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# Evaluation Study of Long-Term Development Co-operation between Sri Lanka and Sweden





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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

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# Foreword

This evaluation report provides a critical overview of 53 years of development co-operation between Sweden and Sri Lanka, from 1958 to 2010. In 2007, the Swedish government decided to decrease the number of focus countries for development co-operation. It was decided that support to development co-operation in Sri Lanka, Vietnam and Laos would be phased out. This report is one of three reports commissioned by Sida to review long-term co-operation in these countries. It was carried out by an independent consultancy team. It summarises results, experiences and lessons of Swedish development co-operation in Sri Lanka. It also attempts an assessment of how and if this assistance contributed to reducing poverty in the country, the overall goal of Swedish development co-operation.

It is not an easy task to evaluate 50 years of co-operation between two countries, which by its nature contains numerous dimensions and relationships. The fact that the thinking of how to provide development co-operation has evolved over time and that therefore the support has changed focus and ways of delivery over time, makes such an evaluation even more difficult. With this in mind, only a limited number of programmes and projects could be selected as case studies and in-depth review by the consultancy team. The analysis in the report is based on a desk study review of key documents, earlier evaluations as well as meetings with key informants and additional focus group discussions conducted by the consultants.

It is worth highlighting a few areas, where, according to the evaluators, Sweden has contributed to solving societal problems and creating results in poor people's lives in Sri Lanka. They identify some factors for sustained results until now, such as development of institutions, change of policy and effective implementation of innovative pilot programmes towards scaled up national implementation of lessons learned. Learning by doing and the use of evaluations to identify lessons learned and reshape programmes are also mentioned.

The evaluators identify results that Sweden in various ways has contributed to. One such sustained result is the reduced birth rates from 5.6 in the 1950s to 2.3 in 2006/07 through support to family planning and integrated child and mother health care. This has also led to decreased child mortality and maternal mortality rates. Another result is the increased literacy rate among a disadvantaged group - the Tamil population living in tea plantations. Modalities for support were later integrated in education reforms and have been sustained until now.

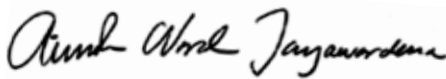
The evaluators point to success factors in Swedish development co-operation, such as Sweden's long-term perspective, which allowed for discussions on contentious issues without threat of cancelling support, willingness to learn by doing, strong commitment to principles while at the same time being pragmatic, and promoting ownership by the partners, as well as being flexible and understanding the drivers of intended outcomes. They also point to the commitment to sustainability. They show that it is in the support to gradual country-wide reforms, including reform of policy and institutional development that the programs with the highest impact can be found.

The evaluators also highlight the important contribution by Sweden to the institutional development of a wide range of civil society organisations in their work for peace, human rights and democracy. Case-studies show the efficiency by civil society, even though it was not enough to promote a peaceful negotiation for peace and a non-violent solution to the conflict.

The conflict between LTTE and the government was settled by military force and not through peaceful negotiations. Sustainable peace and reconciliation still need to be advanced in Sri Lanka. This can only happen through the work by GoSL, civil society organisations and media. Institutions to uphold democracy and human rights are still in need of reform. Lack of respect for civil and political rights has been highlighted during and after the end of the 24-year long conflict with ethnic overtones. Sri Lanka has in the same period made impressive achievements in social and economic

rights and in various dimensions of poverty and development. Today it rates as a medium human development country based on its HDI and the World Bank ranks it as a lower middle income country and believes it will graduate to the middle income country group in the next five years. In that regard, ending development co-operation in Sri Lanka made sense.

The evaluators believe that it is unlikely that any poverty reduction recorded at national level is due to Swedish aid, because of the small share of total aid to Sri Lanka and a small share of Swedish aid. The possible exception is Swedish aid during the period up to 1977, owing to the support by Sweden to family planning and the foundation for development that the implemented policy made. Over the years of support, trustful relationships have developed. These have included co-operation between universities and research institutes, the central banks, the Swedish police, youth organisations, a wide range of civil society organisations, not to mention with numerous government officials, Sida program officers and consultants. These relationships can prosper and lead to new opportunities in new areas of relationships beyond development co-operation. We hope that these three country reports and the synthesis will be of value and provide insights that will contribute to development co-operation in Sri Lanka and in other countries and by other donors as well. The views in the report are those of the independent evaluators and not the views of Sida.



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# Acronyms

AC	Absorptive Capacity
ADB	Asian Development Bank
AMDP	Accelerated Mahaweli Development Program
AQEF	Aid Quality Evaluation Framework
BAP	Backwards Areas Program
CBSL	Central Bank of Sri Lanka
CCS	Community Credit Scheme
DNA	deoxyribonucleic acid
EC	European Commission
FHB	Family Health Bureau
FOJO	Further Education of Journalists
FPASL	Family Planning Association of Sri Lanka
GDP	Gross Domestic Product
GoSL	Government of Sri Lanka
GIZ	Gesellschaft für Internationale Zusammenarbeit
GTZ	Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
IBMBB	Institute of Biochemistry, Molecular Biology and Biotechnology
IFAD	International Fund for Agricultural Development
IMR	Infant Mortality Rate
INPACT	Initiative for Political and Conflict Transformation
IPICS	International Program in the Chemical Sciences
IPPF	International Planned Parenthood Federation
IRDPs	Integrated Rural Development Projects
JICA	Japan International Cooperation Agency
JVP	Janatha Vimukthi Peramuna
LSM	Legal Services Movement
LTTE	Liberation Tigers of Tamil Eelam
MDG	Millennium Development Goal
MFA	Ministry of Foreign Affairs

MMR	Maternal Mortality Ratio
MoEICD	Ministry of Estate Infrastructure and Community Development
MPI	Ministry of Plan Implementation
NARESA	Natural Resources, Energy and Science Authority
NGO	Non-governmental organization
ODA	official development assistance
OECD	Organisation of Economic Co-operation and Development
OECD DAC	OECD Development Assistance Committee
OOF	other official financing
PA	People's Alliance
PFM	Public Financial Management
PGD	Policy for Global Development
PPP	purchasing power parity
PSEDP	Plantation Schools Education Development Project
PSDP	Primary Schools Development Project
RDD	Regional Development Division
RDS	Rural Development Societies
RIERP	Rehabilitation and Implementation of Education Reforms in Plantation
SAP	Structural Adjustment Program
SAREC	Swedish Agency for Research Cooperation
Sida	Swedish International Development Co-operation Agency
SIDA	Swedish International Development Authority
SLFP	Sri Lanka Freedom Party
SLPI	Sri Lanka Press Institute
TFR	Total Fertility Rate
UC	University of Colombo
UGC	University Grants Commission
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
UNP	United National Party
UPFA	United People's Freedom Alliance
WHO	Who Health Organisation

# Preface

The overall goal of the Swedish International Development Cooperation Agency (Sida) is to contribute to making it possible for poor people to improve their living conditions.

In 2007 the Swedish Government decided to reduce the number of countries with which Sweden carried out development co-operation. This included cessation of development co-operation with Laos, Sri Lanka, and Vietnam, and in accordance with Swedish development co-operation strategies, Sida and the embassies/country teams of those three countries initiated an evaluation study to document these long periods of development co-operation and assess results and experiences. Part One of this exercise was documentation to provide an historical account of the development co-operation with Laos, Sri Lanka and Vietnam. This was undertaken in 2009–2010.

In 2010, via an international competitive bidding process, Sida awarded a contract to GHD to undertake Part Two: an evaluation study of long-term development co-operation between Sweden and the three countries. This report covers the evaluation results for Sri Lanka, with separate reports being provided for Vietnam and Laos.

The Evaluation Team included the following key members:

- Prof Mark McGillivray, Team Leader: Prof McGillivray is a well-recognised international development economist with experience as Chief Economist for the Australian International Development Assistance Agency (AusAID) as well as Deputy Director for the United Nations World Institute for Development Economics Research (WIDER).
- Dr David Carpenter, Deputy Team Leader: Dr Carpenter has evaluation and research experience across several countries while working with AusAID. He was manager of AusAID's Australian Research Development Program and the ASEAN-Australian Development Cooperation Program.
- Mr Andrew Laing, Senior Evaluation Specialist: Mr Laing is an international development economist recognised for his work in

public financial management analysis and reporting for agencies such as the World Bank, DfID, AusAID and the UN.

- Mr Stewart Norup, M&E Advisor: Mr Norup has experience as a M&E Advisor on international projects for Hassall & Associates International and then GHD for the last 10 years.
- Dr Sango Mahanty, Senior Research Specialist/Gender Adviser: Dr Mahanty has over 15 years of experience in development co-operation working as an academic, a consultant and an NGO coordinator. Dr Mahanty has extensive experience in social research and multidisciplinary research methodologies.

# Acknowledgements

An evaluation report such as this one depends on inputs from a large number of people.

The Evaluation Team would like to acknowledge with thanks the input of each of the key informants listed in Appendix B. Without them the report, in particular the case studies, could not have been written. The Evaluation Team would like to particularly thank the following key informants: V. Sivagnanasothy, S. Amarasekera, Eric Karunanayake, Wickrama Weerasooriya, and Suresh Ponnai.

The Evaluation Team would also like to thank Romeshun Kulasabanathan for invaluable support during the field work in Sri Lanka.

Very special thanks are due to Brigitte Junker and Katarina Kotoglou. Brigitte and Katarina managed this evaluation project within Sida, and did so with outstanding professionalism.

# Executive Summary

This report assesses the contribution Sweden has made to development and poverty reduction in Sri Lanka over the 53 years of development co-operation, from the inception of the program in 1958 to its end in 2010.

The overall purpose of this evaluation is to provide:

1. An historical account of the development co-operation between Sweden and Sri Lanka by documenting and recording what has taken place and been achieved over the years; and
2. A summary of the experiences and lessons-learned from the co-operation in order to guide the Government of Sri Lanka as well as other donors and international partners that may step in after Sida, regarding the possible continuation of the different projects or programs, but also future development co-operation per se.

The primary aim of this evaluation is to provide Sida with an understanding of how its development activities have supported poverty reduction in Sri Lanka over time. Specific objectives include analysing the background and development context for interventions, analysing the reported results and impacts, and formulating conclusions and general lessons learned.

Evaluating 53 years of development co-operation is a complex task. An informative and rigorous methodological approach is required. This evaluation employs qualitative and quantitative methods in a complementary way to interrogate different types of evidence about the context, evolution and outcomes of Swedish development co-operation with Sri Lanka. This approach is grounded in the understanding that adopting different but complementary lines of enquiry invariably leads to more robust and credible research studies. In the spirit of complementarity this evaluation does not emphasise one line of enquiry over another but uses the insights arising from quantitative analysis to inform qualitative investigation and vice versa.

In accordance with contemporary international development thinking this evaluation adopts a multidimensional conceptualisation



of poverty. This conceptualisation is based on the recognition that quality of life or well-being depends not only on income, but on levels of health, education, participation, personal security, political participation and many other factors. It is also based on the recognition that high levels of income do not necessarily always closely correlate with high levels of health, education and other dimensions of well-being.

Such an evaluation also requires a comprehensive and rigorous evaluation framework. This evaluation relies heavily on an Aid Quality Evaluation Framework (AQEF). The AQEF is a conceptual tool that can be applied to almost any development aid activity. This framework is based on cutting edge knowledge of drivers of aid effectiveness. Under this framework aid effectiveness is defined in terms of the impact of aid on multidimensional poverty reduction. The AQEF consists of five components, against which the quality of aid is assessed. They are: (1) absorptive capacity; (2) quality of public sector financial management; (3) consistency with Paris Declaration principles; (4) consistency of aid delivery with partner country sectoral priorities; and (5) consistency of aid delivery with donor country program strategies.

Consistent with the evaluation's objective, the primary question addressed is as follows.

How, and to what extent, did Swedish development co-operation contribute to poverty reduction in Sri Lanka?

The reference to 'contribution' in the primary evaluation question highlights the focus on exploring the plausible associations between Sida's aid and changes in poverty, rather than supplying definitive proof of any causal relationship between the two.

The evaluation also addresses four other (sub-) questions:

- (1) To what extent did Sida's aid respond to pressing multidimensional development needs in Sri Lanka?
- (2) To what extent has Sida's development co-operation program in Sri Lanka been effectively and efficiently delivered?
- (3) How and to what extent did Sida's development co-operation nurture an enabling environment for poverty reduction in Sri Lanka?
- (4) What lessons can be learned from Sweden's development co-operation with Sri Lanka to improve development effectiveness in the future? Answering the fourth sub-question draws together the analysis in sub-questions one to three to identify the most salient lessons for development co-operation programs.

The report notes that Sweden provided \$US1.21 billion dollars (in constant 2008 prices) in official development assistance (ODA) to Sri Lanka during the period 1960 to 2008. Sweden is ranked number six of the 24 OECD bilateral donors that have supported Sri Lanka, providing 5.5 percent of its bilateral ODA since 1960. This equates to 3.9 percent of total aid, bilateral and multilateral, to Sri Lanka over this period.

The report's quantitative analysis found evidence of a challenging operating environment for development co-operation in Sri Lanka. While evidence of an increasing capacity to efficiently absorb aid was shown and evidence of good standards of public financial management was noted, the following characteristics were also observed:

- National development achievements in Sri Lanka were mixed, with evidence of declines in educational achievement and increased urban poverty in the early 2000s;
- Often high but volatile economic growth;
- Aid had declined relative to key national aggregates;
- A hardening of the Sri Lankan government position to internal conflict from 2005 onwards, making it difficult for donors that, like Sweden, pursued rights-based and related approaches;
- Relatively small non-ODA inflows and hence limited augmentation of the official donor effort;
- Yearly aid receipts were relatively unstable; and,
- Extensive proliferation of aid activities.

The analysis also raised questions concerning the capacity of civil society to absorb and effectively utilise high aid flows, a serious question because a sizeable proportion of Swedish aid has been delivered through these organisations since the early to mid-2000s. None of these observations necessarily dictate that aid has been ineffective – development achievements in Sri Lanka could have been worse in the absence of development aid – but this analysis raises a number of questions that need to be addressed. The observations also say little if anything about the effectiveness of Swedish development co-operation in Sri Lanka, but do lead to doubts about what can realistically be achieved with aid, especially since the early to mid-2000s. These doubts are supported by statistical analysis presented in the report, which showed a negative simple correlation between the overall donor country effort in Sri Lanka and the levels of human development in Sri Lanka. Again, such a correlation is not alone proof of an unsuccessful donor effort, but it adds to the evidence presented above.

What might these findings imply for Swedish development co-operation in Sri Lanka? Keeping in mind that Sweden has been a major donor of ODA to Sri Lanka, the activities that it supported would need to have been extremely highly strategic and pivotal activities and very efficiently delivered if it is to have had influenced development outcomes at the national level. If not, then at best what could be expected would be poverty impacts at the margins.

This question, among others, was investigated in the case studies discussed in the report. The case studies were selected in consultation with Sida. The principal case selection criterion was the expected value of the case study in fulfilling the overall aim of the evaluation and, in so doing, responding to the above questions. Also taken into account was the likely richness of information to key time periods, people, and events. Judgement calls are unavoidable in selecting from a large number of potential case studies.

The case studies were examined in the context of key phases of the history of development co-operation between Sweden and Sri Lanka. These phases and the case studies are as follows:

Phase I: The Early Years: 1958 to 1977

Case Study 1 – Sweden’s Support for Family Planning

Phase II: Supporting Nation Building and Tackling Disadvantage: 1977 to 2002

Case Study 2 – Support for the Kotmale Dam Project

Case Study 3 – Social Mobilisation and the Matara Integrated Rural Development Project

Case Study 4 – Tackling Disadvantage in the Plantation Sector

Badulla Integrated Rural Development Project

Plantation Schools Education Development Project

Rehabilitation and Implementation of Education Reforms in Plantations Schools Project (RIERP)

Case Study 5 – Molecular Biology Research Co-operation

Phase III: Supporting Peace and Democracy: 2002 to 2009

Case Study 6: Support for the Central Bank of Sri Lanka

Case Study 7: Support for Peace and Democracy

More than 80 key informants were interviewed for these case studies, both in Sri Lanka and Sweden.

Of the case studies examined, evidence suggested that the support for family planning and tackling disadvantage in the plantation sector were the most successful activities from a poverty reduction perspective. Support for molecular biology research was highly successful, although it is debateable as to whether this from a poverty reduction perspective represented a pressing development need. Phase III of support was characterised by support for civil society groups, with the aim of increasing their capacity to engage in the peace and democracy process. While well intended, this principled support was based on an over-estimation of what civil society groups could realistically achieve at the time in Sri Lanka. Support for peace and democracy was self-evidently of limited success.

Based on both the detailed investigation involved in the case studies and the quantitative analysis of the broader operating environment, the responses to each evaluation questions are provided in what follows.

With respect to the first evaluation sub-question, there appears on balance to be a high degree of consistency between Swedish development co-operation with Sri Lanka and the Sri Lankan Government's development priorities for the period up to 2004. The same cannot be said, clearly, for the period after 2004 given the focus of development co-operation on peace and democracy. As noted in Chapter 5 of this report, such a policy was at odds with the stance of the newly elected Sri Lankan Government.

With respect to the second evaluation sub-question, there is strong evidence that on balance the Swedish development co-operation program with Sri Lanka has been efficiently delivered. Putting aside for the moment the co-operation from 2004 onwards, there appears to be a high degree of alignment with Sri Lankan government priorities and, to this extent, a commensurate degree of local ownership. There is also evidence of harmonisation with other donors, the World Bank and Norad included, however this did deteriorate after 2004 as the central coordinating role of the Sri Lankan Government waned.

The greatest and most obvious divergence between Swedish aid delivery in Sri Lanka and efficiency criteria occurs during the period from 2004 onwards. There is evidence that capacity among civil society organisations was built but the overall focus on peace and democracy was at odds with partner government ownership and alignment.

Regarding the third sub-question, there is clear evidence that Sida's development co-operation nurtured such an environment for

poverty reduction in Sri Lanka, or put differently provided the pre-conditions for such reduction.

Reducing fertility does not itself constitute poverty reduction, but it does enable an environment in which better health and education levels can be achieved and income poverty can be reduced. There is strong evidence to suggest that the declines in fertility in Sri Lanka from the late 1950s were higher than otherwise would have been the case had Sweden not worked with the Government of Sri Lanka in the area of family planning.

Similarly, there is evidence that Sweden effectively built the capacity of various civil society actors in the area of peace and democracy. Further there is evidence that Sweden contributed to an enabling environment for poverty reduction amongst the Indian Tamil community by improving access to education.

With respect to evaluation sub-question three, there are a number of lessons that Sweden and other donors can learn from this assessment of Sweden's aid to Sri Lanka over 53 years. The most salient lessons are:

1. Adopt a long-term approach;
2. Have a principal-led approach, but also be pragmatic; and
3. To be flexible and to understand the drivers of intended outcomes.

The root of Sweden's limited success during Phase III seemingly lies on the third of these lessons. Not enough attention was paid to learning about operating in conflict-affected countries, and there was a need to pay greater attention to the underlying political, cultural, social and economic drivers of conflict in Sri Lanka.

The primary evaluation question – how, and to what extent, did Sida's development assistance contribute to poverty reduction in Sri Lanka? – is rarely easy to answer for any development co-operation program. It is an especially difficult question to answer for development co-operation between Sweden and Sri Lanka.

Given that Swedish aid has constituted a relatively small share of total aid to Sri Lanka (no more than seven percent for any decade since 1960) it is highly unlikely that any poverty reduction recorded at a national level was due to Swedish aid. The only possible exception to this is Swedish aid during the period up to 1977, owing to its support for family planning.

Noting this possible exception, the most realistic conclusion is that Swedish aid contributed to the lowering of poverty at the margins. The precise extent of this contribution remains a matter of speculation. On balance, the available evidence is consistent with having made such a difference up to 2002, largely due to its support for the plantation sector, which was a successful intervention that had meaningful multidimensional poverty reducing impacts for this segment of the population. It appears questionable in the extreme whether such a difference was made between 2003 and 2010, when some capacity was built in the civil society sector but this had no impact on the most pressing development issue of the day (reducing the ongoing conflict) as political and historical events essentially swept away Sweden's efforts in that regard.

# Part One – Swedish Development Co-operation With Sri Lanka: Setting The Context

## 1. PURPOSE, SCOPE AND METHOD OF EVALUATION

### 1.1 Introduction

The history of development co-operation between Sweden and Sri Lanka dates back to 1958 and straddles most of Sri Lanka's post-colonial history, ending in December 2010 when official development co-operation between the two countries ceased. During this 53 year period Sri Lanka made significant advances in many aspects of development but also suffered through many tragic periods of conflict. While the conflict between the Government of Sri Lanka (GoSL) and the Liberation Tigers of Tamil Eelam (LTTE) ended in May 2009, many of the political, social and economic conditions that gave rise to this conflict and other social uprisings in Sri Lankan history continue to persist.<sup>1</sup> As one of the first western donors to Sri Lanka, Sweden developed an intimate understanding of the political, economic and social challenges facing the country and took a 'principle-led' approach to meeting these challenges.

Sweden allocated more than \$US1.2 billion in official development assistance (ODA) to Sri Lanka up to 2008.<sup>2</sup> Between 1960 and 2008 Sweden was the sixth largest bilateral donor to Sri Lanka contributing 5.53% of overall bilateral ODA. The largest bilateral donor was Japan at 31.3% followed by the United States at 15.4%.

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<sup>1</sup> Aside from the long conflict with the LTTE, which is discussed at length in Chapter 5, Sri Lanka has also been wracked by two other significant social uprisings in 1971 and 1987–1990, both led by the Janatha Vimukthi Peramuna (JVP). The 1971 uprising was a Marxist-inspired youth rebellion that claimed at least 15,000 youth lives throughout the country, most of whom were Sinhalese. By 1987 the JVP had adopted a more nationalist orientation and undertook a prolonged insurrection throughout the country, this included the murder of academics, politicians, clergy and government officials. This included the murder of Professor Stanley Wijesundera at the University of Colombo (a good friend of Sida) – this is discussed further in Chapter 4.

<sup>2</sup> This amount refers to United States Dollars at constant 2008 prices.

While the initial focus of the Swedish program was on family planning, this shifted towards the provision of physical economic infrastructure and rural development in the 1980s and eventually to support for civil society, peace and democracy in the 2000s. Throughout this period the operating environment for all donors increased in difficulty alongside the escalation in the conflict, especially for donors like Sweden who in the latter years prioritised a rights-based approach.

This report assesses the contribution Sweden has made to development and poverty reduction in Sri Lanka over the 53 years of assistance, it is one of three evaluation reports commissioned by Sida in countries where it has phased out official development co-operation, or is in the process of doing so. The other two reports focus on Laos and Vietnam. This chapter outlines the purpose and scope of this evaluation and introduces the evaluation questions, as well as briefly discussing the methodological approach.

## 1.2 Purpose and Scope

The overall purpose of this evaluation is to provide:

1. An historical account of the development co-operation between Sweden and Sri Lanka by documenting and recording what has taken place and been achieved over the years; and
2. A summary of the experiences and lessons-learned from the co-operation in order to guide the Government of Sri Lanka (GoSL) as well as other donors and international partners that may step in after Sida, regarding the possible continuation of the different projects or programs, but also future development co-operation per se.

The primary aim of this evaluation is to provide Sida with an understanding of how its development activities have supported poverty reduction in Sri Lanka over time. Considering the long nature of the engagement between Sweden and Sri Lanka and the co-operation in a multitude of sectors, this is a very complicated exercise. To help address this question the evaluation team has developed a new evaluation methodology (the Aid Quality Evaluation Framework), which is discussed at length below and in Appendix C. Specific objectives of this evaluation as contained in the Terms of Reference include analysing the background and development context for



interventions, analysing the reported results and impacts, and formulating conclusions and general lessons-learned.

Efforts and achievements are assessed against the context prevailing at the time when decisions were made, and the overall development objective of poverty reduction as formulated in national development plans, poverty reduction strategies and Swedish development plans, policies and strategies.

With regard to impact this evaluation does not seek to attribute in any quantitative way a causal link between Swedish development co-operation and poverty reduction, or other high level development outcomes in Sri Lanka. Such an exercise requires precise knowledge of development outcomes that would have arisen in the absence of Swedish development co-operation. This is an extremely complex and highly speculative task, and one that is beyond the scope of this evaluation. This evaluation does, however, point to various stylised facts or statistical associations between development co-operation and development outcomes in Sri Lanka. The report speculates about whether these associations might be causal, but goes no further than that. The evaluation uses a multidisciplinary, mixed method approach to assess the impact of Swedish aid, as discussed below.

Further this report does not exhaustively document the full suite of development interventions funded by Sweden over the 53 year history of engagement as this task was undertaken as part of Phase 1 of this broader project (see Nordic Consulting Group, 2010)<sup>3</sup>. Instead this report uses a case study approach to discuss particular themes underlying Swedish aid in critical periods of Sri Lanka's history, and situates that within the broader political and economic context existing at the time, with reference to key policy shifts in development co-operation between Sri Lanka and Sweden.

## 1.3 Evaluation Methods and Conceptual Framework

### 1.3.1 Methods

This evaluation employs qualitative and quantitative methods in a complementary way to interrogate different types of evidence

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<sup>3</sup> The Phase 1 report exhaustively documented the full suite of development co-operation activities undertaken by Sweden in Sri Lanka on a decade by decade basis. This report provided a good background to these activities but was not analytical in nature, and as such it did not inform the methodology used for this report or its conclusions.

about the context, evolution and outcomes of Swedish development co-operation with Sri Lanka. This approach is grounded in the understanding that adopting different but complementary lines of enquiry invariably leads to more robust and credible research. In the spirit of complementarity this evaluation does not emphasise one line of enquiry over another but uses the insights arising from quantitative analysis to inform qualitative investigation and vice versa.

Much of the quantitative analysis in this report is used to set the broader context of development achievement in Sri Lanka and ODA allocation by Sweden over time. This data is used to track changes in quality of life – poverty in particular. Information is presented on indicators such as per capita income, annual rates of growth, life expectancy, adult literacy, child and infant mortality, maternal mortality and the percentage and absolute number of people living below the income poverty line. Changes over time in variables are examined and inferences about aid effectiveness are made. A challenge for the analysis was data availability, especially in the early years of Swedish development co-operation.

The qualitative component of this evaluation focused on the flexible exploration of the evaluation questions through the use of semi-structured interviews, focus groups and the analysis of existing documentation. Over 80 key informants were interviewed in Sri Lanka and Sweden (see Appendix B for more details), and hundreds of documents collected during Phase 1 of the research were also utilised. This qualitative information is used extensively when discussing the performance of particular interventions, relations between Sweden and the GoSL, changes in Swedish policy, and the impact of these changes.

A large proportion of the qualitative data is presented in case studies. These case studies focus on specific interventions over the 53 year period and were agreed to in discussions with Sida at the inception stage of this evaluation. In an ideal evaluation world all aid activities in the country program under consideration would be evaluated, be they projects, discrete components of projects or programs would be evaluation. Yet this is beyond the resources of practically all long term evaluations, including this evaluation. Choices and judgments must therefore be made. Recognising that it is rarely self-evident as to which cases are the most appropriate, clear and transparent general selection criteria need to be employed. These criteria are outlined in Appendix A.

These case studies were chosen to reflect particular approaches to aid delivery and important thematic issues underpinning Swedish aid delivery over time. More details of case study selection and the relative importance of the different methods of data collection are discussed in Appendix A.

The historical nature of this evaluation, which must assess the cumulative impact of many activities over several decades, distinguishes it from typical project or program-type evaluations, which usually focus on much shorter periods of time and discrete sectors. It was in response to the large scale, historical nature of this task that the evaluation team developed the AQEF.

### 1.3.2 The Aid Quality Evaluation Framework

This evaluation is influenced by the Aid Quality Evaluation Framework (AQEF) which was developed by the authors in response to the complexity of this large scale, historical evaluation<sup>4</sup>. The AQEF is a conceptual tool that can be applied to almost any development aid activity. This framework is based on cutting edge knowledge of those factors that drive aid effectiveness. Under this framework aid effectiveness is defined in terms of the impact of aid on multidimensional poverty reduction, either directly or via impacts on the drivers of poverty reduction.

By looking at the agreed drivers of aid effectiveness the AQEF caters specifically for the many situations where it is not possible to directly observe or quantify the impact of an aid on poverty reduction, as is the case with Sweden's aid to Sri Lanka over a 53 year period. As suggested above it is very difficult to disentangle Swedish aid from other aid and endogenous factors in Sri Lanka's development; however, this framework can be used to assess Swedish aid against well accepted aid effectiveness criteria. As such, the AQEF is both input-based, in that it takes into account those activities that are thought to contribute *ex ante* to effective aid, and outcome-based, in that it looks *ex post* at observed aid impacts from a development effectiveness perspective.

The AQEF is comprised of five components. Assessments of aid quality can be made against each of these components using a mix of quantitative and qualitative data. The five components of the AQEF are: 1). absorptive capacity; 2). quality of public

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<sup>4</sup> For a detailed outline of the AQEF see Carpenter *et al.* (2010), and Appendix C.

sector financial management; 3). consistency with Paris Declaration principles; 4). consistency with partner country sectoral priorities; and 5). consistency with donor country program strategies (or equivalents). The importance of the first two components is discussed further in Chapter 2 and all components are discussed in Chapters 6 and 7, with reference to the data presented in Chapters 2 through 5. Further details of the AQEF can be found in Appendix C.

#### 1.4 Evaluation Questions

The primary question this evaluation addresses is:

*How, and to what extent, did Sweden's development co-operation through Sida contribute to poverty reduction in Sri Lanka?*

This question is directly drawn from the terms of reference and addresses the OECD DAC impact criterion. Poverty reduction (in various guises) has long been the overarching objective of Swedish aid, from that outlined in Proposition 1962:100 (the 'bible of Swedish development co-operation') through to the present day (Danielson and Wohlgemuth, 2003, p.3). Even when poverty reduction might not be explicitly stated as a goal, it is still appropriate to use as a yardstick. As will be outlined below, the focus of Swedish development co-operation with Sri Lanka switched to the promotion of human rights, democracy and peace in the 2000s. While poverty was not directly emphasised, such a focus is fully consistent with a poverty reduction objective. Indeed they can be considered prerequisites for sustained poverty reduction, and both ends in their own right by means of a more fundamental objective, from a development assistance perspective, is achieved.

As such, poverty reduction constitutes an appropriate yardstick for assessing the impact of Sida's aid to Sri Lanka over the considerable time period covered by this evaluation. The reference to 'contribution' in the primary evaluation question highlights the focus on exploring the plausible associations between Sida's aid and changes in poverty, rather than supplying definitive proof of any causal relationship between the two. This recognises that there are many determinants of poverty in partner countries and that isolating the precise contribution of any one is an extremely demanding task. It also recognises that many donor nations have been active in Sri Lanka, and attributing the precise contribution to poverty reduction of any one donor is even more demanding.

To the extent that poverty reduction has been the principal aim of Sweden's country program in Sri Lanka, addressing this question involves the application of component 5 of the AQEF.

Consideration of the broad enabling environment is a key to addressing this question. This includes examining the absorptive capacity of the recipient country (component 1 of the AQEF) and the quality of public fiscal management (component 2 of the AQEF). These are widely acknowledged to be important for the effective and efficient use of aid funds for development purposes<sup>5</sup>.

In accordance with contemporary international development thinking this evaluation adopts a multidimensional conception of poverty. It is widely accepted in policy and research circles that poverty is multidimensional in nature. This is based on the recognition that quality of life or well-being depends not only on income, but on levels of health, education, participation, personal security, political participation and many other factors. It is also based on the recognition that high levels of income do not necessarily always correlate with high levels of health, education and other dimensions of well-being. This means that an individual might have an income level which is high enough for them not to live in poverty with respect to income, but might well be living in poverty with respect to these other dimensions. The World Bank, the United Nations Development Program and other thought leading development agencies have long embraced this concept<sup>6</sup>.

Sub-question 1: *To what extent did Sida's aid respond to multidimensional development needs in Sri Lanka?*

Sub-question 1 is directed at the appropriateness and relevance of the sectoral and geographic allocation of Sida's development co-operation over time as well as the consistency of this with country

<sup>5</sup> See Appendix C for a further explanation including extensive reference to existing literature on aid effectiveness.

<sup>6</sup> It is recognised that obtaining quantitative information on some of these poverty dimensions is extremely difficult. For these reasons the quantitative analysis focuses primarily on poverty with respect to income, health and education given that the availability of quantitative data on these variables permits more incisive assessments. This is consistent with the approaches of many leading development agencies and the recognition that these are among the most important poverty dimensions. The UNDP's Human Poverty Index, for example, is based on assessments with respect to income, health, education and access to water. This evaluation addresses the other well-being dimensions appropriate to a multidimensional concept of poverty through the qualitative analysis.

strategies in Sri Lanka. This recognises that to be effective, aid must be targeted at the most pressing development needs of each recipient country at a particular point in time. Addressing this sub-question involves an analysis of components 4 and 5 of the AQEF.

