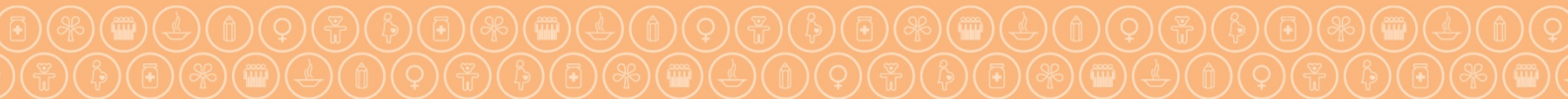




Australia – Sri Lanka aid program strategy 2012–16



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1 Summary

Sri Lanka has emerged as a lower middle-income country following the end of its civil conflict in 2009. While significant gains have been made since then, the country faces complex challenges. These include stimulating economic growth to reach its goal of doubling per capita gross domestic product (GDP) to US\$4600 by 2016 (from the 2011 level)¹ and reforming its economy to ensure growth benefits the entire population. Sri Lanka is on track to meet most Millennium Development Goals (MDGs), although pockets of extreme poverty persist and about 15 per cent² of the population live on less than US\$2 a day.

The *Australia – Sri Lanka aid program strategy 2012–16* outlines how Australian aid will assist the government and people of Sri Lanka to achieve the country's development goals. It builds upon the 20 years of Australian aid already delivered to Sri Lanka.

Australia's aid program will focus on helping Sri Lanka build lasting peace, stability and prosperity. In Sri Lanka's lagging regions Australian aid will help build the social and economic wellbeing of the poorest and most disadvantaged, especially women. At the national level aid will support reforms to help achieve inclusive growth and improved service delivery.

Priority sectors for Australian aid to Sri Lanka are education, health and sustainable economic growth. These areas are some of the most critical constraints to Sri Lanka reducing poverty and navigating the challenges of its middle-income years.

In education, school enrolment rates in Sri Lanka are high. However, education quality varies across the country. In support of improving the quality of education Australia will continue to help build an inclusive, quality school system at primary and secondary levels aligned to the Sri Lankan Government's education sector plan. Australian aid scholarships will continue to empower individuals to contribute to the country's development.

In health, under-nutrition remains a serious problem for Sri Lanka, particularly in lagging regions. Australian aid will support the Sri Lankan Government's plans to tackle this issue, concentrating on the most vulnerable and providing support at the critical period where it can make the most difference – pre-pregnancy to a child's second birthday. Australia will also tackle the root causes of under-nutrition, including by improving access to safe water and improved sanitation.

In sustainable economic growth, Australia will support communities—especially in lagging regions—to link to markets to generate incomes and reduce vulnerability. Opportunities to access high-quality vocational training and higher education are not well-aligned to labour market needs. This constrains economic growth. In response, Australia will look to support government-led efforts to deliver quality and accessible vocational training. Attention to these areas is critical to building the social resilience and cohesion essential for long-term peace.

Underpinning this thematic engagement will be increased efforts to help the Government of Sri Lanka improve governance systems so it can achieve the next stage of development.

¹ Annual Report 2011, Ministry of Finance and Planning, Sri Lanka.

² Household Income and Expenditure Survey 2009–10, Department of Census and Statistics, Sri Lanka.

Australia will use multilateral organisation partners to deliver much of its aid in Sri Lanka. Australian aid will also endeavour to work through government systems where we assess they are robust. In doing so, Australia will ensure aid effectiveness by reinforcing country priorities and systems and harmonising its work with other donors.

2 Development principles

2.1 Principles and commitments

The fundamental purpose of Australian aid is to help people overcome poverty.

The Australian aid program is guided by five strategic goals: save lives; promote opportunities for all; build sustainable economic development; build and support effective governance; and respond effectively to humanitarian crises and natural disasters. Australia focuses its efforts in areas where we can make a difference and where resources can most effectively and efficiently be deployed. Australian aid uses approaches that are tailored to country-specific situations and needs.

The *Australia – Sri Lanka aid program strategy 2012–16* gives effect to this through a focus on education, health and sustainable economic development.

