



Sri Lanka Development Cooperation Report 2010

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Contents

Context	2
National and regional development	2
Humanitarian needs	2
Donor landscape	2
Program objectives	4
AusAID-managed programs	4
Other Australian Government department expenditure	5
Expenditure	5
Progress against objectives	6
Objective 1: Support recovery and reconstruction of infrastructure for conflict-affected communities	6
Housing and schoold reconstruction	7
Emergency cash grants	7
Demining	7
Agricultural recovery	8
Objective 2: Improved livelihoods and income generation in lagging regions	10
Objective 3: Efficient and transparent delivery of services and social protection for excluded and vulnerable people	12
Service delivery	12
Education	12
Program quality	12
Next steps	13
Policy priorities	13
Program management priorities	13
Performance and quality priorities	13
Appendix	14
Appendix A: Sri Lanka's performance against the Millennium Development Goals	14

This report summarises the aid program's progress in 2010 towards the objectives of the Sri Lanka program. This is the first independent report completed by AusAID on the Sri Lanka program. Reports on the Sri Lanka program's performance in previous years are included in South Asia regional annual reports, available on the Australian Agency for International Development's (AusAID's) website.

Context

National and regional development

Sri Lanka is recovering from 26 years of conflict. The Sri Lankan Government has an ambitious development agenda, focused on economic growth, and the country is tracking well against most Millennium Development Goals at the national level (Appendix A). However, national achievements mask serious disparities between and within provinces. While poverty is on the decline overall (from 28.8% in 1995–96 to 8.9% in 2009–10¹), it is still persistently high in some parts of the country. This includes the conflict-affected Northern Province, Eastern Province, the estate population in the central provinces and under-served rural and remote communities. Reconstruction of the north, following the end of the civil conflict, remains an enormous challenge. Accelerating development in this part of the country is vital, to eliminate the gap in living standard achievements between the north and the nation as a whole.

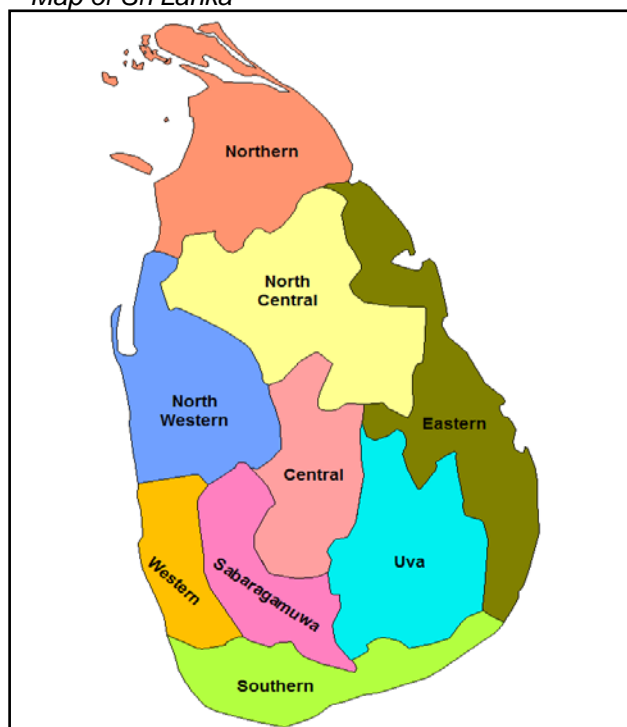
Humanitarian needs

Significant humanitarian needs remain pressing in the north but are expected to decrease over the next few years. Severe flooding throughout Sri Lanka in January and February 2011, particularly in the Eastern Province, has heavily impacted on infrastructure and agricultural production. Flooding also severely affected parts of Kilinochchi district in the Northern Province and destroyed substantial amounts of the newly produced harvest, setting back the district's recovery. The impact of the floods in the Eastern Province and affected areas of the north has reduced prospects for economic development in 2011–12.