Sub-question 2: *To what extent has Sida's development co-operation program in Sri Lanka been effectively and efficiently delivered?*

Aid may be allocated according to pressing needs, but it must be well delivered if it is to contribute to poverty reduction. This area of the evaluation explores the extent to which Sida's development co-operation exemplified internationally agreed principles of good aid delivery practice, most recently articulated in the Paris Declaration (component 3 of the AQEF). This analysis demands the careful and nuanced application of these principles – see Appendix C for an explanation of why it is valid to apply the Paris Principles retrospectively.

Woven into this analysis is an exploration of the different ways of working that Sida adopted throughout the period of development co-operation and how these may have evolved in response to multi-dimensional needs. This includes an assessment of the choice of modalities, channels, partner organisations and the relative efficiency of these arrangements as aid delivery mechanisms. The analysis under this sub-question directly addresses the OECD DAC criteria of efficiency and effectiveness.

In-depth case studies illustrate *how* these choices and strategies have worked in particular contexts and at particular points in time.

Sub question 3: *How and to what extent did Sida's development co-operation nurture an enabling environment for poverty reduction Sri Lanka?*

The third sub-question acknowledges that although aid may be well targeted and well delivered, it must also be undertaken in, and actively contribute to, a supportive enabling environment if it is to have a sustainable impact on poverty reduction. This analysis considers Sida's approaches to influencing policy and building the capacity of the government, civil society and the capacity of individuals to improve their lives. The relative effectiveness of these more indirect forms of development co-operation are assessed to help understand which particular approaches worked well in influencing the enabling environment and the reasons why. This assists judgements about the sustainability of Sida's long-term co-operation program.

Detailed case studies explore how these challenges were approached in particular instances and the degree to which they

were able to influence aspects of the enabling environment. This question directly addresses the OECD DAC criteria of sustainability.

Sub question 4: *What lessons can be learned from Sweden's development co-operation with Sri Lanka to improve development effectiveness in the future?*

The fourth sub-question draws together the analysis in sub-questions 1–3 to identify the most salient lessons for development co-operation programs.

## 1.5 Proceeding Chapters

This report consists of six additional chapters. Chapter 2 looks at the 'big picture'. That is, it provides the broader development context within which development co-operation between Sweden and Sri Lanka can be understood and evaluated. This includes looking at the broad operating environment faced by donors in Sri Lanka, the development achievements of Sri Lanka over the 53 year period of co-operation, and Sweden's actual aid allocation. In accordance with the application of the AQEF, this chapter also introduces data on consistency with the Paris Declaration principle of aid predictability, the quality of public sector fiscal management, and the capacity of Sri Lanka to effectively absorb aid. The chapter ends with some stylised facts regarding ODA and development achievements in Sri Lanka that are considered later in this evaluation report.

Chapter 2 is a quantitative chapter. Chapters 3, 4, and 5 are more qualitative in nature and discuss Sweden's aid to Sri Lanka during three important historical periods. Chapter 3 covers the conception of Swedish aid in 1958 to the election of the United National Party (UNP) in 1977<sup>7</sup>, included therein is a case study of the Swedish support for family planning. Chapter 4 covers the 25 year period from the election of the UNP to the signing of the ceasefire agreement in 2002, and the concomitant focus by Sweden on peace and democracy as enshrined in the 2003 Country Strategy; included therein are

<sup>7</sup> For narrative purposes it was important to break up the long period of Sweden's aid to Sri Lanka into discrete periods of time. The year 1977 was chosen as an important milestone because the election of the UNP in that year marked the end of an era of largely socialist oriented economic policies and the beginning of a new era of market-based economics which had profound ramifications for development in Sri Lanka. The year 2002 was chosen because it was a time of great optimism within Sri Lanka that the conflict may achieve a peaceful end, it was the beginning of a period of intense focus on peace and democracy support, which was the most important aspect of Sweden's development co-operation with Sri Lanka during that time.

case studies on support to Kotmale Dam, the Matara Integrated Rural Development Program, the Institute of Molecular Biology and the Plantation Schools Program. Chapter 5 focuses on the period up to the phase out of Swedish aid in 2010. Included therein are case studies on Sweden's support to the Central Bank of Sri Lanka and to civil society for the promotion of peace and democracy.

Chapters 6 and 7 are the synthesis chapters. Chapter 6 discusses the main thematic issues that have been introduced over the previous four chapters and how they have shaped and constrained the effectiveness of Swedish aid over time (including reference to the AQEF components). Chapter 7 answers the primary evaluation question and sub-questions and introduces a number of lessons-learned for Sida and other donors when delivering aid to conflict affected states.



## 2. SRI LANKA NATIONAL DEVELOPMENT PROFILE

### 2.1 Economic Change in Sri Lanka – A Concise History

The economy that evolved in Sri Lanka under British rule consisted of a modern sector dominated by plantation agriculture and a traditional sector mainly characterised by subsistence agriculture. Banking and commerce were, for the most part, ancillary to plantation agriculture. Nearly all foreign earnings were derived from the three staple plantation crops – tea, rubber, and coconut. It was estimated that at the time of independence in 1948 approximately 75 percent of Sri Lanka's food requirements and almost all of its manufactured goods were imported from abroad.

During most of the first three decades after independence development policy was highly interventionist and focused on two themes: equity through social welfare provision and substitution of imports with local products. Government price subsidies on food, statutory price controls on consumer goods, and the provision of free education and health services by the government were the principal measures. Stimulating local production to achieve an increasing share of domestic content in total consumption and imposing diverse restrictions on imports were the main elements of the import substitution policy.

Development policies up to the mid-1970s are widely considered to have been successful in promoting human development but are associated with variable and occasionally very low levels of economic growth and an economy that was structurally weak. As shown in Figure 2.1, economic growth up to the mid-1970s often fell below three percent per year and was as low as –0.4 percent in 1972.

Sri Lanka's development policies changed markedly in 1977, when it adopted a comprehensive program of economic liberalization. These new policies were designed to accelerate economic growth by stimulating private investment and in particular, to increase foreign earnings by promoting export-oriented economic activities. The liberalization policies were associated with higher economic growth through to the mid-1980s, as Figure 2.1 demonstrates. Economic growth fell sharply in 1987 and remained volatile through the early 2000s. Much of this was due to the poor security situation owing to the civil war and associated problems with inflation, trade and foreign debt. Growth fell to –1.5 percent in 2001.

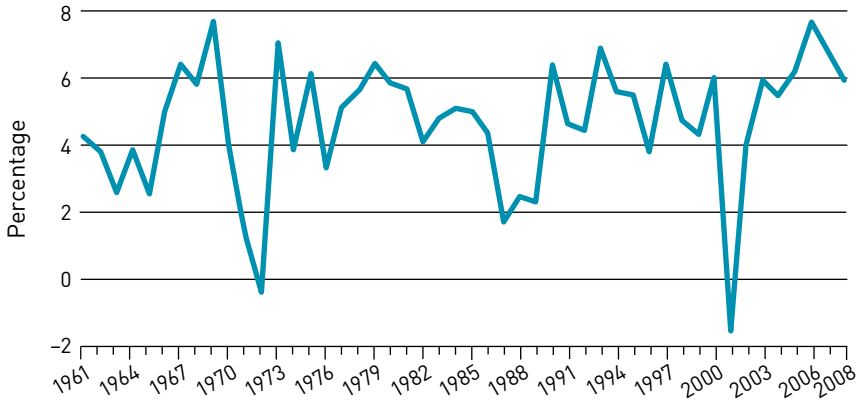


Figure 2.1 Real GDP Growth, Sri Lanka, 1961 to 2008

Sri Lanka's open, liberal economic stance has largely remained in place through to the present, although the current government has talked of a more mixed market approach. Growth since the recession of 2001 has averaged more than six percent per annum, although it is considered to be fragile owing to large government expenditure on security and high levels of employment in the armed forces in particular.

## 2.2 Sri Lankan Development Achievements<sup>8</sup>

Sri Lanka is typically described as a country with high achievements in health and education but with lower achievement in income levels. This is largely true, although its development achievements are far from uniform over recent decades.

On face value Sri Lanka has made impressive gains since 1960 in various dimensions of poverty and development. The Human Development Index (HDI), which combines life expectancy, adult literacy, school enrolment rates and income per capita adjusted for purchasing power is a commonly used multidimensional indicator of development. Sri Lanka's HDI has increased steadily, from 0.55 in 1960 to 0.76 in 2007. This is shown in Figure 2.2. Achievements in life expectancy, infant and child mortality and income per capita are shown in Appendix D, in Figures D.1 to D.3 respectively. Life

<sup>8</sup> Data presented in this section unless otherwise indicated are taken from UNDP (1990–2009 and 2010) and from World Bank (2010). Gaps in yearly coverage and the first year of coverage reflect data availability. Some data have been estimated using standard techniques. Further details are available from the authors of this report.

expectancy in Sri Lanka in 2008 was 74 years, some 16 years longer than in 1960, despite actually having fallen between 1994 and 1996. The gains in life expectancy are quite equitable with respect to gender. Arguably the most important achievement in Sri Lanka is in child mortality, with 99 per thousand fewer children dying before their fifth birthday in 2008 compared to 1960.

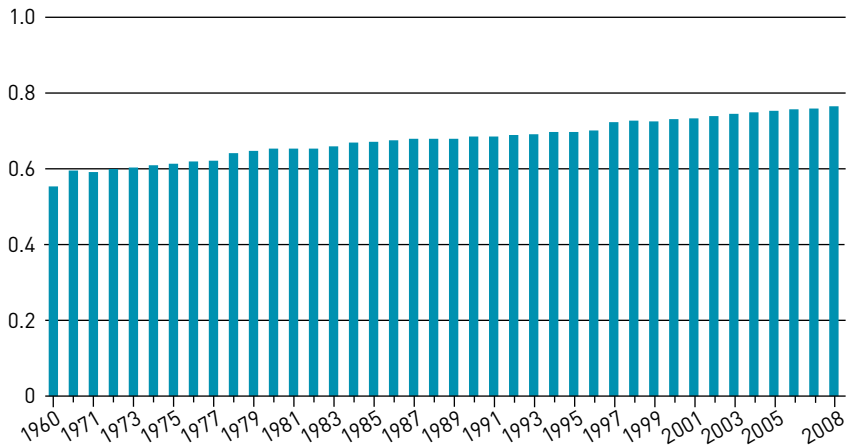


Figure 2.2 Human Development Index, Sri Lanka, 1960 to 2008

A slightly different and less positive picture emerges if Sri Lanka's achievements are compared to those of other developing countries. Figure 2.3 provides comparisons based on life expectancy, GDP per capita and the human development index. These comparisons are obtained by dividing Sri Lanka's achievements in these variables by those for all low and middle income countries for which requisite data are available. If the resulting ratio is greater than one, Sri Lanka has higher achievement than these countries, while the reverse is true if the ratio is less than one. Life expectancy in Sri Lanka is higher than in these other countries, but its relative achievement in this regard has trended downward between 1960 and 1980. Sri Lanka's HDI is much lower than the low and middle income group as a whole, although its relative achievement in this regard has improved slightly since 1970. The UNDP rates Sri Lanka as a medium human development country based on its HDI score. Sri Lanka was ranked 91 out of 169 countries in terms of HDI scores in 2010 (UNDP, 2010). Sri Lanka's GDP per capita relative to all other low and middle income countries has trended upward for the period

1960 to 2008, although it trends noticeably downward from 2000. The World Bank currently classifies Sri Lanka as a lower middle income country, having upgraded it from low income status in 1997. It is widely believed that Sri Lanka will graduate to the middle income country group within the next five or so years.

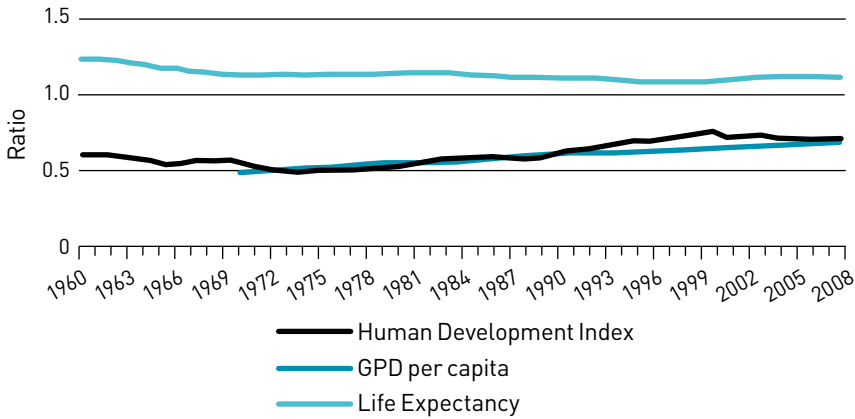
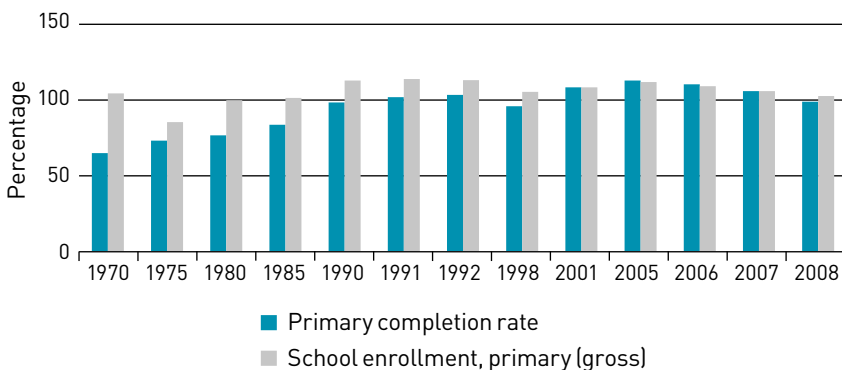


Figure 2.3 Relative Development Achievements, Sri Lanka, 1960 to 2008

Mixed messages about Sri Lanka’s development achievements are also provided by data on primary school enrolment and completion rates, income poverty and income inequality. As shown in Figure 2.4, primary school enrolment and completion followed an upward trend between 1970 and 1990. Both stagnated from the early 1990s to 2005 and followed a downward trend from 2005 onward. If the data can be trusted, the primary school enrolment rate was lower in 2008 than it was in 1970.



### Figure 2.4 Primary Education in Sri Lanka, 1970 to 2008

Messages about income poverty vary according to which measure is used. Figure 2.5 provides information on five measures of income poverty. The most commonly used measure – the percentage of people living below the extreme poverty line of \$1.25 per day – records little change in poverty in Sri Lanka between 1991 and 2002 (the most recent year for which data on this measure are available). The proportion of Sri Lanka’s population living on less than two dollars per day has declined over the same period, falling from just under 50 percent to just fewer than 40 percent between 1991 and 2002. This is much higher than the proportion for the developing world as a whole in 2002, which was 30.6 percent but a little lower than that for South Asia as a whole, which was 43.8 percent (Ravallion and Chen, 2008). The proportion of the rural population living below the rural poverty line rose between 1991 and 1996 but then fell sharply between 1996 and 2002, from 27.0 to 7.9 percent. While those living below the national poverty line has fallen between 1996 and 2007. The proportion of the urban population living below the urban poverty line actually increased between 1996 and 2002.

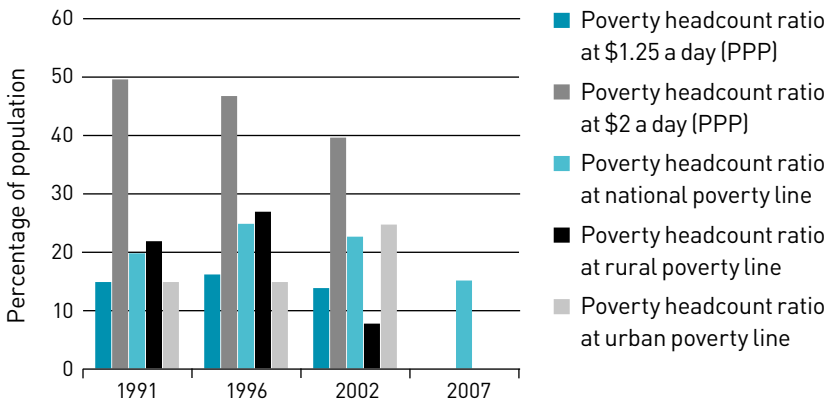


Figure 2.5 Income Poverty, Sri Lanka, 1991 to 2007

Income inequality, measured by the incomes of the richest 10 and 20 percent of the population relative to those of the poorest 10 and 20 percent, was reasonably stable between 1985 and 1991, but has increased substantially, as made clear by Figure 2.6. Another measure of income inequality is the Gini coefficient. The most recent Gini coefficient for Sri Lanka is for 2002, which had a value of 41.1.

The world average Gini coefficient for 2002 was 40.4, suggesting that income inequality in Sri Lanka while increasing is roughly the same as that in other countries.

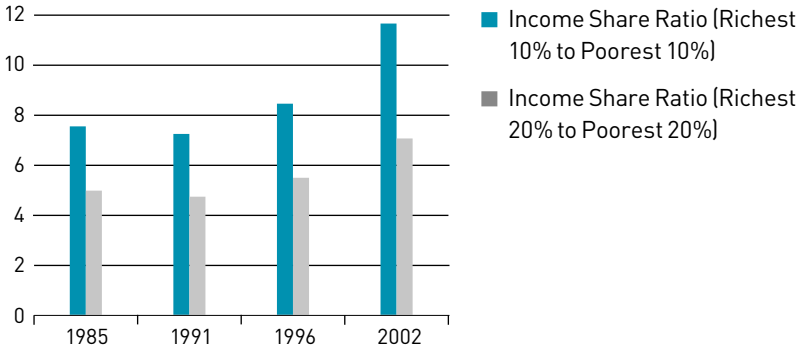


Figure 2.6 Income Inequality, Sri Lanka, 1985 to 2002

## 2.3 Development Co-operation with Sri Lanka<sup>9</sup>

### 2.3.1 Official Development Assistance Levels

Development co-operation between donor nations and Sri Lanka commenced immediately after the latter's independence in 1948. Swedish development co-operation with Sri Lanka commenced in 1958 with support for family planning. Total official development assistance (ODA) was under \$100 million per annum until the mid-1960s. It then commenced to rise, reaching just under \$382 million dollars per annum in 1968, as shown in Figure 2.7, which charts ODA to Sri Lanka from 1960 to 2008. After declining in the early 1970s, total ODA to Sri Lanka trended upwards through to 1991, when it reached US\$1.255 billion. The international donor community substantially decreased ODA to Sri Lanka throughout the 1990s, largely due to the deteriorating security situation and ongoing civil hostilities in the country. The total level of ODA fell in 1999 to US\$331 million, roughly the same level as in 1970. The decline in total ODA to Sri Lanka stopped in 2002, following the commencement of ceasefire negotiations between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam. This saw total ODA to Sri Lanka climb to \$854 million.

<sup>9</sup> Data presented in this section are taken from the OECD DAC (OECD, 2010). The earliest aid data published by the OECD are for the year 1960, hence the coverage of this section. The unit of currency referred to is the United States dollar. All aid dollar amounts are in constant 2008 prices.

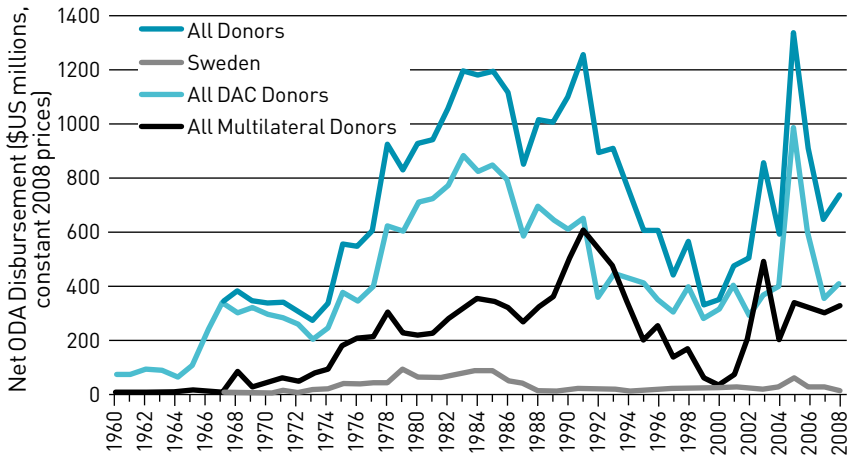


Figure 2.7 Official Development Assistance to Sri Lanka, 1960 to 2008

The devastating Indian Ocean tsunami of December 2004 led to a massive spike in total ODA to Sri Lanka, as Figure 2.7 makes clear. The donor response to the tsunami led to a jump in ODA to Sri Lanka from \$589 million in 2004 to \$1.332 billion in 2005, the largest ever level of aid to this country.

Swedish ODA to Sri Lanka was typically less than US\$2 million per year throughout the 1960s. It rose to US\$11 million in 1970 and peaked at US\$92 million in 1985 around the time of the construction of Kotmale Dam (as discussed in Chapter 4). Swedish ODA to Sri Lanka followed a downward trend thereafter until the 2004 tsunami, which led to a jump from US\$27 million in 2004 to US\$60 million in 2005. It fell back to US\$15 million in 2008.

Sri Lanka has received aid from all current OECD DAC members. Bilateral ODA to Sri Lanka from all current DAC members and the European Commission (EC) are shown in Table 2.1. The top three donors since 1960 have been Japan, the United States and Germany. These donors have provided more than half of Sri Lanka's bilateral ODA since 1960. Sweden is ranked number six of the 24 donors listed in the table, providing 5.5 percent of Sri Lanka's bilateral ODA since 1960. This equates to 3.9 percent of total aid, bilateral and multilateral, to Sri Lanka. With this relatively small numerical contribution to the total aid effort it would be extremely difficult to attribute changes in Sri Lanka's national level development outcomes to Swedish ODA, unless it can be shown that Sweden supported highly strategic, pivotal activities.

Table 2.1 ODA from DAC Donor Countries, Sri Lanka, 1960 to 2008

Donor	1960 to 1969		1970 to 1979		1980 to 1989		1990 to 1999		2000 to 2008		1960 to 2008	
	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank
Australia	2.58	6	3.53	9	1.69	12	1.89	9	3.80	9	2.54	10
Austria	0.04	11	0.00	18	0.02	17	0.15	18	0.66	16	0.17	18
Belgium	0.00	13	0.06	16	0.16	16	0.21	17	0.26	21	0.16	19
Canada	14.97	3	11.65	4	7.95	5	1.52	11	3.85	8	7.03	5
Denmark	0.78	7	0.80	12	1.06	13	0.54	16	2.64	11	1.21	12
EC	0.00	13	3.74	8	3.62	8	2.25	8	6.82	4	3.73	9
Finland	0.00	13	0.03	17	2.03	10	1.76	10	0.61	18	1.19	13
France	0.00	13	2.66	10	1.88	11	0.81	15	0.83	15	1.45	11
Germany	14.30	4	14.17	3	10.43	4	4.02	5	7.47	3	9.51	3
Greece	0.00	13	0.00	19	0.00	21	0.00	22	0.33	19	0.07	21
Ireland	0.00	13	0.00	19	0.00	19	0.01	21	0.19	22	0.04	22
Italy	0.34	9	0.76	13	0.31	15	0.82	14	0.65	17	0.56	16
Japan	8.26	5	14.18	2	26.31	1	54.48	1	40.89	1	31.33	1
Korea, Rep.	0.00	13	0.00	19	0.00	20	1.44	12	4.35	7	1.16	14
Luxembourg	0.00	13	0.00	19	0.00	21	0.02	20	0.05	23	0.01	23
Netherlands	0.00	13	6.13	7	6.96	6	4.00	6	4.96	6	5.30	7
New Zealand	0.00	13	0.27	14	0.01	18	0.07	19	0.27	20	0.12	20
Norway	0.11	10	1.40	11	3.51	9	5.07	3	7.68	2	4.03	8
Portugal	0.00	13	0.00	19	0.00	21	0.00	24	0.05	24	0.01	24
Spain	0.00	13	0.00	19	0.00	21	0.00	23	1.24	14	0.25	17
Sweden	0.51	8	7.55	6	6.74	7	3.75	7	5.34	5	5.53	6
Switzerland	0.01	12	0.15	15	0.83	14	1.17	13	1.31	13	0.81	15
UK	18.34	2	10.59	5	10.54	3	4.60	4	2.58	12	8.38	4
United States	39.76	1	22.33	1	15.94	2	11.43	2	3.18	10	15.41	2



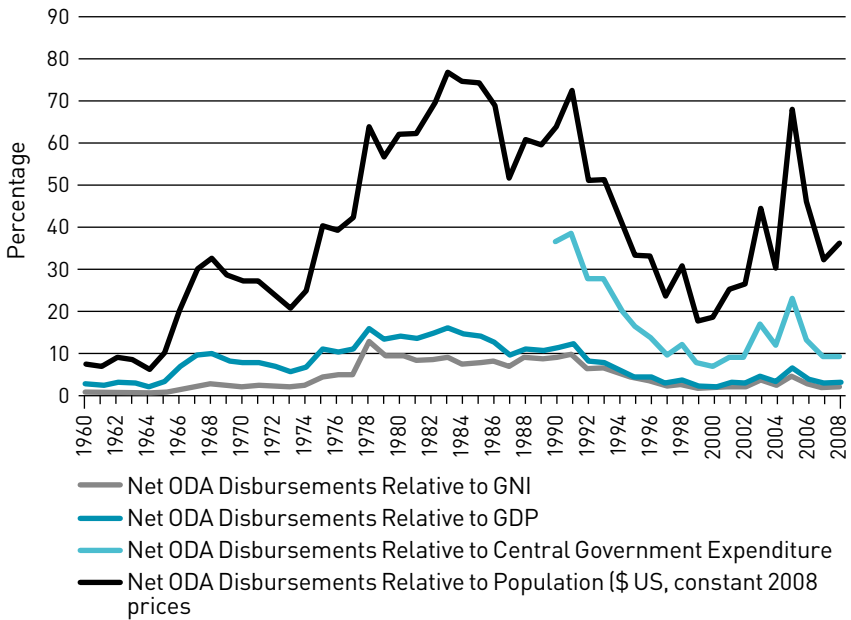


Figure 2.8 ODA Relative to Key National Aggregates, Sri Lanka, 1960 to 2008

The level of ODA to a developing country is important in its own right from various perspectives, but what matters from a development impact perspective is its level relative to various national aggregates of the recipient country, including GDP, GNI, population size and central government expenditure. ODA relative to these aggregates for Sri Lanka is shown in Figure 2.8. The main message coming from this figure is that there was an overall decline in the ODA, relative to the four aggregates since the mid-1980s. The level of ODA relative to central government expenditure, for example, has fallen from 39 percent in 1991 to 9 percent. The declines against all four aggregates raises questions about the development impact of ODA to Sri Lanka from the mid-1980s. They also reinforce the above comment regarding attribution.

Developing countries, including Sri Lanka, receive foreign inflows from a variety of sources. Inflows other than ODA can potentially complement aid in a way that enhances its development impact. Its ODA receipts, along with inflows of other official financing (OOF) and total private inflows are shown in Figure 2.9. OOF is other developmental flows from foreign governments and multilateral organisations that are not sufficiently concessional to be defined as ODA. Total private inflows

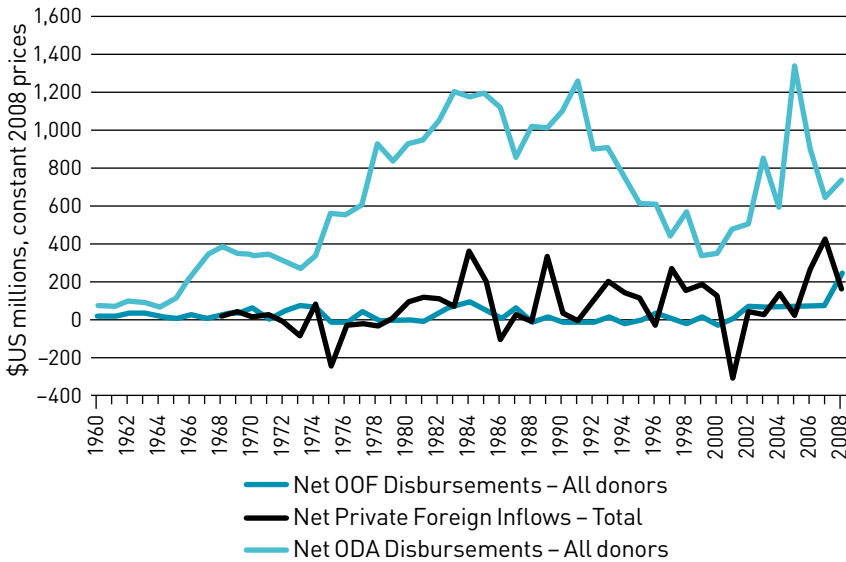


Figure 2.9 ODA and other Foreign Financial Inflows, Sri Lanka, 1960 to 2008

include foreign direct investment, private lending and remittances. Each has the potential to have pro-development impacts, augmenting ODA. It has argued that countries with high levels of non-ODA flows depend less on ODA as a driver of growth and development. A key message from Figure 2.9 is that Sri Lanka is highly reliant on ODA relative to other foreign inflows and, purely on the basis of volumes, that potential for the above mentioned complementarity is limited.

### 2.3.2 ODA Composition by Sector

The sectoral composition of all donor and Swedish ODA to Sri Lanka is shown in Tables 2.2 and 2.3.<sup>10</sup> The sectors are those defined by the OECD DAC. Economic Infrastructure and Services has been the most supported sector, largely owing to the tsunami but also to the particularly poor and deteriorating security situation in Sri Lanka during the 2000s. Humanitarian Aid is the second most supported sector in terms of the dollar amount. Swedish ODA has primarily been allocated to following five DAC sectors: Economic

<sup>10</sup> Data on the composition of ODA by sector for years prior to 1995 are not published by the OECD DAC. The numbers shown in Table 2.2 and 2.3 are ODA commitments. Data on ODA disbursements by sector have been published for 2002 onwards.

Infrastructure and Services, Government and Civil Society, Water and Sanitation, Humanitarian Aid and Multisector/Cross Cutting.

A list of the programs and projects implemented under the development co-operation program between Sweden and Sri Lanka was prepared under part one of the evaluation process and is provided in Appendix E.

**Table 2.2 Sectoral Composition of Total ODA to Sri Lanka, 1995 to 2008**

	Percentage of Total ODA			
	1995 to 2000	2001 to 2005	2006 to 2008	1995 to 2008
Education	8.38	5.98	6.36	6.82
Health	2.11	2.34	2.14	2.22
Population & Reproductive Health	0.10	0.39	0.28	0.27
Water & Sanitation	11.71	7.07	15.26	10.52
Government & Civil Society	2.15	5.83	10.22	5.76
Other Social Infrastructure & Services	1.41	6.77	3.92	4.40
Economic Infrastructure & Services	41.34	29.65	33.25	34.17
Productive Sectors	14.59	6.71	2.40	8.11
Industry, Mining & Construction	3.15	4.56	0.50	3.13
Trade Policies & Regulation	0.02	0.34	0.97	0.39
Multisector/Cross Cutting	8.71	5.32	5.67	6.46
Commodity Aid/General Program Assistance	2.56	2.98	1.54	2.50
Debt Action	0.30	2.34	2.67	1.78
Humanitarian Aid	2.30	18.30	13.84	12.23
Donor Administrative Costs	0.01	0.06	0.20	0.08
NGO Support	0.02	0.29	0.40	0.23
Refugees	0.59	0.89	0.11	0.60
Sectors Not Specified	0.54	0.19	0.28	0.32

**Table 2.3 Sectoral Composition of Swedish ODA to Sri Lanka, 1995 to 2008**

	Percentage of Total Swedish ODA			
	1995 to 2000	2001 to 2005	2006 to 2008	1995 to 2008
Education	2.27	0.05	0.89	0.79
Health	0.26	0.02	0.00	0.09
Population & Reproductive Health	0.00	0.02	0.00	0.01
Water & Sanitation	6.23	28.13	1.54	18.74
Government & Civil Society	12.72	21.55	33.36	20.38
Other Social Infrastructure & Services	0.95	0.02	0.03	0.29
Economic Infrastructure & Services	34.82	23.25	20.87	26.29
Productive Sectors	9.50	0.03	2.04	2.98
Industry, Mining & Construction	1.96	3.87	0.12	2.88
Trade Policies & Regulation	0.00	0.00	3.69	0.43
Multisector/Cross Cutting	12.92	13.43	1.65	11.92
Commodity Aid/General Program Assistance	0.00	0.00	0.00	0.00
Debt Action	0.00	0.00	0.00	0.00
Humanitarian Aid	16.71	9.42	25.63	13.40
Donor Administrative Costs	0.38	0.03	8.41	1.11
NGO Support	0.76	0.00	0.00	0.22
Refugees	0.38	0.00	0.00	0.11
Sectors Not Specified	0.14	0.17	1.77	0.35

### 2.3.3 Aid Supported Activities

Aid can be examined not only in dollar amounts but also in terms of the number of activities that donors support.<sup>11</sup> This can be important from a number of respects. Donors might support activities that are too large, thereby encountering a diminishing margin of impact. Donors might also spread their aid too thinly, supporting too many small activities with potentially negligible development impacts. Recognising that most activities impose some burden on partner countries and that all countries have capacity constraints, funding large numbers of activities can have adverse development consequences. While each of these concerns has been expressed by the international development community, it is the last that has been uppermost in the minds of donors in recent years, particularly considering the proliferation of donor financed activities in the last 10 or so years.

