



Aid Program Performance Report 2012–13 Sri Lanka

Key messages

This report summarises the aid program to Sri Lanka's progress in 2012–13 against the objectives of the *Australia – Sri Lanka aid program strategy 2012–16*:

1. improved social and economic indicators in lagging regions
2. policies and programs for inclusive growth and improved service delivery implemented at national and sub-national levels.

Key progress points include:

- > Performance information at initiative level confirms Australian aid is achieving significant results in Sri Lanka, including:
 - supporting 1359 schools and approximately 300 000 students in Sri Lanka's most disadvantaged areas to improve education outcomes
 - improving water, sanitation and hygiene improvements for about 53 000 students and 3000 teachers in 159 schools in some of Sri Lanka's poorest provinces
 - increasing agricultural incomes (by US\$1.5 million) and improving incomes for 7500 women
 - repairing and reconstructing 23 schools in Northern Province damaged in the most heavily conflict-affected areas
 - clearing more than 6 km² of landmines in conflict-affected areas, allowing people to return home and rebuild livelihoods.
- > The Australian Government aid program is catalysing pro-poor policy reforms at national and sub-national levels, with strong potential for improving social and economic outcomes in lagging regions. More work is needed to understand barriers to women's social, economic and political empowerment in Sri Lanka.
- > Most of the Australian Government's implementing partners in Sri Lanka have delivered results and are reliable, flexible and responsive.
- > Work has started to help support agency-level reforms which will strengthen Australia's partnerships with the multilateral organisations in Sri Lanka, especially the World Bank.
- > The Australian aid program faces three key challenges for the duration of the program strategy:
 - a. A complex and changing operational environment for donors in Sri Lanka, which requires sustained focus on understanding political, economic and social dynamics, and contingency plans in place to ensure agility if adjustments to programming are required.
 - b. Resolving issues in two major Australian-financed World Bank projects which support Sri Lankan Government priorities and designing replacement programs if necessary.
 - c. Reforming business processes and legal frameworks to strengthen the Australian government's partnerships in Sri Lanka.

Context

Sri Lanka has made good national development progress across many indicators, but many challenges remain and it is unclear if the country is on course to further reduce poverty.

Growth was respectable at 6.2 per cent in 2012 although lower than the 8.3 per cent recorded in 2011 (this fall was in part due to a severe drought that had an impact on agriculture and hydropower production). Growth is projected to stay at or above the 2012 rate for the next five years. This growth trajectory is below national ambitions, as outlined in *The Mahinda Chintana – Vision for the Future*.¹ It is also lower than what many economists believe should be possible in Sri Lanka's post-conflict era (the 26-year civil war ended in 2009). If current growth rates continue, Sri Lanka will be well placed to expand per capita incomes and support national plans to rebuild the nation. However, strong growth cannot be taken for granted. Looming fiscal consolidation pressures may limit growth in coming years, as could shocks in regional and global economies.

National unemployment figures are low, around 4 per cent, although this masks regional, age and gender disparities. The 2011 labour force participation rate was 55 per cent—compared to the global average of approximately 64 per cent.² Inflation has been stable at 6 per cent since 2009 following a decade of volatility. Social indicators at the national level continue to improve. Sri Lanka's score of 0.715 on the 2013 Human Development Index puts it in the 'high human development' category—a first for any South Asian nation. And the country remains on track to meet all Millennium Development Goals (MDGs) if it can turn around lagging progress on nutrition.

Sri Lanka has made good progress on gender equality, in comparison to the region as a whole, having met MDG 3. Girls and boys have equal access to education and girls are performing better than boys against some indicators. However, only 13 female parliamentarians are in the current parliament (less than 6 per cent of the total), of whom three (out of 225) are national members. The proportion of female district representatives in the national parliament is much lower. The *Sri Lanka Human Development Report 2012* attributes political under-representation to social, economic and cultural barriers that make it difficult for women to be nominated and elected. Labour force participation by females in Sri Lanka has remained at 30 per cent for many years.³

Up to 30 per cent of people living in Sri Lanka's lagging regions live below the international poverty line of \$US2 per day. The distribution of people living in poverty varies between provinces. Sri Lanka Central Bank data reports that the poverty rates in Eastern, Northern and Uva provinces are three to four times greater than in Western Province (which includes the capital, Colombo). Despite significant reductions in poverty over the last 20 years, many Sri Lankans, particularly in lagging regions, are at risk of slipping back into poverty and are particularly vulnerable to economic shocks and natural disasters.

