



Australian Government

Department of Foreign Affairs and Trade

Aid Program Performance Report 2014-15

Sri Lanka

November 2015

Key Messages

This performance report on Australia's aid program to Sri Lanka for 2014-15 finds:

- › High-level outcomes and most indicative targets for the 2012-16 strategy were achieved, facilitating the transition toward the new Aid Investment Plan (AIP) 2015-19;
- › The new AIP will build on the foundation of the 2012-16 strategy and accelerates the transition toward an economic partnership approach;
- › Strong responses to performance information and the evolving country context ensured the Sri Lanka development program remained relevant and effective;
- › A new political environment in Sri Lanka offers considerable promise for the aid program to leverage greater impact from its investment over the next four to five years.

Context

On the back of strong economic growth since the mid-2000s, Sri Lanka is on the cusp of becoming an upper middle income country, with GDP per capita of US\$3,558 (2014). Sri Lanka's average annual GDP growth from 2005 to 2014 was 6.11 per cent. Nationally, Sri Lanka has experienced a significant decline in poverty since the early 2000s. In 2012-13, just 6.7 per cent of the population fell below the national poverty line. This represents a decline of more than 22 percentage points in fewer than 20 years.¹ Sri Lanka is set to meet nearly all MDG indicators, except nutrition and ensuring those with advanced HIV infection have access to antiretroviral drugs.² Sri Lanka is the only South Asian nation ranked 'high' (at 73 out of 187 countries) on the UNDP's Human Development Index.³

Despite promising national-level indicators, significant inequality and marginalisation remain at the sub-national level. Poverty persists across the country, but is more widespread across the Northern and Eastern Provinces, which were most affected by the civil conflict, as well as in the more remote districts in Uva and Central Provinces.⁴ Sri Lanka's goal of upper-middle income status with high human development also faces several structural challenges and its complex political system poses some risks to economic and fiscal reform, despite the political will of the Government.

A decreasing tax-to-GDP ratio – which now sits at 11.8 per cent, well below the 20 per cent average for Middle Income Countries⁵ – limits the Government's capacity to meet important commitments, such as increasing educational spending to 6 per cent of GDP. Slow productivity growth in agricultural and modern services sectors (such as ICT) drags on Sri Lanka's export performance. Social and economic exclusion and youth under-employment persist strongly in post-conflict regions.⁶ While Sri Lanka performs well on many gender indicators – more women than men are enrolled in tertiary and secondary education and female literacy is almost 100 per cent – female participation in the formal labour force lags at 30-35 per cent. Female representation in legislatures is less than 5 per cent.⁷

The political context of the aid program is evolving rapidly. Since January 2015, the new Government has taken early positive steps on governance, human rights and reconciliation. It has: passed constitutional reforms limiting the power of the presidency and strengthening independent institutions; replaced military governors in the north and east with civilians; provided assurances on

¹ Sri Lanka Department of Census and Statistics. 2015. *Poverty Indicators. Household Income and Expenditure Survey – 2012/13*. The Sri Lanka national poverty line is LKR3890 (approx. AUD39) per month, based on a basket of food and non-food items.

² United Nations Sri Lanka. 2015. *Millennium Development Goals Country Report. 2014*.

³ UNDP. 2014 *Human Development Report 2014*.

⁴ Sri Lanka Department of Census and Statistics. 2014. *Poverty Headcount Ratio Brief*.

⁵ World Bank. 2015. 'Tax revenue (per cent of GDP).' Available at <http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS>

⁶ Dunder et al. 2014. *Building the Skills for Economic Growth and Competitiveness in Sri Lanka*. The World Bank

⁷ World Bank. 2014. Sri Lanka country data.

media freedoms; established an independent Commission on Bribery and Corruption; released land to resettle those displaced by civil conflict; and passed a Witness and Victim Protection bill.

Australia retained its strong aid relationship with Sri Lanka during a period when many OECD DAC donors scaled back their development assistance. This meant Australia remained as one of the largest DAC donors in Sri Lanka. However, since January 2015, some DAC members have been looking to increase their aid engagement with the new Government. While our aid relationship is strong, the reality is Australian ODA in 2014-15 only amounted to 0.28 per cent of Sri Lankan Government expenditure, 0.04 per cent of GDP and 3.2 per cent of total ODA. So our aid must be well-targeted, build on successes and leverage Sri Lanka's own resources to deliver development outcomes.