Aid programs are more sustainable when owned and driven by partner governments. Australia is committed to aligning with the priorities and policies of these governments using approaches tailored to country-specific situations and needs. Australia is committed to providing assistance through the systems and processes of partner governments where these are assessed to be robust. Where they are not, Australia will work with partner governments to strengthen them and with non-government organisations and/or civil society to ensure a robust country partnership. This is particularly important in fragile states, or conflict affected countries. In delivering an aid program risks have to be taken to achieve results. Australian aid takes a sensible approach to risk management to guard against risk and fraud while delivering programs and assistance to the poor people who need it.

Australia also works through other development partners to deliver its aid program. The major partners in the Australia – Sri Lanka aid program are multilateral organisations such as the development banks and United Nations agencies, and civil society organisations (CSOs). Other Australian Government bodies will also be involved in Australia's aid program.

In this program strategy Australia will support the policies of the Government of Sri Lanka to improve the quality and availability of education and health services, as well as inclusive and sustainable economic development.

Australia is committed to greater transparency about financial and operational information, results and performance of its aid program. Australia supports greater transparency of all development partners to better measure and report on the impacts of their development efforts, foster accountability and promote more effective coordination.

Australia will work with Sri Lanka in a relationship of mutual trust, recognition and accountability to achieve improvements in the quality and availability of education and health services, and to encourage inclusive and sustainable economic growth. Australia's work will be guided by *An Effective Aid Program for Australia: Making a real difference – Delivering real results*, which sets the strategic direction of the Australian Government's aid program through to 2015–16. To give effect to this policy the Government has prepared a *Comprehensive Aid Policy Framework* which outlines the resources and headline results to be delivered and sets new standards for the efficient and effective delivery of Australian aid.

2.2 Focus on results

Australia and Sri Lanka have made international commitments to delivering aid focused on results. Both countries have signed up to the *Paris Declaration for Aid Effectiveness* (2005), *Accra Agenda for Action* (2008) and *Busan Partnership for Effective Development Cooperation* (2012).

Australia will deliver its aid program to reflect these international commitments. Australian aid to Sri Lanka will align with and respond to the country's national development strategy, the *Mahinda Chintana – Vision for the Future* (2010). Australian aid will continue to coordinate with other donors and the government to improve its systems and build human resource capacity. This will include participating in the new Development Partners Committee³ and joint review missions.

Australia's aid delivery through this program strategy period will be reviewed annually. We will seek to establish senior-level bilateral discussions every calendar year to discuss progress in implementing joint programs of cooperation. Progress will also be documented in comprehensive yearly program performance assessments. The resulting *Australia – Sri Lanka Annual Program Performance Report* will be made publicly available.

³ The Development Partners Committee was established in 2011. It presently comprises the heads of the six largest traditional donor organisations in Sri Lanka: Asian Development Bank, the Australian Agency for International Development (AusAID), Japan, United States Agency for International Development, United Nations and World Bank. The committee has great potential for strategic engagement between donors and the Sri Lankan Government.

3 Context and rationale for Australian aid to Sri Lanka

3.1 Poverty and need

Impressive gains but uneven economic and social development

Despite its middle-income status and good prospects to achieve all MDGs, Sri Lanka is a post-conflict nation with inequitable economic and social development. Poverty persists in lagging regions, especially those recovering from the 26-year civil conflict which ended in 2009. About 15 per cent of the population live on less than US\$2 a day. Investment in essential services to reduce poverty, such as health and education, requires improvement. In 2011 government spending on health was 1.4 per cent of GDP and education 1.9 per cent of GDP.⁴ As a proportion of government expenditure this is less than other middle-income countries in the region.

Education outcomes for Sri Lankan students vary. Enrolment rates until grade nine exceed 90 per cent, but many children—particularly those from poor communities—do not achieve the learning outcomes needed to prepare them for further education, training and employment. Higher education and vocational training systems require improvement and better alignment to changing labour market demands.

Nutrition is a serious national problem which particularly affects the young: 13.5 per cent of children under five have stunted growth and impaired intellectual development due to nutrition short falls.⁵ Social welfare programs implemented by the Sri Lankan Government and development partners have struggled to reduce nutrition problems in recent years.

