



**POLICY STATEMENT OF HON.  
GOVERNOR  
BUDGET YEAR 2008**

**Northern Provincial Council**

**Trincomalee**

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## **Policy statement for 2008**

### **Northern Provincial Council**

I am pleased to publish the Annual Financial Statement and Budget statement of the Northern Provincial Council for the year 2008. This statement is made when the Government is poised to take full control of the Northern Province and eliminate the volatiles situations, uncertainties and various constraints and institutionalised impediments for development during the past few decades. The priorities, strategies and programmes enunciated in this document have been prepared in terms of the government's directives for budget preparation and the policies, strategies and priorities declared by the Government in its policy framework viz. "Mahinda Chinthana". Since the present endeavours of the Government in this direction will significantly impact the needs and priorities of the Province in the near future, the validity of this statement will be limited in its application. However the administration cannot function without clear directions and hence this statement is essential. Even though the Provincial Council system has been in place elected Council was not functioning for more than 15 years in this Province. In view of the emerging complex administrative environment it behooves me to place on record the circumstances which necessitate me to declare this Policy statement before proceeding further.

## **1. Introduction:**

Consequent to the Supreme Court determination in the Case Nos. 243, 244 and 245 of 2006 on 16.10.2006 it became evident that the Northern Province and Eastern Province were not merged following proper legal procedure.

On 22nd December 2006 with the appointment of an Acting Governor for Northern Province the establishment of a separate Provincial administration for Northern Province became a reality. However due to administrative constraints the newly established Provincial administrations for Northern Province and Eastern Province carried out their operations as one unit during the remainder period in the year 2006. The Government with the view to allow un-disrupted administration decided to divide the already prepared financial estimates for the year 2007 according to a formula derived on the basis of population between Northern Province and Eastern Province and hence the Northern Province was assigned 47% of the total estimated financial requirement of the former North East Provincial Council. With this divided budgetary provision the NPC administration functionally separated with effect from 01.01.2007 and physically located separately from 02.02.2007 but still functioning from Trincomalee.

Though year 2008 is the second year of operation the financial statement of this year is the first financial statement prepared by the Northern Provincial administration. During last two decades the budgetary principles have evolved embracing more and more planning, development, governance, fiscal and financial management related latest concepts. Further it became very evident, though the formal budgetary process may not be fully adopted immediately the validity of tools, techniques and concepts associated with budgetary processes proved to be very useful and essential. In line with this trend the NPC administration has improved its budget preparatory process and how able to presents this statement.

In order to deliver its development services the NPC has organised itself in to the following five ministries under which major sector subjects are grouped.

1. Ministry of Local Government, Rural Development, Cooperatives, Industries and Social Services.
2. Ministry of Agriculture, Animal Production, Irrigation and Land Administration
3. Ministry of Health and Indigenous Medicine
4. Ministry of Education, Cultural Affairs and Sports
5. Ministry of Infrastructure Development and Reconstruction

## **1.1 Ministry of Local Government, Rural Development, Cooperatives, Industries and Social Services**

The above named restructured Ministry will start its functions from 01<sup>st</sup> January 2008 with the following areas of assigned responsibilities:

- Local government
- Rural development
- Cooperative development
- Rural industries and industrial development
- Social welfare

It will have under its command the Local government system which consists of 5 Regional Assistant Commissioner Offices, 1 Municipality, 5 Urban Councils and 28 Pradeshiya Sabhas. In the Cooperative sector, a network of 760 retail outlets under 47 Multipurpose Cooperative Societies and 42 Palm development societies are functioning. There are also networks of Agriculture and Fisheries cooperatives. These two sectors are considered to be sleeping giants of Northern Province the latter being given a renewed importance in the current economic development strategies by the present Government. This Ministry is also in charge for service delivery system for Social welfare which is again a key issue due to the special conditions in the Northern

Province. Rural development and rural industries are other two vital structures placed at the centre of the priority results area of the provincial administration with focus on revival of livelihood. The administrative reform and the local government reform will be two other main responsibilities under this Ministry. Creating new environment for a sustained economic and social development will be a major challenge poised to the above cluster of activities.

## **1.2 Ministry of Agriculture, Animal Production, Irrigation and Land Administration**

The Ministry of Agriculture, Livestock Development, Lands, Irrigation & Fisheries provides guidance and policy directives and co-ordinates the activities in the sectors of Agriculture, Animal Production and Health, Land Administration, Irrigation & Fisheries in line with the National Policies, and the provincial development directions. Under the programmes of general administration and staffs services, the Ministry also seeks to strengthen the institutional capacity to carry out its mission and objectives. Since 1999 the following departments and units are functioning under the supervision of the Ministry.

