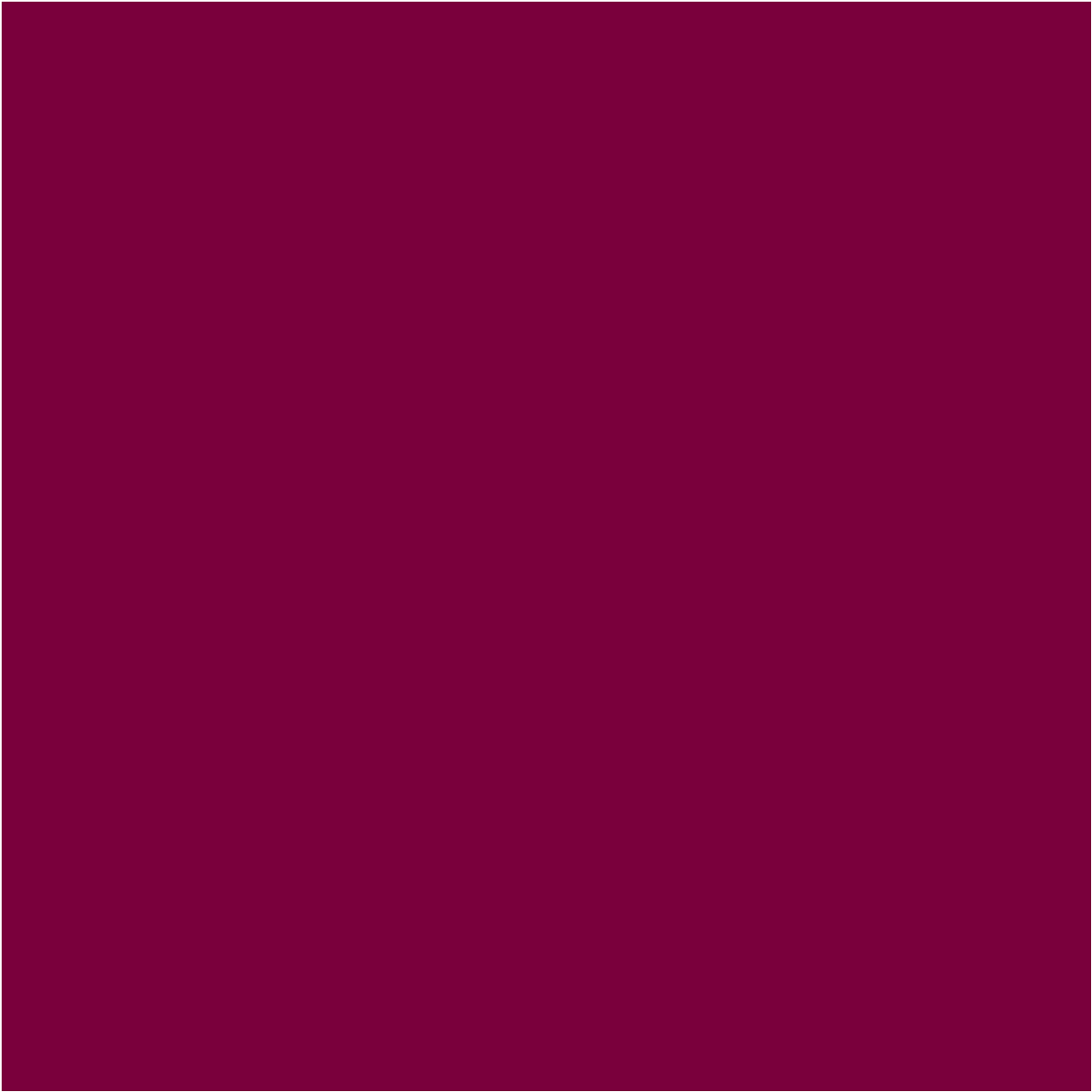


Sri Lanka



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1. Summary

After five years of relative peace, the violent conflict in Sri Lanka has flared up again. The 2002 cease-fire agreement between Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE) remains intact on paper, but it is flouted on the ground with increasing regularity, militancy and brutality.

Nearly 4,000 people were killed due to the escalating conflict in 2006, making the renewed violent conflict one of the world's most deadly and the related humanitarian crisis one of the most under reported.¹

Sri Lanka also had negative or stalled trends in several reputed political, economic and social indexes and country rankings, making it last year's most under performing country in South Asia.

It has become increasingly difficult for Sida to enter into new conflict sensitive bilateral agreements for public investments and services as long as the situation of war and military approaches to the conflict are dominant. This position is based on Sida's principles of conflict sensitivity and do-no-harm, as well as concern for fungibility of funds for public purposes. One of the reasons why funding would be conflict insensitive is