This APPR is the last to report on the 2012-16 Sri Lanka aid program strategy. The new Sri Lanka AIP 2015-19 took effect in October 2015. The 2012-16 strategy set two program objectives: help improve social and economic indicators in lagging regions, and support the implementation of policies and programs for inclusive growth and improved service delivery. These objectives responded to the policy priorities of the Australian aid program at the time, and also the needs identified in the *Mahinda Chintana: Vision for the Future* development policy of the former Sri Lankan Government.

While much of the 2012-16 strategy remains relevant, the development context in Sri Lanka and the aid policy context in Australia continue to evolve. Our new AIP responds by accelerating the aid relationship toward an economic partnership approach. It seeks to support reconciliation and respond to policy signals from the new Sri Lankan Government on economic and social development. With presidential and parliamentary elections not due again until 2020, the prospects for policy stability over the life of the new AIP are promising.

Expenditure

In 2014-15, Australia's bilateral aid expenditure to Sri Lanka decreased slightly to \$32.8 million (from \$33.2 million). This allocation was fully expensed within the 2014-15 financial year. DFAT's regional and global programs, and those of other Australian government agencies, brought Australia's total official development assistance (ODA) to \$43.5 million (up from \$40.8 million the year before).

Table 1 Total ODA Expenditure in FY 2014-15

Objective	A\$ million	Per cent of total ODA
<i>Bilateral</i>		
Objective 1 – Improved social and economic indicators in lagging regions	21.3	49
Objective 2 – Policies and programs implemented at national and sub-national levels that aim for inclusive growth and improved service delivery	11.5	26
Sub-Total Bilateral	32.8	
Regional and Global	7.8	18
Other Government Departments	2.9	7
Total ODA Expenditure	43.5	

Progress towards Objectives

Progress toward the Sri Lanka program's objectives was strong. Both objectives were met, as were the majority of indicative targets related to the 2012-16 strategy. Evidence for this assessment is drawn from investment-level Aid Quality Checks, monitoring and evaluation material and external sources. Recent progress reflects the maturity of many of the program's investments, with a significant number either finishing in 2014-15, or entering their final phase.

This progress is a testament to the work of the program's managers to adapt and refine activities in response to performance evidence and a rapidly evolving country context. In a changing political

environment, Australia was able to continue to influence policy reform and support more responsive public institutions in several instances, especially at the sub-national level.

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

Objective	Previous Rating	Current Rating
Objective 1 - Improved social and economic indicators in lagging regions	Amber	Green
Objective 2 - Policies and programs implemented at national and sub-national levels that aim for inclusive growth and improved service delivery	Green	Green

Note:
■ Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.
■ Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
■ Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.
 Reporting period: 2014-15

Objective 1: Improved social and economic indicators in lagging regions

This objective improved from amber to green as progress met expectations following the release – after two years of delays – of the final tranche of funds to the World Bank-led infrastructure program (NELSIP). Strong infrastructure and governance outcomes were observed. Several other investments contributing to this objective finished in 2014-15 having met their project-level targets.

The program logic guiding this objective was that for Sri Lanka’s poorest districts – especially those affected by the civil conflict – to improve important social and economic indicators, Australia’s aid investments needed to focus on health and education access and quality, and facilitate sustainable economic development in key sectors. The performance assessment is based on progress toward the indicative targets (health, education and economic development) defined by the program’s performance assessment framework for 2012-16.

The first health target was to **increase access to safe water and improved sanitation**. This target was met through a combination of investments and activities over several years. Our partnership with World Vision International (WVI) in Central Province has provided safe water and sanitation to more than 87,000 people. This investment employs a collaborative management model involving local government communities and tea export companies on 21 tea estates. Other investments, including the World Bank North East Pilot Water, Sanitation and Hygiene Project (now successfully completed) and WVI Civil Society WASH Fund, successfully integrated a broad spectrum of civil society into management of WASH activities. Project partners, including governments, responded to gender and disability issues, such as in broadening representation on Water User Associations.⁸

The second health target was to **reduce the risk of death and injury from landmines and other unexploded remnants of war**. Our investments culminated in the Humanitarian Mine Action project, which concluded in 2014-15. During the years we invested in de-mining, the Confirmed Hazard Area in Sri Lanka reduced from 2,064km² to 78km² and mine incidents declined from 110 in 2002 to 22 in 2013.⁹ Australian aid directly contributed to de-mining 75.7 square kilometres of land. Recent investment in the Sri Lanka National Mine Action Centre supported the training of 53 staff and the purchase of 220 mine detectors and 250 protective outfits. This has assisted the clearing and releasing of high-priority residential and agricultural land, benefitting 34,900 returnees in the Northern

⁸ Sri Lanka North East – Water, Sanitation and Hygiene (WASH) Project Completion Mission: August 11-15, 2014. Aide Memoire; WASH Monitoring Visit Report, 13-16 July 2015.

