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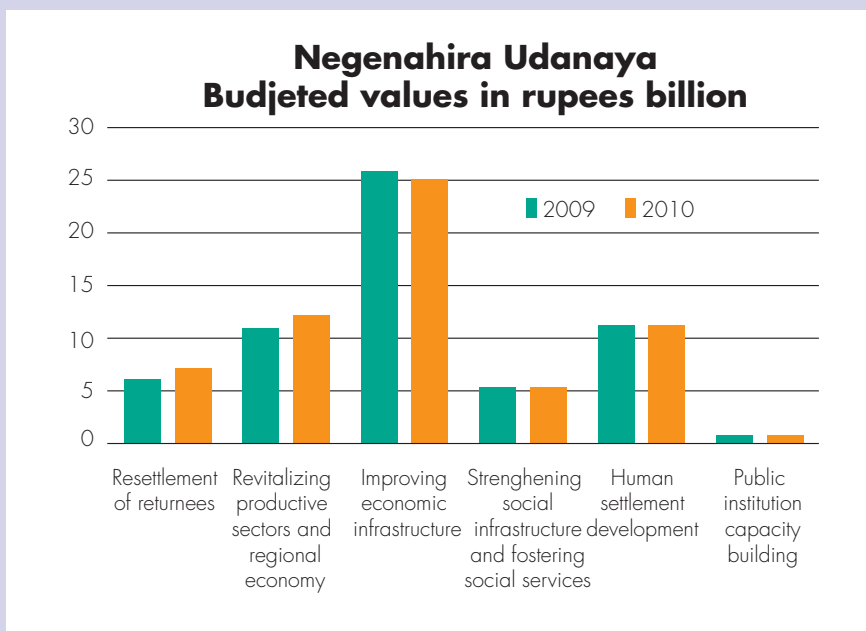
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## Annex 1: Spotlight on Eastern Province

The Mahinda Chintanya (MC) focuses on regeneration and revitalization of a rural–agrarian society, where subsistence agriculture will be induced to become more productive and commercially oriented, with greater value addition closer to production. The Negenahira Udanaya (Eastern Revival) is at the forefront of the development strategy to economically integrate Eastern Province with the rest of the country. The objectives of the program are to:

- Restore civil order and security for people and communities through resettling displaced persons, reconciling communities, and rebuilding social institutions.
- Restore livelihoods through reviving and expanding productive sectors and regional linkages.
- Improve economic infrastructure, strengthen social infrastructure, social services and human settlements, and improve internal and external connectivity of the region with the country.
- Develop Eastern Province as a hospitable and attractive place to live, visit, work, and conduct business. Create an environment where people can live in peace and

**Figure A1: Negenahira Udanaya (Eastern Revival) investment plan by sectors/programs**



Source: Ministry of Nation Building and Estate Infrastructure Development.

harmony and pursue livelihoods of their choice, in a way that will permit rapid social and economic development.

The government has drawn up a four-year plan starting in 2007 to move the program forward. Currently, implementation is under way, particularly investments in physical infrastructure, roads, bridges, ports, power plants, and waterways. The other areas are human resettlement, schools and vocational training, housing, water, and sanitation. The plan aims to restore economic vitality in agriculture and livestock production, fisheries, tourism, and small and medium enterprises. Budgeted expenditures are indicated in figure A1. The government expects to fund 29.5 percent of expenditures from state revenues and raise the remainder from foreign donors and other private sources.

### **What are potential economic drivers in Eastern Province?**

Eastern Province has very fertile soil with superior agricultural productivity; it remains the main paddy producing region despite the setbacks from civil conflict and the tsunami. The province is also home to Trincomalee Harbor, with a reputation as one of the finest natural harbors in the world. The tourism potential is enhanced by many wildlife and nature reserves and national parks within the province or in contiguous territory. Eastern Province has the longest beaches (more than 400 kilometers) of any province in Sri Lanka, with many white sand stretches suitable for tourism and other recreational activities. It also has valuable mineral sand deposits, such as ilmenite and monazite. Eastern Province has numerous lagoons and bays in addition to its extensive coastal waters, which can and have been used for aquaculture, coastal, and marine fishing. Eastern Province has been one of the major fish producing regions of the country, though output has fallen drastically in recent years.

## Endnotes

- 1 Colombo moved to 27th position in the Containerization International magazine ranking of World Ports in 2008 from 34th in 2006, with transshipment a significant share. Note that cargo volumes have contracted sharply as a result of the global economic crisis, but are now slowly recovering.
- 2 Annual census of industry, 2003: 2007 prices; 80 percent of industrial value added.
- 3 Sri Lanka estimates based on shipping price survey conducted by the World Bank in April 2009. U.S. estimates based on general published container shipping rates in the U.S., which typically quote a general “rule of thumb” of \$2.00 per mile, or about \$1.25 per kilometer.
- 4 The Price Monitor collects prices twice a week in Thirunelvely market in the Jaffna district, Kalmunai (Ampara district), Batticaloa town (Batticaloa district), and Vavuniya town (Vavuniya district). The monthly data is a simple average of the bi-weekly observations. The ten commodities shown are mostly commodities where Jaffna is a net “importer”, and hence commodities were a relatively large downward price effect from integration could be expected. Indeed, certain product has in fact been cheaper in Jaffna than in the rest of the country during the periods of isolation, due to “over-supply” in the local market. Examples of such products are red onion, cabbage and carrots.
- 5 Annual Census of Industry 2003: at 2007 prices; 80 percent of industrial value being added.
- 6 Industrial Survey 2007/08.
- 7 CFSES 2003/04.
- 8 Marco Polo wrote of his visit in 1292: “I want you to understand that the island of Ceylon is, for its size, the finest island in the world, and from its streams come rubies, sapphires, topazes, amethyst and garnet.” [http://www.palagems.com/ceylon\\_sapphire\\_bancroft.htm](http://www.palagems.com/ceylon_sapphire_bancroft.htm)
- 9 Census of Industry 2004.
- 10 Wijayasiri and Dissanayake 2008
- 11 World Bank 2008
- 12 Based on Industrial Survey of 2007–08 (Department of Census and Statistics).
- 13 See [www.unicef.org/progressforchildren](http://www.unicef.org/progressforchildren).
- 14 World Development Indicators 2009
- 15 The TIMSS is the most comprehensive international comparison on education. It includes 41 countries at five grade levels. Sri Lanka was not among the official countries participating in the TIMSS. NEREC administered the TIMMS test, which included 25 questions from the test in 1995 and 2003.
- 16 World Bank 2002
- 17 For details on the issues related to land sales market, see World Bank (2003).
- 18 Ravallion and van de Walle 2008
- 19 Shilpi 2009
- 20 for example, Foster and Rosenzweig 2004 for India; Deichmann, Shilpi, and Vakis 2009 for Bangladesh

