



Australian Government
Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2017-18

Sri Lanka
September 2018

SRI LANKA AID PROGRAM PERFORMANCE INFORMATION 2017-18

SUMMARY

This report summarises the performance of Australia's aid program in Sri Lanka from July 2017 to June 2018 against the Sri Lanka Aid Investment Plan (AIP) 2015-19. Nine years after the end of Sri Lanka's long-running civil conflict, the current AIP focuses on building a long-term economic partnership with Sri Lanka to assist with Sri Lanka's future development.

The key objectives set by the AIP for achievement by 2019 are: to expand economic opportunities for the poor; support government to be more responsive to the needs of citizens and the private sector; and to increase gender equality. The guiding logic is that economies and societies perform better when markets operate efficiently, governments deliver services equitably, and women and people with disabilities are full participants in the economy and public life. Reconciliation and long-term stability are also important to Sri Lanka's future prosperity. The AIP complements a central tenet of Australia's 2017 Foreign Policy White Paper: Australia's future prosperity relies on a stable and prosperous Indo-Pacific.

Over the past year, the aid program has continued to build the economic partnership with Sri Lanka, with investments aimed at private sector led economic growth that is inclusive and reduces poverty. We have supported the Sri Lankan government's economic reform agenda, including through policy and technical advice that assisted the development of a new trade policy, a National Export Strategy, and a stronger investment framework, including substantial reforms to improve the ease of doing business. Our delivery partners have also assisted local governments to promote economic development, increase their tax bases and deliver services in a responsive manner.

Australia's aid investments in Sri Lanka have led to new jobs in the tourism industry. They have assisted farmers and fishers (for example, in the conflict-affected north and east) to benefit from potentially valuable export markets, and have also increased employment opportunities for women and people with disabilities. A new investment delivered by the International Finance Corporation (IFC) formed partnerships with some of Sri Lanka's largest companies to recruit and retain more women, promote women into leadership roles and ensure anti-sexual harassment mechanisms are put in place. We also assisted with strengthening the capacity of women to contest the local government elections, to help give effect to a new 25 per cent quota for female representatives.

The economic focus of the Sri Lanka aid program remains relevant as it enters 2019, the final year of the current AIP. The next AIP will look to build on this momentum.

Total Australian aid to Sri Lanka in 2017-18 amounted to \$27.6 million, with the bilateral component being \$19.5 million. DFAT's interpretation of most recent data from the Development Assistance Committee (DAC) of the OECD places Australia as the third largest bilateral grant donor of ODA to Sri Lanka. While Australia's development assistance remains only around 2 per cent of gross ODA to Sri Lanka, unlike most other donors our contribution is through grants rather than concessional lending, giving us a positive point of differentiation.

EXPENDITURE

Table 1 Total ODA Expenditure in FY 2017-18 (estimated)

Objective	A\$ million	% of total ODA
Objective 1 Expand economic opportunities for the poor	7.8	28



Objective 2 Support government to be more responsive to the needs of citizens and the private sector	6.3	22
Objective 3 Increase gender equality	5.4	19
Sub-Total Bilateral	19.5	71
Regional and Global	8.3	30
Other Government Departments	-	-
Total ODA Expenditure	27.6	100

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
Objective 1 – Expand economic opportunities for the poor	Green	Green
Objective 2 – Support government to be more responsive to the needs of citizens and the private sector	Green	Amber
Objective 3 – Increase gender equality	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.

OBJECTIVE 1 – EXPAND ECONOMIC OPPORTUNITIES FOR THE POOR



This objective has received a green rating, as it did last year, with progress remaining in line with expectations. *Economic Opportunities for the Poor (EOP)* is the cornerstone investment aligned with this objective. It includes three main activities: the *Market Development Facility (MDF)*, which forms business advisory partnerships with small to medium sized businesses in tourism and related sectors; the *Skills for Inclusive Growth* program (*SAIG*), building tourism industry skills for poor men and women in Eastern Province and Polonnaruwa district; and the *Local Empowerment through Economic Development (LEED)* project, linking fisheries and agricultural cooperatives in Sri Lanka’s Northern Province with domestic and export supply chains.

