



Australian Government

Department of Foreign Affairs and Trade

Aid Investment Plan

Sri Lanka Program

2015 to 2019

This Aid Investment Plan governs the delivery of Australian aid to Sri Lanka from 2015 to 2019.

Strategic objectives and rationale

Australia's strategic interests

Australia has a strong interest in ensuring Sri Lanka continues its development as a secure, stable and prosperous partner of Australia in the Indian Ocean region, underpinned by an effective post-conflict reconciliation process. Australia's development program complements and supports our diplomatic, trade and security efforts to advance these interests. As the Sri Lankan economy continues to grow, opportunities for greater two-way trade and investment will also increase.

Development context

Despite a prolonged civil conflict that ended in 2009, Sri Lanka has experienced strong economic growth for a decade and has significantly reduced its rates of extreme poverty. It is now approaching upper-middle income status. However, while its overall economic prospects are positive, much of the growth is concentrated in the Western Province and significant inequality and marginalisation exists, especially in rural and plantation areas and districts directly affected by the civil conflict. Much of the damaged infrastructure from the civil conflict has been rebuilt, but more difficult challenges remain. Improved income and employment opportunities for many Sri Lankans are currently constrained by gender, geography, ethnicity, caste, lack of productive assets and a weak private sector. The main development priority for Sri Lanka is supporting inclusive growth and human development.

Sri Lanka's 2015 presidential and parliamentary election results signal a changed political and development context. There is increased promise of political, economic and social reform. While the business enabling environment in Sri Lanka requires reform, opportunities now exist for increasing private sector activity in a range of areas that can support inclusive growth. The Australian aid program will respond to these opportunities by expanding its support for economic reform and private sector development in Sri Lanka over the next four years. Opportunities are also emerging for improving the participation of women in the workforce and leadership, although many still suffer the dual effects of gender inequality and associated marginalisation from society and the economy. Broadening the impact of growth, supporting good governance and increasing gender equality will be mutually beneficial to the cross-cutting goal of furthering reconciliation.

Future program priorities

The Australian aid program in Sri Lanka is transitioning toward an innovative economic partnership approach. This will build on the successful work we have undertaken in post-conflict reconstruction, livelihoods, market development and education. There will be a focus on linking poor populations with productive markets and more responsive government institutions. All our programs will be designed to support social unity and reconciliation. As we build on a successful program run in a post-conflict environment, Australia will continue to support the Sri Lankan state to be responsive to its citizens, to seek ways to prevent future conflict and to encourage resilience in communities.

Objective 1: Expand economic opportunities for the poor

The growth and competitiveness of the Sri Lanka economy, particularly small and medium sized enterprises, is constrained by issues such as lack of access to finance, markets, market linkages and technology, skills gaps in the workforce, and lack of effectively coordinated and inclusive policy reform. Australia will identify a number of target sectors and value chains that offer the highest potential to benefit the poor, and women in particular. We will work closely with the private sector and government to enhance the business-enabling environment by improving the relevance, quality and effectiveness of skills, technology, regulations and policies. The objective is for more poor Sri Lankans to receive higher wages, more stable income and rising wealth as a result of equitable engagement with the private sector. We will also explore future opportunities to support the Government of Sri Lanka's broad economic reform agenda.

Objective 2: Support government to be more responsive to the needs of citizens and the private sector

Sri Lanka's current system of national and sub-national governance impacts on planning, decision-making, administration and service delivery in a way that constrains private sector development and access to basic services. Australia will invest in programs to improve the responsiveness of government, at the national,

provincial and local authority level, to the needs of citizens and the private sector. This includes investments to test innovative reform tools to raise revenue, develop service delivery benchmarks, improve the targeting of services and make it easier for small businesses to get registration and influence policy. We will also continue to implement discrete initiatives specifically designed to support reconciliation.

Objective 3: Increase gender equality

Women and girls in Sri Lanka face entrenched gender inequality. Female labour force participation rates are very low, particularly given the high rates of female education. Women make up less than 5 per cent of political representatives, and face poor protection from gender-based violence. We will seek to address the underlying drivers of gender inequality, including social exclusion and inter-communal and domestic based violence, across all our programs, and will also develop a targeted, stand-alone initiative. Supported activities will expand women's economic opportunities to earn an income and accumulate economic assets, increase the effective representation of women at all levels of decision-making, reduce violence against women and increase access to support services and justice for survivors of violence.

Implementation approaches

Australia's economic partnership approach involves Australia bearing some of the risk of development innovation while assisting the Sri Lanka government, the private sector and the community sector to foster new ideas and activate finance. The aid program's impact will come through its ability to catalyse reform and leverage additional resources. We will build on partnerships with the private sector, government and civil society in areas where we have built credibility, influence and can make a difference. We will work with partners with a strong record of performance, established networks and an understanding of the Sri Lankan context. Cross-cutting program such as Australia Awards, and regional and multilateral aid flows that support all three objectives, will remain a high priority. We will ensure DFAT's aid program works in a complementary way with the development activities of other Australian government departments.

Performance management

DFAT will report on progress against key performance benchmarks through annual Aid Program Performance Reports. Targets to be achieved in 2015-16 are set out below.

Australian aid objective 1: Expand economic opportunities for the poor

Performance benchmark Evidence of a clear increase in the incomes of populations targeted by our key investments.

Australian aid objective 2: Support government to be more responsive to the needs of citizens and the private sector

Performance benchmark Increased satisfaction, based on the comparison of survey results against earlier results, of citizens and the private sector with sub-national government service delivery.

Australian aid objective 3: Increase gender equality

Performance benchmark A completed design for a new multi-year program to support gender equality and social inclusion.

Cross cutting programs

Performance benchmark 20 additional people (including at least 10 women) are awarded tertiary scholarships to study in Australia.

Mutual obligations

The program will look to identify mutual obligations with the Government of Sri Lanka that support the new government's platform on economic and good governance reform and reconciliation. In the immediate term, however, there are a series of sectoral-level policies and agreements around specific activities and investments that can be used to report annually on progress. Proposed regular Senior Officials Talks will provide an opportunity to discuss development cooperation issues and priorities, and whether further mechanisms are needed to underpin the Australia-Sri Lanka aid partnership.

Monitoring, review and evaluation

The monitoring, review and evaluation process for the program is comprised of the annual aid program performance report, annual investment quality reporting, and mid-term and end of investment independent evaluations. These performance measurement and accountability processes will be assisted by the development of a Performance Assessment Framework and the management of a realistic, timely pipeline of investment-level evaluations.