Australian Government
AusAID

Sri Lanka Annual Program Performance Report 2011

June 2012

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Introduction

This Annual Program Performance Report (APPR) marks a watershed in the Australian aid program in Sri Lanka. In recent years, the program has been characterised by a high proportion of humanitarian funding. It is now more than three years since the end of the country's 26-year civil conflict and while small pockets of acute humanitarian needs remain in conflict-affected areas, the Australian aid program has recalibrated priorities.

While economic growth is about 7 per cent and many health and education indicators are strong, the poor and vulnerable still need to benefit from Sri Lanka's social and economic development.

The recently completed Country Situation Analysis[1] (CSA) for the Australian aid program in Sri Lanka focuses on three sectors for the coming five years: education, health, and sustainable broad-based economic growth. Australia will assess success by measuring progress against two objectives: improved social and economic indicators in lagging regions; and policies and programs implemented at national and sub-national levels that aim for inclusive growth and improved service delivery. These objectives reflect the shift to making aid transformational rather than transactional.

Australia has achieved many successes over 2011 in Sri Lanka. The aid program has contributed to solid gains in social and economic indicators through its work in education, water and sanitation, shelter and demining. More improvements are expected in 2012, with new programming starting in economic infrastructure in the north and east, continuing programs in community development, and building the capacity of the Sri Lankan government's demining unit. Australia also continues to achieve excellent results through its strong focus on gender.

In Sri Lanka, the aid program has supported government policies and programs aimed at inclusive growth and improved service delivery. Australia advocated for mainstreaming the Child Friendly School[2] approach into the national education system. In shelter, the owner-driven model for housing reconstruction has been acknowledged as best practice by government authorities and adopted as the preferred model by other major donors, including India.

The aid program has actioned all management consequences identified in the 2010 APPR, but there are many challenges still. Australia will examine lessons learned and improve the rigour of its performance management system. We will undertake political economy assessments to understand how best our aid can catalyse pro-poor policy reforms. We will strategically target our engagement with trusted and effective multilateral partners on issues of importance to Australia. We will develop a better understanding of how to leverage the capacity of civil society to build strong communities and address drivers of conflict. And we will bed down the management

[1] The CSA is an internal document based on which the country program strategy is developed. A program strategy for the Australian aid program in Sri Lanka is being developed and will be released in the second half of 2012.

[2] Child-friendly schools approach has been developed by UNICEF. It is a framework for rights-based, child-friendly educational systems and schools that are inclusive, healthy and protective for all children, effective with children, and involved with families and communities.

reforms implemented in Sri Lanka over the past 12 months, as well as strengthen the policy and technical capacity of our team.

The CSA for Australian aid to Sri Lanka (2012–16) was approved by the Australian Government's Development Effectiveness Steering Committee (DESC) in April 2012. This APPR assesses the performance of the Sri Lanka program in 2011. It also positions the program within the new CSA framework. As such, a substantial portion of this APPR focuses on how the aid program has helped to influence beneficial policy outcomes.

The Australian Agency for International Development (AusAID) office in Sri Lanka is collecting baseline information of relevant indicators, such as educational achievement. This will enable subsequent APPRs to make more informed assessments of program achievement and, in turn, strengthen program management and improve effectiveness.

Context

Despite Sri Lanka's middle-income status and good prospects to achieve all Millennium Development Goals, pockets of severe regional disparities exist in-country, especially in the north and east areas recovering from the 26-year civil war which ended in 2009. Sri Lanka remains a post-conflict nation with highly inequitable economic and social development. Approximately 45 per cent of economic activity is concentrated in the Western Province and the capital, Colombo. About 30 per cent of the population attempt to survive on less than US$2 a day. Government spending on defence[3] remains high despite the war ending three years ago, although it decreased from 3.7 per cent of gross domestic product (GDP) in 2009 to 3.1 per cent in 2012. Government spending on health (1 per cent of GDP in 2012) and education (0.4 per cent of GDP in 2012) has flat-lined or declined in recent years as a proportion of GDP. As a proportion of government expenditure, health and education is well behind other middle-income countries and lower than some of Sri Lanka's lower-middle income neighbours.

Education outcomes vary. Enrolment rates until grade nine (secondary education is grade 6 to 11) exceed 90 per cent, but many children, particularly those from poor communities, do not receive a quality education. Nutrition is a serious national problem: 20 per cent of children under five years of age have stunted growth and half the population does not does not get enough daily calories. Gender equality indicators for Sri Lanka are positive overall. However, the civil conflict and its aftermath has left some women—including 90 000 war widows—extremely vulnerable. Around 100 000 homes were destroyed during the conflict, along with other community and productive infrastructure. Inadequate land titles are a serious constraint to resettlement and long-term development. Many regulatory and political impediments to private sector investment remain.

The Sri Lankan Government's development priorities, outlined in its national *Mahinda Chintana—Vision for the Future* (2012–16), include rural development, economic infrastructure, education and health. The government's main focus since the end of the war has been infrastructure. Major infrastructure investments are

[3] Includes the allocation for urban development since the merger of the two ministries, Ministry of Defence and Urban Development in 2010.

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underway and more are planned, mostly in the southern, northern and eastern provinces (a deep water port, roads, power stations and a new international airport). Economic growth is about 7 per cent, and the government aims to double GDP per capita by 2016.

The government is reconstructing infrastructure in conflict-affected areas but is placing less emphasis on broad-based growth and linking people to markets. Without social and economic infrastructure, however, many Sri Lankans remain extremely vulnerable. Global experience shows that many post-conflict countries suffer a return to conflict. In this regard, inclusive economic development and elimination of patterns and perceptions of exclusion is critical to guard against re-emerging conflict in Sri Lanka.

Shifts in country context

The Sri Lankan Government has generally been reticent to coordinate with traditional bilateral donors. There are early signs of positive change, however, with a sector-wide approach on education taking an important first step towards coordination, harmonisation and alignment. At the government's suggestion, a Development Partner Committee was established in 2011 as a vehicle for strategic engagement between donors and government. It comprises the heads of Sri Lanka's six largest traditional donor agencies: AusAID, United States Agency for International Development, Japan, World Bank, Asian Development Bank (ADB) and United Nations. The committee is showing the potential to develop into an inclusive mechanism for strategic engagement.

The power and influence of China and India as donors continues to grow in Sri Lanka. These donors work bilaterally, in isolation from others. China remains the largest donor, with an estimated US$678 million commitment in 2011. India is showing early signs of interest in participating in donor coordination and has consulted with traditional donors (including Australia) about approaches to housing construction in the north. These recent signs of India's openness may present an opportunity to discuss aid effectiveness and collaboration on aid delivery.

The release of the Lessons Learned and Reconciliation Commission Report[4] may present scope for Australia to act in new areas. Australia's bilateral relationship with the Sri Lankan Government has been mostly positive. Our aid during the humanitarian crisis, brought on by the end of the civil conflict in 2009, proved how responsive and constructive Australia can be as a donor and our reputation stands as the program transitions to a longer-term development focus. Our good relationships, especially with key ministries, coupled with emerging opportunities for coordination, presents a good opportunity for us to engage more in national issues.

Many development actors face ongoing challenges when implementing programs. The Sri Lankan Government continues to urge donors to channel aid through it rather than through non-government organisations (NGOs).