⁹ International Campaign to Ban Landmines. 2014. *Landmine Monitor 2014*.

Province. Australian-supported mine risk education also reached over 390,000 people (men and women equally).¹⁰

The education target under this objective was to **increase primary school attendance and secondary school completion rates**. This was met through our contribution to the World Bank-managed Transforming Schools Education Project (TSEP). TSEP is a national program that supports Sri Lanka's Education Sector Development Framework to enhance access to, and the quality of, primary and secondary education. A mid-term review (March-April 2015) found national retention rates in the Grade 1-11 education cycle met the 2014 target of 85 per cent, up from the baseline of 82 per cent. Northern and Eastern provinces saw an increase of 4 percentage points, although both displayed below-national-average survival rates of 79 per cent and 74 per cent, respectively.¹¹ Australia's support of TSEP finishes in 2017. The emphasis over the next eighteen months will be on supporting governance in the education sector to ensure sustainability of results.

Three end targets were set for economic development. The first was to **increase access to improved economic infrastructure for about 600,000 families (around 1.7 million people)**. This was addressed through Australia's support for the World Bank-managed North East Local Services Improvement Project (NELSIP), which benefits over 1.3 million people across 101 Local Authorities (LAs). At the end of 2014, expectations were largely met, with local authorities completing 772 sub projects from a targeted 817. Completed works included 622.72km of access roads, 81 market places, 37 recreation parks, 52 drainage systems, seven community water supply projects and 10 rural electrification schemes.¹² Other activities contributing to this target, especially in Northern and Eastern Provinces, are funded under the Australian Community Rehabilitation Program Phase 3 (ACRP3). This project has increased access to improved economic infrastructure for communities by investing in infrastructure such as irrigation channels, rice milling machines, fish auction centres, cold storage and packing facilities.¹³

The second economic development target **was a strengthened capacity to manage and maintain economic infrastructure for 77 local government authorities**. NELSIP and ACRP3 have both contributed to meeting this target by funding activities that build the capacity of LAs to manage and maintain infrastructure. NELSIP has enabled 79 LAs to institutionalise key management functions, including preparation of participatory development plans, preparation of annual financial statements which are independently audited and competitive tendering mechanisms.¹⁴ The Asia Foundation (TAF), under ACRP3, has successfully helped implement automated revenue assessment in nine LAs and build capacity to implement enabling legislation.¹⁵

The final economic development target was an **increased ability of communities to hold local government accountable for the delivery of essential economic infrastructure**. NELSIP has supported 70 LAs to prepare participatory budgets. It has ensured 100 per cent of supported subprojects include community contribution and 80 per cent include community engagement in post-project sustainability.¹⁶ Our advocacy helped ensure women were equally represented on all 1,036 local management committees supported by NELSIP. The March 2015 Technical Support Team monitoring mission for ACRP3 found TAF had helped implement electronic citizen reports in four LAs and participatory budgeting in three. Other activities under ACRP3 enabled communities to hold

¹⁰ Final Report of Australia-Funded DASH Project 'Demining in Mullaitive and Kilinochchi Districts; 2013/14.

¹¹ The World Bank. Sri Lanka. Transforming the School Education System as the Foundation of a Knowledge Hub (TSEP) Project and related Australian Trust Fund. Mid-Term Review and Supervision and Implementation Support Mission. March 23-April 2, 2015. Aide Memoire.

¹² North East Local Services Improvement Project (Pura Neguma Project) 8th Implementation Review and Support Mission (September 08-22, 2014). Aide Memoire.

¹³ Australia Community Rehabilitation Program Phase 3 (ACRP3), Technical Support Team Field Monitoring Mission Report, February-March, 2015.

¹⁴ NELSIP 8th Implementation Review and Support Mission (September 08-22, 2014). Aide Memoire.

¹⁵ ACRP3, Technical Support Team Field Monitoring Mission Report, February-March, 2015.