Donor landscape

Sri Lanka relies on foreign capital (grants and loans) to support its development agenda. As the country has graduated to middle income status the form and composition of foreign financing has changed. Sri Lanka receives a far higher proportion of loans to grants and the loans received are a combination of concessional and non-concessional funds. According to the Sri Lankan Ministry of Finance and Planning's 2010 Annual Report, foreign financing

Map of Sri Lanka



¹ Head Count Poverty Index—percentage of people below the national poverty line. This is based on the Household Income and Expenditure Survey 2009–10, Department of Census and Statistics, Sri Lanka. The survey did not include a number of districts in the Northern Province. More information: <<http://www.statistics.gov.lk/poverty/PovertyIndicators2009-10.pdf>>. (25/7/11)



totalled around US\$3.3 billion in loans and grants in 2010. Of this total, around US\$123 million is listed as grant funding.² In 2006 Sri Lanka's foreign financing commitment was US\$1.3 billion (an increase of 149%). The largest donors listed include (in order): China; India; Japan; the Asian Development Bank; the World Bank; Russia; and Iran. Non-traditional donors, such as China and Iran, predominantly provide concessional and commercial loans, and export credits.

In comparison to the major loan providers, Australia is a modest donor. However, in terms of grant funding, Australia is a major foreign donor. Based on information provided by a number of major bilateral donors in Sri Lanka, around US\$347 million was provided in grant funding to Sri Lanka during 2010–11 between 12 donors. Australia ranks third or fourth in the list of traditional donors overall, having provided \$52.5 million—or around 15% of total estimated grant funding—in 2010–11. The United States (US\$80 million) was the largest bilateral grant donor, followed by a number of European donors, including the European Union (US\$56 million) and France (US\$48.3 million).³ A number of traditional donors, such as the United Kingdom and Norway, are scaling back their development assistance to Sri Lanka. Therefore, Australia's future development assistance—particularly in sectors other than large-scale infrastructure, such as education and rural development—is relatively significant.

² Sri Lankan Ministry of Finance and Planning 2010 Annual Report. <<http://www.treasury.gov.lk>>. (20/7/2011)

³ Information on grant funding by non-traditional donors, such as India, is not as easily available.



Program objectives

This report's primary focus is development assistance delivered by AusAID through the Sri Lanka country program, including devolved humanitarian funding.

The Sri Lanka country program in 2010 was assessed against the long-term development objectives outlined in the draft Sri Lanka country strategy⁴, developed throughout 2010.

AusAID's draft Sri Lanka country strategy 2011–2015 states the overall objective for Australia's development assistance to Sri Lanka is for a stable, economically resilient and peaceful nation. The overarching goal is more inclusive development—more emphasis on helping lagging regions and vulnerable people in economic and social development.

The Sri Lanka country strategy outlines the strategic plan for the country program for the next 5 years. It was drafted in consultation with various stakeholders in Sri Lanka and Australia, including other Australian Government agencies, such as the Department of Foreign Affairs and Trade and the Department of Immigration and Citizenship (DIAC). The draft strategy was cleared by AusAID's Director General in December 2010. As a draft, the strategy will be further refined and submitted for Ministerial approval before the final version is released in late 2011.

It is important to note that the activities already running in 2010 were in place before the Sri Lanka country strategy was drafted. The program's predominant focus was on responding to the humanitarian crisis that began in late 2008.

Based on the proposed strategic priorities identified in the country strategy, the Sri Lanka country program will continue to transition from humanitarian assistance towards long-term development assistance. Efforts will revolve around helping lagging regions to accelerate progress towards achieving national standards. Our long-term development assistance will focus on key sectors most in need (including rural development, education and governance).

AusAID-managed programs

The Sri Lanka country program in 2010 concentrated on recovery and rehabilitation for communities most affected by conflict, and long-term activities in basic education and rural development (particularly improving access to services and livelihoods assistance). AusAID is improving the quality of and access to basic education for disadvantaged children in predominately rural areas through a Basic Education Support Program implemented in partnership with United Nations Children's Fund (UNICEF). And we are assisting with rural development and community rehabilitation in communities throughout the nation through the Australian Community Rehabilitation Program (ACRP). ACRP is in its third phase. The program is designed as a five-year initiative with a three-year 'stop and review' point in 2012. It focuses on helping people in disadvantaged communities to find work, start businesses, re-start sustainable farming or fishing activities, better access local government services, and pursue community reconciliation and recovery. ACRP provides funding to a number of United Nations (UN) agencies and international non-government organisations (NGOs) that have established strong links with local communities.