[4] http://www.foreignminister.gov.au/releases/2012/kr_mr_120213.html

The World Bank and ADB play a key role in post-conflict development. Both have generally sound relationships with the government. The World Bank recently announced its country partnership strategy (CPS) for 2012–16, dramatically increasing resources. The new CPS is in line with the development goals identified by the Sri Lankan Government and focuses on facilitating private and public investment, supporting structural shifts in the economy and improving living standards and social inclusion. The CPS aligns with the ADB's long-term strategic framework and Sri Lanka's *Mahinda Chintana*. During the CPS period the ADB will focus on education, energy, public sector management, transport, water supply and other municipal infrastructure and services.

Program objectives and strategy

The CSA's two objectives for the Sri Lanka program are:

1. improved social and economic indicators in lagging regions[5]
2. policies and programs implemented at national and sub-national levels that aim for inclusive growth and improved service delivery.

Existing initiatives already fit well within the first objective. Existing initiatives under the second objective have been, to some extent, opportunistic.

Australia and the donor landscape

Australia was one of the largest contributors to humanitarian assistance in 2010 (estimated as the third or fourth largest traditional grant donor to Sri Lanka that year). Other leading donors include the European Union, Japan and United States. A number of others, such as Canada and the United Kingdom, have essentially ended their development assistance programs due to principled disengagement over the way in which the civil conflict ended and/or because Sri Lanka is now a middle-income country.

Australia's share of official development assistance (ODA) to Sri Lanka is 6.17 per cent. Total ODA as a proportion of GDP is 1.7 per cent. These figures illustrate the relatively small amounts of funding Australia provides in the context of Sri Lanka's overall economy, and support the rationale to leverage Australian aid to catalyse pro-poor policy reforms.

Australia's key partnerships in Sri Lanka

In Sri Lanka, Australia works with trusted partners, such as the World Bank, that have established in-country presence and focus on our strategic and geographic priority areas. In 2010–11, 58 per cent of Australian aid to Sri Lanka was directed through multilateral organisations and 27 per cent through NGOs.

Australia engages pragmatically with the Sri Lankan Government. We will make greater use of multilateral organisations in support of the government's development plans. Australian support (current or planned) for Sri Lankan Government programs

[5] Lagging regions are parts of the country that are significantly behind in social and economic indicators compared to the rest of the country.

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on economic infrastructure, water supply and education are executed by government and funded by World Bank loans together with Australian grants. This allows for the use of government systems and alignment with government priorities. We aim to increase policy dialogue with the Sri Lankan Government through strategic partnerships, in line with the Australian Government's aid policy, An Effective Aid Program for Australia. Pooling our grant funds with concessional loans from the development banks should create opportunities for deeper policy dialogue with the government at national and sub-national levels. However, given the post-conflict context, we will maintain flexibility so we can adjust our approach if needed, noting the importance of strengthening civil society in post-conflict states.

Expenditure

Table 1: Estimated expenditure in 2011–12

Objective	A$ million	% of bilateral program
Objective 1	36	83
Objective 2	7.5	17
Total	**43.5**	**100**

Australia's humanitarian programs are gradually being phased out in Sri Lanka but the program will continue to respond to emerging priorities and acute humanitarian needs as required. We will continue to monitor the development environment—including government priorities and capacity, donor activities and development needs—and adjust our program objectives and strategies as necessary.

Progress against objectives

Table 2: Ratings of the program's progress towards objectives

Objective	Current rating	Relative to previous rating
Objective 1: Improve social and economic indicators in lagging regions	■	Not applicable
Objective 2: Policies and programs implemented at national and sub-national levels that are aimed at inclusive growth and improved service delivery	■	Not applicable

Note:
■ The objective will be fully achieved within the timeframe of the strategy.
■ The objective will be partly achieved within the timeframe of the strategy.
■ The objective is unlikely to be achieved within the timeframe of the strategy.

Although this APPR is for calendar year 2011, the results reported on in Table 2 and below are against the two objectives in the new CSA approved by the DESC in April 2012. The results outlined below stem mostly from programs that had started before the CSA was finalised. There is no direct evidence yet available to claim overall success against objectives, however the results outlined give us confidence that over the next four years (CSA duration) the Sri Lanka program will achieve the objectives set.

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A working draft of the performance assessment framework (PAF) was recently completed and important additional baseline data will become available over the coming months when Sri Lanka's census data is released. This will be the first census covering the north and east of Sri Lanka since 1981. Future APPRs will assess progress against key PAF indicators. These indicators form the basis upon which progress against the two objectives will be assessed and reported on.

Objective 1: Improved social and economic indicators in lagging regions

At the individual initiative level the Sri Lanka program is on track to achieve the CSA objectives. The results outlined in the Comprehensive Aid Program Framework (CAPF)[6] provide evidence of this.

Key achievements of Australia's assistance to Sri Lanka over the reporting period include:

- **27 000** schoolchildren benefitted from the Accelerated Learning Program in the northern and eastern provinces. This program supports conflict-affected, slow-performing children to improve knowledge and skills under the same education system and in the same school as their peers.
- **2352** children were reintegrated into schools. The survival rate of all Child Friendly Schools has improved on average 2.5 per cent across all locations. *Baseline: current survival rate in these areas is 93 per cent (Ministry of Education).*
- Nearly **44 000** people were helped through livelihood activities, skills development (public servants), water sanitation and hygiene (WASH) facilities and other community-rebuilding activities. *Baseline: average poverty head count index of 12.5 per cent in lagging regions (Household Income and Expenditure Survey, 2009–10).*
- **262** community based organisations were strengthened in the north and east, enabling communities to mobilise for livelihood opportunities, government service provision and recognition within the community and local government.
- **150 schools** were provided with **WASH facilities,** improving school attendance of girls and female teachers. *Baseline: Nearly 2500 schools are estimated to need WASH facilities (Ministry of Education).*
- Around **5850 houses** have been built with Australian funds since 2010. *Baseline: based on available data, approximately a further 82 000 houses need to be built or repaired in the Northern Province (Permanent housing and shelter cluster, 2011).*
- **Two schools** were built under a project to repair and reconstruct 23 schools in Northern Province over the last three years. About **2000 children** are educated in these schools. Work also began on another large secondary school and 20 more schools are being identified for repair or reconstruction. *Baseline: 140*

[6] http://www.ausaid.gov.au/makediff/Pages/capf.aspx

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schools need to be repaired in the Northern Province (Education cluster, 2011).

- Approximately **74km^2** of land was cleared of mines and unexploded ordnances. *Baseline: another 133.09km^2 of known contamination needs to be demined in northern and eastern provinces (National Mine Action Centre, 2012).*
- While these results—primarily achieved in lagging regions—are encouraging, they do not demonstrate improved conditions overall. The baselines established for the coming four years will be monitored to determine this.

A number of activities underway in the last 12 months and decisions made in this timeframe will contribute to *improving social and economic indicators in lagging regions* in coming years. These include:

- a pilot WASH program with the World Bank, which can be scaled up if successful and if budget resources allow
- approval for a $38 million economic infrastructure program to reconstruct and develop essential public infrastructure in conflict-affected northern and eastern provinces
- changes in participation, behaviour and equality of marginalised groups, especially women, under the Australian Community Rehabilitation Program Phase 3 (ACRP3).
- approval for a $37-million national education program to improve access to and the quality of education
- allocation of a proportion of demining expenditure to building the Sri Lankan Government's national capacity to manage mine action, recognising that Australia will not likely allocate a lot of additional funds for demining in future years.