¹⁶ NELSIP 8th Implementation Review and Support Mission (September 08-22, 2014). Aide Memoire.

government to account for the delivery of services. A network of women's self-help groups in Mannar district, Northern Province, initially assisting with savings and economic management, expanded to take joint action on issues such as public safety, access to services and gender based violence.¹⁷

These targets help provide a clear picture of progress toward this strategic objective, but, inevitably, do not explain all facets of the program. A key 2014-15 activity they do not pick up is Australia's humanitarian response to the Sri Lankan floods of December 2014, which affected more than one million people. Working through established international and NGO partners, Australia quickly dispersed over A\$3 million to affected areas to assist with recovery and rehabilitation of livelihoods.

Box 1: Engaging the private sector

In Sri Lanka, Australia has long funded partnerships between private companies and community organisations that involve shared ownership and joint equity in new enterprises as well as in economic and social assets. For example, Australia is supporting a crab processing factory in Poonakary to meet international processing and environmental standards via a partnership between a fishing cooperative, a seafood export company, and two government authorities. Over 1,000 families benefit from selling their catch at market rates to the factory, which then exports crab meat to the US market and employs 75 previously unemployed local women. Australian marine experts have also assisted local experts from the National Aquaculture Development Authority to improve the marine plan and build the capacity of local fishing families. In one year, this project processed 180,000 kilograms of crab and created 15,000 working days of employment. Under the new AIP, Australia will develop similar, scalable investments through the Economic Opportunities for the Poor program.

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

This objective maintained its green rating. On balance, program progress was as expected for this stage of implementation and the majority of targets were achieved. An area of concern is the delay in implementing a key investment in improving nutrition outcomes, particularly given Sri Lanka has failed to meet the MDG on under-nutrition.

The program logic guiding this objective is that long-term improvement in economic and social indicators requires Sri Lankan governments at the national and sub-national levels to implement policies and programs that foster inclusion and better service delivery for all citizens. The aid program engages in senior-level policy discussion with Sri Lankan governments, works with government systems, and supports civil society organisations. In addition to supporting good quality policy, the aid program looks to improve accountability and responsiveness in policy formation and implementation.

The health target under this objective was to **improve nutritional outcomes for poor and vulnerable people, with a focus on children and women**. Investment in achieving this target has been slow compared with the other pillars of the Sri Lanka aid program. Following extensive scoping and consideration of options, an agreement was signed in mid-2014 with UNICEF to deliver the Nutrition Support Project. This supports UNICEF to work, under the government's Multi-sector Action Plan for Nutrition, with the National Nutrition Secretariat (NNS) in improving their systems for delivering evidence-based equitable nutrition interventions to mothers and children. Some delays in the work of the NNS following the recent elections have been overcome and the project is now progressing in line with expectations and is set to be completed in 2016.

Four education targets were proposed under this objective, the bulk of which are addressed through Australia's support of the World Bank-managed TSEP. The first was to **adopt 'child-friendly' education**

¹⁷ ACRP3, Technical Support Team Field Monitoring Mission Report, February-March, 2015.

practices across primary and secondary schools, covering 4 million students. Australia successfully pushed for a “Child Friendly Approach” (CFA) to be incorporated into TSEP, and many of the objectives of that approach have been incorporated into the Sri Lankan Ministry of Education’s planning and quality assurance processes.¹⁸ All principals have now been trained in CFA approaches. DFAT has also entered into an agreement with UNICEF to undertake the Child Friendly Education Programme (CFEP) (2013-2016).

The second education target was to **improve infrastructure in 40 per cent of schools to comply with national standards for safe learning environments.** The 2015 mid-term review of TSEP found that the goal of improving the learning environments in 40 per cent of the approximately 10,000 public schools in Sri Lanka was being achieved. By 2014, 4,854 primary schools had received grants for physical quality improvement, had principals who were trained on the primary education curriculum and received related guidance and manuals. Some 1,005 flagship secondary schools were selected to be equipped with technological laboratories to improve learning in English, Mathematics and Science. By the end of 2014, 948 schools (94 per cent) had completed the construction of technological laboratories containing language laboratories, ICT centers and science laboratories. About 772 of these schools (77 percent) have been provided with IT and science equipment. About 206 laboratories are in operation, with the remaining laboratories expected to be in operation by the end of 2015.¹⁹