MDF overcame initial mobilisation challenges to meet and in some cases exceed expectations. The number of people benefitting from new jobs and higher incomes has increased compared with last year. Partnerships

are progressing well, with 145 jobs created, and 5,500 direct and indirect beneficiaries (January – November 2017). The jobs are full time, long term and better paid than average. Most have been taken up by women, particularly in former conflict-affected areas in Sri Lanka’s north and east, where there are few opportunities for formal employment. The partnerships have led to additional income of USD 672,000 and leveraged private investment worth USD 781,000.¹ These match or exceed expectations. *MDF* in Sri Lanka has taken steps to tighten its strategic focus, revising its strategy to better align with DFAT’s objectives and Sri Lanka’s national tourism plan.

After initial delays, *S4IG* is on track. It has completed a comprehensive analysis of the tourism and hospitality sectors in target districts in Eastern and North Central Provinces, providing a sound evidence base for project activities in sectors where data and analysis is sparse. Strong working relationships have been established with governments and industry at national and sub-national levels, and the first batch of six skills partnerships is being implemented. Gender and disability studies at the design phase have resulted in partnerships with a clear focus on inclusion. More than half the beneficiaries are women and one of the partnerships models disability inclusion.²

LEED, the longest running of these activities, concluded in June 2017, reaching expected outcomes. A subsequent one-year extension meant cooperatives and producer groups in Northern Province were able to consolidate their ability to operate independently, working with large buyers and exporters without additional support.³ Banks have provided members of cooperatives commercial loans without requiring collateral. In the past, this requirement for collateral had been a barrier, particularly in poor rural areas, and especially for women. A new phase of *LEED* is now being negotiated, with the aim of moving into new geographic areas and value chains.

OBJECTIVE 2 – SUPPORT GOVERNMENT TO BE MORE RESPONSIVE TO THE NEEDS OF CITIZENS AND THE PRIVATE SECTOR



Progress towards this objective is rated as being only partially on track. Despite significant achievements, detailed below, there have been delays in the establishment of key components of the *Governance for Growth* investment. In addition, an investment-level Monitoring, Evaluation and Learning (MEL) system is yet to be implemented, making it difficult to measure how well separate activities are collectively contributing to overall progress toward this objective.

The *Governance for Growth* investment began implementation in July 2017, with the aim of supporting the Sri Lankan Government’s economic reform program and contributing to improvements in the delivery of public services by sub-national governments. This cornerstone investment draws together several pre-existing governance activities, including *Eliminating Barriers to Inclusive and Sustainable Growth* (World

¹ MDF Annual Report 2017 (Internal Document)

² Skills for Inclusive Growth Six-monthly Report (Internal Document)

³ ILO. 2019. LEED Project Completion Report. (Internal Document)



Bank), the *Sub-national Governance Program* (The Asia Foundation) and *Women in Local Government* (IFES and Search for Common Ground). An investment-level MEL framework is planned for late 2018. For now, progress has been assessed within frameworks set for individual activities.

The World Bank-delivered *Eliminating Barriers to Inclusive and Sustainable Growth* program made progress in line with expectations, supporting the Sri Lankan Government's economic reform agenda. Achievements over the reporting period include a cabinet-endorsed trade policy framework to revitalise Sri Lanka's export competitiveness, a schedule for reducing para-tariffs and establishment of a national trade facilitation committee. Work also commenced on a trade information portal, to bring together 586 trade regulations, laws and procedures, and on providing a 'single window' for imports and exports. Sri Lanka's cabinet approved eight taskforces and work plans, including a new corporate plan to strengthen the Board of Investment and a strategy to promote investment. National strategies have been drafted for quality infrastructure and for innovation and entrepreneurship, soon to be submitted for endorsement by Sri Lanka's cabinet.