⁴ A public version of the draft Sri Lanka country strategy (Australia's Strategic Approach to Aid in Sri Lanka) is available on the Sri Lanka country page of the AusAID website <<http://www.ausaid.gov.au/country/country.cfm?CountryID=1&Region=SouthAsia>>

The Sri Lanka program has been predominately delivered through multilateral organisations. In 2010–11, 58% (\$29.34 million) of the estimated \$50.3 million of official development assistance managed by AusAID was delivered through multilateral organisations such as UN agencies and the World Bank, while 27% (\$13.75 million) went through international NGOs such as Oxfam and World Vision Australia. In comparison, AusAID's overall average for funding is 33% through multilateral organisations and 8% through NGOs. All organisations have well-regarded in-country presence, demonstrated ability to reach local people and robust accountability systems.

AusAID also funds activities in Sri Lanka through the Australian NGO Cooperation Program (ANCP) and the Public Sector Linkages Program (PSLP). ANCP provided approximately \$677,000 to a number of Australian NGOs for projects in Sri Lanka in 2010–11. PSLP provided approximately \$815,000 to four activities involving links between Australian public institutions and Sri Lankan (and other South Asian countries) institutions. For example, we provided around \$152,000 to the University of Sydney to work with the University of Colombo in Sri Lanka (along with research centres in other South Asian nations) on research to improve infant feeding and reduce child malnutrition in Sri Lanka and other South Asian countries.

Other Australian Government department expenditure

Other Australian Government departments provide development or capacity-building assistance to Sri Lanka, estimated at \$2.154 million in 2010–11. This includes, for this financial year, departments such as Education, Employment and Workplace Relations (\$1.2 million), Australian Federal Police (\$0.6 million), Customs and Border Control (\$0.06 million), Health and Ageing (\$0.126 million), and the Attorney-General's Department (\$0.12 million), which assisted counterparts in the Sri Lankan Government with capacity building. The Department of Immigration and Citizenship (DIAC) also provides funding to a number of NGOs under its Displaced Persons Program. Between 2009–10 and 2010–11, DIAC provided approximately \$2.6 million to the International Organization for Migration (IOM), Childfund and Care Australia. AusAID does not monitor the performance or quality of any of these activities managed by other Australian Government departments.

Expenditure

Table 1: Estimated expenditure in 2010–11

	Objective	A\$ million	% of bilateral program
Support recovery and reconstruction of infrastructure for conflict-affected communities	1	29.14	55.5
Improved livelihoods and income generation in lagging regions	2	6.25	12
Efficient and transparent delivery of services and social protection for excluded and vulnerable people	3	12.6	24

Note: Expenditure includes humanitarian activities and infrastructure activities (water and sanitation), five ACRP activities principally concentrated on improving livelihoods, two ACRP activities focused on improving local government service delivery, the Basic Education Support Program, scholarships and the World Vision mental health program

Source: Program Fund Annual Expenditure Report, AidWorks, AusAID (1 August 2011)

Progress against objectives

Sri Lanka country program objectives are broad and more a description of general intent than statements of measurable outcomes. Further work will be undertaken in 2011 to refine them and to draft delivery strategies with detailed objectives. In addition, the lack of a performance assessment framework (which provides quantifiable and time-bound indicators to measure program progress) created an obstacle in assessing and rating program achievements. Table 2 rates the program's progress against the country program's broad objectives in 2010.

Table 2: Ratings of the program's progress in 2010 towards the objectives

Objective	Rating in 2010	Relative to previous rating
Objective 1: Support recovery and reconstruction of infrastructure for conflict-affected communities	■	Not applicable
Objective 2: Improved livelihoods and income generation in lagging regions	■	Not applicable
Objective 3: Efficient and transparent delivery of services and social protection for excluded and vulnerable people	■	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.

At the activity level, most initiatives are progressing well towards meeting their end-of-program objectives. However, in the absence of delivery strategies and measurable objectives through a performance assessment framework for the Sri Lanka program, it is not possible to justify rating these broad objectives as being 'fully' addressed. Consequently, the three objectives have been rated as 'partially' achieved.

The information in the rest of this section is drawn from various sources, primarily the Quality at Implementation (QAI) reports prepared for individual programs by the AusAID officers in Colombo responsible for them. AusAID prepares QAI reports for all activities with approved funding of \$3 million or more and are based on the findings from regular AusAID meetings with partners, project site visits and an AusAID-funded independent mid-term review for the Basic Education Support Program. Information is also drawn from reporting provided separately from partners, including annual reports for all multi-year programs and regular reporting by humanitarian partners.