¹ Under reported humanitarian crisis: Mediciens Sans Frontiers, Top 10 Under Reported Humanitarian Stories 2006 (www.msf.org). "Civilians under fire in Sri Lanka while assistance is limited" was ranked by MSF as the fourth most under reported humanitarian story in 2006, after violence in the Central African Republic, the global human toll taken by tuberculosis, and consequences of bitter conflict in Chechnya. Humanitarian worker killings: AlertNet, 2006: A Violent Year for Aid Workers (www.alertnet.org). Sri Lanka was the second most deadly country for humanitarian workers with 23 deaths, after Afghanistan (26) but before Sudan (15). However, the Consortium for Humanitarian Affairs, a local Sri Lankan NGO, puts the figure at 31, implying that Sri Lanka was in fact the most deadly country for humanitarian workers in 2006. Journalist and media staff killings: International Federation of Journalists, Annual Report 2006 (www.ifj.org). Sri Lanka is the fourth most deadly country with seven journalists and media staff killed, after Iraq (69), the Philippines (13) and Mexico (10). Internally displaced people: Internal Displacement Monitoring Centre (www.nrc.ch). According to the most recently reported IDMC statistics (in March 2007), Sri Lanka has the seventh largest share of conflict IDPs in relation to the population (2,4%), after Sudan (14,8%), Colombia (8,2%), Azerbaijan (8,2%), Iraq (6,5%), Uganda (5,9%) and Zimbabwe (4,4%). In absolute terms, Sri Lanka has the world's tenth largest population of conflict IDPs. Politically motivated civilian disappearances: Office of the United Nations High Commissioner of Human Rights and the Working Group on Enforced or Involuntary Disappearances, Civil and Political Rights, Including the Question of: Disappearances and Summary Executions (www.ohchr.org). Historically between 1980 and 2005, Sri Lanka has the second highest number (12,278) of politically motivated civilian disappearances after Iraq (16,517). These figures include also disappearances during the second JVP insurgency in the late 1980s. For more updated assessments and figures, see US State Department, 2006 Country Reports on Human Rights Practices (www.state.gov). These reports cover 194 countries and territories around the world and they all contain specific sections on civilian disappearances. To compare country performance based on these reports is however far from easy, and any attempt at comparison must be treated cautiously. Still, some patterns seem to stand out. Countries which are engaged in a war on terror on their own soil, and particularly Iraq, Pakistan and Sri Lanka, appear to have the highest levels of civilian disappearances. Hence the broad and certainly not fully researched conclusion that Sri Lanka, with 910 recorded cases, had one of the world's highest numbers of politically motivated civilian disappearances in 2006.

that development assistance to the North and East – the most poverty affected areas of Sri Lanka – is no longer feasible, or at least no longer cost-effective, due to security problems and restricted access.

In 2006, Sida disbursed a total of 152 million SEK under the Sri Lanka country programme (compared with 386 million in 2005), out of which 110 million within the Sri Lanka country allocation (compared with 138 million in 2005).

2. Political, economic and social developments

2.1 Political development

The most important political events during the reporting period are the failure of the peace process and the increasingly complex military conflict between the LTTE, the Sri Lankan Armed Forces (SLAF) and paramilitary proxies. By the end of 2006 the five-year old cease-fire agreement (CFA) was valid only on paper although with a potential future use. The international response, including the listing of the LTTE as a terrorist organisation by the European Union, added to the further isolation of the LTTE.

The failed peace process

In February and October, the Government and the LTTE met in Geneva for peace talks. On both occasions, the LTTE put pre-conditions that the Government was unable to accept. In February, the LTTE maintained that talks should be focused on CFA implementation, including the disarmament of the Karuna faction. In October, the LTTE demanded the re-opening of the A9 highway to Jaffna that had been closed by the SLAF two months earlier.

The Government delegation refused to meet the LTTE's demands and little positive was achieved in the talks. The net result was instead a deteriorated human rights and humanitarian crisis in the North and East. With no immediate plans for further talks many observers concluded that the Sri Lankan peace process initiated in 2002 had finally reached its own dead end.

The escalating military conflict

Parallel to the failed peace talks, there was a vicious circle of tit-for-tat violence between the LTTE and the SLAF. Confrontation started on a big scale after an LTTE suicide bomber blew herself up at the Army Headquarters in Colombo, nearly killing the Army Commander. The government responded with artillery and air strikes on LTTE territory in Killinochchi and Mullaitivu.

By August, SLAF took control over LTTE areas in Trincomalee, the first instance of territory changing hands since the CFA was signed. A prolonged SLAF campaign was pursued to also control Vacharai in the East, where tens of thousands of new IDPs from Trincomalee were trapped. By then it was obvious that the Government was set to clear the

whole East from the LTTE. However, the activities of the Karuna faction in the East is worrying for several reasons. Karuna, formerly the LTTE's Eastern commander, is allegedly responsible for some of the worst LTTE atrocities in the recent past such as the killing of 600 unarmed police officers in 1990. Even if the SLAF clears the East of the LTTE, calm and stability in the East is unlikely. The Batticaloa Police has already started complaining about Karuna's influence in the area.

The international response

In June, the EU listed the LTTE as a terrorist organisation. The immediate consequence of the listing was that the LTTE did not accept EU member state representation in the Sri Lanka Monitoring Mission (SLMM). In early September the Swedish, Danish and Finnish monitoring staff, including the Swedish Head of the Mission, left Sri Lanka, leaving behind a decimated mission that by the end of 2006 had withdrawn its permanent presence from the conflict affected areas in the North and East.

2.2 Poverty: perspectives and trends

The 2003–2005 country reports reviewed three areas related to poverty in Sri Lanka: income and expenditure patterns, MDG attainment, and social inequity. These areas continue to be corner stones of any serious poverty assessment, but there is little information generated in 2006 that can be used to add to the reviews already made. Still, it can be assumed that the trends of inequity have been aggravated by violence and security problems due to the renewed conflict, especially but not only in the North and East.

Therefore, this section focuses on two complementary dimensions of poverty, namely human rights violations and a deteriorating humanitarian situation. These were two of the most acute poverty problems in 2006, fuelled by the breakdown of the peace process, the resumption of violent conflict, terrorism, and increasing authoritarian state tendencies.

Deteriorated human rights situation

The conflict caused nearly 4,000 deaths in 2006. Civilian killings and disappearances of mainly Tamils in the North and East, but also in Colombo and elsewhere, increased drastically. The National Human Rights Commission (HRC) reported of more than 500 disappearances only in Jaffna during 2006, as well as high numbers of extrajudicial killings and torture in police and military arrests, again mainly in the North and East.

A culture of impunity characterises the human rights situation. Wide ranging emergency and anti-terrorism regulations with no references to human rights safeguards were enacted. The independence of the HRC was curtailed and unable to efficiently deal with such challenges.

