



Australian Government

Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2015-16

Sri Lanka

September 2016

SRI LANKA AID PROGRAM PERFORMANCE INFORMATION

2015-16

SUMMARY

Australia's aid program to Sri Lanka is guided by the Sri Lanka Aid Investment Plan (AIP) 2015-19. The Aid Program Performance Report (APPR) reporting period (July 2015 – July 2016) encompasses the finalisation of the previous country strategy and the initiation of the AIP, which came into effect in October 2015.

Building on the program's successful earlier work in post-conflict reconstruction, livelihoods, market development and education, the AIP seeks to advance the Sri Lanka - Australia economic partnership for development. The three objectives set by the AIP for achievement by 2019 are: expand economic opportunities for the poor; support government to be more responsive to the needs of citizens and the private sector; and increase gender equality.

The unifying logic behind the program's investments is that economies and societies do better when markets operate efficiently, governments are accountable to the public and deliver services professionally and equitably, and women are full participants in the economy, society and political leadership. In addition, as Sri Lanka pushes toward upper middle income status, significant political, social and economic divisions have the potential to unsettle post-conflict stability. DFAT remains cognisant of ensuring the outcomes of all Australia's aid investments support long-term reconciliation.

Total Australian aid to Sri Lanka in 2015-16 amounted to \$26.9 million, with the bilateral component being \$20.1 million. Australia ranks seventh in the list of Development Assistance Committee (DAC) of the OECD donors to Sri Lanka, which includes international organisations such as the World Bank and Asian Development Bank. At only 0.28 per cent of Sri Lankan Government expenditure, 0.032 per cent of GDP and 3 per cent of total ODA to Sri Lanka, Australian aid is targeted to catalyse the efforts of the Sri Lankan government, large donors and businesses to create positive change. Unlike most donors, Australia's contribution is grant aid rather than concessional lending. This increases the willingness of the Sri Lankan Government to engage with Australia on crucial elements of its reform agenda.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
Objective 1 – Expand economic opportunities for the poor	N/A	Amber
Objective 2 – Support government to be more responsive to the needs of citizens and the private sector	N/A	Green
Objective 3 – Increase gender equality	N/A	Amber

Note:

■ Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

The 2015-16 performance of Australian aid in Sri Lanka reflects the program's strategic transition process over the past twelve months. There are strong results from mature investments that either ended during the reporting period or are nearing completion. Several new investments have encountered challenges in design and implementation, but are expected to begin delivering results over the next twelve to eighteen months. A challenge for activity implementation and management has been uncertainty associated with Sri Lanka's Presidential (January 2015) and Parliamentary (August 2015) elections and resultant machinery of government changes.

Objective 1 – Expand Economic Opportunities for the Poor

Progress toward this objective has been mixed over the past twelve months, but the structures are now in place for improved results over the next reporting period. The Economic Opportunities for the Poor (EOP) Program, the new, cornerstone investment aligned with this objective, covers two major activities. One, the Market Development Facility (MDF), was expected to be fully operational and invested in up to six business partnerships, while the other, Skills for Growth (S4G), was expected to have a finalised design and be in the process of contracting out the management of project delivery. S4G's progress was in line with expectations, with the design also meeting its brief to create education and employment opportunities for women and people with a disability. The MDF activity encountered delays in setting up its Sri Lanka office and had signed three partnerships with businesses in key sectors. Extensive engagement between the MDF team and DFAT resulted in improved progress at the end of the APPR reporting period, with the rate of partnership analysis and finalisation increasing significantly.¹ Expectations for this activity remain strong for the forthcoming year, helped by the Ministry of Tourism's recent commitment to assist project facilitation. MDF will also continue to seek opportunities to work with people with disabilities under each of its partnerships.

While there have been some variable results from the Australian Community Rehabilitation Program III (ACRP3) against this objective, there were also significant successes. The Local Empowerment through Economic Development (LEED) project, for example, funded by DFAT since 2011 and delivered by the International Labour Organisation (ILO), met, and in some cases exceeded, its 2015-16 targets. It embedded Northern Province agricultural and fisheries co-operatives in global value chains with a degree of success that convinced DFAT to agree to an additional twelve months funding, with the goal that the project then be self-sustaining.² Although there are discrepancies between districts, the long-running Community Forestry investment (ends December 2016) has been independently assessed as expanding a majority of participants' livelihoods opportunities by diversifying their forest and agriculture-based sources of income.³ And, toward the end of the reporting period, DFAT responded to the opening of a policy window on investment and business environment reform by partnering with the World Bank in the 'Unleashing the Competitiveness Potential of Sri Lankan Enterprises' (UCPSLE) activity.⁴ A key element of this has the longer term goal of improving employment opportunities for the poor in the tourism sector. This activity will be more fully reported on in future APPRs.