An independent, qualitative assessment of the *Sub-National Governance Program*, delivered by The Asia Foundation, stated that it was creating observable behavioural change among target groups by having a "close association with the partners, adopting a bottom-up approach, promoting a participatory culture and working within the system."⁴ It also delivered positive results that met the majority of its targets: providing technical support for new and existing taxation processes, developing business plans for economic infrastructure and introducing automated/mobile revenue collection. Citizen engagement has increased with a citizenship report card in target local authorities across the country and a small business barometer survey. There were, however, delays under the program's redress pillar and the independent assessment recommended the M&E system needed to have stronger feedback loops into program decision-making.

A third key component of the G4G investment is a Linkages Program that aims to build long-running partnerships between Sri Lankan and Australian government, research and civil society organisations, with a focus on building knowledge and capacity for rational policy making and implementation. Due to staff and budget realignment, establishment of this G4G component was delayed. It is anticipated it will be functional by the end of 2018.

The *Women in Local Government Program*, delivered in separate parts by the International Foundation for Electoral Systems (IFES) and Search for Common Ground, met program expectations by making a critical contribution to the ability of the Sri Lankan Elections Commission, police and the media to help prepare for a new quota for 25 per cent of local government representatives to be women, first applied in February 2018. This activity was responsible for training 453 women candidates for local government, developing a curriculum on roles and responsibilities of local government representatives.⁵ A police handbook was developed and distributed on violence against women in elections. Search for Common Ground delivered a study tour to Australia for six ministers from the Women's Parliamentary Caucus, to learn about a range of approaches to increasing the representation of women in politics, and policy responses in Australia to gender based violence.

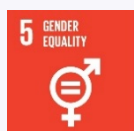
Two long-running World Bank managed projects, in which DFAT has invested over many years, were completed in the reporting period, with Final Aid Quality Checks finding they met or exceeded program expectations. As well as delivering much-needed community infrastructure in conflict-affected areas, the *North and East Local Services Improvement Project (NELSIP)* built the capacity of a 101 local authorities to

⁴ A Qualitative Assessment of the Sri Lanka Subnational Governance Program. Strategic Discussion Paper, March 2018. (Internal document)

⁵ IFES. "She Leads" Final Project Report (Internal document); See also www.ifes.org/news/she-leads-empowering-female-candidates-ahead-local-elections-sri-lanka

use participatory approaches to planning.⁶ Community surveys demonstrated increased trust and confidence in local authorities as a result. Likewise, the *Transforming Schools Education Project (TSEP)* performed well overall, directly benefitting four million Sri Lankan primary and secondary school students. Results included a significant improvement in the rate of students completing school, as well as improvements in the quality of education and results. *TSEP* was implemented through government systems, and there was a high degree of ownership by Sri Lankan government officials.⁷

OBJECTIVE 3 – INCREASE GENDER EQUALITY




This objective has been rated green, with positive progress across all main investments in line with expectations. Gender specific work under investments already mentioned will be detailed later in this section. In addition to this, implementation of the new stand-alone \$15 million *Women in Work* investment began in earnest in August 2017 with the appointment of a program director. Led by the International Finance Corporation (IFC), this four-year program aims to increase women's access to quality work, decision-making and leadership. Despite an initial delay, the program director quickly established important networks, ensuring the program has a high profile. In the first six months, 18 'SheWorks' partnerships have been formed with some of Sri Lanka's biggest companies, between them employing 200,000 people. The partnerships commit the firms to promoting women's leadership, recruitment and retention, and to ensuring that anti-sexual harassment mechanisms are effective. Partnerships have also been reached with the National Development Bank, to tailor financial products for women, the Central Bank to develop a national financial inclusion strategy, and the Ceylon Stock Exchange to establish a baseline for women on boards, develop a directory and produce a short film. However, the first six-monthly report received in April showed low expenditure rates and a need for more reporting on program activities. In order to ensure continued progress across the whole program, DFAT will push IFC for more detailed performance, results and budget reporting.