Access to safe water, improved sanitation and hygiene knowledge nationally are relatively high but in some areas, coverage is low. Only 20 per cent of the rural population have piped water supply, compared to 62 per cent in urban areas.⁶ Thirteen per cent of schools across the country lack adequate water and sanitation facilities.⁷

Gender equality is sound but some women are extremely vulnerable

Progress against gender equality indicators for Sri Lanka is sound but the social and economic aftermath of the civil conflict has left some women extremely vulnerable, and institutional and policy support to promote gender equity across society still requires development. In literacy, primary education and life expectancy Sri Lankan women have relatively equal outcomes to men. Sri Lankan women have better outcomes compared to women in other South Asian countries such as India, Bangladesh and Pakistan. However following the civil conflict many women face acute housing, social protection and employment needs. Gender-based violence is also a well-documented and widespread issue of concern.

⁴ Annual Report 2011, Central Bank of Sri Lanka.

⁵ Sri Lanka Country Health System Profile 2010, World Health Organization.

⁶ National Water Supply & Drainage Board, 2010, Government of Sri Lanka.

⁷ School water, sanitation and health statistics, Ministry of Education, Government of Sri Lanka.

Reconstruction of conflict-affected areas is a pressing challenge

The 26-year civil conflict shattered the fabric of communities in the north and the east. Around 100 000 homes were destroyed. Many schools, market places, hospitals, irrigation systems and roads were severely damaged or destroyed. A lack of investment in capital works and maintenance during the conflict compounded these problems. Without functioning social and economic infrastructure many people remain vulnerable and find it difficult to rebuild their communities and livelihoods. Significant progress has been made on clearing land mines and other unexploded remnants of war but there is still work to be done.

The Sri Lankan Government is implementing ambitious plans to construct infrastructure, some of which is in conflict-affected areas, to drive national economic growth. This includes rebuilding or developing major highways, rail lines, ports, and electricity and irrigation systems. This investment provides employment to poor communities and addresses long-standing constraints to growth and investment. Significant progress has been made since the end of the conflict, but complementary attention is needed to build infrastructure for broad-based economic growth such as rural roads, market places, food storage facilities and irrigation systems. Also necessary are improvements to the land titling system to help displaced people resettle, to resolve ownership disputes and encourage private sector investment. This is a priority for the Sri Lankan Government as outlined in the Lessons Learnt and Reconciliation Commission's *National Action Plan*.

Stimulation of inclusive economic growth necessary for lasting peace

Inclusive economic development is vital if Sri Lanka is to guarantee stability and lasting peace. About 45 per cent of national economic activity is concentrated in Colombo and the Western Province.⁸ Consequently these areas enjoy high standards of living and low poverty rates. In contrast, poverty levels are estimated to be more than 30 per cent in some lagging areas, including in the plantations (Central Province) and areas affected by the conflict. Government action to guarantee these disadvantaged areas share in Sri Lanka's economic growth is a critical component of forward development plans.

Integration in the global market means vulnerability to economic shocks

With its strong export orientation, Sri Lanka remains at risk from downturns in the global economy. Europe and the United States are major markets, accounting for about 68 per cent of Sri Lanka's exports.⁹ Prevailing global economic conditions are affecting both agricultural and industrial exports adversely. Deepening of the euro zone crisis or a downturn in the United States would lead to a further weakening of exports—especially rubber, tea and textiles—which directly affect jobs for the poor. This could also reduce remittances from workers overseas (at 8.4 per cent of GDP¹⁰—a major source of national income) and capital inflows. The 2008 financial crisis had a similar impact and saw export financing from Europe reduce. These risks are real and the poor would be hit hardest.

3.2 Australia's national interests

Sri Lanka will continue to be a major partner for Australia's official development assistance in South Asia for 2012–16.

It is in Australia's national interest to work with Sri Lanka to overcome poverty. Sri Lanka is an important and valued partner in the Indian Ocean region. Sri Lanka's position in the Indian Ocean means its stability and growth is important for regional cooperation, security, trade and prosperity. Australia's trade and investment relations with Sri Lanka are modest but have the potential to grow.

Australia's cooperation with Sri Lanka on combating people smuggling responds to the national interests of both countries, and Australia's development assistance supports improved livelihoods and access to economic development to groups who may be vulnerable to exploitation by people smugglers.

The Australian public is interested in how Australia's official development assistance can help further promote stability and prosperity in Sri Lanka. The public provides significant charitable donations to Australian NGOs for development assistance to Sri Lanka—about \$11 million in 2011.

⁸ City development strategies: Lessons from the Urban Management Programme and UN – Habitat Experience, 2012.