Forced recruitment of child soldiers continued by LTTE. More than 600 children were allegedly abducted by the LTTE during the year. A disturbing trend was also alleged child abductions by the Karuna faction in the East. Over 200 children were reported abducted in government controlled areas, allegedly mainly by the Karuna faction and with reported complicity of the SLAF.

The press freedom was affected with seven killed media practitioners, death threats and abductions of journalists, violent attempts to stop the distribution of Tamil newspapers in the North and East, and the Government demanding all conflict related reports to be checked by the Ministry of Defence.

Consequently, international concern about the situation in Sri Lanka increased: a special UN envoy issued a report sharply critical of both the Government and the LTTE for continued and widespread extra-judicial killings; UN's High Commissioner for Human Rights stressed the urgent need of an international human rights monitoring mission; and the EU lobbied the UN's Human Rights Council to adopt a resolution on human rights. These advocacy efforts have however so far not been translated into relevant action on the ground.

Violation of international humanitarian law and restricted humanitarian space

A large part of the civilian population in the North and East suffered from renewed war, including up to 260,000 IDPs, and 18,000 additional refugees to India. People still living in conflict affected areas had their livelihoods restricted due to military activity, checkpoints and curfews, fear of abductions and restrictions on fishing and the supply of non food items.

There were also food shortages. The Jaffna Peninsula, for example, already declared a food deficit area by the World Food Programme, was sealed off through the closure of the A9 highway in August, effectively stopping the flow of essential food items. Slow supply of food via the alternative sea route, poor distributional capacity for those supplies that indeed did arrive, and problems of food quantity and variety, all resulted in food shortages and sky-rocketing market prices which further aggravated the plight of an already poor and under-privileged population.

Restrictions were also imposed on humanitarian agencies working in the North and East. Although the situation improved by the end of the year, humanitarian agencies experienced serious implementation problems. To start with, there was an alarming trend of killings of humanitarian workers, and most dramatically of 17 employees of the French NGO Action Against Hunger in July, allegedly by the SLAF. The failure of the Government to vigorously conduct investigations into such crimes had a major chilling effect on the humanitarian work.

Humanitarian work was also restricted by a wave of anti-NGO sentiments. Normally respected NGOs such as Save the Children and ZOA were for example accused by state media of supporting the LTTE after relief items with their logos were found in deserted LTTE camps. Threatening demonstrations were quickly formed outside their offices in Colombo. There were also numerous attempts at controlling and restricting the work of local and international NGOs, ranging from selective approval by the Ministry of Defence for presence in the North and East, to complex requests for information about the NGOs and their activities. This coupled by the general protection situation meant that several humanitarian NGOs had to close down their operations and leave the conflict affected North and East.

2.3 Economic development

The Sri Lankan economy showed a high growth pattern in 2006, with a composite growth during the first three quarters of 7.8%. The annual growth rate is expected to be 7% on account of lower growth during the last quarter. One of the contributing factors to the relative slowdown is the conflict with negative effects on tourism but also other economic sectors.

The budget deficit in 2006 is estimated to be 7.4% of GDP, short of the target of 5%. The Government says that the target instead will be

reached by 2008, but this ambition is likely fail if the war continues, not least since 90% of government revenue is spent on servicing a debt of 94% of GDP and since defence expenditure is planned to increase by 45% in 2007.

Given the strains on Government finances, Sri Lanka is dependent on donor funding for public investments. It is now classified as a lower-middle income country, but it continues to receive concessional aid because such provisions are relatively small and because poverty continues to be an issue. In preparation for reduced concessional aid, Sri Lanka has commenced international market borrowing. Due to the conflict, the ratings obtained were however a disappointing BB– by Fitch and B by Standard & Poor, making international market borrowing expensive and unsustainable in the long run.

Month to month inflation in December was 19%, while the annual average rate was 14%. The fiscal dominance of the monetary policy is considered to be a major contributor to such inflation. In order to bridge the deficit, rather than pursue market based means, the Central Bank resorted to printing money. Its defence of the currency, while trying to maintain the money base by not allowing the interest rates to increase, further aggravated the inflation. The low interest rates resulted in higher interest on the stock market, contributing to the Colombo Stock Exchange being one of the best performing stock markets in the world.

The government's policy interest rates continue to remain below the inflation rate, affecting the savings of the working population whose compulsory savings are managed by Government entities which invest over 90% of the funds in Government treasuries. The increase in real wages has also been lower than the inflation thus eroding the earnings of the wage earners and the poor. The winners are large corporate borrowers and the Government borrowing below inflation, while other sectors of the society are negatively affected by current macro factors.

3. Assessment of the overall country programme

3.1 Country strategy relevance

With the breakdown of the peace process and resumed war, the country strategy's focus on conflict transformation and peace dividends via pro-poor economic development and democratic governance has become somewhat dated. Peace dividends can be achieved in times of relative peace, but in a situation of violent conflict such initiatives easily translate into war dividends if a business as usual position is maintained. That is why Sida has adopted a position of no new agreements for public investments and related services in times of war to maintain a conflict-sensitive approach based on do-no-harm principles.

At the same time, the strategy's focus on conflict transformation and human rights remains as valid and relevant as ever before. The mentioned Sida position therefore puts even stronger emphasis on such activities via the Sri Lankan civil society and business community. There is also a pronounced focus on humanitarian assistance in response to the displacement of hundreds of thousands of people in the conflict affected areas.

3.2 Key issues for dialogue and harmonisation

As indicated in previous country reports, constructive dialogue between the Government and the international donor community is problematic. Sri Lanka, with its colonial history and decades of civil war, has a Government that loathes harmonised foreign interventions of almost any kind. For this reason, it was for example not possible to hold normal consultations in 2006 on the proposed ten-year development strategy that was circulated at the end of the year. Nor was there any regular meeting forum in place where the Government and the international community could meet to discuss. Donors such as the World Bank, the ADB and Japan of course meet with the Government bilaterally to talk about their respective concerns, but harmonised donor dialogue with the Government is virtually non-existing.