Objective 2 – Support Government to be More Responsive to the Needs of Citizens and the Private Sector

Progress toward this objective has been in line with expectations. DFAT assists improvements at various levels of government in Sri Lanka through a combination of mainstreamed activities and stand-alone projects. The expectation over the past twelve months was that projects nearing completion would leave government partners with improved capacity to respond to citizens and business. Both of the large, World Bank-managed projects in which DFAT has invested over a number of years – the North East Local Services Improvement Project (NELSIP) and the Transforming the School Education System Project (TSEP) – have improved the ability of administrative and representative arms of government at national, provincial, and local levels, including in former conflict areas, to plan, budget and deliver services that respond to citizens' needs. In the case of NELSIP, this has also involved building the capacity of local governments to engage with a broad cross-section of the community in planning, prioritising and implementing infrastructure projects. Monitoring of both World Bank investments confirmed they met their targets for 2015-16 and continued to embed accountability processes.⁵


¹ MDF Independent Advisory Group Mission to Sri Lanka Report, April 2016 (internal DFAT document).

² ACRP3 Technical Support Team Field Monitoring Mission Report, May 2016 (internal DFAT document); Local Empowerment through Economic Development (LEED), June 2016 (internal DFAT document).

³ Sri Lanka Community Forestry Project, Aide Memoire of the Sixth Program Supervisory Mission, January 2016 (internal DFAT document)

⁴ See <http://documents.worldbank.org/curated/en/846371468933131350/Sri-Lanka-Competitiveness-20-FINAL.docx>

⁵ NELSIP March 2016 Implementation Review and Support Mission Aide Memoire (internal DFAT document); TSEP Supervision and Implementation Support Mission, October 2015 (internal DFAT document)



At the provincial and local government levels, DFAT continues to work with The Asia Foundation (TAF) in improving legislative and policy capacity, financial administration (including participatory budgeting) and accountability structures. While some of this activity completed with the finishing of ACRP III in June 2016, its success and importance were such that DFAT engaged TAF to extend its work with local authorities under the sub National Governance Program (2015-19) and the Northern Provincial Council support activity (2015-16). Key results through these programs were in line with expectations, including: the establishment of a Trilingual Learning Centre (with more than 400 students enrolled), and a Legislative Resource Centre within the Northern Provincial Council, and the establishment of formal partnerships (including financial contributions) with the Finance Commission, the Information and Communication and Technology Agency, and nine Local Governments.⁶ At the national level, the World Bank UCPSLE partnership is working directly with the Sri Lankan government to improve the policy and operational effectiveness of key economic agencies overseeing investment, trade and entrepreneurship.

In early 2015, DFAT recommenced the volunteer program Australian Volunteers for International Development (AVID) in Sri Lanka. In FY2015-16, 15 volunteers were placed into key ministries and regional Chambers of Commerce to help build institutional and human resource capacity.

Objective 3 – Increase Gender Equality

A key goal of the Australian aid program to Sri Lanka over the past year has been to capitalise on the gender equality advocacy and planning the DFAT aid management team has undertaken with delivery partners. This intensive engagement has produced largely successful results. For example, NELSIP, a project with a history of low Aid Quality Check (AQC) ratings on gender equality, reported clear improvements over the past year in key results areas. Female participation in NELSIP Social Audit Committees has increased to 35% and 40% in the Northern and Eastern Provinces respectively, from low bases. There has also been a significant increase in the number of women using formal complaints mechanisms, a gender action plan has been successfully rolled out, and gender training delivered to a wide variety of government agencies.⁷ ACRP3 monitoring found that DFAT's push for delivery partners to share expertise on gender equality, along with the funding of a full time gender specialist as part of the supervision team, resulted in significantly improved gender-related results. To take one example, Oxfam Australia's establishment of gender-based violence networks and help desks in the Northern and Eastern provinces has proven to be so successful that the model is set to be mainstreamed through the national health and legal systems. Likewise, World Vision's work on water and sanitation in the central province has increased access to water for women, while activities delivered by IOM, ILO and ZOA have increased women's access to income and assets through productive engagement in high value crops and fisheries across the north and the east.⁸

DFAT continued over the past year to use TSEP to raise gender equality considerations in education. A key activity completed in 2015-16 was the DFAT-initiated, TSEP-funded study into the higher level of school drop-out rates of boys. The findings and recommendations of that study will be released in early FY 2016-17.

Finally, while the benchmark target of completing the design of the Women in Work investment was not met – impacting on the assessment of progress toward Objective 3 of the AIP – good progress was made and, after significant engagement by DFAT program managers in the design process, the investment is on track for start-up in early 2016-17. This cornerstone investment will focus on addressing the supply and demand constraints of Sri Lankan women's participation in the formal labour force, including: gender norms; access to skills improvement; protection from harassment and gender-based violence in formal employment; and access to quality child care services.

