



POLICY STATEMENT OF
HON. GOVERNOR
BUDGET YEAR 2008

Eastern Provincial Council

Trincomalee

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Budget Statement for 2008 Eastern Provincial Council

I am pleased to publish the Annual Financial Statement and Budget Statement of the Eastern Provincial Council for the year 2008. This statement is made when the Government is poised to take full control of the Eastern 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 on 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 17 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 Governor for Eastern Province the establishment of a separate Provincial administration for Eastern 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 Eastern Province was assigned 53% of the total estimated financial requirement of the former East East Provincial Council. With this divided budgetary provision the EPC administration functionally separated with effect from 01.01.2007.

Though year 2008 is the second year of operation, the Financial Statement of this year is the first Financial Statement prepared by the Eastern 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 EPC administration has improved its budget preparatory process and was able to presents this statement.

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

1. Ministry of Local Government, Cooperative, Rural Development and Industries.
2. Ministry of Agriculture, Livestock Development, Lands, Irrigation and Inland Fisheries.
3. Ministry of Health and Indigenous Medicine
4. Ministry of Education, Cultural Affairs and Sports
5. Ministry of Rehabilitation, Reconstruction, Social Services, Probation & Child Care Services and Women's Affairs.

1.1 Ministry of Local Government, Cooperative, Rural Development and Industries.

The above named restructured Ministry started its functions from 15th November, 2007 with the following areas of assigned responsibilities:

- Local Government
- Rural development
- Cooperative development
- Rural industries and industrial development

It will have under its command the Local government system which consist of 3 Regional Assistant Commissioner Offices, 2 Municipal Councils, 4 Urban Councils and 37 Pradeshiya Sabhas. In the Cooperative sector, a network of 44 Multipurpose Cooperative Societies and 1664 registered Co-operative Societies are functioning. There are also networks of Agriculture and Fisheries cooperatives. These two sectors are considered to be sleeping

giants of Eastern Province the latter being given a renewed importance in the current economic development strategies by the present Government. 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 Rural Development and Industrial Development sectors focus on strengthening of the livelihoods of the rural masses. One time the rural economy of this Province through indigenous nature, was of a remarkably high level. This was devastated by the unfortunate conflict situation in the past two decades. This ministry through these sectors it command should play a key role in assisting the rebuilding of the livelihoods of the rural masses. 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, Livestock Development, Lands, Irrigation and Inland Fisheries

The Ministry of Agriculture, Livestock Development, Lands, Irrigation & Inland Fisheries provides guidance and policy directives and co-ordinates the activities in the sectors of Agriculture, Animal Production and Health, Lands, 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 it's 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

During 2007, the Department of Agriculture initiated large scale growing of maize by linking private firms with the growers. Fruit villages were established and commercial vegetable cultivation was promoted. Home gardens and schools gardens were also expanded. The Department of Animal Production & Health fulfilled the establishment of 41 dairy villages, Private Animal Breeder Farms and Milk Sales outlets. Thirteen Veterinary Offices were opened to strengthen the Veterinary Service delivery. Backyard poultry rearing was promoted in rural areas. The Department of Irrigation rehabilitated ten medium and minor tanks and also completed operation and maintenance and made improvements to twenty seven head works and channel systems. The Department of Land Administration carried out land mobile services and was involved in resettlement activities, dealt with Ranbima Grants, Tsunami out right grants and regularization of encroachments and land allocation for industrial development. The Fisheries Unit of this Ministry provided necessary training and stocked fingerlings for enhancing inland fisheries production. The Ministry of Agriculture through Provincial Departments and Non-Governmental organizations provided livelihood assistance in resettled areas by assisting in the cultivation of maize, paddy and establishment of home gardens, backyard poultry and co-ordinated the activities associated with the salvage of abandoned animals.

There was a drastic cut down in the original Capital Budget allocated under CBG and PSDG for the Ministry and the Departments under its purview. Out of the imprest received (Rs.37 Million) nearly 99% was spent in 2007. For year 2008, the Provincial Council has given priority for development of Agriculture, Livestock, Irrigation and Inland Fisheries sectors by providing more budgetary allocations.

