

Working Paper 2

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Over 36 months have passed since the lifting of the economic embargo on the North&East Province of Sri Lanka and the signing of a Memorandum of Understanding between the Government of Sri Lanka (GoSL) and the Liberation Tigers of Tamil Eelam (LTTE) which resulted in a ceasefire between the warring parties. However not many new productive activities have begun in the North&East Province despite rapidly rising trade with the rest of the country. The objective of this paper is to identify the factors inhibiting economic revival in the North&East Province. The demarcation of high security zones by the Sri Lankan security forces, arbitrary cum illegitimate taxation by the LTTE and the general economic and political uncertainty are identified as major non-market institutional impediments to economic revival in the North&East Province. Based on the identification of these non-market institutional impediments, a set of proposals to both the GoSL and the LTTE are put forward in order to revive the regional economy of the N&E Province