Dialogue activities in 2006 have instead concentrated on gathering support within the international community for awareness and action with regard to mentioned human rights and humanitarian problems. An example are the bilateral humanitarian missions undertaken to conflict affected districts, initiated by Sweden and Switzerland. Locally based advocacy initiatives are however easily wing clipped in the current conflict context, but also because of the domestic climate of anti-NGO

sentiment. Especially in the second half of 2006, there was an urgent need to activate responses and actions in capitals and on the international scene, where attention to the human rights violations and humanitarian problems of the Sri Lankan scale best belongs.

3.3 Disbursement volumes

In 2006, Sida disbursed a total of 152 million SEK under the Sri Lanka country programme (compared with 386 million in 2005), out of which 110 million within the Sri Lanka country allocation (compared with 138 million in 2005). There were relatively well balanced quarterly disbursements over the year: 12%, 32%, 21% and 35% respectively for the four quarters.

These disbursements are however far lower than planned. The 2006 country plan included over planning of 237 million within the Sri Lanka country allocation, but only 110 million were realised in terms of disbursements. At least 93 million were rejected, stalled or delayed during the year because of the broken down peace process. Still, 110 million disbursed in 2006 represents 92% of the amount actually allocated by Sida's Asia Department.

3.4 Main results in relation to the country strategy

Development results in relation to the country strategy and its overall goals are always difficult to identify in a reliable and meaningful way. The fact that Sri Lanka plunged back into civil war does not automatically mean that Sida funded activities for conflict transformation, democratic governance and pro-poor economic development did not yield any positive results. A project-by-project account of the Sida funded portfolio in Sri Lanka would include numerous good results in the immediate project environment. But to assume that these results have had an immediate impact on the way the parties to the conflict think and behave is far fetched. The conflict has its own fuel and logic, mainly or completely beyond the short term influence of foreign funded projects and programmes.

Still, projects undertaken to facilitate pro-poor economic growth in areas outside the conflict zone have had positive development effects. Capacity development support for the regulator and players in the financial sector has been much appreciated. Similarly, support to schools in the plantation areas which have been left behind compared to the rest of the country, will improve the educational attainment of the community as well as their living standards.

Programmes to support pro-poor economic development, in particular through development of enterprise and increased employment in poor regions, have basically been implemented in line with their main objectives. However, in spite of efforts to include conflict-related components to address the prevailing situation, they have also faced significant limitations in terms of direct positive impact on the conflict. Because of the conflict and the mentioned Sida position (see Annex 3), the Embassy has also postponed several projects in the pro-poor economy areas, including assistance to community based improvement of rural roads which would have enabled latent economic potential of these communities to be tapped.

An area where the Sida funded activities have had good impact in relation to the country strategy goals is human rights. Human rights activities, such as watch dogging and reporting, mean independent presence that helps mitigate human rights abuses. If there were no civil

society activity and international presence, such abuses could be expected to spiral even further out of control. In other words, even if the human rights situation has deteriorated, the human rights oriented activities that Sida and other donors fund still work as downers on human rights abusers in the country.

4. Specific country programme overview 2006

4.1 Sector follow up

Pro-poor economic development

The programme for *rehabilitation of provincial roads* damaged by both the Tsunami and conflict in the North and East has been stalled due to the present war situation. It was therefore proposed to look at the second priority roads in the North and East where construction work is feasible and to take up the roads that were first selected if and when the situation improves but only within the agreement period. The Swedish Rescue Services shipped 15 *emergency bridges* to Sri Lanka in December 2006 to enable Sri Lanka to be better prepared to respond to future disasters affecting the transport infrastructure. SRSA will be in Sri Lanka in early 2007 to train personnel from the Road Development Authority to launch the bridges. Piloting of an effort to provide *transport access in rural areas* with latent economic potentials through community participation commenced was completed in June 2006. An evaluation of this effort will be carried out in the second quarter of 2007 to determine the pilot's success.

The evaluation of the *staff exchange project* between Riksbanken and the Sri Lanka Central Bank in June 2006 indicated that there are areas in which further cooperation is desired by CBSL and agreed to by Riksbanken. The agreement will therefore be extended up to the end of 2008 to facilitate such continued cooperation. In terms of improving capacities in the Sri Lankan *debt market*, all planned components were completed during the year. An evaluation will be conducted to determine any additional activities that may be undertaken as balance funds are available.

In terms of credit programmes, the rehabilitation of the *plantation schools* is proceeding according to schedule. A mid term evaluation of the project will be conducted in May 2007. The *rural electrification* project will be re-tendered, this time calling for international bids as previous bids restricted to Swedish companies were found costly and unfeasible for the Ceylon Electricity Board to operate. The National Water Supply and Drainage Board received three bids for the Sida supported *wastewater treatment* facility in Ratmala/Moratuwa and Ja-ela/Ekala.

The Regional Micro and Small Enterprise Growth and Development Programme, or *Enter-Growth*, is covering the North-Central and North-Western Provinces. These provinces include some of the poorest districts in Sri Lanka and they also border the conflict areas, increasingly noticed by the influx of IDPs. The first year of operations has focused on estab-

lishing the MSE Forums in all districts to enhance dialogue between the private sector and the authorities. Other main activities have been well attended business service fairs, social marketing campaigns, enterprise culture development, policy and regulatory work and sustainable promotion of small business in the media. The main components of the peace and conflict impact assessment were also initiated. Assessments made during the first year of operation show good relevance, adequacy and progress.