The main focus of the Department of Agriculture will be the promotion of crop diversification, expansion of commercial banana and papaw cultivation, introduction of machineries for rice flour production, value addition and promotion of micro irrigation. Steps also will be taken to revive Young Farmer Club activities. In addition, special projects such as promotion of bee keeping villages, mushroom villages, fruit processing villages, improvements to post harvest handling of fruits and vegetables, expansion of commercial vegetable cultivation, planting material production under net houses and promotion of tree crop cultivation have been focused.

The main focus of the Department of Animal Production and Health will be promoting goat villages, dairy villages, poultry production units, promotion of milk collection, milk processing, value addition and marketing.

The Department of Irrigation is focusing on the rehabilitation of 36 medium & minor tanks and the operation and maintenance of provincial irrigation schemes. Funds have been also been provided for the improvements of 11 agricultural roads.

The Department of Land Administration will associate itself in construction of food production wells, repairs to colony roads, land development and productivity improvement through supply of coconut and fruit seedlings to land allottees apart from its normal activities of issue of land permits and resolution to land disputes through mobile service.

The Inland Fisheries Unit of the ministry will strive towards the promotion of pond fish farming and ornamental fish culture, rearing of fry up to the stage of fingerlings apart from the usual stocking of fingerlings in minor tanks and strengthening of fishermen cooperative societies.

1.3 Ministry of Health and Indigenous Medicine

The administration of Health Services of the Eastern Province is decentralized to four regions under the Regional Directors of Health Services. The institutional network links 184 Health Institutions with 3867 total beds strength comprising Hospitals with specialist services as 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 Campaign 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/ Provincial Hospital namely Teaching Hospital Batticaloa is functioning under Line Ministry. Further 03 General Hospitals namely Ampara, Kalmunai South and Kalmunai East and 2 Base Hospitals namely Kantala and Akkaraipattu were also handed over to the Line ministry.

There are 07 Institutions for General Administration (Ministry Office PDHS Office, PDIM Office and 04 RDHS Offices), 42 Preventive Care Institutions (MOHH Offices), 49 GHCC, 123 Allopathy Curative Care Institutions and 19 Ayurveda Curative Care Institutions functioning in Eastern Province which are delivering free Health Services to the 1.64 Mn. Population.

Total Capital allocation for Health Sector of Eastern for Year 2007 is Rs. 157.10 Mn. (HSDP – Rs. 107.71 Mn. PSDG-Rs. 37.50 Mn. Children Action Plan – Rs. 9.05 Mn., National HIV/AIDS – Rs. 2.59 Mn. & CBG – Rs. 0.25 Mn.) Out of this total provision, the received imprest so far is 57.39 Mn. And the expenditure upto November, 2007 is Rs.44.40 Mn. All Health works are in progress and expenditure for these works will be settled before the end of the year. For Indigenous Medicine, total provision is Rs.5.5 Mn. And the imprest for this Rs.5.5 Mn. Was received and spent.

Approved total Capital allocation for Allopathy Health Sector (under HSDP, UNICEF, PSDG, CGB & Children Action Plan) for year 2008 is Rs.322.51 mn. And for Indigenous Medicine the Capital allocation is Rs.36.90 Mn.).

1.4 Ministry of Education, Cultural Affairs and Sports

The Ministry of Education Cultural Affairs & Sports, Eastern Province is responsible for the Policy implementation with regard to the matters pertaining to the Education Sector, Cultural Affairs and Sports activities of the Eastern Province of Sri Lanka.

The Secretary of the Ministry is in overall charge of the units and coordinates & supervises the institutions under the Ministry.

The Provincial Director of Education is the Chief Officer, in charge of administration of the educational institutions and implementation of education activities in the Province.

For administration purposes, the Eastern Province has been divided into 13 Zonal Education Offices. These Zones have been further divided into 44 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 Batticaloa and Ampara districts.