Are the concerns expressed in the international development community regarding activity proliferation relevant to Sri Lanka? The answer to this question is yes, as Figure 2.10 makes clear. The number of aid supported activities in Sri Lanka grew from 69 in 1977 to a staggering 1929 in 2005 and 1856 in 2008. As shown in Figure 2.10 the average number of Swedish aid financed activities per year in Sri Lanka increased during the 2000s, reaching 63 in 2006. But this increase is tiny compared to the total number of activities, growth of which was influenced by growth in the total number of aid donors – 14 in 1990 to 19 in 2000 and to 33 in 2008. This is the first reason for the proliferation of aid activities in Sri Lanka. The second reason is a shift away from providing aid to the government of Sri Lanka and towards civil society organisations.

<sup>11</sup> An aid activity is defined by the OECD DAC as a discrete entity or exercise that can take many forms, such as a project or a program or a component thereof, a cash transfer or delivery of goods, a training course, a research project, a debt relief operation or a contribution to a non-governmental organisation (OECD, 2011). Each activity will have its own budget, is assigned a DAC purpose code and reported by agencies to the OECD DAC. Care needs to be assigned when reading activities data, especially regarding comparisons across donors owing to different reporting practices. Some donors (such as the EU) can report a number of activities as a single activity or vice versa, breaking up a program or project into numerous individual activities.

Irrespective of what drove the proliferation, it certainly raises questions as to its likely development effectiveness of aid to Sri Lanka.<sup>12</sup>

Data on the number of aid supported activities by sector are shown in Figures D.4 and D.5. These figures identify the most heavily supported sectors, in terms of the number of activities supported since 1977.<sup>13</sup> The most significant growth has occurred in the Government and Civil Society sector. Closer inspection of OECD DAC data reveals that the vast majority of activities supported within this sector were with civil society organisations. This is consistent with the difficulties experienced by international donors with the Sri Lankan government throughout the 2000s – this is discussed at length in chapter 5. Also evident from Figures D.4 and D.5 is strong growth in the number of aid supported activities over time, especially from 2001 onwards.

#### 2.3.4 ODA Predictability

Important pre-requisites for maximising aid effectiveness are the predictability and stability of aid over time. Aid predictability is an indicator of the Paris Declaration Principle of alignment, and an important element of AQEF component 3. There are many ways aid stability and predictability can be measured, but a widely used and easily interpreted measure is the coefficient of variation in aid to the

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<sup>12</sup> It should be acknowledged that it is not necessarily the case that all these activities will necessarily have been delivered in Sri Lanka. Some may have been delivered in donor countries but allocated to their Sri Lankan country programs. These activities represent only a tiny proportion of total activities. It should also be acknowledged that part of the observed increase in aid activities could be due more comprehensive reporting. Yet even if this is accounted for, it would be unlikely in the extreme to alter the conclusion that there has been significantly increased proliferation of activities in Sri Lanka.

<sup>13</sup> OECD (2010) only provides information at the activity level for 1995 onwards. Earlier versions of OECD (2010) did report such data for earlier years. The data shown in Figures 2.13 to 2.15 for 1977 to 1994 were obtained from the OECD some years ago for a previous study in which one of the authors of this report was involved.

recipient country.<sup>14</sup> There is no threshold level of stability that deems aid especially effective nor any agreed benchmark for donors to reach. Yet as shown in Figure 2.11 Sweden's aid disbursements to Sri Lanka over the period 1960 to 2008 has been much more unstable statistically than aid from all donors to this country and even more so than total aid to all developing countries. It is also evident that there is greater instability in total (all donor) aid disbursements to Sri Lanka than aid to all other developing countries. The relatively large variation in Swedish aid suggests that its effectiveness might have been less than would otherwise have been the case.

Aid levels change over time for many reasons and are often driven by changing development conditions within and among countries. Changes from one year to the next do not necessarily mean that they were unanticipated by the recipient. The statistics shown in Figure 2.11 and the conclusions based on them should, therefore, be interpreted with a degree of caution. In the case of Swedish aid, however, there are a number of large reductions in aid from one year to the next during the late 1980s that seem difficult to attribute to changing development conditions or needs within Sri Lanka. These reductions vary from \$US24 million in 1988 to \$US36 million in 1986 in constant 2008 prices.

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<sup>14</sup> See, for example, Gemmell and McGillivray, 1998 and Bulíř and Hamann, 2001. The coefficient of variation is the standard deviation of aid divided by its mean, each for the time period in question. Disbursements are used, as opposed to commitments, on the grounds that they represent the actual amount of aid received by the partner country, which is what matters most for aid effectiveness. Commitments tend to be more stable and predictable over time than disbursements given that they result from conscious programming decisions. The measure preferred by the OECD DAC in monitoring progress under the Paris Declaration is the proportion of aid disbursed within the fiscal year for which it was scheduled. This measure is not currently used mainly because it is not possible to get historical information on scheduled aid.

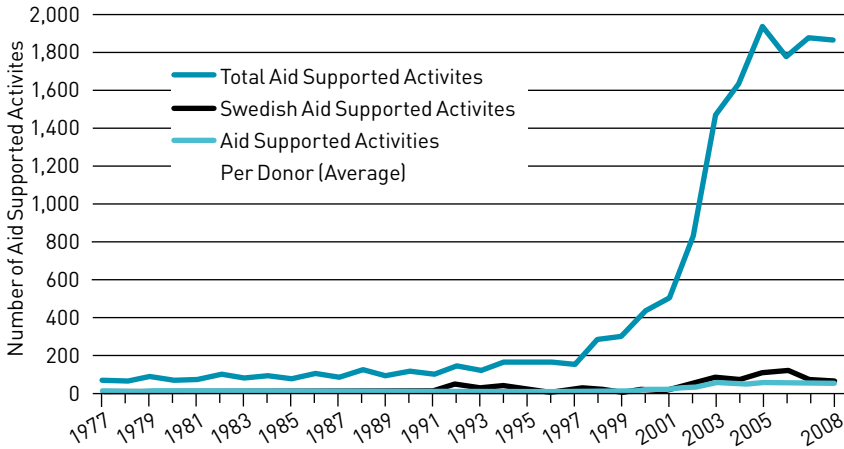


Figure 2.10 Total Aid Supported Activities, Sri Lanka, 1977 to 2008

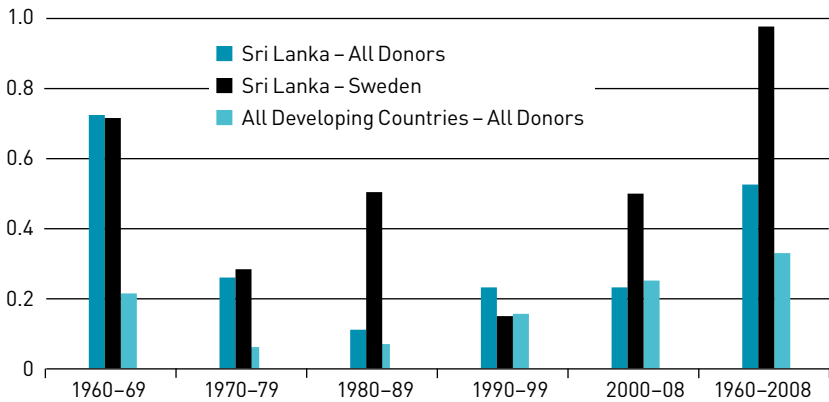


Figure 2.11 ODA Instability, 1960 to 2008

### 2.4 The ODA Enabling Environment in Sri Lanka

The ability of aid to achieve sustained development results depends on many factors. Two especially important factors are the capacity of the partner government to efficiently absorb aid for development purposes and the quality a government’s public sector fiscal management.

The capacity of the partner country to efficiently absorb aid is assessed against the amount of inflows it receives relative to the size of its economy as measured by GDP. International research has found that the incremental impact of aid on partner country growth falls after it reaches roughly 20 percent of that country’s GDP (Feeny



and McGillivray, 2011). The decline is attributed to absorptive capacity constraints within the partner country.

The preceding finding is one that applies on average for large samples of aid receiving countries. For this reason it is used as a rough rule of thumb for aid allocation decisions. If aid to a particular country substantially exceeds this number, then donors need to look very carefully at the country to ensure it has the capacity to absorb such an inflow.

In the Sri Lankan case, aid for all donors combined was between 10 and 20 percent of GDP in 32 of the 40 years between 1960 and 2000. This suggests that the level of aid was roughly appropriate on an absorptive capacity criterion; that is, aid to Sri Lanka was within the country's capacity to efficiently absorb. While this says nothing directly about Swedish aid, it does suggest on this criterion alone the broader enabling environment was conducive to growth.

The AQEF identifies four key drivers of absorptive capacity. The first is concessional borrowing capacity. If a country is close to what is considered the limit to what it can efficiently borrow, then its capacity to absorb aid is limited and *vice versa*. The second is human capacity, as proxied by the HDI. High human capacity indicates a high capacity to efficiently use aid and vice versa. The third driver is private sector capacity, as proxied by World Bank IFC doing business indicators. This represents the ability of the private sector to take advantage of the many opportunities, direct and indirect, of

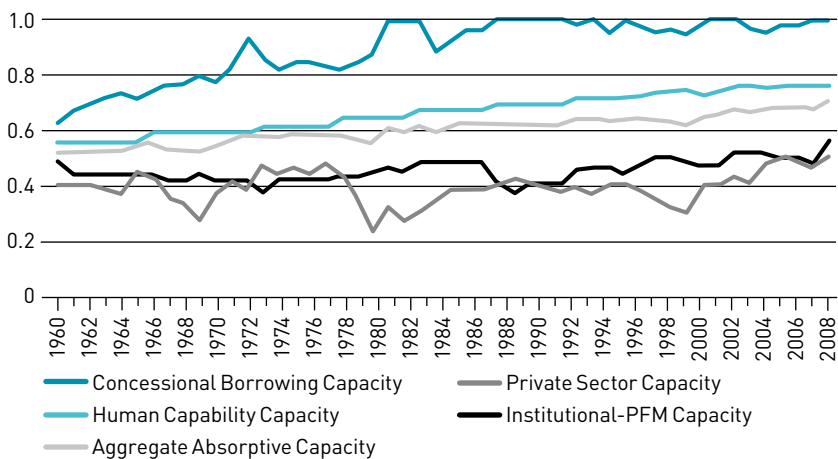


Figure 2.12 ODA Absorptive Capacity Drivers, Sri Lanka, 1961 to 2008

aid. The fourth driver is the quality of public sector financial management, as proxied by World Bank PEFA and CPIA ratings.

Sri Lankan data on each of these drivers for the years 1960 onwards are shown in Figure 2.12. A simple average of each is also shown, and interpreted as aggregate or overall absorptive capacity.<sup>15</sup> The most appreciable declines during the period are in private sector capacity during the late 1970s. The trend in institutional or PFM capacity is relatively flat. The good news, however, is that absorptive capacity generally increases over the period in question.

AQEF component 2 – the quality of PFM – has already been partly addressed through the investigation of the drivers of absorptive capacity. A more thorough analysis of this issue involves assessments regarding the extent to which economic policies are effectively built into the government budget, the accuracy of recurrent budget expenditure and revenue forecasts, transparency of budgets, accuracy of reporting of foreign and domestic debt and the extent of on-budget reporting of donor assistance. While the extent of reporting of donor assistance was highly variable, Sri Lanka performs quite strongly against the other criteria based on all available data.

## 2.5 Effectiveness of Aid to Sri Lanka: Some Stylized Facts

The preceding overview provides a less than optimistic picture of development co-operation in Sri Lanka. While evidence of an increasing capacity to efficiently absorb aid was shown and evidence of good standards of PFM was noted, the following characteristics were also observed:

- Aid declined relative to key national aggregates;
- There was a difficult operating environment owing to the conflict and government policies in the 2000s;
- There were relatively small non-ODA inflows and hence limited augmentation of the official donor effort;
- Yearly aid receipts were relatively unstable
- There was extensive proliferation of aid activities; and
- National development achievements were mixed.

<sup>15</sup> In an ideal situation one would report a weighted average of these drivers. Unfortunately there is no agreement among specialists as to what the weights to each driver should be. A simple average is taken on these grounds as it is the least contentious option.

While not mentioned above, there are also questions concerning the capacity of civil society to absorb and effectively utilise high aid flows. None of these observations necessarily dictate that aid has been ineffective – development achievements in Sri Lanka could have been worse in the absence of development aid – but this analysis raises a number of questions that need to be addressed. The observations also say little if anything about the effectiveness of Swedish development co-operation in Sri Lanka, but are indicative of a difficult operating environment for all donors.

Against this backdrop it is useful to examine more closely the association between ODA to Sri Lanka and its development achievements. A number of associations, in the form of scatter plots, were examined. Shown below in Figure 2.13 is a scatter plot between ODA and the HDI. Similar scatter plots were constructed for ODA and life expectancy, ODA and GDP per capita and ODA and GDP per capita growth. The latter variables have been used quite extensively in the research literature on aid effectiveness and per capita GDP growth in particular.<sup>16</sup> The scatter plots show what can be considered to be stylised facts, in the sense that they show simplified observations of empirical associations. They do not necessarily imply causality between the variables in question, but they can point to a particular association that is at the core of the evaluation questions being considered and therefore deserving of further scrutiny.

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<sup>16</sup> Scatter plots using other measures of aid, including aid relative to GDP, were also produced. Various time lags were also assigned to the aid variables on the grounds that the impact of aid on development achievements can take time to observe, especially in the case of health and education outcomes. Virtually the same picture emerges from these scatter plots. There are many different criteria that can be used to determine the type of regression line fitted that is fitted to the data. It can be a straight line, reflecting a linear relationship between the two variables in question. Alternatively it can be curved, reflecting a logarithmic, exponential or other non-linear functional relationship between these variables. A common criterion is to select the regression line that provides was chosen on the basis of that which provided the highest R<sup>2</sup>, which is the percentage of variation in the variable on the vertical axis that is predicated by the variable on the horizontal axis. This report is restricted to lines of best fit that correspond to either a linear or logarithmic relationship. Not only are these functional forms easy to interpret and make intuitive sense, but are consistent with relationships found in more complex and empirically rigorous aid effectiveness research. It was also the case, coincidentally, that these functional forms usually provided higher R<sup>2</sup>s than other alternatives.

The association between ODA and the HDI, is shown in Figure 2.13. This association is negative, meaning that higher ODA is associated with lower levels of human development in Sri Lanka. This on face value is very bad news from a development effectiveness perspective, as the message it conveys is that in terms of achievements in human development Sri Lanka would have been better off without the international aid effort.<sup>17</sup>

This message is mitigated by the associations between ODA and each of life expectancy, GDP per capita and GDP per capita growth. While not shown in this report, according to the corresponding scatter plots ODA to Sri Lanka is associated with higher life expectancy, higher GDP per capita and higher GDP per capita growth. While this is, on face value, better news from a development effectiveness perspective, the second and third associations are very weak in a statistical sense.

As mentioned above, these associations should not in isolation be taken as evidence of casual relationships for a variety of methodological reasons. There is, in particular, no attempt to control for other determinants of the development achievement variables or to allow for endogeneity, in which aid both influences and is influenced by these variables. The scatter plots do, however, point to stylised facts about simple associations between aid and development

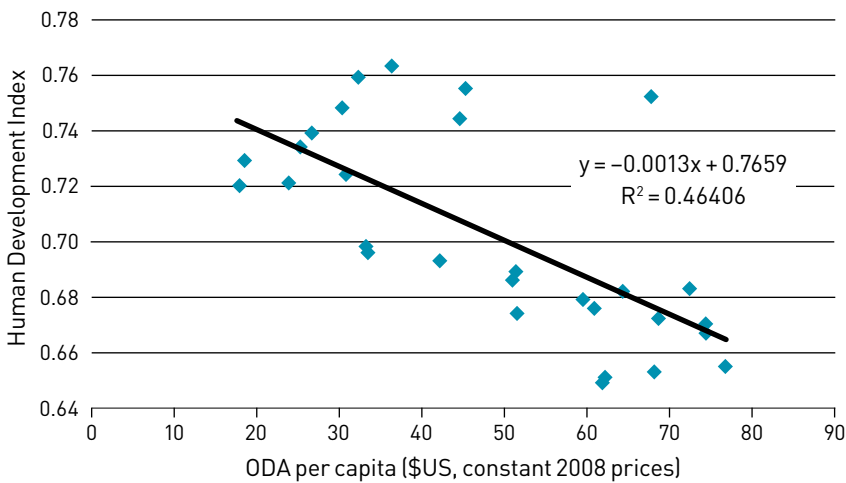


Figure 2.13 ODA and Human Development, Sri Lanka, 1960 to 2008

<sup>17</sup> The simple correlation coefficients that corresponds to the scatter plots is statistically significant.

achievements in Sri Lanka. They reinforce the speculation about the difficulty of the operating environment faced by donors in Sri Lanka, one that inevitably influences what they can achieve. This does not mean that Swedish aid was ineffective but reinforces the contention that knowledge of this broader context should inform the interpretation of the evaluation results that follow in this report. The information conveyed by these scatter plots is covered in Chapter 7 of this report, when the evaluation questions are addressed.

# Part Two – Swedish Development Co-operation With Sri Lanka

## 3. THE EARLY YEARS: 1958–1977

### 3.1 Political and Economic Synopsis

Between 1958 and 1977 the Sri Lankan economy was a fairly closed economy receiving relatively small aid flows; economic growth was very low as was GDP per capita growth. The socialist-oriented and highly interventionist Sri Lanka Freedom Party (SLFP) was the dominant political force and focussed on social welfare promotion including the provision of free healthcare and education. Price subsidies were common, some sectors of the economy were nationalised and relations with some western donors were weak as a result of the government's socialist-oriented policies. The country also experienced periods of political instability, such as after the assassination of Prime Minister Bandaranayke in 1959, and during the first *Janatha Vimukthi Peramuna* (JVP) uprising in 1971. There was increasing economic hardship during the 1970s and this culminated in the withdrawal of leftist coalition parties from the SLFP-led United Front, and the election in 1977 of the United National Party (UNP) in a landslide victory, whose market-based economic policies precipitated major changes in the Sri Lankan economy, as is discussed further in Chapter 4.

As mentioned, aid flows were small in the 1950s and 60s until a coalition of donors (Canada, US, UK, Japan and Australia) substantially increased aid in response to poor economic performance in the late 1960s (see Figure 2.10). Aid flows from OECD DAC countries nearly quadrupled in a very short period of time.

### 3.2 Summary of Swedish Aid during this Period

During the late 1950s and early 1960s the basic rationale and structure for Swedish aid was relatively undefined, and aid was distributed through the Ministry of Finance. Aid policy and management was consolidated after the passing of the Swedish Government's 1962

Proposition on Development Co-operation<sup>18</sup>, and the establishment of the Swedish International Development Authority (SIDA) in 1965<sup>19</sup>.

Sweden was a relatively small donor to Sri Lanka during the 1960s and provided about \$2 million per year to family planning. In 1974 import support<sup>20</sup> was provided to Sri Lanka for the first time, and this, coupled with the graduation of Sri Lanka to a regular program country in 1975 saw the scaling up of the aid budget to about \$11 million per annum. Swedish aid increased further after the opening of a Sida Development Co-operation Office in 1976 and the scope of Swedish aid expanded to include agriculture, rural development, education and research support. The Swedish Embassy was opened in Colombo in 1980.

During these early years, and indeed up to 1998, there was no coherent development co-operation strategy with Sri Lanka and aid allocation decisions were usually made after consultations between Swedish and Sri Lankan officials. This led to the development of formal government agreements which outlined the scope and quantum of Swedish aid for a 2 or 3 year period, with disbursement milestones and guidelines for the utilisation of funds. Specific agreements were then entered into for projects and programs.

It was within the context of weak economic performance but strong emphasis on social welfare provision that Sweden provided significant aid and technical advice for family planning over a 25 year period from 1958 to 1983. As this was the sector within which Sweden had the most influence as a donor it is the focus of this chapter.

### 3.3 Population Growth and the Focus on Family Planning

In the 1950s there was increasing international concern regarding the threat of over-population, particularly in many developing countries where population growth had increased quite considerably due to improvements in basic health provision. In 1954 the first

<sup>18</sup> See Proposition 1962: 100. This proposition pledged to contribute to raising the living standard of the poor and had four main objectives for Swedish aid: economic growth, economic and social equity, political independence and democratic development.

<sup>19</sup> Please note that this report uses the acronym SIDA when discussing the Swedish International Development Authority between its inception in 1965 and before its transformation to Sida in 1995 – the Swedish International Development Co-operation Agency.

<sup>20</sup> This included the provision of Swedish goods and services for development purposes.

United Nations Conference on Population was held in Rome where representatives from governments<sup>21</sup>, academia, and civil society met to discuss the spectre of population growth and the impact it may have on economic development. It was during this time that the concept of family planning as a mechanism to achieve both population and health outcomes became more widespread, though it was by no means mainstream and often critiqued on religious and ethical grounds by conservative governments and civil society groups in developed and developing countries alike. Against this backdrop, the International Planned Parenthood Federation (IPPF), which was a private pro-choice focussed organisation, began establishing Family Planning Associations in developed and developing countries, and private individuals and medical practitioners from both Sweden and Sri Lanka were active participants. In 1953 the Family Planning Association of Sri Lanka (FPASL) was established.

During this period there was legitimate concern that Sri Lanka would follow the path of other South Asian countries whose populations had exploded in the first half of the 20<sup>th</sup> century. The mid 1950s witnessed the highest population growth rates in Sri Lankan demographic history<sup>21</sup>, as the gap between birth and death ratios widened significantly. Between 1900 and 1954 Sri Lanka's population had grown from 3.53 million to 8.38 million and was rising at about 2.8% per year, life expectancy had increased to 59 years from 35 in 1920, and significant advancements were made in average mortality, maternal mortality and infant mortality, which in 1954 were 10.3/1000, 4.6/1000 and 72/1000 respectively (Government of Ceylon, 1954).

In the mid-1950s the Government of Sri Lanka was aware of these demographic changes, but for political reasons – mostly due to the sensitivity around family planning issues – decided not to mainstream family planning activities into existing health programs. The FPASL was active during this period opening private family planning clinics, and training volunteers and medical practitioners, and in 1955 the Government began providing annual financial assistance in grant form to the FPASL, although they maintained some distance from the issue and were unprepared to incorporate a family planning perspective into existing health programs.

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<sup>21</sup> Dr A.T.P.L Abeykoon, personal communication.



### 3.4 Case Study 1 – Sweden’s Support for Family Planning in Sri Lanka

It was within this general context of population growth, incipient civil society activity and moderate government interest that Sweden entered the family planning sector in Sri Lanka. On the 22<sup>nd</sup> May 1958 Sweden entered into a basic agreement with the Government of Ceylon to provide support in the area of family planning. This was the first agreement of its kind between any two countries in the world, and the first time any western donor had supported family planning. The objectives of Sweden’s support to family planning were to reduce the adverse impacts on maternal and child health that arise from frequent pregnancies. This was the so-called ‘international perspective’ which focussed on freedom of choice and temporary methods of control.

The Sweden-Ceylon Pilot Project in Family Planning ran from 1958 to 1965 and was delivered through the FPASL. The program focussed on conducting attitude studies, training local staff, providing equipment and contraception, and generally assessing the potential demand for family planning in Sri Lanka. The Swedish Government provided financial resources for the project and worked alongside the FPASL, which had an impressive number of clinics around the country and used thousands of trained volunteers to disseminate information on family planning. The pilot project supplied high quality contraceptives and provided training for volunteers and medical practitioners in the latest family planning advancements. The project also funded two pilot family planning interventions in Bandaragama village south of Colombo and in a tea estate in Ulapane. Initial results from these trials showed declining fertility rates in these areas, but as reported by SIDA (1984) these figures eventually proved inconclusive upon release of demographic reports in 1968.

Despite the lack of conclusive empirical data from the test sites, there is little doubt that the trial period helped raise awareness both domestically and internationally of family planning approaches and laid the foundation for the rapid advancements that followed. A number of key informants to this evaluation pointed to a study undertaken as part of the trial program that showed there was significant latent demand for family planning in Sri Lanka and no major religious opposition.

In 1965 the trial period ended when the newly elected Government assumed responsibility for family planning and decided to integrate family planning into maternal and child health. This approach was fully supported by Sweden and the FPASL and had far reaching

implications for the integrated management of maternal, child and reproductive health in Sri Lanka. Sweden's aid then aligned with the Government's new National Programme for Family Planning which aimed to reduce the crude birth rate by one-third by 1976. This program was launched by the Government of Sri Lanka on the 1<sup>st</sup> January 1966. The Swedish Government entered into a new bilateral agreement with the Government of Sri Lanka to provide technical advice, equipment and supplies for family planning activities in August 1965.

In November 1966 a high level delegation from Stockholm visited Sri Lanka to discuss specific priorities under the Programme and to address any emerging issues. It became clear that the provision of counterpart funding and personnel for training and distribution purposes was a significant problem for the Government of Sri Lanka and the Swedish Government agreed to shoulder most of the financial burden until the next Sri Lankan financial year. The challenges of establishing a national program were stretching the Sri Lankan government.

The Sri Lankan Government established the Family Health Bureau (FHB) in 1965 to manage its new integrated approach but it did not begin operations until 1968. The FHB eventually took over the reins of the Programme and also took over some of the clinics previously run by the FPASL. During the late 1960s to early 1970s Sweden began to pare back both its technical and financial support as the FHB's capacity grew. The FPASL continued to provide widespread support throughout Sri Lanka and continued to scale up its programs by opening more clinics, training more volunteers and trialling new contraceptives.

After 1974 the Swedish involvement in the delivery of family health services reduced further. The 1974 agreement with the Sri Lankan Government allocated 4 MSEK for a building for the FHB and 7.5 MSEK for contraceptive supplies over a three year period. Sweden's role as a technical advisor essentially finished and its influence on family planning policy was also now quite marginal. In 1973 the UNFPA entered the sector with some significant support and became the most active donor. The UNFPA took over the financing and purchase of contraceptive supplies for the FHB and between 1973 and 1981 dispersed approximately US\$ 10.1 million on family planning initiatives throughout Sri Lanka.

In 1977 the UNP government came to power in a landslide winning 50.9% of the popular vote. This government took a more aggressive stance on population control than the SLFP-led leftist coalition and began providing incentives for both medical staff and

acceptors for sterilization. During this period there was a shift from family planning as a child and maternal health strategy to a population control strategy. During the late 1970s and mid 1980s the percentage of sterilizations performed in proportion to temporary methods increased substantially and this had a significant impact on fertility rates. In the early 1980s the program was easily exceeding its target of 50,000 sterilizations per year. This incentivisation approach was at odds with Sweden's focus on freedom of choice as exemplified in the following statement by Bo Ohlsson, principal author of the 1984 evaluation of Sida's support for family planning:

*“It is Sida's view that the incentives to medical personnel coupled with the politicians conviction of the absolute necessity of sterilization, combined with the inability or difficulty of the individual to protect his/her own interests which jointly exert pressure on that individual and therefore jeopardise freedom of choice.”*

At no stage did Sweden support permanent methods of control and they clearly emphasized their preference for freedom of choice and temporary methods of control. The family planning landscape did change significantly after the election of the UNP and this somewhat marginalised the Swedish program which emphasized an integrated approach and temporary methods of control.

The new Sri Lankan Government Program was spearheaded by Dr Wickram Weerasooriya, then Secretary of the Ministry of Planning, who demonstrated a deep personal commitment to population issues. Dr Weerasooriya facilitated the move of the Family Planning Program to the newly established Office of the Executive President to enhance its stature and reach, and acted as an intermediary between the government and critical elements of the media and interest groups – including increasingly vociferous opposition from Sinhalese nationalist groups – and managed the national program very efficiently for a period of 10 years. During this time population growth rates decreased significantly and permanent methods of control became the predominant tool to control population growth.

In 1983 Sweden ceased its support for family planning in Sri Lanka. Between 1958 and 1983 Sweden had spent approximately 33 MSEK on family planning in Sri Lanka (71 MSEK in 1982 currency values).

### **3.5 Family Planning, Maternal and Child Health in Sri Lanka in 2011**

Sri Lanka now has one of the best functioning family and reproductive health sectors in the developing world. The FHB delivers an integrated program for family planning and maternal and child

health that targets married couples through the efficiently managed ‘eligible couples’ register. The FPASL augments this by delivering a comprehensive social marketing program that emphasizes safe sex and focuses on the delivery of quality, affordable methods of contraception to all members of society. The FPASL prides itself on leading the way in the provision of contraceptives and information to those not included in government programs including men who have sex with men, drug users and those with HIV/AIDS.

The combined efforts of the Government, civil society and donors have seen Sri Lanka achieve some of the most significant reductions in fertility by a developing country. Due to these efforts Sri Lanka’s Total Fertility Rate<sup>22</sup> has declined from an estimated 5.6 in the mid-1950s<sup>23</sup> to 2.3 in 2006/7, this figure was as low as 1.9 in the year 2000 (Institute of Policy Studies, 2009).<sup>24</sup> The overall trend in fertility in Sri Lanka is clearly evident from Figure 3.1, which has been constructed using data from World Bank (2010). This figure also shows fertility in all developing countries. Significantly, Sri Lanka was able to achieve much larger reductions in fertility in the early and mid-1960s than all other developing countries. It is now well-established in development policy and research circles that fertility declines create an opportunity for increasing productivity, savings and investment in future growth. These decreases are associated with better child health and schooling, greater labour-force participation for women and higher rates of income poverty reduction (Das Gupta *et al.* 2011).

Sri Lanka’s performance in child and maternal health has also been impressive, and it is on track to achieve its Millennium Development Goal (MDG) targets in these areas. The Maternal Mortality Ratio (MMR) declined from 46/1000 in the mid-1950s to 4.2/1000 in 1992 and then to 1.4/1000 in 2003 and is now the lowest in South Asia. The Infant Mortality Rate (IMR), which was 72/1000 in the mid-50s, was 11.3/1000 in 2006/7 (Institute of Policy Studies, 2009). The World Bank has estimated that Sri Lanka has an IMR rate that is 250% lower than what would typically be expected of a country with Sri Lanka’s level of per capita GDP.

<sup>22</sup> This is the average number of children that would be born to a woman over her lifetime if she were to survive from birth to the end of her reproductive cycle.

<sup>23</sup> Professor Indralal de Silva, personal communication.

<sup>24</sup> Note that the World Bank (2010) reports a slightly higher rate for Sri Lanka, of 2.2.

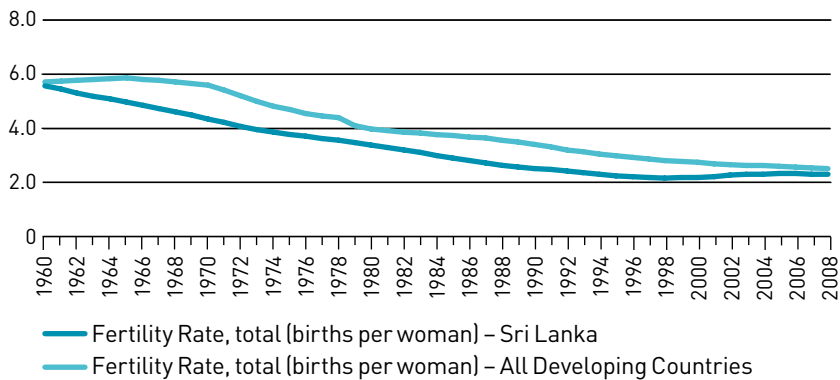


Figure 3.1 Fertility Rates, 1960 to 2008

Many of the abovementioned figures will be confirmed during the 2011 Sri Lankan Census and there is optimism that the MMR and IMR rates will be on track to achieve the MDG targets of 1.06/1000 and 6/1000 respectively. However some of Sri Lanka's most trusted demographers have expressed concern over the TFR rate and are predicting a rise in fertility rates and population growth. There is concern in family planning and demographic circles over the current government's lack of commitment to population issues as evidenced by a recent policy that provides financial incentives for armed forces personnel to have a third child. There is also concern that the nationalistic political sentiments that surfaced during the 1970s and 80s may also shape and constrain the space for debate and action on population and family planning within Sri Lanka.

