

General Equilibrium Growth Accounting Approach to Review Policy Effects on Agricultural Sector: A Case Study of Sri Lanka

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Abstract

The chief motivation of this research is to evaluate the impact of Structural Adjustment Policy (SAP) Program on the Sri Lanka's agriculture sector with special reference to the domestic food sector. Due to various problems arising from earlier models, this paper attempted to use the Two Sector General Equilibrium model with Growth Accounting Approach. Growth Rate Multiplier approach, combination of effect and contribution, was combined with this two sector General Equilibrium Model in order to measure the impact of the policy variables as the result of new policy reforms on the Sri Lanka's economy. It is quite different from these earlier studies assessing that policy changes are favorable to the overall agriculture development though their impact on the domestic food sector is negative. Furthermore, our study clearly indicates that the fertilizer prices those changing under the policy adjustments tremendously effect the agriculture production and it was also negatively affecting the domestic food production. Food imports are open under the new policy reforms and these food imports make considerably large impact on the domestic food production. The Push-Pull effect of technical changes of agriculture and non-agriculture is also evident from this study as expected under this policy package.

Key Words: Structural Adjustment Policy (SAP); Sri Lanka's Agricultural Sector; General Equilibrium Growth Accounting; Push-Pull Effect of Technical Changes.

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