Government spending on health and education is relatively low in Sri Lanka compared to other middle-income countries. It has fallen from 2011 levels—from 1.9 to 1.8 per cent of gross domestic product (GDP) for health, and from 1.4 to 1.3 per cent of GDP for education. Nutrition remains a serious national issue with stunting rates ranging from 8 per cent in

¹ <http://www.treasury.gov.lk/publications/mahindaChintanaVision-2010full-eng.pdf>

² For example, unemployment in Eastern Province is 6.8 per cent, and for women in Eastern Province it is 19.5 per cent—Sri Lanka Department of Census and Statistics; World Bank Data Catalogue, 2013.

³ Institute of Policy Studies. <http://www.ips.lk/talkingeconomics/2012/10/gender-equality-in-human-development-whats-holding-sri-lanka-back-2/>, viewed on 4 June 2013.

Colombo to 41 per cent in the hill country district of Nuwara Eliya.⁴ While school completion rates are generally high, education quality and student performance on national exams are mixed. This is particularly concerning in lagging regions, including in plantation regions and areas of Eastern and Northern provinces recovering from the civil war.

Lack of detailed, disaggregated data is the major impediment to assessing if national gains are helping the poorest and most vulnerable. Evidence that exists suggests regional disparities are not yet narrowing, especially in lagging regions. Colombo and Western Province continue to account for approximately 45 per cent of national GDP with knock-on effects to the distribution of poverty across the nation.⁵ Data on regional disparities is covered further under Objective 1.

Uncertainty over prospects for reconciliation remain. The September 2012 closure of the last camp for people who were internally displaced in the final phase of the civil conflict was a major landmark, although not all have returned home. This landmark is important in the ongoing efforts to achieve lasting peace and reconciliation between the parties to the conflict. However, levels of media openness and democratic freedom are keys to reconciliation. The Reporters without Borders Press Freedom Index ranks Sri Lanka 162 out of 179 on press freedom in 2013. Civic participation has dropped in provincial elections from about 70 per cent in 2008 to less than 45 per cent in 2012. In its latest Democracy Index, the Economist Intelligence Unit ranked Sri Lanka at 89th in 2012 (from 57th in 2011).

The donor landscape is changing. Traditional OECD – DAC⁶ donors and multilateral lenders continue to scale back investments while financial flows from other nations including China, India and Iran are increasing.⁷

Changes in Sri Lanka's operating context underline the need for Australia to continue to pursue aid objectives through flexible engagement. Australia is now the second largest OECD – DAC donor in Sri Lanka, after Japan, although the volume of Australian aid is relatively small (only about 5 per cent of aid flows). The bilateral relationship remains constructive, strong and founded on many elements beyond the aid program. These include a healthy trade relationship, strong people-to-people links, particularly through education, tourism travel growth between both nations, and important cooperation on combating people smuggling.

Sri Lankan Government and development partner programs are targeting improvements for Sri Lanka's lagging regions. Some of the Sri Lankan Government's national and sub-national programs for economic and social development now operate in areas formerly affected by the 26-year civil conflict. These include large programs to develop infrastructure of national significance like national highways. Such investments highlight the role the Sri Lankan Government hopes economic development will play in post-conflict reconciliation. Australia continues to carefully appraise opportunities to support initiatives led by the Sri Lankan Government, and to date has made commitments to education reform and economic infrastructure reconstruction.

The team of Aid program staff managing the Sri Lanka country program has grown gradually over the reporting period, but pressures remain significant. Led by a Counsellor at the Colombo Post, the team comprises three Australian-based and nine

⁴ United Nations Children's Fund (UNICEF), Sri Lanka: Health and Nutrition Briefing Sheet. http://www.unicef.org/srilanka/2012_SL_fast_facts_HN.pdf

⁵ Sri Lanka Household Income and Expenditure Survey 2009–10, Sri Lanka Department of Census and Statistics.

⁶ Organisation for Economic Cooperation and Development – Development Assistance Committee.

⁷ Ministry of Finance and Planning, *Annual Report 2011*, Chapter 6.4, 'Foreign Financing'.

overseas-based officers (five program and four administrative staff) in Sri Lanka, and the equivalent of 3.5 full-time staff in Canberra. The program benefits from the support of the South Asia Regional Education Advisor, accessing about 30 per cent of the advisor's time. The program has no other dedicated technical support.

Expenditure

Tables 1A and 1B outline Australian expenditure against the objectives of the Sri Lanka program strategy for the 18-month period January 2012 to June 2013. The purpose of these tables is to cover the transition from calendar year to financial year reporting in aid program performance reports (APPR).