### 3.6 Sweden's Contribution to Family Planning and Maternal and Child Health in Sri Lanka

Sweden's support to family planning in Sri Lanka, though it finished almost 30 years ago, is still seen as a key factor in the evolution of Sri Lanka's approach to integrated family health. Key informants from the FPASL mentioned the catalytic and pioneering nature of Swedish funding, and the fact that the early partnership in family planning helped build the credibility of the FPASL as an organisation, and contributed to their focus on best practice and quality in the provision of reproductive health services. The exposure of this group with best practice from Western Europe had a long lasting impact on the organisation.

Key informants from the government and academia suggested that Sweden's support provided the important preliminary training and exposure the sector needed to move to the next level as witnessed by the evolution of the integrated approach to Family Health in 1965. These sentiments were expressed by the former Secretary of the Ministry of Planning Dr Weerasooriya:

*“If Sweden had not come in the 1950s we would not have been able to pick it (family planning) up by ourselves, because we still would have been in kindergarten, but now we have graduated”.*

### 3.7 Significance for this Evaluation

A number of important thematic issues, which have significance for the broader evaluation of Swedish aid to Sri Lanka, have arisen during this discussion of Swedish support to the family planning sector during this phase. These issues are listed here and are discussed further in the synthesis chapters. They include:

- The importance of focussing on a specific sector over a long period of time (longitudinal sectoral focus);
- The importance of maintaining a principle-led approach, such as the Swedish emphasis on integrated family health (the so-called ‘international perspective’ with its focus on child and maternal health and freedom of choice) as opposed to the population control perspective;
- The pioneering nature of Swedish support to civil society (through the FLPSA) and importantly the influence this exposure had and continues to have on this organisation (for example, a focus on quality products and addressing difficult issues);
- The fact that Swedish expertise, equipment and supplies were highly sought after;
- The ownership by the GoSL of an integrated health perspective which evolved from the early years of family planning co-operation with Sweden, and which has clearly contributed to significant achievements in the MMR and IMR MDGs; and
- The highly principled approach that led Sweden to support what was a difficult political and social issue.

## 4. SUPPORTING NATION BUILDING AND TACKLING DISADVANTAGE: 1977–2002

### 4.1 Political and Economic Synopsis

In July 1977 the UNP government of J.R. Jayewardene won a landslide victory in the Sri Lankan general elections and set about introducing economic and political reforms designed to restructure the economy with a view to rapidly increasing output and employment. This marked a complete break from the socialist oriented policies of the previous administration. These comparatively free market policies succeeded in lifting economic growth, but economic hardship actually increased significantly amongst the poorest segments of the population as subsidies were removed and the effects of the IMF and World Bank sponsored Structural Adjustment Program (SAP) began to take effect.

Aside from economic hardship, the 1980s was also a period of intense conflict in Sri Lanka. On the 23<sup>rd</sup> July 1983 a large scale anti-Tamil pogrom took the lives of hundreds of Tamils in reaction to an attack by the LTTE on the Sri Lankan army which resulted in the deaths of 13 soldiers. This marked the beginning of the full scale conflict between the GoSL and the LTTE – a conflict that would last for 26 years. Also, from 1987–1989 the JVP prosecuted an armed insurrection against the GoSL that was both Marxist and nationalist in orientation. It has been estimated that this insurrection led to 50,000 deaths, including the assassination by the JVP of 106 politicians, 62 academics and over 8,000 civilians (Gunaratna, 1998). This includes the assassination of Professor Stanley Wijesundera at the University of Colombo (UC), who backed SAREC's support to the Institute of Molecular Biology at UC (see section 4.6 below for further discussion).

On 1<sup>st</sup> May 1993 President Premadasa, leader of the UNP, was assassinated by a LTTE suicide bomber in Colombo and the year after that the UNP lost the national election – after 17 years in power – to the People's Alliance (PA), a coalition led by the SLFP. The JVP who were responsible for so much violence just a few years before, entered politics in 1994 and in 1999 were important supporters of the PA who also gained victory in the 1999 general elections.

With regard to economic development, in the late 1970s the newly elected UNP embarked on a grand nation building scheme designed to create thousands of jobs and build important national infrastructure. The Mahaweli Development Program aimed to

harness the water of the Mahaweli Ganga basin and associated catchments to produce approximately 1GWh of hydro-electric power, while providing irrigation water for 92,000 hectares of farmland. This was the largest development program ever undertaken by the GoSL. The acceleration of this program in the late 1970s caused excessive financial stress on the budget and in order to avoid a potential financial crisis, the GoSL and the World Bank sought additional aid from bilateral donors; they specifically turned to Sweden for assistance, as well as the United Kingdom, Japan and Germany.

#### 4.2 A Summary of Swedish Aid during this Period

Total aid to Sri Lanka during the 25 year period covered by this chapter amounted to US\$921 million.<sup>25</sup> A significant proportion of this funding, about US\$522 million, was disbursed between 1979 and 1985 as Sweden increased its support to the government's nation building Mahaweli program by funding the construction of the Kotmale Dam. During the 1980s the scope of Swedish aid increased as did the quantum. The sectors of focus during this period were infrastructure (mainly energy generation), education, integrated rural development, research and health. The 1980s also marked the beginning of Swedish support for governance and civil society. Throughout the 1980s approximately half of Sweden's total aid across the 53 year period of co-operation was disbursed.

The 1990s witnessed a significant scaling down of aid with the allocation of US\$161 million during that decade. Support to most of the existing sectors was maintained, and funds for agriculture were reintroduced after a decade long absence. Transport and telecommunications were added as additional sectors in the 1990s as was support to financial services and humanitarian aid.

The process of consultation between Swedish and Sri Lankan officials on the focus of development support continued as described in the last chapter, until 1998 when a more coherent country strategy was formulated for Sri Lanka. The Sri Lanka Country Strategy, passed by the Government on 5<sup>th</sup> February 1998, provided an assessment of the success of previous co-operation and highlighted what were to be the key issues for the next period of co-operation. Of note, the report suggested that Sweden's focus on neglected groups through the integrated rural development and plantation strategies

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<sup>25</sup> In United States dollars at constant 2008 prices.



‘had not helped stimulate any dynamic changes where employment is concerned’ (Sida 1998) and it suggested the phasing out of the rural development focus. As the proceeding case studies highlight, the support to the plantation schools was maintained and in the end it was, in the Evaluation Team’s opinion, quite successful.

Importantly this country strategy set the agenda for what would become the focus of the Swedish program for the next 12 years, namely peace and democracy. Sida invested significant effort into the transformation of its support from a ‘random sector oriented model’ of development co-operation to a ‘specific objective oriented model’ (Management Perspectives International, 1998), the specific objective(s) being support for peace and democracy and for economic growth, which was seen as a tool to improve the conditions of the politically marginalised, and thus reduce the risk of conflict.

During this period, aside from Kotmale, the Swedish government also invested significant resources in the Integrated Rural Development and Plantation Schools programs which were designed to alleviate poverty and improve the livelihoods of the most marginalised people in Sri Lanka. Sweden also provided support for the University of Colombo, Institute of Molecular Biology, which made some significant achievements during a very difficult period. These four case studies are discussed below.

### **4.3 Case Study 2 – Sweden’s Support for the Kotmale Dam Project**

#### **4.3.1 The Kotmale Project**

The Kotmale Dam Project was a significant part of the Accelerated Mahaweli Development Program (AMDP) and began in 1979. Situated on the upper reaches of the Kotmale Oya, this 87m high dam and underground hydro-power station was part of the four-dam hydro-power network being constructed as part of the AMDP, a network designed to almost double Sri Lanka’s power output from 562MW to 1070MW. With generating capacity of 201MW and a projected mean annual production of 445GWh this hydro-power station was considered a crucial component of Sri Lanka’s energy infrastructure, which in the 1970s was severely lacking in output, with the population suffering from frequent power shortages.

#### **4.3.2 Implementation of the Kotmale Hydropower Project**

Sweden’s support to Kotmale began in 1979 when it was agreed that Swedish development funds intended for import support could be used

to finance the Kotmale Project. These funds amounted to approximately 100 MSEK per year until 1983. These import credits constituted approximately 77% of Sweden's aid during the three year period from 1980 to 83. The overwhelming majority of this assistance was directed towards the AMDP and the Kotmale Project. These import credits were tied to the procurement of Swedish products and services at a level of approximately 85% of total disbursements. Sida was aware that the GoSL had assumed, while preparing their budget for the project, that Sweden would pursue this form and level of assistance for a ten-year period. Sida advised the Swedish government that legislation would not allow the government to make such a commitment from the outset, and in 1982 the Swedish Parliament passed an appropriation bill providing a further 1.088 MSEK for the project over six years. Total Swedish support to Kotmale amounted to 1.395 MSEK to 1987/8.

In 1979 the GoSL engaged Skanska to design and begin work on the project. After construction began the original design had to be modified and the construction site moved downstream 200m after limestone caves were discovered underneath the original site. As well as this initial design fault, the project was also beset by a number of logistical, employment and human security issues, including the delayed arrival of machinery due to storms and mudslides, the exodus of trained workers seeking employment in Saudi Arabia, and further delays in 1983–4 arising from the anti-tamil violence and associated civil strife that wracked the country and led to the exodus of large numbers of Indian tamil sub-contracted workers from the Kotmale site.

Despite this, construction proceeded roughly in line with the original schedule and in March 1985 the project was actually completed, six months ahead of schedule. Full operation was, however, delayed for a further 18 months due to a rupture in the high pressure shaft which occurred during the first filling process. This rupture was probably induced by the low level horizontal rock stress present in the underlying geology (Gildestad *et al.*, 1990) and was quite costly to fix. Skanska was also awarded the contract to rectify this problem.

#### **4.3.3 The Impact of Kotmale**

Kotmale was the first underground power plant in Sri Lanka and has performed according to specifications since it was completed more than 25 years ago. It is considered by experts in Sri Lanka to be a reliable and technically sound power plant that has performed proficiently over the years despite being under-maintained. The

plant provides about eight percent of national energy supply and forms a crucial part of Sri Lanka's energy infrastructure, primarily because of its role as a strong point collecting electricity from all other hydro-electric power stations in Sri Lanka. In October 2009 the central importance of Kotmale to Sri Lanka's energy infrastructure was highlighted when a national wide blackout was traced back to problems with the electrical equipment at Kotmale, a problem which stemmed both from the original design and a lack of maintenance (Public Utilities Commission of Sri Lanka, 2010).

From an economic perspective, a 1990 SIDA evaluation suggested that Kotmale suffered from rushed planning and start-up and basic design problems which, coupled with the non-competitive tendering process, led to an unnecessarily costly project (*Gildestad et al., 1990*). It should be stated however that the decision to accelerate the project and the non-selective appointment of the primary contractor were decisions taken by the GoSL, not Sida. This evaluation also suggested that the problems with the pressure shaft which led to a delay of 18 months in the final completion of the project could have been avoided if appropriate geological testing was undertaken during the excavation of the tunnel. The 1990 evaluation also concluded that the project had an economic rate of return of 6%, which was low in comparison with other energy sources and was compounded by the delayed production start and tunnel repair costs.

A further evaluation commissioned by SIDA in 1990 (*Softestad, 1990*) comments on the significant social impacts of the project. The project precipitated the involuntary re-settlement of approximately 4,000 families from the dammed area. These evacuees were given a choice to move either upstream or downstream from the project site and were not housed in transit camps. There was limited relocation planning and synchronization and a lack of basic services in many of the new settlements. There were delays of up to 3 years in the supply of irrigation, and this coupled with significant changes in livelihoods, limited access to land, and changes to traditional agricultural methods of production meant that many of those resettled had to use compensation money for basic survival. There was also evidence that social and economic differentiation actually increased in some locations and that there were significant institutional problems at the village level as a result of the loss of kinship ties and social capital losses more generally. Environmentally the project also had significant impacts on biodiversity, riverine and traditional

agricultural systems, as well the erosion and massive siltation caused by large scale hydropower projects (Johansson, 1989).

The Kotmale Project, which was the second largest investment in a single project ever made by the Swedish Government, clearly addressed pressing multi-dimensional needs such as employment and energy generation at a macro-scale, but it also had very significant social and environmental impacts at a local level, as most big infrastructure projects do. Ownership by the GoSL was clearly very strong and the project aligned with national development objectives and the aid policies of donors at the time.

The efficiency of the project was adversely affected by the tied aid provisions and the non-competitive selection of the Swedish-based contractor, who was eventually financially rewarded for fixing a problem that they, in effect, caused in the first place. With regard to sustainability, the project was obviously a technical success as the power plant performs today as it was originally designed to over 30 years ago. The flaws in the Kotmale Project outlined in this case study associated with procurement, design, finances, and social and environment issues demonstrate how far development project planning and approval has changed from the 1980s when large infrastructure projects such as Kotmale were the primary focus of many donors.

#### **4.4 Case Study 3: Social Mobilisation and the Matara Integrated Rural Development Project**

##### **4.4.1 The Development Context**

Integrated approaches to rural development were highly influential in international development thinking during the 1970s and 80s. They arose from the realisation that individual sector-focused interventions did not address the complex interconnected nature of the problems faced by the rural poor. Integrated rural development responded to this insight by proposing a suite of complementary interventions which together contribute to addressing such problems. Integrated rural development was also a product of a particular international political and economic environment. The 1970s were characterised by increasing concern with the distributional impacts of economic growth focussed development. The response to this was to re-emphasise local participation and local resource mobilisation (Ruttan, 1984).

In the shifting economic and political environment facing Sri Lanka after the election of the UNP in 1977, donor-supported Integrated Rural Development Projects (IRDPs) were an attractive option for the

GoSL for several reasons. Firstly, by their nature IRDPs were intended to focus directly on income generation and employment creation for the rural poor. Disenfranchisement, especially among youth, was widely seen to be a contributing factor to the conflict. At the same time, IRDPs were seen as a vehicle for assisting the decentralisation of government functions. Decentralisation was very much in its infancy in the late 1970s and was considered an important part of the strategy to address the conditions that were seen to be underlying the conflict. This economic and political context exerted a powerful influence on the emergence of IRDPs in Sri Lanka.

#### 4.4.2 The Matara IRDP and the Emergence of Social Mobilisation

Discussion about Swedish assistance to integrated rural development is first recorded in an aide memoire summarising consultations between Sri Lankan and Swedish delegations in 1977. In these discussions the Sri Lankan delegation presents IRDPs as “a step towards decentralisation of development activities”, while the Swedish delegation emphasised the overall objective of Swedish development co-operation, which was “...to help raise the living standards of the poor” (SIDA, 1977). There was considerable support for IRDPs from both Sweden and Sri Lanka at the outset, however apparent agreement over IRDPs masked divergent agendas.

These differences surfaced during the transition between the first and second phases of the Matara IRDP. Sida had introduced a new Rural Development Strategy in 1982, the major thrust of which was a focus on the poorest 40 percent of the rural population. The first phase of Matara IRDP was evaluated in 1982 using the new Strategy as a yardstick. The evaluation was highly critical of the Project, seeing no benefits accruing to the poor and very little involvement of beneficiaries in the design of project activities. Proposals for components and activities to be included in the second phase of the project were submitted to SIDA in 1983 and were also assessed against the Rural Development Strategy. Many were rejected, with Sida citing little evidence of a direct focus on the poorest segments of the population as a key reason.<sup>26</sup>

A protracted and complicated planning process ensued, during which SIDA staff and consultants worked with the Project Director and staff from the Regional Development Division (RDD) of the

<sup>26</sup> This episode has been called ‘the massacre of Matara’ – a dramatized reference to the wholesale rejection of many of the proposals by Sida. See Wieslander, A. (1994, p. 15).

Ministry of Plan Implementation (MPI) to reconcile the proposals with SIDA's Rural Development strategy. The objectives of the second phase of the Matara IRDP emerged during this process. The first objective focused on production and income generation for the poorest segments of the district. The second objective introduced a new emphasis on the participation of intended beneficiaries, another key thrust of the Rural Development Strategy. A third objective espoused a focus on building the planning and administrative capacity of the Matara IRDP office – the personnel who would be at the centre of the implementation process (SIDA, 1984a).

SIDA had strongly emphasized the importance of focusing on the poorest of the poor, but were unable to advance concrete suggestions for how to go about doing this. SIDA's focus on social mobilisation was one source of this confusion, as the former Project Director recalled:

*“SIDA kept insisting on us employing staff for mobilisation of the poor but did not tell us how to use them”.*<sup>27</sup>

Social mobilisation arose from a particular strand of thinking in international development that emphasized empowerment of the poor as agents of their own change. The roots of these approaches are diverse but derive partly from the ideas of the Brazilian social activist Paulo Freire, and the work of Robert Chambers on participation. The particular brand of social mobilisation that has developed in South Asia over the past twenty years (including in Sri Lanka) has been characterised by a focus on empowering individuals (rather than groups) to lift their way out of poverty through a social process involving membership in groups. The formation of these groups is facilitated by ‘social mobilisers’, who also play a key role in facilitating discussion and exchange among members. *Financial* mobilisation is often an important complement to this social process – the pooling of financial resources (through credit societies, for instance) to provide members with the means with which to act (Mersland and Eggen, 2008). These characteristics became key aspects of the Matara IRDP.

The Matara IRDP social mobilisation program started slowly, as the Sri Lankans experimented with ways of operationalizing the concept in the absence of guidance from SIDA. Over time however, social mobilisation steadily became core to the Matara IRDP. This shift in emphasis towards social mobilisation of the poor can be directly attributed to the new objectives of the second phase of

<sup>27</sup> Former Project Director S. Amarasekera, cited in Wieslander (1994, p. 16).

Matara IRDP. Indirectly, it was the SIDA Rural Development Strategy and the difficult transition between phases I and II that had set the stage for this to occur. A small group of SIDA staff and consultants were at the heart of this move, driven by what was, in the words of a former consultant interviewed for the present study, “a philosophical approach to poverty reduction”.

As influential as SIDA was in this process, the focus on social mobilisation would have been short lived were it not for the leadership of the Project, particularly the Sri Lankan Project Director. As a former rural development consultant to SIDA in Sri Lanka observed:

*“The fact that the [Matara Integrated Rural Development] Project turned out well is to do with the Project Director. He learnt from experience, looked for solutions, tried them out and became more and more committed to the goals.”<sup>28</sup>*

The influence of the Project Director and the respect that he inspired in his staff recurs throughout the Project documentation<sup>29</sup> and key informant interviews with former members of the Matara IRDP staff. For this reason, it is reasonable to conclude that partner government ownership of the objectives of Phase II grew as implementation progressed.

#### 4.4.3 Implementation

Phase II of the Matara IRDP became operational in July 1984 and was formally closed in June 1988 (incorporating a one year extension), after which a third phase was initiated. Over this period SIDA allocated a total of 27 MSEK to 17 components covering various aspects of social work and services (2 components), agriculture and forestry (6 components), non-farm production (4 components), area development projects (2 components), and support to district institution building (3 components).

The social mobilisation program underpinned all of these components. The Project had recruited three social mobilisers in 1985, but their contracts were terminated in 1986 after they had had limited success engaging with the rural poor. The Backwards Areas Program (BAP) was launched in the wake of this failure, and sought to focus Project resources on a smaller number of villages identified as being particularly poor. The BAP became the focus of social mobilisation during Phase II. Villages involved in the BAP were asked to elect ‘catalysts’,

<sup>28</sup> Lars-Erik Birgegaard, rural development consultant to Sida, cited in Wieslander (1994, p. 16).

<sup>29</sup> For instance, see Wieslander (1994).

volunteers who could help identify problems and help organise self-help programs in the village. In each village catalysts worked with Rural Development Societies (RDS) – institutions provided with funds by the Project to provide loans to the rural poor for small businesses. The RDS approach was discontinued after Phase II, but during Phase III (1988–1991) the Matara District Community Credit Scheme (CCS) was created as a vehicle for raising funds among members and dispensing small loans. The social mobilisation program was a key part of the process of awareness raising leading to group formation and mobilisation of funds that were managed under the CCS.

In some respects the approach to implementing the Matara IRDP was unique. Where many IRDPs concentrated on developing economically productive infrastructure, the Matara IRDP focused on social infrastructure – schools, health clinics, and housing for the poor. It was rare for social mobilisation to be as central as it was to the Matara IRDP. The Lindahl evaluation of 1991 divides donor-funded IRDPs into two distinct groups (Lindahl *et al.*, 1991). In one were IRDPs funded by the World Bank, IFAD, and JICA, which tended to reflect less flexible ‘blue print approaches’ to planning and implementation. In the other group were the ‘process approaches’ of IRDPs funded by the Norwegian, Dutch and Swedish Governments which often provided more opportunity for experimentation. Key informant interviews tended to reinforce this characterisation. A former senior MPI RDD official explained:

*“...the contribution from Sida would be that they were very flexible to go out of that cast, the iron cast-type of model of multilateral thing, to any flexibility of try and see whether it fails. That was there”.*

This space allowed the leadership of the Matara IRDP to try out their own locally derived approaches to social mobilisation without fear of failure and consequent withdrawal of funding. This flexibility was crucial and helped to foster greater Sri Lankan ownership of objectives that had been the cause of much friction at the start of Phase II.

Although unique in some respects, in others the implementation of the Matara IRDP typified the approach applied by donors to IRDPs across Sri Lanka and indeed internationally. Emblematic of this approach was the creation of an independent IRDP office external to the Matara District planning administration and the relevant line agencies. A former senior member of the IRDP Project office in Matara described the implementation arrangements:



“...normally the system is, you give money to that department, that department handles everything. Here, you get funds and everything for one office and they coordinate. The project office work[s] like a mini treasury. They give the money to the various line departments. Line departments also had separate bank accounts for the projects.”

This approach certainly had benefits. Most key informants who had worked in IRDP project offices mentioned that the resources and influence helped them to circumvent the bureaucratic processes that could sometimes hinder government. Moreover, a separate project office also afforded a degree of protection from the webs of political patronage that occasionally exerted influence upon development co-operation programs.

However, the “bypass” nature of this approach created a duplicate layer of administration which had implications for the sustainability of Matara IRDP in later years. For instance, social mobilisers were employed by the project office rather than by the district administration. The effects of this approach for sustainability are discussed further below.

#### 4.4.4 Results

The first formal assessment of the results of the second phase of Matara IRDP was carried out in 1987. The evaluation paints a mixed picture, pointing out that some improvements in income in the target group are likely, but that many of the poor in Matara district remained untouched by Project efforts, despite the promising work of the social mobilisation program. Significantly, the evaluation found fault with the theory underlying much of the Project – that self-employment through entrepreneurial activity is a viable path out of the poverty for the rural poor (Erikson *et al.*, 1987).

As a model of poverty reduction, it must be concluded that the Matara IRDP was not successful. Although the 1991 evaluation noted that Infant Mortality Rates (IMR) did decrease dramatically in Matara over the 1980s, this was “more or less commensurable with the overall trend in the country” (Lindahl *et al.*, 1991, p. 21). Other evidence of poverty impact is lacking, complicated by an absence of baseline and comparative data in project areas.

Despite a stuttering start, there is much positive comment concerning the social mobilisation program in the Phase II evaluation of 1987 and the evaluation of the overall IRDP in 1991. The earlier

evaluation suggested that a promising start had been made while the 1991 study noted that:

*“...as a means of social mobilisation the project has meant a radical change in terms of attitudes for some 4,000 people so far directly involved.”*

Nevertheless, the 1991 report also cast doubt on the sustainability of these changes and their effectiveness as an income generation strategy for the poor. The key concerns were threefold. Firstly, the small businesses created through the social mobilisation program were responding to demand in localised markets and therefore at risk of oversupplying these. Secondly, the evaluators expressed a concern that a backlash could eventuate from various vested interests. Thirdly they found that the profitability of many of the enterprises was low and declining.

There is no evaluative information to shed light on how these concerns played out in subsequent years. The CCS – the credit scheme created in 1989 closely connected to the social mobilisation program – remains in operation in Matara town today. CCS in 2011 dispenses small loans to members for the purchase of a range of productive assets such as motorised rickshaws and sewing machines. In 2010 the organisation administered Rps 31 million of funds, an increase of approximately Rps 4 million over the previous year. The total membership numbers 4,886 individuals organised in 1,018 groups and 116 societies. This figure has apparently declined from a peak of approximately 12,000 in 1991. The 8 percent interest rate payable on deposits appears favourable in comparison to the 5 percent on offer from commercial banks. Despite a default rate of 15 percent, broadly speaking the CCS appears to be in good health.<sup>30</sup>

What has been the impact of the CCS and the social mobilisation program on poverty in Matara district? The present study is not positioned to make a comprehensive assessment of this issue. Nonetheless, it appears that the characteristics and approach of CCS have changed in some significant respects, with implications for the sustainability of any poverty impacts of the project. In 1989 there were approximately 100 social mobilisers heavily engaged in facilitation of the small groups and societies that comprised the CCS. The role of these individuals reflected the social agenda of the Matara IRDP – awareness raising and identification of the target poor groups in each village. The present day CCS relies upon

<sup>30</sup> This information is derived from key informant interviews with present day staff of CCS and former staff of the Matara IRDP, including former social mobilisers.

nine trainers whose roles differ from those of the social mobilisers of earlier times. These trainers assist recipients of small business loans with business skills but are not community facilitators. One former Matara IRDP staff member who had been closely involved in the management of the CCS pointed out that the social mobilisers had had a powerful incentive to be active agents of group formation:

*“The main attraction was [that] the social mobilizer should at least have 150 members, then she was given around 9,000 rupees. When you had more, it was increased. So, that is why they were running here and there...”*

It is likely that the reduction of the total membership of the CCS is related to the decline in number of social mobilisers. Another key informant, a former senior staff member of the Matara IRDP, reflected on the reasons why this might be the case:

*“...after closing down the IRDP there is no focus, no? No follow up... Because of that there is no one to create the social mobilization, so we paid them, the social mobilizers to work with the village. So, once there is no payment, they may have withdrawn.”*

This analysis suggests a nuanced picture of the sustainability of the social mobilisation program and the microcredit scheme to which it was closely linked. What emerges is the apparent survival of the CCS, but the disappearance of the social mobilisation program, and with it, much of the social change agenda with which the Matara IRDP was imbued. However, it was the understanding of poverty as a multi-dimensional phenomenon with strong roots in social processes that gave rise to the social mobilisation program in the first place. It seems clear that this perspective is no longer at the heart of CCS today.

Nevertheless, the social mobilisation program of the Matara IRDP has had effects on Sri Lankan Government policy more broadly. Most significant is the influence of the Matara experience on the Government’s nation-wide *Janasaviya* program, which also sought to target the poorest groups with assistance of various kinds (Lindahl et al (1991, p. 26). This influence was considerable. The leadership of the *Janasaviya* program visited Matara several times during that program’s formulation during the early 1990s.

There have also been other less discernible impacts. While the significant institutional capacity that resided in the project office disbanded, a considerable number of former staff members have since found employment in the Matara district administration. Several have risen to senior roles where they continue to wield significant influence in the district and beyond. IRDPs were also the first attempt to undertake

multi sectoral planning at a subnational level. Matara IRDP may not have been unique in this sense, but it has been part of a broader contribution to creating the capacity for decentralisation across the country.

#### 4.4.5 Reflections on the Significance of Matara IRDP

The second phase of the Matara IRDP and the birth of the social mobilisation program reflected a relatively radical agenda at the time, with social change and poverty reduction as central concerns. Sida clearly adopted a principle-led approach to this as reflected in their 1982 Rural Development Strategy. Sida exerted a strong influence on the trajectory of the Project, and adopted an assertive approach to pursuing a pro-poor agenda, almost at the expense of cordial bilateral relations. However, much of the tension that accompanied this episode could have been avoided with a more open discussion of objectives at the outset of the first phase.

Nevertheless, the consequence of this assertive approach was a second phase of Matara IRDP that was unique in several respects. Firstly, the concentration on social rather than productive infrastructure was unusual, especially compared to other donor-financed IRDPs. Secondly, the primacy of social mobilisation processes reflected a pre-occupation not only with targeting the poor, but also with encouraging social change through the participatory approaches.

Sida promoted a flexible approach towards the implementation of the Matara IRDP that complemented this agenda. Whether intended or not, this flexibility was critical to building partner government ownership of the objectives that had been so strongly promoted by Sweden in the initial stages. It further allowed for an experimental approach to implementation. The innovative social mobilisation program emerged from this experimentation.

Broadly speaking the objectives of the second phase of the Matara IRDP and the social mobilisation program were relevant to the priorities of the Government of Sri Lanka. There is some indication that from time to time, the Government of Sri Lanka perceived there to be an excessive focus on social infrastructure and social mobilisation at the expense of more capital intensive investment.

But was it effective? There is little evidence that the various components of the Matara IRDP or the social mobilisation program had a noticeable impact on the ultimate goal of poverty reduction in the district. The social mobilisation program reached large numbers of individuals and had significant effects on their awareness and

confidence. However, these gains were rarely translated into widespread increases in income and employment.

An important factor in this outcome has been the decline of the social mobilisation program following the closure of the project office in 1996. This is closely connected to the fact that Matara IRDP, like all IRDPs, was implemented by an office external to the district administration. There are likely to have been persuasive reasons for this approach at the time. However, the result is that the sustainability of the Project's empowerment agenda in Matara district has been significantly undermined.

#### **4.5 Case Study 4: A Long Term Commitment to Tackling Disadvantage in the Plantation Sector**

##### **4.5.1 The Development Context**

During the 1970s, the long discussed take-over of plantation schools by the GoSL gained new impetus. Education in plantation areas had, until then, been exclusively the province of private tea estate companies. Plantation schools, as they were called, were originally set up during the first half of the 20<sup>th</sup> Century to provide basic education to the children of labourers who lived and worked on the estates. These schools came directly under the control of the tea estate companies and had been run with only minimal involvement by the Government. It had long been apparent to the Government that poor conditions and low educational quality at these schools deserved attention. But despite frequent promises, successive Governments failed to act until the issue was made part of the election manifesto of the United Front in 1970. Progress continued to be slow following the UNP's election victory in 1977, hampered by, among other things, the difficulties of securing land from privately owned tea estate companies. The takeover of all 833 plantation schools by the Sri Lankan Government was not completed until the mid-2000s.

Inter-ethnic tension and violence between Tamils and Sinhalese during the 1970s and 1980s had significant consequences for plantation communities. Plantation communities predominately comprise ethnic Tamils who originated from southern India during the colonial period. This group can be distinguished from Sri Lankan Tamils who have inhabited central and northern areas of Sri Lanka for over 2,000 years. Both major political parties were aware of the importance of the plantation community vote to maintaining government, especially

during the tense atmosphere of the time. Capitalising on this, the leadership of political and union bodies associated with the Tamil plantation community exercised considerable political skill to promote the interests of their constituents. They were able to win, for example, benefits relating to education, housing, income generation, and the general upliftment of the plantation community (Little, 2007).

#### 4.5.2 Modest Beginnings: the Badulla Integrated Rural Development Project

Sweden's involvement in education in plantation communities began in a modest way through an IRDP in the district of Badulla (in the province of Uva). The Ministry of Plan Implementation (MPI), who had taken the major role in developing the proposals for the IRDP approached Sida in 1981 to fund the education and health components of the program after the International Fund for Agricultural Development (IFAD) declined.

Negotiating the substance of Sweden's assistance was a lengthy process and encompassed the difficult issue of the plantation schools. It was an appraisal mission commissioned by Sida in 1982 to review the proposals that brought the plight of these schools to the foreground. The appraisal pointed out that the proposed allocation of funding for education and health components largely ignored plantation schools despite the proportion of the district population residing in plantations (25 percent) and considerable evidence of need in those communities (Little, 1982). It also suggested that the budget be oriented towards primary rather than secondary education, to align with the Government's 1981 White Paper on Education.

