

Australian Government
Department of Foreign Affairs and Trade

AID PROGRAM PERFORMANCE REPORT SUMMARY 2018-19

Sri Lanka September 2019

SRI LANKA AID PROGRAM PERFORMANCE INFORMATION 2018-19

SUMMARY

This report summarises the performance of Australia's aid program in Sri Lanka from July 2018 to June 2019 against the Sri Lanka Aid Investment Plan (AIP) 2015-2019.

The key objectives set by the AIP for achievement by 2019 are: to expand economic opportunities for the poor; support government to be more responsive to the needs of citizens and the private sector; and to increase gender equality. The guiding logic is that economies and societies perform better when markets operate efficiently, governments deliver services equitably, and women and people with disabilities are full participants in the economy and public life. Reconciliation and long-term stability are also important to Sri Lanka's future prosperity. The AIP complements a central tenet of Australia's 2017 Foreign Policy White Paper: Australia's future prosperity relies on a stable and prosperous Indo-Pacific.

Over the past year, the aid program has continued to build the economic partnership with Sri Lanka, with investments aimed at private sector-led economic growth that is inclusive and reduces poverty. We have supported the Sri Lankan government's economic reform agenda, including substantial reforms to improve the ease of doing business. Our delivery partners have also assisted local governments to promote economic development, increase their tax bases and deliver services in a responsive manner.

Australia's aid investments in Sri Lanka have led to new jobs in the tourism and value-added agriculture industries. They have assisted farmers and fishers (for example, in the conflict-affected north and east) to benefit from valuable export markets, and have also increased employment opportunities for women and people with disabilities. An investment delivered by the International Finance Corporation (IFC) formed partnerships with major private sector companies to sign up to 99 commitments to advance gender equality within their organisations. The economic focus of the Sri Lanka aid program remains relevant, as Sri Lanka's economy continues to recover following the Easter 2019 bombing attacks.

Total Australian aid to Sri Lanka in 2018-2019 amounted to \$27.3 million, with the bilateral component being \$19.9 million. The Development Assistance Committee data for Sri Lanka ranks Australia in the top ten donors (2016-17) overall and in the top six of bilateral donor While Australia's development assistance remains only around 2 per cent of gross ODA to Sri Lanka, unlike most other donors our contribution is through grants rather than concessional lending, giving us a positive point of differentiation.

EXPENDITURE

Table 1 Total ODA Expenditure in FY 2018-19

Objective	A\$ million	% of total ODA
Expand Economic Opportunities for the Poor	7.3	27
Support government to be more responsive to the needs of citizens and the private sector	6.0	22.2
Increase gender equality	6.2	23
Sub-Total Bilateral	19.5	72.2
Regional and Global	7.5	27.8
Other Government Departments		
Total ODA Expenditure	27	100



PERFORMANCE TOWARDS AIP OBJECTIVES

Table 2 Rating of the Program's Progress towards Australia's Aid Objectives

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

OBJECTIVE 1 – EXPAND ECONOMIC OPPORTUNITIES FOR THE POOR











Progress toward this objective is largely influenced by the performance of the *Economic Opportunities for the Poor (EOP)* investment. The *EOP* portfolio of work focuses on increasing economic inclusion in support of the broader bilateral program goal of reconciliation. The investment supports poor women and men to increase their incomes, and also access quality jobs and skills development services, through participation in key growth sectors of the Sri Lankan economy. Overall, this objective was rated green, as the *EOP* investment has achieved almost all major outputs and targets expected at this point in time. While the programs are performing well at the activity/output level, more strategic thinking is needed around increasing the impact of the program's innovations and taking them to scale. Greater inclusion of people with a disability has also emerged as a challenge.

The three main activities under the investment are: the *Market Development Facility (MDF)* which forms island-wide business advisory partnerships with small to medium sized businesses in tourism and value-added agriculture sectors; the *Skills for Inclusive Economic Growth* program (*S4IG*), which builds tourism industry skills in Eastern Province and Polonnaruwa district; and the recently-mobilised *Local Empowerment through Economic Development (LEED)* project, which links fisheries and agricultural cooperatives in Northern Province with domestic and export supply chains. The three *EOP* partners have been willing to harmonise and explore collaboration, and the reporting period has seen some joint activities be identified and prepared for implementation.