A number of lessons from the reporting year are influencing future development policy and activities, including:

- the importance of community participation, flexibility and ongoing maintenance in WASH programs
- the owner-driven housing model—accepted by the government as best practice and adopted by other large donor-funded housing programs in Northern Province—is allowing beneficiaries to choose the most suitable design for their own house , while benefiting the local economy and providing skills training (for example, masonry) to improve employment prospects
- the need for community-based interventions to have realistic timeframes, because of the substantial amounts of time required to mobilise relevant stakeholders so sustainable assistance can be provided.

Factors affecting progress

The Sri Lanka program recently developed a theory of change which analysed how the aid program can achieve the CSA's two objectives. The theory's major underlying assumptions are that:

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- the Australian aid program in Sri Lanka is sufficiently large and technically credible to make a demonstrable contribution
- implementing partners are capable
- government systems can be used
- the government will continue to be willing to devote resources to the needs of lagging regions.

Recent results suggest that while these assumptions are well founded they need to be continually monitored alongside the outcomes from Australian-financed activities. The recovery rate of the communities we work with and their resilience will continue to play a critical role in the results we achieve.

Some factors have slowed progress towards objectives, including remaining pockets of acute humanitarian needs (which affect the progress towards the achievement of long-term development indicators); lack of baseline data (due to a lack of data or lack of partners' capacity to collect and process relevant data); and the need to deal with multiple layers of authorities at local level.

Objective 2: Policies and programs implemented at national and sub-national levels that aim for inclusive growth and improved service delivery

This objective takes multiple factors into account. Sri Lanka is a lower middle-income country on track to achieve most Millennium Development Goals. Australia is not the largest donor to Sri Lanka: multilateral banks and donors such as India and China lend the country significant amounts of money. Therefore, providing large volumes of development money is not our comparative advantage. Australia's advantage is our ability to play a catalytic and transformational role in Sri Lanka.

The results outlined here are from programs underway before the CSA was finalised. As such, these programs do not specifically include Objective 2. Nonetheless a number of achievements over the past 12 months have contributed to this objective, including:

- Inclusion of key policy reforms in the Sri Lankan national education sector plan for the next five years (and a World Bank program to support it). These policy reforms include increasing attention to social cohesion, primary education and inequalities across Sri Lanka, and mainstreaming the Child Friendly School approach.
- The United Nations Children's Fund (UNICEF) education program changed attitudes of principals, education administrators, teachers, students and communities. The Child Friendly School approach was accepted by the Ministry of Education and World Bank and has been mainstreamed into the national education system. Australia's education program also influenced the Ministry of Education and National Institute of Education to revise its school curriculum to promote social cohesion and inclusiveness.
- AusAID has positively influenced policies related to housing reconstruction programs in the conflict-affected Northern Province through its partnership with United Nations Habitat on permanent housing. The owner-driven model for housing reconstruction has been acknowledged as best practice by

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government authorities and adopted as the preferred model for permanent housing projects established by other major donors such as the European Commission and Government of India.

- AusAID's initial housing project in 2010 also highlighted that the size of the Sri Lankan Government's standard housing grant (US$3250) was insufficient. Through influence with government authorities the grant size was revised to US$5000, a level now used by other major housing projects.
- Ensuring policy frameworks are in place to continue demining activities in the long term is critical to sustain results. AusAID funded the United Nations Development Programme (UNDP) to support the government to create (through an act of Parliament) the National Mine Action Centre, vesting it with the authority under the Ministry of Economic Development to act as the civilian body coordinating demining efforts. A national demining strategy was approved by the Sri Lankan Government and operationalised in 2011. National mine action standards developed simultaneously are being implemented.
- Local government bodies have started implementing previously ignored government policies as a result of ACRP3. For instance, 50 per cent of all local authorities in the north and east now successfully operate the public redress system required under the 2007 Local Government Policy Declaration Circulars.

A number of activities that got underway in the last 12 months will contribute to this objective in coming years, including:

- **Education**: AusAID has partnered with the World Bank and Sri Lankan Government to improve education nationally. This is the first time in Sri Lanka that donors are coordinating through a sector-wide approach.
- **Community forestry management**: AusAID has funded an approach to embed community forestry management in the Sri Lankan Government's new forestry strategy and a four-year project is starting.
- **Disaster risk reduction:** AusAID is strengthening the capacity of key partners to plan for and manage natural disasters and crises. In doing so we are helping build national capacity for coordinating disaster management; supporting the introduction of disaster resilient building principles into building guidelines in selected high-risk cities; and helping ensure disaster mitigation is a key part of city planning.
- **Infrastructure**: Australia is partnering with the World Bank on an infrastructure program to open up opportunities for Australia to engage in policy discussion with the government, the World Bank and other relevant donors, and NGOs, including *Deutsche Gesellschaft für Internationale Zusammenarbeit* (German Society for International Cooperation) and The Asia Foundation. The program empowers local governments by providing them with the skills, knowledge and capacity needed to have a direct impact on development at sub-national level.

A number of lessons from the past 12 months are being taken forward into future dialogue and activities, including:

- **Education:** incorporation of themes, such as social cohesion and inclusiveness, into the curriculum
- **Community forestry**: the importance of community participation in and collaboration with local officials for effective forest management
- **Disaster management**: the need to improve capacity at district level and strengthen communication between central and local-level authorities to ensure an effective response in the event of a natural disaster.

Factors affecting progress

A number of factors have led to strong progress under this objective including the technical capacity in the government departments and ministries we work with (education, forestry and development) and their willingness to work with and accept Australia's technical and financial support. Strong relationships with key stakeholders and implementing partners have also created a positive environment for policy and program dialogue.

While these policy results indicate the Sri Lanka program is on the right path, it is too early to conclude that Australian investments will succeed over the long term. AusAID's Colombo and Canberra offices will identify opportunities in the next 12 months that will contribute to meeting this objective over the four year period. To help address the challenges to achieving this policy objective, the Sri Lanka program will improve its analysis and technical capacity. In doing so, the program could learn from other parts of AusAID and the experience of other donors. Coupled with a sound assessment of Sri Lanka's political economy this will enable AusAID to identify appropriate entry points to support achieving this objective.

Other Australian government department expenditure

In 2011–12, $7.2 million in development assistance (13.2 per cent of total ODA) was provided to Sri Lanka by Australian Government departments other than AusAID. This includes assistance through the Direct Aid Program administered by the Department of Foreign Affairs and Trade, as well as through the Department for Education, Employment and Workplace Relations, Department of Innovation, Industry, Science, Research and Tertiary Education, the Australian Federal Police, Customs, the Attorney-General's Department, and Department for Immigration and Citizenship.

The Department of Foreign Affairs and Trade provided $230 000 under its Direct Aid Program to 20 grassroots projects across Sri Lanka in 2011–12, on developing sanitation facilities, providing water facilities for schools, developing economic empowerment of youth and women, as well developing livelihood opportunities. Australian Federal Police funding of $1 008 000 supported capacity development in the Sri Lanka Police Service, including in financial investigations and intelligence analysis. Funds were also used to construct an information technology training school and computer-based training centre, and establish a database for Sri Lanka's Criminal Investigation Department. Customs spent approximately $60 000 on training and operational equipment to help the Sri Lanka Coast Guard and Sri Lanka Customs

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strengthen border control. The Attorney-General's Department provided capacity-building assistance to Sri Lankan counterparts. The Department of Immigration and Citizenship provided $3.8 million to multilateral and NGO partners to help internally displaced persons rebuild their livelihoods and improve health services. The Department of Industry, Innovation, Science, Research and Tertiary Education provided $1.67 million to support Endeavour scholarships for Sri Lankan students.