The *EOP* investment has a consistent focus on economic benefits for women. Under the *LEED* sub-activity, economic conditions for women have improved in farming, fishing and in micro, small and medium sized enterprises. Due to guarantees given by farming and fishing cooperatives, formed under *LEED*, women in rural areas have been able to receive loans from banks, without the collateral required in the past, and more women are members of cooperative boards. Of the jobs created in the tourism and hospitality industries, under the *MDF* sub-activity, most have been taken up by women. The first six partnerships formed were tailored to address women's skills gaps.

DFAT provided training, through the *Women in Local Government* program, to more than 450 women candidates for the local government elections, with many subsequently elected. Also under this program a handbook was produced to help police respond to violence against women during elections. Ministers from

⁶ Sri Lanka North East Local Services Improvement Project (NELSIP): Implementation, Completion and Results Report, by the World Bank June 2018, available at <https://dfat.gov.au/about-us/publications/Pages/sri-lanka-north-east-local-services-improvement-project-implementation-completion-and-results-report-world-bank.aspx>

⁷ Aturupane, Harsha. 2018. *Disclosable Version of the ISR - Sri Lanka - Transforming the School Education System as the Foundation of a Knowledge Hub - P113488 - Sequence No : 13 (English)*. Washington, D.C. : World Bank Group.



the Women's Parliamentary Caucus visited Australia on a study tour, aimed at increasing the representation of women in politics and informing government responses to gender based violence.

NELSIP made significant contributions to community infrastructure in conflict affected areas but has had a history of low Aid Quality Check ratings when it comes to gender equality. As noted in the Final Aid Quality Check, a gender inclusion plan was developed mid-way through the project, but implementation was inconsistent. DFAT monitoring found that *NELSIP* did benefit women, and provided opportunities for greater participation in planning decisions, and enhanced livelihoods, but the World Bank collected only limited data to support these observations. Among the lessons learned from *NELSIP* is that DFAT should insist on a separate budget line for gender equality and inclusion, for analysis, specific activities and monitoring.

The *Transforming School Education Program (TSEP)* was also delivered by the World Bank, in partnership with the Sri Lankan Ministry of Education. The Final Aid Quality Check (FAQC) for this activity also noted that gender equality was only made a priority by DFAT some way into implementation, rather than at the outset. The FAQC concludes that in future, gender equality should be incorporated during the concept and design phases of such an activity.

NELSIP and *TSEP* have both now concluded. Their limitations on prioritising gender equality, and measuring the impact of the projects on improving gender equality, will not have an ongoing effect on the Sri Lanka program. On balance, their performance should not detract from the green rating recorded against this objective.

MUTUAL OBLIGATIONS


The Sri Lankan Government continues to face challenges in implementing its political and economic reform agenda and internationally-endorsed transitional justice process. Overall, the country context has not shifted markedly since the previous reporting period, although, as provincial and national elections get closer (2019-2020) the focus of government is naturally turning toward electoral concerns. Overall, the AIP's development logic and our existing government-to-government agreements remain valid.

The 2017 Sri Lanka-Australia Development Cooperation Memorandum of Understanding continues to guide our development relationship. It commits the Sri Lankan Government to work with the Australian Government to promote the achievement of the Sustainable Development Goals, regularly review projects, ensure transparent sharing of data and assist in facilitating Australian projects (including applying the Australia-Sri Lanka Double Taxation Avoidance Agreement). More specific sets of mutual obligations are then established at the investment or activity level. For example, subsidiary arrangements are in place with the Sri Lankan Ministry of Tourism for the MDF and the Ministry of Skills Development for S4IG. These require the relevant ministries to contribute to project oversight, facilitate project implementation and engage in project reporting. The Sri Lankan Government met its commitments under these subsidiary arrangements over the reporting period

Similarly, under the TAF projects, local authorities and the Northern Provincial Council have agreed to implement administrative and structural changes in return for project assistance.