An evaluation of *JobsNet* was made in May 2006. Major issues concerned the Ministry of Labour's commitment to the agreed Public Private Partnership (PPP), *JobsNet*'s stronger focus on jobseekers compared to employers, and financial sustainability. Consultations were held between the stakeholders of *JobsNet* to develop a future model for ownership and management. A proposal to establish a sustainable PPP with shared ownership between the government, the private sector and the trade unions was developed. Strong efforts were also made, in collaboration with the ILO, to promote values of "CSR and decent jobs". The Tsunami related component of *JobsNet* has been successfully implemented in five districts in the Southern and Eastern parts of the country, contributing to increased employment.

The support to development of *microfinance* through the Promotion of the Microfinance Sector in Sri Lanka Programme entered final agreement consultations. The support will be co-funded with the German government as lead donor. The Swedish funding, to be managed by the GTZ, will focus on the market development level of the programme, with a strong focus on sustainability and outreach of selected micro finance Institutions, and with special attention to disadvantaged areas.

The long-term support for structural reform of the *quality infrastructure*, will take its last step through the support to the Sri Lanka Accreditation Board. Final preparations were made during the year in consultation with SWEDAC. The Swedish support will mostly be technical assistance from SWEDAC to assist SLAB's institutional development.

Peace and democratic governance

Support for peace and democratic governance has continued to focus on conflict transformation, strengthened access to justice and a deepened democratic culture. However, the Embassy increased the support and dialogue efforts in relation to human rights protection in 2006.

The *SLMM* support ended abruptly in August following the decision by the LTTE to decline monitors from EU member states. The war has severely affected *SLMM*'s work in the conflict areas, leading to partly or wholly suspended activities during periods of time. Support for *demining* was suspended because of the same reasons. The support to *civil society organisations* included working with key political stakeholders and raising the capacity of civil society at grassroots levels. Support to INPACT, National Peace Council and International Working Group continued to strengthen and improve channels of dialogue between and advice to the conflicting parties.

The support for human rights increased in 2006. Enhanced rights of women and children were supported through *UNICEF's country programme*. The problem of child soldier abductions attracted special attention as well as the needs of other vulnerable groups such as IDPs, women and children in conflict affected areas. *UNICEF* continued to play an important role as an agency in relation to the escalating conflict and the humanitarian situation. An evaluation of the programme started in 2006 and will be finalised early 2007.

The Office of High Commissioner for Human Rights was supported within the CHAP and enabled the OHCHR to expand from one advisor to an advisory team linked to the UN's country office. This constituted an important step towards an increased presence and a strengthened human rights perspective within the UN as well as several ministries. *The International Commission of Jurists* started a fact finding mission to strengthen international lobbying and advocacy. This included facilitation and networking of local, regional and international human rights organisations for strengthened local human rights monitoring as well as joint action mainly in relation to the UN's Human Rights Council.

The *access to justice* project is working in 20 divisions, but work in the North and East has been hampered by the conflict. A mid-term evaluation of the programme was conducted during 2006 which highlighted the achievements of the project as well as the need to strengthen the conflict perspective and human rights approach.

The Swedish-Sri Lankan *police cooperation* included continued training of crime scene officers. Trained staff are continuing to be deployed into 40 divisions and police stations are equipped with crime scene laboratories. The programme was further developed to focus more human rights training, gender and ethnic integration. Some parts of the programme has however been postponed because of the conflict. The cooperation on programme level is relatively well developed but overall concerns, such as the militarisation and political influence of the Police, the culture of impunity, including a lack of command responsibility for human rights abuses by subordinate staff, plus the unconstitutional appointment of the members of the National Police Commission, are still problematic.

The computerisation of the *population registry* came to a stand still since the authorities wanted to register race and ethnicity into the computerised system. This was not acceptable to the Embassy and Sida, given the principle of non-discrimination and the risk of such information being misused. The agreement was therefore terminated amicably.

Norway, Denmark and Sweden decided to engage in a common *media support* in 2007–2009 with Sweden as lead donor. The support contains continued support to Sri Lanka Press Institute, a new joint support to the Media Resource and Training Centre in Jaffna and a safety fund for media personnel administered by SLPI.

The *democratic youth leadership* programme implemented by the Sri Lanka Foundation Institute was finalised in 2006. The newly established National Youth Organisation's Network was one of the major outcomes and constitutes an important independent arena for youth to organise themselves for an active involvement in the society.

Discussions with the Ministry of Education about the promotion of *democratic values and social cohesion in school education* came to a standstill. The Embassy decided not to enter an agreement because there was no common view the Ministry on implementation mechanisms but also because of the Sida position not to enter new bilateral agreements for public service in times of war.

In 2005, the Embassy started the process of revising its guidelines for support to civil society organisations to make the support more efficient and less administrative burdensome. Meetings between *Diakonia* and current partner CSOs were held to facilitate the transition during a preparatory phase until the end of 2006 when it was agreed to contract *Diakonia* to administer the Embassy's CSO portfolio in line with the mentioned guidelines.

Humanitarian assistance

The current humanitarian crisis means that project implementation of *FORUT's Tsunami programme* was further delayed. While 2005 was a year of relief operations, including shelter programmes, and preparations to initiate housing and livelihood programmes, 2006 was supposed to be a year of reconstruction and more long-term development. The implementation rate has however been much lower than expected due to the war.

To address the ongoing humanitarian situation and the dramatic increase of the displaced population in the country Sida decided to support the UN's 2006 *Consolidated Humanitarian Action Plan (CHAP)* with 12 million SEK, channelled through OCHA, UNHCR and OHCHR. The CHAP was evaluated at the end of the year. By the end of the year, preparations were underway to support FAO, UNHCR and OCHA via the subsequent 2007 CHAP.

The SEKA-funded UNDP project in cooperation with the *Disaster Management Centre* for recovery support and local level capacity building in the area of risk reduction in response to natural disasters, started in 2005 and continues.