The third target was to **increase the quality of teaching and learning so children attain core competencies in reading, writing and maths.** Under TSEP, the following core project targets for the end of 2014 were met: 32,322 teachers had been trained (22,918 women, 9,404 men); 4509 schools had implemented a School Based Teacher Development program; the Grade 1 curriculum has been revised and piloted; the Grade 2 curriculum revision has commenced; Grades 6 and 10 mathematics and science teachers had been trained and related textbooks had been revised or completed and school committees have been organized and trained in 6610 schools. Multi-ethnic interactions took place in 5534 schools (84 per cent of the target). In 2014, the National Assessment of Learning Outcomes for Grade 4 in first language, maths and English found that performance in all subjects is satisfactory. However, conflict-affected and tea estate areas continued to perform less well against national standards in all three subjects. The Grade 8 assessment, conducted in December 2014, arrived at similar findings and has been used to inform education planning for 2015.²⁰ The Sri Lankan Government continues to have a strong commitment to TSEP and it is important the project now assists government by improving performance data analysis for decision making.

The final education target was to **improve the retention of disadvantaged children (including those with disability) and reduced regional imbalances in access to education.** In 2014, Australia funded a study on Special Educational Needs to identify and support barriers to inclusion including differently abled children. TSEP was rated satisfactory (the second highest rating) in both supervision missions in 2014.

The economic development target was to **improve employment opportunities for 90,000 people in 167 community forest groups through the sustainable management of forestry resources covering 23,000 hectares.** The primary mechanism for achieving this has been the Sri Lanka Community Forestry Programme (CFP). The programme reduces deforestation and forest degradation by involving communities in forest management, and builds Sri Lankan Forestry Department (FD) capacity to implement community forestry approaches nationally. Some 167 community forestry sites have been established in 18 administrative districts, reaching approximately 90,000 people. Supported activities include farmers’ woodlots, enrichment and buffer zone planting, and a home garden development program. Monitoring indicates the project is meeting its targets in terms of coverage and improved

¹⁸ See the World Bank’s Sri Lanka – Transforming the School Education System as the Foundation of a Knowledge Hub web page at <http://www.worldbank.org/projects/P113488/transforming-school-education-foundation-knowledge-hub?lang=en>

¹⁹ The World Bank. Sri Lanka. TSEP Mid-Term Review. March 23-April 2, 2015. Aid Memoire.

²⁰ The World Bank. Sri Lanka. TSEP Mid-Term Review. March 23-April 2, 2015. Aid Memoire.

long-term economic opportunities. Training was undertaken in 2014 to enhance FD officials' gender awareness. Now 261 women have titles in their own names for forest plots. Given the high number of Tamil-speaking districts in which the programme operates, the programme employed additional Tamil-speaking extension officers in 2014.²¹

Other agencies undertook ODA relevant to this objective, including the Attorney-General's Department (AGD) through the Bali Process and the Asset Recovery Interagency Network – Asia Pacific (ARIN-AP). ARIN-AP strengthens laws, builds capacity of law and justice officials and improves international crime cooperation to respond to people smuggling and human trafficking. In 2014-15, AGD trained 41 Sri Lankan prosecutors, judges and law and justice officials through legislation workshops; prosecutor pairing programs and training sessions on people smuggling, recovering proceeds of crime and protection of witnesses and victims of trafficking. Similarly, the Department of Immigration and Border Protection (DIBP) has funded projects totalling over AUD \$6 million in 2013-14 and 2014-15 to assist the reintegration of returned Sri Lankan nationals, focussing on employment opportunities, training and community stabilisation.

Box 2: Responding to gender inequality

Throughout the implementation of the 2012-16 country strategy, Australia worked to improve the sensitivity of implementing partners to gender issues. In addition to the advocacy and support for training undertaken in the CFP and NELSIP (discussed in Annex A), we increased demands on the seven implementing partners in ACRP3 to improve the quality of their gender analysis and design. In TSEP, considerable efforts were made to ensure gender and disability access were facilitated through improvements to learning environments and a landmark study assessing the gender dimensions of secondary school drop-out rates in Eastern Province. The program now needs to entrench its work on gender equality, especially in relation to women's economic empowerment and gender-based violence, but also in women's leadership. Increasing gender equality is a key objective in the new AIP 2015-19 and will be accompanied by a gender action plan and investment specifically focused on advancing gender equality.

Performance Benchmarks

All 2014-15 performance benchmarks were either achieved or partly achieved (see Appendix B). In particular, the effective dispersal of Australia's financial contribution to the World Bank-managed TSEP enabled strong performance against the education benchmarks. Performance benchmarks for 2015-6 are set out in the Sri Lanka AIP 2015-19.

