



**POLICY STATEMENT OF
HON. GOVERNOR
BUDGET YEAR 2011**

**Northern Provincial Council
Trincomalee.**

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Policy Statement for the year 2011

Northern Provincial Council

1. Background

I am pleased to release the Annual Financial Statement and Policy Statement of the Northern Provincial Council (NPC) for the year 2011. These statements are made when the Government almost completed more than 95% of the resettlement activities in the Northern Province and re-established their normal life. It is the anticipation that identified uncertainties, constraints and institutionalized impediments will be removed early and development process enhanced. The Government has already implemented a programme to rehabilitate the Northern Province under the "Vadakkini Vasantham". Hence, the policy statement of the year 2011 is largely influenced by the central Government's strategy towards rehabilitation of the Northern Province.

The Annual Financial Statement sets out the various limits and provisions available for the Provincial Departments and other Institutions for various service deliveries and functions, while the Policy Statement briefly narrates the frame conditions for various sectoral activities, performance, and sets out priorities and targets for various service programmes for the year 2011.

Though year 2011 will be the 5th year of operations since the creation of the Northern Provincial administration, it continues to maintain consistency, continuity & smooth transition of the development efforts of the previous North East Provincial Council. During the past 4 years, it managed to introduce various operational manuals, guidelines, procedures and systems to pave the way for a better footing for NPC administration. Initiatives are underway to shift temporarily the Provincial council head quarters to the Jaffna District to facilitate better administrative environment. However the master plan has been already prepared to locate the NPC in Mankulam City Plan by the Urban Development Authority.

2. Methodology

The NPC continued to abide by the budgeting principles promoted during the last 2 decades and adopted a more rigorous path of following practices and concepts relating to Planning, Financial Management, Budgeting & Good Governance . During the preparation of the current year financial statement, more rigorous practices were followed in the estimation process, which involved validation steps; re- scrutinization & detail background work. Thus the financial statement has been prepared and presented institution wise. For budgetary purpose development sectors have been grouped under the following 5 ministries.

1) Ministry of Local Government, Relief and Rehabilitation, Co-operatives, Rural Development, Industries, Social welfare and Probation and Child Care.

- Local Government.
- Rural Development.
- Co-operatives.
- Industries.
- Social Service.
- Probation and Child Care.
- Relief and Rehabilitation.

2) Ministry of Agriculture, Livestock Development, Lands, Irrigation and Fisheries

- Agriculture.
- Animal Production & Health.
- Land Administration.
- Irrigation.

3) Ministry of Health and Indigenous Medicine

- Health.

- Indigenous Medicine.

4) Ministry of Education, , Cultural Affairs and Sports

- Education.
- Sports.
- Cultural Affairs.

5) Ministry of Infrastructure Development and Reconstruction

- Road Development
- Buildings
- Reconstruction

3. Socio Economic Condition

The Northern Province covers about 13.2% of the land mass of Sri Lanka. Its total extent, around 8,846.83 sq. km consists of five districts namely Jaffna and its isles, Kilinochchi, Mannar, Mullaitivu and Vavuniya have an estimated population of 1.187 mn in 2009. It is still pre- dominantly an agricultural region having crop, live stock & fisheries as pivot sub sectors. The diversification process which gained momentum in the country after 1970 and the declining trends of agricultural contribution to the GDP is not properly reflected in the current statistics of the Northern Province. However, its contributions to the GDP by agriculture and fisheries sectors have declined during the conflict period. Contribution of these sectors has been gradually increasing form the year 2010 and this trend has to be strengthened.

Prior to the conflict, i.e. in 1980s, the contribution to GDP by the Northern Province was around 7%. Later this suffered a negative trend and in 2009 it is shown as 3.3% and there is a slight improvement when compared to 3.2% recorded in 2008.This shows that there are potentials in the Northern Province and that should be tapped. The structure of the provincial economy has not changed over the period. However, Agriculture, including Fisheries and Animal husbandry which is the mainstay of the economy has shown positive growth after 2002. The growth rate has now reached a negative phenomena resulting in a per capita Income of Rs.134, 000 equivalent to US\$ 1166 per year as opposed to the national average of Rs.235,945 equivalent to US\$ 2053 in 2009.The

province struggled to sustain its literacy rate at 92.5% while suffering from severe disruption in the educational system resulting in high rate of drop out and non attendance in the country.

Resettlement activities are taking place in the all 5 Districts in the Northern Province of Jaffna, Kilinochchi, Mullaitivu, Mannar and Vavuniya. Total numbers of displaced people are estimated at 350,028 and out of this displaced people in the North 329,973 Nos. have been re-settled up to November 2010.

However under the "Vadakkinn Vasantham Programme" Government has started rehabilitating the buildings, reactivating the livelihood, reconstructing the damage to productivity infrastructure and has taken necessary action for the maintenance of assets, and to increase the level of service delivery and production.