1. Department of Agriculture
2. Department of Animal Production & Health
3. Department of Land Administration
4. Department of Irrigation

The Ministry is also in charge of the following sub sectoral activities.

- a) Inland Fisheries development programme
- b) Rehabilitation of Minor Tanks
- c) Rehabilitation of Agriculture Roads

### **1.3 Ministry of Health and Indigenous Medicine**

The administration of Health Services of the Northern Province is decentralized to Five regions under the Regional Directors of Health Services. The institutional network links 308 Health Institutions comprising Hospitals with specialist services, District General Hospital, District Base Hospital, Divisional Hospital and Primary Medical Care units as curative care institutions and MOH Offices, Gramodhaya Health Centres, School Dental Clinics and Anti Malaria Campaigns as preventive care institutions. These institutions provide Patient Care and Preventive Care Services to promote the Health Status of the population. Beside this, One Teaching Hospital at Jaffna is functioning under Line Ministry.

There are 7 institutions for general administration, 155 Preventive care institutions, 98 Curative Care institutions and 55 Ayurvedic Medical Institutions functioning in Northern Province. Out of 55,

01 Ayurvedic institution, 01 District Ayurvedha Hospital, 02 Rural Ayurvedic Hospital and 5 Nos. of Ayurvedic Dispensaries are functioning under the Department of Indigenous Medicine and 47 free Ayurvedic dispensaries are functioning under the Local authorities. All are providing free health services.

There are 27 Nos. of MOH Offices and 107 Nos. of Gramodaya Health Centres, responsible for the preventive and promotive aspects of Health care for the people, especially for mothers and children.

#### **1.4 Ministry of Education, Cultural Affairs and Sports**

The Ministry of Education Cultural Affairs & Sports, North Province is responsible for the Policy implementation with regard to the matters pertaining to the Education Sector, Cultural Affairs and Sports activities of the Northern Province of Sri Lanka. The Provincial Director of Education is the Chief Officer is in charge of Administration of the educational Institutions and Implementation of Education activities in the province.

For administration purposes, the Northern Province has been divided into 12 Zonal Education Offices. These Zones have been further divided into 33 Educational Divisions. Zonal Directors

administer Zone and Divisional Education Offices. Divisional Education Officers have been delegated with specific responsibilities in the divisions. In addition there are two Additional Provincial Directors offices in Jaffna and Vavuniya districts.

There are 1011 schools in Northern Province and out of which 26 are Sinhala medium schools. 16 Sinhala medium schools are functioning in Vavuniya South Zone. 99 Tamil Medium Schools and 10 Sinhala Medium Schools are temporary closed. Out of 1011 Schools there are 11 National Schools and 6 Private schools.

The students population in 2007 is 265 270 in Tamil medium schools and 2709 Sinhala Medium Schools totaling 267 979.

### **1.5 Ministry of Infrastructure Development and Reconstruction**

There will be a new Ministry of Infrastructure Development and Reconstruction with effect from 01-01-2008. This Ministry will be incharge of planning, policy direction, standard, quality control, procurement procedure, technology transfer and capacity building in the infrastructure development sector. The following institutions come under this Ministry:

1. Department of Road Development
2. Department of Buildings
3. Procurement Division of the Provincial Council
4. Quality Control Unit

The conflict has caused damages to infra structure stock of Northern Province which did to stagnation in development. Basic economic and social infrastructure to access, agriculture, shelter, income generation, and most other needs requires complete rehabilitation. A comprehensive infrastructure development programme is needed for Northern Province.

The Engineering Sector will have greater responsibility in rebuilding the area for revival of economy and normalcy to return and has to play a vital role in coming years. The sector is now incapacitated due to shortage in professional and service delivery agencies due to the absence of a vibrant private sector. The sector needs better co-ordination, streamlining of procedures, efficient contractual management and quality improvement.

The Ministry of Infrastructure Development and Reconstruction is also responsible for coordinating the non-devolved subjects water, electricity, renewable energy and tourism.

## **2. Socio Economic Situation of the Province**

The Northern Province has a total area of 8,846.83 sq.km. The Northern Province consists 13.49% of the total land area of the island. No population census has been taken for this region since 1981. The estimated population is around 1.146Mn (2006), which represents around 13.62% of the total island population. Due to the conflict situation a significant number has left Northern Province and also live outside the country.