The performance and qualities of these activities were not monitored by AusAID, but the 2012 APPR will report in greater detail on the results of ODA expenditure by other Australian Government departments.

Regional and global initiatives in Sri Lanka

AusAID's South Asia Regional program promotes regional cooperation to enhance inclusive growth and development. It includes initiatives supporting health (focus on nutrition and family planning), infrastructure and economic development, as well as governance and policy decentralisation. Regional activities in Sri Lanka were estimated at $4.5 million in 2011–12, out of AusAID's total regional program expenditure of $40.8 million.

Regional expenditure also strengthened private sector linkages between Australia and Sri Lanka. In 2011, for example, AusAID's partnership with the ADB in South Asia ($14 million partnership over seven years to 2011–12) supported an economic development program for the rubber industry, identified as a potential sector for growth as an industry cluster in Sri Lanka. The Rubber Secretariat—a public – private partnership—was established to develop a master plan for the industry, focusing on employment opportunities for poor communities.

AusAID's partnership with the World Bank on Infrastructure for Growth in South Asia ($39.5 million over six years to 2012–13) supported infrastructure-enabling activities in Sri Lanka in 2011. World Bank-led analytical activities included a:

1. strategic assessment of the transport sector in Northern Province
2. sector study for water and sanitation.

AusAID's regional facility for policy decentralisation and local governance ($7.1 million over six years to 2011–12) supported the launch in Colombo of a regional Urban Knowledge Platform for South Asia, with an opening address by Sri Lanka's Secretary to the Ministry of Defence and Urban Development. The platform is bringing key policy makers together to advance solutions on urban development.

AusAID NGO Cooperation Program funding of $802 000 went to eight Australian NGOs to improve gender equality, food security, health and nutrition, and livelihoods.

Program quality

AusAID's quality at implementation (QAI) exercise is for Agency programs implemented for more six months that are valued at more than $3 million. QAI ratings are determined through ongoing monitoring, discussions with implementing partners and an in-country moderation process (AusAID's Director for South Asia Regional and the Asia Quality Advisor were involved in the moderation, conducted in

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February 2012). Trends in program quality are analysed by comparing QAI ratings between years, in this case between 2010 and 2011. The assessment in Table 2 is based on QAI ratings of eight initiatives, including six underway in 2010 and two that started in 2011.

Table 2: QAI ratings for eight initiatives in 2010 and 2011

Details	Year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
INI865/ACRP3	2010	6	4	4	5	4	5
	2011	6	5	5	5	5	4
INH574/UNICEF education program (Basic Education Schools Program)	2010	6	4	4	4	5	5
	2011	6	4	4	4	4	5
INJ037/School WASH—UNICEF	2010	Started in 2011					
	2011	6	4	4	4	5	5
INJ037/WASH—World Bank	2010	Started in 2011					
	2011	6	4	4	4	4	5
INJ411/INJ872/School reconstruction	2010	5	4	4	4	5	5
	2011	6	5	5	5	5	5
INJ111/Accelerated aid package (including housing)	2010	6	6	6	5	5	5
	2011	6	6	6	5	5	5
UNJ840/Mine action	2010	6	5	5	5	5	5
	2011	6	5	5	5	5	5
INA340/INJ292/ Scholarships	2010	4	4	2	4	4	4
	2011	4	4	3	4	4	5

Definitions of rating scale:

Satisfactory (4, 5 and 6)

- = 6 = Very high quality
- = 5 = Good quality
- = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

- = 3 = Less than adequate quality; needs significant work
- = 2 = Poor quality; needs major work to improve
- = 1 = Very poor quality; needs major overhaul

Relevance: Designing programs relevant to country and area context is a strength of Australia's aid program in Sri Lanka. Seven programs rated very high quality. The eighth, the Australian Development Scholarship (ADS), rated adequate. All programs align to the CSA's two objectives and broader Australian Government aid priorities. These high ratings were determined after rigorous analysis at design stage, plus a flexible approach to calibrate program implementation with evolving realities on the ground.

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ADS relevance could be improved by positioning the program so it is more creative in supporting country-level objectives and broader Australian goals, as well as in selecting scholarship recipients whose studies are more closely aligned with Sri Lanka's most pressing human resource needs. This could involve improvements in selecting institutions, twinning institutions, creatively using short-term courses, and involving alumni more. ADS could also promote more inclusive development, such as by awarding scholarships to a better balance of recipients from regional areas.

Effectiveness: Effectiveness was assessed based on demonstrated evidence against initiative objectives. QAI effectiveness scores improved for two out of eight initiatives and remained the same for four out of eight initiatives. Scores ranged from adequate to very high quality. The two initiatives that improved their effectiveness ratings were ACRP3 and schools reconstruction, both of which started in 2009. This suggests the importance of lead-time for some programs to deliver results. Initiatives that did not improve their effectiveness rating noted contributing factors including: the difficult operating environment in the north of the country, layers of approval partners need to secure and the bureaucracy in large implementing partner agencies. The two initiatives that started in 2011 were scored as adequate.

Efficiency: Across the program, efforts were made to improve the efficiency of operations in the field by working through existing systems and with well-established partners with strong community links. All six ongoing initiatives improved their efficiency ratings or kept them at the same rating as in the 2010 APPR. Efficiency within ACRP3 improved because of improved collaboration and networking (facilitated by AusAID) which resulted in information and resources being shared among the eight individual partners. United Nations Habitat continued to be cost effective in the housing sector, which is encouraging other donors to follow a similar approach with permanent housing activities. ADS improved from poor quality (rating 2) to less than adequate (rating 3). Substantial measures were undertaken in late 2011 to improve ADS program performance. AusAID management in South Asia was restructured, for example, for greater senior management oversight and increased delegation of management responsibility to the managing contractor.

Monitoring and evaluation: All programs were rated as adequate or good quality. Colombo Post closely monitors programs including through regular field visits, meetings with implementing agencies by program managers and independent advisers, and close evaluation of progress reports. Areas monitored and evaluated include: beneficiary selection, gender parity, sustainability, duplication, cost-benefit ratio, and crosscutting themes of environment, disability, internationally agreed do-no-harm principles and peace building. Where relevant, these observations are shared with other program managers to improve lateral learning. An area for improvement is identifying, collecting and synthesising baseline data.

Gender equality: Gender is a key crosscutting issue for the Australian aid program and Sri Lanka demonstrated good or strong quality ratings. The program will continue to improve its capacity to produce gender-disaggregated data over the next 12 months. Initiatives approach gender in various ways, including beneficiary targeting and working with and strengthening women's groups (including women in mainstream economic activity). An area for improvement is assessing the impact of gender work by moving beyond participation rates to analysing whether vulnerable women are being protected from harm (especially in the north).

Sustainability: Emphasis on sustainability starting from the design stage of each initiative is delivering strong results. More than half of all initiatives were rated as good quality in terms of sustainability. The others were rated as adequate quality. The Basic Education Schools Program is the only initiative that regressed (it went from good to adequate). Some ACRP3 activities, such as the English language for public servant have already been taken over by the Sri Lankan Government or integrated well within its structure, allowing the implementing partner to gradually withdraw. In other instances, the capacity of some community based organisations is sufficiently strong and linked to the local government that the progress achieved under ACRP3 will continue beyond AusAID's engagement. Under ADS the tracer studies to provide data on the achievements of the AusAID alumni have not yet been commissioned. These studies are expected to be completed in 2012 and will provide additional insights for reporting in future APPRs.

