The Southern Region – Accelerated investment zone in Sri Lanka

Southern Sri Lanka has always been known as the “home of enterprise”. Though the majority of successful Sinhalese businessmen are from the South, the South itself has lagged behind other regions in development. However, the recent establishment of the Southern Area Development Authority, shows the present Government’s commitment to facilitate accelerated development in a long-neglected region of the country.

by Lucien Rajakarunanayake

The South of Sri Lanka has been among the most politically volatile regions in the country, generally supporting the left-wing politics. It’s people have a tradition of education, enterprise and venturing out seeking better pastures. Many a trader in other parts of Sri Lanka comes from the South, and is part of it. But, the South itself has lagged far behind the other regions in development. Successive governments since independence have confined themselves only to promises of development of the South, soon ignored or forgotten after the election.

For decades, it has been a region of increasing poverty despite the presence of a large percentage of educated unemployed. At present there are at least 600,000 families in the region with a monthly average income of SL Rupees 500 or US $10. At present levels of progress, this number is expected to reach at least 750,000 families by the Year 2000. This lack of development and employment opportunities gave rise to two left-wing-led youth uprisings in the region.

The first youth revolt in 1971, was put down by the then government with the loss of at least 10,000 lives. The second youth revolt which took place in 1988, was crushed by the then government with the loss of at least 60,000 lives according to conservative estimates. Therefore, the government is looking towards an accelerated programme of development in the region. It seeks to establish an economic base in the South which, by the Year 2001, would generate an annual turnover of at least SL Rs. 100 billion or US $10 million.

This is the background to the recent establishment of the Southern Area Development Authority (SDA), to open up a major area for investment by the private sector and thereby facilitate accelerated development in a long-neglected region of the country. The emphasis on development will be the maximum use of resources available within the region, and will be largely based on private sector in vestment, both local and foreign.



It is the aim of the SDA, to develop Sri Lanka’s South, mainly through private sector enterprise, which will draw in the people of the region. While direct government funding would be minimal, the private sector, would also be encouraged to invest in the development of infrastructure facilities as well. Plans have already been drawn to encourage joint venture enterprises, with foreign and local investors, together with the government or people’s co-operatives of the area. The expectation is for the people of the South to have an equity stake in most of the development projects within the region.

There is a wide range of opportunities for investment in the South, in areas which extend from agriculture and livestock farming to fisheries, tourism, alternate energy, and infrastructure development. The restoration and re-vitalizing of the “ageing” agricultural ventures in the region, especially coconut, cinnamon and tea, will be augmented with the encouragement of agricultural ventures involving crops more suitable to the region, such as sugar cane, citronella, fruits and exportable agricultural produce. There is also investment required for the improvement of irrigation for the traditional crop of rice, as well as storage and marketing of the produce of the South.

The large number of families living on the coastline of the South depend mainly on subsistence fishing. There are considerable opportunities for investors in the fisheries sector, which will make the industry more modern, and also enable the exploitation of the fisheries resources of a very large area of ocean within Sri Lanka's 200 mile economic zone. Opportunities will also be available for the development of other fisheries-related industries using fish by-products.

The large extent of coast available as well as the many areas of exceptional scenic beauty, mild climatic conditions, as well as the presence of many places of archaeological significance offers good opportunity for tourism-related investment in the South of Sri Lanka. The SDA has already made plans for the development of eco-cultural zones, which will involve protection of the existing habitat and the participation of the people in the development of special interest and environment-related tourism, which will leave more income in the hands of the people and give them an incentive to preserve the habitat.

Investors have already shown interest in the traditional skills and crafts of Southern Sri Lankans, for the production of an exportable surplus, for the growing market of distinct "ethnic" products in the developed countries.

With the need for increased energy resources to sustain the economic development in the South, the SDA has already identified three zones where investment in wind-power generation will be encouraged. Solar power for rural homes is also an area open for investment. In addition, there is also the proposal to establish an oil-refinery in the region using imported crude oil, with the maximum ecological and environmental safeguards that will not lead to pollution in the region.

In the field of infrastructure. development, the SDA will encourage foreign investment both in the Build Operate Own (BOO) and Build Operate Transfer (BOT) projects.

With a view to discourage the migration of skills and enterprise from the South, the SDA will give considerable help to those who establish small and medium-scale industries in the region. For this purpose, there will be special training schemes launched to give the youth of the area a good training in modern methods of agriculture and farming, as well as in technology which will be appropriate for the setting of private or cooperative ventures within the region.

While the two state banks in Sri Lanka, the Bank of Ceylon and the People's Bank

have already shown interest in funding projects in the South, there has also been considerable interest from the private banks and private sector entrepreneurs already engaged in enterprises in other areas as well. A

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recent advertisement placed by the SDA for consultants among Sri Lankans for a wide range of development-related disciplines has drawn an encouraging number of applicants, even from several Sri Lankan experts living abroad.

The existing Free Trade Zone in the South will be further developed. Action has already been taken to develop and expand the Galle Harbour, the principal harbour of the South to make it a fully modern shipping facility. The airstrip at Koggala, near Galle will be developed bringing it close to an international airport with emphasis on air-freight of cargo. A new highway linking Colombo to the South is already under construction, providing quick access to the region.

The South of Sri Lanka has for long been considered the home of good enterprise among the majority Sinhalese community in the country. Most successful businessmen among the Sinhalese are often proud to state that they are “from the South”. However, their entrepreneurial skills have largely taken them away from the area, and there has been little return to the region. The aim of the SDA is to translate this pride of being from the South, to have more meaning for the development of the South itself, and to give encouragement to the creation of more employment and income generation within the region itself.

The development of the South is a challenging task for President Chandrika Bandaranaike Kumaratunga. It was one of her main election pledges to the people of the South, at the same level as her commitment to bring a peaceful settlement to the war in the North and East. The challenge is all the more important because of the recent political history of the South, which saw two youth uprisings within 30 years, which had to be put down at the cost of losing many youth who could have been a great human resource asset to the region and the country.

Whatever success the SDA has in its task of drawing in investment to the South making the proper exploitation of the resources of the region, and leaving a good expendable surplus in the hands of the people-will go a long way in altering the

pattern of economic development in Sri Lanka since independence, which has largely been. metropolitan-based.

Apart from the political and economic necessity of developing the South, for the overall improvement of the Sri Lankan economy, the faster the SDA moves and succeeds in attracting investment to the region, the earlier it will prevent extremists among the majority Sinhalese from complaining that the Government is placing too much emphasis and using too much resources for the rehabilitation and reconstruction of the areas of the North, which have been brought under its control. It is a voice that is already being raised and could easily be another slogan to attract the highly politically motivated youth of the South who feel the frustration of being both educated and unemployed.