Objective 1: Support recovery and reconstruction of infrastructure for conflict-affected communities

The Sri Lanka program achieved some strong results for its work in recovery and reconstruction in the conflict-affected areas of the country in the north and east. AusAID's aid package of \$32 million (October 2009) supported emergency measures involving high-priority, urgent reconstruction and recovery activities. The package provided long-term housing, demining, agricultural assistance and schools reconstruction through multilateral organisations and international NGOs. Due to the difficulty in collecting baseline data about the humanitarian situation in a post-conflict setting, it has been hard to assess exactly what AusAID's specific contribution towards certain outcomes has been (particularly for demining and cash grant assistance). AusAID has provided estimates of the impact of our contributions based on available data from partners and assessments from UN agencies.



In 2009 the Australian Government committed \$20 million over five years for demining. Our funding so far has enabled more than 70 square kilometres of land (or around 11% of the entire land area in the Northern Province) to be released for safe resettlement and for agriculture to re-start. Australian funding for mine risk education has contributed to a fall in the number of civilian casualties despite an estimated 280 000 people returning to their homes in mine contaminated areas. In 2010–11 we provided \$8 million to various international agencies and NGOs (including United Nations Development Programme, Mine Action, UNICEF and the Danish Demining Group). These organisations work closely with Sri Lankan Government District Mine Action offices and are building government capacity to ensure sustainability of demining efforts. This will become the primary focus of our demining funding over the next three years.

Our demining assistance has also had a beneficial impact on women in the north by providing employment. On average around 10% of deminers working for agencies funded by AusAID are women. For example, the Halo Trust employs 45 female deminers. A sizeable number of administrative staff in these agencies is also female.

Agricultural recovery

We provided \$6 million to the Food and Agriculture Organization to provide seeds and agricultural equipment to internally displaced people to help them re-establish their means of livelihood. This project has directly helped around 30 000 families (benefiting around 120 000 people) in the north and is estimated to bring at least 70 000 acres of land back under cultivation by March 2011. Gender disaggregated data provided by the Food and Agriculture Organization indicates that out of 28 000 households assisted with rice paddy production in 2010 and 2011 around 8 000 (or 28%) were female-headed households.



Box 1: Demining: Restarting lives



Nesan (Mudiappu Antony Iruthayanathan) in front of his newly re-opened shop. Source: AusAID

Nesan (Mudiappu Antony Iruthayanathan) and his family were forced to leave their village in northern Sri Lanka three years ago because of the civil conflict which ended in May 2009. They were finally able to return in July 2010 thanks to mine clearance work funded by AusAID.

On their return, Nesan and his family, including two daughters, found their house irreparably damaged in the fighting and the paddy fields still fenced off due to mine contamination. Until their displacement, Nesan was cultivating six acres of rented paddy land. He also had a small shop in the village which provided additional income.

Nesan was able to restart his shop using a loan and money he obtained by pawning jewellery. He says this was made possible by emergency mine clearance work by the Mines Advisory Group (MAG), a United Kingdom-based mine action NGO supported by AusAID.

‘Because of the great work MAG has done, my family and I were able to return to our home and restart my shop. I especially thank them for clearing my shop,’ says Nesan.

Nesan added that two days after his family returned, the school and the local church were also released and MAG had provided mine risk awareness briefings to ensure villagers remain safe.

After uncovering 1260 anti-personnel landmines, Nesan’s village was cleared of mines and 142 families have now returned. Clearance work will continue to clear the paddy fields surrounding the village.

Demining remains a critical first step in enabling displaced people to return to their homes. Around two-thirds of Sri Lanka’s Northern Province contains areas contaminated by mines and unexploded ordnance. This prevents resettlement and constrains economic and social opportunities.

In October 2009 the Australian Government announced a five-year, \$20 million initiative to accelerate the pace of demining in Sri Lanka. Australia’s funding has expanded Sri Lanka’s mine clearance capacity by providing clearance equipment and deploying additional demining teams. Australian funding for mine-risk education has contributed to comparatively low death and injury rates caused by mines or explosive ordnance. Australia works with the Sri Lankan Government’s Humanitarian Demining Unit and several local and international demining agencies.



Objective 2: Improved livelihoods and income generation in lagging regions

Under the third phase of the five-year **Australian Community Rehabilitation Program** five of the eight partners (Oxfam, United Nations Development Programme, ZOA Refugee Care⁶, International Labour Organization and IOM are working on long-term projects to improve livelihoods.