Both *MDF* (19 partnerships) and *S4IG* (13 partnerships) are delivering income and employment benefits, collectively supporting LKR 1.15 billon (approximately \$10 million) worth of net additional income within the reporting period for approximately 30,000 people, with 13 per cent of these beneficiaries being women, and the vast majority being significantly economically disadvantaged. *S4IG* has also been undertaking innovative approaches to altering community attitudes toward female employment in the tourism sector – a notable activity being its co-production of a television cooking competition ('Supreme Chef') bringing together male and female competitors from Eastern Province. The show was also notable for its inclusion of people with a disability. *MDF* was likewise nimble in its response to the sudden impact of the Easter attacks on the tourism

industry, providing immediate technical assistance to the Tourism Alliance that brought together private sector and government actors to respond to the immediate, post-attack challenges and also put in place strategies to improve the sector's long-term resilience.

While both *MDF* and *S4IG* have performed well at the activity/output level, progress towards the uptake of innovations and behaviour changes among private sector partners has been slower than expected, and more strategic thinking is required from the teams to demonstrate how the program innovations can be taken to scale. Similarly, it was expected that the *S4IG* capacity-building strategies for service providers and industry would be further advanced by this point in time. The *S4IG* midterm report, due at the end of 2019, will evaluate whether the timeframe assigned (ending in December 2020) is sufficient to achieve the level of change expected in the design.

MDF and *S4IG* have gradually improved the quality of their gender equality activities, with overall results (women trained, employed and with improved incomes) aligning with expectations. The challenge has been around the adoption of practices that benefit women in the selected tourism-related sectors, with the expected early signs of adoption not having materialised. In addition, results on disability inclusion are mixed across the portfolio: *S4IG* performs well, *LEED* is still in a start-up phase with no clear disability strategy and *MDF* lagging behind. As a result of their focus on former conflict areas, all three programs successfully create opportunities for ethnic minorities.

OBJECTIVE 2 – SUPPORT THE GOVERNMENT TO BE MORE RESPONSIVE TO THE NEEDS OF CITIZENS AND THE PRIVATE SECTOR











Compared with the previous reporting period, progress toward this objective improved over the course of the year. The key investment, *Governance for Growth (G4G)*, oversees a suite of activities that combine mature and newly-incepted projects. While measuring overall progress towards the *G4G* end of investment (EOI) outcomes is complicated by the delay in finalising an investment-level Monitoring, Evaluation and Learning (MEL) framework, the progress of individual activities have been in line with expectations. A key difference between this reporting period compared with the last has been the establishment, after some delays, of the *Knowledge and Linkages for an Inclusive Economy (KLIE) Grant Program* and the procurement of an Advisor Team to help improve the quality and impact of DFAT's governance (and other) programming in Sri Lanka.

The current *G4G* major portfolio activities are *Eliminating Barriers to Inclusive and Sustainable Economic Growth in Sri Lanka* (2016-2020; \$10 million) supporting the World Bank's national-level economic reform work with the Sri Lankan government, the *Sub National Governance Program* (2015-2020; \$6.2 million) supporting The Asia Foundation's (TAF) program at nine local authority sites to improve economic resilience and citizen representation, and the *KLIE Grants Program* (2018-2021; \$5 million) which supports the establishment of long-term partnerships between Australian and Sri Lankan public agencies, research institutions and peak bodies. Finalisation of an investment-level MEL framework as is due soon, after which the feasibility of a Phase II *G4G* program will be tested.

The four end of investment outcomes being met by the activities are: a) target national ministries improve their ability to deliver economic policy promoting inclusive economic growth; b) target subnational governments improve their ability to deliver effective public services that deliver inclusive economic growth; c) national ministries and subnational governments are respond their policymaking to issues of gender



equality and social inclusion; and d) citizens and the private sector have an improved trust in the capability and commitment of governments to deliver services and promote inclusive growth.

Progress towards objective 1 came through the *Eliminating Barriers* program, with more than 80 per cent of planned outputs for 2018 delivered, and the activities of the program contributing to Sri Lanka's improvement by 11 places in the World Bank's 2018 Doing Business Index.

Against objective 2, the *SNGP* delivered strong results, such as an average 18 percentage point improvement in revenue collection across 6 local authorities and the expanded role of *SNGP*-initiated Customer Service Centres. Improvements at the national level in tax services, trade facilitation and investment advice came through the World Bank program. While several of the KLIE Grants, though still in their inception phases, promise improvements in government services impacting on agricultural productivity and export-readiness.

In support of objective 3, the World Bank began implementing its cross-cutting Gender and Poverty pillar of work, finalising its analysis of gender gaps in the key elements of the economic reform process, while *SNGP* monitoring found that the 9 local authorities had improved the integration of Gender Equality and Social Inclusion (GESI) principles into their activities (most notably in their use of participatory budgeting). More could still be done by the World Bank to apply its Disability Inclusion and Accountability Framework (2018) to the *Eliminating Barriers* program of work. And while there have been clear improvements in the quality of activity-level M&E of the two major activities over the reporting period, more still needs to be done to ensure all activities disaggregate data by gender and social inclusion categories.