PROGRAM QUALITY

Overall, the internal Aid Quality Check (AQC) ratings for the Sri Lanka program were satisfactory to good, in line with AQC ratings for the previous two years. Exceptions to this were for disability inclusion (with less than adequate ratings for EOP, Women in Work and *NELSIP*), monitoring and evaluation (less than adequate ratings for Women in Work and *NELSIP*) and for gender equality (*NELSIP* and *TSEP* given a less than adequate score). Final Aid Quality Checks (FAQCs) for *NELSIP* and *TSEP* note that it would have been better for DFAT to include gender equality as a priority for these investments at the outset, rather than trying to include it after



the projects had begun. These two World Bank delivered projects have been completed, so less than satisfactory ratings in these particular areas should not affect the quality of the aid program in the future. Lessons have been learned and noted.

After receiving a green rating for the last two APPRs, in this APPR an amber rating has been given to 'Objective 2 – to support government to be more responsive to the needs of citizens and the private sector.' This is in part due to the lack of an investment-level MEL system to measure results. If this is in place as planned by late 2018, the amber rating for objective 2 should improve to a green rating in next year's APPR.

MANAGEMENT ACTIONS

EOP:

Post to advance the revalidation of the EOP MEL framework, to measure the social, cultural and environmental impacts as well as the aggregated economic impact.

Post to ensure MDF takes a clearer strategic focus, reorienting the project's strategic plan by the end of 2018, and ensure that MDF has allowed sufficient resourcing to make it operational.

Post to ensure S4IG is testing new skills delivery models and that implementation is on track, especially in relation to the inclusion of people with a disability.

Post to encourage learning, collaboration and leveraging between EOP partners. This should include cross learning between MDF, S4IG, LEED and Women in Work on gender and inclusion.

Governance 4G:

Desk and post to work together to ensure an investment level MEL system is in place to be applied to the 2019 AQC.

Desk and post to work together to establish a G4G Linkages Program.

Establish a G4G technical assistance team.

DFAT to review SNGP, due to finish in March 2019.

DFAT to monitor effectiveness of G4G partners in promoting gender equality.

Gender Equality:

DFAT to recruit an external advisor to assist with monitoring the program and providing expert advice across the bilateral program.

DFAT to work with IFC to improve qualitative monitoring of the Women in Work program, including greater visibility of the activity pipeline, clearer explanation of progress towards program targets and budget forecasts.

Program-wide

Desk and Post to advance development of the next Aid Investment Plan, including how better to mainstream strategies on gender equality and people with a disability.

ANNEX A- PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Describe progress made against management responses in 2016-17 report

