. The emphasis of inclusive growth is on improving the productive capacity of individuals and creating a conducive business environment for employment rather than income redistribution (Lanchovichina and Lundstrom, 2009).
Objective of the Study

The main objective of this study is to review the post war period of economic reconstruction process since North and East provinces played a prominent role for the area’s development and overall national economy. It also aimed at offering a causes and effects on economic performance and social decline in the region due to war. Under the government inspections, government and private sector, foreign countries, donors and various institutions launched mega development projects to be developed and rapid expansion of the present N&E. Therefore, at the outset, it has devoted to explain and clarify the concepts related to the study such as overall economy and inclusive growth. Then it has proceeded to discuss North and Eastern Province’ social and economic background of the pre and war period in conflict affected area. The next section of the study is an examination of the implemented government mega development projects and progress of North and East Provinces. Final section brings out the summary of the study and conclusion.

Economic Growth to Inclusive Growth

Inclusive growth refers to a rapid pace of sustainable growth which is based across sectors (Cabraal, 2010/2011). At the same time, there should be enhanced opportunities in terms of access to markets, resources and social protection. In the past three decades of civil war in Sri Lanka—one of the most intractable internal conflicts in the world—almost 70,000 people have died, more than one hundred thousand have been physically maimed, nearly a million have been displaced, and more than one hundred thousand homes and thousands have been partially damaged or destroyed (Sarvanandanan, 2007). The economic and social costs in terms of physical, human, and environment damage have run into the billions of rupees (Sarvananthan, 2007), Indeed, mega blast of the war brings us a good
message i.e. any prosperous society can be smashed at one moment despite worth of the human beings (Sarvananthan, 2007).

There have also been shifts in international thinking from poverty reduction to inclusive growth. Some international organizations emphasize poverty reduction rather than income distribution and accept less egalitarian income distribution if the incidence of absolute poverty is reduced. It is the absolute poverty rather than the relative poverty that matters in much of current thinking yet, different institutions are for poverty reduction, inclusiveness, equity, opportunities or outcomes. The thrust in development thinking that opportunities not outcomes are what matters in poverty reduction programs is interesting. In this approach what is needed to produce an equitable society is the equalization of opportunities the creation of ‘level playing fields’. Impliedly outcomes would be different, but the equity argument is that opportunities should be the ones that are equal. A contrary view is that opportunities and outcomes cannot easily be separated. (www.sundaytimes.lk/120902/colmns/people-left-behind-how-inclusive-is-inclusive)

Literature, cross country studies cited economic growth and poverty relationships variedly. Growth process negatively or positively affects the poverty reduction process. Therefore, we are unable take a correct decision whether economic growth directly reduces the poverty or not.

Over the last few years “inclusive growth” has become an increasingly dominant theme in development thinking and policies. Multilateral banks, as well multilateral and bilateral organization all see “inclusive growth” as a central policy. Inclusive growth first appeared in India’s 11th five year plan which targeted not just faster growth but also inclusive growth that is a growth process
which yields broad based benefits and ensures equality of opportunity for all (G:\html\How inclusive is Inclusive Growth Optimum.mht!http://www.dailymirror).

Inclusive Growth basically means, “Broad based growth, shared growth, and pro-poor growth”. It decreases the rapid growth rate of poverty in a country and increases the involvement of people into the growth process of the country. Inclusive growth by its very definition implies an equitable allocation of resources with benefits incurred to every section of the society. But the allocation of resources must be focused on the intended short and long run benefits for the society such as availability of consumer goods, people access, employment, standard of living etc. It sets a direct relationship between macro and micro determinant of the economy and its growth. The micro dimension includes the structural transformation of the society and macro dimension includes the country’s gross national product (GNP) and gross domestic product (GDP). To maintain rapid and sustainable growth is some time very difficult this is because resources vaporizes during the allocation and may give rise to negative externality such as rise in corruption which is major problem in the developing nation. But however it has created an environment of equality in opportunity in all dimension of livelihood. Such as employment creation, market, consumption, production, and has created platform for people who are poor to access good standard of living.