Finally, while progress against objective 4 is currently only partly measured under *G4G*'s activity-level MEL frameworks, data on citizen attitudes towards local authorities emerging from *SNGP* revealed minor improvements (coming off a low base) in citizens' regard for local government service delivery. Following the Easter attacks, a benefit of TAF's long-running engagement with local governments and communities, and the trust it has developed over that time, could be seen in the success of its conflict mitigation efforts, especially in response to initial local government moves to reduce the trading rights and opportunities of Muslim businesses in Eastern Province. This promises to open up further opportunities for improving social cohesion through astute local management of governance programming.

OBJECTIVE 3 – INCREASE GENDER EQUALITY









Progress toward Objective 3 is driven primarily through the *Women in Work (WiW)* partnership with the International Finance Corporation (IFC). Overall progress is rated amber largely because, even though there are some encouraging improvements in gender equality results across other investments in the bilateral program (discussed above), progress toward two out of the three *WiW* end of investment outcomes have been delayed.

WiW is a five year, \$15 million investment implemented through a grant agreement with the IFC. The program aims to increase the number of private sector partners who adopt gender smart business solutions, based on the strong business case for increasing women's economic empowerment. The three end of investment outcomes are: a) enhanced women's participation in the private sector labour force; b) increased access to financial services for women and women-owned MSMEs; and c) strengthened linkages with women in selected private sector supply chains, with a focus on the tourism sector. While there have been some issues in the nature and timeliness of the performance reporting (as well as a lack of analysis of the



impact of disability in target groups), it is clear that end of investment outcome 1 is on track, while progress toward outcome 2 is delayed and progress toward outcome 3 is significantly delayed. A joint (IFC and DFAT) mid-term review due to take place in August will consider the causes of these delays and provide recommendations to both partners on how best to respond.

The assessment that progress towards *WiW* objective 1 is on track is based on the fact most results are in line with expectations. For example, the SheWorks partnership was launched in a timely manner with 18 private sector companies – encompassing approximately 100,000 employees – signing up to 99 commitments to advance gender equality within their organisations. The IFC also completed and launched the report "The Business Case for Employer-supported Childcare in Sri Lanka", and has been supporting the highly covered 'Women in Management Awards'. Against outcome 2, however, while activities are on track with the government, at the firm level only one partnership has been successful established, and partnerships with financial institutions still need to be formed. Discussions on women's insurance options continue, but none have been formalised. Financial education with the central bank was delayed because of the 2018 political crisis. Outcome 3, is significantly delayed. Only one activity is in early stages of implementation and no formal partnership is yet agreed. The IFC has had limited traction in the tourism sector and has not proposed alternative sectors to work in. Given the delays in outcomes 2 and 3, overall program expenditure is also far lower than expected, and, on the back of the mid-term review, will require some significant reprogramming. Managing the partnership has been more resource intensive for DFAT than expected.

MUTUAL OBLIGATIONS

The Sri Lankan Government continues to face challenges in implementing its political and economic reform agenda and internationally-endorsed transitional justice process. Overall, the country context has not shifted markedly since the previous reporting period, although, as the November Presidential elections approach, the focus of government is naturally turning toward electoral concerns. Overall, the AIP's development logic and our existing government-to-government agreements remain valid.

The 2017 Sri Lanka-Australia Development Cooperation Memorandum of Understanding continues to guide our development relationship. It commits the Sri Lankan Government to work with the Australian Government to promote the achievement of the Sustainable Development Goals, regularly review projects, ensure transparent sharing of data and assist in facilitating Australian projects (including applying the Australia-Sri Lanka Double Taxation Avoidance Agreement). More specific sets of mutual obligations are then established at the investment or activity level. For example, subsidiary arrangements are in place with the Sri Lankan Ministry of Tourism for the MDF and the Ministry of Skills Development for S4IG. These require the relevant ministries to contribute to project oversight, facilitate project implementation and engage in project reporting. The Sri Lankan Government met its commitments under these subsidiary arrangements over the reporting period

PROGRAM QUALITY

The most noteworthy difference in internal Aid Quality Check (AQC) ratings for the Sri Lanka program between this reporting period and the last was the less than satisfactory ratings given to the *Women in Work* investment against the Effectiveness, Efficiency and Gender Equality criteria. This is due to significant delays in meeting two out of three investment objectives, low expenditure and poor reporting mechanisms and has flagged it as an Investment Requiring Improvement, which will trigger increased management attention. The midterm review in August will provide an opportunity to review the investment and scope what is required to get it back on track.