⁶ TAF Annual Monitoring Report (internal DFAT document)

⁷ NELSIP March 2016 Implementation Review and Support Mission Aide Memoire (internal DFAT document); Sri Lanka - North East Local Services Improvement Project (NELSIP) : P113036 - Implementation Status Results Report at <http://documents.worldbank.org/curated/en/360131468107347123/Sri-Lanka-North-East-Local-Services-Improvement-Project-NELSIP-P113036-Implementation-Status-Results-Report-Sequence-12>

⁸ ACRP3 Technical Support Team Field Monitoring Mission Report, May 2016 (internal DFAT document).

PROGRESS TOWARDS PERFORMANCE BENCHMARKS IN 2015-16

Aid objective	2015-16 benchmark	Rating	Progress in 2015-16
Expand economic opportunities for the poor	Evidence of a clear increase in the incomes of populations targeted by our key investments.	Partly achieved	Monitoring has estimated DFAT's contribution to NELSIP as creating around 5000 jobs, with a value-add to DFAT's investment in the ratio of 1 to 3 (\$16.5 million of DFAT funding generating \$50 million of output), although direct impact on incomes is implied not measured. Reporting on ACRP3 market linkage economic resilience activities indicated some, though mixed, increases in the incomes of targeted populations. Insufficient time has elapsed in the implementation of the MDF for results in income generation to be seen – and, given the nature of value-chain focused projects of this kind, it may be several years before marked improvements in income are seen.
Support government to be more responsive to the needs of citizens and the private sector	Increased satisfaction, based on the comparison of survey results against earlier results, of citizens and the private sector with sub-national government service delivery	Achieved	Roll-out of sub-national governance activities is advanced and producing results in line with expectations, as measured through satisfaction surveys and annual monitoring processes. Efforts to improve sub-national governance are now being matched by the funding of activities in support of Sri Lankan government reform in improving the national-level investment and business-enabling environments. There have also been strong results around the governance elements of the TSEP investment.
Increase gender equality	A completed design for a new multi-year program to support gender equality and social inclusion.	Partly Achieved	While a final design wasn't completed as anticipated, a significant re-conceptualisation of the investment was undertaken to better align it with the AIP. Following the approval of the new concept, work is currently underway to complete the full design. It is anticipated that the new program will commence in the first half of 2016-17.

Performance Benchmarks 2016-17 to 2018-19


		2016-17	2017-18	2018-19
Aid objective	<i>Expand economic opportunities for the poor</i>			
Performance benchmark	<i>Increase the percentage of targeted populations, including women and people with a disability, who have an increase in net additional income</i>	<i>5% increase on 2015/16 baseline</i>	<i>10% increase</i>	<i>25% increase</i>
Aid objective	<i>Support government to be more responsive to the needs of citizens and the private sector</i>			
Performance benchmark	<i>Increased satisfaction of citizens and private sector with national and sub-national government performance in delivering key services</i>	<i>5% increase on 2015/16 baselines</i>	<i>10% increase</i>	<i>15% increase</i>
Aid objective	<i>Increase gender equality</i>			
Performance benchmark	<i>Increase the percentage of women in targeted populations in formal and informal employment</i>	<i>5% increase on 2015/16 baseline</i>	<i>10% increase</i>	<i>25% increase</i>

MUTUAL OBLIGATIONS

In 2015-16, negotiations over a new, updated Sri Lanka-Australia Development Cooperation Memorandum of Understanding began. The MOU will set out how the partners engage with each other over the formation and implementation of Australia's aid program in Sri Lanka. More substantive sets of mutual obligations have been established on a project-by-project basis. Under TSEP, the Sri Lankan Government is required to achieve Disbursement Linked Indicators each year in order to receive tranche funding, and those indicators were met in 2015-16, as independently verified by the Sri Lanka Association for the Advancement of Education. Under NELSIP, the majority of local authorities met agreed performance benchmarks, such as completion of audited financial statements and development of participatory budgets. Similarly, under the TAF projects, local authorities and the Northern Provincial Council have agreed to implement administrative and structural changes in return for project assistance. Monitoring has shown that these activities have been undertaken.

PROGRAM QUALITY

Internal Aid Quality Check (AQC) ratings for the Sri Lankan program were satisfactory to good, indicating a slight overall improvement in investment-level performance. There was no significant difference between AQC and Final AQC scores. In addition to the improved gender equality rating in the NELSIP, there were also minor improvements in Efficiency ratings. Exceptions to the overall positive trend were the Economic Opportunities Program (EOP) investment, which is in the first year of implementation and received unsatisfactory scores for Efficiency and Gender Equality, and the one-off Flood Response 2015 investment which was rated unsatisfactory on Effectiveness. Processes have been put in place to improve the delivery of the EOP investment over the coming twelve months, and lessons on supporting humanitarian relief have been recorded for use in future investments. Looking to the next reporting period, further consolidation in the bilateral aid program is anticipated, with NELSIP and the Community Forestry Program both expected to end in the next year and one new investment, the Governance Platform, likely to undertake an AQC for the



first time. Further consolidation will occur by bringing the Subnational Governance investment under the management umbrella of the broader Governance Platform.