⁹ *Financial Express*, Trade and Market, 2 August 2012.

¹⁰ Impact of Remittances on the Households of Emigrant and the Economy of the Migrant Community, Institute for Policy Studies, Sri Lanka, 2011.

Australians and Sri Lankans maintain strong people-to-people and institutional connections. In 2011 around 6500 Sri Lankan students studied in Australia and approximately 45 000 Australians travelled to Sri Lanka as tourists—a 24 per cent increase from 2010.

3.3 Capacity to make a difference

Australia has provided aid to Sri Lanka for over two decades. At the end of the civil conflict Australia tripled its aid program to help meet acute emergency and humanitarian needs. Working with multilateral and civil society partners Australia provided food, shelter and cash payments to displaced people. Our aid helped clear land mines so families could resume their lives safely, rebuilt destroyed housing and provided agricultural tools and seeds to restart farming.

While some donors ceased assistance at the end of the conflict period, Australia continues to support Sri Lanka in the tasks of recovery and development. Opportunities have emerged to support national programs—rather than implementing separate or parallel activities of limited scale—to address the pressing, long-term development challenges facing Sri Lanka. Through such national programs, Australian aid will support Sri Lanka as it strives for middle income status and to maintain stability and security. Education, health and sustainable economic development are of interest to Sri Lanka as outlined in the Government's ambitious long term plan, the *Mahinda Chintana – Vision for the Future*, and represent areas of Australian institutional and professional expertise. Australia also has extensive experience in other developing countries in these areas.

Australia's aid management presence in Sri Lanka is limited. In line with policies outlined in *Effective Aid for South Asia*, programs will be implemented through multilateral and local partners rather than directly. Selection of sectors is guided by the institutional capacity and experience of partner organisations and aligned with the priorities of the Sri Lankan Government.

Australia recognises that improving governance is an underlying theme for long-term development and prosperity. Australian aid—through its partnership approach with implementing partners and the Sri Lankan Government where possible—will seek to increase dialogue on policy reforms that promote inclusion, equity and a poverty focus. For example in our work with the World Bank and Asian Development Bank, Australia can support Sri Lanka's own reform agenda by sharing our experience in inclusive education at all levels.

3.4 Scale and effectiveness

Official development assistance makes up 1.7 per cent of GDP in Sri Lanka and Australia is the nation's second largest bilateral grant donor. However, Australia's aid is modest compared to total development finance flows. Borrowings from traditional and non-traditional sources form a large part of Sri Lanka's development financing. In 2011 concessional loans from emerging donors China and India were US\$678 million and US\$240 million respectively. Japan, with a combination of grants and loans, is the largest donor with US\$410 million in 2011. The development banks have important portfolios for concessional lending in Sri Lanka. In 2011 the Asian Development Bank lent US\$374 million while the World Bank lent US\$154 million.¹¹

The results of Australia's humanitarian and emergency aid of the last four years have been significant. As Australian aid transitions to focus on long-term challenges, program consolidation will be a priority. The end of acute humanitarian needs allows Australia to focus on a limited number of sectors. This will enable deeper policy engagement with the Sri Lankan Government and donors to improve the impact of our aid. For this reason Australia will not seek to engage in areas such as large-scale investments in national transport infrastructure. These needs are adequately supported by other donors and the Sri Lankan Government itself. Instead, Australia will focus on complementary efforts to encourage and support inclusive development in our priority sectors.

¹¹ Government of Sri Lanka, Ministry of Finance and Planning, *Annual Report*, 2011.

4 Strategic priorities for Australian aid

4.1 Proposed focus areas and expected outcomes

The goal of Australian aid to Sri Lanka is to help build a stable, economically resilient and socially cohesive nation. To achieve this, the Australian aid program aims to:

- help improve social and economic indicators in Sri Lanka's lagging regions
- support the implementation of policies and programs for inclusive growth and improved service delivery.