During the reporting year two programs underwent quality at entry (QAE) analyses. QAEs are based on the design documentation prepared by AusAID to inform an appraisal peer review. The results are shown in Table 2.

Table 2: QAE ratings in 2011

Details	Year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
INK283/World Bank infrastructure (Local Economic Infrastructure Program in the North East)	6	4	5	5	4	4	4
INK170/World Bank education (Transforming School Education Program)	5	5	5	5	5	5	5

Definitions of rating scale:

Satisfactory (4, 5 and 6)

- = 6 = Very high quality
- = 5 = Good quality
- = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

- = 3 = Less than adequate quality; needs significant work
- = 2 = Poor quality; needs major work to improve
- = 1 = Very poor quality; needs major overhaul

Both programs were rated from adequate to high quality enabling them to move into implementation phase. Post will monitor these programs (both funded through the World Bank) to ensure high standards are maintained under each category.

Health check

In February 2012 an internal health check was carried out by AusAID's Program Effectiveness and Performance Division. This check focused on understanding operational trends in the Sri Lanka program. It drew on internal financial, human resources and program quality data and was used to facilitate a practical and constructive discussion between the Head of Post and senior management within the Program Effectiveness and Performance Division on operational trends and issues.

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Discussions held during the health check covered issues such as opportunities to rationalise and scale up the pipeline by investing in fewer, larger initiatives; improving the rigour of the performance management system; and developing the program pipeline for the coming four years. Outcomes are reflected in this APPR and are being used by the program to improve planning, management and quality.

AusAID's Audit Section carried out a program administration audit at the Colombo Post in August 2011. Audit results were highly positive overall with only some very minor issues. The audit report and the AusAID's management response will be posted on the Agency's website.

An Australian Parliamentary delegation, led by Senator Helen Kroger, visited Sri Lanka in December 2011. The delegation visited the north and east to view aid activities funded by Australia and was universally impressed by what Australia is supporting, particularly with permanent housing and school reconstruction. Senator Kroger spoke favourably about the experience at Senate Estimates in February 2012.

Performance management

In 2011 the Sri Lanka program improved its capacity to generate and use performance information. The new PAF aligns with the new CSA and Australian aid's three-tier results framework. Data collected under the PAF is used to report on progress against priority outcomes. It includes quantitative and qualitative indicators, some of which will be tracked annually and others at the start and end of the CSA period.

A management recommendation of the 2010 APPR was to improve staff capacity to monitor and evaluate aid investments. A number of positive developments on this front occurred in 2011, including:

- A Canberra-based Quality and Performance Manager assisted the program to prepare QAI reports, the PAF and this APPR.
- Two overseas-based staff members conducted significant work on the PAF and this APPR.
- A M&E specialist consulted was contracted to help develop the theory of change and the PAF.
- A Director from the South Asia Branch joined the Asia Quality Advisor in undertaking the 2011 QAI moderation. With a fresh set of eyes, the Director constructively analysed Sri Lanka initiatives and explored decisions and outcomes delivered with program staff.
- Two overseas-based staff at Post undertook significant amounts of research and analysis for PAF and APPR completion and, in doing so, expanded their skills and knowledge (the first time such an opportunity was available). These staff were supported by the Counsellor, the Quality and Performance Manager and an evaluation consultant.

The potential of the program's performance management plan (PMP) to guide priority setting and the management of peak work load periods was not realised,

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partly because AidWorks[7] did not have an accurate record of relevant data. Training on AidWorks was provided in-country in February 2012 to start addressing this issue. The conclusion of many humanitarian activities in 2012, and the consolidation of other programming, will help the program exploit PMP benefits for program planning.

Similarly, the potential of QAIs to provide robust management recommendations has not been fully exploited in recent years. An improved moderation process and the creation of the Counsellor (Sri Lanka and Maldives) position in August 2011 led to improved outcome for QAIs during the reporting year.

Management recommendations from the 2010 APPR were followed up in 2011 although there could have been more systematic tracking of implementation by AusAID at Post and in Canberra. A number of recommendations were implemented, including engaging an overseas-based office manager for Colombo and developing a program pipeline to cover the transition from a humanitarian program to a longer-term development program. More detail on other recommendations is provide in this section.

The only program to record a 2010 QAI score lower than four was the ADS program. The program responded to resolve the matter of this unsatisfactory rating. The Counsellor and Assistant Director General became closely involved in working with program staff to identify challenges and develop solutions. In late 2011 a new management model was adopted, with the overseas-based scholarships manager reporting directly to the Counsellor, and contract management for ADS moving from Dhaka to Canberra. The change in management structure has led to some improvements. A strengthened response will be undertaken at the end of 2012 and reported on in the following APPR.

Pipeline

The pipeline is well developed for the next two financial years, in line with anticipated resources. The Sri Lanka program undertook significant work in 2011 to achieve this. The pipeline was developed in line with the Australian Government's strategic direction to improve effectiveness and efficiency in part by reducing activity proliferation.

A major initiative in infrastructure and another in education, with a combined total of more than $75 million, were developed during 2011. The shift from a humanitarian program to a long-term development program—as foreshadowed in the 2010 APPR—is almost complete. With most humanitarian activities finishing in 2011 and 2012, the pipeline is increasingly aligning with the new CSA's sectoral priorities.

The program is well positioned for any increase in financial resources for Sri Lanka.

Integration of gender equality, disability and environment

- AusAID's country programs are, by their very nature, multifaceted. They integrate key crosscutting themes of gender equality, disability and environment. Progress against these themes is reported on below.

[7] AidWorks is the principal management tool used by AusAID for the implementation of its development assistance program. The tool integrates financial, procurement, agreement, quality and performance management with program management and delivery

Gender equality is a strong focus across the program, particularly in light of the many female-headed households (nearly 90 000 war widows) in war-affected northern and eastern provinces. The extent of gender equality varies significantly in Sri Lanka. Women's participation in politics is poor compared to neighbours in South Asia. Women's groups and community based organisations are dynamic. Gender-based violence and exploitation of women is a concern.

Key achievements under gender equality include:

- Under **ACRP 3**, Australia has provided assistance to 15 470 women through its rural and community development program. This includes 2138 female-headed households who were helped with training (including on violence awareness), getting loans and securing productive assets to help them establish livelihoods. Thirty-six women, mostly from female-headed households, are now able to earn at least US$5 a day from their own homes, which allows them to care for their children and engage in other livelihood activity. Efforts are underway to replicate this in another location. In two other localities, 89 women have been provided with cows that yield a large quantity of milk. The women oversee the production of high quantities of milk, which is having a positive impact on household nutrition and income. This Australian assistance is expected to have a multi-layered impact on the local economy, food security and household and community stability.
- The new **North East Local Economic Infrastructure Project** will monitor whether at least 50 per cent of the project benefits accrue to women. The program is supporting vulnerable women groups, including elderly women without resources, women affected by armed conflict (including war widows) and other female heads of households. It includes a youth strategy and provides for specialised studies on implementation and performance.
- Gender-sensitive practices continued to be incorporated into **housing** reconstruction programs supported by AusAID. This project targets vulnerable groups in the north with limited or no permanent housing options. A large proportion of beneficiaries (39 per cent) are female-headed households. Cash grants are provided to this group to decide what repairs they need for their houses. Women also play an active role in village rehabilitation committees set up to assist in beneficiary selection, direct construction in the village, identification of vulnerable families and other development issues to address. Women are encouraged to take up key positions in these committees. To date, most committees have more than 50 per cent female participants.
- Women continued to play an important role in Australia's **demining** activities. Their access to demining employment has been an important element of our support in this sector. All demining agencies AusAID supports have trained and deployed women as deminers, in roles traditionally dominated by men. AusAID-funded programs employ women as around 25 per cent of their demining staff as deminers. A sizeable proportion of office and administrative staff in these agencies are also women. Female-headed *households* in the north also disproportionately benefit from demining activities, because a large number of families in the north are now headed by women. Women also play a key role in identifying demining needs in their

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communities. Their active *participation* in community-level meetings to identify development priorities and formulate village development plans is encouraged by demining agencies like Mine Action Group who help link these communities to suitable development partners to fulfil their needs.