Research cooperation

The current 2003–2007 agreement is moving towards conclusion. Some of the eleven ongoing research projects will be extended to 2008 as they did not really start until 2004, and most are on planned track with some 20 PhD-students moving towards examination. The Embassy continues to follow-up and audit the programme on an annual basis. The biochemistry project at the unfortunate Jaffna University was however completely stalled because of war, blockade of essential goods and regular curfews.

Two projects that did not get new agreements in 2003 came back on track in 2006. Audited balances from the previous agreements were paid back to Sida and new agreements were signed with Ruhuna for marine science and Keleniya for geography. One project was put on hold while suspected corruption was being investigated through a special audit review.

5. Office and administrative issues

Current resources and staffing

The Embassy had seven sent-out staff and eleven locally employed staff. Of the locally employed, two are national programme officers. During the year, a new head of administration arrived and two locally employed staff, the archivist and the cashier, left the Embassy. The vacant positions were taken over by the remaining staff due to re-organisation within the administration, reducing the number of local staff to nine.

Administrative issues

The administrative part of the visa-section has been reorganised. In June, the handling of visa applications was outsourced.

A team of four members from the Foreign Ministry and one from Sida visited the Embassy in November to change the IT-platform from Sida's to Foreign Ministry's system. Installations and training of the new IT-system and software was done according to plans. Apart from minor problems, the system functioned without any major interruptions. Service from the IT-support is only delayed by the time difference between Sri Lanka and Sweden.

An inspection of the Embassy was carried out in December by staff from the Foreign Ministry, the Migration Board and Sida. The findings and conclusions of the inspection was generally positive.

In September, the telephone system was upgraded and a new switchboard installed by technicians from the Foreign Ministry. New systems for electronic bank transfer and handling of visa fees were installed in November. The Embassy improved the working environment by purchasing adjustable desks and ergonomic office chairs for all staff.

Quality assurance

In January, Sida's quality assurance team visited the Embassy. The visit resulted in a report with a number of recommendations to the Embassy as well as to Sida and the foreign Ministry. The Embassy endorsed all but one of the QA-team's recommendations in its management response, and initiated implementation during the spring.

For example, the Embassy revised and developed its overall office instructions, refined the job descriptions for the two controlling function and developed special data base for automatic follow up of reporting requirement as per valid agreements for development cooperation. The operative and administrative controllers have the continuous duties to help ensure that the changes made are also followed by adequate and relevant practise within the Embassy.

Annex 1

Financial Follow up of the 2006 Country Plan

The 2006 country plan covered 34 projects within the country allocation. For these projects, a total of 237 million SEK was planned. Out of this planning amount, 110 million (46%) had been disbursed by the end of 2006. A follow up of disbursements within the country allocation reveals the following:

- 1) Twenty two projects received smaller amounts than planned. The value of this miscalculation is minus 133 million.
- 2) Five projects received larger amounts than planned. The value of these planning errors is plus 6 million.
- 3) Seven projects were correctly forecast for zero disbursements.
- 4) One project received the same amount as forecast by the country plan.

The first two points above explain the why 127 million ($237-133+6=127$) were incorrectly forecast or part of an unusually large over planning. The discrepancy can largely be attributed to wrong planning figures for six contributions which, mainly because of escalating conflict and war in Sri Lanka's North and East, have been rejected, stalled or implemented at a slower speed. The planning error that these six contributions represent amounts to 93 million, or almost three quarters of the total miscalculation:

	Planned	Disbursed	Planning error
P-TOMS	30 000 000	0	30 000 000
Provincial Roads	30 000 000	0	30 000 000
UNICEF's SL Programme	26 000 000	12 500 000	13 500 000
Peace Education	8 150 000	0	8 150 000
Jobsnet	13 000 000	7 000 000	6 000 000
Microfinance	5 000 000	0	5 000 000
Total	112 150 000	19 500 000	92 650 000

The reasons behind the remaining planning errors with a total of 34 million ($127-93=34$) also include resumed conflict and war, but they tend to be dominated instead by variety of reasons such as simple overoptimistic financial planning (police support), inadequate co-funding arrangements (fish stock assessment) and conflict-insensitivity (population registry).

Annex 2

List of Strategic Documents Received

- Centre for Policy Alternative, January 2007, *War, Peace and Governance in Sri Lanka, Overview and trends in 2006* (www.cpalanka.lk).
- Human Rights Watch, January 2007, *Complicit in Crime, State Collusion in Abductions and Child Recruitment by the Karuna Group* (www.hrw.org).
- International Crisis Group, Asia Report No. 124, November 2006, *Sri Lanka: The Failure of the Peace Process* (www.crisisgroup.org).
- International Federation of Journalists, International Media Support, International Press Institute, International News Safety Institute, UNESCO, January 2007, *International Press Freedom and Freedom of Expression in Sri Lanka. Struggle for survival* (www.ifj-asisa.org).
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Annex 3

Political, economic and social index scores for South Asia and Sri Lanka

Country	1 The Failed States Index	2 EIU Democracy Index	3 Governance Indicators	4 Open Budget Index	5 Corruption Perceptions Index	6 Threats to Minority People	7 Freedom in the World	8 Global Press Freedom	9 Worldwide Press Freedom Index	10 Index of Economic Freedom	11 Economic Freedom	12 Ease of Doing Business	13 Growth Competitiveness Index	14 Per Capita USD GNI at PPP	15 Gini Coefficient Index	16 Globalisation Index	17 Human Development Index
Afghanistan	99,8	3,06	32,4			21,03	10	69	44,25			162					
Bangladesh	96,3	6,11	101,7	40	2,0	12,30	8	66	48,00	47,8	5,7	88	2,88	2 090	0,31	58	0,530
Bhutan	87,9	2,62	363,3		6,0	9,44	11	62	25,00			138					0,538
India		7,68	273,4	52	3,3	9,85	5	35	26,50	55,6	6,7	134	4,33	3 460	0,33	61	0,611
Maldives			326,4				11	68	51,25			53					0,739
Nepal	95,4	3,42	114,6	36	2,5	15,07	9	58	73,50	54,0	5,2	100	3,26	1 530	0,36		0,527
Pakistan	103,1	3,92	120,0	51	2,2	18,97	11	63	70,33	58,2	5,6	74	3,45	2 350	0,27	56	0,539
Sri Lanka	92,4	6,58	242,5	47	3,1	16,00	8	63	50,75	59,3	6,0	89	3,40	4 520	0,38	46	0,755