- 21 Whalley and Zhang 2007
- 22 Iliffe (1995) on the historical impact of drought on population distribution in Africa; Bryceson (1999) on the Sahel and Sudan; and Hardoy and Satterthwaite (1989) on Mauritania. Wandschneider and Mishra (2003), cited in Deshingkar and Grimm (2004), on the drought-induced migration of 60,000 people out of Bolangir, in the Indian state of Orissa, in 2001.
- 23 Sahn and Stifel 2003; Anderson and Pomfret 2005; Venables and Kanbur 2005
- 24 De Silva and Perera 2007
- 25 The technical approach is inspired by Buchinsky (1994), Patrinos and Sakellariou (2004), and Nguyen and others (2007)
- 26 see Sen and others 2009 for details
- 27 Households have 25 potential districts to choose from in the conditional logit model. Households that stayed in the same district and did not move choose the same district as the origin in this model. The differences of well-water and electricity coverage are potential destination districts minus origin districts in 1981.
- 28 Hewings, Feser, and Poole 2007
- 29 Rephann and Isserman (1994). The evaluation of regional development programs was one of the first ever conducted in the United States using an experimental design.
- 30 Bayes 2007
- 31 Based on a shipping price survey conducted in Sri Lanka by the World Bank in April 2009. Exchange rates are for 2009.
- 32 Based on general published container shipping rates in the United States, which typically quote a general "rule of thumb" of \$2.00 per mile, or about \$1.25 per kilometer.
- 33 [http://www.railway.gov.lk/future\\_plan.html](http://www.railway.gov.lk/future_plan.html), accessed February 8, 2010
- 34 The nodes are Anuradhapura, Badulla, Batticaloa, Dambulla, Galle, Hambantota, Jaffna, Kandy, Kurunegala, Nuwara Eliya, Puttalamand, Ratnapura, Trincomalee, and Vavuniya.
- 35 Vehicle operating costs measure the cost incurred by a vehicle traveling along a road per distance unit in terms of gasoline and vehicle wear and tear, calibrated to actual real dollars in advance by measuring local-country prices for vehicle repair and gasoline costs.
- 36 TransPlan road database.
- 37 Based on 2007 GDP and World Bank staff estimates based on Kumarage (2006).
- 38 In addition, labor costs are 20–25 percent of overall costs because state and port regulations warrant each truck to employ at least two people—a driver and cleaner due to security requirements—contributing to the high labor cost per trucking kilometer.
- 39 See WDR 2009 p.168.
- 40 School Census 2006 and MoE 2007.
- 41 OECD (get full reference).
- 42 School Census 2006.

- 43 Ministry of Health 2008 (<http://www.health.gov.lk/Beds&Institute.htm>).
- 44 NCED 2005.
- 45 The higher level hospitals are also equipped with the latest medical technology and have higher ratios of other medical personnel to doctors.
- 46 A few secondary level hospitals are, however, managed centrally by the MOHN
- 47 Some government facilities provide indigenous medical services. But the demand for such services has been declining since the 1950, in parallel with trends in neighboring countries such as Thailand and Malaysia.
- 48 Fernando and others. 2004.
- 49 Ministry of Health 2007.
- 50 Nawaratne and Ventura 2005.
- 51 Such models would include the World Bank Road Economic Decision (RED) model (see [http://www4.worldbank.org/afr/ssatp/Resources/HTML/Models/RED\\_3.2/red32\\_en.htm](http://www4.worldbank.org/afr/ssatp/Resources/HTML/Models/RED_3.2/red32_en.htm)), the World Bank Highway Development and Management (HDM) model (see [http://www.worldbank.org/transport/roads/rd\\_tools/hdm4.htm](http://www.worldbank.org/transport/roads/rd_tools/hdm4.htm)), or the Economic Rate of Return (ERR) model used by the Millennium Challenge Corporation (MCC) (see <http://www.mcc.gov/mcc/panda/activities/err/err-investments/index.shtml>), which has been used in MCC compact countries to evaluate potential infrastructure improvement alternatives. None of these models explicitly consider endogenous network-wide impacts in the assessment of potential investment impacts.
- 52 It should be noted that the analysis does not include lower-class roads (C-class and below, including rural roads). While such roads might show relatively low economic savings due to their low traffic volume and the informal nature of goods transport, rural roads can have significant social benefits by connecting households to public service, thereby increasing spatial equity.
- 53 Sri Lanka Selected Issues and Statistical Appendix, IMF country report 4/69 (2004).
- 54 These are approved investments. Information on realized investments is not available.