MANAGEMENT ACTIONS

EOP

Post to lead on an independent mid-term report for *S4IG* in December 2019/January 2020 in order to complete the strategic re-orientation of the investment, with a focus on expanding the impact of the innovative activities delivered. Both the mid-term review and the strategy re-orientation will clarify *S4IG*'s engagement with social inclusion issues, including disability.

Post to continue working with partners to identify potential risks in lack of uptake of innovations and models demonstrated by the partners. Where required, Post will explore the possibility of bringing to bear influence through other mechanisms e.g. policy influence through other programs, direct engagement with industry and Government etc.

Post to continue to look for opportunities to encourage better synergies and harmonisation between the 3 investments within the EOP portfolio. This will be supported by annual EOP learning events and broader DFAT partner forums.

G4G

Finalise the procurement of the Advisor Team.

Finalise the G4G investment-level MEL framework, ensuring the framework enables the collection of data disaggregated by sex and social inclusion categories. As part of this process, work with the World Bank and TAF to maximise the abilities of their M&E systems to provide similarly disaggregated data.

Work with the Advisor Team and the DFAT Political Team at Post to monitor political and election-related risks and ensure Australia's development programming responds appropriately

Ensure DFAT's human resourcing matches the management demands of an evolving investment.

WiW

Ensure recommendations from the WiW mid-term are actioned to improve progress toward the end of investment objectives. A Management Action Plan is also in place and agreed by the IFC to address management issues and barriers to implementation.

Continue to request reporting on disability and indigenous peoples/ethnic minorities to ensure WiW is inclusive and aligns with DFAT's policies.

ANNEX A - PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Management responses identified in 2017-18 APPR	Rating	Progress made in 2018-19
EoP- Having in place an updated, functional EOP management and M&E framework for the EOP portfolio	Achieved	This was completed in mid-2018 with intensive engagement from all partners.
EoP- Re-orientation of the MDF strategy	Achieved	Completed satisfactorily.
EoP- Cross learning between MDF and S4IG	Achieved	Cross learning between MDF and S4IG was initiated by having each program team leader sitting in on the quarterly steering committee meeting of the other program. Additional partnership and collaboration opportunities were also explored through a partnership brokering discussion facilitated by Post in mid-2018 with regular interaction and information sharing now taking place between both programs.
EoP- Financial management of EOP portfolio	Achieved	Now on track and EOFY expenditure is on target.
G4G- Establish a G4G linkages activity	Achieved	The KLIE Grants Program was established, with the pilot call for proposals going out in November 2018, and 4 grants being approved and committed by March 2019.
G4G- Establish a G4G Advisor Team	Partly achieved	A Strategic Review team containing Governance, GESI and Political-Economy specialists was individually contracted in September 2018 to undertake the Review and develop a bilateral program Governance Strategy. Advisor Team procurement conducted. Contract to be signed Sept/Oct 2019.
G4G- Sustainability and exit strategy for SNGP	Achieved	A 12-month costed extension for the SNGP program was signed off in March 2019 following discussions with TAF based on the reviews noted below.
G4G- Review SNGP	Achieved	SNGP was reviewed in two ways. It was a subject of the Strategic Review, and also had its results and program logic verified by DFAT's contracted independent advisor. Both reports were delivered in January 2019.
G4G- Greater focus on Gender in G4G	Achieved	Post has made gender equality a standing item in its regular meetings with delivery partners. G4G implementing partner TAF led learning forum held a dedicated session on gender equality and social inclusion to influence a wider community of practice on gendering development and service delivery outcomes. The World Bank finalised its gender gap analysis and is updating projects and implementation plans accordingly. Gender was also a selection criterion in the call for KLIE Grant proposals.
G4G- Establish quarterly meetings with the World Bank	Achieved	Established by June 2018, with a revised activity tracker in place by September 2018.
G4G- Develop G4G performance assessment & MEL framework	Partly achieved	Finalisation of a comprehensive MEL framework has been held over until delivery of the bilateral program Governance Strategy in Oct 2019. The Strategic Review provided an interim assessment of progress against Eol Objectives.
DFAT to recruit an external advisor to assist with monitoring the program and providing expert advice across the bilateral program.	Partly achieved	Advisor Team procurement conducted. Contract to be signed Sept/Oct 2019.