Mutual Obligations

The new Government of Sri Lanka is yet to release a comprehensive development policy to replace the previous Government's *Mahinda Chintana: Vision for the Future*. But our close relationship means clarity is emerging between Australia and the new Government on many elements of economic, political and social reform. Major Australian-funded programs, such as NELSIP, TSEP and CFP are government-implemented and therefore reflect Government priorities. In the cases of NELSIP and TSEP, clear links exist between agreed government performance and disbursement of funds. The Sri Lankan Government is required to achieve Disbursement Linked Indicators each year in order to receive tranche funding (from Australia and the World Bank). In addition to joint monitoring by Australia, the World Bank and the Government of Sri Lanka, progress against TSEP indicators is independently verified by the Sri Lanka Association for the Advancement of Education. Under NELSIP, local authorities must meet agreed performance benchmarks, such as completion of audited financial statements and development of participatory budgets.

²¹ Sri Lanka Community Forestry Program. Fifth Program Supervisory Mission, September 2015.

Program Quality and Partner Performance

Overview

The Sri Lanka program has invested significantly in program monitoring, with staff undertaking regular field monitoring of investments in conjunction with partners and technical experts. The Sri Lanka program continued to consolidate in 2014-15 with several projects concluding, including NEP WASH, WASH in Child Friendly Schools, the UNICEF Child Friendly Education Program and UNHABITAT Housing initiative. The 2015-19 AIP envisages three investment pillars (and potentially only three investments, excluding Australia Awards and TSEP, which finishes in 2017) clustered around the three program objectives. The program will also continue to liaise closely with the World Bank and the Sri Lankan Government over the dispersal of Australian funds through to the completion of TSEP.

Two evaluations were published in the reporting period. A review of the Sri Lanka Community Forestry Project found it was contributing to ongoing change within the Forestry Department; the capacity to service the participatory needs of community forestry had increased; and attitudes within the Department towards communities had changed positively. However, the project's monitoring and evaluation system could do better in reporting on achievements and reforms. An independent completion report of the UNICEF/Ministry of Education Support to the Education Sector in Conflict Affected Areas in Northern Sri Lanka was positive, noting increased school attendance and community support for rehabilitated and reconstructed schools.

Analysis of Aid Quality Checks (AQC)s

Aid Quality Checks (AQC)s showed improved investment performance in 2014-15, with several investments addressing issues that had led to previous unsatisfactory assessments (see Annex D). There were no underperforming investments. However, NELSIP, despite having an overall positive impact on redressing gender inequality in service delivery, has received unsatisfactory scores against the gender equality criterion for the past two years. This result has occurred in large part because the manner in which women are being brought into local-level decision-making, as opposed to their numbers, has yet to improve to the degree originally hoped. DFAT will include a gender specialist in the next joint supervision mission to help address issues with management systems in several government agencies supported by the project. The Sri Lanka Humanitarian Mine Action investment, completed in 2014-15, also received an unsatisfactory gender equality score.

Performance of key delivery partners

Nine Partnership Performance Assessments (PPAs) covering the World Bank and a range of international organisations and NGOs, were undertaken in March-April 2015. All PPAs found partners had achieved at least satisfactory scores on: value for money; whether they worked in a collaborative, communicative and responsive manner; whether they operated in a manner consistent with DFAT's policies and priorities, and the effectiveness of their personnel. One NGO partner was found not to assist satisfactorily in delivering lasting results or impact, due to insufficient planning on their part for long-term sustainability. This is being rectified. Issues in managing the World Bank relationship raised in previous APPRs were resolved by DFAT investment managers in establishing and communicating core relationship principles.

Risks

Table 3 Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?	For emerging/ongoing risks provide a Risk Rating (low, medium, high, very high)
Necessary economic, political and social reform proceeds slowly or stalls	Post maintained its close relationship with the Sri Lankan Government during the change of leadership and was attentive to political and economic developments.	Post will develop and maintain strong relationships with new ministers and ministries and closely monitor aid investment performance.	Medium
Political contests derail the development of accountability and reconciliation mechanisms	Australia has maintained a strong and supportive relationship with Sri Lanka throughout the UNHRC resolution process.	Australia will stand ready to deploy its aid program to assist Sri Lanka develop its domestic accountability mechanisms.	Medium
Design and implementation of new investments under the AIP is delayed, causing disbursement delay	Scoping and design missions have been fast-tracked as much as possible.	DFAT will maintain a balance between quality assurance and timely approval of investments.	Low
Managing human resources to achieve all work requirements, particularly to achieve policy influence.	Continuous analysis of the allocation of resources at Post. Support from Canberra for program design and monitoring missions.	DFAT will ensure Desk adequately supports Post and responds with additional resources flexibly when Post's resources are fully deployed.	Low

