



2020-21 SRI LANKA DEVELOPMENT PROGRAM PROGRESS REPORT

The *2020-21 Sri-Lanka Development Program Progress Report* summarises progress for the reporting period 1 July 2020 to 30 June 2021 of implementation of the Australia – Sri-Lanka COVID-19 Response Plan and program highlights.

Our development program to Sri-Lanka contributes towards achieving the following Sustainable Development Goals.



Program Budget	2020-21 Budget Estimate \$m*
Bilateral	16.0
Regional	2.9
Global	6.1
Other Government Departments	0
Total ODA	25.0

*Actual expenditure is expected to be available in December 2021/ January 2022.

CONTEXT

Sri Lanka is an important partner for Australia. We have a long-standing bilateral relationship in areas such as development, education, trade and investment, sport and culture.

After limiting the spread of COVID-19 through the enforcement of strict lockdowns from March to June 2020, Sri Lanka experienced multiple case load peaks from October 2020 onwards, with the largest still in progress at the time of reporting. Concerns over the economic capacity of citizens to undertake further severe lockdowns resulted in the government imposing looser restrictions in the later waves. With over 486,000 cases and 11,200 deaths at the end of September, Sri Lanka has been hit hard by the pandemic. The country's usually strong public health system has been overwhelmed, with access to oxygen becoming an issue and the daily death rate per million people increasing to one of the highest in the world in August-September 2021.

Sri Lanka has, however, shown it has the capacity to generate very high daily rates of vaccination when able to obtain vaccines. At the time of reporting, over 60 per cent of the population have had one shot and 50 per cent have had two, giving it the third highest vaccination rate in South Asia.

The social impact of the pandemic has been high, with an increase in divisive ethnic politics, and differential impacts on women (including women garment workers, who have low job security and high infection rates) and people with disabilities. The pandemic has exposed the limitations of Sri Lanka's social safety nets; the highly restricted *samurdhi* program, and one-off government payments, have struggled to respond to citizens' loss of income and increased food insecurity.

The economic impact of COVID-19 on Sri Lanka has been complicated by a broader economic crisis brought on by high international debt, low foreign exchange reserves and exports, a depreciating currency, significant food inflation and a low tax to gross domestic product (GDP) ratio. A GDP contraction in 2020 of 3.6 per cent was balanced by recovery in the last quarter of 2020 and first half of 2021. The impact of the pandemic's "Delta wave" in Quarter Three of 2021 may make attaining the predicted 3.4 per cent GDP growth in 2021 difficult, as will the impact of import restrictions.

The issue of food security in the next 12 months is a growing concern. The Sri Lankan government has activated emergency powers under the Public Security Ordinance to control the prices of, and access to, staple items. Without an increase in export earnings, especially through tourism, there will continue to be insufficient foreign exchange to cover imports and debt repayments, weakening government's ability to minimise the socio-economic impact of COVID-19.

AUSTRALIA'S RESPONSE AND PROGRAM HIGHLIGHTS

In the speed, range and flexibility of its responses, Australia confirmed its position as a trusted development partner of Sri Lanka. Despite a difficult operating environment in the reporting period, most investments were able to adapt their activities to suit the COVID-19 context, although progress has been uneven.

Health Security

Australian agencies progressively increased their contributions (totalling \$11.7 million) to Sri Lanka's COVID-19 health response over the reporting period. The bulk of this funding was channelled through United Nations (UN) partners, under the Humanitarian and One Sustainable Development Goals investments, and used to purchase personal protective equipment (PPE), oxygen supplies, three oxygen concentration plants and laboratory testing equipment. In addition, training, case management systems and surveillance protocols and community programs addressing stigma around COVID-19 were also delivered.

Australia directly provided PPE and other material via a Royal Australian Air Force flight in June 2021 as part of its South Asia regional response. This is in addition to Australia's support to the COVID-19 Vaccines Global Access (COVAX) Advance Market Commitment totalling \$130 million. At 30 June 2021, this global mechanism had delivered 264,000 COVID-19 vaccine doses to Sri Lanka.

Australia's long-term humanitarian engagement through the World Food Program and United Nations Children's Fund, has continued through the pandemic, **with a focus on ensuring COVID-safe responses to natural disasters, responding especially to the health needs of women and girls**, including through pre-positioning personal hygiene kits. In addition to immediate responses to flood emergencies over the reporting period, through our partners we have worked with relevant Sri Lankan national and subnational agencies on strengthening disaster preparedness and management, such as through improved camp management, scenario planning for monsoon seasons and moderating COVID-19 risks within displaced communities. An important element of this work has been enhancing skills and knowledge around child-centred risk assessment and management.

Largely through its expanded partnership with the UN, Australia's development program with Sri Lanka is increasing its focus on building resilience within government systems and communities to respond to future emergencies.