The Australian aid program will focus on education, health and sustainable economic development. These areas are a priority for the Sri Lankan Government, as outlined in its *Mahinda Chintana*. They also reflect the five core goals of the Australian aid program:

1. Save lives—by increasing access to safe water, sanitation and hygiene, to improve public health; by reducing the impacts of poor nutrition, to improve childhood development and economic productivity.
2. Promote opportunities for all—by improving the quality, inclusiveness and access to primary and secondary education, through support for the government's sector plan; by providing enhanced leadership, knowledge and technical skills to Sri Lanka through Australian scholarships.
3. Build sustainable economic development—by constructing local infrastructure and strengthening local governments, to link people to markets and rebuild the fabric of communities.
4. Build and support effective governance—by helping the Sri Lankan Government develop its institutions so it can support the next stage of the country's development (strengthening governance is a cross-cutting issue for all Australian aid programs).
5. Respond effectively to humanitarian crises and natural disasters—by supporting Sri Lanka's efforts to rid the country of the dangers posed by land mines and other unexploded remnants of war.

These bilateral aid investments are complemented by Australian aid investments in South Asia dealing with the trans-boundary issues of economic integration, climate change and water resource management. The Australian Volunteers for International Development program to Sri Lanka will restart in the first year of this program strategy and make a valuable contribution to building the capacity of individuals, organisations and communities through skills and knowledge exchange.

The Australian aid program's three core areas are described below.

Education

Australia will support the development of a high-quality, inclusive and accessible school system. The Sri Lankan Government recognises such a school system is at the centre of creating an integrated, stable and prosperous nation. Its policy framework for education emphasises regional equality and ensuring all students—regardless of where they live—have access to a quality education. To back these priorities, Australia is supporting the implementation of Sri Lanka's sector plan through a large-scale World Bank-managed initiative, the Transforming Schools Education Project (TSEP). Australian support of \$37 million over four years (2012-16) will be pooled with a World Bank loan of US\$100 million. The project aims to enhance access to, and quality of, primary and secondary education in Sri Lanka. TSEP will benefit about

4 million school children, 215 000 teachers, 15 000 principals and 3500 education administrators. The project is implemented nation-wide and provides school equipment, improves school facilities, strengthens the national curriculum and strengthens the capacity of education management.

Australian scholarships will continue to invest in improving skills and capabilities and will focus support on the core areas of this program strategy. Australia will complement this by investing in building closer partnerships between Sri Lankan and Australian public and private institutions to facilitate knowledge exchange and establish long-term links. Australia will continue to strive for gender equality in the scholarships program to empower women to participate in Sri Lanka's development upon their return.

Health

Australia will reduce threats to human health in Sri Lanka under three areas: nutrition; water, sanitation and hygiene; and demining.

Under-nutrition is a key development challenge for Sri Lanka and hits the young hardest. Addressing under-nutrition was affirmed as a national priority by the establishment of the Presidential Taskforce on Nutrition in early 2012. Australia will work with UNICEF to develop our assistance to ensure our aid is aligned with Sri Lanka priorities. Australian aid will invest in direct interventions such as support for infant feeding, which are highly cost-effective, and treat the root causes such as food insecurity, unsafe water and lack of social protection for the poor.

Access to safe water, improved sanitation and hygiene knowledge across Sri Lanka are relatively high and the country will likely meet its national MDG targets. However, there are areas where access to and knowledge of these issues is low. Australia is already working with vulnerable communities to provide safe water to about 3000 households and build the capacity of local authorities to maintain these important services. This will improve the health of about 12 000 people.¹² The lessons from this World Bank pilot activity will be drawn on by Australia in its consideration of future WASH activities.

Australia is also providing clean water and sanitation services to 350 schools across the country through an activity with UNICEF. This includes training to improve hygiene and maintain water supply and sanitation systems. This will benefit about 85 000 children by improving school attendance and general health.¹³

In 2009 Australia made a \$20 million commitment to help Sri Lanka remove landmines and other unexploded remnants of war.¹⁴ Destroying unexploded remnants of war removes threats to some of the poorest and most vulnerable people as they rebuild their lives. To date Australia has spent \$18 million supporting organisations to clear mines and other risk reductions activities. This included helping to build the capacity of Sri Lanka's National Mine Action Centre. Australian support will continue until 2013-14. We will provide \$2 million of assistance, with a focus on efforts to build the capacity of Sri Lankan institutions to do final clearance and mine risk education work.

Sustainable economic development

Australia will encourage and support sustainable economic development under four areas: rebuilding infrastructure in lagging regions, community development, community forestry and TVET.