Management responses identified in 2016-17 APPR	Rating	Progress made in 2017-18
Work to ensure that policy advice generated from our aid investments and advisors is of high quality and explore opportunities to advance trade through new technology.	Achieved	A Technology for Trade Conference run in Colombo in late 2018 highlighted the quality of Australian-supported policy ideas on this issue.
Review whole-of-government performance benchmarks and monitoring and evaluation systems of all investments to ensure that they a) are providing accurate, gender-sensitive and disability-disaggregated assessments of performance, and b) are assisting DFAT managers to track shifts in the political economy effectively, enabling appropriate adjustments to investments and activities to be made.	Partly Achieved	There was partial improvement in existing investment M&E systems, especially with respect to gender quality assessment. Delays in the development of new M&E systems, especially in governance programs, means this can only be assessed as partly achieved.
Establish a core team of technical experts (including monitoring and evaluation; gender and disability inclusion; private sector engagement) to provide DFAT with advice across all major investments.	Partly achieved	Existing arrangements with M&E and tourism experts were extended to cover delays in establishing a new, comprehensive advisor team.
Establish bi-annual implementation partner forums to promote collaboration and complementarities between investments.	Achieved	Partner forums established and will be built on as key places for information exchange.
Continue to explore how we can more effectively support the government to plan for and respond to predictable crises, including how to tackle complex challenges of climate resilience and sustainability.	Achieved	The decision to establish a standing humanitarian arrangement with established partners UNICEF and WFP has improved the efficiency and effectiveness of Australia's commitment.
Increase the effectiveness of our communications by packaging results from this APPR into a range of communication products.	Partly Achieved	Improved public diplomacy around the aid program was highlighted during the year, but better communication of results to key government decision-makers can be achieved.
Continue to deepen our knowledge and implementation partnerships with government, the private sector and civil society and to respond nimbly to the operating context.	Achieved	The relationship between Post and the Government of Sri Lanka and civil society remains strong and has helped leverage the impact of activities of DFAT's delivery partners.
Further advance gender equality and disability inclusion through our programs and a commitment to greater engagement of disabled persons organisations in our programs and gender equality on all panels involving DFAT staff.	Partly Achieved	A Sri Lanka-specific Gender Action Plan was finalised by Post and now guides programming and policy activities. Greater engagement with disability organisations remains to be achieved

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 – PERFORMANCE BENCHMARKS

Progress towards Performance Benchmarks in 2017-18

Discussion on progress against specific performance benchmarks in 2017-18 should also be included as part of the text assessing progress against individual program objectives in the main body of the APPR.

Aid objective	Performance Benchmark	Rating	Progress in 2017-18
Expand economic opportunities for the poor	Increase the targeted populations, including women and people with a disability, who have an increase in net additional income.	Achieved	The combined impact of MDF, S4IG and LEED has led to an increase in net additional income for increased numbers of women and people with a disability in the target regions.
Support government to be more responsive to the needs of citizens and the private sector.	Increased satisfaction of citizens and the private sector with national and subnational government performance in delivering key services.	Partly Achieved	The lack of an investment-level MEL system makes this difficult to measure. While our programs have supported governments, with tangible and positive results, satisfaction levels are also affected by perceptions about the performance more broadly of the Sri Lankan Government.
Increase gender equality	Increase the number of women in targeted populations in formal and informal employment	Achieved	EOP, G4G and WiW are all achieving tangible and positive results, creating more sustainable jobs for women in target areas.

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 PLANNING

LIST OF EVALUATIONS COMPLETED IN THE REPORTING PERIOD

Investment number and name (if applicable)	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
North and East Local Services Improvement Project Independent Completion Report	INK283 North and East Local Services Improvement Project	June 2018	July 2018	N/A	North and East Local Services Improvement Project Independent Completion Report

ANNEX D- AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings.

Investment name	Approved budget and duration	year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Economic Opportunities Program	\$33m 2014-2022	2018 AQC	5	4	4	4	4	4	N/A
		2017 AQC	5	4	4	3	4	4	N/A
Governance for Growth	\$14m (last year's APPR said \$25m?) 2016-2021	2018 AQC	4	4	4	4	4	4	4
		2017 AQC	5	4	4	4	5	4	N/A
Women in Work	\$15 2015-2021	2018 AQC	5	4	4	3	5	5	N/A
		2017 AQC							

HAQC RATINGS (include if relevant)

Humanitarian response AQC's assess performance over the previous 12 months (ratings are not compared to previous years).

Investment name	Approved budget and duration	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Connectedness	Protection	Gender equality	Risks and Safeguards
Investment 4	\$3m 2015-17	5	5	3	4	2	6	1	4

FAQ RATINGS (include if relevant)

Final AQC's assess performance over the lifetime of the investment (ratings are not compared to previous years).

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
North East Local Services Improvement Program (NELSIP)	\$26m 2011-18	5	5	4	4	3	4	3	N/A
Transforming School Education Project (TSEP)	\$49 2011-2017	5	5	5	5	4	5	3	N/A

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.