For the last few years, inclusive growth has been defined in various perspectives and addressed the comprehensive issues due to the inclusive growth is represented broad based capabilities (Sandaratne, 2012). Once, inclusive growth defined as the rapid and sustained poverty reduction requires inclusive growth that allows people to contribute to and benefit from economic growth. Actually inclusive growth does not mean that the already identified pro-poor growth (it’s interested in the welfare
of the poor), but its represented majority of the labor force and middle class also longer term perspective on productive employment rather than on direct income redistribution (Lundstrom, 2009). Further, growth to be sustained in the long run, it should be broad-based across sectors. Government could use income distribution schemes to attenuate negative impacts on the poor of policies intended to jump start growth, but transfer schemes can’t be an answer in the long run and can be problematic also in the short run (OECD,2008). In poor countries such schemes can impose significant burdens on already stretched budgets, and it is theoretically impossible to reduce poverty through redistribution in countries where average income falls below US$ 700 per year.

The precise meaning of inclusive growth has continued to be unclear while the most explicit statements of what is involved in achieving inclusive growth are somewhat worrying. The World Bank points out that the ‘equity’ and ‘inclusiveness’ which the concept appear to promise relates to opportunities and not outcomes. A survey of ADB publications reveals three varying definitions or approaches to the term: declining inequality, pro-poor investments in social opportunities and equal opportunities and equal access. However inclusive growth further is typically fueled by market-driven sources of growth with the government playing a facilitating role. Meanwhile, government policies are also important to improve the achievements of the inclusive growth correctly. It should be a proper effort to reach to the sustainable growth development.

Inclusive growth approach particularly pay great attention on the productive employment. Recent past economy of Sri Lanka also succeeded to reduce the unemployment and hold the declining poverty trend significantly (Central Bank, 2012). Indeed, it is very important situation as a developing country, but further to enhance the present economic growth trend, our attention should pay to create
more effective and explicit productive economic opportunities for the poor and vulnerable sectors of the society. Sri Lanka’s productivity trend recorded the lowest level in Asia.

Sri Lanka has proved outstanding achievement in her social development sphere but poor in economic growth which resulted lagging behind the rapidly growing economics in particular emerging and newly industrial countries. It is needed to realize that the country does not possess the required vocational training, technical skills and professional capabilities for rapid and progressive industrialization. Meanwhile, an educated and skilled workforce is a driving force in an economy. Education and skills improve productivity that in turn leads to higher income and improvements in livelihoods.

Nepal reveals that a number of policy interventions may support an inclusive growth process. Education and training programmes lead to improved human capital. Subsidized health services insure people against major risks, which, in turn, allow them to make profitable investments rather than investments that make them able to handle different types of risk (Begen, 2008). Investments in physical capital, like transmission lines, roads and irrigation is necessary for economic growth, and a broad-based tax system is necessary to finance these and other costs (Bergen, 2008). After explaining the conceptual background of the study, it is pertinent to explore the outcomes and impacts of development process in relation war torn North and Eastern Provinces in Sri Lanka.
Developing the Northern and Eastern Provinces: Challenges and Achievements

Pre-Conflict

North and East Provinces in Sri Lanka have been a significant producer of the most agricultural food and cash crops, livestock, and fish and also industrial productions in the immediate post independence era in Sri Lanka. Because production was generally far greater than the requirements of their populations, North and Eastern provinces became net exporters of many agricultural products to rest of the economy. Thus, a vibrant commercial agriculture sector in the region developed during the pre-conflict period (Sarvanandan, 2007).

War Period

The North and the East are two distinct and important portions of the Sri Lanka’s national economy that became obliterated by the war for nearly three decades. However, Sri Lanka is, slowly but surely, emerging out of a vicious civil war that has lasted over twenty-five years (July 1983-May 2009); armed conflict since 1972; and the conflict per se ever since independence in 1948. The amount of human, material, environmental and psychological destruction caused by this long-drawn out civil war, especially in the conflict affected Eastern and Northern Provinces is immeasurable and would last for generation (Sarvananthan, 2007).

The last three decades of Civil War in the country resulted in devastating socio-economic and socio-political impacts on its peoples; particularly those living in the North and East of the country. Statistics on the actual levels of poverty and deprivation, caused as a direct result of the war were not systematically recorded. Nonetheless, per capita income as assessed by the Central Bank consistently
revealed lower level in the North and East. Health and education indicators for the North and East have also been consistently lower than national averages. Long-term exposure to violence and instability also created a society deeply fragmented and lacking in confidence about its future. The economic cost of the war has been estimated to be around US$ 200 billion in the last decade only (Sarvanandnan, 2007). This is around five times of the annual GDP estimated from the present amount.