Management Responses

All management responses identified in the 2013-14 APPR were achieved, except strengthening policy dialogue and influence, which was only partly achieved due to difficulties in influencing education reform (See Annex A). Key management responses to the performance and risk analysis in this year's APPR are:

- Accelerate progress toward an economic partnership approach that shares risk and value between government, markets and civil society;
- Ensure new program investments are embedded in government or private sector structures to increase the sustainability of their impact;
- Increase the focus on gender equality across all programming, in line with the new gender equality objective in the AIP, and
- Ensure the focus of TSEP in its final two years is on improving the quality of data analysis and usage by all stakeholders and ensuring the sustainability of gains to date.

Annex A - Progress in Addressing Management Responses

Management responses identified in 2013-14 APPR	Rating	Progress made in 2014-15
Develop an Aid Investment Plan (AIP) in 2014-15	Achieved	The Aid Investment Plan for Sri Lanka was finalised in 2015-16 but the analytical underpinnings were completed in 2014-15. The Plan is available on the DFAT website.
Commence design of new programs to fill the pipeline, including a planned flagship program that will focus on economic opportunities for the poor	Achieved	Three design processes for new investments commenced in 2014-15 and one new investment started. This includes the flagship program focused on economic opportunities for the poor.
We will appraise our framework for engaging with the World Bank on performance and strategic issues	Achieved	Our partnership with the World Bank has advanced. We have put in place a new partnership agreement for TSEP and mobilised a senior education expert with both DFAT and World Bank experience to support Post in engaging with the Bank on strategic issues.
The aid program will strengthen its emphasis on policy dialogue and influence. We will increase the focus on sustainability of outcomes and reforms across all programs under implementation and design, including through particular emphasis during Aid Quality Checks.	Partly achieved	All new investments are being embedded either in the market or in government systems to ensure sustainability. A number of our new investments will demonstrate reforms that can then be replicated on a larger scale. There is evidence that Australia's work on sub-national governance reform has been influential on the policy and practice of both the national government of Sri Lanka and major development partners such as the World Bank. However, Australia has had limited influence through policy dialogue on education reform.
We will work more closely with implementing partners to encourage the use of gender analysis and employ advisers when appropriate to ensure women and girls benefit from Australia's aid, with a particular focus on NELSIP and CFP	Partly achieved	Australia attempts to ensure all implementing partners take actions to improve the use of gender analysis in implementation. In the case of the Community Forestry Programme (CFP), which had previously received a low AQC rating for gender equality, the employment of a gender expert and increased training of Forestry Department officials has enabled considerable progress to be made. However, despite intensive work on the part of investment managers with the World Bank and the Sri Lankan government, NELSIP has witnessed less improvement in the use of gender analysis than was hoped for.

Note:

- **Achieved.** Significant progress has been made in addressing the issue
- **Partly achieved.** Some progress has been made in addressing the issue, but the issue has not been resolved
- **Not achieved.** Progress in addressing the issue has been significantly below expectations