In terms of prosperity index, the Northern Province occupies the last position as per prosperity ranking in the country. In terms of productivity in paddy sector, Northern Province in certain years in the past had recorded highest yield in the country. It made the highest contribution in the fish production (30%) during pre conflict time while dominating significantly in crop sector (red onion 60%, Chili 30%). Since end of the war, due to the proper support by the Government in the Northern Province, the production of the crop sectors also has been gradually increasing and the market for agriculture products has expanded. This trend also has to be further strengthened. The province nearly has 1/3 of the coastal sea and around 250,000 ha. of cultivable land, most of these resources are now accessible to the people to engage in economic activities.

In the irrigation sector, due to lack of maintenance commanding ability of the irrigation schemes shrank. Rural and agricultural roads and agriculture related services got deteriorated. Added with displacement the situation led to loss of farm income, employment opportunities and increasing poverty levels. Since the province had enormously suffered three waves of impacts due to the war, Tsunami and development deprivation, the combined effect of these has resulted in pathetic condition among the poor.

4. Natural resources and Development in the Northern Province

The Northern Province is rich in natural resources in its extensive coastal area, in its dense forests and its mineral deposits. Forests resources are largely intact despite many decades of conflict and form a considerable percentage of the total forest cover in the country. From extensive sand dunes in Jaffna peninsula, to quarry metal and clay for bricks the Province is especially rich in mineral resources needed for construction. The land is generally flat and undulating with no significant elevation, however the highly diverse coastal belt more than compensates. Lagoons, bays, salt flats, wetlands, coral reefs, islands and islets, and estuaries are some of the prominent coastal features that are important both ecologically and economically.

Water Resources

The Northern Province does not have a single perennial river, and very limited seasonal streams and rivers. Traditional water storage was through built irrigation tanks. The area belongs to the Dry Zone of Sri Lanka with low annual rainfall. The ground water surveys done prior to the conflict indicate that intensive agriculture, especially paddy, cannot be supported without adequate replenishment of surface water storage. Water scarcity is a main constraint in many parts of the province, even for drinking and domestic use. The major tank cascade systems and existing major irrigation schemes (Iranamadu, Giant's Tank, Pavakkulam, Kalmadu) should be closely examined to determine the productive capacity of agriculture and irrigation, plus quality of drinking water available in the northern districts.

Marine and Coastal

With 40% of the country's coastline, the province has immense potential for fisheries, aquaculture and tourism. While the existing marine and lagoon-based fishery industry need to be modernized and reequipped to enable the

population to benefit from the rich and under, tapped fishing grounds, new aquaculture-based industries could be established to elevate productivity and offer more livelihood options for young people. The main fishery areas are in Jaffna, Mullaitivu and Mannar Districts.

For this purpose the fishery potential, looming threats and important conservation areas (such as sea grass beds and coral reefs) should be surveyed and mapped so that exploitation of the resource is done within the limits of sustainability with adequate emphasis on conservation and protection for future use.

Mineral Resources

One of the greatest issues of current importance is construction materials. Out of the construction materials require sand and quarry melt are considerably available in the Province. In addition the province has limestone deposits, clay for bricks and tiles and beach mineral sand. Some scientific option of possible oil deposit off the Gulf of Mannar has not been fully explored yet.

A survey of the quantity and quality of building materials available in the north and their extraction capacity is necessary because of the huge demand brought on by reconstruction and development projects that involve large-scale construction.

Forests and Wildlife

The North has by far the most extent of dry monsoon forests in any province. The forest cover has remained intact largely despite the conflict and due to lack of development of the province. Kilinochchi, Mullaitivu and Mannar districts are extensively forested, while Vavuniya is partially in forest. Jaffna has no significant forest areas.

The important wildlife areas (already gazetted) are Wilpattu north, Madhu road, Giant's Tank, Chundikulam and Kokilai. But this does not take in to consideration new biodiversity hotspots and other ecologically important areas (river catchments, salt marshes, lagoons and estuaries, islands, arid zones of Mannar etc).The forest and wildlife reproduce is important as an economic resource for forest products (non – timber) and tourism.

History and Culture

There are many areas in Jaffna and Mannar of exceptional archaeological value. These include ancient temples and sites mentioned in chronicles, sites of pre-historic significance and old churches and temples of high cultural value to the northern people.

Many of these sites have been recorded in documentation of the Archaeological Department, but there could be many that are unrecorded and undiscovered. The value addition prospects to local tourism is immense, especially sites such as Thiruketheeswaram (Mannar), Nallur (Jaffna) and Madhu Church (Mannar).