Table 1A Expenditure 01 Jan 2012- 30 Jun 2012

Objective	A\$ million	% of bilateral program
Objective 1—Improved social and economic indicators in lagging regions	17.6	65
Objective 2—Policies and programs implemented at national and sub-national levels that aim for inclusive growth and improved service delivery	9.6	35

Table 1B Estimated expenditure in FY 2012-13

Objective	A\$ million	% of bilateral program
Objective 1—Improved social and economic indicators in lagging regions	16.8	63
Objective 2—Policies and programs implemented at national and sub-national levels that aim for inclusive growth and improved service delivery	9.9	37

Progress towards objectives

Table 2 provides the current rating of the program's progress towards its two objectives, and the rating assigned in last year's Annual Program Performance Report (APPR).⁸

Table 2 Rating of the program's progress towards the objectives

Objective	Current rating	Previous 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	Amber	Amber

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time 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 for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

⁸ Prior to 2012-13 Aid Program Performance Reports were called Annual Program Performance Reports.

Objective 1: Improved social and economic indicators in lagging regions

The amber rating reflects the fact that despite Australia's partnership in programs strongly targeted at lagging regions, funding did not flow as intended to large World Bank-coordinated programs in 2012–13. Also, incomplete data and lack of robust baselines continue to make it difficult to make confident judgements about the significance of our contribution.

Selected Australian aid investments in lagging regions have achieved significant results.

There is potential for improving social and economic outcomes for the poor within the strategy period. Positive results, if carried forward, could contribute to sustained social and economic improvements in targeted areas. These results build on the strong legacy of our aid in these areas over the last 10 years. This includes emergency and humanitarian aid following the 2004 tsunami and the end of the conflict in 2009, plus our long-term, ongoing commitment to local economic empowerment.

Results of Australian aid that contribute to achieving Objective 1 and Objective 2 are outlined in 10 quality at implementation (QAI) reports for 2012, and two major independent evaluations—the mid-term review (MTR) of the current phase of the Australian Community Rehabilitation Program (ACRP), and the completion report for the Basic Education Support Project (BESP).

Tangible development results for 2012–13 include:

- > Supported 1359 schools and approximately 300 000 students to improve the quality of education outcomes in Sri Lanka's most disadvantaged areas (BESP with UNICEF).
- > Provided water, sanitation and hygiene (WASH) improvements to about 53 000 students and 3000 teachers in 159 schools in some of Sri Lanka's poorest provinces, including Central, Uva, Eastern and Northern (Water, Sanitation and Hygiene in Schools, with UNICEF).
- > Provided, through ACRP partners, access to safe water for 5690 people, access to sanitation for 1365 people, increased agricultural incomes (by US\$1.5 million), improved incomes for 7500 women, trained 3000 public servants and supported 61 civil society organisations to track service provision across the country. While the ACRP operates in many areas, most results were delivered in Sri Lanka's poorest provinces: Central, Eastern and Northern.
- > Repaired and reconstructed 23 schools in Northern Province damaged in the most heavily conflict-affected areas of Kilinochchi and Mullaitivu.
- > Cleared more than 6 km² of landmines in conflict-affected areas allowing people to return home and rebuild livelihoods.

A MTR of the World Bank's North and East Local Services Improvement Project (NELSIP)⁹ in February 2013 documented significant achievements from the use of World Bank loan funds. Examples include construction of rural and village roads (300 km), construction of drainage systems (16 km) and electrification of 16 villages. Other examples include

⁹ NELSIP is a three-way partnership between the World Bank, the Sri Lanka Government and Australia. The budget over four years (2010–14) is about \$120 million: a \$US50 million World Bank loan, \$US34 million from Sri Lanka and a \$25.4 million supplementary grant from Australia. NELSIP rebuilds economic infrastructure that was destroyed or neglected during the civil conflict. It also builds the capacity of all 76 local authorities (the equivalent of Australian local government councils) across Eastern and Northern provinces to respond to citizen needs for economic infrastructure (such as rural roads, market places and irrigation systems).

generation of increased revenue by local government and increased citizen satisfaction with service delivery. Mobilisation of Australian funds will significantly build on these achievements.

The World Bank remains Australia's principal partner for development assistance to Sri Lanka. Over recent years the World Bank has maintained a productive relationship with the Sri Lankan Government across its broad portfolio, with loans totalling US\$205 million in 2011. The World Bank has an extensive array of specialist advice which can assist Sri Lanka address its development challenges. The Australian Government's \$62 million, four-year commitment to two large-scale World Bank loan projects accounts for about 70 per cent of our annual aid to Sri Lanka. The rationale for working with the World Bank on these projects includes the:

- > World Bank's global reach and ability to manage risk and deliver results
- > projects' alignment to the objectives of our aid program in Sri Lanka
- > Government of Sri Lanka's own investment in these activities (through national budget allocations and World Bank loans).