- Women and girls are also benefiting from the **WASH** program being implemented in schools in rural and lagging areas. Nearly 45 000 female students and more than 2000 female teachers enjoy the benefits of newly developed WASH facilities, which is helping to improve the retention rate of female students in the most remote areas of Sri Lanka.

While Australian aid to Sri Lanka seeks to address gender issues across its programs, we are considering seeking additional resources to address gender equality more explicitly and strategically. Gender issues to explore include empowerment, leadership, decision making and a range of practical needs. With gender development agencies have grappled with two main gender issues across Sri Lanka: significantly low representation in political decision making and gender-based violence. In the North and East, a number of crucial issues are emerging that require urgent attention. These include militarisation, limited economic opportunity for women, the need for psychosocial support, limited opportunities for social mobilisation, women's involvement in decision making at local level, and land rights for women.

Disability is a crosscutting theme in community-based interventions, education programs and infrastructure-based programs. The school reconstruction program ensures access to school buildings by disabled people. Education and WASH programs ensure physical access to infrastructure as well as inclusion and participation on policy discussions. The successful integration of disability into these programs is attributed to the strong emphasis on this need at design stage. The Sri Lanka program will continue to pay close attention to disability at design and during implementation.

Environment received special attention in Sri Lanka throughout the reporting year, with WASH programs adhering to the stringent environmental regulations of AusAID and Sri Lanka. For example, the forestry program, in its second phase, continued to protect the environment with alternative livelihood activities. This helps build the capacity of the Forestry Department. Environmental concerns and disaster risk reduction continued as key crosscutting issues addressed in permanent housing programs supported by AusAID. Awareness meetings on environmental impact have been conducted. Disaster-resistant house designs have been used in areas affected regularly by high winds, floods and other natural hazards.

Contribution to aid effectiveness

Local ownership is an important component of the Sri Lanka program given its shift to longer-term development. Both governments focus on this issue, having learned from the experience of the 2004 tsunami where coordination among development actors was weak. The Sri Lanka program places significant emphasis on using **existing government and community structures and systems** to promote local ownership and support sustainability of interventions beyond the program period. The success of this approach is evident as the Sri Lankan Government promotes AusAID's model of support in certain activities among other donors and implementing partners.

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Australia has made a significant contribution to aid effectiveness in Sri Lanka by joining with the World Bank and supporting the country's first sector-wide approach in education. AusAID's also contributed through its membership in the Development Partner Committee.

The European Community, AusAID and Swiss Development Cooperation housing reconstruction program in Northern Province is a good example of **donor harmonisation** and **aid coordination** in an environment where this has not been easy. The success of AusAID's initial housing reconstruction project with United Nations Habitat (phase 1) prompted the European Commission to take the lead in designing this joint reconstruction program, which started early 2011. AusAID's participation has ensured that lessons learned and best practices from phase 1 have been incorporated. In addition to funding, the Swiss Development Cooperation brought technical expertise in housing construction which, together with United Nations Habitat expertise, has contributed greatly to smooth project implementation. Collaboration between these three donors has optimised limited resources and avoided duplication. The project has been so successful that India has consulted with traditional donors (including Australia) about their approaches to housing construction in the North. This may present an opportunity for more discussion on aid effectiveness and practical collaboration.

Multilateral performance assessment

Multilateral organisations have been AusAID's preferred partners, especially for implementing humanitarian programs, because of their strong understanding of operating context, ability to adapt to government regulations and effectiveness. The section assesses the performance of multilateral partners who have been significant AusAID partners in Sri Lanka in sectors of high priority. The partners covered are: Food and Agriculture Organization (FAO), UNICEF, International Labour Organization (ILO), International Office of Migration (IOM), UNDP, United Nations Habitat, World Bank and ADB.

Food and Agriculture Organization

The FAO's multi-donor agricultural Northern Recovery Program is the largest of its kind in post-war Sri Lanka and is strongly endorsed by the Government's Task Force for the Reconstruction of the Northern Provinces and the Ministry of Agriculture. The program has provided effective assistance to restore productivity in agriculture in the Northern Province. It assisted with re-cultivating nearly 30 per cent of abandoned paddy land in the 2010–11 planting season alone. Since 2009, under the Northern Recovery Program AusAID provided over $6 million to FAO which allowed over 54,000 farmer families to recover their main source of livelihood. FAO's approach prioritises female-headed households for assistance. By training and providing essential inputs (quality seeds, agricultural tools, healthy livestock, veterinary supplies and safe fisheries equipment) the FAO has helped thousands of families to become self-reliant, improve their nutritional intake and boost their local economies.

Recent changes to the FAO's global operations have devolved power to its country office in Sri Lanka enabling greater flexibility to develop the country program to fit the local situation.

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United Nations Children's Fund

UNICEF has been a long-standing humanitarian and development partner of AusAID's in Sri Lanka with a strong leadership role in several sectors. It co-leads on education with Save the Children and leads in the nutrition and child protection sectors. UNICEF also plays a key role in mine risk education, an important sub-sector in mine action. In Sri Lanka, UNICEF has partnered with AusAID to repair and reconstruct 23 schools and also to promote the child friendly school approach through its Basic Education Support Programme. Overall, UNICEF delivers results. Despite some criticism from donors on being too responsive to government requests, UNICEF influences policy discussion on key issues, especially in education (child friendly schools approach), child protection (rehabilitating child soldiers) and nutrition (re-examining the traditional policy of providing food rations to vulnerable people in the plantation sector). UNICEF follows a child friendly, gender-sensitive approach emphasising broader community participation at every level.

Recent changes to UNICEF's operations include: strengthening its rapid response mechanism so it can call on a wider range of expertise from across its country teams for emergency or specialist work; devolving authority to its regional office in Sri Lanka so requests from the country office are generally met more quickly; and ongoing shifting towards more result -based management techniques, so program managers can better link project work to global strategic goals and objectives.

International Labour Organization

The ILO draws up and oversees international labour standards and assists member states to ratify and implement them. These standards include the fundamental principles and rights at work, namely, freedom from forced and child labour and discrimination, freedom of association, and the right to collective bargaining. In Sri Lanka, the ILO engages with AusAID mainly through the Local Empowerment through Economic Development project, which provides needs-based vocational and small enterprise development training and supports the creation of group enterprises.

ILO programs work directly with the most vulnerable and high risk groups (female and child-headed households, people with disability and conflicted-affected youth and young adults), directly contributing to rebuilding livelihoods in communities affected by conflict. It has a strong gender unit at headquarters level with a team of dedicated gender specialists and a strong network of gender focal points. At the country-level, the ILO works actively with the Sri Lankan Gender Bureau and the Government's Labour Ministry on the Gender and the world of Work program.