Stability

Australia's development program responded to the unequal impacts of COVID-19 by ensuring our interventions addressed the increased social exclusion caused by the pandemic. The immediate food security needs of households, many of which face multiple forms of exclusion (ethnicity, income, women-headed, people with disabilities), were met through our arrangements with UN agencies. Remote learning for school children was supported by the provision of printed materials for 430,000 Grade One and Two children, and the digitisation of materials for primary students in Mannar district. In addition, Australia's long-running support for post-conflict demining continued when COVID-19 lockdowns allowed. By facilitating a partnership between our partners, the Mines Advisory Group and the International Labour Organization livelihoods program Local Empowerment through Economic Development and Reconciliation (LEED+), Australia was able to support the release of 133,000m² of contaminated land back to local communities over the reporting period and improve the ability of previously dislocated families to return and take up productive work.

Australia's key women's economic empowerment investment, Women in Work (WiW), delivered through the International Finance Corporation, assessed the differential impact of COVID-19 on women and adjusted its programming accordingly. In the reporting period, it **launched the National Financial Inclusion Strategy with the Sri Lankan government, provided financial literacy training to 16,230 women, supported the development of a National Day Care Policy and worked to bring women-focused business insurance products to market.** The Market Development Facility (MDF) and the Skills for Inclusive Growth Program (S4IG) ensured that at least 50 per cent of investment beneficiaries were women. The MDF worked with small to medium enterprises (SME) in key agricultural sectors and tourism to ensure business continuity and stable local incomes. **S4IG focused on ensuring the wide availability of tourism skills development, building flexible, industry-responsive training modules that include women and people**

with disabilities, and worked with small business partners to minimise the loss of employment across the pandemic period. Partners under the small-grant Direct Aid Program focused on ensuring women in smaller communities had access to reasonable incomes over the past year.

In response to the growing risk of food insecurity over the next year, the program redirected resources to short-term humanitarian responses, which will sit alongside the longer-term structural and institutional change supported by investments such as MDF and planned investment in subnational governance. The potential linkages between this programming and livelihoods-focused investments will also be considered. This would represent at least a short-term shift in the current Sri Lanka COVID-19 Development Response Plan.

Economic recovery

Much of Australia's development cooperation investment in Sri Lanka is focused on building sustainable, inclusive growth in job-creating businesses, leaving the program well placed to respond to Sri Lanka's post-COVID economic recovery needs. MDF, S4IG and WiW, along with a new phase of the Business Partnerships Platform and the economic governance reform component of the Governance for Growth (G4G) investment, all worked over the reporting period **to improve the business-enabling and institutional environments necessary for key sectors to recover quickly from the impact of COVID-19.**

MDF assisted the Sri Lanka Tourism Development Authority to strengthen its capacity to collect and analyse data and use that to improve the sector's capacity to manage and then recover from COVID-19. Building on previous MDF interventions, Sri Lanka's key aquaculture authority established two more hatcheries and distributed juvenile giant freshwater prawns to inland fishers at low cost, while district authorities in Northern Province adapted their development plans to better incorporate agriculture and fisheries value chain needs. Strong results from the first phase of the S4IG program encouraged national and provincial skills authorities to incorporate S4IG-tested flexible learning delivery in their own systems to ensure Sri Lankan workers in the tourism sector have the skills necessary to facilitate the industry's quick recovery when conditions allow.

WiW completed its SheWorks partnership with 15 large companies during the reporting period. Of those, nine saw an average increase of five per cent in the numbers of women they employed, 10 improved their maternity return rates by an average of 20 per cent, and there was an eight per cent increase from the baseline in women employee satisfaction rates (with no decrease in men's satisfaction rates). Following the dissemination of the positive outcomes of the SheWorks program, 65 additional companies registered interest. Two rapid assessments were undertaken, resulting in the launch of two studies in October 2020 on gendered impacts of COVID-19 on employment in the private sector and SMEs in Sri Lanka. In addition to sharing the findings widely, three further project initiatives are now being programmed.

Broader economic governance reform, supported through Australia's Eliminating Barriers to Trade and Investment program with the World Bank, struggled over the reporting period. There was some progress in reigniting government interest in a National Single Window for trade, and the Bank shifted its interventions to provide technical assistance to the Sri Lankan government on mitigating the economic shock of the pandemic on the SME sector and tourism.

Positive engagement between Australian and Sri Lankan counterparts was fostered under the Knowledge and Linkages for an Inclusive Economy grant scheme, with the Generic ePhyto National System (GeNS) project being the standout. Sri Lanka now has efficient electronic phytosanitary certification arrangements with seven countries/jurisdictions, with Australia joining in December 2020. Over 6,600 electronic certifications were issued over the reporting period, and 42 per cent of exporter companies in Sri Lanka have now registered.

Australian Non-Government Cooperation Program (ANCP) partners, such as Oxfam Australia and Palmera, worked closely with local agricultural communities to ensure they remained linked to supply chains in a way that ensured they continued to have sustainable, fair markets for their goods.

Looking ahead, the degree to which the economic impact of COVID-19 is being compounded by a broader economic crisis remains a concern. While the focus of the bulk of Australia's investments in this space remains appropriate, there may need to be some reconsideration of the targeting of economic governance activity.