However, there were delays to mobilising Australian funding to two World Bank projects, which seriously undermined the ability to contribute to achieving this objective in 2012–13. Although the World Bank has a broad portfolio in Sri Lanka, during the reporting period it did not obtain Government of Sri Lanka agreement for our support to World Bank-led initiatives in infrastructure (NELSIP) and education (Transforming School Education Project—TSEP). The World Bank has therefore not been able to disburse previous payments received from Australia. As a result, we have not yet contributed to these development priorities, and anticipated funding for NELSIP in 2012–13 was diverted to alternate partners and activities to support this objective.

An agreement between the Government of Sri Lanka and the World Bank for the use of Australian funds to support TSEP was finally reached in late July 2013. The Sri Lanka program is now working with the World Bank to address the ongoing delays with the NELSIP agreement, plus separate work to ensure agreements for remaining Australian support to TSEP are secured. Satisfactory resolution between the World Bank and the Government of Sri Lanka is expected, although the nature, timing and impact are uncertain. Outcomes may require program adjustments. In parallel, the department is exploring options to improve standard business processes and legal frameworks with and within the World Bank.

Peace has allowed the Sri Lankan Government and others to collect data that was difficult or impossible to collect during the conflict. However, some data are still not complete. This, along with lack of robust baselines, makes it difficult to make confident judgements about our contribution to achieving Objective 1. Quality of data on lagging regions has improved. The most significant example was the national census the Sri Lankan Government conducted in early 2012. For the first time in decades the census included Eastern and Northern provinces. Sri Lankan Government agencies concerned with social development—especially in health and education—are gaining deeper knowledge on the quality and coverage of essential services in lagging regions. A picture of vital economic indicators in Sri Lanka's poorest regions—such as household incomes, labour market participation and rates of investment—is steadily emerging from agencies such as the Central Bank of Sri Lanka. Development partners, particularly the United Nations Development Programme (UNDP) through its 2013 Sri Lanka Human Development Report, are adding insights on how social and economic indicators changed over the reporting period. This includes some data disaggregated by gender, province and ethnicity.

Despite progress in collecting data, robust baselines on economic and social development are only just emerging. This, combined with insufficient data at provincial level, hampers our ability to form confident judgements about the significance of the results of our funding

against Objective 1. **Available** data shows that unemployment rates in Eastern Province are twice the national rate (8.6 per cent) and that the female employment rate in-province is almost five times the national rate (18.6 per cent). Also, as at December 2012, around 16 000 people were still displaced by the end of civil conflict and unable to return home. These people were living with host families or on state-owned land awaiting resolution to land tenure and other issues.

The Department of Immigration and Border Protection supports a multi-year aid program focusing on Sri Lanka's displaced people. Currently it is not possible to judge how this contributes to achieving Objective 1. The Department of Immigration and Border Protection, through its Displaced Persons Program, supports Australian non-government organisations (NGOs) and international development bodies to work in Sri Lanka's lagging regions. The program focuses on improving the lives of internally and externally displaced people.¹⁰ It started implementation in Sri Lanka in at least 2009–10 and has supported the implementation of 12 activities with five implementing partners. Expenditure since 2009–10 was \$8.6 million, with \$2.7 million spent in 2012–13.

The Displaced Persons Program is aligned to the strategic intent of Australian aid to Sri Lanka. Increased performance reporting would assist us to judge whether the program is making a significant contribution to achieving Objective 1.

To strengthen Australian aid delivered by other government agencies, the Government has introduced a set of uniform standards to be applied by all Australian Government agencies in planning, delivering, monitoring and reporting of Australia's aid program.

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

The rating is based on good performance by some implementing partners, important policy reform wins in education and timely efforts to support national efforts to rid Sri Lanka of landmines. The protracted delay with the funding agreement for Australia support to our joint education project with the World Bank has contributed to an amber rating for this objective.

Complementary investments with a range of partners have enabled Australia to support education reform at national and provincial levels. Building on existing work with UNICEF through the BEP, Australia began to support the Government of Sri Lanka's Education Sector Development Framework and Program (ESDFP) in 2012. Australian funds will be channelled into the ESDFP through the TSEP.

Our involvement included substantial input on the design of TSEP and ESDFP, including through policy dialogue. This enabled us to influence national education policy and reform in important ways, including those listed here.

- > Adoption of the principles of child-friendly schools¹¹ as modelled through the BEP. The Sri Lankan Government has taken ownership of implementation, including through the

¹⁰ The objectives of the Displaced Persons Program are to: reduce the prospect and flow of irregular arrivals from source countries; encourage sustainable voluntary returns of persons no longer in need of protection, including through increasing livelihood opportunities; support countries of first asylum and transit countries to host refugee populations where return is not practicable or feasible, including through increasing asylum seeker registrations, and supporting resettlement and local integration; and enhance the protection role of relevant agencies in source countries, countries of first asylum, and transit countries.