Australian aid will support a joint effort by the World Bank and Sri Lankan Government to reconstruct economic infrastructure in conflict-affected areas through the North East Local Services Improvement Project (NELSIP). Australian support of \$38.5 million over four years (2012-16) will be pooled with a World Bank loan of US\$50 million and US\$34 million from the Government of Sri Lanka. The project aims to rehabilitate and construct infrastructure in the north and east of Sri Lanka. This will include bridges, health clinics, water supply systems, market places and rural roads. Australian support will also enhance the ability of local governments to design, implement and manage their infrastructure assets. Local communities will be empowered to hold authorities accountable for the quality and coverage of essential services. In total this will support the economic activities of about 370 000 people across 77 local

¹² North and East Pilot WASH for Post-Conflict Resettlements, Project Appraisal Document, World Bank, 2011.

¹³ WASH in Child Friendly Schools, United Nations Children's Fund, Design Document, 2010-11.

¹⁴ Ministerial commitment to demining, November 2009.

government authorities to increase trade in goods and services.¹⁵ This activity is designed to provide employment to disadvantaged groups.

Tackling entrenched poverty and building economic livelihoods at community level will continue under Australia's successful community development program. This program is our largest aid investment in Sri Lanka supporting initiatives to address the constraints to economic development in some of Sri Lanka's poorest communities. AusAID will continue to calibrate this program to make sure activities align to our aid objectives in Sri Lanka and respond to the opportunities and challenges of the post-conflict era.

Australia will support rural communities to develop economic livelihoods and stop deforestation under a partnership between the United Nations Development Programme (UNDP) and the Sri Lankan Department of Forestry. Australian support for this initiative of \$5 million over five years (2011-2015) builds on the success Australia has achieved over 15 years helping Sri Lanka to manage its forests. It will establish 167 community forest groups and assist 90 000 people to build employment opportunities through the sustainable management of forestry resources covering some 23 000 hectares.¹⁶ The program also enhances natural resource management practices of communities and government.

Australia will look to support reforms and improvements in the Sri Lankan TVET system in partnership with the Asian Development Bank. Helping to support a TVET system that is responsive to labour market demands can provide jobs and foster inclusive development, particularly in Sri Lanka's lagging regions. The Asian Development Bank and the Government of Sri Lanka are preparing a ten-year package of assistance to tackle these issues. Australia will consider providing grant assistance to enhance this Asian Development Bank loan project and help facilitate the involvement of Australian TVET institutions to support project implementation.

4.2 Program approaches and ways of working

The *Australia – Sri Lanka aid program strategy 2012–16* will build on the successes of the current in-country aid program. To meet emerging challenges, these five guiding principles will underpin Australia's aid to Sri Lanka over the life of this program strategy.

1. **Senior-level policy discussion.** Consistent with a focus on supporting Sri Lanka's longer-term development, Australia will seek annual senior-level discussions with the Government of Sri Lanka to review progress and results in our development cooperation. This will provide an opportunity for dialogue on key policy issues affecting education, health and sustainable economic development particularly equity and inclusion.
2. **Working with Sri Lankan government systems.** Australian aid to Sri Lanka is shifting from a focus on humanitarian issues to long-term development challenges. This allows for greater harmonisation of Australia's support with other donors and better alignment with Sri Lanka's systems and programs. Working through government systems, where we assess these are robust, will improve the efficiency and effectiveness of all resources available for service delivery.
3. **Continued, complementary support to civil society organisations.** While support to Sri Lankan Government policies, priorities and systems will deepen over the program strategy period, Australia will maintain its long-running support to CSOs. This recognises the critical role these organisations play in Sri Lanka, at national and local levels, to foster harmony and development. CSOs also work at the grass roots level and help build the livelihoods of the poorest and most disadvantaged in a targeted and direct manner.
4. **Post-conflict approach.** All aid interventions Australia supports will be conceived, managed and evaluated in a way that is sensitive to the post-conflict environment. Australia does this because social and economic progress will be undermined if peace is not sustained.
5. **Results focus.** Achieving development results is paramount for this program strategy's success. Realistic development targets and indicators will allow us to demonstrate how Australian aid is contributing to joint efforts to overcome poverty in Sri Lanka.

¹⁵ North East Local Services Improvement Project, Project Appraisal Document, World Bank, 2010

¹⁶ Community Forestry Proposal 2010–11, United Nations Development Programme and Sri Lanka Forest Department.