Index scores for Sri Lanka 2000-2007

2000			241,6				7			61,6	6,1			3 470			0,741
2001							7			64,3	6,2		3,74	3 560		32	0,730
2002			290,6		3,7		7	63	15,75	62,3	6,0		3,80	3 390	0,38	43	0,740
2003			281,3		3,4		7	52	24,83	60,9	6,2		3,51	3 730		44	0,751
2004			261,8		3,5		6	53	36,50	59,9	6,0		3,57	4 000		51	0,755
2005			242,5		3,2	9,63	6	56	33,25	58,6	6,2	89	3,10	4 520		43	
2006	92,4	6,58		47	3,1	16,00	6	58	50,75	60,1	6,0	89	3,40			46	
2007							8	63		59,3							

References:

- 1 The Failed States Index: www.foreignpolicy.com. The lower the score, the better. Next report in February 2007.
- 2 The Economist Intelligence Unit Democracy Index: www.eiu.com. The higher the score, the better, Next and second report in November 2007.
- 3 Governance Indicators: www.worldbank.org. The higher the score, the better. Next report in September 2007.
- 4 Open Budget Index: www.openbudgetindex.org. The higher the score, the better. Next and second report in October 2007.
- 5 Corruption Perceptions Index: www.transparency.org. The higher the score, the better. Next report in October 2007.
- 6 Threats to Minority People: www.minorityrights.org. The lower the score, the better. Next report in March 2008.
- 7 Freedom in the World: www.freedomhouse.org. The lower the score (which combines political rights and civil liberties), the better. Next report in September 2007.
- 8 Global Press Freedom: www.freedomhouse.org. The lower the score, the better. Next report in May 2008.
- 9 Worldwide Press Freedom Index: www.rsf.org. The lower the score, the better. Next report in October 2007.
- 10 Index of Economic of Freedom: www.heritage.org. The higher the score, the better. Next report in January 2008.
- 11 Economic Freedom: www.freetheworld.com. The higher the score, the better. Next report in September 2007.
- 12 Doing Business: www.doingbusiness.org. The lower the score, the better. Next report in September 2007.
- 13 Growth Competitiveness Index: www.weforum.org. The higher the score, the better. Next report in January 2008.
- 14 Per Capita USD GNI at Purchasing Power Parity (PPP) in World Development Report: econ.worldbank.org. Of course, the higher the income, the better. Next report in September 2007.
- 15 Gini Coefficient Index in World Development Report: econ.worldbank.org. The lower the score, the more equal the country. Next report not planned (the Gini coefficient is not a regular WDR feature).
- 16 Globalisation Index: www.atkearney.com. The lower the score, the more globalised the country. Next report in December 2007.
- 17 Human Development Report: hdr.undp.org. The higher the score, the better. Next report in November 2007.

Annex 4

Current Planning Overview

Country report - Sri Lanka

Outcome and forecast in TSEK

Delimitation:
Status: I, P, A and C (agr end > 200500 or Outcome < 0)
Region/Country: Sri Lanka
Other:

Responsible Unit	(All)
Allocation Frame	(All)

Allocation Account 15515 Sri Lanka	Main Sector	Status	Data			
			Outcome 2005	Outcome 2006	Forecast 2006	Forecast 2007
	01 Health	Agreed	0	0	500	0
	01 Health Total		0	0	500	0
	02 Education	Planned	0	0	6 000	6 000
		Agreed	1 722	472	1 790	1 800
	02 Education Total		1 722	472	7 790	7 800
	03 Research	Agreed	0	0	0	0
	03 Research Total		0	0	0	0
	04 HR & Democratic governance	Planned	0	0	2 150	1 500
		Agreed	55 100	2 199	58 894	18 300
		Completed	-4 812	0	0	0
	04 HR & Democratic governance Total		50 289	2 199	61 044	19 800
	05 Conflict, peace & security	Agreed	14 512	3 524	20 850	0
		Completed	0	0	0	0
	05 Conflict, peace & security Total		14 512	3 524	20 850	0
	06 Humanitarian assistance	Agreed	12 700	0	20 000	15 000
	06 Humanitarian assistance Total		12 700	0	20 000	15 000
	07 Infrastructure	Indicative	0	0	500	13 000
		Planned	0	0	4 000	4 000
		Agreed	23 049	658	18 853	35 550
		Completed	337	0	0	0
	07 Infrastructure Total		23 386	658	23 353	52 550
	08 Trade, business & fin. syst	Indicative	0	0	4 000	4 000
		Planned	0	0	7 500	12 500
		Agreed	24 925	6 388	28 692	20 809
		Completed	665	0	0	0
	08 Trade, business & fin. syst Total		25 590	6 388	40 192	37 309