Annex B - Progress towards Performance Benchmarks in 2014 -15

Aid objective	2014-15 benchmark	Rating	Progress in 2014-15
Improved social and economic indicators in lagging regions	Evidence of Australian grant funds for NELSIP being effectively utilised for social and economic outcomes by local government authorities	Achieved	After a two year delay, Australian funds to this project have been disbursed and World Bank reporting and joint monitoring missions indicate that funds have been received by designated local government authorities, with 80 per cent of capital grants having been released against allocation, and 98.5 per cent of block grants released to project districts having been expended. The most recent NELSIP review and support mission found that these grants were being effectively utilised, with surveys showing that 80 per cent of local people expressed satisfaction with local government service delivery.
	Evidence of Australian grant funds for NELSIP contributing to improved gender outcomes at the local level	Partly achieved	NELSIP's policy that all local oversight committees have 50% participation by women has been met. However, supporting equal voice for women related to decision making around local government services goes beyond just the numbers, it needs also to address cultural and political barriers that prevent women from having an equal say in how local resources are allocated and managed in their communities. Shifting local authorities' actions and attitudes on this has only been partly effective.
Policies and programs for inclusive growth and improved service delivery implemented at national and sub-national levels.	35 scholarships (including 18 scholarships for females) provided to commence study in Australia in 2015.	Achieved	35 Australia Awards were provided for study commencing in 2015. Of these, 18 awards were given to Sri Lankan women. The awardees are undertaking Masters programs at a range of Australian universities in target fields of study.
	Schools in at least 40 per cent of zones complete School-Based Teacher Development programs in 2014.	Achieved	The TSEP March-April 2015 mid-term review confirmed that the School-Based Teacher Development (SBTD) component of the project had made satisfactory progress. Schools in 43 zones (44 percent of all zones) had completed SBTD program by December 31, 2014, exceeding the TSEP target of 40 percent of zones at the end of 2014. There are 4,509 schools in the 43 zones which had completed the SBTD programs by December 2014. Schools in the target zones appear to understand the concept of SBTD but implementation is not uniform in all schools.
	School Development Councils, School Development Committees and School Management Committees organised and trained for the Program for School Improvement in at least 60 percent of zones in 2014.	Achieved	The Program for School Improvement (PSI) empowers schools to make and implement relevant management decisions to strengthen school performance and improve student learning. The PSI has a cycle of school planning, plan implementation, monitoring and progress reporting, and annual updating of the school plan. This component of TSEP has made satisfactory progress. Schools in 43 zones (44 per cent of zones) had completed the PSI cycle by December 31, 2014, exceeding the TSEP target of 40 per cent of zones at the end of 2014. Another 34 zones (35 per cent of zones) commenced the PSI cycle in 2014, exceeding the target of 30 percent of zones in 2014. In total, therefore, PSI had been implemented in 79 per cent of school zones.

Note:

- **Achieved.** Significant progress has been made and the performance benchmark was achieved
- **Partly achieved.** Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- **Not achieved.** Progress towards the performance benchmark has been significantly below expectations

Annex C - Evaluation and Review Pipeline Planning

List of evaluations completed in the reporting period

Name of Investment	AidWorks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
Sri Lanka Community Forestry Program	INK103	Mid-Term Review Evaluation Report	22 October 2014	18 March 2015	18 March 2015	25 June 2015
Support to the Education Sector in Conflict Affected Areas in Northern Sri Lanka	INJ 411 & INJ872	Joint Summative Evaluation/Independent Completion Report	18 December 2013	12 August 2014	14 January 2015	25 June 2015

List of evaluations planned in the next 12 months

Name of Investment	AidWorks number	Type of evaluation	Purpose of evaluation	Expected completion date
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Annex D - Aid Quality Check ratings

The previous investment level performance assessment system utilised Quality at Implementation (QAI) reports. Two criteria, Risks and Safeguards and Innovation and Private sector were not assessed in QAI reports and there have been significant changes in AQC reporting this year. Innovation and Private Sector is not a quality standard.

AQC ratings

Investment name	Approved budget and duration	AQC/QAI year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
North East Local Services Improvement Project (NELSIP)	\$25.37 million (2010/11 – 2015/16)	2014 AQC	5	4	4	4	5	3	4
		2013 QAI	5	3	2	4	4	3	n/a
Transforming Schools Education Project (TSEP)	\$37 million (2011/12 – 2015/16)	2014 AQC	5	5	4	5	5	4	5
		2013 QAI	5	4	4	5	5	4	n/a
Australian Community Rehabilitation Program (ACRP) Phase 3	\$45 million (2009/10 – 2014/15)	2014 AQC	6	5	5	5	5	5	5
		2013 QAI	6	5	5	5	4	4	n/a
Sri Lanka Community Forestry Project	\$4.97 million (2011/12 – 2015/16)	2014 AQC	4	4	4	4	4	4	4
		2013 QAI	4	3	3	3	4	2	n/a
Sri Lanka Australia Awards	\$6.9 million (2010/11 – 2014/15)	2014 AQC	5	5	5	4	5	5	5
		2013 QAI	5	5	5	4	5	5	n/a

FAQC ratings (include if relevant)

FAQC scores assess performance over the lifetime of the investment and should not be compared to the previous year's QAI ratings.

Investment name

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Sri Lanka Humanitarian Mine Action	\$20 million (2009/10 – 2014/15)	5	5	5	5	4	5	3	4

Investment 2

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = 6 = Very good; satisfies criteria in all or almost all areas

5 = 5 = Good; satisfies criteria in most areas

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

Less than satisfactory (1, 2 and 3)

3 = 3 = Less than adequate; on balance does not satisfy criteria but does not fail in any major area

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

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