Contribution of the Northern Province to the National GDP had been around 14% in the 1980s, but now it is around 8%. It shows that there are potentials but have to be tapped. Of the estimated Provincial GDP 32% accounts for Agriculture, this includes Fisheries and Animal Husbandry. Agriculture is the mainstay of the economy. Over the years the structure of the economy remains more or less unchanged. The estimated provincial per capita is Rs.53,639/- whereas the national per capita is Rs.91,479, which is 70% higher than that of the Northern Provincial per capita.

Due to the prolonged conflict, the Province suffered extensive damage which was compounded with Tsunami impact. The Communities in the Province are identified as conflict emerging society, which has its own characteristic, demanding specific solution.

The development process has taken place during the last few decades in the Province. The development in the Northern Province witnessed a steady progress under the close economic policies prior to 1977 especially in progress related to self sufficiency. The opportunities of open competitive policies did not provide much benefit to this Province. The case is same with the benefits of the globalization. Prior to the conflict the Province enjoyed a high growth rate but during the conflict period it recorded negative growth rate falling below around 3.0% around 1996 (General Treasury). Though it witnessed a positive growth rate after 2002 but began to decline since August 2006 with the escalation of violence. During the last two decades the economic and social process and activities gradually got converted into coping mechanisms and hence the service sector and the production sector remained at a mere subsistence / coping levels / minimum delivery levels. Prior to the conflict the Province contributed to the National GDP to a significant level in key production sectors. During the conflict period direct correlation was experienced between the peace stability and development.

**Provincial Investment Trends**  
**Recurrent Allocation & Expenditure – 2000 to 2007**

<b>Year</b>	<b>Allocation</b>	<b>Expenditure</b>	<b>%</b>
2000	5,233,531,600	4,131,145,865	79
2001	4,437,696,000	4,258,259,367	96
2002	5,475,356,000	5,318,101,043	97
2003	5,660,512,480	5,545,505,868	98
2004	6,783,482,000	6,630,934,729	98
2005	8,498,751,960	8,555,384,233.06	98
2006	12,278,088,913	11,685,607,534.54	91
2007 *	7,300,000,000	5,415,954,801.00	

\* for Northern Province only

The recurrent allocation from the Finance Commission has shown a steady increase from Rs.4.4 Mn in 2001 to Rs. 12.2 Mn in 2007. But the capital allocation has not shown any real growth during this period but remained around Rs 500 Mn.

In terms of productivity, Northern Province in certain years in the past recorded the highest yield in paddy sector in the country. The Northern Province made the highest contribution in the fish production (30%) during the pre-conflict time while it also contributed significantly to the crop sector (Red onion 60% and Chillies 30%). Though it has nearly 1/3 of the country's coastal sea

front the fish production diminished. Of the total extent of cultivable land of 210,000 Hec. around 98,799 Hec. is accessed for paddy cultivation. Fisheries sector sustained heavy damage to productive assets, infrastructures and suffered migration of fishermen. In the Irrigation sector, due to lack of maintenance, commanding ability of the Irrigation schemes shrank. Rural and Agriculture Roads and agriculture related services got deteriorated. This has led to the loss of farm income and employment opportunities and increase poverty levels.

The prevailing poverty conditions are appalling. There are no official figures to measure the incidence of poverty in the North. It has however been agreed that the incidence of poverty in the North is equivalent to or more than that of the worst province in the South, which is Uva. Several indicators of both income and human poverty reflect the conditions of poverty that prevail in the region. The combined effect of all three phenomena, viz, civil war, tsunami and economic deprivation resulted in the pathetic condition. In order to reduce poverty, intervention must be targeted at the vulnerable groups such as; orphans, children with single parent, widows, and abandoned elders. In order to realise the full impact of the poverty reduction interventions, there should be a sustainable systems at local level.

In the social sector almost all social indicators have declined, particularly in the Health and Education sectors. Accessibility has become the major issues which has resulted due to multiple reasons. The achievement levels and dropouts are two key issues in the Education sector. Increase in infant mortality, incidents of malnutrition and preventable diseases are high in the Health sector.

In order to provide these services, infrastructure facilities such as Schools, Hospitals, Water Supply, Roads, Electricity, Communication, etc. must be rehabilitated. Without proper maintenance these facilities have worsened during the past two decades. In order to provide effective services, infrastructure facilities, capacities and capabilities at various levels must be available. The building up of capabilities must be at individual, family, community and at the regional levels. In identifying the development priorities, this essential aspect has to be borne in mind. Rehabilitation in general has to be viewed along with developmental goals. Rehabilitation per se is to get back to the lost position. But if it is limited to the regaining the lost position only, there will be gaps between the earlier and the present position. There will be a double gap situation in the development process of Northern Provincial Council. From a long-term perspective, rehabilitation contains the development component to be matched with present needs. Therefore, along with rehabilitation,

development goals have to be caught up in order to be on par with other provinces.