DFAT to work with IFC to improve qualitative monitoring of the Women in Work program, including greater visibility of the activity pipeline, clearer explanation of progress towards program targets and budget forecasts.

Partly achieved Verbal updates are provided during quarterly meetings in addition to the bi-annual progress report. A work plan was implemented with annual forecaster activities and is updated after each quarterly meeting. Continuously pushing for budgeted forecasted activity list.

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 – PERFORMANCE BENCHMARKS

1 Progress towards Performance Benchmarks in 2018-19

Aid objective	Performance Benchmark	Rating	Progress in 2018-19
Expand economic opportunities for the poor	Increase the targeted populations, including women and people with a disability, who have an increase in net additional income.	Achieved	The combined impact of the EOP program of activities (MDF, S4IG and LEED) has led to an increase of around LKR 1.15 billon (approximately \$10 million) worth of net additional income within the reporting period for approximately 30,000 people, with 13 per cent of these beneficiaries being women.
Support government to be more responsive to the needs of citizens and the private sector	Increased satisfaction of citizens and the private sector with national and subnational government performance in delivering key services.	Achieved	TAF's electronic citizen report cards (which have been undertaken for several years, providing longitudinal date) reveal gradual, though minor, improvements in citizens' regard for local government service delivery. This improvement comes off a low baseline. While our programs have supported governments, with tangible and positive results, satisfaction levels are also affected by perceptions about the performance more broadly of the Sri Lankan Government
Increase gender equality	Increase the number of women in targeted populations in formal and informal employment.	Partly achieved	While the EOP program has improved the number of women engaged in employment, the Women in Work investment, for which women's economic empowerment is a core goal, is been less successful over the reporting period. While the business case for supporting childcare and investing in women employees has been demonstrated (including by improving gender diversity on boards), the investment has had limited impact in creating sustainable jobs for women in target areas.

Note:

Achieved. Significant progress has been made and the performance benchmark was achieved

Partly achieved. Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.

Not achieved. Progress towards the performance benchmark has been significantly below expectations



Aid objective	Performance Benchmark	2019-20
Expand economic opportunities for the poor	Increase the targeted populations, including women and people with a disability, who have an increase in net additional income.	To be revised following the release of the new AIP.
Support government to be more responsive to the needs of citizens and the private sector	Increased satisfaction of citizens and the private sector with national and subnational government performance in delivering key services.	To be revised following the release of the new AIP.
Increase gender equality	Increase the number of women in targeted populations in formal and informal employment.	To be revised following the release of the new AIP.





ANNEX C - EVALUATION PLANNING

1 LIST OF EVALUATIONS COMPLETED IN THE REPORTING PERIOD

Investment number and name (if applicable)	Name of evaluation		Date Management response uploaded into AidWorks	Published on website
Nil				

2 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
Nil					

ANNEX D - AID QUALITY CHECK RATINGS

1 AQC RATINGS

Investment name	Approved budget and duration	year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Economic Opportunities for the Poor	\$33m 2014-	2019 AQC	n/a	4	4		n/a	3	n/a
	2014-	2018 AQC	5	4	4	4	4	1	4
Governance for Growth	\$14m 2016-	2019 AQC	n/a	5	4	n/a	n/a	5	n/a
	2021	2018 AQC	4	4	4	4	4	4	4
Women in Work	\$15m 2015-	2019 AQC	n/a	3	3	n/a	n/a	3	n/a
	2021	2018 AQC	5	4	4	3	5	4	n/a



ANNEX E – PERFORMANCE ASSESSMENT FRAMEWORK

The Sri Lanka program is in the process of developing a new AIP *Australia-Sri Lanka Aid Investment Plan* 2020-2024 which is expected to be released in early 2020. A new Performance Assessment Framework will be developed as part of this process and will be included in subsequent APPRs.

APPENDIX 1: 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT INFOGRAPHICS

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2 ZERO HUNGER	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	11 SUSTAINABLE CITIES	Make cities and human settlements inclusive, safe, resilient and sustainable
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well- being at all ages	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	13 CLIMATE	Take urgent action to combat climate change and its impacts
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
6 CLEAN WATER AND SANITATION	Ensure availability and sustainability management of water and sanitation for all	15 LIFE DOLAND	Protect, restore and promote sustainable use of terrestrial ecosystems
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable sustainable and modern energy for all	16 PEACE JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development and provide access to justice for all
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment	17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalise the global partnership for sustainable development
9 INDUSTRIE. INNOVATIE EN INFRASTRUCTUUR	Build resilient infrastructure, promote inclusive and sustainable Industrialisation and foster innovation		