**Economically Collapsed North and Eastern Province**

Both areas experiences revealed that a steady decline in the output of major agricultural product during the civil war period. Traditionally, East was considered the granary of the country. The Eastern province contributed around 14% to the national GDP in the early eighties which gradually recorded a declining trend i.e. it was 4.2% in 1990 and fluctuated between 4.0-6.0% till end of the war era. Eastern province has become the lowest contributor to the national economy.

Mainly, rice, onions, green chili, potatoes, tobacco, fish, dairy products and eggs are the major agricultural products in N&E. Meanwhile, industrial sector particularly public sector institutions, corporations and factories contributed largely for industrial development and ultimately all of these favored to overall economy. The share of industrial employment halved as a percent of the provincial employment between 1983 and 2009. Agriculture and industrial section contribution marginally increased between 2001 and 2005, but service sector has declined in 2001 and again recovered in 2005 due to the tsunami rehabilitation and reconstructions helped to increase employment opportunities in N&E noticeably (Sarvanandnan, 2007). United National Front government implemented ceasefire
agreement with LTTE which lasted for brief period and it showed improvement in the sector wise composition of provincial economies significantly.

However, the contribution of North to the national economy has been the lowest for a very long period. It was around 2.5% in 1999 which went only up to 2.9% in 2004. Northern Province had the smallest economy of Sri Lanka’s nine provinces during the 1983 and 2009 (Sarvanandan, 2007). Northern Province was gradually transformed from a predominantly agrarian economy to a service-oriented economy, due to the large number of forces controlled area and gradually increased the recruitment of the persons for the security forces.

Approximately 56% of the employed population in the province worked in the agricultural sector. Therefore, in terms of livelihood agriculture was the dominant sector in the north. Conflict-affected area however, due to extensive mining of agricultural lands; restrictions on fertilizer; fuel and pesticide supplies; restriction on fishing; transportation bottlenecks; and stringent security measures during the war, the previously successful commercial mode of agricultural production transformed into a subsistence or survival mode of production. A comparison of agriculture production, the number of industries, and employment in specific industries and economic infra-structure over time and across provinces reveals the extent of economic decline in absolute and relative terms (Sarvananthan, 2007).

The military victory over the rebels under the military leadership Sarath Fonseka, former chief of the army has open a new opportunity for the country to venture into a society which is harmonious and inclusive growth if carefully handle.

Indeed, during the war period most of the people were disbursed and their living conditions dragged in to the bottom. As a result of the prevailed situation revealed that the poverty trend in N&E further rose to a significant level due to not reaching
the welfare and other services to the people because they were disrupted by the war. Conflict generated poverty both directly (through the loss of public entitlements) and indirectly (through the loss of market/livelihood and civil/social entitlements, which creates income inequalities (www.ips.lk). Meanwhile, war period, education system was also thoroughly damaged in both areas. Most of the students of the conflict affected area were disrupted due to displacement, loss of family members, psychological trauma, loss of school materials, and the destruction of school building and infra-structure.

Low labor productivity, high underemployment and unemployment severely disrupted the agricultural and industrial sector development in N&E. Conflict–affected area employment patterns also changed largely respectively, in East Province, the share of the employed population in the agriculture sector majority declined drastically from 52% in 1985-86 to 38% in 2004. Industrial sector employed population almost halved between 1985-86 and 1995-96- from 15 to 8% - and then increased slightly to 17% in 2004. Same employment trend also recorded in North Province but the share of the employed population in agriculture remained constant (55-56%) between 1985-86 and 1995-96, but declined to 38% by 2004. Industrial sector contribution also previously recorded declining trend from 13 to 7% between 1985-86 and 1995-96 and again increased to 18% in 2004. In addition service sector, employment trends in both areas parallel, because government used most of the human beings for war deeds. Therefore service sector became the dominant in both areas. Gradually rising trend of unemployment means that there was a major problem in all of the leading sectoral compositions. Declining trend has been severely disrupted not only for the N&E, it’s affected largely rest of the economy. Providing enough infra-structures (physical, social and
financial) are also important to rapid growth of the region, but conflict affected destroyed the infra-structures in both areas entirely.