MANAGEMENT RESPONSES

The following management responses address the key challenges the Australian aid program to Sri Lanka faces over the next 12 months in achieving its objectives and managing risks:

- Work with government and implementing partners to ensure *both* the MDF and the S4G activities align with the 2016-17 design, implementation and performance expectations set out in the EOP Results Management Framework;
- Ensure the Women In Work investment design is finalised, start-up is completed and implementation has begun;
- Work collaboratively with other donors to assist the Sri Lankan Government in planning and delivering key economic and fiscal reforms; and
- Continue to monitor and engage strategically with the World Bank on the TSEP program as it enters its final phase, focusing on areas of particular interest to DFAT such as social cohesion in education.

ANNEX A- PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Describe progress made against management responses in 2014-15 report

Management responses identified in 2014-15 APPR	Rating	Progress made in 2015-16
Accelerate progress toward an economic partnership approach that shares risk and value between government, markets and civil society	Achieved	AIP and subsequent investment decisions have reoriented the program toward an economic partnership, and, increasingly, Sri Lankan businesses are becoming the focus of the program. There is a continued use of NGOs, and government also continues to be a key partner.
Ensure new program investments are embedded in government or private sector structures to increase the sustainability of their impact	Achieved	Two major investments are about to be delivered through the private sector, while government is a partner in economic reform and governance activities.
Increase the focus on gender equality across all programming, in line with the new gender equality objective in the AIP	Achieved	Substantially progressed through DFAT management engagement with delivery partners on gender equality issues, including M&E.
Ensure the focus of TSEP in its final two years is on improving the quality of data analysis and usage by all stakeholders and ensuring the sustainability of gains to date	Partly achieved	Significant engagement occurred with the World Bank and GoSL around embedding governance structures that will improve the chances of sustainability, although more is required to improve data gathering and use.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

ANNEX B- EVALUATION PLANNING

LIST OF EVALUATIONS COMPLETED IN THE REPORTING PERIOD

Investment number and name	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
N/A					

LIST OF PROGRAM PRIORITISED EVALUATIONS PLANNED FOR THE NEXT 12 MONTHS

Evaluation title	Investment number and name (if applicable)	Date – planned commencement (month/year)	Date – planned completion (month/year)	Purpose of evaluation	Evaluation type
Sri Lanka Community Forestry Program – Independent Completion Report	INK283 North and East Local Services Improvement Project	January 2017	June 2017	<ul style="list-style-type: none">- assess effectiveness and efficiency- examine value for money- assess sustainability	- DFAT led

ANNEX C- AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings.

Investment name	Approved budget and duration	year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
North East Local Services Improvement Project (NELSIP)	\$25.37m 2011-116	2016 AQC	5	4	4	4	5	4	5
		2015 AQC	5	4	4	4	5	3	4
Transforming Schools Education Project (TSEP)	\$37m 2011-17	2016 AQC	5	4	5	4	5	4	5
		2015 AQC	5	5	4	5	5	4	5
Sri Lanka Community Forestry Program	\$4.9m 2011-16	2016 AQC	4	4	4	5	5	4	4
		2015 AQC	4	4	4	4	4	4	4
Sri Lanka Subnational Governance Program	\$6.2m 2014-2019	2016 AQC	5	4	4	4	4	4	4
		2015 AQC	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Economic Opportunities Program (EOP)	\$33m 2014-2020	2016 AQC	5	4	3	5	4	3	4
		2015 AQC	n/a	n/a	n/a	n/a	n/a	n/a	n/a

HAQC RATINGS (include if relevant)

Humanitarian response AQC's assess performance over the previous 12 months (ratings are not compared to previous years).

Investment name	Approved budget and duration	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Connectedness	Protection	Gender equality	Risks and Safeguards
Flood Response 2015	\$3m 2015-16	5	3	5	4	5	4	5	5

FAQC RATINGS (include if relevant)

Final AQC's assess performance over the lifetime of the investment (ratings are not compared to previous years).

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Australian Community Rehabilitation Program Phase 3	\$48.7m 2009-16	5	5	5	5	5	4	5	4

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas. 5 = Good; satisfies criteria in almost all areas.

4 = Adequate; on balance, satisfies criteria; does not fail in any major area.

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria and/or fails in at least one major area.

2 = Poor; does not satisfy criteria in major areas. 1 = Very poor; does not satisfy criteria in many major area.