The appraisal further recommended that Sida fund the proposal but argued that the education component be redesigned to focus on two underprivileged target groups: children in tea estates (i.e. plantation schools); and children in remote areas. This finding generated intense debate between Sida and the Government. Plantation schools were not at the top of the Government's agenda at the time despite the ongoing takeover process. The appraisal had also highlighted the extent of the gap between the Tamil plantation community and the rest of the population, an especially sensitive issue during the tension of the early 1980s. One key informant reflected on the high stakes at the time:

*“There was a lot of conflict at the initial stage. Now the risk was the Ministry would just turn around and say ‘we have no interest in this. We don’t want to move any further forward’. But they didn’t.”* (Former education consultant to Sida in Sri Lanka)

Discussion was heated, but rather than turning to another donor, the Government responded by refocusing the education and health components on two areas: Passara subdistrict (which includes a large plantation community) and Viyaluwa subdistrict (a predominately Sinhalese rural area). In the tense climate of 1983<sup>31</sup> it was important for authorities to appear even-handed by funding activities that would benefit both ethnic communities.

The approach proposed in the appraisal was also strongly aligned to the strategic directions emerging within Sida at the time, including the development of the Rural Development Strategy in 1982. For the individuals involved, Sida's position was clear: plantation communities were a marginalised group and there was an unambiguous case for positive discrimination in their favour.

There was little doubt that the plantation community represented a particularly disadvantaged group. In 1986 the literacy rate (as a percentage of the population aged 5 and over) stood at 64.8 percent in comparison to the national rate of 85.4 percent.<sup>32</sup> The 1982 appraisal report catalogues a litany of indicators of educational disparity: student-teacher ratios of around 1:68 compared to 1:24 nationally; a drop-out rate between grades 2 and 5 of 67 percent compared to 25 percent nationally.

In 1984 the two sides finally came together. An agreement detailing a four year 10 MSEK program of support to education and health in Badulla was signed. The long-term objective to which education and health activities were to contribute was defined in the program agreement as:

*“...to increase the standard of theoretical and employment-oriented education and general health conditions in the Badulla district with special emphasis on underprivileged groups and thereby contribute to higher employment, growth of resources and equality.”* (Specific Agreement on the Badulla Integrated Rural Development Project – Education and Health Components)

#### **4.5.3 Scale Up: The Plantation Schools Education Development Project**

In 1986, after two years of work with plantation schools in Badulla districts, Sida and the GoSL signed an agreement for a ‘Plantation Schools Education Development Project’ (PSEDP). PSEDP targeted 133 plantation schools in Nuwara Eliya and Kalutara districts. Why

<sup>31</sup> Which was plagued by anti-Tamil uprisings and retaliation and marks the beginning of the 26 year war with the LTTE

<sup>32</sup> CFSES Report, 2003–4, cited in World Bank (2007).

was the approach applied in the Badulla IRDP scaled up? A key informant who was working on the Badulla education component recalled that it had been perceived quite positively at the time:

*“...in the education component the project was going quite well... I suppose it was one of those situations where generally speaking the vibes were good. And the important thing was that the Sri Lankan team were very involved in what they were doing and very very keen on the project itself. So all of those things were positive.”* (former education consultant to Sida Sri Lanka)

Not surprisingly, the design of PSEDP owed much to the experiences of the education component of Badulla IRDP. Like its ancestor, PSEDP involved provision of a complementary mix of ‘hardware’ and ‘software’ – upgrading infrastructure of schools in concert with improving teacher supply, teaching quality, educational materials, and broader linkages with communities. Operationally, the approaches of PSEDP and Badulla IRDP were also similar. Both reflected a ‘blueprint’ rather than a more flexible ‘process’ orientation – consistent with widespread practice in international development during the 1970s and 80s. As such, limited flexibility for adjustment during implementation was built in at the design stage.

The connection between the two projects was also assisted by the involvement of key personnel from Badulla IRDP in PSEDP. The first Project Director of PSEDP had participated in the planning phase for the education component of Badulla IRDP. In addition, the advisory team for PSEDP consisted of the same national and international education consultants who had played a major role in planning and conceptualising the education component of the Badulla IRDP. Key informant interviews suggest that these individuals possessed a strong sense of shared commitment to the goals and visions enshrined in both projects.

There were also, however, important differences between PSEDP and Badulla IRDP. The most obvious was scale. PSEDP had been explicitly conceived to scale up the approaches first attempted in Badulla IRDP. PSEDP targeted almost three times as many schools with a total funding commitment of 45 MSEK – more than four times the budget of education and health components of Badulla IRDP. Where Badulla IRDP had been a tentative first step, PSEDP marked a decisive move into the plantation education sector for Sida.

Unlike the Badulla IRDP, the PSEDP concentrated solely on schools in plantation communities. A separate initiative – the Primary Schools Development Project (PSDP) – worked in disadvantaged rural areas outside of plantation communities. During the planning



process MoE had suggested that both PSEDP and PSDP be combined into a single project that – like the Badulla IRDP – would work in both plantations and disadvantaged rural areas outside plantations. Sida resisted this approach, perceiving that pressure on implementing authorities to appear even-handed would distort relative resource allocations. As one key informant explained:

*“...if we had gone down the road of putting the two projects together under one director there would have been a tendency for people to say that we must have this 50:50 approach ... but in fact it doesn't reflect the absolute needs of the different schools. And the plantation sector had been neglected for years... we felt that it was really important to keep them separate to stop funds not going to the right areas and to the right schools. So that's really how the PSEDP got started.”* (former education consultant to Sida Sri Lanka)

#### **4.5.4 From School Construction to Maintenance: The Rehabilitation and Implementation of Education Reforms in Plantation (RIERP) Schools Project**

The period between 1997 and 1999 was an important phase for Sida's involvement in the plantation schools. PSEDP continued to be the single biggest component of the broader education sector program until 1998. By then the number of plantation schools targeted by the project had grown from the 133 in two districts to a total of 420 schools across six districts – over 50 percent of all plantation schools in Sri Lanka.

Conceptually, the original thinking that had underpinned the Badulla IRDP education component and continued under the PSEDP remained remarkably intact. A series of evaluations between 1987 and 1997 emphasised that the objectives of the Badulla IRDP, the Matara IRDP, and PSEDP were “relevant and fairly well conceived”.<sup>33</sup> By 1997, an evaluation of all projects under the umbrella of the education co-operation agreement commented favourably on effectiveness and sustainability of PSEDP, and included some evidence of increases in student enrolment in target areas. The theoretical basis of the projects, according to the evaluators, remained correct. That is, upgrading educational infrastructure alongside improvements to teacher quality, teacher supply, educational materials, and linkages with parents and the community should still be considered the right way to enhance educational achievement and labour market outcomes of children in plantation areas.

<sup>33</sup> Relevant evaluations over this time are Lofstedt et al. (1987), Kotalawala et al. (1991) and Metzger et al. (1997).

However, these evaluations also highlighted a number of constraints that were becoming apparent by the late 1990s. Prominent among these was the poor maintenance of education-related hardware provided through PSEDP. An evaluation by Metzger *et al.* (1997), reinforcing a finding by an earlier evaluation by Kotalawala *et al.* (1991), noted that maintenance of school infrastructure:

*“...is still a big problem. Maintenance has not properly adhered to. It is not mentioned in the third phase project documents. Sufficient funds are not available.”* (p. 22)

The issue was taken up in discussions between Sida and MEHE on the future of education sector co-operation, as the pre-existing agreement between the two parties neared its end date in 1998. Sida’s attention had turned to questions of sustainability after more than 15 years of assistance to the plantation schools. Infrastructure had accounted for the largest portion of this funding so it was unsurprising that the sustainability of these elements received such scrutiny. Minutes from annual and semi-annual reviews of the education sector in 1998 and 1999 document Sida’s insistence on evidence of ownership and commitment to action on the part of the Government of Sri Lanka. In response, the Government promised to increase funding to the education sector and to prepare an action plan to address maintenance shortcomings.

Sida was reluctant to commit to further funding. Much official documentation during the late 1990s emphasised that the objectives of the education sector co-operation had been achieved and other priorities were emerging. This perspective is exemplified in the Country Strategy for 1998–2000 which stated that

*“Swedish support to the [primary education] sector has mainly focused on supporting neglected groups and areas. These goals have largely been met... Swedish support shall be phased out with the expiry of the current agreement in December 1998.”* (p 9)

Nevertheless the Government persisted. The Ministry of Estate Infrastructure and Community Development (MoEICD) had submitted a proposal to Sida in 1998 for further funding to cover plantation schools that had not yet received support – the so-called ‘balance schools’. Sida funds had assisted 420 plantation schools since 1984 but over 300 had not been included in any of the previous projects and remained in a poor state. However, the maintenance problems cast a shadow over discussions.

*“...we contacted Sida and we were asking for the funding and there was an evaluation team [that] came from Sweden. They first wanted to see what has happened to these PSEDP schools. When they went down they were not satisfied. It was the buildings. The buildings were not in good shape because the government had not provided any money for maintenance.”* (former MoEICD official)

Considering this issue, Sida agreed to provide a soft loan of 45 MSEK to rehabilitate and upgrade the 420 plantation schools to a maintainable standard in line with the GoSL's new National Education Reforms. Discussions over the details were lengthy and the loan did not become fully effective until March 2005. The soft loan funds were utilized for the Rehabilitation and Implementation of Education Reforms in Plantation (RIERP) Schools Program to be implemented within a four year period commencing from June 2004 to June 2008. To account for delays during startup, RIERP was extended several times and was completed in 2010.

The terms of the loan allowed for 50 percent of the debt to be forgiven contingent on satisfactory maintenance of the schools. This approach created a powerful incentive for continued Government commitment to sustaining the infrastructure. Recent indications are that RIERP's incentives-based approach has borne fruit. A mid-term evaluation in 2007 found that:

*“The contributions to improve the conditions in plantation schools are not limited to Sida loans and the central government. The care for the school environment and maintenance is clearly shared on a wide front by parents, local government, ex-pupil organisations, teachers and pupils all taking part in the necessary improvements”.* (Arkitekter, 2007)

Not only is the central government involved, efforts to institutionalise maintenance at the school and community levels appear to be gaining traction. Visits to four plantation schools in Hatton and Kandy and interviews with principals and teachers as part of the present evaluation provide further evidence of strong commitment at the local level to maintaining school infrastructure.

#### **4.5.5 Achievements in Education in Plantation Communities**

As Sweden's long involvement in the plantation sector draws to a close, it is both important and timely to reflect upon corresponding changes in the educational status of plantation communities. Ultimately, Sweden's assistance has aimed to contribute to changes at this level, and through this, to broader societal goals, not least the inter-ethnic disparities which provide fertile ground for conflict.

Literacy rates provide an indication of the change that has been occurring. In 1986, the year that PSEDP began, the national literacy rate (as a percentage of the population aged 5 and over) stood at 85.4 percent in comparison to 64.8 percent among the plantation community. The ensuing decades however, have seen considerable improvement in educational indicators and a corresponding reduction in this disparity. In 1996/1997 the national literacy rate had increased to 91.8 percent while among the plantation community it had risen to 76.9 percent. By 2003/2004 the national rate stood at 92.5 percent while among the plantation community it had increased considerably to 81.3 percent.<sup>34</sup> Especially impressive has been the corresponding increase in the female literacy rate over the same period from 58.1 percent to 74.7 percent. Educational status, as approximated by literacy rates, appears to have improved more rapidly in plantation communities than the national average.

This achievement has come about through a confluence of political, economic and social dynamics at play in Sri Lanka during this period.<sup>35</sup> Professor Angela Little, an education researcher with expertise in the plantation sector in Sri Lanka, positions development co-operation as one of six contributing factors. Firstly, the Government takeover of plantation schools was central, creating the legal framework through which expansion of enrolment could proceed. A second, perhaps less direct factor was the decline of tea and the growth of a labour surplus during the 1980s, which reduced the requirement for children to contribute to the production process. Thirdly, the gradual resolution of the citizenship status of Indian Tamils (who had until then been stateless persons) encouraged many in the plantation community to take a longer-term approach to their futures. This contributed to rising social demand for better education. An influx of teachers was an important fourth factor. Encouraged by a series of Government-funded programs, the number of teachers in plantation schools grew from 1,146 in 1984 to 4,843 in 1994 (Little, 2007). A fifth factor relates to the political leadership of the plantation communities. These individuals exercised considerable political skill to win benefits for plantation communities.

<sup>34</sup> Statistics quoted here are from CFSES report, 2003–4, cited in World Bank (2007).

<sup>35</sup> A comprehensive discussion of these factors can be found in Little (1999).

Development co-operation must therefore be understood as one among a number of important contributing influences.

Within development co-operation however, Sida's contribution has been significant. No other donors were active among plantation schools in 1984, when the Badulla IRDP commenced. Furthermore, research undertaken as part of the present study highlights that Swedish assistance came at a critical time – when the Government had committed to taking over plantation sector schools, but had no funds to upgrade them. It is true that the World Bank, Asian Development Bank, GTZ (now GIZ) and UNICEF have also been active in the education sector and projects funded by these donors have also improved the infrastructure and quality of plantation schools. But Sida remains the only donor to have funded large scale projects focused only on plantation schools. In this respect, Sweden's contribution stands out as unique and significant to reducing education disparity.

And what of the broader goals to which Sweden's support aimed to contribute? Data from the 2007 World Bank Poverty Assessment of Sri Lanka suggest that poverty reduction in the plantation sector has stagnated from the mid-1990s, despite improving educational indicators and a fall in the gap between the estate sector and the rest of the population. The 2007 Poverty Assessment also found that low levels educational attainment hindered the opportunities of estate dwellers when they migrated, suggesting that while much has been achieved, significant challenges remain.

## **4.6 Case Study 5 – Research Co-operation in Molecular Biology in Sri Lanka**

### **4.6.1 The Development Context**

In the early to mid-1980s the Sri Lankan research sector was facing enormous challenges. The majority of funding from donor and government sources was directed to institutions that focussed on agricultural research, and there was very little basic or industrial research taking place.<sup>36</sup> The research system and the public service that supported it were overly bureaucratic and inefficient, and there was limited political support for research. Further, there was very little direction at a national level with regard to research priorities. In

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<sup>36</sup> As noted by Annerstedt and Liyange (2008) the Sri Lankan research system was based on the British colonial system and therefore its primary goal was to service those plantation crops favoured by the British.

addition, in 1983 there was significant civil unrest across the country as tensions between the Sinhalese majority and Tamil minority escalated. This was followed in the late 1980s by a large civil insurrection led by the leftist JVP which caused significant problems across the country, and in Colombo, and had particularly tragic consequences for the community at the University of Colombo (UC), as is discussed below. These periods of unrest led to the prolonged closure of universities, disrupted power supply, and constrained access to equipment and resources. The Sri Lankan research system was beset by a confluence of financial, political, bureaucratic and human security problems that severely curtailed its development.<sup>37</sup>

#### **4.6.2 SAREC Support for Research Co-operation and Molecular Biology Research in Sri Lanka (1979–1995)**

SAREC began supporting research co-operation in Sri Lanka in 1976/77. This support was a very small proportion of the total research co-operation budget and totalled no more than 1 MSEK per year up until the mid-1980s.<sup>38</sup> This funding was channelled through the Sri Lankan Natural Resources, Energy and Science Authority (NARESA) and had a distinctly agricultural and environmental focus with projects in animal husbandry, zoology and freshwater ecology. SAREC's decision to channel funds through NARESA was criticised by an MFA evaluation in 1986, which suggested the small, scattered nature of the support and the passivity and general inefficiency of NARESA did not align with SAREC's primary goal of building capacity. This evaluation suggested that funding should also be delivered directly to research institutions.

In 1987 the portfolio of projects and recipients in Sri Lanka was broadened, and this included providing 550,000 SEK for the University of Colombo (UC) Molecular Biology and Gene Technology Project. This initial funding came about after several years of co-operation between molecular biologists from UC and Uppsala University, beginning in 1979 when Prof. K. Balasubramaniam visited Uppsala with the support of the SAREC-funded International Program in the Chemical Sciences (IPICS). In 1983 Prof. Balasubramaniam left UC for Jaffna University and the plans to establish

<sup>37</sup> See Annerstedt and Liyange (2008), Karunanayake (2006), Marga (1996), and Sanderatner and Nilsson (1996)

<sup>38</sup> Which ranged between 75 MSEK in 1975/6 to 182 MSEK in 1985/6 see MFA 1986.

a molecular biology and biotechnology centre at UC were handed over to Prof. Eric Karunanayake, who travelled to Uppsala for technical training in 1985–1986 under the IPICS.

The plans for establishing a molecular biology laboratory were supported by the Vice-Chancellor of UC Prof. Stanley Wijesundera, a small laboratory was established in 1987 and PhD and MSc training began. The small funding UC received from IPICS (1.337 MSEK between 1979 and 1987) was insufficient to establish a lab or research program of any consequence and SAREC was approached for grant funding in 1987. Some SAREC staff questioned the probability of success of such a project, but staff from SAREC and academics from Uppsala who had knowledge of the strong research capacity at UC supported the project and the first grant was awarded. Prof. Karunanayake became Chair of Biochemistry in late 1987 and the research program began in earnest. Between 1987 and 1995 the program received approximately 5.8 MSEK which enabled it to purchase scientific equipment, train PhD and MSc students, and carry out an ambitious research program, including one program that focused on the development of DNA-based diagnostic techniques for the detection of filarial parasites in humans, cattle and canines.<sup>39</sup>

Nineteen eighty nine was a year of mixed blessings for the molecular biology program at UC. The research project on filarial parasites was progressing well, and the WHO invited UC researchers to participate in a double blind world-wide evaluation to assess the most sensitive and accurate DNA diagnostic technique. Around the same time some tragic events were unfolding in Colombo. The recent JVP uprising had caused havoc at the University with curfews, power outages and general civil unrest disrupting the research process. For those involved in the filarial research – which requires accessing microfilaria, which only circulate in the blood of infected patients after 9pm – this meant literally taking your life in your own hands when travelling to and from the campus to undertake research procedures at night. The JVP were active on the campus and universities in general were centres of unrest and had a heavy security presence. On 9<sup>th</sup> March 1989 Prof. Stanley Wijesundera, former Vice-Chancellor of the University and an original supporter

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<sup>39</sup> Filariasis is a major cause of acute and chronic morbidity around the world. At least 120 million people in tropical and sub-tropical environments are currently infected, see Karunanayake (2006).

of the project, was gunned down and killed on the campus grounds just after a meeting with Prof. Karunanayake and Dr Mats Wahlgren from SAREC. To operate under such conditions is unthinkable for a scientist from a western country. Needless to say this had a profound impact on the program and the University, and many academics, including Prof. Karunanayake moved overseas to take up research positions elsewhere until the situation settled down.

In December 1989 Prof. Karunanayake attended the UNDP/WHO/World Bank sponsored conference in Jakarta where the results of the evaluation for the DNA probe for filarial parasites were to be released. The UC-developed probe was found to be the most sensitive of all those submitted, including that submitted by a highly credentialed team from Harvard University<sup>40</sup> - in the 10 year period since it first received funding, the UC-based program had created a technique that surpassed that developed by the world's pre-eminent university. After this success, and still facing significant challenges, the program expanded to train more MSc and PhD students and to move into other research areas.

#### **4.6.3 Sida Support for Research Co-operation and Molecular Biology Research in Sri Lanka (1996–2007)**

In 1995 SAREC was incorporated into the new Sida structure and significant changes occurred in the funding of research co-operation in Sri Lanka and elsewhere. An evaluation by Sanderatne and Nilsson in 1996 suggested that Sri Lankan research organisations had the capacity to absorb significantly more funding, and that this was required to maximise the considerable human resources that existed. The report emphasised the success of the molecular biology project and the relatively poor performance of projects channelled through NARESA, and it called for a more transparent, multi-agency approach to funding, with a suggestion to channel funding through the University Grants Commission. In some respects these mimicked the critiques voiced by the MFA some 10 years earlier.

To its credit Sida instigated a number of changes as a result of this report, including the scaling up of funding and delivery through the University Grants Commission. In 1996 funding to Sri Lanka increased to approximately 10 MSEK per year, and during the period 2000–2002, to 20 MSEK per year. There was a significant

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<sup>40</sup> This research was the basis of a PhD undertaken by Ms K. Sirideva.



broadening of research funding in the 2000–2002 period including support for biochemical pest control, electrical engineering, library support, university staff development, regional university development, support to Jaffna University, Information and Telecommunications and Marine Science.

Within this environment, support to UC for molecular biology was scaled up and the program received on average about 2 MSEK per year to 2006. In April 1999, realising that the existing infrastructure was insufficient for the growing program's needs, Prof. Karunanayake submitted a proposal to Sida through the UGC for the building of a new Institution for Molecular Life Sciences. This proposal was strongly supported by the research co-operation office within Sida, and Professor's from Uppsala. This proposal was approved by the Sida Infrastructure Department in November 1999, and a soft loan agreement for 15 MSEK was signed on 23<sup>rd</sup> July 2001. The opening ceremony for the newly named Institute of Biochemistry, Molecular Biology and Biotechnology (IBMBB) took place on 28<sup>th</sup> April 2004. This building is 27,000 sq feet in size and houses the latest scientific equipment necessary to conduct molecular biology research at an international standard.

The IBMBB is now the pre-eminent research institute for molecular biology and related research in Sri Lanka, and functions at an international standard. Its researchers present at prestigious international conferences and publish in high impact peer reviewed journals. It has awarded over 15 PhDs and 50 MSc degrees, has 14 staff and delivers post graduate program in a wide range of fields including: the genetics of breast cancer, human DNA variation, molecular studies on pregnancy and foetal growth, genetic diversity of pathogens, genetic diversity of crops, anti-malarial research and endometrial function. For his services to science in Sri Lanka Prof. Karunanayake was awarded the Vidya Jyothi Presidential Honour by the President of Sri Lanka in 2001.

#### **4.6.4 The Impact of Sweden's Contribution to Research Co-operation in Molecular Biology in Sri Lanka**

The Swedish government, first through SAREC and then through Sida continuously funded capacity building in molecular biology in Sri Lanka for almost 20 years with total funding amounting to 26 MSEK. The results of this investment stand for themselves. From essentially a couple of people in one room full of scientific

equipment in the mid-1980s, the IBMBB is now an international standard research facility capable of contributing to, and leading research in critical scientific frontiers.

The success of this project stems from a number of things, the personal commitment and intellectual capacity of individuals such as Prof. Karunanayake and his colleagues is of paramount importance, as is the early recognition by SAREC and Uppsala of the high level human resources in Sri Lanka and the need to augment that capacity with equipment and resources over a long period of time. SAREC's commitment to long term capacity building as enshrined in its original mandate guided the support to UC over this period and contributed significantly to the results seen today. Critically there seems to have been a very good understanding within SAREC of the technical capacity of the Sri Lankan researchers and a willingness to essentially 'back' this potential. Accepting the advice and guidance of experts from Uppsala in this area was very important. The support SAREC continued to demonstrate during the very difficult period of the late 1980s was commendable and showed an understanding of the difficult political and human security issues facing the country at the time and reflected the focus on long term capacity building then adopted by SAREC.

Swedish support to the University of Colombo sought to build the research capacity of Sri Lanka in the field of Molecular biology and in this regard the project was a great success. It shows how success can arise from institutional support to individual commitment and talent. However, as recognised by Annerstedt and Liyange, science development in Sri Lanka has been built on individual passions and achievement as opposed to systematic institutional development. While SAREC supported research co-operation in Sri Lanka over a long period, this support was quite haphazard and relatively ineffectual at the systems level. It continued to channel funds through NARESA when this was first recognised in 1986 as inefficient, and the fragmented approach during the 1980s and 1990s did little to develop the capacity of the research system itself, which is still beset with political and bureaucratic problems, not the least of which is the lack of a coherent national research strategy. The sustainability of institutions such as the IBMBB ultimately relies on the development of an efficient, strategic and well-funded national research system.

#### 4.7 Significance for this Evaluation

The above case studies highlight how, during the 25 year period between 1977 and 2002, Sweden supported the GoSL's nation building effort, while also seeking to tackle social disadvantage during very difficult circumstances in the nation's history. These case studies highlight a large number of issues that are of relevance to the main evaluation questions posed in this report – these are discussed at length in Chapters 6 and 7. Some key lessons from the case studies include:

- The Matara IRDP case study highlights Sida's long term philosophical commitment to the poorest of the poor, but suggests that poverty reduction on the ground was unobservable. This program is a resounding reminder of the importance of the principles of the Paris Declaration, using government systems is often difficult and fraught with risk; however, the risks of unsustainable and ineffective development impacts are often greater;
- The support to Kotmale emphasises the dualistic nature of supporting large nation building projects which can have beneficial impacts at a national scale but significant negative impacts on local populations. It also highlights the importance of competitive procurement to ensure efficiency and the need to appropriately stage and plan large infrastructure projects to avoid unforeseen circumstances;
- The support to the molecular biology project highlights the importance of adopting a long term, flexible approach to capacity building in the research sector. It also highlights the importance of tackling systemic issues at a national level to ensure investments are sustainable in the long term; and
- Swedish support to the Plantation schools sector was in the opinion of the Evaluation Team the most successful intervention during this period and highlights the importance of basing sectoral aid allocation decisions on a pro-poor agenda and committing to a sector for a long period of time to achieve sustainable results.

## 5. SUPPORTING PEACE AND DEMOCRACY: 2002–2009

### 5.1 Political and Economic Synopsis

In the early 2000s the Sri Lankan economy was beset by numerous difficulties: inflation, unemployment and the budget deficit were all high, productivity was low, and the rate of economic growth was too low to have any significant impact on poverty. Economic decisions continued to be influenced by political factors and government financial institutions where in need of structural reform and policy modernization in order to fulfil their regulatory role. The country suffered a recession in 2001 when economic growth plummeted to –1.5% owing largely to the deterioration of the security situation. This rose significantly after the signing of the ceasefire agreement in 2002 and averaged about 6% thereafter.

In the 2001 general elections the UNP government led by Prime Minister Wickremasinghe wrested power from the SLFP-led People's Alliance, but Chandrika Kumaratunga remained president. The UNP set about dealing with the recession and undertaking the economic reforms necessary to stimulate growth. In January 2004 the SFLP and the JVP formed a coalition called the United People's Freedom Alliance (UPFA), and in order to deal with political stability problems, the President called for a fresh election in February 2004. The UPFA won this election by a slender margin and Mahinda Rajapaksa was installed as Prime Minister. In December 2004 the Indian Tsunami wreaked havoc in the coastal areas of Sri Lanka and humanitarian aid scaled up significantly to deal with this tragedy.

In December 2005 Mr Rajapaksa went on to win the Presidential election and after several failed attempts at negotiating peace with the LTTE the Sri Lankan Government adopted an increasingly hard line approach, which included stepping up military activities in the north and east of the country. During 2006 the LTTE also stepped up fundraising, recruitment and training in response to this more hard line approach, and in 2007 fighting escalated. LTTE bomb attacks around the country increased. The opposition UNP was in political disarray and despite problems within the UPFA coalition, President Rajapaksa maintained a strong position.

In 2008 fierce conflict accompanied the abandonment of the ceasefire agreement, which had been in place since 2002, and the

army began waging all-out war on the remaining LTTE strongholds in the north and east. LTTE attacks escalated in Colombo, targeting energy and transport facilities. In early 2009 government forces captured important LTTE strongholds in the north and bombardments in the Vanni area of the Jaffna peninsula increased. In May 2009 the 26 year conflict ended after fierce fighting and bombing in Vanni; the head of the LTTE was killed, as were thousands of civilians caught up in the fighting.

In April 2010 the UFPA, buoyed by the ending of the civil war, won a landslide victory in the Sri Lankan general elections winning 144 of the 225 seats in parliament. President Rajapaksa's mandate to lead was strengthened as he was considered the man responsible for ending the war.

## 5.2 A Summary of Swedish Aid during this Period

Swedish aid to Sri Lanka during the 2000s averaged about 18 MSEK per year except in 2005 when 51.72 MSEK was disbursed, the majority of which was earmarked for the post tsunami recovery. Sida continued to operate in essentially the same 11 sectors as the previous decade, with the exception of health and rural development. Support for peace, democracy and human rights was added during this period in line with Sweden's priorities in Sri Lanka.

The 1998–2000 Country Strategy was extended a further two years to 2002, and then replaced in 2003 by a new four year strategy, which emphasised peace, democracy and human rights, and pro-poor economic growth. The Strategy called for a conflict lens to be applied to aid allocation decisions and when designing interventions. Sida's support for peace and democracy is discussed at length in the case study below. With regard to economic development, there was a focus on improving financial services and the financial regulatory environment (see Central Bank of Sri Lanka case study below), Small and Medium Sized Enterprises, transport, communications and energy supply. Support to the research sector was scaled up as well and agreements with five universities were signed in 2004.

In 2003 Sweden became the first OECD DAC country to adopt a whole of government approach to development through its innovative Policy for Global Development (PGD). This policy committed Sweden to a government-wide approach to development in areas like trade, agriculture, environment, security, migration, and economic policy. The policy introduced a strong rights-based perspective to the

Swedish aid program which influenced policy development and engagement in its partner countries. The policy also had a strong pro-poor focus. The PGD has eight themes: democracy and good governance; respect for human rights; gender equality; sustainable use of natural resources and protection of the environment; economic growth; social development and security; conflict prevention and resolution; and global public goods. The PGD had a significant influence on the direction of the program in Sri Lanka, as is discussed at length below.

The final Country Strategy with Sri Lanka covered the period July 2008 to December 2010 and focussed exclusively on the phase out of traditional development co-operation between the two countries. The strategy focussed on consolidating the results that had been achieved to date and on promoting the conditions for sustainability. The overarching objective was to improve the conditions for achieving a long term sustainable solution to the ethnic conflict – the extent to which this was achieved is discussed in the peace and democracy case study.

The two case studies presented in this chapter were chosen to represent the two central themes of Sida's development co-operation in the latter years, namely economic development and peace and democracy.

### **5.3 Case Study 6: Staff Exchange Program between the Central Bank of Sri Lanka and the Swedish Riksbank**

Recognising the problems with the economy at the beginning of the decade the World Bank embarked on a four year (2001–2005), US\$30.5 million Central Bank of Sri Lanka (CBSL) modernization program that aimed to produce a lean, highly functional Bank able to focus on two important core tasks, namely price control and financial stability. The recession facing the country made a number of policy makers reflect on the need to improve economic governance in the country and the Central Bank was an important part of this equation.

Sweden's role in strengthening the CBSL actually began before the World Bank project, when early in 2000, Lars Nyberg, Deputy Governor of the Swedish Riksbank<sup>41</sup>, met with senior executives from the CBSL and began discussing the possibility of co-operation between the two institutions. This eventually led to the development of a proposal for a staff exchange program between the Riksbank and CBSL. This twinning arrangement included short term staff exchanges, between Colombo and Stockholm, with Riksbank staff

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<sup>41</sup> Sweden's central bank.

providing specialised technical training and advice, in an informal workplace environment, alongside colleagues from the CBSL. The long term objective of this program was not defined in any document or enshrined in any policy pertaining to Sri Lanka and seems to have developed serendipitously as a result of personal relations between executives from the two institutions.

### **5.3.1 Sweden's Support for the Central Bank of Sri Lanka (2000–2009)**

Between 2000 and 2009 Sida provided approximately 7.5 MSEK for three phases of co-operation for the staff exchange program. The first and second phases provided approximately 1.5 MSEK for Riksbank technical staff to visit CBSL in Colombo to provide training in foreign exchange market developments, financial sector stability, inflation targeting and Central Bank reforms, and to broaden their own experience in Central Bank operations by working with colleagues in a different context. Annual priorities for this and subsequent periods of co-operation were determined informally in meetings each year between senior executives at CBSL and Mr Nyberg whose personal interest and long term commitment to supporting changes within the CBSL seems to have driven the technical direction of the early work and the commitment by the Riksbank. For example, the focus on financial sector stability, for which Sweden was highly regarded after facing its own issues in the 1990s, was promoted vigorously by Mr Nyberg.

Between 2004 and 2007 support from Sida to both Riksbank and CBSL was scaled up significantly to 4.75 MSEK and 1.25 MSEK respectively. During this period, 31 staff from CBSL and 16 staff from private sector banks, travelled to Riksbank in Stockholm to receive training in areas such as: human resource development, financial market familiarisation, oversight of payment systems, IT security, corporate management services, inflation forecasting, financial stability issues, GDP forecasting and monetary policy operations, priorities agreed upon by staff from both institutions, which aligned with the CBSL's broader World Bank modernization program. The case of Human Resource Development was particularly important as the CBSL was going through a significant voluntary redundancy program designed to reduce staff numbers by approximately one-third.

In 2006 a significant program underspend was reported, which arose from three factors: first, the use of electronic communication had reduced the requirement for travel as good relationships had formed

through previous visits and as a result virtual communication had improved; second, the Riksbank expenses were charged to a regional fund set up for Riksbank programs; and thirdly, there was evidence that changes in high level management at CBSL had resulted in a scaling down of communication at the executive level, which slowed down the program somewhat. After receiving a positive evaluation from Rudebeck in 2006 the program was extended to 2008 and then to December 2009 and Riksbank staff continued to travel to Colombo to provide technically focussed mentoring in a number of areas.