5. "Vadakkinn Vasantham" Programme

The "Vadakkinn Vasantham" programme commenced in mid 2009 which included a 180 day accelerated programme to expedite the resettlement and rehabilitation process and a concurrent two year programme for the rehabilitation and development activities in the Province. A total investment of Rs. 295 Bn has been allocated for the planned investment programme for the period 2010-2012 and the programme's medium term development strategy will include the following:

- Restoration of socio economic and personal stability and safety.
- Reconciliation across ethnic borders.
- Revitalization of livelihoods and productive sector.
- Infrastructures – Roads – Electricity – Ports – Transport – Housing – communication Water supply and sanitation.
- Rural economy through technological transformation.
- Pro poor growth and reduction of disparities.
- Exploitation of marine resources and mineral resources.
- Information Technology and vocational education.
- Institutional reforms and performance improvement.
- Industrial estates, economic centers and private investment.

The generation of productive and sustainable livelihoods and employment opportunities for the people in the Northern Province will be pursued through the following interventions:

- Provision of the necessary resources and amenities such as machineries, tools, equipment and skills training for basic livelihood restoration.
- Provision of microfinance services such as credit facilities and insurance for the poor who lack access to traditional / formal financial institutions.
- Reconstruction of damaged community service facilities such as marketing centers, etc.
- Revitalization of productive sectors such as agriculture, fisheries, industry, tourism and trade by providing the necessary infrastructure facilities.

Strategies for Resettlement of IDPs

- Creation and maintenance of a safe and secured environment
- Provision of immediate humanitarian needs for returnees
- Adoption of a holistic approach to the social protection of the vulnerable groups
- Restoration of capacity of productive, infrastructure and service sectors

2944 No of activities are being implemented under the Vadakkin Vasantham programme by the Northern Province in 2010. Total estimated cost is 6,388.62. Out of the allocated amount a sum of Rs.1, 734.84 Mn have been spent up to 30th September 2010.

6. Priority Issues and Needs

There are no credible official figures available to measure the incidents of Poverty in the North. However, it has been agreed that the incidents of the Poverty in the North is equivalent or more than that of the worst Province in the Country viz UVA. Several indicators of both income and human development reflect worst condition of poverty in the region. In order to reduce poverty, interventions must be targeted at the vulnerable, particularly orphan children, children with single parents, widows, elders and destitute.

The priority efforts should be in the area of restoration of livelihood. In order to sustain the full benefit of the poverty reduction strategies community level systems must be developed.

The achievement levels and dropouts are two key issues in the Education sector. Increase in maternal and infant mortality, incidents of malnutrition and preventable diseases are high in the Health sector.

The numbers of orphan children, disabled and widows have increased significantly during the last three decades due to the war. Certain children and women have been exposed to vulnerable situations. A significant number of young persons have migrated to other countries or other regions, leaving their parents and elders behind. A special intervention is therefore needed for these disadvantaged groups to bring them back to normal life and enable them to actively contribute to development.

The conflict has severely affected the livelihood capabilities of the people in the Province. Many have lost their assets and tools needed for conventional income generation activities. The conflict has also resulted in serious damage to the public service delivery system in the Province. Most of the government service delivery institutions in the province are functioning in temporary buildings with inadequate human and physical resources. Hence, there is an urgent need to lay the foundation to establish a modern and efficient public service delivery system in the province to offer an efficient and productive service to the public.

In order to re activate and improve these services, infrastructure facilities such as Schools, Hospitals, Water Supply, Roads, Electricity, Communication, etc. must be rehabilitated which has already commenced. In addition to destruction, without proper maintenance these facilities have worsened during the past three decades. In order to provide effective services, infrastructure facilities, capacities and capabilities at various levels must be available. The building up of capacities must take place at individual, family, community and at the institutional 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. Along with rehabilitation, development goals have to be caught up in order to be on par with other provinces.

7. Challenges

Northern Province faces several challenges in its development efforts. 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 wise national development policies. They need specific solutions. Since sustainable development requires stable conditions, a sustained transition is also not possible until economic and social variable become stable. The conditions are still pre-transition and therefore, major option available is to seek coping mechanism or extended coping mechanisms. Conventional models of development may fail. Still the relief, rehabilitation and reconstruction processes should continue in order to mitigate the immediate sufferings of the people.

Due to lack of cohesiveness among various strategies (at one time there were around 40 agencies handling relief, rehabilitation and reconstruction activities) gap, overlaps and duplication were experienced in the RRR sector. This situation has now very much reduced. 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 and service deliveries 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 long time and of course only with clear and accelerated strategies with heavy investments.

Being conscious of these conditions, the provincial administration makes its endeavor to promote development and improve the service deliveries which

are within its purview. Poverty alleviation objectives cut across all of its endeavors. Participatory approaches increasingly dominate the planning and implementation processes. However, due to various institutionalized impediments, systematic deficiencies and constraints, the implementation of these efforts have to face numerous problems.