All of these projects began in August 2009, so detailed outcomes are not yet available. However, outputs for the majority are proceeding well. For example, IOM has conducted a socio-economic baseline survey covering all 700 target families for a fisheries livelihoods project in the Northern Province. Oxfam has established 24 community-based home gardens and four rice intensification model farms to help beneficiaries improve agricultural practices. Initial gender disaggregated data provided by Oxfam indicates that out of 16 284 direct and indirect beneficiaries, 13 530 (83%) are women. The Oxfam, IOM and ZOA projects all have a particularly strong focus on empowering women. For example, as part of their initial base-line survey, IOM set up a community meeting that included active female participants. The priest who chaired the meeting said this was unprecedented for the community. The effectiveness of each project is gauged against what each partner set out to achieve by the end of 2010.

⁶ A Dutch-based NGO



Box 2: Helping a village to fish again



Workers sorting dried fish. Source: IOM

The Mathagal fishing community in the Jaffna District, Northern Province, has experienced displacement multiple times due to the long-term conflict. Fishing, a major part of the local economy, has often been disrupted by the conflict. This has resulted in loss of assets and under-investment in infrastructure, meaning many fishermen catch less fish and earn less for the haul they have.

But this is changing through a program delivered by IOM. More than 700 fishing families are benefiting from the construction of new facilities including a new market and auction centre, resting hall, toilets, a retaining wall and renovation of a well at the Mathagal Anchoring Point. These facilities will help fishermen to earn more income by providing a centre that will prevent spoilage of fishing hauls and provide safe storage for fishing assets. The centre is being administered by an interfaith committee representing all the religions of the people in the area and bringing people together to work for a common goal.

This program is funded by AusAID under the five-year ACRP, a long-standing program supporting peace building, community rehabilitation and strengthened livelihoods. This program operates in disadvantaged, predominantly rural communities throughout Sri Lanka, including those directly affected by conflict. It helps people in these communities to find work, start businesses, re-start sustainable farming or fishing activities, better access local government services and pursue community reconciliation and recovery.

The program provides funding to UN agencies and international NGOs that have strong links with local communities.



Objective 3: Efficient and transparent delivery of services and social protection for excluded and vulnerable people

Service delivery

Under ACRP phase 3, three partners (Asia Foundation, World Vision and *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ)) are working to improve service delivery and governance. Projects are still at an early stage and detailed results are not yet available. However, all projects are progressing well. For example, GIZ has already provided English training for 337 public servants and 20 local authorities have standardised their public grievance redress systems. World Vision has started infrastructure projects that will provide clean water supplies to 67 households and two schools in a tea plantation community in the Central Province.

Education

Australia Award scholarships (including Australian Development Scholarships and Australian Leadership Award Scholarships) are administered through the South Asia Scholarships Program. The 2010 round for the 2011 intake focused on the priority areas of health, education, governance and environment. Eighteen new awards were granted in 2010 with awardees selected from a wide range of departments. Currently 11 male and 18 female Sri Lankan students are studying in Australia under Australian Development Scholarships. We will continue to work with the Sri Lankan Government to ensure Australian Development Scholarships consistently attract relatively even numbers of male and female candidates. Since 2000, 240 scholarships have been awarded to mid-career public servants in Sri Lanka (with an almost perfect return and reintegration rate). Despite management difficulties, AusAID's office in Colombo successfully managed an increased scholarship intake and for the first time organised alumni functions to increase program visibility and enable better monitoring of results.

Through the **Basic Education Support Program** (which started in 2009), we have provided \$5.7 million over 3.5 years to UNICEF (the fund is working with the Sri Lankan Ministry of Education) to improve the quality of and access to basic education in 562 rural and disadvantaged schools (benefiting more than 135 000 children). AusAID's mid-term Independent Project Review conducted in 2010 found consistent evidence of outputs (for example, 13 700 teachers and school officials have been trained in contemporary approaches to education). The review also found initial evidence of outcomes. For example, approximately 785 students who had previously dropped out have returned to school. In five of the six districts supported by the Basic Education Support Program, the proportion of children staying in primary school to the final year (grade 5) has increased from 2007 to 2009, while the national average has fallen by 2%. For example, in Trincomalee in the Eastern Province, the primary survival rate of children has improved from 88% to 96%. Overall, these district-level improvements can be attributed to 91% of the project schools (538 out of 592). The overall survival rate for children in Basic Education Support Program schools is around 97%—with excellent gender parity (a 98% rate for girls). Final, detailed results are expected in 2011.