Aside from its support for the CBSL – Riksbank exchange program Sida also provided 10.5 MSEK to the US\$30.5m World Bank CBSL modernization program which helped train 4021 CBSL staff between 2001 and 2005, and it also provided 4.5 MSEK between 2001–2003 for a program of support to the CBSL and Ministry of Finance that provide training on macroeconomics, operating in the global environment, monetary theory, and policy and financial markets.

### 5.3.2 The Results of Sweden's Support

The most significant results emerging from the staff exchange program include:

- Important training in state of the art inflation forecasting including high level inputs by Riksbank staff into the CBSL Inflation Report, the first of which was developed during the project period;
- Important training and support for the development of a secure IT environment at CBSL which is now recognised by the World Bank as a benchmark;
- Important training (particularly within the context of the CBSL Voluntary Early Retirement Scheme, which was being implemented as part of the World Bank project) in all aspects of Human Resource Development, including the development of a Performance Based Management System;
- The development of strong links between the CBSL and other central banks and the development of codes of conduct for payment and settlement operators;
- The provision of high level technical advice on public debt management through an arrangement between the ADB and the Swedish Sovereign Debt Management Board;
- Strong support and advice during the floating of the Sri Lankan rupee which enabled the CBSL to use interest rates as the primary instrument of monetary policy; and



- The provision of important training and advice on financial stability, which had led to the development of stability reports and a renewed focus on stability of financial markets in Sri Lanka.

### 5.3.3 The Impact of Sweden's support to the CBSL

This case study highlights a program that arose serendipitously as a result of high level contact between Swedish and Sri Lankan Central Bank executives. The program did not align with any overt policy pertaining to economic reform or the strengthening of government institutions in Sri Lanka, nor was there any long term objective in mind; it was simply designed to impart professional advice and mentoring in a workplace environment, as such its intended impact was quite limited in scope.

Both Riksbank and CBSL staff commented on the fact that neither party saw this as a capacity building program as such, but more as collaboration between bank colleagues on relatively equal terms. The twinning approach helped support this 'working' relationship. This modality does however rely upon the continued support of high level staff, which may not be forthcoming if workloads in the donor or recipient country increase or if priorities change. Clearly, a more systematic approach would be required to engender change and have long lasting impact. In this instance, the higher level institutional transformation efforts were undertaken by the World Bank and the Swedish staff exchange program simply augmented those efforts with important training in specialised areas of Swedish expertise such as financial stability. In summary, while this program did arise serendipitously without a long term objective, it was particularly relevant, it aligned with CBSL priorities at the time and it augmented the large World Bank Modernization Project. Together these activities have helped reform the CBSL into an institution more capable of managing a transitional economy open to market forces.

## 5.4 Case Study 7: Sweden's Support for Peace and Democracy in Sri Lanka

### 5.4.1 Development Context

The recent history of Sri Lanka has been dominated by what was one of the world's longest lasting ethnic-based conflicts. The armed conflict between the Government of Sri Lanka (GoSL) and the Liberation Tigers of Tamil Eelam (LTTE) began in earnest after the 1983 anti-Tamil riots sparked a nation-wide civil war that brought

simmering ethnic tensions to the fore. The original struggle of the Tamil's from the north and east of the country was, Orjuela suggests “rooted in the failure of the centralized state to respond effectively to the grievances of marginalized groups” (Orjuela, 2010).

These grievances stemmed from the so-called ‘Sinhalesation’ of the state after independence in 1948, which aimed to politically appease the Sinhalese majority by introducing a number of discriminatory policies towards the Tamil minority regarding language, university admission, public service employment and resettlement. These policies had the combined effect of marginalising the Tamil population politically and economically. As the conflict progressed, the LTTE used increasingly violent methods to press their demands for a separate state, including the assassination of high profile political leaders and terrorist attacks which killed thousands of innocent civilians throughout the country. The ongoing conflict polarized Sri Lankan society along ethnic lines (Orjuela, 2010). Numerous efforts to broker a peaceful solution to the conflict were made, by centre right and centre left governments alike over a long period of time. This included the 2002 ceasefire agreement and the associated peace process chaired by Norway.

#### **5.4.2 Sweden's Objective in Supporting Peace and Democracy in Sri Lanka**

After a presence of 40 years in Sri Lanka the peace and democracy perspective became integrated into Sweden's development co-operation only in 1998. By that time conflict had already been ongoing for 15 years. The 2003–7 Country Strategy mentioned that ‘support for peace and democracy has taken a long time to build up, partly because of the unstable political situation and partly due to lack of staff in Stockholm’. This Strategy put peace and democracy front and centre and committed a large proportion of resources to promoting tolerance and reconciliation, including improving security and supporting institutional development, and funding democracy and human rights measures designed to strengthen civil society, the media and the legal system. Further, it recognised that support in these areas over the years had been relatively ad hoc and it called for a more focused and coherent program.

The 2003–7 Strategy countenanced the various possible scenarios regarding peace and, while reasonably optimistic about the ceasefire and the potential for a peaceful solution, it did recognise that the situation could deteriorate and that if this did happen then the nature of Swedish support would require reorientation.

The insights from the Bush (2001) evaluation conducted in 2001 permeate throughout this Strategy particularly in the references to a balance between explicit, political approaches to peace and democracy and more medium-to-long term structural conflict prevention approaches. This is in recognition of the fact that ‘explicit peace-building measures emphasizing security and dialogue are not necessarily more effective in mitigating conflict than long term investments that achieve conflict mitigation by making a structural impact e.g. through education or integrated rural development’ (Regeringskansliet, 2003, p.2). There is even reference in this Strategy to ongoing design work focussing on incorporating peace perspectives into primary and secondary education. It is important to remember that Sweden’s objectives with regard to peace and democracy in Sri Lanka were fashioned during the early stages of the peace process when there was some optimism regarding the possibility of a peaceful solution to the conflict.

The 2008–10 Country Strategy was a vastly different document. By this time the Government of Sweden had decided to phase out development co-operation with Sri Lanka. As such, this strategy focussed on the process of phasing out in the two main areas of human rights and democracy and regionally balanced economic development, with an overarching objective to ‘conclude bilateral development co-operation in a responsible and controlled manner’. The 2008–10 phase out strategy did not consider the GoSL’s overarching development plan *Mahinda Chintana* to be a properly formulated poverty reduction strategy to which it could align as it ‘is not the result of a consultation process with civil society, it does not contain any reference to the conflict, precise regional objectives or concrete plans, therefore it does not form the basis of Sweden’s considerations for this Strategy’ (Regeringskansliet, 2008, p.8). The primary objective with regard to human rights and democracy was to improve respect for human rights, the rule of law and independent media, and to strengthen protection for vulnerable groups.

### 5.4.3 Implementation

Sida set about achieving the objectives mentioned above by providing direct support to civil society groups. Sweden did have a formal funding agreement with the GoSL but this agreement amounted to only 100 MSEK of the 152 MSEK allocated through the 2008–10 Strategy. Aside from this the Strategy also provided an additional 43 MSEK for existing initiatives targeting human rights and democratic governance objectives.

By 2007 Sida was funding most of the key Colombo-based civil society organisations involved in the peace process and a number of other organisations working in areas such as human rights promotion and monitoring, community-based legal services, media strengthening, women's rights and the search for policy alternatives. Sida provided core funding to these groups, which for some was up to 80% of their annual budget. These groups were required to produce long term strategic plans and engage in institution building activities, which aimed to strengthen their capacity to manage the significant amounts of funding Sida was providing them. Instead of evaluating the progress of these organisations Sida undertook a number of 'capacity studies' designed to assess the organisational and administrative capacity of each group with a view to providing suggestions to improve performance.

The very practical decision to provide core support seems to have been based on a sound understanding of the political and financial context of these groups. There was a desire by Sweden to ensure that those groups who were engaged in the broader peace process could retain flexibility and respond quickly to changing situations, there was a recognition that receiving project proposals for 'political projects' which could be conceived of as anti-government was problematic, and there was a recognition that monetary support for civil society was quite limited despite the ongoing peace process. Indeed it was only Sweden and its like-minded partner Norway who provided core support to these organisations.

Sida was not prescriptive about the activities of these groups and gave them the flexibility to act in accordance with their own strategies, something which was greatly appreciated by all groups considering the relatively rigid funding modalities and reporting requirements of other donors. There seems to have been a large amount of trust and goodwill between the civil society groups and Sida, this relationship had developed over time and was strengthened by the close personal and professional relationships that existed between civil society actors and Sida national program officers in Colombo, some of whom had a long experience as civil society activists and a deep understanding of the difficulties facing civil society in Sri Lanka.

In 2007, to address resource constraints in the Embassy, a decision was made to hand over the ongoing management of the majority of the civil society portfolio to Diakonia, a large Swedish international NGO which had been funded by Sida in Sri Lanka for some time.

Diakonia took over the management of 10 of the 12 civil society groups. Sida continued to manage the agreements with two of the more politically sensitive NGOs. The management style of Diakonia was criticised by a number of civil society groups who found that their overly administrative and bureaucratic style, coupled with their rigid training requirements and focus on logical frameworks was at odds with the management style of the civil society groups. Indeed most of them preferred the previous arrangement with Sida. However, over time, as Diakonia staff learnt more about the capacities and management structures of these groups they adapted their requirements and the relationship became more productive and supportive. The following text box contains short case studies of 3 of the civil society groups funded by Sida during this period.

### INPACT

INPACT is a 'zero profile' CSO that focuses on political transformation and adopts a neutral, process driven approach to transformation that encourages participation and dialogue between Sri Lanka's main political protagonists. During the peace process the group facilitated a number of track 1.5 talks that brought together actors from across the political spectrum including the LTTE, the ruling coalition, and opposition UNP, and representatives of the Sinhalese nationalist movement. As the formal peace process deteriorated INPACT's activities sharply increased as attempts were made to continue dialogue through the track 1.5 processes<sup>42</sup>. INPACT also engaged in numerous other activities designed to strengthen political engagement including work with local governments, training young political leaders, advocating for peace and hosting high profile political activists. Throughout this period INPACT built very strong political connections at the highest levels including meeting regularly with the President, incarcerated Tamil leaders, and the most senior members of the Sri Lankan defence force. Sida provided ongoing core support to INPACT since 2001, alongside the Norwegians who have also been important contributors. Sida adopted a staged approach to capacity building with INPACT, which was much appreciated, this focussed on building accountability, strategic planning and financial management. Sida phased out their funding to INPACT in 2009, but this has not adversely affected the organisation as it has built the capacity to seek funding elsewhere, which it has been successful in doing.

### SARVODYA – LEGAL SERVICES MOVEMENT (LSM)

LSM was founded in 1985 and is a branch of Sarvodya, Sri Lanka's largest NGO. LSM focuses on legally empowering local, usually rural-based, communi-

<sup>42</sup> Track 1.5 includes peace negotiation processes in which the top leadership of one or both conflict parties are engaged with each other in negotiations or conflict transformation activities in an informal setting and/or in their personal capacity

ties across Sri Lanka. These communities face serious difficulties with regard to accessing legal documentation, mediating conflict and understanding their legal rights. Legal services are usually not available in rural areas, and private lawyers, who are mostly based in more densely populated areas, are prohibitively expensive. LSM focuses primarily on conflict mediation through village legal communities and human rights and legal awareness-raising. Sida began providing funds to LSM in 1998, this funding allowed LSM to expand its services from 11 to 24 (of 25) districts by 2004, including working in the worst conflict affected areas in the north and east of the country. By 2008 LSM operated a network of 330 village legal committees. These committees mediate local problems using inclusive mediation techniques which aim to create sustainable solutions to disputes in areas such as: land, labour, child and women's issues, and legal documentation. In 2008 LSM resolved 907 disputes in this way and referred hundreds more to government and non-government bodies, thus providing widespread and important services for rural communities. In 2008 LSM also conducted 601 village-level legal awareness raising programs to 17,729 participants on a broad range of issues including: basic legal rights, children's rights, village legal committee training, mediation training and legal issues for small to medium enterprises.

Sida's decision to phase out development co-operation with Sri Lanka has hit this organisation hard and their annual budget has been reduced by approximately 60% as a result of that decision. The group has had to decrease its staff numbers, and many local LSM staff now work as volunteers in an attempt to adapt to the funding shortfall. LSM are trying to maintain a presence in all 24 districts and are seeking to replace Sida funding by accessing funds from other donors, however, their reliance on Sida as their sole core funder has limited their opportunities, and in some respects, created a state of dependence which they have not yet managed to address.

### **SRI LANKA PRESS INSTITUTE (SLPI)**

The SLPI originated in 1998 when The Editor's Guild, the Free Media Movement and the Newspaper Society signed the Colombo Declaration on Media Freedom and Social Responsibility. The institute seeks to operationalize the three key aspects of that declaration namely: strengthening professionalism in journalism, setting standards for journalism, and advocating for media reform. The SLPI includes the Sri Lanka College of Journalism, which trains hundreds of journalists throughout Sri Lanka and the Press Complaints Commission of Sri Lanka which promotes self-regulation and seeks to improve press ethics across the country. The SLPI also works as a lobby group for journalists and brings together editors, journalists and publishers from across the geographical and cultural spectrum of Sri Lanka. The SLPI prides itself on transcending language, cultural and religious boundaries and seeks to focus on issues that all journalists have in common, namely media freedom and journalistic standards. The institute runs training course for journalists from all parts of the country, with 70–80 students graduating per year from the College of Journalism.

Sida provided significant support through the Swedish-based media training group FOJO, who helped design training and capacity building activities for SLPI in numerous technical and regulatory areas designed to improve the profes-

sional integrity of the Sri Lankan media. Sida also helped fund the purchase of the SLPI residence in Colombo with a significant injection of funds in 2009. Sida has partnered with Norway and Denmark in long term core support to SLPI which originally amounted to 100% of the organisation's budget but which had scaled down to 70% in 2010. The SLPI's work in training and improving standards continues but it recognises that its work in media reform and journalistic freedom has been curtailed by the difficult political environment and the lack of receptiveness within the government of the importance of these issues. It must also be recognised that the media, elements of which are highly politicised, has itself contributed to ethnic and political polarization in Sri Lanka, so the barriers to change are not just from outside the media industry. Sida funded the SLPI during a very difficult time for media freedom in Sri Lanka (Kandiah, 2001). During the conflict period a number of high profile journalists were murdered in Colombo and some were gaoled under the Prevention of Terrorism Act<sup>43</sup>, press freedom in the north of the country was also severely curtailed by the LTTE in the areas it controlled. The SLPI aims to continue to further strengthen journalistic integrity, professionalism and inter-cultural community and further prosecute its media reform and journalistic freedom agenda when the political space for that activity opens up.

#### 5.4.4 The Impact of Sweden's Support for Peace and Democracy in Sri Lanka

As the examples above demonstrate, Sida played a very important role in supporting key elements of civil society at a very critical time during Sri Lanka's recent history. It helped build the institutional capacity of organisations; it funded training activities for hundreds of civil society workers and journalist's; it funded services that were lacking in marginalised communities and it generally strengthened the accountability and professionalism of civil society in Sri Lanka. As a large donor its decision to phase out had an impact across civil society, and it left a hole which has not yet been filled, and probably isn't likely to be in the immediate future, certainly not with the same modicum of flexibility.

It is pointless to discuss issues of ownership and alignment here as Sweden's express purpose was to work outside the government system through civil society to seek a peaceful solution to the conflict

<sup>43</sup> This included J.S Tissainayagam who was gaoled for 20 years in 2009 under the Prevention of Terrorism Act for two articles in the North Eastern Monthly published in 2006 where he was highly critical of the Sri Lankan army's activities against the LTTE in the north. In a speech to mark World Press Freedom Day in May 2009 the US President said that Mr Tissainayagam's case was emblematic of the need for press freedom around the world: <http://www.timesonline.co.uk/tol/news/world/asia/article6815885.ece>

and to actively reform important institutions that are critical to the full realisation of human rights and democracy, such as the media. Clearly this support was highly relevant and within the context of the peace process it was timely, and enabled civil society to undertake an enormous amount of activity that would have otherwise not been possible. In this context Sweden was an important partner to Norway who greatly appreciated its support and partnership in this area, particularly as it was chairing the peace process. After the decision to phase out had occurred, the political will to engage in dialogue with the GoSL dissipated and other avenues were pursued, such as applying pressure through international forums.

Ultimately however the impact of Sweden's support and the impact of civil society more generally, must be measured against the final result, which was: a violent end to the conflict, a lack of recognition of the need for reconciliation, a clamping down on civil society and the media, and the increasing dominance of Sinhalese nationalist politics. In some respects the historical events after 2006 reshaped previous conceptions, as the quote below from a high profile civil society actor exemplifies:

*“...the issue that I think has to be raised is an issue that affects all of us, all of civil society, political society, the donor community and all people of good will or whatever...is that...was it simply that events overtook us and the world had changed and we didn't change much or was it just that our assumptions on which we based some of our work were false or faulty assumptions or is it just that the basis of the basis of our engagement was merely defeated...it was probably just defeated, not that it was not relevant or whatever...probably defeated”.*

While Sida no doubt helped strengthen the institutional capacity of civil society during this difficult period, intervening political and historical events conspired to erode the impact these increasingly well-functioning and professional groups could have on the situation. Sida contributed to the vibrancy of Sri Lankan civil society but ultimately as Orjuela (2010) suggests “the importance of civil society peace work is dwarfed in comparison to other forces that influence the violent conflict”, these included persistent ethnic and nationalist narratives and accompanying polarization, and a clamping down on civil society, not to mention fear, violence and repression. It is overly optimistic in some respects to assume that civil society can create meaningful change in such an environment, a point that has been raised by civil society actors in Sri Lanka time and again.



The difficulties experienced raise a number of issues about what other avenues Sweden could have adopted. Adopting a short term view there is probably not much more that Sweden could have done, as the political reality was such that Sweden's leverage with the GoSL was marginal, and it's only avenue to contribute meaningfully to the peace and reform process was through civil society. Limited contribution was particularly the case once the decision to phase out had been made. Adopting a long term view however, there was much more that could have been done over the history of Sweden's program in Sri Lanka to help address some of the persistent grievances and cultural and identity issues that ultimately led to the conflict being played out the way it was.

Remember that Sweden's support to peace and democracy as a standalone theme only became part of Sida's aid narrative in 1998 and was not fully mainstreamed until 2003. As Sri Lanka's most long standing western development partner, with a thorough understanding of the political and cultural situation in the country one may have expected Sweden to adopt a more systematic and coordinated stance on peace and democracy much earlier.

### 5.5 Significance for this Evaluation

The peace and democracy case study above provides some context on the difficult circumstances facing Sweden during the phase out period. After 50 years of co-operation between Sweden and Sri Lanka, during which time government-to-government relations were, by and large, constructive, and the development agenda largely owned by the GoSL, the events of 2006 onwards, and the Swedish response to those events, acutely affected the relationship between the two governments. Sweden sought to influence the conflict outside of government channels in co-operation with their (in some respects only) like-minded partner, Norway. This raises a number of significant questions about how best to phase out aid in conflict-afflicted countries. Some points for consideration and that are expanded upon further in Chapters 6 and 7 include:

- Sida and other donors should reflect on how their aid, can over the long term, contribute to the reformation of public policies that discriminate against identity groups and lay the foundation for the grievances that give rise to ethnic conflict in the first place;
- The application of the aid effectiveness principles of alignment and ownership has little relevance to a development co-operation

relationship such as that described above. Donors active in conflict afflicted states where relations are deteriorating due to principled opposition to the carriage of a conflict need alternative mechanisms to assess the effectiveness of their aid;

- Supporting civil society during difficult historical circumstances is important despite the fact that political and historic events may transpire to constrain the effectiveness of that support. In the case study discussed above, it was clear that events were not foreseeable, and indeed these events shocked many experienced civil society activists in Sri Lanka. It is hoped, although clearly not guaranteed over time, that the capacity built through the support to civil society can flourish once the political circumstances change; and
- With regard to twinning programs such as the CBSL it is important to build on existing informal relations between colleagues and ensure co-operation adopts a collegial and true partnership approach, particularly in a highly educated country like Sri Lanka with a capable workforce.

# Part Three – Synthesis

## 6. THE CHARACTERISTICS OF SWEDISH AID TO SRI LANKA

### 6.1 Introduction

This chapter provides a synthesis of the material presented in Chapters 2 through 5. The chapter outlines some of the important characteristics of Swedish aid to Sri Lanka over the 53 years of co-operation, namely: long termism, a principle-led approach and flexibility. This chapter also reintroduces the AQEF and its components, and uses this framework to discuss some important insights into the effectiveness of Sweden's development co-operation with Sri Lanka arising from the material presented in the previous chapters. This synthesis provides some important context for the concluding chapter which answers the evaluation questions and presents lessons learned.

### 6.2 Long-Termism

One of the most striking characteristics of Swedish aid to Sri Lanka was the commitment to long term program type approaches. This longitudinal sectoral focus contributed to some very important development outcomes in two sectors in particular, namely plantation schools and family planning.

With regard to family planning, it is clear that the original Sweden-Ceylon Family Planning Project, which lasted for over seven years, had a significant influence on the thinking of the Sri Lankan government of the time and helped influence the decision to move to an integrated approach to family health in 1965, by providing evidence that there was latent demand for family planning services in Sri Lanka. As noted in Chapter 3 there were political barriers to the state intervening in the area of family planning and Sida's early work and commitment to the sector over time helped overcome these barriers and institutionalise family planning within the government framework. This work helped sensitise the government to family planning approaches and their importance for maternal and child health.

Sri Lanka's achievements in reproductive, maternal and child health have clearly been impressive and this has had a significant impact on the quality of life in the country. These achievements have been brought about by a number of factors, including relatively strong government ownership, achievements in the education of women and the strong role of civil society through the FPASL. Donors have also played an important role. Sida provided long term pioneer support to Sri Lanka at a critical time, and this support, with its focus on an integrated approach to family health that encompassed reproductive, maternal and child health helped influence the future evolution of the family health sector in Sri Lanka and therefore made an important contribution to the impressive maternal and child health statistics seen in Sri Lanka today.

Sweden's support to the Plantation schools was the most important Swedish investment during the history of co-operation. Sweden's assistance to plantation schools in Sri Lanka was in many ways an example of effective development co-operation, with some caveats. There is much statistical evidence that this assistance has made an important contribution to the objective of narrowing the educational disparity between the plantation community and other segments of Sri Lankan society. However, the effects of these gains on levels of poverty – an ultimate objective of Swedish assistance – remain uncertain, due to the complex and shifting dynamics of estate communities and prevailing conditions in the labour market.

Very clear aims, and a long-term commitment to achieving them, have been critical to the success of this intervention. Sida signalled a 10-year commitment in the very first program agreement for the Badulla IRDP in 1984. Allied with this long-term approach, was a pragmatism that enabled contentious issues to be successfully negotiated without serious damage to the bilateral relationship. Despite several disagreements over the shape of development assistance, Sweden never lost sight of the long-term aims of this co-operation. The discussions over the education component of the Badulla IRDP and the shift towards soft loan financing for the RIERP Project are examples of how this played out.

Excepting changes in scale and the more recent shift to loan financing, Sida's implementation approach evolved relatively little over the long history of engagement. Commendably, a hall mark of Sida's approach was the use of government personnel and a relatively 'light touch' approach to international experts. This encouraged

ownership on the part of many individuals who moved from projects, providing a measure of continuity. Less positive for sustainability is the use of discrete implementation units, although this is perhaps a product of the Government's chosen approach to implementing development co-operation projects. The long term commitment coupled with the stability of the approach over a long period of time and the willingness to invest in long term relationships was an important characteristic of this intervention and fundamental to its success.

The structured long termism that characterised Sweden's approach in some sectors was however, not evident in others. Sweden's systematic focus to peace and democracy arose only in 1998, at which time Sida had been a donor in Sri Lanka for 40 years, and the conflict between the GoSL and LTTE had been bubbling along for 15 years. Further, Sweden's direct support to civil society in the peace and democracy space only scaled up significantly in the 2000s, by which time the political and historical context had changed radically with the advent of a more populist Sri Lankan government and the rise of Sinhalese nationalism, which had changed the context of the conflict significantly and the broader populations conception of it.

What may have happened if Sida and other donors had implemented long term structured programs that contributed to improvements in employment and helped address many of the other issues confronting Tamils in the North and East of the country during the early years of engagement (e.g. in the 1970s)? Also what may have happened if long term, structured conflict sensitisation and community building approaches were mainstreamed into development interventions with the broader Sri Lankan population? Would those combined approaches have led to a different political context in 2009, one that would not have countenanced such a violent end to the conflict?

Sida's support for Indian Tamils in the Plantation sector is an example of a program that was specifically targeted to support a politically and economically marginalised group; a group which Goodhand and Klem (2005) consider to have long standing grievances that could one day result in political radicalization. Indeed Sida's support has often been quoted as helping manage conflict in this area (Bastian *et al.*, 2007). Reflecting back on the issues raised in the Bush evaluation discussed in Chapter 5, there must be some consideration as to whether Sweden could have done more, in co-operation with other donors over the years, to support medium to long term structural approaches to conflict prevention in other sectors

across the country that may have helped transform the attitudes of the majority and address the grievances of the minority.

### 6.3 Principle-Led Approach

Another characteristic of Swedish aid over time has been what is referred to as a principle-led approach to aid delivery. This was evident throughout the history of engagement, from the choice to not support permanent methods of birth control during the 1970s as part of the family planning program; through to the determination to focus on the poor and marginalised in the Plantation sector; and through to the rights-based approach enshrined in the Global Policy for Development and the 2003–7 Country Strategy.

Sweden's support for educational improvements in plantation communities and its support for the Matara IRDP are particularly poignant examples of this approach. As seen from the case studies in Chapter 4, the commitment of Sweden to targeting the poorest of the poor was influenced strongly by the Rural Development Strategy adopted in 1982 and by some very strong principles to do with social mobilization, participation and empowerment. It can be seen from the Matara IRDP case study how this philosophical commitment underpinned the design of Phase II of the program and how Sweden's commitment to the plantation sector helped refocus Sri Lankan Government support for this hitherto marginalised sector. In both cases, Sweden sought to ensure that resources were focused directly on poor and marginalised groups – even when this risked undermining the bilateral relationship. Both cases highlight the varying degrees of success in impacting these groups. The social mobilisation program and the Matara IRDP did not have a demonstrable impact on poverty in the district. However, 30 years of Swedish assistance for education in plantation communities has made an important contribution to improvements in educational attainment among that group – evidenced by a narrowing of the gap between estate, rural and urban segments of the Sri Lankan population.

In the latter years this principle-led approach and the strident commitment of Sweden to democracy and human rights, was in some respects responsible for the deterioration in relations between Sweden and Sri Lanka that was evident at the time of the embassy closing. As many of these case studies have suggested, relations at an operational level, that is relations between the Sri Lankan and Swedish

government, civil society, or private sector colleagues was invariably productive and fruitful, however at the executive and diplomatic level they clearly deteriorated over time. It should also be mentioned here that Sweden never posted an Ambassador to Sri Lanka, which is an indicator (albeit a relatively crude one) of one country's political and economic commitment to another. The deteriorating human rights situation in Sri Lanka, and the increasing scaling up of the war effort and associated atrocities was anathema to Sweden, which voiced its opinions on these issues in international forums and provided direct support to civil society groups, virtually closing down dialogue with the government. As seen in Chapter 5, this position was criticised by some donors who continued to commit to working with the government directly, and who continue to do so in the peace and democracy space. Whether the breakdown of this relationship was a cause of the phasing out decision is beyond the scope of this report to comment on, however one wonders what form Swedish-Sri Lankan development co-operation would have taken had this decision not been made.

#### **6.4 Flexibility**

Swedish aid was also characterised by its flexible nature and limited prescription compared to other donors. This is particularly poignant in the Matara IRDP and SAREC case studies. In the Matara IRDP case study flexibility emerges strongly from the perspectives of staff involved in the operational and administrative aspects of project management who favourably contrasted Sida's approach to that of other multilateral and bilateral donors. Sida's willingness to entertain new ideas contributed to the appearance of several unique and innovative features, particularly the methodology employed by the social mobilisation program and its connection with the Community Credit Scheme (CCS). Locally-driven innovation emerges as a by-product of such flexibility.

The history of the SAREC-funded molecular biology project highlighted how a flexible approach to aid delivery over a long period of time is required when building capacity in a developing country. The relatively non-prescriptive nature of Swedish support and the willingness to accept that unforeseen circumstances can disrupt timelines and affect outputs were important characteristics that contributed to the success of this project over time. It was clear that SAREC understood very well the technical skills and capacity of its Sri Lankan partner and

committed to ‘back’ this talent over time, an investment that in the end paid off. Each achievement made by the molecular biology project over time iteratively fed into the next period of support ultimately ending in the provision of significant funds for the building of a cutting edge laboratory and building. This flexible and iterative approach was very successful in this regard; however the overall sustainability of this project could have been improved if a more systematic approach was taken to building the capacity of the national research system, which is still weak.

## 6.5 The Aid Quality Evaluation Framework

As mentioned in Chapter 1 an important part of the methodology used for this evaluation is the application of the Aid Quality Evaluation Framework (AQEF)<sup>44</sup>. This Framework is a heuristic device that focuses on the drivers of aid effectiveness; it can be deployed when assessing the impact of aid programs over a long period of time when quantitative causal attribution is impossible, due to either the small size of an aid program or the difficulties in disentangling endogenous factors. The following sections discuss four of the five components of the AQEF with reference to the information presented in Chapters 2 through 5 and provide some important insights into the effectiveness of Swedish development co-operation with Sri Lanka, insights which are discussed further in Chapter 7. Component 5 of the AQEF is actually addressed when answering the overall evaluation questions in Chapter 7.

### 6.5.1 Absorptive Capacity and the Quality of Public Sector Financial Management

Absorptive Capacity (AC) refers to the capacity of the partner country to use aid efficiently for development purposes. It is based on the simple recognition that there are limits to the amounts of aid that can be efficiently absorbed, with higher and higher levels of aid not necessarily associated with bigger and better development impacts. As discussed in Chapter 2 AC is an important part of the ODA enabling environment, alongside the quality of public sector financial management. If that enabling environment is weak then aid will be less efficient in achieving good development outcomes than it otherwise would be. This provides important context within which to evaluate the overall effectiveness of Swedish aid to Sri Lanka.

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<sup>44</sup> This is outlined at length in Appendix C.



The analysis from Chapter 2 confirmed that there was an overall increase in absorptive capacity over the period of time Sweden delivered aid to Sri Lanka. Therefore there was a generally supportive enabling environment for aid to Sri Lanka over the period Sweden delivered aid to that country. There was a noticeable increase in two of the four drivers of AC, namely concessional borrowing capacity and human capability, but a significant dip in private sector capacity in the 1970s, and a relatively small increase in Institutional Public Financial Management (PFM) capacity over time. While this increase in PFM capacity was relatively flat, the analysis from Chapter 2 suggests that this capacity was still relatively strong throughout the period. There is limited evidence from this evaluation that Sweden contributed in any major way to an improvement in AC over the time of development co-operation. This is particularly the case if Sweden's co-operation in Sri Lanka is compared with that in Vietnam where Sweden's central role in supporting economic reform played an important part in improving the enabling environment for aid. However, while Sweden did not play a big part in building AC or PFM capacity in Sri Lanka the analysis suggests that these were not barriers to effective aid delivery in and of themselves.

### **6.5.2 Consistency with Paris Declaration Principles**

The case studies introduced above highlight a number of aid effectiveness issues that can be fruitfully discussed with reference to the Paris Principles on Aid Effectiveness. Clearly, it is beyond the scope of this evaluation to conduct a comprehensive assessment of the Paris principles as they relate to Sweden's aid to Sri Lanka, however some important insights can be highlighted with respect to ownership and alignment in particular, and these have much to say about the potential sustainability of Sweden's interventions in Sri Lanka. As discussed in Appendix 2, assessments based on these elements are not to be used to criticise the aid delivery decisions made in the early years of Sweden's co-operation with Sri Lanka as much of the knowledge of what contributes to effective aid was not known at that time. However it is relevant to assess programs against these principles because it is proposed that aid that exhibited characteristics like those enshrined in the Paris principles would be more effective than aid that did not exhibit those characteristics, regardless of the period of time under review.

Firstly let's examine the principle of ownership or developing countries leading their own development policies and strategies, and managing their own development work on the ground. There are

numerous examples of Sweden espousing what could be called an ownership agenda, and interestingly this was most noticeable in the two interventions that the Evaluation Team believes had the most lasting and sustainable impacts. As mentioned in Chapter 3, Sweden was instrumental in supporting a move from civil society ownership of the family planning agenda to government ownership and institutionalisation. Sweden promoted an integrated approach to family planning that focussed on child and maternal health through the Family Health Bureau, and with the help of Sida and the FPASL the government grew to effectively ‘own’ and mainstream this agenda over time.