Adapting to the complex situation, the provincial administration makes various efforts and manages these issues and carry outs programmes. However, achieving sustainable development and mitigating the suffering of a conflict prone society will definitely require broader strategies, dynamic policy framework, institutional arrangements, new capacities and powers, vibrant private sector, peaceful and stable conditions which are now being commenced by the central government as priorities.

Since growth is a function of level of investment and its utilization, capital resource mobilization will be a determining factor in the future development of Northern Province. However for major investment to take place, investors' confidence is now positively improved. A conducive environment for investment is being created and long term investment is now possible. It is also anticipated that there will be more private sector investment and government have played a positive role to attract investment in the growth oriented sectors. Large amount of funds are necessary to attend to the Rehabilitation & Reconstruction needs of the Northern Province.

8. Continuing Constraints

The following constraints encountered by the NPC in the year 2010, will continue in future unless an effort is made for the improvement in the immediate future.

1. Inadequate capacities of implementing and executing agencies, particularly due to lack of technically qualified personnel and high calibre management in the province.
2. Procedural delays both at centre and peripheries.

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. Annual plans have to be revised frequently due to intermittent curtailment of capital allocation.
6. Delay in obtaining imprest from General Treasury.
7. Escalation of prices of materials
8. Reluctance on the part of the Communities to take over their development responsibilities.
9. Lack of field staff to monitor routine activities and
10. Lack of professionals and experts especially in the Health sector.

Therefore, with the full knowledge of these conditions and based on the review of the current socio – economic situation the Northern Provincial administration has identified its Strategic Result Areas for priority actions. Similarly each sector has identified its Key Result Areas which will contribute to the achievement of goals in the Strategic Result Area of the Provincial Administration.

9. Strategic Result Areas

Following are the Strategic Result Areas identified for directing its investment during 2010

- 1) Restoring the livelihood
- 2) Re-activation and expanding service delivery and facilities
- 3) Rehabilitation of social and economic infrastructures
- 4) Development of human capacity
- 5) Addressing the need of the vulnerable and
- 6) Establishing good governance.

10. Past Investments

There had been several interventions with the assistance of donor agencies during the recent past. These investments came in through the Central

Government mechanism, Provincial Council mechanism and through combined mechanism of both Central and Provincial. As a result it is difficult to assess the quantum of investments that went in to the Province during the past. These interventions were mainly meant to resettle people and, rehabilitate the service deliveries in the Province. The Government mostly supported relief and rehabilitation programmes and the reconstruction activities.

The focal areas of Provincial initiatives and efforts were generally aimed at the following.

1. Resettlement of displaced people in the Northern Province.
2. Re- activating or improving provisions of services such as Health facilities and Education Facilities.
3. Supporting livelihood activities of IDPP and addressing their basic needs.
4. Rehabilitating infrastructure facilities
5. Improving implementation capacities of implementing agencies, partner organizations and communities.
6. Providing the present level of services and expanding them.

The following amounts were invested through the Provincial Council institutions working in the Northern Province.

<u>Past Investment of Capital & Recurrent funds</u>				Rs.Mn
Year	Capital Allocation	Expenditure	Recurrent Allocation	Expenditure
2008	1,470.00	989.00	8,100.00	7,168.00
2009	2,600.08	2,255.94	8,348.66	7,820.80
*2010	3,057.17	1,762.37	8,700.00	7,781.41

* Up to November 2010

11. Investment – 2011

The following investments are envisaged in different sectors during 2010. The purposes of the investment are elaborated sub sectors wise below.

Investment for the year 2011

Rs.Mn

Sectors	Recurrent	Capital		
		CBG	PSDG	Others
Administration	712.425	186.750	340.000	309.000
Agriculture	106.144	2.250	65.000	
Animal Production & Health	95.239	1.750	30.000	
Irrigation	170.624	1.750	30.000	
Land	47.655	0.500		
Education	4,738.666	7.250	200.000	110.500
Sports	24.978	0.500	15.000	
Health	1,889.714	2.250	250.000	45.000
Indigenous Medicine	56.892	3.000	25.000	
Infrastructure Development	9.816	0.500	45.000	
Building	52.672	1.750		
Road	79.669	1.750	150.000	1,354.000
Local Government	776.456	46.250	55.000	
Co-operative	88.287	6.750		
Industries	52.954	6.750	10.000	
Social Service	157.877	1.750	15.000	
Probation & child care	43.916	1.750	20.000	
Rural Development	49.861	1.750		
Grand Total	9,153.845	275.000	1,250.000	1,818.500

The details of the Key Result Areas of the sectors and the services to be provided under these sectors using the above resources is given in the Service Performance Plan and Financing Plan for the year 2011.

Thank you!