**Mega Development Projects in North and East Provinces of Sri Lanka**

Regionally, North and East Provinces can play a vital role for the regional development and rest of the economy significantly. Certainly, the dark period of political instability resulting from ethnically-motivated violence has disappeared for the moment. However, by and large, the root causes that induced political instability vis-avis N&E of the country remain unaddressed. Therefore, it is of paramount importance to pay due attention to adopt a sound and credible development approach for N&E, aiming at achieving twin goals, i.e., economic prosperity and durable political stability, not only in the N&E, regions but also in the rest of the country (Amaratunga, 2010).

Government has changed its war mind into the restoration of the immediate development of N&E significantly. Rapid development task isn’t an easy process, but government undertook this severe and decisive challenge to achieve the successiveness path with foreign donors and private sector. To revive the both provinces immediately government launched two massive projects- called Uturu Wasanthaya or Wadakkil Wasantham and Nagenahira Navodaya) end of the war.

**Three-Year Investment Program for the Development of Northern Province: 2010-2012 (Uturu Wasanthaya)**

One is a 180-day program and other one is a medium-term plan from 2010 to 2011. First plan is mainly focused on de-mining, resettlement of people, rehabilitation and reconstruction of economic infra-structure to restore livelihoods and basic needs (roads, transport, water, sanitation, electricity, health and education).
addition, creation of income generating activities (rehabilitation of the children, women and youth living in the area also implemented through this rapid development project. Total estimated budget was Rs. 294.9 billion during the period from 2010-2012 and allocations of the total amount can be classified as follows: Rs. 45.7 billion for Human settlements development activities, large amount of this allocations divided on improving economic infra-structure development, it was Rs. 176.2 billion, Rs. 29.3 billion for strengthening social infra-structure and fostering social services, social protection and livelihood development for Rs.15 billion for revitalization of productive sectors. )

Medium term plan is also mainly paid attention on development of all districts in North Province. Conflict affected areas were located in North Province and severely damaged them immensely, therefore, re-settlement of the large amount of internal displaced persons were very important due to the remained camp living conditions day by day reported bad living experiences and suffered from unrest in the refugees. However re-settlement of North was serious and re-orientation also immediately not so easy, because large amount of land mines were minded and government launched de-mining program association with foreign organizations and countries as soon as possible to re-settle the in displaced persons.

**Three-Year Eastern Province Development Plan: 2007-2010 (Nagenahira Nawodaya or Eastern Revival)**

In short-term and medium term goals are included into the Eastern Revival Program. In short term like Uturu Wasanthaya Program in North Province also immediately targeted to revive the province clearly de-mining, resettlement, improve services, enabling a sustainable economic revival, immediate restoration of fundamental rights and ensuring the safety of the people and communities of the
region before delivering into reinstating their livelihoods. In addition develop the agriculture, fisheries, industries and tourism also targeted through the economic infra-structure.

Rs 198.5 billion funds allocated under the several major categories, they were mainly, resettlement of IDPs were Rs. 21.5 billion, Rs. 84 billion for economic infra-structure development, Rs. 19 billion for social infra-structure, productive sectors was reserved Rs 34 billion, human settlements and capacity building of the public institution Rs. 38 billion and 2.2 billion respectively.

Overall economic development is retarded seriously by the regional disparities over the three or four decades. Development of the North and Eastern Provinces is important for the regional re-distribution and rest of the economy; therefore basically productive sectors were targeted to develop rapidly through several major economic classifications. Basically dispersed high unemployment and under-employment to be reduced and largely absorbed was important to develop the major agricultural, industrial and services sector development continuously. North and East majority livelihoods depended on agriculture. Investments in those sectors were increased gradually as follows (table 1).

Table 1

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>151.0</td>
<td>598.0</td>
<td>650.00</td>
<td>705.00</td>
</tr>
<tr>
<td>Irrigation</td>
<td>733.0</td>
<td>2,640.0</td>
<td>3,983.50</td>
<td>5,065.00</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Fisheries</td>
<td>1,144.0</td>
<td>1,180.0</td>
<td>1,410.00</td>
<td>1,531.00</td>
</tr>
<tr>
<td>Livestock</td>
<td>47.2</td>
<td>307.0</td>
<td>420.00</td>
<td>563.50</td>
</tr>
<tr>
<td>Industries</td>
<td></td>
<td>400.4</td>
<td>511.23</td>
<td>447.65</td>
</tr>
<tr>
<td>Tourism</td>
<td></td>
<td>2,577.7</td>
<td>2,944.00</td>
<td>2,821.50</td>
</tr>
<tr>
<td>SME</td>
<td>100.0</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2075.2</td>
<td>7,803.1</td>
<td>10,918.73</td>
<td>11,590.15</td>
</tr>
</tbody>
</table>