Sweden also heavily promoted GoSL ownership in the Plantation Schools sector and took aggressive efforts to build ownership of this program and institutionalise it within the general education budget, where it had hitherto been largely absent, this was very important considering Sida was the main actor in that sector for a long period of time. That institutionalisation now seems to be complete. One has to question, however, the GoSL ownership of the Matara IDRP which, as suggested in the case study did grow over time, but which, by and large was weak, particularly with regard to social mobilisation. The disputes that characterised the design of phase 2 of that program point to some significant variance between the two parties on the primary goals of the program and ownership of it.

The application of the aid effectiveness principle of ownership has very little relevance to a development co-operation relationship such as that described in the peace and democracy case study in Chapter 5. As noted in that chapter, Sweden was working completely outside government systems and these interventions were in no way ‘owned’ by or ‘aligned’ to GoSL policies during that time. This suggests that donors active in conflict afflicted states where relations are deteriorating due to principled opposition to the carriage of a conflict need alternative mechanisms to assess the effectiveness of their aid.

With regard to alignment, the mechanisms employed by Sweden to agree on development priorities with the Sri Lankan government seemed to have ensured there was sufficient alignment with GoSL priorities and policies, and these were more often than not referenced in programming documents by Sida. Many of the requests for support in particular sectors came straight from Sri Lankan government officials during the annual consultation process and stemmed from national policies or broader development strategies developed in concert with the World Bank. The broad support to Sri Lanka for economic

governance reform in the early 2000s after the recession and Sweden's support to the Central Bank of Sri Lanka are a case in point. Sweden's support to the UNP nation building agenda in the early 1980s and their support to Kotmale in particular is another example of this.

The same positive story is not evident if one investigates two other important aspects of alignment, namely predictability and the untying of aid. For a long period of time a significant proportion of Swedish aid to Sri Lanka was tied and mostly used for import support. The practice of directly engaging Swedish consultants, such as during the Kotmale Dam construction, which had clear efficiency issues, was also against the principles of effective aid delivery, although these practices were ubiquitous during this period. One of the most obvious breaks with the alignment principle was, however, the relative unpredictability of Swedish aid over time. As discussed in Chapter 2 and shown in Figure 2.16, Sweden's aid to Sri Lanka has been much more unstable than aid from all donors. The relatively large variation in Swedish aid does suggest that its effectiveness might have been less than would otherwise have been the case. This aspect of Swedish aid to Sri Lanka is discussed further in the concluding chapter.

### **6.5.3 Consistency with Partner Country Sectoral Priorities**

Donor country programs should be consistent with development needs in countries, and they should be sufficiently flexible to respond to changing development needs or priorities. These needs may or may not be recognised in partner development plans or priorities. Take for example the Swedish support to the Plantation sector, which as the case study in Chapter 4 suggests was a significantly under resourced, and indeed, neglected sector. At no stage in Sri Lanka's history had Indian Tamils in the Plantation Schools benefitted from the same educational investments as other Sri Lankan citizens, and as a result development achievements in this sector were very low compared to the national average. Educational attainment in the Plantation sector was a legitimate development need that should have been prioritised by the GoSL. The significant investment made by Sweden over a 30 year period provided vital resources to this neglected sector and contributed to a measurable increase in educational attainment.

The early investment in the Family Planning Project is another case in point here. Clearly, Sida's catalytic investment in this politically sensitive and non-prioritised sector helped raise the importance of the issue and led to the subsequent government prioritisation in

that sector. The social mobilisation aspect of the Matara IRDP was an example of a program that prioritised empowerment amongst the poorest subset of the Sri Lankan population. This was driven by Sweden's principle-led approach and concern with the poorest of the poor. It was an area which Sweden thought was under-prioritised, as the case study demonstrated. However the project had negligible impact despite its good intentions.

The above synthesis provides some mixed messages about Sweden's aid to Sri Lanka over time, some structural elements of the program, such as predictability, were in opposition to development effectiveness principles; however there was a broad commitment to principles of ownership and alignment even before their incorporation into the aid effectiveness lexicon. Sida's long term principled commitment in certain sectors, coupled with their flexibility helped improve the impact of the aid program over time – the analysis in Chapter 7 expands on this.

## 7. CONCLUSIONS AND LESSONS LEARNED

### 7.1 Introduction: Evaluation Questions

This chapter returns to the four evaluation questions outlined in Chapter 1, recalling that the primary question concerns the contribution of Swedish development co-operation to multidimensional poverty reduction in Sri Lanka. It attempts to answer these questions, to the extent possible, drawing on the evidence presented in Chapters 2 to 6 and some subsequent reflection. Responses to the 4 sub-questions are provided first. Building on these responses, the primary evaluation question is then addressed.

### 7.2 Evaluation Sub-questions

Sub-question 1: *To what extent did Sida's aid respond to pressing multidimensional development needs in Sri Lanka?*

There appears to be a high degree of consistency between Swedish development co-operation with Sri Lanka and the Sri Lankan Government's development priorities for the period up to 2004. The same cannot be said, clearly, for the period after 2004 given the focus of development co-operation on peace and democracy. As noted in Chapter 5, such a policy was at odds with the stance of the newly elected Sri Lankan Government. There was, however, a high degree of consistency between Swedish aid on the ground and the high-level policy objectives outlined in the country strategies. With regard to the period after 2004 it is important to emphasise that comments in this report regarding alignment to development priorities relate to more than just the sectoral allocation of aid resources to research or economic growth or any other sector. The insight provided relates to the overall focus of the development co-operation program and relations between the two countries, which was clearly dominated by concerns with peace and democracy after 2004. While investment in peace and democracy was not in a quantitative sense the most important investment it was clearly the most important qualitative aspect of the program.

It is clear and widely acknowledged that:

1. Reducing fertility rates was a national priority in Sri Lanka, and one that has facilitated significant gains in multidimensional poverty;

2. The disadvantaged in the Sri Lankan plantation sector was a pressing issue of national significance;
3. Sri Lanka's economic performance, an important pre-requisite for sustained poverty reduction, was poor in the mid- to late-1970s, and one means of addressing this was through the provision of better physical infrastructure;
4. Economic performance in Sri Lanka was again poor in the early 2000s and in line with thinking of the time that an essential means of sustaining improvements in this performance was through improved economic governance; and
5. Peace and democracy are fundamental to development and pre-requisites for achieving sustained improvements in the standard of living and yet both were deficient in Sri Lanka.

Putting aside questions of effectiveness, Swedish development co-operation was a response to these pressing multidimensional needs in Sri Lanka.

Of the case studies examined in this evaluation, one can question whether support for research in molecular biology was a pressing development priority. There can be no doubt that this support was extremely successful in terms of producing world-class research, but whether this was a pressing multidimensional challenge remains to be seen.

*Sub-question 2: To what extent has Sida's development co-operation program in Sri Lanka been effectively and efficiently delivered?*

Using the Paris principles, component 3 of the AQEF, as a guide, there is strong evidence that on balance the Swedish development co-operation program with Sri Lanka has been efficiently delivered.

Putting aside for the moment the co-operation from 2004 onwards, there appears to be a high degree of alignment with Sri Lankan government priorities and, to this extent, a commensurate degree of local ownership. There is also evidence of harmonisation with other donors, the World Bank and Norad included, however this did deteriorate after 2004 as the central coordinating role of the GoSL waned.

The preceding characteristics of Swedish development co-operation with Sri Lanka might be viewed as necessary conditions for effective aid delivery. Yet alone they are not sufficient. This has been borne out by the case studies of the Kotmale Dam Project and the Matara IRDP. While the former did address a development need, was aligned with partner government priorities, and had strong local ownership, its economic rate of return was low and it was associated with significant

adverse social and environmental impacts. The Matara IRDP also addressed a key development need, was founded on the best of intentions, and had a number of positive flow-on impacts. However evidence suggests that its poverty reduction impact was limited.

There is also evidence of divergence from Paris principles. Aid tying appears to have been an issue in the period from 1977, being present in the co-operation over the construction of the Kotmale Dam. There have also been large year on year variations in the levels of Swedish development co-operation. While this in itself can reduce aid effectiveness, it is not necessarily indicative of unpredictability in aid delivery.

The greatest and most obvious divergence occurs during the period from 2004 onwards, with Sweden's support for peace and democracy in Sri Lanka. There is evidence that capacity among civil society organisations was built but this was clearly at odds with local partner government ownership and alignment. As noted this commitment arose from Sweden's principle-led and rights-based approach, which is, normatively speaking, legitimate.

Sub-question 3: *How and to what extent did Sida's development co-operation nurture an enabling environment for poverty reduction Sri Lanka?*

There is clear evidence that Sida's development co-operation nurtured such an environment in Sri Lanka, or put differently provided the pre-conditions for sustained poverty reduction.

Reducing fertility does not itself constitute poverty reduction, but it does enable an environment in which better health and education levels can be achieved and income poverty can be reduced. There is strong evidence to suggest that the declines in fertility in Sri Lanka from the late 1950s were higher than otherwise would have been the case had Sweden not worked with the Government of Sri Lanka in the area of family planning.

Similarly, there is evidence that the Sweden effectively built the capacity of various civil society actors in the area of peace and democracy. Further there is evidence that Sweden contributed to an enabling environment for poverty reduction amongst the Indian Tamil community by improving access to education.

Sub-question 4: *What lessons can be learned from Sweden's development co-operation with Sri Lanka to improve development effectiveness in the future?*

There are a number of lessons that Sweden and other donors can learn from this assessment of Sweden's aid to Sri Lanka over 53 years, the most salient lessons are listed below:

- The most effective Swedish aid was in the Evaluation Team’s opinion principle-driven longitudinal support that stayed focussed on the ultimate development objective and persisted over time regardless of the occasional hiccup. With that in mind, donors should identify those sectors where they have the potential to be most effective in (comparative effectiveness), and that have significant pressing development needs (regardless of whether these have been identified by partner countries, or enshrined in national development strategies) and they should stay the course over the period of time required to achieve meaningful results, this involves long term commitment, and in some respects subverts some of the Paris Principles. Clearly a lot of effort needs to be invested into identifying these areas of critical engagement;
- The importance of understanding institutions – in the fullest sense of the term – emerges time and time again from longitudinal case studies. From a sustainability perspective donors who adopt approaches similar to that described above need to work with partner governments to institutionalise these interventions, or they may face dependency problems; and
- In conflict affected states donors need to consider how they can best support long term structural approaches to conflict prevention, and mainstream these approaches into their aid programs as early as possible after conflict emerges. As Sweden was a very early donor to Sri Lanka and was well established by the time conflict with the LTTE emerged, it was certainly in a position to implement much more community-based and far reaching conflict prevention programs at an early stage in the conflict. Donors must work hard to address the underlying political, cultural and social tensions that give rise to conflict, which can snowball and create an environment that is not conducive to peace and democracy promotion such as that witnessed in Sri Lanka in the latter years of co-operation.

**Primary Evaluation Question: How, and to what extent, did Sida’s development assistance contribute to poverty reduction in Sri Lanka?**

This is rarely an easy question to address, irrespective of the country program in question. It is a particularly difficult question to address for Sri Lanka given the broad and somewhat difficult operating environment faced by donors. While there is evidence that aid to Sri Lanka was of a level that was within its capacity to efficiently absorb for development purposes, and the quality of public sector



fiscal management appears reasonably high, the development record of the country is mixed. There was evidence of extensive proliferation of aid activities, relatively unstable year-on-year allocations and little augmentation of aid by other types of foreign financial flows and, of course, the grave difficulties associated with operating in a conflict-affected country. Given this somewhat gloomy picture it is not at all surprising that on the basis of the simple stylised facts presented in Chapter 2, one is left in doubt whether the combined donor effort in Sri Lanka has produced positive development dividends.

If the stylised facts were such that evidence of the combined donor effort had been effective from a development, and in particular poverty reduction perspective, and if the qualitative investigation supported this proposition, then answering a question like that above is more straightforward. The issue here is that the aid efforts of the donor in question need to be looked at in the context of the overall donor effort in the country, if this aid is of good quality, it can be concluded that it has made a contribution to poverty reduction and this contribution will be larger the larger the size of that donor's program.

With these comments in mind the following responses to the main evaluation question are provided.

Given that Swedish aid has constituted a relatively small share of total aid to Sri Lanka (no more than seven percent for any decade since 1960) it is highly unlikely that any poverty reduction recorded at a national level was due to Swedish aid. The only possible exception to this is Swedish aid during the period up to 1977, owing to its support for family planning.

Noting this possible exception, the most realistic proposition is that Swedish aid contributed marginally to the lowering of poverty in Sri Lanka. This is not to say that Swedish aid did not have positive results in other areas, just that from a poverty perspective its impact was limited.

The precise extent of its contribution to poverty reduction remains a matter of speculation. On balance, the available evidence is consistent with having made such a difference up to 2002, largely due to its support for the plantation sector, which was a successful intervention that had meaningful multidimensional poverty reducing impacts for this segment of the population. It appears questionable in the extreme whether such a difference was made between 2003 and 2010, when some capacity was built in the civil society sector but this had little or no impact on the most pressing development

issue of the day (conflict reduction) as political and historical events essentially swept away Sweden's efforts in that regard.

# Appendix A. Research Methodology

## Introduction

The analytical framework and evaluation questions addressed in this study are outlined in Section 1.3 of the report. In this Appendix, further details are provided on case selection and data collection and analysis.

The evaluation study deploys a mixed-methods approach, using qualitative and quantitative methods in a complementary way (Sale et al., 2002) to interrogate different types of evidence about the context, evolution and outcomes of Swedish development assistance in Sri Lanka (and similar studies covering Laos and Vietnam). This approach has enabled robust and credible historical analysis of Sida's programs, while providing the necessary flexibility to overcome specific data limitations.

At the macro-level both quantitative and qualitative data were used to prepare Country Development Profiles, which outline the context for Swedish development co-operation. These profiles outline the major development trends (including progress in poverty reduction) and trends in aid delivery over the period of the evaluation, and the international political and economic circumstances that influenced development and aid in Sri Lanka. Qualitative data from key informant interviews with experts and document analysis (including political-economic theories of aid delivery) augmented the quantitative data and shed light on why these patterns of aid delivery arose.

Similarly, quantitative and qualitative data were used in tandem at the meso level to provide empirical and contextual information on issues such as the sectoral and geographical distribution of aid. At the micro-level, quantitative and qualitative data were used to provide descriptive and contextual information on particular projects and programs.

## Quantitative Analysis

Quantitative analysis drew on available sources of data, such as Sida's own databases, data provided by the government of Sri Lanka, the World Bank's World Development Indicators, the UNDP's Human Development Report and the OECD DAC's International Development Statistics.

Such data informed the macro analysis of development and aid trends in the Country Development Profile. The data enabled

assessment of changes in various dimensions of the quality of life, income poverty in particular. Chapter 2 analyses change in indicators such as per capita income and its annual rates of growth, on life expectancy, adult literacy, child and infant mortality, maternal mortality and the percentage of people living below the income poverty line. Key multidimensional indicators as also presented, such as the UNDP's Human Development Index (HDI). Comprehensive information on this index has been published by the UNDP since 1990, with HDI scores being available from 1970 onwards. Recognising that economic performance is an important driver of poverty reduction, GDP growth rates are also examined and key economic reforms and structural changes identified.

The Country Development Profile also charts aid to Sri Lanka. Annual levels of Swedish and total official development assistance are shown, both in gross amounts, relative to GDP or GNI and the population size. These figures are also presented by sector. Data on aid proliferation and volatility (or predictability) were also assessed.

The quantitative analysis, while rigorous, did not involve econometric modelling. This was ruled out in the TOR, but was difficult in any case owing to data availability and quality problems particularly for the early years of Swedish development co-operation to the three focal countries. Qualitative data were used to gain a picture of trends and their causes during the early periods of Swedish aid.

The qualitative component of this evaluation involved thematic and longitudinal case studies, with flexible exploration of the evaluation questions through the use of semi-structured interviews, focus groups and analysis of existing documentation.

Case studies – specific units of analysis with clearly defined boundaries – were used to explore the evaluation questions in a context specific way. Case studies were used for their potential to provide an in-depth understanding of events and trends in Sweden's aid in the three countries through the perspective of key actors.

Qualitative approaches usually work with small samples that are selected purposively rather than randomly (Miles and Huberman, 1994). Purposive sampling, i.e. selecting cases for their richness of information in relation to key time periods, people, events and impacts, is relevant here for two reasons. First, such sampling is consistent with the adaptive theory approach, where cases are selected for their value in exploring predefined questions and concepts (Denzin and Lincoln, 2000). Cases are therefore selected for their likely contribution to understanding the impacts of Sida's changing

development strategies over time. Second, purposive sampling enables the richest access to data given the available time and resources.

The historical nature of this evaluation, which must evaluate the cumulative impact of many activities over several decades, distinguishes it from a typical project or program evaluation. Initial analysis of Sida documentation and meetings during the inception visit helped the evaluation team to develop a working understanding of key historical phases in Sweden's aid delivery and its relationship to changes in the broader development context. Based on this analysis, it became clear that two different categories of case studies would be relevant:

Longitudinal case studies were used to illustrate the changing nature and impact of Sida's involvement in a particular sector. Longitudinal cases exposed the drivers behind, and outcomes of changes in, Sweden's development co-operation within a selected sector. Analysing one connected set of interventions in this way spoke to questions of responsiveness, relevance and effectiveness. Longitudinal cases were identified based on sectors where Sida has had a very long-standing engagement; in each country, only a very limited number of sectors or areas of operation met this requirement.

In short, longitudinal case studies assessed long term involvement in a sector, to understanding why and how Sida changed its approach to development co-operation over time, and the impacts of such change.

Thematic case studies were used to assess the nature and impact of a package of interventions during different historical phases. Drawing on the provisional historical phases of Swedish development co-operation defined in the inception phase (see Table A.1 below), a set of 2 to 3 case studies were selected in each major phase to gain a deeper understanding of critical impacts and themes during each period. There was a large number of potential thematic cases to select from. An initial set was selected during the inception phase, based on the information gained from initial interviews and data analysis about Sida's thematic foci in Sri Lanka. This initial set was first expanded through discussion with Sida, and then adjusted slightly during fieldwork if logistical constraints were faced in accessing particular field sites or informants. The final cases addressed in the study are outlined in Table A.1.

The combination of longitudinal and thematic analysis is an innovative approach to longitudinal evaluation; it has enabled a comprehensive understanding of how Sida's aid effort evolved, as well as an understanding of impacts and lessons in key thematic areas.

Key data sources for the longitudinal and thematic cases include existing Sida documentation (provided to the team by Sida), other secondary research, and interviews and focus groups with informants. The Sida documentation was analysed for information on: (i) case studies; (ii) inter-country relationships and planning/decision-making processes; and (iii) existing knowledge on lessons and impact. In addition, existing research publications were used in the analysis of the development context, the political economy of each country, and the international political economic context and its influence on donor practice.

Field visits were made to gain a more detailed understanding of relationships with provincial and local government, and the sustainability and impacts of previous Sida-funded interventions. These field visits built upon previous evaluative work commissioned by Sida.

### **Key Informant Interviews and Group Discussions**

Interviews were conducted with key informants that were associated in various ways with Sida's programs. Some were identified during the inception phase for their historical and institutional memory. Further informants were then identified through a 'snowball' approach (i.e. through referrals and following up names that recurred in other interviews), as well as targeting specific categories of stakeholders including:

- Government policy makers at central and sector levels;
- Provincial and districts authorities;
- Sida HQ departments and teams;
- Swedish MFA;
- Members of Parliament (MPs) in Sweden and government officials in Sri Lanka;
- Other donors and international partners;

- Civil society, academia/research organisations, media, private sector;
- Implementing partners and project/technical assistance teams; and
- End beneficiaries at provincial and district level. In summary, the selected cases and informants provided a detailed overview of Sida's phases of operation and key sectoral initiatives. The sampling strategy was workable, while providing assurance that key categories of informants were covered. A limitation with the approach was the limited scope to interview program beneficiaries, due to resource and time constraints. To address this gap, the team have drawn on past program and project evaluations, which have addressed beneficiary views to varying extents. This was a necessary sacrifice to gain the breadth of coverage required in the TOR, but meant that the study was constrained in gaining in-depth, longitudinal insights to local level project and program impacts.

**Table A.1 Phases of Swedish Development Co-operation with Sri Lanka – Thematic and Longitudinal Case Studies Table**

Phases of Sida's Aid	Thematic	Longitudinal	Rationale for Selection
1958–1965 Socialist, non-alignment	Early health interventions		Health was the primary focus for SIDA's aid between 1958 and 1970 and hence is the main thematic case study for this early period.
1965–1970 Market economy			
1970–1977 2 <sup>nd</sup> socialist period, closed economy			
1977–Present Market economy, conflict	Early health interventions		
1965–1970 Market economy	1. Reproductive Health		
1970–1977 2 <sup>nd</sup> socialist period, closed economy	2. Infrastructure and economic development		
1977–Present Market economy, conflict	3. Political, Social and Economic Development		
1977–Present Market economy, conflict	4. Consolidation and phase out (2007–2010)		
	Matarra Rural Development Project – social mobilisation SAREC-Molecular Biology Project Kotmale Energy Generation and Supply Project Riksbank – Sri Lankan Central Bank Cooperation	Education components of Badulla and Matarra Integrated Rural Development Programmes Primary Schools Development Project Plantation Schools Education Development Project	Longitudinal study focuses on Sida's single longest continual investment in Sri Lanka and illustrates changes in Sida's approach to aid delivery, from an initial focus on infrastructure to providing incentives. Three thematic case studies in this period reflect Sida's increasing focus on social, human capital and economic development, while the fourth examines the twinning co-operation mode.
1977–Present Market economy, conflict	Support to civil society for peace and human rights promotion (including support to NGOs working on conflict resolution and	Rehabilitation and Implementation of Education Reforms in Plantation Schools	Support to civil society was contentious and important. Case study address numerous modalities, political economic, phase out, impact and sustainability issues.



## Appendix B. Key Informants

Abeykoon, A.T.P.L (Dr.), Senior Fellow, Institute for Health Policy  
Abeykoon, Central Bank of Sri Lanka

Ahlzén, Sigvard., Senior Adviser, Secretariat for the Executive  
Board, Riksbank

Akesson, Torvald., Ambassador to Mozambique, former HOM,  
Sri Lanka

Amarakoon, P.G., Chief Secretary, Central Province

Amarasekera, S., Secretary to the Prime Minister

Ansorg, Thomas., Peace and Conflict Advisor, GIZ, Sri Lanka

Asplund, Daniel., Former Head Rural Development, Sida

Bastion, Sunil (Dr.), Long term Consultant to Sida

Birgegaard, Lars Eric., Long term Consultant to Sida

Chalett, A., English Language Teacher, Carfax TMV, Hatton,  
Nuwara Eliya District

Chandani, D., Owner of small scale garment business (beneficiary  
of EDSC microfinance loan), Matara town

Dassanayake, M.R.G.H., Deputy Chief Secretary, Central Province

de Mel, J. Henry., Former Sida Programme Officer

De Silva, S., Retired former Assistant Director of Matara IRDP,  
Matara

De Silva, W. Indralal (Prof.), Dean, Faculty of Arts, University of  
Colombo

Ekanayake, S.R., Mechanical Engineer, Kotmale Power Station,  
Ceylon Electricity Board

Elisson, Malin., Sida, Advisory for DYLP Sri Lanka

Ferdinands, Tyrol., Managing Trustee, Initiative for Political and  
Conflict Transformation (INPACT)

Gunaratne, Lasanthe., Deputy Executive Director, Family Planning  
Association, Sri Lanka

Gunaratne, Shevon., Director, Sarvodya Legal Services Movement

Gunaratne, Swarna., Additional Director, Economic Research,  
Central Bank of Sri Lanka

- Hamre, Edle., Counsellor, Norwegian Embassy
- Hedin, Elizabeth., Former Second Secretary, Swedish Embassy,  
Sri Lanka
- Heli, Karl., SIPU Consultant on Plantation Schools Project
- Hendavitharana, Iva., Chief Librarian, Centre for Development  
Information, Ministry of Finance and Planning
- Hennadige, Bandula J., Former Project Director Badulla IRDP
- Heroux, Pierre., Counsellor, High Commission of Canada
- Jayatilake, S.M., Retired Former Regional Director of Education,  
Bandarawela, Badulla District
- Jayawardena, K.S.P., Additional General Manager (Generation),  
Ceylon Electricity Board, Colombo
- Jeyaratnam, M., Principal (and teacher), Pittenween Tamil Vidya-  
laya (TV), Hatton, Nuwara Eliya District
- Karunanayake, Eric (Prof.), Emeritus Professor of Biochemistry,  
University of Colombo
- Karunatilake, Waruna., Senior Producer, Reuters Television
- Kelegama, Saman (Dr.), Executive Director, Institute of Policy  
Studies
- Lankatilake, Sunil, Assistant Governor, Central Bank of Sri Lanka
- Lindahl, Claes., Long term Consultant to Sida
- Little, Angela (Prof.), Institute of Education, University of London,  
former Consultant to Badulla IRDP and Plantation School Edu-  
cation Development Project (PSEDP)
- Malarmany, R., Deputy Principal, Carfax Tamil Maha Vidyalaya  
(TMV), Hatton, Nuwara Eliya District
- Malkanathi, B., Owner of handicraft production business (benefi-  
ciary of EDSC microfinance loan), Matara town
- Mattson, Borje., Swedish Ministry of Foreign Affairs, Former Head  
of Mission, Sri Lanka
- Mohamed, Nawaz., Former Sida National Programme Officer
- Moonasinghe, Loshan (Dr.), Director, Family Health Bureau
- Morapaya, R., Retired Former Coordinator of Integrated Rural  
Development Projects, Ministry of Regional Development
- Morapaya, R.B., Former Sida Programme Officer
- Mungenast, Henrik., Former DHOM Sri Lanka, Sida
- Nadeshan, Kumar., Director, Sri Lanka Press Institute
- Navaratne, C., Retired Former Project Director of PSEDP
- Packiyathan, K., Vice Principal, Gonakelle TMV, Badulla  
District

- Perera, Jehan., Director, National Peace Council
- Ponnai, Suresh., Project Advisor, Rehabilitation and Implementation of Education Reforms in Plantation Schools Project (RIERP)
- Prabath, G.A., Kumara Chief Coordinator, Future In Our Hands Development Fund (Resource Organisation for Social Mobilisation)
- Prasama, V., Director – Planning, Matara District Office
- Priyantika, Enterprise Development Service Centre (EDSC), Matara District (Civil Society Organisation currently managing microfinance program that commenced during the Matara IRDP)
- Ramanayake, M.G.D., Chief Manager Recovery, Ruhuna Development Bank, Matara District
- Ramasamy, A.B., Principal, Barathy TMV, Badulla District
- Rao, Narhari., ADB Lead Economist
- Razzaz, Susan., Head, World Bank, Sri Lanka
- Richards, Sheila., Former Sida National Programme Officer Samarasekera, RIERP Project
- Saravanamuthu, Paikiasothy., Director, Centre for Policy Alternatives
- Silva, Silva., Sri Lanka Central Bank
- Sivagnanasothy, V., Secretary, Ministry of Traditional Industries and Small Enterprise Development
- Siyambalapitiya, Tilak, (Dr.), Director, RMA Energy Consultants
- Subatheeban, M., Teacher attached to Uva Provincial Department of Education, Badulla District
- Sujeewa, Assistant Director – Planning, Matara District Office, Matara District (former social mobiliser, Matara IRDP)
- Sumanapala, P., Additional Director General, Department of National Planning, Ministry of Finance and Planning
- Thalpawila, V.K.J., Director, Dept. of External Resources, Ministry of Finance
- Thillainathan, S., Principal, Nawalar TV, Bopitiya, Rangala, Nuwara Eliya District
- Tilakarathna, T.M.S.K., Chief Engineer, Kotmale Power Station, Ceylon Electricity Board
- Tiusion, M.K., Deputy Director – Planning, District Planning Secretariat, District Secretariat, Badulla District

- Vandenbrouaene, Patrick., Senior Operations Officer, World Bank, Sri Lanka
- Vasanathan, P., English Teacher, Gonakelle TMV, Passara, Badulla District
- Vijayanandan, M.R., Project Officer, RIERP Project
- Wallen, Staffen., Former Head of Technical Cooperation, Riksbank
- Wanasekara, Gamini., Executive Director, Family Planning Association, Sri Lanka
- Weerasekera, R., Chief Accountant (former account of Matara IRDP), Matara District Secretariat
- Weerasinghe, Ruwan (Dr.), Academic – University of Colombo
- Weerasooriya, Wickrama (Dr.), Former Secretary, Ministry of Plan Implementation
- Wickramarathna, R., Tea estate worker (resident of ‘Sida cottage’ constructed during Matara IRDP), Hulundawa Estate, Akuressa, Matara District
- Wickramasekera, M.C., Deputy General Manager (Generation Projects), Ceylon Electricity Board, Colombo
- Wimalasuriya, Manisha., Sri Lanka Central Bank
- Wjietunga, D.B., Retired Former Regional Director of Education, Bandarawela, Badulla District
- Yayinna, M.Y.S.S., Assistant Director – Planning, Matara District Office
- Youvraj, R., Teacher, Nawalar TV, Bopitiya, Rangala, Nuwara Eliya District

# Appendix C. The Aid Quality Evaluation Framework

## Introduction

The AQEF is comprised of five components; each of these components contains various sub-components. Assessments of aid quality can be made against each of the AQEF components, using a mix of qualitative and quantitative data. The collection of these data is guided by a purposive sampling framework that emphasises the triangulation of data sources. The interpretation of AQEF assessments must be preceded and informed by rigorous political-economic analysis in order to understand the context of aid delivery over time.

The five components of the AQEF for the purposes of this evaluation are:

1. absorptive capacity;
2. quality of public sector financial management;
3. consistency with Paris Declaration principles;
4. consistency with partner country national sectoral priorities; and
5. consistency with donor country program strategies (or equivalents).

The first three components are indicators of what contributes to effective aid delivery and are chosen according to state of the art, widely accepted knowledge of aid effectiveness.<sup>45</sup> Assessments based on these elements are not used to criticise the aid delivery decisions made in the early years of Sweden's co-operation with Sri Lanka as much of the knowledge of what contributes to effective aid was not known at that time. These assessments however indicate much about how effective aid might have been delivered based on contemporary thinking, and

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<sup>45</sup> The Paris Declaration principles and their background are well known in donor agencies circles, being a product of lessons learned from decades of official aid delivery. Absorptive capacity and the quality of fiscal management are issues that have become prominent in aid policies more recently, owing largely to concerns over scaled up aid in order to meet the Millennium Development Goals. It has been recognized, however, that these issues are relevant at all aid levels, large and small. A large literature has emerged on these topics and includes Guillaumont and Guillaumont (2006), Bourguignon and Sundberg (2006), Heller and Gupta (2002), Heller et al. (2006) and McGillivray and Morrissey (2001).

they provide good departure points to discuss changes in Sweden's aid delivery over time and the various factors that shaped that delivery. Assessments for these early years are primarily assigned on the basis of qualitative information given the lack of quantitative data.

### AQEF Components

**Absorptive capacity** (AC) refers to the capacity of the partner country to use aid efficiently for development purposes. It is based on the simple recognition that there are limits to the amounts of aid that can be efficiently absorbed, with higher and higher levels of aid not necessarily associated with bigger and better development impacts. This recognition is based on observations from the field, but also on international research that shows that the incremental impact of aid falls as aid levels increase (see, for example, McGillivray and Feeny, 2009 and Feeny and McGillivray, 2010).<sup>46</sup> This occurs at all aid levels, large and small. Absorptive capacity is a critical determinant of the sustainability of aid impacts. There are many reasons why absorptive capacity constraints emerge within a partner country. They include the efficiency of partner government systems, the capacity of other agencies dealing with aid delivery, and the policy stance of partner governments. The absorptive capacity component captures these conditions and includes policy quality and institutional performance, various governance measures such as voice and accountability, rule of law and control of corruption, basic measures of the efficiency of public fiscal management such as the predictability and control of budget execution, and measures of the quality of donor practices such as the extent of proliferation of aid-funded activities and the predictability of support. Recognising that Swedish development co-operation has often been delivered through, or in partnership with NGOs, these measures can be augmented with indicators of the capacity of these organisations to absorb Swedish aid. These indicators are obtained by qualitative investigation, seeking to establish whether, on development effectiveness criteria, more aid could have been delivered efficiently through NGOs, whether the amount of aid allocated through them was appropriate to their absorptive capacities, or whether too much aid was allocated in partnership with them.