4.3 Program partners

To achieve this program strategy's objectives, AusAID will continue to work with Australian Government bodies, Government of Sri Lanka agencies, multilateral partners (such as the World Bank, Asian Development Bank and United Nations agencies) and CSOs (including Australian and local NGOs). These partners have a wealth of knowledge and experience based on a long history of cooperation in Sri Lanka. They will continue to help Sri Lanka achieve its development goals through reforms in the public sector, improving the enabling environment for the private sector and deepening the important role civil society plays in an open, democratic nation.

Work with Australian Government bodies. Support from Australian Government bodies will strengthen development results and enhance the bilateral relationship, especially when these bodies have a comparative advantage to assist in areas requested by Sri Lanka. In education, for example, Australia has experience and expertise at primary, secondary and tertiary levels relevant to Sri Lanka's aspirations to become a 'knowledge economy' in line with the government's *Mahinda Chintana* economic vision. To help realise Sri Lanka's education ambitions, the aid program will encourage Australian Government bodies concerned with education to support our aid investments. For example, Australian agencies responsible for the policy, regulation and delivery of technical and vocational education and training (TVET) have a potential role to support skills development in Sri Lanka. Australia will explore how its TVET institutions can support Sri Lankan TVET reforms and improvements through a large-scale program lead by the Asian Development Bank.

Australian Government bodies have a long history of providing effective assistance to Sri Lanka on issues such as anti-money laundering, financial regulation, efforts to stop people smuggling and educational reform. The Australian aid program will continue to support this type of targeted, discrete assistance where it is requested by Sri Lanka and has clear development merit.

Strengthened partnerships with other donors. Australia supports a number of partnerships with multilateral organisations working in Sri Lanka. Australia has, for example, co-financed the activities of partners such as the World Bank, Asian Development Bank and United Nations. Australia also participates in a government – donor coordination group, the Development Partners Committee.

In partnership with the World Bank, Australia works to strengthen the Sri Lanka's national education system at both the primary and secondary level. This initiative supports Sri Lanka's education sector plan and allows Australian aid to assist with fundamental challenges like equity and quality in school education. Also with the World Bank, Australian aid supports the rehabilitation of infrastructure in the north and east. This work is co-financed by Australia, Sri Lanka and the World Bank. It enables three-way collaboration on rebuilding infrastructure damaged by the civil conflict and strengthening local government bodies to provide essential services. With UNDP, Australian support for improved forest management strengthens the Sri Lankan Department of Forestry nationally and builds on the 15 years of forestry assistance Australian has already provided to Sri Lanka.

With the Asian Development Bank, Australia is considering support for reforms and improvements to align TVET graduates with labour market needs. With UNICEF, Australia will examine supporting Sri Lankan Government nutrition priorities with a focus on pre-pregnancy to a child's second birthday.

By working with multilateral organisations, Australia will reduce the burden for Sri Lanka of dealing with multiple donors, while still allowing it to access high-quality technical expertise.

Complementary action through civil society organisations. For many years, and through two major humanitarian emergencies in Sri Lanka (the 2004 tsunami and the end of the civil conflict in 2009), CSOs have played a vital role in saving lives, stabilising communities and fostering long-term development. Australia recognises CSOs are uniquely placed in Sri Lanka to deliver assistance, disseminate ideas and build resilient communities. The Australian Government therefore remains committed to working closely with CSOs over the course of this program strategy.

Australia will work with CSOs to support our strategic objectives in education, health and sustainable economic development. CSOs have a continued, important role in Sri Lanka to promote inclusive development, transparency and to address gender equity.

5 Program performance and risk management

5.1 What will success look like at the end of the program strategy

By the end of the *Australia – Sri Lanka aid program strategy 2012–16*, having worked in close partnership with the Sri Lankan Government and other development partners, the following three success factors will be achieved.

Poverty in lagging regions will be reduced. Access to essential economic infrastructure—like rural roads, market places, irrigation systems—will be increased. Nutritional outcomes for the most vulnerable (children and women) in lagging regions will be improved, access to safe water and improved sanitation will have grown and the threats posed by unexploded remnants of war will have decreased. This will assist communities in lagging regions, particularly women, to benefit from the economic growth expected over this program strategy period.

The quality of primary and second education improves and access will be expanded. The development of a high-quality education system in Sri Lanka will have accelerated over the program strategy period. This will produce educated graduates who can compete in a globalised economy and fulfil the government's ambition of developing a knowledge economy. This will also reduce educational inequality and contribute to social cohesion.