Source: Department of National Planning-various issues

Government launched several mega projects outstanding corners to quickly restore the both provinces; mainly they have largely focused to revive the human activities on usual manner. In addition, to fulfillment and meaningful of the newly introduced concept of the inclusive growth, government largely used N&E provinces contribution towards the correct path enormously. Central Bank of Sri Lanka also largely embarked various kinds of projects simultaneously government launched projects collaboration with other leading banking institutions in Sri Lanka. Under the financial inclusive, Central Bank launched projects favored to reduce the regional disparities and recover the humans’ standard of living wealthy three of four decades ago. At the beginning of the new era, government established two official offices in the North and East, Developed and formalized financial system can be a vital role for a rapid development of the both areas, therefore Central Bank expanded the bank branches on state and non-state commercial banks.
Major occupations of North and East depended on agricultural development process. Quick restoration of the human lives government paid more attention on agricultural development. Fisheries industries were destroyed and restricted seriously conflict affected area by the LTTE and government security forces. Sometimes totally banned, however post war quickly restore the fisheries industries, government mainly lifted all barriers for fishermen and provided a large number of equipment such as boats (loans provided to buy the boats), tractors and other equipments etc. On a visit to Northern Province's Mannar District in early December, India's High Commissioner in Sri Lanka, Ashok K. Kantha, handed over a Rs. 71m ($558,000) Indian aid package consisting of 175 boats – each equipped with an outboard motor – and 12 fishing nets to 350 beneficiaries.

"Several small development projects have been implemented to promote livelihood generation activities and the gifting of 175 fishing boats is a part of efforts to rejuvenate the economy of Northern Province the High Commissioner said in a prepared statement issued on December 3rd.

Farmers who are interested to engage again previously intervened conventional occupations, since then Central Bank took steps to improve their ambitious successfully using agricultural development strategies to achieve significantly. Water pumps, tractors, seed, water (taken the renovation actions to repair the water tanks), several interests subsidy schemes also introduced to expand the participation immensely. One of the major projects named as agro livestock development loan scheme (ALDL). Main objective was to achieve the self-sufficiency in milk and creating gender balanced employment and establishing scientific dairy farming and allied activities. Under this project, loan provided on subsidiary interest rates (for small loans rate to borrower is 8%), further Central Bank introduced Credit Guarantee Schemes to give an assurance for the providing
loans by the commercial bank. Under this project directly persons who don’t have enough documents particularly deeds to provide for the loan requirements, at this stage Central bank gave sufficient assurance for loans providing institutions. In addition, CB have actively participated in livelihood development and Income generating Activities (IGAs) of the conflict affected households in the two provinces under six credit lines implemented through Participating Financial Institutions (PFIs).

Gradually national level poverty ratio was illustrated declining trend due to the large scale increasing trend in employment opportunities in locally and abroad. Particularly to reduce the present poverty in both provinces, initiated provisions of loans for projects under the Poverty Alleviation Loan Scheme (PALS) for several categories and also introduced further New Comprehensive Rural Credit Schemes (NCRCS). Main target was to uplift the socio-economic conditions of micro and small scale farmers. It is very important to note that the several inter-linkages also created by the CB for all producers to reach N&E markets and rest of the other markets. Particularly Dambulla, Meedgoda and Ekala Economic Centres opened to access the N&E farmers and producers to sell their production directly or indirectly.

Government and CB initially initiated to enhance the farmers and producers production improvement schemes or projects to achieve the successfully. Knowledge based programs sufficiently introduced and implemented through educational development approaches. University of Jaffna and Eastern University had a great task to improve the good opportunities for the N&E peninsula. They have changed their old syllabus to access new opportunities for new generation according to the changing world economic system. They have introduced several market oriented programs Skills and Training Accessibility and Language
Accessibility provisions also activated significantly. For actively created purpose CB launched several entrepreneurship development programs under these processes particularly low income earners, small and medium scale entrepreneurs. Further, knowledge transfers several development projects introduced by the CB to enhance the production capacity according to the current requirements. Entrepreneurship development programs and workshops, project appraisal workshops, training of trainers, post harvest technology seminars and also broadly communication development programs developed necessity of the N&E nations.