	09 Natural resources&environm.	Indicative Agreed Completed	0 6 000 0	0 0 0	110 0 0	0 0 0
	09 Natural resources&environm. Total		6 000	0	110	0
	11 Other	Agreed Completed	4 152 184	323 0	1 826 0	1 400 0
	11 Other Total		4 335	323	1 826	1 400
	No sector stated	Indicative	0	0	19 500	1 000
	No sector stated Total		0	0	19 500	1 000
15515 Sri Lanka	Total		138 534	13 564	195 165	134 859
15519 Regional Asia	08 Trade, business & fin. syst	Completed	0	0	0	0
	08 Trade, business & fin. syst Total		0	0	0	0
15519 Regional Asia	Total		0	0	0	0
15541 Concessionary credits	02 Education	Agreed	555	0	750	0
	02 Education Total		555	0	750	0
	07 Infrastructure	Agreed	0	0	15 000	0
	07 Infrastructure Total		0	0	15 000	0
	09 Natural resources&environm.	Planned Agreed	0 210 834	0 0	1 889 35 106	0 35 000
	09 Natural resources&environm. Total		210 834	0	36 996	35 000
	11 Other	Completed	0	0	0	0
	11 Other Total		0	0	0	0
	No sector stated	Indicative	0	0	19 000	0
	No sector stated Total		0	0	19 000	0
15541 Concessionary credits	Total		211 389	0	71 746	35 000
15551 Research	02 Education	Indicative Agreed	0 0	0 0	0 0	0 0

Allocation Account	Main Sector	Status	Outcome 2005	Outcome 2006	Forecast 2006	Forecast 2007
15551 Research	02 Education Total		0	0	0	0
	03 Research	Planned	0	0	1 781	1 097
		Agreed	13 547	3 074	28 004	11 129
	03 Research Total		13 547	3 074	29 785	12 226
	09 Natural resources&environm.	Agreed	280	0	0	0
	09 Natural resources&environm. Total		280	0	0	0
15551 Research	Total		13 827	3 074	29 785	12 226
15561 Non-governmental organisations						
	01 Health	Agreed	273	54	284	0
		Completed	-10	0	0	0
	01 Health Total		263	54	284	0
	02 Education	Agreed	734	141	768	0
		Completed	-18	0	0	0
	02 Education Total		716	141	768	0
	04 HR & Democratic governance	Agreed	2 761	746	2 884	0
		Completed	-49	0	0	0
	04 HR & Democratic governance Total		2 712	746	2 884	0
	07 Infrastructure	Agreed	29	7	29	0
	07 Infrastructure Total		29	7	29	0
	08 Trade, business & fin. syst	Agreed	40	8	41	0
	08 Trade, business & fin. syst Total		40	8	41	0
	09 Natural resources&environm.	Agreed	152	27	160	0
	09 Natural resources&environm. Total		152	27	160	0
	11 Other	Agreed	1 216	341	1 313	0
		Completed	-2	0	0	0
	11 Other Total		1 214	341	1 313	0
15561 Non-governmental organisations	Total		5 126	1 323	5 478	0
15571 Humanitarian assistance						
	05 Conflict, peace & security	Agreed	5 000	5 000	5 000	0
	05 Conflict, peace & security Total		5 000	5 000	5 000	0
	06 Humanitarian assistance	Agreed	12 587	5 000	5 000	0
		Completed	-1	0	0	0
	06 Humanitarian assistance Total		12 587	5 000	5 000	0
15571 Humanitarian assistance	Total		17 587	10 000	10 000	0
Grand Total			386 463	27 961	312 174	182 085

Country report - Sri Lanka

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200500 or Outcome <> 0)

Region/Country: Sri Lanka

Other:

Responsible Unit (All)		Data				
Allocation Frame	Allocation Account	Main Sector	Outcome 2005	Outcome 2006	Forecast 2006	Forecast 2007
Inside country allocation	15515 Sri Lanka	01 Health	0	0	500	0
		02 Education	1 722	472	7 790	7 800
		03 Research	0	0	0	0
		04 HR & Democratic governance	50 289	2 199	61 044	19 800
		05 Conflict, peace & security	14 512	3 524	20 850	0
		06 Humanitarian assistance	12 700	0	20 000	15 000
		07 Infrastructure	23 386	658	23 353	52 550
		08 Trade, business & fin. syst	25 590	6 388	40 192	37 309
		09 Natural resources&environm.	6 000	0	110	0
		11 Other	4 335	323	1 826	1 400
		No sector stated	0	0	19 500	1 000
	15515 Sri Lanka	Total	138 534	13 564	195 165	134 859
Inside country allocation Total		138 534	13 564	195 165	134 859	
Outside country allocation	15519 Regional Asia	08 Trade, business & fin. syst	0	0	0	0
	15519 Regional Asia	Total	0	0	0	0
	15541 Concessional credits	02 Education	555	0	750	0
		07 Infrastructure	0	0	15 000	0
		09 Natural resources&environm.	210 834	0	36 996	35 000
		11 Other	0	0	0	0
		No sector stated	0	0	19 000	0
	15541 Concessional credits	Total	211 389	0	71 746	35 000
	15551 Research	02 Education	0	0	0	0
		03 Research	13 547	3 074	29 785	12 226
	15551 Research	Total	13 827	3 074	29 785	12 226

Allocation Frame	Allocation Account	Main Sector	Outcome 2005	Outcome 2006	Forecast 2006	Forecast 2007
Outside country allocation	15561 Non-governmental organisations	01 Health	263	54	284	0
		02 Education	716	141	768	0
		04 HR & Democratic governance	2 712	746	2 884	0
		07 Infrastructure	29	7	29	0
		08 Trade, business & fin. syst	40	8	41	0
		09 Natural resources&environm.	152	27	160	0
		11 Other	1 214	341	1 313	0
		15561 Non-governmental organisations Total	5 126	1 323	5 478	0
		15571 Humanitarian assistance	05 Conflict, peace & security	5 000	5 000	5 000
	06 Humanitarian assistance		12 587	5 000	5 000	0
	15571 Humanitarian assistance Total	17 587	10 000	10 000	0	
Outside country allocation Total			247 928	14 397	117 009	47 226
Grand Total			386 463	27 961	312 174	182 085

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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