As indicated earlier Northern Region has suffered due to three phenomenons namely Civil War, Tsunami, and Economic setbacks. The combined effect of these three phenomenons has resulted in the pathetic condition among the poor group. Therefore, priority number one of Northern Province development endeavours is the restoration of the livelihood. Poverty alleviation will serve as a beginning of the long process of the recovery. Along with restoration of livelihood the basic services such as Health, Education, Transport, etc. must be activated and improved.

There had been several interventions with the assistance of donor communities during the recent past. The interventions are mainly to resettle and rehabilitate the people. In this process the economically deprived people have been missed.

Since growth is a function of level of investment and its utilization of capital resource mobilization will be the determine process in the future development of Northern Province, for any major investment to take place in the growth oriented sector, investors' confidence is crucial. Given the lack of security and non conducive environment for investment, no long term investment has taken place. Since there are no private sector investments,

government should play a positive role to attract investment in the growth oriented sector.

Large amount of funds are necessary to attend to the Rehabilitation & Reconstruction needs of the Northern Province.

### **3. Challenges:**

Northern Province faces several challenges in its development efforts. The Northern region has all the characteristics of a conflict emerging society. The destruction, displacement and other consequences of the war are very expensive. Since major problems are not due to mismanagement of development but due to the conflict situation, the problems are very specific which cannot be generally addressed by sector wide national development policies. They need specific solutions. Since sustainable development requires stable conditions, a sustained transition is also not possible. Therefore, the conditions are still pre-transition and therefore, major option available is to seek coping mechanism or extended coping mechanisms. Conventional models of development will bound to fail. Still the relief, rehabilitation and reconstruction process should continue to mitigate the immediate sufferings of the people. At present most of the relief measures are mainly supported by Government and major reconstructions are

mainly assisted by Donor Agencies. The focus of all provincial efforts are generally aimed at the following:

1. Reactivating or improving provisions of services such as health facilities and education facilities.
2. Supporting livelihood activities of IDPs and addressing their basic needs.
3. Rehabilitating infrastructure facilities.
4. Strengthening implementation capacities of the implementing agencies and partner organizations.
5. Rehabilitation of individuals and families.

Due to lack of cohesiveness among various strategies (at one time around 40 agencies handled relief, rehabilitation and reconstruction activities) gap, overlaps and duplication are experienced in the RRR sector. Even though the rehabilitation, reconstruction and development clearly denote a continuum, it is early to figure out a right model for development of this region as the prerequisites such as institutional framework, legal framework, etc. are far outdated. Most of the development efforts are contributing to the revival of outdated economical model. At the current rate of resource mobilization, arresting the double gap situation, viz: bringing the level of standard of living to that of the present national level (1st gap) and to catch up and bringing it to the future

national level (2nd gap) will take a fairly a long time and of course only with clear and accelerated strategies.

Consciousness of these conditions, the provincial administration makes its endeavours to promote development and improve the service delivery. Poverty alleviation objectives cut across all of its endeavours. Participatory approaches increasingly dominate the planning and implementation processes. However, due to various institutionalized impediments, systematic deficiencies and constraints the implementation of efforts had to face numerous problems. The following situations still persist:

1. Inadequate capacities of implementing and executing agencies particularly due to lack of technically qualified personnel and high caliber management.
2. Procedural delays both at centre and peripherals.
3. Production, supply and transport of building materials such as sand, rubble, iron, timber and cement.
4. Lack of capable contractors in terms of finance, technical ability and professional management.
5. Ever rising cost of materials.
6. Security procedures.
7. Community capacities.

Under the circumstances, the provincial administration made various efforts and manages these issues and succeeded in implementing its programmes. However, achieving sustainable development and mitigating the suffering of a conflict emerging society will definitely require a dynamic policy framework, institutional arrangements, new capacities and powers, vibrant private sector, peaceful and stable conditions.

With the full knowledge of these prerequisites and based on the review of the current situation the Northern Province administration has identified its strategic areas for development and identified Key Results Areas for the resources made available during 2008.

#### **4. Development priorities and Strategic Results Areas:**

The Provincial Administration has chosen six Strategic Result Areas for its investment direction and service delivery programme as its priority areas viz. 1) Restoring livelihood 2) Re-activation and restoration of service facilities 3 ) Rehabilitation of social and economic infrastructures 4) Capacity development 5) Addressing the need of the vulnerable and 6) Establishing good governance.