In addition to CB, under the collaboration with Government, Asian Development Bank also launched several projects to restore the N&E people live healthy. The delivery of ADB’s post-conflict assistance, which started with the North East Community Restoration and Development Project (NECORD), has so far been very successful. Simple design and flexibility built into ADB’s rehabilitation assistance has been a key element. In addition, the bottom-up approach adopted by the projects (whereby communities determine the kind of small-scale infrastructure needed for economic growth and poverty reduction, which is then screened by a provincial committee for consistency and strategic value) is also regarded as one of the main success features. It also ensured that conflict sensitivity is institutionalized in the implementation process by giving equal treatment to districts and different communities. Hundreds of small-scale rehabilitation projects have been approved for minor roads, hospitals, schools, water supply and sanitation, irrigation, and shelter. The use of existing government structures and a highly participatory approach, involving all stakeholders in the North and East, largely explains the successful implementation.
Progress in North and East Development

War is over in 2009 and since then all of the participants played a critical role to restore the N&E significantly. The time is too little to evaluate the progress or reality what happened throughout the three and half years, however, we can have to understand little bit that all of the projects are rolling in correct paths. It is important to understand our future plans how to select, resource allocation, planning etc. The Indian Government has provided a grant to construct 43,000 houses in these areas over the next few years; 1,000 of these have already been built and handed over to beneficiaries. The renovation of houses and construction of new housing units was one of the first priorities in terms of reconstruction in those areas. The Sri Lanka Army took on the responsibility to renovate more than 6,000 houses and construct nearly 7,000 new housing units in this region.

The operation of the centers themselves was greatly assisted by the military, under the direct supervision of the Bureau of the Commissioner General of Rehabilitation. During the first year itself, 121 beneficiaries of the rehabilitation program were reintegrated to society; 5,227 were reintegrated in 2010; 5,027 were reintegrated in 2011; and 598 have been reintegrated so far this year.

As a result of the implemented projects succeeded to record significant achievements of the projects. In 2008, there were only 34,870 fishermen in the North. It increased to 45,460 in 2011. We made increased investments in the North and the East. There were only ten multi-day trawlers at that time. We increased it to 29 last year. We spent Rs.1.9 billion ($14.9m) in 2011 alone to develop the fisheries sector,

According to statistics released by the Finance Ministry of Sri Lanka, contributions from North and East provinces helped Sri Lanka's agricultural sector grow by
11.9% in 2011, up from 11.2% growth the year before, further, farmers have put 104,717 more hectares of land into paddy and vegetable cultivation. During the last 'Maha' season, farmers have been able to cultivate over 80 percent of the paddy lands which were abandoned in the north due to the conflict. Accordingly, farmers have cultivated 145,000 acres out of 180,000 acres which remained abandoned when the conflict ended. Post-war growth in the agricultural sector is visible through brisk business taking place at the country's largest wholesale vegetable market in Dambulla, a town in Central Province. Dambulla Economic Centre Manager Lasanatha Sanjeewa said he receives 50-70 lorry loads daily of vegetables such as carrots, cabbage, onions, green chilies, long beans and beetroots from the North alone.

"Normally, we used to get only 10-15 lorry loads a day during harvesting times prior to the end of the war. The improved cultivations have brought benefits to consumers in terms of low vegetable prices. Prices of some vegetables have been halved due to the production coming from the North. We also receive grapes cultivated in Jaffna,

In the north, over 900 schools out of 1020 are already functioning. However, arrangements have been made for students in schools that are not functioning to follow classes in alternate locations. The government has invested over Rs. 1.2 billion in the education sector so far.

**Summary and Conclusion**

Economic growth has proved its difficulties to provide enough contribution for overall economic development. As a substitution newly introduce inclusive growth indicates that the broad perspectives rather than implemented economic growth process. As a developing country Sri Lanka has succeeded to eradicate 30 yearly
implemented decisive and critical wars in 2009, but also remained a challenge to present government to overcome existed difficulties rapidly. End of the war in 2009, since then government implemented mega development projects on N&E. N&E development is very important because contribution of the both areas capable to reduce regional imbalances and ultimately provide overall economy development. Rapid development process is on a correct path and proved a little bit progress, but it means that the further provisions of enough facilities nor too much and slow process substantially

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