¹¹ According to UNICEF, a 'a child-friendly school reflects a *quality* environment. A child-friendly school regards education as every child's right and helps to monitor the rights and well-being of every child in the community. A child-friendly school acts in the interests of the 'whole' child, which includes his or her health, nutrition and overall well-being. A child-friendly school cares

Presidential Secretariat. The child-friendly approach may be incorporated into the national Program for School Improvement, which aims to increase participation, equity and transparency in the education system.

- > Advocacy with the National Institute of Education to revise student and teacher training curricula to promote social cohesion and inclusiveness.
- > Enhanced appreciation of primary and secondary education as separate phases of learning that require distinct support and resourcing in national and sub-national education policy and management.
- > Some evidence of increased data disaggregation, including by gender, region and medium of instruction (Sinhala and Tamil) at provincial, zonal and district levels.

This policy discussion was achieved through intensive efforts by High Commission staff in Colombo, the Regional Education Advisor (based in Dhaka), and Australian funded education experts. Topics included participation in regular program monitoring, provision of technical advice to national and sub-national education officials, and regular engagement between High Commission staff and the World Bank in Colombo. Australia's positive contribution to ESDFP has been acknowledged by individuals in the Sri Lanka education system. Ongoing advocacy about a range of policy issues to improve the quality of and access to education is needed.

A protracted delay in signing the agreement between the Sri Lankan Government and the World Bank for Australia's support to TSEP undermined our contribution towards achieving this objective. With the agreement for use of our first two tranches of support to TSEP signed in late July 2013, our attention will shift to ensuring that necessary agreements for our remaining support in 2013–14 and 2014–15 are secured. These ongoing efforts, including plans to deepen policy discussion in the education section, are discussed under Management consequences.

UNICEF has been a long-standing humanitarian and development partner in Sri Lanka, playing a strong and positive leadership role in several sectors, especially in education.

As mentioned earlier in this report, the Australian -funded BESE, completed in December 2012, supported child-friendly education outcomes and reform in Sri Lanka. Australia has partnered with UNICEF on school reconstruction and a program to support water, sanitation and hygiene in schools. UNICEF has been responsive, flexible and reliable in delivering results under Objectives 1 and 2. UNICEF follows a child-friendly, gender-sensitive approach that emphasises broader community participation at every level. It has a good working relationship with the Sri Lankan Government and is highly regarded for its strong technical skills and field presence.

Australian aid has supported more inclusive national and sub-national governance and service delivery programs. Partnering with three multilateral organisations, three international NGOs, one technical agency and one foundation, the third phase of the ACRP¹² supported the pilot of community empowerment and participation approaches, some of which have been adopted by the Government of Sri Lanka. Support included:

about what happens to children in their families and communities before they enter school and after they leave it.' <http://www.unicef.org/turkey/gl/gl1.html>

¹² The ACRP Phase 3 is a five-year (2010–15), \$45 million program which tackles issues that entrench poverty and conflict in war-affected and lagging areas of Sri Lanka, including Central, Eastern and Northern provinces. The program is implemented through eight partners: three multilateral organisations (UNDP, International Organization for Migration, International Labour Organization), three international NGOs (Oxfam, World Vision and ZOA), one technical agency (GIZ, the German international aid agency—formerly GTZ) and one foundation (The Asia Foundation).

- > Integrating, by the Sri Lankan Government, ACRP-modelled approaches to public redress in all local government authorities in the East and North, and participatory budgeting in major towns across three provinces.¹³ The mid-term review of the ACRP described the impact of these measures on property dispute mediation by local government authorities as potentially transformative given the role of the authorities in delivering services at grassroots level.
- > Mainstreaming a UNDP-modelled school twinning approach by the Ministry of Education, which has contributed to inter-ethnic reconciliation and trust-building.
- > Applying The Asia Foundation-modelled systems for local government performance assessment by the Ministry of Local Government and Provincial Councils across the country. This ACRP-inspired system is also used for national awards presented by the Presidential Office to high performing local government authorities.

The ACRP has also modelled high-quality partnership sharing and collaboration, which the independent MTR suggested Australia and other donors emulate. The lessons from ACRP partnerships are being considered by areas of the department responsible for civil society programming.

ACRP partners continue to be responsive and flexible in delivering results, with significant policy dialogue, pro-poor reform and tangible development outcomes for poor and vulnerable communities. The Australian Government and ACRP partners have strong mutual understanding forged through close engagement over a long time. The ACRP is in Phase 3 and some partners have been involved since the program started 12 years ago. ACRP partners maintain a strong grassroots presence in the communities where they work, which are often in Sri Lanka's most difficult operating environments. Through the ACRP, Australia has been able to target populations acutely vulnerable to economic shocks and ethnic and religious violence. More information on ACRP partners is in the MTR.