United Nations Habitat

- United Nations Habitat acts as the co-cluster lead for shelter in Sri Lanka, working with United Nations High Commissioner for Refugees on issues relating to reconstructing and repairing permanent housing in conflict-affected northern Sri Lanka. It also develops solutions to land-tenure issues and promotes disaster-resilient building practices. In 2011, United Nations Habitat completed an eighteen month $10 million project in the Northern Province of Sri Lanka which repaired or reconstructed 3,785 houses. United Nations Habitat's approach to housing reconstruction is innovative and involves the local community identifying the neediest people and deciding which houses are to be rebuilt first. This owner-driven model has influenced overall sector

policy, having been acknowledged as best practice by Sri Lanka's Presidential Task Force for Northern Reconstruction. It is being adopted by other large donor-funded housing reconstruction projects and replicated by other donors in the sectors (European Commission and the Government of India).

Recent significant reforms improving performance effectiveness include providing greater delegated authority and autonomy to the Sri Lanka country office, which allows it to cover up to 90 per cent of business. Organisational restructuring also allows fewer international staff to operate with a larger pool of local technical staff creating a more cost-effective operational model. United Nations Habitat also has access to a network of specialists and experts in Sri Lanka through academic institutions, enabling it to secure expertise quickly and at reasonable cost.

International Office of Migration

The IOM has been a long-standing AusAID partner in Sri Lanka in providing humanitarian assistance to populations displaced by the conflict. It provides relocation and transitional shelter assistance for displaced people and increases access to state-provided services and livelihood opportunities.

The IOM has excellent working relationships with the Sri Lankan Government. Where possible, it works through national project-management arrangements and regularly consults with government on national and international migration policy and management issues. The IOM has also assisted the government in its policy development work, providing technical advice on migration and health issues. This has enabled Sri Lanka to broaden its understanding of migration and health assessment processes.

IOM management responded positively to requests from donors, including AusAID, to reform its cost and organisational structures to improve its financial and operational position.

United Nations Development Programme

UNDP is an AusAID implementing partner in programs across the country including in mine action coordination, disaster risk reduction, community forestry, and livelihoods regeneration. The program continues to perform effectively and efficiently and prove it is an ideal partner to work with on building national capacity in its relevant sectors. In disaster risk reduction, mine action and community forestry, UNDP works directly with national ministries providing technical support and expertise. It also works with local government bodies to regenerate economic opportunities in conflict-affected areas.

UNDP also plays a leadership role in addressing crosscutting issues in its own policies and programs. Both gender and environment are highlighted in all activities. UNDP also plays key role in promoting their integration across the UN development system.

World Bank

The World Bank is a large and growing partner for the Australian aid program in Sri Lanka, with total funding of more than $23 million to be channelled through it in 2012–13 by AusAID.

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World Bank activities relate to all five of the Australian Government's development objectives. In Sri Lanka they are also aligned with the country's long-term development strategy and country program objectives.

Between 2009 and 2011, AusAID provided $12 million to the World Bank to provide emergency cash transfers through the Cash for Work program in Northern Province which benefitted more than 44 000 people. The program was appropriate, relevant and had a strong and positive impact on conflict-affected communities. Over the next few years AusAID will partner with the World Bank to deliver two large programs in local economic infrastructure and education.

Despite some past concerns with the World Bank's performance, including delays in programs due to lengthy procurement procedures, an over-reliance on technical assistance and insufficient engagement with partners, the preparation of a new country assistance strategy in 2012 gives the World Bank an opportunity to address performance concerns and improve delivery of results.

The Bank maintains a positive relationship with the Government of Sri Lanka at central and sub-national levels and works effectively through government systems while building national capacity through its programs.

Asian Development Bank

Australia's engagement with the ADB in Sri Lanka has been generally positive. The ADB has delivered results through projects on the ground, including with Australian funding. An example was the North East Community Restoration and Development program to which Australia contributed A$8 million. This program, which ended in June 2010 disbursed cash grants of SLR 25 000 each to 30 381 returnee families in Northern Province benefitting an estimated 120 000 people. Beneficiary targeting and verification was completed with the Sri Lankan Government to ensure vulnerable families were prioritised. The ADB worked to quickly program funds with high levels of engagement with AusAID.

ADB's comparative strength is in infrastructure where it is delivering good development results through a large-scale partnership with the Government of Sri Lanka.

Addressing 2010 management consequences

Policy priorities: the priorities identified in the 2010 APPR—to align the Sri Lanka country strategy to the outcomes of the Aid Review and refine and narrow the priorities for the program and set realistic objectives—were satisfactorily completed. The new CSA was drafted in consultation with civil society and Australian Government colleagues and approved by the DESC in April 2012. The CSA's two new objectives were developed at Post in late 2011 in a theory of change workshop and subsequently informed the PAF.

Program management priorities: all priorities in the 2010 APPR were actioned. In *improving donor coordination,* Australia is now part of the six-member Development Partner Committee set up in 2011. While it is too early to evaluate the *restructure in the management of the ADS program* across South Asia, early signs are positive. While there is still room for improvement, the efficiency score for the 2011 QAI for ADS increased to three, due in part to improvements generated by management reforms. More progress is expected in 2012. In gearing towards agency-wide and any

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country program growth, *developing the activity pipeline* was essential. A significant amount of pipeline planning and program development took place in 2011. The Sri Lanka program continued to *monitor the humanitarian situation* in the north and east. With the decrease in widespread humanitarian needs, Australia decided to gradually phase out of the humanitarian program by the end of 2012, shifting focus to longer-term development.

Performance and quality priorities: the priorities identified in the 2010 APPR—the *need to develop a PAF* and *improving the quality of monitoring and evaluation*—were actioned. The PAF was developed in late 2011 and early 2012. Country program-wide indicators were identified to improve monitoring and evaluation (M&E). PAF indicators and Australia's Comprehensive Aid Program Framework headline indicators are being shared with partners to improve their reporting over the next 12 months and, in turn, program reporting. As a working document necessary adjustments will be made to the choice of PAF indicators and baseline data, especially as new and complete data become available from the north and the east after a 30-year hiatus.

Corporate priorities: the priorities of *understanding and managing political risk* and *more efficient use of corporate processes and system* have been actioned. The new Counsellor (Sri Lanka and Maldives) position is focusing greater senior management attention to strategic engagement with the Sri Lankan Government and other donors. Consolidation of the program, and the reduction in funds spent on humanitarian activities, is allowing for greater capacity to assess and manage political risk. Further to this, Post has commissioned The Asia Foundation to undertake a strategic political economy assessment to inform programming. With corporate processes and systems, the appointment of the full-time overseas-based office manager has made corporate processes and systems more efficient. Office management responsibilities were allocated to the staff member who is responsible for managing the scholarships program, resulting in an unmanageable workload.

Additional resources: additional resources to reflect the size and sensitivity of the program were allocated. In addition to recruiting the overseas-based office manager resources were re-allocated within the South Asia Branch to employ an office manager at Colombo Post who is delivering strong results in corporate effectiveness and efficiency.

Management consequences for 2011 APPR

Additional senior management resources for the Sri Lankan country office enabled a comprehensive review of strategic, program management and corporate priorities. There have been significant changes to improve program efficiency and effectiveness, but substantial additional efforts are still required, particularly in the next 12 months. The management consequences outlined below stem from this APPR's analysis. A formal work plan will be established to implement these strategic priorities, requiring senior management to track progress against deliverables.

These priorities align with the strategic direction of AusAID and the Australian Government's effective aid policy, including:

- strategic engagement with trusted, effective multilateral partners

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- rigorous performance management and learning from experiences
- developing capable and motivated staff
- engagement with civil society to build strong communities and address drivers of conflict.