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<sup>46</sup> Note that the McGillivray and Feeny (2009) paper is primarily concerned with fragile states, but it also provides evidence that absorptive capacity constraints apply in all aid recipient countries.

The **public sector financial management** component has profound consequences for the impact of donor aid and therefore warrants more thorough and additional investigation. While this component is also included under absorptive capacity (very generally and in the context of other key AC indicators), this framework acknowledges its crucial importance by applying more weighting to it as a standalone criteria. There is also overlap between this component and the use of country system indicators under the Paris Declaration. However these indicators are quite limited and do not sufficiently encompass many important PFM issues, such as those addressed by the sub-components discussed below. An important point to make with regard to the use of country systems is that while a donor may use them, if they are of a poor quality, aid impact will be less than if those systems were of a higher quality. As such this component of the AQEF attempts to measure the quality of PFM in the partner country; the Paris principles are used to assess the extent to which Sida used partner systems. The sub-components include internationally agreed measures of the orderliness of and participation in annual budget processes, the presence of a multi-year perspective in fiscal planning and the effectiveness of tax payment collection. The overall rationale for the inclusion of this component in the AQEF is that the absence of good quality public sector financial management constrains the extent to which a donor country program can achieve intended development outcomes and ultimately affects the sustainability of development co-operation activities.

The consistency with **Paris Declaration principles** component is based the donor community agreed measures of progress in each of the following five principles:

1. *Ownership*: Developing countries must lead their own development policies and strategies, and manage their own development work on the ground;
2. *Alignment*: Donors must line up their aid firmly behind the priorities outlined in developing countries' national development strategies, they should use partner country systems, their aid must be untied and be predictable;
3. *Harmonisation*: Donors must coordinate their development work better amongst themselves to avoid duplication and high transaction costs for poor countries;

4. *Managing for results*: All parties in the aid relationship must place more focus on the result of aid, the tangible difference it makes in poor people's lives; and
5. *Mutual accountability*: Donors and developing countries must account more transparently to each other for their use of aid funds, and to their citizens and parliaments for the impact of their aid.

Ownership, alignment and mutual accountability are acknowledged to be important drivers of the sustainability of aid impacts and, therefore, of quality aid delivery. The incorporation of these principles in AQEF assessments serves to increase the framework's focus on sustainability. The application of these principles are nuanced to take into account the political evolution of a country over time, its fragility, and conflict and post-conflict situations, all of which are important aspects of the present evaluation. To reiterate a point made above, particular care needs to be taken in the retrospective application of these principles, keeping in mind that they are based on thinking on aid effectiveness that has evolved over time and much of which was not known or accepted until well into the 1990s or later.

The **partner country national sectoral priorities** component is concerned with the focus of a donor program within the partner country under consideration. The basic idea behind including this component in the AQEF is that donor country programs should be consistent with development needs in countries, and they should be sufficiently flexible to respond to changing development needs or priorities. These needs may or may not be recognised in partner development plans or priorities. As such the issue being addressed by this component is not necessarily one of alignment, in the context of the Paris principles. One approach is to adapt indices used to assess the consistency of global inter-country aid allocation to the relative needs of recipient countries to country level analysis. This would result in an index that would measure the extent to which the allocation of country program funds, across sectors, is consistent with partner country achievement in these sectors. If, for example, a country was doing particularly poorly in health compared to all other sectors, the percentage share of total country funds to this sector should be larger than that to other sectors. The index would provide



a quantitative assessment based on such consistency. Similar investigation can be undertaken for the geographic allocation of donor support within a partner country.

The **donor country program strategy** component has been added to the AQEF for the specific purpose of this evaluation. The AQEF focuses on the prerequisites for effective, poverty-reducing aid. As such it does not focus directly on outcomes consistent with a focus on multidimensional poverty reduction or with other broadly developmental outcomes that donors might pursue. The inclusion of the donor country program strategy component is intended to throw specific light on this issue. It is based on various assessments of what the country program has achieved, assessed against the principal objective of these programs, that being poverty reduction. Whether other objectives identified in country program strategies have been achieved can also be considered.

# Appendix D. Statistical Figures

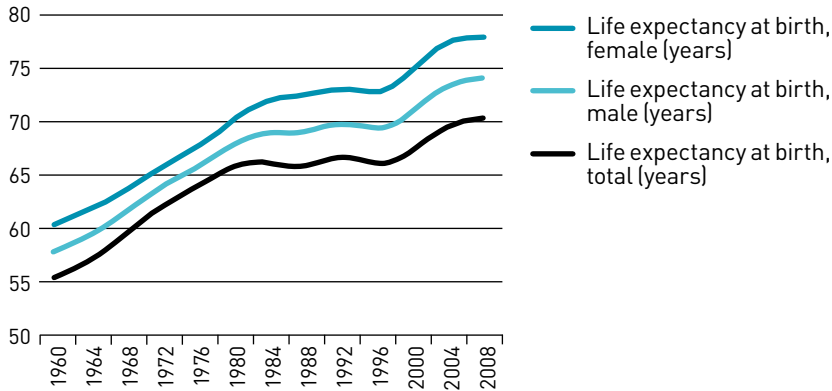


Figure D.1 Life Expectancy, Sri Lanka, 1960 to 2008

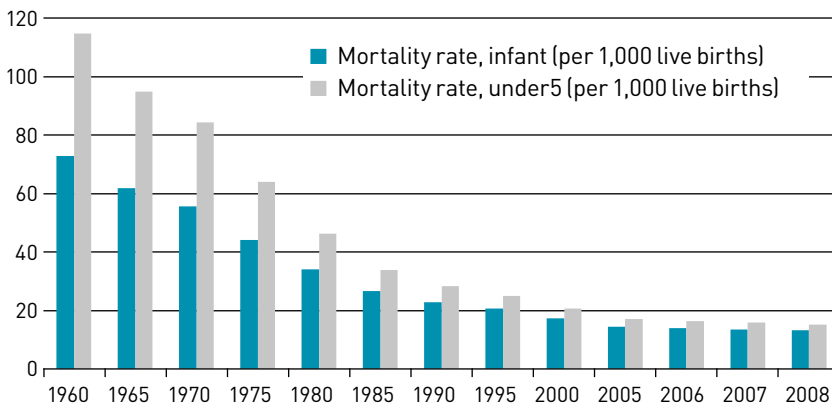


Figure D.2 Infant and Child Mortality Rates, Sri Lanka, 1960 to 2008

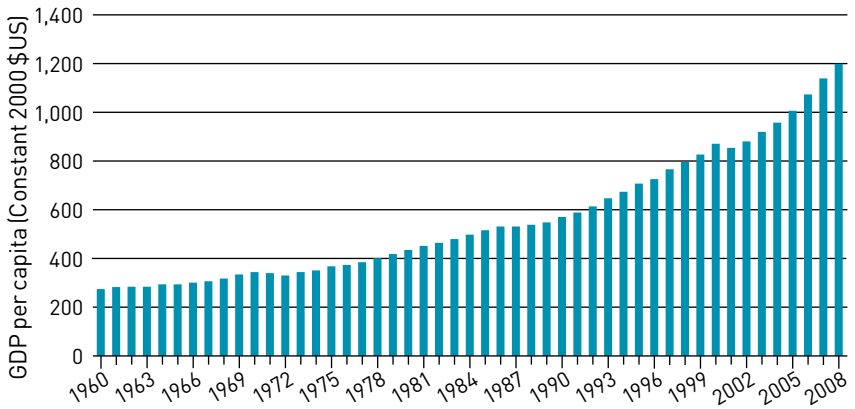


Figure D.3 Income per capita, Sri Lanka, 1960 to 2008

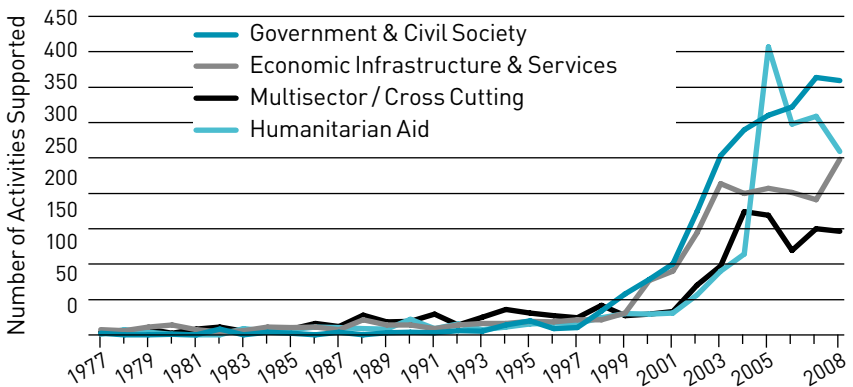


Figure D.4 All Donor Aid Supported Activities by Sector, Sri Lanka, 1977 to 2008

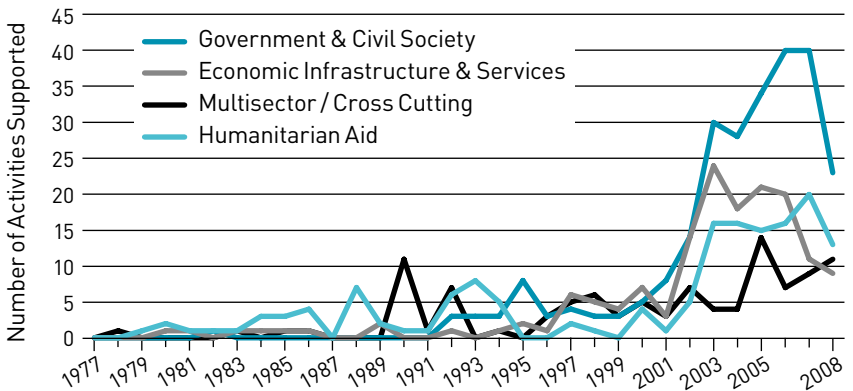


Figure D.5 Swedish Aid Supported Activities by Sector, Sri Lanka, 1977 to 2008

# Appendix E. Development Co-operation Programs and Projects Between Sweden and Sri Lanka

Specific Program	Sector	Period	Activity Expenditure
Family Planning	Health	1958–1983	33,000,000 SEK (Ref 42)
Population Registry (Cancelled)	Population Policies	2005–2008	11,000,000 SEK
<b>Health</b>			
Immunisation (UNICEF)	Health	1987–1993	23,000,000 SEK
UNDCP – Drug Abuse Monitoring System	Health	1998–2000	1,500,000 SEK
<b>Education</b>			
Vocational Skills Development Centre (ILO)	Education	1977–1980	6,100,000 SEK
Development of Education	Education	1979–1981	11,000,000 SEK
Development of Education	Education	1982–1985	18,000,000 SEK
Development of Education	Education	1986–1990	85,000,000 SEK
Teaching Teachers through Distance Methods	Education	1982–1986	Not Known
Distance Education of Teachers	Education	1986–1990	8,900,000 SEK
Foreman Training Institute	Education	1981–1985	12,000,000 SEK
Support for co-operative Management and Training (ILO)	Education	1982–1985	4,500,000 SEK
Technical Education, Ministry of Higher Education	Education	1983–1987	17,000,000 SEK
Technical Education, Ministry of Higher Education	Education	1986–1988	8,000,000 SEK
Special Education	Education	1984–	Not known
Support to Education for Handicapped Children	Education	1986–1990	6,500,000 SEK
Primary Schools Development Project (PSDP)	Education	1986–1988	24,000,000 SEK
Support to Plantation Schools Education Development Programme	Education	1986–1988	45,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Construction and upgrading of Plantation Schools	Education (Credits)	2002–2009	45,000,000 SEK
Environmental Education Programme	Education	1996–1999	Not known
Support to selected components of the Ministry of Education's programmes. Phase I	Education	1986–1992 (1 <sup>st</sup> agreement)	85,000,000 SEK
Support to selected components of the Ministry of Education's programmes. Phase II	Education	1992–1994 (2 <sup>nd</sup> agreement)	50,000,000 SEK
Support to selected components of the Ministry of Education's programmes. Phase III	Education	1994–1998 (3 <sup>rd</sup> agreement)	151,200,000 SEK
Support to selected components of the Ministry of Education's programmes	Education	1998–2000 (Amendment)	Not known
E-Learning UCSC	Education	2006–2010	15,000,000 SEK
<b>Research</b>			
Research Cooperation (SAREC)	Education (Tertiary)	1976–1986	Not known
Research Cooperation (SAREC)	Education (Tertiary)	1987–1990	Not known
Research Cooperation (SAREC)	Education (Tertiary)	1991–1994	23,600,000 SEK
Research Cooperation (SAREC)	Education (Tertiary)	1994–1996	16,200,000 SEK
Research Cooperation (SAREC)	Education (Tertiary)	1997–1999	35,000,000 SEK 42,000,000 SEK? According to ref 247
Research Cooperation (SAREC)	Education (Tertiary)	2000–2002	63,000,000 SEK
Research Programme University Grant Commission (UGC) – SAREC.	Education	1997–1999	62,900,000 SEK
Research Programme NARESA	Education	1997–1999	14,200,000 SEK
Environment Archeol Ph	Education	1998–2001	3,200,000 SEK
Biotech Centre	Education	2000–2001	15,000,000 SEK
Institute for Molecular Biology	Education	2002	Not known

Specific Program	Sector	Period	Activity Expenditure
SAREC UGC	Education	2003–2007	95,000,000
Colombo University	Education	2003–2007	39,249,000 SEK
Jaffna University	Education	2003–2007	6,000,000 SEK
Peradeniya University	Education	2003–2007	15,250,000 SEK
NSF	Education	2003–2007	3,000,000 SEK
Sri Jayawardena	Education	2003–2007	13,709,000 SEK
National Science Foundation	Education	2003–2007	3,000,000 SEK
Ruhuna University	Education		Not known
Kelaniya University	Education		Not known
<b>Business and other Services/ Private Sector</b>			
Export Promotion Program	Private Sector Development	1971–1974	Not known
Export Promotion Program	Private Sector Development	1975/76	1,600,000 SEK
Export Promotion Program	Private Sector Development	1981/1985	6,155,000 SEK
Import Support Program	Private Sector Development	1975/76	22,700,000 SEK
Import Support Program	Private Sector Development	1977–1978	69,800,000 SEK
Import Support Program	Private Sector Development	1979–1982	210,000,000 SEK
Support to International Trade Centre, ITC	Trade	1979–1982	7,000,000 SEK
The Competence Development and Export Promotion Program (CDP)	Private Sector Development	1993–1994	Not known
The Competence Development and Export Promotion Program (CDP). Phase II	Private Sector Development	1994–1997	8,204,000 SEK

Specific Program	Sector	Period	Activity Expenditure
The Competence Development and Export Promotion Program (CDP). Phase III	Private Sector Development	1997–1998	Not known
Export Development Programme (Previously called the Competence Development Programme)	Private Sector Development	1998–2002	13,300,000 SEK 22,433,000 SEK ifltg. Ref 66
Strengthening of the quality infrastructure / Accreditation Board	Economic Growth	1995–1997	3,000,000 SEK
Strengthening of the quality infrastructure / Accreditation Board	Economic Growth	1998–	Not known
Quality infrastructure / Accreditation Board	Economic Growth	2007–2010	8,000,000 SEK
Arbitration project	Private Sector Development	1995–1998	9,000,000 SEK
Arbitration Institute (Sweden financed the setting-up of an institution for modern arbitration in 1998)	Private Sector Development	1998–	Not known
Computer Studies	Private Sector Development	1998–2001	192,000 SEK
EMS / Small Industries I	Private Sector Development	1999–2000	1,700,000 SEK
Training Programme in Environmental Management System for the Industrial Sector in Sri Lanka	Private Sector Development	1999–2001	1,680,000 SEK
ILO/Start and Improve Your Business Programme. Phase 1	Private Sector Development	2000–2002	9,000,000 SEK
ILO/Start and Improve Your Business Programme. Phase 2	Private Sector Development	2001–2005	11,500,000 SEK
Jobsnet, ILO	Private Sector Development	2004–2008	26,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Regional Micro and Small Enterprise Growth and Development / Enter-Growth	Private Sector Development	2005–2009	35,000,000
Promotion of the Microfinance Sector in Sri Lanka (with GTZ)	Private Sector Development	2006–	5,000,000 SEK
Consulting and Training Services for a Capacity and Competence Building Programme for Selected Regional Chambers of Commerce & Industry	Private Sector Development	2002–2005	Not known
Support to The Federation of Chambers of Commerce and Industry in Sri Lanka (FCCISL)	Private Sector Development	2001–2007	16,052,674 SEK
Organisational Development of Chambers	Private Sector Development	2007–2010	12,000,000 SEK
ADB- Private Sector Programme (Sida will co-finance the Technical Assistance component on consumer and competition protection authority.)	Private Sector Development	2003–	Not known
<b>Banking and Financial Services</b>			
Upgrading Bank Inspection I	Economic Development	1998–2000	5,000,000 SEK
Upgrading Bank Inspection II	Economic Development	1999–2000	8,000,000 SEK
Bond Market Development	Economic Development	1999–2000	1,000,000 SEK
World Bank-Central Bank Technical Assistance Project / Restructuring Central Bank (“Swedish co-financing support was requested for the World Bank project in the area of financial system development and restructuring of the Central Bank of Sri Lanka”).	Private Sector Development	2001–2004	10,000,000 SEK



Specific Program	Sector	Period	Activity Expenditure
High Level Training, Central Bank	Private Sector Development	2001–2004	4,500,000 SEK
Central Bank, Exchange Programme between Central Bank of Sri Lanka and Riksbank in Sweden.	Private Sector Development	2004–2007	6,000,000 SEK
Financial Reforms ADB	Trade, Business	2004–2008	9,500,000 SEK
<b>Fishing</b>			
Fish Marketing (FAO)	Fisheries	1977–1979	2,400,000 SEK
Institute of Fish Technology	Fisheries	?	3,450,000 SEK
Fishery Industry Up-grading I	Private Sector Development	1998–2000	6,500,000 SEK
Strengthening of the quality infrastructure, Fisheries. Phase II	Economic Growth	2000–2002	4,200,000 SEK
<b>Communication</b>			
Telekommunikationsprojekt i Galle Distriktet	Telecom	1996–1998	Also funded through credits
ICT: Public Sector ICT Policy	Economic Growth	2001–	Not known
ICT: Establishment of an E-learning centre	Economic Growth	?	Not known
Expansion of Telecom	Infrastructure	2004–2018	40,000,000
Sahana Disaster Relief Management Software	ICT	2005–2006	650,000 SEK
<b>Government and Civil Society</b>			
Socio-Economic Development of Plantation Women Workers and Families through Community Action for Disadvantaged Rural Women (CADRW)	Gender	1982–	Not known
Support to the Jaffna Project of the Women's Bureau	Gender	1982–1984	650,000 SEK
Support to Women Organisations	Gender	1990	Not known

Specific Program	Sector	Period	Activity Expenditure
Gender projects: Women and Poverty Education and Training of Women Violence against Women Human Rights of Women	Human Rights	Active in 1997	Not known
Peace, Democracy and Human Rights: Gender	Human Rights	1997	2,100,000 SEK
Peace, Democracy and Human Rights: Gender	Human Rights	1998	3,800,000 SEK
Peace, Democracy and Human Rights: Peace Brigade International	Human Rights	1997–1998	200,000 SEK
The National Child Protection Authority (NCPA)	Human Rights	1998–2001	Not known
Support through Swedish NGOs	Human Rights	1999–2000	8,300,000 SEK
Support through Swedish NGOs	Human Rights	2000–2001	7,200,000 SEK
Peace, Democracy and Human Rights: Media: Journalism and Democracy	Human Rights	2000–	1,300,000 SEK
Peace, Democracy and Human Rights: ASMR 2000	Human Rights	2000–2001	8,200,000 SEK
Peace, Democracy and Human Rights: UNICEF	Human Rights	2000–2002	11,000,000 SEK
Fund for Support to projects in the area of Human Rights, Democracy and Gender, 2001	Human Rights	2001	9,000,000 SEK
Peace, Democracy and Human Rights: Support to NGOs Sida supported 24 non-governmental organisations in 2002	Human Rights	2002	Not known
Peace, Democracy and Human Rights: ASMR 2001	Human Rights	2001–2002	9,000,000 SEK
Promoting Children's' right to protection from abuse and exploitation (facilitated by UNICEF)	Human Rights	2001–2004	9,200,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Support to Human Rights Commission in Sri Lanka (Through UNDP)	Human Rights	2001–2004	9,800,000 SEK
Peace, Democracy and Human Rights: Children and Youth: UNICEF's programme for Children Affected by Armed Conflict (CAAC)	Human Rights (and Humanitarian)	2001–2005	Not known
Support to Development of an Early Childhood Care and Development Centre at Eastern University (Through Save the Children)	Human Rights	2001–2007	5,830,000 SEK
Sri Lanka Foundation Institute (SLFI) Democratic Youth Leadership Programme	Human Rights	2001–2007	9,377,020 SEK
Institutional co-operation between two institutions in Sweden and Sri Lanka for training of journalists and editors in Sri Lanka	Human Rights	2002–2003	4,913,000 SEK
Support through Swedish NGOs (CSOs)	Human Rights	2003–2006	30,000,000 SEK
Peace, Democracy and Human Rights: Media Support	Human Rights	2003–2007	9,340,000 SEK
Peace, Democracy and Human Rights: Media: "Promoting Professionalism, Independence and Accountability in Sri Lanka" with Sri Lanka Press Institute (SLPI)	Human Rights	2004–2006	Not known
Support to Human Rights Commission in Sri Lanka: Development of Strategic Plan	Human Rights	2004–2007	Not known
Peace, Democracy and Human Rights: Equal Access to Justice (Through UNDP)	Human Rights	2004–2008	12,000,000 SEK
Support to Consortium for Humanitarian Agencies (CHA) Peace and Development by Civil Society Programme	Human Rights	2004	1,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Parliamentary Elections	Human Rights	2004	225,000,000 SEK
Civil Policing Capacity Building	Human Rights	2005–2008	31,500,000 SEK
MAG Mine Clearance	Conflict, Peace and Security	2005–2008	10,000,000 SEK
Peace, Democracy and Human Rights: Peace Education	Human Rights	2006–	8,150,000 SEK
Peace, Democracy and Human Rights: Media Support	Human Rights	2007–2009	8,500,000 SEK
Support to Forut Sri Lanka's programme	?	2004–2005	5,000,000 SEK
Support to the Sri Lankan Detainee Network	Human Rights	2007–2008	550,000 SEK
Framework Support to DIAKONIA for the Civil Society Programme in Sri Lanka 2007–2009	Human Rights	2007–2009	30,000,000 SEK
Core Support of National Peace Council	Human Rights	2008–2010	3,000,000 SEK
Support to the Secretariat for National Alliance for Peace (SNAP) on support for Election Observation for the Eastern Provincial Elections July 2008 – October 2008	Human Rights	2008	350,000 SEK
Support to Establishment of the Secretariat for Coordination of the Peace Process, SCOPP 2002–2003	Conflict, Peace and Security	2002–2003	1,200,000 SEK
Sri Lanka Monitoring Mission (SLMM)	Other	2003–2004	19,200,000 SEK
Sri Lanka Monitoring Mission (SLMM)	Other	?	4,700,000 SEK
<b>Conflict prevention and resolution, Peace and Security</b>			
Conflict Transformation Fund	Conflict, Peace and Security	2006–2008	16,857,431 SEK

Specific Program	Sector	Period	Activity Expenditure
Initiative for Political and Conflict Transformation (INPACT)	Conflict, Peace and Security	2005–2007	4,600,000 SEK
Initiative for Political and Conflict Transformation (INPACT)	Conflict, Peace and Security	2007–2008	3,700,000 SEK
Initiative for Political and Conflict Transformation (INPACT)	Conflict, Peace and Security	2009–2010	2,000,000 SEK
<b>Multisector/ Rural Development</b>			
FAO/ Government Cooperation Programme	Agriculture	1971	Not known
Dairy Production Improvement	Agriculture	1974–1979	9,600,000 SEK
Agricultural Insurance	Agriculture	1976–?	3,000,000 SEK
Change Agent Programme	Rural Development	1987–1998 (period with Swedish funds)	4,700,000 SEK (1987–1990 grant)
Support to Rural Development (covering Matara, Badulla and Anuradhapura districts)	Rural Development	1992–1995	40,000,000 SEK
Integrated Rural Development Programme (covering the below mentioned programmes?)	Rural Development	1995–2001	35,000,000 SEK
Badulla Integrated Rural Development Programme. Phase I	Rural Development	1984–1992	19,000,000 SEK
Badulla Integrated Rural Development Programme. Phase II	Rural Development	1992–1993	4,400,000 SEK
Matara Integrated Rural Development Project MIRDP, Phase I	Rural Development	1979–1983	20,000,000 SEK
Matara Integrated Rural Development Project MIRDP, Phase II	Rural Development	1984–1988	18,000,000 SEK
Matara Integrated Rural Development Project MIRDP, Phase III	Rural Development	1988–1992	20,000,000 SEK
Matara Integrated Rural Development Project MIRDP	Rural Development	1992–1993	9,600,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Matara Integrated Rural Development Project MIRDP, phase IV	Rural Development	1995–1998	Not known
Matara Integrated Rural Development Project MIRDP	Rural Development	2001–2002	3,000,000 SEK (Planned)
Anuradhapura IFAD Project	Rural Development	1992–	Not known
<b>Energy Generation and Supply</b>			
Kotmale Hydropower Project (Part of the Mahaweli Development Programme)	Infrastructure	1978–1987	Import support funds used here (ref 271)
Support towards Infrastructural Development in the Kotmale Valley	Infrastructure	1991–1993	15,000,000 SEK
Rehabilitation and upgrading of the Laxapana and Polpitiya Hydropower Station	Infrastructure Development	2000–2003	10,000,000 SEK
Rural Electrification	Infrastructure Development	2000–2007	92,230,000 SEK
Power Sector Restructuring (with ADB)	Economic Growth	2002–2004	2,750,000 SEK
<b>Transport</b>			
Signalling Equipment	Railway	1989–1991	3,000,000 SEK
Feasibility Study Kandy Road	Economic Development	1999–2001	9,600,000 SEK
Support to Southern Transport Project, Road Safety Component	Transport/ Infrastructure Development	2001–2005	10,000,000 SEK
Road Fund	Transport/ Infrastructure Development	2003	140,000 SEK
Colombo – Kandy Highway, Study	Economic Development	2003–2004	2,615,000 SEK
Emergency Bridges	Infrastructure	2006–2010	18,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
<b>Water Supply and Sanitation</b>			
Wastewater Treatment	Natural Resource M. / Credits	2005–2011	279,900,000 SEK
<b>Humanitarian Aid</b>			
Gulf Repatriation	Humanitarian	1990–1991	10,000,000 SEK
ICRC VIA RED CROSS SRI LANKA	Humanitarian	1990–1991	6,000,000 SEK
Emergency Appeal for Sri Lanka (through UNICEF)	Humanitarian	1995–1997	2,000,000 SEK
Food Assistance	Humanitarian	1996	Not known
Humanitarian Assistance Programme for the displaced persons in the North of Sri Lanka	Humanitarian	1996	2,000,000 SEK
Programme on Relief and Rehabilitation of war affected women and children in the North and East (UNICEF)	Humanitarian	1996–1998	2,000,000 USD / 15,000,000 SEK
Doctors Without Borders (MSF): Point Pedro	Humanitarian	1997	1,100,000 SEK
Doctors Without Borders (MSF) Mannar	Humanitarian	1998	2,700,000 SEK
International Alert	Humanitarian	1997–1998	600,000 SEK
UNICEF programme North	Humanitarian	1997	15,000,000 SEK
Relief Programme Jaffna Hospital (UNDP)	Humanitarian	1998	3,500,000 SEK
UNHCR	Humanitarian	1998	5,000,000 SEK
Additional support to UNHCR	Humanitarian	1998	500,000 SEK
FAO / North	Humanitarian	1999–2000	3,000,000 SEK
Peace Building, LPI	Humanitarian	2000–2001	700,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Doctors Without Borders (MSF) Jaffna	Humanitarian	2001	2,700,000 SEK
Thematic Support to UNICEF's Country Programme for Sri Lanka	Humanitarian	2004–2006	75,000,000 SEK
Thematic Support to the Child Protection Component of Unicef's Country Programme for Sri Lanka 2008–2012	Humanitarian	2008–2012	8,000,000 SEK
Support to the Rehabilitation of Provincial Roads (Post-Tsunami) Agreement with ADB	Humanitarian	2005–2009	120,000,000 SEK
Protective Presence work in the North-East and Colombo (Through Non-violent Peace force)	Humanitarian	2009–2010	1,000,000 SEK
IOGT/NTO Tsunami 2005–08	Humanitarian/ Infrastructure	2005–2008	45,000,000 SEK
UNEP, Post-Tsunami Rehabilitation	Humanitarian	2005–2007	6,000,000 SEK
UNDP Tsunami	Humanitarian	2005–2007	5,000,000 SEK
UNICEF – SL. Children	Humanitarian	2000–2002	4,000,000 SEK
UNICEF SL 2004–07	Humanitarian	2004–2007	76,000,000 SEK
UNICEF, CAAC	Humanitarian	2002–2003	20,000,000 SEK
ICRC Appeal 1997	Humanitarian	1997	2,500,000 SEK
ICRC Appeal 1998	Humanitarian	1998	2,000,000 SEK
ICRC	Humanitarian	2000	5,900,000 SEK
ICRC	Humanitarian	2001–2002	6,150,000 SEK
ICRC Appeal Sri Lanka	Humanitarian	2004	2,796,000 SEK



Specific Program	Sector	Period	Activity Expenditure
ICRC Appeal 2007	Humanitarian	2007	2,040,000 SEK
ICRC Appeal 2008	Humanitarian	2008	3,960,000 SEK
Humanitarian Demining Unit (HDU) of the Tamil Rehabilitation Organisation (TRO)	Humanitarian		Not known
Additional Support to Transitional Recovery Support to Flood Disaster in South and Southwest Sri Lanka	Humanitarian	2004–2005	10,000,000 SEK
Support to UN's 2006 Consolidated Humanitarian Action Plan (CHAP) Channelled through OCHA, UNHCR and OHCHR	Humanitarian	2006	12,000,000 SEK
Support to UN's 2006 Consolidated Humanitarian Action Plan (CHAP) FAO	Humanitarian	2006	9,000,000 SEK
Support to UN's 2006 Consolidated Humanitarian Action Plan (CHAP) UNHCR	Humanitarian	2006	5,000,000 SEK
<b>Consultancy Fund</b>			
Multi-Donor Development Partners Coordination and Support Fund Project (with IBRD)	Other	2005	2,000,000 SEK
Consultancy Services Fund	Other	1986–1988	5,000,000 SEK
Consultancy Services Fund	Other	1988–1990	4,000,000 SEK
Consultancy Services Fund	Other	1990–1991	2,000,000 SEK
Consultancy Services Fund	Other	1992–1994	2,000,000 SEK
Consultancy Services Fund	Other	1994–1998	3,500,000 SEK
Consultancy Services Fund	Other	1998–2000	4,500,000 SEK
Consultancy Services Fund	Other	2001–2002	9,000,000 SEK
Consultancy Services Fund	Other	2003–2005	12,000,000 SEK
Consultancy Fund 2006–07	Other	2006–2007	6,716,812 SEK
Consultancy Fund 2008–10	Other	2008–2010	12,000,000 SEK
<b>Credit Lines</b>			
NDB Credit Line	Credits	1998–2000	31,000,000 SEK
NDB Credit Line	Credits	2000–2003	28,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
NDB Credit Line	Credits	2003–2008	31,000,000 SEK
Suntel	Credits	2004	40,000,000 SEK

**Source:** *Annex B, Country Report: Sri Lanka, Long Term Development Cooperation between Laos/Sri Lanka/Vietnam and Sweden, Part One: Documentation, 9 July 2010.*

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# Evaluation Study of Long-Term Development Co-operation between Sri Lanka and Sweden

This report evaluates the contribution Sweden has made to development and poverty reduction in Sri Lanka from the inception of the development co-operation program in 1958 to its end in 2010. The evaluation draws five main conclusions: (i) Swedish development co-operation in Sri Lanka addressed pressing development needs and that, on balance, Sweden's priorities were aligned with those of the Sri Lankan government up to 2004. (ii) The Swedish development co-operation program with Sri Lanka has been efficiently delivered. (iii) Swedish development co-operation provided the pre-conditions for poverty reduction. (iv) The evaluation identifies three key lessons learned, which if acted upon can improve future development effectiveness. (v) The evaluation concludes that Swedish aid contributed only marginally to the lowering of poverty.

This report is one of three reports commissioned by Sida to evaluate countries in Asia (also Laos and Vietnam) where Swedish development co-operation is being, or has been, phased out. It is complemented by a synthesis report.



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