Australian support for the transition of de-mining to full government ownership is maintaining international standards. Australia remains a leading donor in demining efforts in Sri Lanka. Since the end of the civil conflict our aid has cleared 74 km² of land and supported substantial capacity building efforts with the Government of Sri Lanka. We are on track to complete our \$20 million, five-year pledge in 2014. The Sri Lankan Government has committed to making the country mine-free by 2020 and the Ministry of Defence will take the lead role in de-mining from 2014. Building on collaboration with the UNDP to support the National Mine Action Centre, Australia is assisting national, regional and district Centre offices to build capacity to embed international demining standards to guide the planning, implementing and managing of safe mine action programs.

Australia is supporting UN-Habitat to strengthen Sri Lankan disaster preparedness, management and risk reduction. Australian support for disaster risk planning and strengthened building guidelines was continued in 2012–13. The development of city disaster management plans will reduce the human and economic costs of natural disasters in target towns and provide an example for other towns to follow.

Despite achievements, Australia's influence in Sri Lanka is modest. Australian aid to Sri Lanka represents about 5 per cent of aid flows, which collectively account for just 1.2 per cent of gross national income. As such, our performance against this objective has been judged proportionally. It has been largely progressed by opportunistic programming and policy discussion that seeks to broker relationships, pilot and demonstrate pro-poor policy and

¹³ The public redress model was piloted by GIZ and the participatory budgeting model by The Asia Foundation.

programs, and support the integration of inclusive and pro-poor considerations into government activities.

While objectives for policy discussion do not always lend themselves to simple design or monitoring, there were many success stories against this objective in 2012-13. Completion of the new program strategy's performance assessment framework will enhance the ability to make further progress against this objective as well as to monitor and evaluate such progress.

Program management

While the start of the new program strategy for Australian aid to Sri Lanka has allowed us to pursue a more deliberate approach to all aspects of aid management, important work remains. In 2012, the new program strategy (2012–16) was finalised, communicating the purpose of our aid to Sri Lanka and informing ongoing program development (for example, in technical and vocational education and training and nutrition).

Further work to support program delivery and performance management will include starting a delivery strategy for economic development investments and completing the program performance assessment framework. Work will involve closer engagement with all Australian Government agencies managing official development assistance to Sri Lanka, in program development and ongoing performance management.

Australia maintained a range of partnerships, at varying stages of development, during the reporting period. Most partners delivered strong results, responded to Australian government requests for information and participated in important policy discussion. Partner-to-partner exchange mechanisms have been developed under the ACRP, enabling partners to share experiences and approaches. This has resulted in innovative approaches to community-level poverty reduction. It has also included ongoing and flexible technical support to partners in conflict-mapping, gender inclusion, organisational capacity-building and thematic based discussion forums.

However, more work is needed in some areas. We need to build a stronger relationship with the World Bank, in particular. High Commission staff in Colombo are intensifying efforts to strengthen the partnership with the World Bank, including by communicating key policy priorities and reporting requirements, participating in monitoring activities, and holding (at the High Commission's initiative) quarterly meetings at country-head level.

Through a period of transition, substantial efforts to build a competent and cohesive aid management team in Colombo have paid off. Building on this foundation will be a priority for the year ahead. Important achievements were made in: team planning; training and development; and securing additional human resources (including a short-term Mission by an experienced overseas-based officer from Jakarta Post to cover an overseas-based staffing vacancy while recruitment processes are completed). Substantial reforms were also made to the Corporate Team at Post to improve effectiveness and efficiency.

Management consequences

Strengthen Australian aid's formal relationships with the Sri Lankan Government and implementing partners to improve policy dialogue on development issues. Particular priority will be placed on resolving issues relating to our joint education and economic infrastructure projects with the World Bank. This will include continued engagement in both World Bank projects in 2013–14. We will intensify existing work to strengthen our direct relationships with the Sri Lankan Government, focusing on central and line ministries related to existing and prospective investments. We will increase the level of direct communication and not always rely on other partners to facilitate discussions with ministries. We will seek to involve government officials more closely in DFAT operations, such as inviting them to join

program monitoring field visits, participate in department-led training sessions and, where appropriate, strategic planning processes. We will also look for opportunities to invite officials to participate in project steering committee meetings and attend partner presentations on Australian government-funded projects. We will invite senior government officials to Australian functions where they can interact informally with High Commission staff and our implementing partners. We will seek regular meetings with central agency officials to update them on the progress of our programs.

We will also strengthen and maintain alliances with other Australian Government departments active in Sri Lanka to: build a strong linked-up approach; facilitate sharing of information and lessons; and develop a broader approach that draws on the different interests and strengths of the Australian and Sri Lankan governments.