Strategic priorities

Improve the robustness of our performance and quality systems and skills: AusAID's performance management systems have not been fully used within the Sri Lanka program. There will be a greater emphasis on preparing and completing high-quality QAIs through a constructive and rigorous process. There will also be a strong focus on the content of the 2012 APPR, the second of the new CSA. The recently drafted PAF will be finalised. The program will institute the PMP as a key management tool for planning and expenditure tracking. To improve the capacity and skills of program staff, M&E training will be provided in September 2012.

Collaborate with other Australian Government departments: AusAID will engage more deeply with whole-of-government partners providing ODA in Sri Lanka. The aid review requires greater level of reporting on results from ODA spent by government departments other than AusAID. We will report on the outcomes delivered by these partners in the 2012 APPR, with support and advice from AusAID colleagues outside of the Sri Lanka program so this priority is fully implemented. We will look for strategic opportunities to collaborate with other Australian Government departments on aid programming, and will collaborate with the Department of Foreign Affairs and Trade to identify opportunities for joint reporting, primarily through the cable communication system.

Identify and seize opportunities for policy discussion: The new CSA identifies the need for Australia to use its relatively small amount of development finance to catalyse pro-poor reforms in government policy and service delivery. We want our aid to be transformational not transactional. The program will therefore:

1. commission a political economy analysis to understand how we can deliver the strongest possible outcomes against this objective
2. hold a political economy workshop for all AusAID staff with The Asia Foundation to equip staff with the skills to work politically
3. identify and report on every initiative within the Sri Lanka program in the 2012 APPR, including on identified opportunities for policy dialogue and delivered or anticipated outcomes.

Complete and release the program strategy by the end of 2012: AusAID will build on the Sri Lanka CSA to develop a program strategy. We will share this with the Sri Lankan Government before public release.

Develop and implement engagement strategies for the funds to be invested through the World Bank in Sri Lanka. Australia has recently agreed to provide more than $75 million through the World Bank over the coming three to four years for investments in education and economic infrastructure. Australia also expects to provide funding support to World Bank investments in water and sanitation over this timeframe. To maximise efficiency and effectiveness, the Sri Lanka program will focus on a defined number of issues, such as social safeguards, gender and disability.

Succinct and strategically focused engagement strategies will be drafted for each of the three programs to guide staff in their program management responsibilities. We will also investigate the optimal governance arrangements needed to achieve the objectives in these engagement strategies. This may include, for instance, developing a formal partnership with the World Bank in Sri Lanka with quarterly or bi-annual steering committee meetings co-chaired by the Counsellor (AusAID) and Country Director (World Bank). Results would inform discussions between AusAID and the World Bank at branch, division and/or agency-wide level.

Program management priorities

Bed down 2011 ADS reforms: Reforms need continued senior management support through 2012. It is too early to evaluate the program's management restructure of late 2011 but early signs are positive despite the efficiency score of three in the 2011 QAI. Concerted effort is required from senior management at Post and in Canberra, contract managers in Canberra and overseas-based staff in Colombo for the program to achieve its short-term goal of no ratings below four in the 2012 QAI. A five-year scholarships strategy will be developed by the end of 2012 to articulate how government will engage and how ADS will align with CSA priorities.

Review progress under ACRP and recalibrate priorities: AusAID will undertake a mid-term review for the five-year, $45 million ACRP3, one of the largest investments in the Sri Lanka program. The third phase was designed and implemented shortly after the civil conflict ended in 2009. Many ACRP activities have a humanitarian focus, whereas the development challenges facing Sri Lanka in 2012 involve shifting to a longer-term focus. ACRP's mid-term review will be critically important in informing the optimal shape of the final two years of the ACRP. It will also provide valuable analysis that can be drawn on by the Sri Lanka program for additional programming and program management.

Analyse and understand how civil society in Sri Lanka can help achieve objectives. A number of recent Australian government policy documents highlight the importance of working with civil society, including Sri Lanka's CSA and within the recently released Civil Society Engagement Framework. The program will complete a series of analyses to inform management and programming decisions on how AusAID can best work with civil society to achieve objectives.

Corporate priorities

Build a competent and cohesive team at Colombo Post for the Sri Lanka program: There have been a number of personnel changes at Colombo Post, with all A-based staff starting since August 2011. Several overseas-based staff also recently started. A key focus for 2012 is to develop staff into a cohesive team. By mid-2012 staff will be equipped with the skills needed to design and manage programs in a post-conflict country, through peace, conflict and development training and M&E training. A review of overseas-based remuneration will take place in May 2012 and a workforce planning workshop held in July 2012. The Sri Lanka program will also seek to build 'one team' through greater collaboration between Canberra and Post, including sharing information and workload where it is efficient, effective and strategically useful to do so. For instance, Desk will lead the scoping and design of a vocational education and training program—a task that would otherwise have been undertaken at Post.

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Improve our communications efforts: To support the aid review's recommendation to communicate development outcomes to the Australian public and other stakeholders, we will improve our communications efforts. Staff responsibilities will be restructured to ensure this and the current role of the Office Manager will expand to include leading the identification and delivery of communication products.

Strengthen our approach to risk management: The transition from humanitarian to longer-term development and achieving policy reform are accompanied by certain risks. We will strengthen our approach to risk management and continue to regularly update AusAID's Fraud and Risk Management Framework. A senior A-based (First Secretary) will review risk and fraud management plan quarterly (or more frequently if necessary) and provide a report to the Counsellor on any changes required. Risk management will be included as a performance measure in all individual performance plans. Refresher training in risk management will be provided to all staff at Post during the scheduled visit to Post by AusAID's risk and fraud team (November 2012). Table 4 summarises the most significant emerging risks identified through the development by Post of a comprehensive Fraud and Risk Management Framework for Sri Lanka, as well as how these will be managed.

Table 4: Risks associated with Sri Lanka's program and management actions

Most significant emerging risks	Management action
Poor policy coherence within the Sri Lankan Government (between central and line agencies and sub-national governments) and centralised, top-down decision making, which could result in program delay and/or poor program implementation—particularly for the two World Bank activities AusAID supports that use government systems.	Political economy analysis to be undertaken by The Asia Foundation to better inform our political understanding (due before end 2012). Strong and regular engagement by the Counsellor with Sri Lankan Government counterparts and implementing partners (for example, the World Bank).
Australian interests and identity not adequately reflected in programs implemented by multilateral partners.	Visibility plans, including a new set of expectations and standards, are being developed with key multilateral partners (UN and World Bank).
Inadequate provision and/or ineffective use of resources (human and/or physical) that could compromise program quality.	Remuneration review of O-based staff to be completed by July 2012. Stocktake of staff capacity and possible realignment of resources across the program to be conducted during a workforce planning exercise planned for July 2012.

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Annex A: Acronyms

Acronym	Organisation
ACRP3	Australian Community Rehabilitation Program Phase 3
ADB	Asian Development Bank
ADS	Australian Development Scholarship
APPR	annual program performance report
AusAID	Australian Agency for International Development
CAP-F	Comprehensive Aid Program Framework
CPS	country partnership strategy
CSA	country situation analysis
DESC	Development Effectiveness Steering Committee
FAO	Food and Agriculture Organization
GDP	gross domestic product
ILO	International Labour Organization
IOM	International Office of Migration
M&E	monitoring and evaluation
NGO	non-government organisation
ODA	official development assistance
PAF	performance assessment framework
PMP	performance management plan
QAE	quality at entry
QAI	quality at implementation
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WASH	water sanitation and hygiene

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