Program quality

Taking into consideration the absence of a country strategy in 2010, at the initiative level, the Sri Lanka country program is performing well. The majority of monitored activities have received ratings of adequate or good on the six AusAID quality criteria (relevance,



effectiveness, efficiency, monitoring and evaluation, sustainability and gender equality). Most programs are already broadly aligned with the objectives outlined in the draft country strategy.

Demonstrating effectiveness has been difficult for some activities, particularly ACRP.

This is a relatively complex and resource-intensive program for AusAID to run because it is multi-sectoral and involves eight separate partners. It is still too early to assess sustainable outcomes for the program, but the signs are promising.

The majority of programs (aside from scholarships) are demonstrating good efficiency. In particular, the humanitarian programs we contribute to, such as the UN Habitat's housing program, are very cost effective. We have made a good initial start in assessing sustainability of scholarships.

Monitoring and evaluation at initiative level is generally good, however, improvements in how AusAID undertakes internal monitoring and evaluation are needed at higher levels. Gender equality is progressing well at activity level. Most projects are targeted at the most vulnerable, and participation of women is a focus of many, particularly ACRP. The percentage of unmonitored activities has also been dramatically reduced.

Next steps

Policy priorities

A key policy priority in 2011–12 is to align the draft Sri Lanka country strategy to the policy directions laid out in the Australian Government's response to the aid effectiveness review, released in April 2011 (*An Effective Aid Program for Australia: Making a Real Difference*), released in 2011. A final version of the country strategy will be publicly released in late 2011 following government approval. Another key policy priority will be to develop delivery strategies for the major sectoral and operational priorities.

Program management priorities

Program priorities in 2011–12 include close monitoring of the humanitarian situation in the north and ensuring the smooth transition towards a larger development assistance program. In line with the program objectives outlined in the country strategy, a number of new, multi-year programs will be identified and activities designed in 2011–12.

Performance and quality priorities

The program also requires a more objective measurement of progress against objectives and quality management through an overarching performance assessment framework. A stronger focus on results, including by our staff and our partners, will assist to enhance the visibility of our aid with Sri Lanka and to increase our influence with development partners.

Appendix

Appendix A: Sri Lanka's performance against the Millennium Development Goals

Indicator	1990	Latest	2015 target	Achievement at national level	Provinces not on track
Goal 1: Eradicate extreme poverty and hunger					
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 a day					
Poverty headcount ratio (% of population below the national poverty line)	26.1	15.2	13.1	On track	Uva, Central Sabaragamuwa
Share of poorest quintile in national consumption	8.7	6.9 (2007)	–	Not on track	No data
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger					
Proportion of pupils starting grade 1 who reach grade 5	64.1	99.6	100	On track	None
Literacy rate of 15 to 24 year olds	92.7	95.8	100	On track	North Western Sabaragamuwa
Goal 3: Promote gender equality and empower women					
Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015					
Ratio of girls to boys in tertiary education	66.2	89.8 (2001)	100	On track	No data
Share of seats held by women in national parliaments (%)	4.9	5.3	-	Not on track	No data
Share of women in wage employment in the non-agricultural sector (%)	30.2	31	-	Not on track	No data
Goal 4: Reduce child mortality					
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate					
Under-five mortality rate per 1000 live births	22.2	13.5	12	On track	Central, Eastern North Central Eastern North Central
Infant mortality rate per 1000 live births	19.3	11.3	12.8	Exceeded	
Goal 5: Improve maternal health					
Target 6: Reduce by three-quarters the maternal mortality ratio					
Maternal mortality ratio per 100 000 live births	42.3	19.7	36	Exceeded	North Sabaragamuwa Central Uva
Proportion of births attended by skilled health personnel	94.0	97.6	99	On track	
Goal 7: Ensure environmental sustainability					
Target 10: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation					
Proportion of households with sustainable access to an improved water source	72	85	86	On track	Sabaragamuwa Central, North
	93	93	Exceeded		North, Central, Eastern

Source: World Bank Report (2009), 'Sri Lanka: Reshaping Economic Geography', estimates based on data from Department of Census and Statistics (2008) and the National Council for Economic Development (2005).