ANNEX 1: PROGRESS AGAINST COVID-19 RESPONSE PLAN RESULTS INDICATORS

Health Security

Key Results Indicators	Progress/Result
Increased number boys and girls immunised with Australian support	<p>The COVAX Advance Market Commitment, with Australia contributing \$130 million, had delivered 264,000 COVID-19 vaccinations by the end of June 2021. Disaggregated data is not yet available.</p> <p>Support for PPE provision and other COVID-related initiatives have assisted to the health system to continue childhood health programs.</p> <p>Support through the Gavi, the Vaccine Alliance contributed helped ensure that immunisation capacities were sustained.</p>
Increased number of women and girls receiving sexual and reproductive healthcare with Australian support	Supported a range of good and services, including 5,000 COVID-19 hygiene kits for vulnerable women and girls; 15,000 sanitary napkin packs for women and girls in quarantine centres and home quarantine; and 2,698 sexual and reproductive health counselling services, including 367 gender-based violence counselling services.
Increased number of vulnerable people (sex-disaggregated) receiving emergency assistance with Australian support	Supported 1,306 vulnerable women-headed households with emergency relief packages, and 1,163 migrant returnees with food and non-food items. Disaggregated data is not yet available.

Stability

Key Results Indicators	Progress/Result
Evidence of improvement in subnational government service delivery related to public health, welfare and economic growth	Australian development assistance, including humanitarian activity, is not limited to a particular region and supported Government of Sri Lanka COVID-related responses island-wide. Example activities include provision of hand-washing stations and public health messaging in places of worship across the countries, along with safe-school operations at the provincial level.
Evidence of an improvement in women's voice empowered to influence policies regulations and norms	The final phase of the Subnational Governance Program activity resulted in improved engagement of women representatives in local policy-making committees across nine demonstration sites; the International Foundation for Electoral Systems project with the Sri Lankan Elections Commission updated voting procedures to increase access to voting for women and people with disabilities.
Evidence of increase in local food security in targeted value chains	MDF and ILO, along with ANCP partners such as Oxfam, continued to support the capacity of SME agriculture and aquaculture producers to connect with value chains enabling them to get their products to market, assisting an additional 635 producers to previous years. These longer-term efforts sat alongside Australia's provision of short-term humanitarian food and essentials packages for 2,500 households.

Economic Recovery

Key Results Indicators	Progress/Result
Increase in number of people (sex-disaggregated) with increased industry-relevant skills in selected value chains	The first phase of the S4IG program completed in late 2020, with 3,081 participants (40% women) completing skills training in the tourism sector and 391 enterprises (96 owned by women) completing training and business improvement exercises, the bulk in districts with a shortage of trained workers and businesses. The MDF and ILO LEED+ activities supported increases in business and community-level knowledge in selected agriculture and aquaculture sub-sectors, although this slowed due to COVID-19 restrictions (with only an additional 300 people trained by the MDF over the reporting period).
Increased number of women with increased incomes in selected value chains	Supported a range of initiatives that contributed an estimated \$2.5 million of net additional income to poor communities, with 51 per cent of these beneficiaries being women. Supported an increase in women's employment in large companies. Support to civil society partners focused on market-led employment of women in smaller communities.
Increased number of producers connected to selected agriculture and aquaculture value chains	The MDF activity had linked with 28,713 individual producers in the agriculture and aquaculture sectors (included tourism-related production) by the end of 2020, and, as COVID-19 restrictions eased, created net additional income earning opportunities for 9,600 Sri Lankans (4,700 men and 4,900 women).
Increase in number of Australian businesses seeking to trade in Sri Lanka	The Australian-supported World Bank economic governance reform program produced some capacity-building of the Sri Lankan Board of Investment, which has improved the investment environment for Australian business, but ongoing structural issues facing the Sri Lankan economy limited progress against this indicator over the reporting period. Australian education investment in Sri Lanka remains strong, with an additional 3 Australian higher education institutions establishing ventures in Sri Lanka over the reporting period.

ANNEX 2: INVESTMENT PERFORMANCE RATINGS

Investment Details	Year	Effectiveness	Efficiency	Gender Equality
Economic Opportunities for the Poor Investment duration: 20014-24; Budget: \$46.77m	2021	4	4	4
	2020	4	4	4
Reconciliation Package Investment duration: 2015-21; Budget: \$6.44m	2021	4	4	4
	2020	4	4	4
Women in Work Investment duration: 2015-22; Budget: \$13.27m	2021	4	4	5
	2020	4	3	4
Governance for Growth Investment duration: 2016-25; Budget: \$22.3m	2021	4	4	5
	2020	4	5	4
Humanitarian Assistance Investment duration: 2011-20; Budget: \$38.6m	2021	5	5	4
	2020	5	5	4

Definitions of rating scale:Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas.

5 = Good; satisfies criteria in almost all areas.

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

Less than satisfactory (1, 2 and 3)

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

2 = Poor; does not satisfy criteria in major areas.

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