Develop and implement plans to identify, design, quality assure and contract alternative programs (in education and infrastructure) if currently planned investments in partnership with the World Bank do not proceed in 2013–14. We will continue to assess the potential for new aid investments in nutrition and vocational training. We will also explore the potential to diversify Australia’s investment portfolio across a broader range of multilateral, private sector and NGO partners.

Continue to undertake analytical work to underpin strategic programming, activity management and policy dialogue. We need deeper understanding to manage risks, seize opportunities for policy discussion and shape Australian aid investments. We will start work on a delivery strategy for sustainable economic development (the first pillar of our new program strategy) and an assessment of civil society organisations in Sri Lanka. These initiatives will inform ongoing program development and policy engagement to help address the multiple challenges Sri Lanka faces in sustaining and growing inclusive economic development.

Complete a performance assessment framework, incorporating gender-disaggregated data where possible, and establish a system for regularly updating data. A finalised framework with sufficient levels of disaggregation to enable the program to effectively judge progress against objectives will be completed by 31 December 2013. Responsibilities will be assigned at Post so new data for all indicators will be input into the performance assessment framework as soon as it becomes available.

Most significant risks	Management response—What? Who? How? When?
1. Agreements with the Sri Lankan Government for the use of Australian support are not completed.	Sustained and strategic engagement by management and program managers with the World Bank and Government of Sri Lanka. Undertake contingency re-programming to ensure all funds will be programmed in 2013–14.
2. Australia’s ability to measure results, manage risks and undertake policy discussion in education and infrastructure projects is hampered.	Complete project-specific plans to deepen collaboration between Australia, the World Bank and Government of Sri Lanka.

Most significant risks

3. Insufficient or unavailable data could make it difficult for Australia to effectively target lagging regions and the most vulnerable people in Sri Lanka and/or to effectively measure impact on target populations.

Management response—What? Who? How? When?

The Sri Lankan program to continue working with the Sri Lankan Government, other donors and civil society organisations to paint a complete picture of poverty and inequality in-country.

The Sri Lankan program to consider providing targeted assistance in support of national-level statistical analysis on poverty rates and priority sectors for Australian aid to Sri Lanka.

Australia and other donors to continue to work together on evidence-based policy making and program design to ensure inclusive growth and improved service delivery for all Sri Lankan citizens.

Annex A

Progress in addressing 2011 management consequences

Management consequences identified in 2011 APPR	Rating	Progress made in 2012-13
Improve the robustness of Australia's performance and quality systems and skills	Green	<ul style="list-style-type: none"> > Quality of Implementation reports judged by a robust moderation process (February 2013) to be an improvement on 2011. > Capacities of Post staff to conduct effective monitoring and evaluation enhanced through training. > Important work undertaken on initiative-level theory of change resulted in revised performance indicators.
Collaborate with other Australian Government departments	Green	<ul style="list-style-type: none"> > Joint cabling from Post with the Department of Foreign Affairs and Trade on the political economy of aid and World Bank issues completed. > Roundtable convened in advance of APPR process (February 2013) to build relationships with vital whole-of-government partners. > Proactive work completed with the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education to establish whole-of-government partnership for potential technical and vocational education and training assistance to Sri Lanka.
Identify and seize opportunities for policy discussion	Green	<ul style="list-style-type: none"> > A Thinking and Working Politically in Development Assistance workshop delivered to Post by The Asia Foundation (August 2012). > Planned political economy analysis delayed for reasons primarily beyond the Australian government's control.
Complete and release the program strategy by the end of 2012	Green	<ul style="list-style-type: none"> > Country situation analysis and program strategy approved by the Development Effectiveness Steering Committee in April and December 2012 respectively. Program strategy published in March 2013.
Develop and implement engagement strategies for World Bank investments	Green	<ul style="list-style-type: none"> > Engagement strategies finalised for NELSIP and TSEP. > Quarterly meetings at country-head level with World Bank established.
Bed down 2011 Australia Awards reforms	Green	<ul style="list-style-type: none"> > Reforms to ADS management led to more effective and efficient management.
Review progress under the ACRP and recalibrate priorities	Green	<ul style="list-style-type: none"> > MTR of the ACRP completed; MTR recommendations accepted and being implemented. > 2012 proposals from all eight ACRP partners responsive to key recommendations of the MTR.