The relationship between Australia and Sri Lanka will be strengthened. Australian aid will be aligned to Sri Lanka's own development plans and implemented where possible using government systems. People-to-people links and institutional relationships will have deepened through efforts like the Australian Scholarships Program and Australian Volunteers for International Development Program.

5.2 Performance assessment framework

This program strategy's performance assessment framework (Table 1) lists the two strategic objectives for Australian aid to Sri Lanka, links these to the core goals of *An Effective Aid Program for Australia: Making a real difference—delivering real results*, and outlines selected 2016 indicative targets.

Table 1: Selected, indicative sectoral targets by 2016 against Australia's strategic objectives in Sri Lanka

Program strategy objective 1 Improved social and economic indicators in Sri Lanka's lagging regions	
<i>Save lives</i>	
Health	<ul style="list-style-type: none"> increased access to safe water and improved sanitation reduced risk of death and injury from landmines and other unexploded remnants of war
<i>Promote opportunities for all</i>	
Education	<ul style="list-style-type: none"> increased primary school attendance and secondary school completion rates
<i>Build sustainable economic development</i>	
Economic development	<ul style="list-style-type: none"> increased access to improved economic infrastructure for about 600 000 families (around 1.7 million people) strengthened capacity to manage and maintain economic infrastructure for 77 local government authorities increased ability of communities to hold local government accountable for the delivery of essential economic infrastructure
Program strategy objective 2 Policies and programs for inclusive growth and improved service delivery implemented at national and sub-national levels	
<i>Save lives</i>	
Health	<ul style="list-style-type: none"> improved nutritional outcomes for poor and vulnerable people, with a focus on children and women
<i>Promote opportunities for all</i>	
Education	<ul style="list-style-type: none"> adopted 'child-friendly' education practices¹⁷ across primary and secondary schools, covering 4 million students improved infrastructure in 40 per cent of schools to comply with national standards for safe learning environments increased quality of teaching and learning so children attain core competencies in reading, writing and maths improved retention of disadvantaged children (including those with disability) and reduced regional imbalances in access to education
<i>Build sustainable economic development</i>	
Economic development	<ul style="list-style-type: none"> improved employment opportunities for 90 000 people in 167 community forest groups through the sustainable management of forestry resources covering about 23 000 hectares

¹⁷ UNICEF defines child-friendly education as rights-based educational systems and schools characterised by learning environments that are "inclusive, healthy and protective for all children, effective with children, and involved with families and communities.

5.3 Risk management

Four main risks might prevent or inhibit delivery of this program strategy's objectives. The risks and measures for managing them are described below.

1. **The civil conflict re-emerges.** The Sri Lankan Government's control of conflict-affected areas is strong and the capacities of former rebel forces were effectively removed in 2009. A widespread re-emergence of conflict therefore appears unlikely during the program strategy period. However some underlying contributing factors remain. Australia will ensure its aid helps build lasting peace and stability and follows the principles of 'do no harm'.
2. **Risk of corruption and fraud.** Australia takes a zero tolerance approach to corruption and fraud. Controlling this risk is critical to the aid program's effectiveness and accountability. Australia will regularly review its systems, plus those of implementing partners, to identify weaknesses and reduce opportunities for corruption in Sri Lanka. Australian aid will provide technical expertise in public financial management and undertake joint fiduciary risk assessments with multilateral organisations at national and provincial levels.
3. **High-level policy discussion requires strong, committed Australian aid officials and greater whole-of-government collaboration.** As Australia moves towards greater use of Sri Lankan Government systems and seeks to engage more effectively in policy discussions, the role of Australian aid officials will change. Professional development will ensure a mix of sectoral, political, economic and advocacy skills to engage effectively with the Sri Lankan Government on sector plans, budget processes and the implementation of government programs.
4. **Increased aid from emerging donors means a careful positioning of Australian aid to achieve results.** Australia is one of Sri Lanka's largest bilateral grant donors but our aid is modest when compared to all sources of development finance to Sri Lanka. To ensure Australia has input on key policy issues determining the effectiveness of development outcomes Australia will work in partnership with other donors, seek regular senior-level discussions and jointly review progress in implementing our development cooperation to Sri Lanka.

6 References

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