There are 1015 schools in the Eastern Province and out of which 226 are Sinhala medium schools and 749 Tamil medium schools. Out of 1015 Schools, there are 26 National Schools, 35 DSD schools and 954 provincial schools.

The students population of the Eastern Province schools is 384,503. Tamil medium schools have a student population of 306,331 and Sinhala medium schools have 78,171 students.

There are 16,119 teachers and 745 principals in the Eastern Province.

Ministry of Rehabilitation, Reconstruction, Social Services, Probation & Child Care Services and Women's Affairs

The Ministry of Rehabilitation, Reconstruction, Social Services, Probation & Child Care Services and Women's affairs was established in 1989. The ministry coordinates provincial rehabilitation activities which are implemented through the departments namely social services, probation & child care services and women's affairs.

While the ministry is in charge of rehabilitation of the Eastern province, other national and provincial level Government Agencies and donor funded projects are handling specific areas of the subjects.

The Ministry of Nation Building & Estate Infrastructure Development directly handles considerable rehabilitation activities in the Eastern Province and implements them through district administration.

A special assignment was given by Hon. Governor, Eastern Province to this Ministry to co-ordinate the emergency restoration of services and infrastructure in view of resettling in the Eastern Province. The Hon. Governor also re-allocated the following subjects to this Ministry after the de-merger of NEPC.

- Women's affairs
- Religious Affairs
- Disaster Management
- Labour management
- Resettlement, Rehabilitation, Relief
- Internally displaced person & refugees

Therefore the ministry of Rehabilitation, Reconstruction, Social Services, Probation & Child Care Services & Women's Affairs function in a limited way according to its own administrative structure and in coordination with other institution for providing conducive environment for an orderly community life in the Eastern Province.

This Ministry also in charge for service delivery system for Social Welfare which is again a key issue due to the special conditions in the Eastern Province.

Department of Social Services & Department of Probation Child Care Services

In 1992, Department comprised two sections which were the social services and probation & child care services under the programme coming under the Ministry of Rehabilitation & Reconstruction.

Improve the livelihood of the poor elderly persons, assist the physically, mentally handicapped and affected personnel are the objectives of the Department of Social Services.

Protect, support and help in the maintenance of Child Care Services are the objectives of the Department of Probation & Child Care Services.

2. Socio Economic Situation of the Province

The Eastern Province has a total area of 9,792 sq.km. The Eastern Province consist 16% of the total land area of the island. No population census has been taken for this region since 1981. The estimated population is around 1.616 Mn (2006), which represents around 8.21% of the total island population. Due to the conflict situation a significant number has left the Eastern Province and also live outside the country.

Contribution of the Eastern Province to the National GDP had been around 12.2% in the 1980s, but now it is around 5.5%. It shows that there are potentials but that have to be tapped. Of the estimated Provincial GDP 10.2% 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 Provincial Income Distribution per person is Rs.2,905/- per month, whereas the National Income Distribution per person is Rs.3,968/= which is 36.5% higher than that of the Eastern Province (Source:- Annual Eport of Central Bank – 2006).

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 Eastern 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 growth rate around 5.8% around 1990-2002 (General Treasury). 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

Year	Allocation	Expenditure	%
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 *			

- for Eastern 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 787 Mn.

In terms of productivity, Eastern Province in certain years in the past recorded better yield in paddy sector in the country. Though the Province is endowed with a large extent of cultivatable land, only a portion is cultivated due to various constraints. The Eastern Province made significant contribution in the fish production during the pre-conflict time while it also contributed significantly to the crop sector. Though it has high potential for fish production, the production was very much lower as 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 shrunk. 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 East. It has however been agreed that the incidence of poverty in the East 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. 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 Eastern 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, Eastern 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 Eastern 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, Water Supply, Telecommunication 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. However 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 Eastern 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 Eastern Province.

3. Challenges:

Eastern Province faces several challenges in its development efforts. The Eastern 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 wise 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 Eastern 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.