Analyse and understand how civil society in Sri Lanka can help achieve objectives	Amber	<ul style="list-style-type: none"> > A civil society assessment not yet been completed, the ACRP MTR was used to help inform terms of reference of civil society assessment. > Supported Australian NGO Cooperation Program team from Canberra to analyse funding to World Vision and Oxfam. > Periodic meetings with Australia Council for International Development Sri Lanka Working Group held to foster better engagement with Australian NGOs ocwe development interests in Sri Lanka.
Build a competent and cohesive team at Colombo Post for the Sri Lanka program	Green	<ul style="list-style-type: none"> > Substantial training and development delivered to Post team to enhance skills (for example, in monitoring and evaluation, theory of change and conflict sensitivity). > Substantial reforms to Corporate Team at Post to improve effectiveness and efficiency. > Workforce planning exercise undertaken in February 2013, with recommendations to improve effectiveness and efficiency of Post. > Improved collaboration between Desk and Post, in line with a 'one-team' approach to share information and workload. > Remuneration review for overseas-based staff undertaken in May 2012. Not yet been finalised by overseas-Based Conditions Unit.
Improve Australia's communications efforts	Green	<ul style="list-style-type: none"> > Opportunities afforded by high-level political interests used to showcase Australian aid to Sri Lanka (for example, the Foreign Minister's visit in December 2012). > Appointment of a Canberra communication specialist and allocation of communications responsibilities at Post led to a more efficient approach.
Strengthen Australia's approach to risk management	Green	<ul style="list-style-type: none"> > Risks reviewed by the First Secretary quarterly and used to up-date the risk and fraud registry. > Risk and fraud training delivered at Post in November 2012.

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time 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 for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Annex B

Quality at implementation ratings

Initiative name	Approved budget and duration	Qal year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality	Risk management
Basic Education Support Project ¹⁴	\$7.5m 5 years	2012	5	5	5	4	4	5	n/a
		2011	6	4	4	4	4	5	M
Community Forestry Project	\$4.9m 5 years	2012	5	4	4	4	3	3	I
		2011*	5	5	5	5	5	5	n/a
North and East Pilot Water, Sanitation and Hygiene Project	\$2.3m 2 years	2012	5	4	3	4	4	5	I
		2011	6	4	4	4	4	5	I
Australian Community Rehabilitation Program	\$45m 5 years	2012	5	4	4	4	4	4	I
		2011	6	5	5	5	5	4	I
Transforming School Education Project	\$37m 4 years	2012	5	3	3	4	4	4	I
		2011*	5	5	5	5	5	5	n/a
School Reconstruction ¹⁵	\$7.1m 2 years	2012	6	5	5	5	5	5	I
		2011	6	5	5	5	5	5	I
Mine Action	\$6m 3 years	2012	6	5	5	4	3	5	I
		2011 ¹⁶	-	-	-	-	-	-	-
North and East Local Services Improvement Project	\$25.4m 4 years	2012	6	2	2	4	4	4	I
		2011*	6	4	5	5	4	4	n/a
Water, Sanitation and Hygiene in Child Friendly Schools Initiative	\$4.8m 2 years	2012	5	5	5	5	5	5	M
		2011	6	4	4	4	5	5	I
Scholarships	\$23m 20 years	2012	5	5	5	5	5	5	I
		2011	4	4	3	4	4	5	I

*Quality at Entry.

¹⁴ Final QAI.

¹⁵ Support to Education Sector in Conflict Affected Areas in Northern Sri Lanka.

¹⁶ Exempt from QAI process in 2011.

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate quality; needs significant work

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul

Risk Management scale:

■ Mature (M). Indicates the initiative manager conducts risk discussions on at least a monthly basis with all stakeholders and updates the risk registry quarterly.

■ Intermediate (I). Indicates the initiative manager conducts ad-hoc risk discussion and updates the risk register occasionally.

■ Basic (B). Indicates there are limited or few risk discussions and the risk register has not been updated in the past 12 months.

Annex C

Evaluation and review pipeline planning

List of evaluations completed¹⁷ in the reporting period

Name of Initiative	AidWorks number	Type of evaluation ¹⁸	Date evaluation report received	Date evaluation report uploaded into AidWorks	Date management response uploaded into AidWorks	Published on website
Australian Community Rehabilitation Program Phase 3	INI865	MTR	November 2012	22 April 2013	22 April 2013	Not yet
Basic Education Support Programme	INH574	Independent Completion Report	Received 10 April 2013	15 June 2013	Forthcoming—July 2013	Not yet

List of evaluations planned in the next 12 months

Name of Initiative	AidWorks number	Type of evaluation	Purpose of evaluation ¹⁹	Expected completion date
UNICEF Education Support in the North	INJ872	Independent review	End of project	End 2013
UNICEF Water, Sanitation and Hygiene		Independent review	End of project	End 2014

¹⁷ 'Completed' means the final version of the report has been received.

¹⁸ For example, mid-term review, completion report, partner-led evaluation, joint evaluation.

¹⁹ For example, to inform a future phase of program, to improve existing program, to verify program outcomes.