



MAY 2008 • EMBASSY OF SWEDEN, COLOMBO

Sida Country Report 2007

Sri Lanka



Table of Contents

List of Abbreviations	2
1 Summary	3
2 Political, Economic and Social Developments	4
2.1 Political Development.....	4
2.2 Poverty: perspectives and trends	6
2.3 Economic development	8
3 Assessment of the Overall Country Programme.....	9
3.1 Country Strategy Relevance	9
3.2 Key issues for dialogue and harmonisation.....	9
3.3 Disbursement volumes.....	10
3.4 Main results in relation to the country strategy	10
4 Specific Country Programme Overview 2006	12
4.1 Sector Follow Up	12
5 Office and Administrative Issues	17
5.1 Current Resources and Staffing	17
5.2 Administrative Issues.....	17
5.3 Quality assurance	17
Annex 1 Political, Economical and Social Index.....	18
Annex 2 List of Strategic Documents Received.....	20
Annex 3 Finacial Overview	21
Annex 4 Serious Audit Findings and Suspected Corruption.....	23
Annex 5 QA-reporting	27

List of Abbreviations

APRC	All Party Representative Committee
ADB	Asian Development Bank
BSEK	Billion Swedish Kroner
BUSD	Billion United States Dollars
CoI	Presidential Commission of Inquiry
CC	Constitutional Council
CCHA	Consultative Committee on Humanitarian Assistance
FCCISL	Federation of Chambers of Commerce and Industry in Sri Lanka
FAO	Food and Agriculture Organisation
GoSL	Government of Sri Lanka
GDP	Gross Domestic Product
ICT	Information and Communication Technology
ICT4D	Information and Communication Technology for Development
ICJ	International Commission of Jurists
IIGEP	International Independent Group of Eminent Persons
IWG	International Working Group on Sri Lanka
LTTE	Liberation Tigers of Tamil Eelam
MSEK	Million Swedish Kroner
MUSD	Million United States Dollars
OHCHR	Office of the High Commissioner for Human Rights
PCCSL	Press Complaints Commission of Sri Lanka
RDA	Road Development Authority
SOCO	Scene of Crime Officer
SWEDAC	Swedish Board of Accreditation and Conformity Assessment
SLAB	Sri Lanka Accreditation Board
SLCJ	Sri Lanka College of Journalism
SLMM	Sri Lanka Monitoring Mission
SLP	Sri Lanka Police
SLPI	Sri Lanka Press Institute
SEK	Swedish Kroner
SPIDER	Swedish Programme for ICT in Developing Regions
TVMP	Tamil Makkal Viduthalai Pulihal (Tamil Peoples Liberation Tigers)
UNP	United National Party
UN	United Nations
UNICEF	United Nations Children Fund
UCSC	University of Colombo – School of Computing
VCD	Value Chain development

Published by Sida 2008

Asia Department

Author: Embassy of Sweden, Colombo

Printed by Edita Communication, 2008

Art. no.: SIDA45320en

This publication can be downloaded/ordered from www.sida.se/publications

1 Summary

The year saw the escalation of the conflict between the Government of Sri Lanka (GoSL) and the Liberation Tigers of Tamil Eelam (LTTE) with the government being successful in dislodging the LTTE from the East. Buoyed by this success, the Government focused its efforts on defeating the LTTE in the North. The escalation of the military activities and sidelining of the peace facilitators and Sri Lanka Monitoring Mission (SLMM), gave inevitable indication that the Ceasefire agreement signed in 2002, would be cancelled¹.

The increasing militarization had an exacting cost on human rights and humanitarian issues. The international community's efforts were directed towards urging both parties to respect human rights, domestic laws and assist in humanitarian issues, to minimize the impact of the conflict on the civilians. In spite of such unfavourable development in the political front, Sri Lanka's economy grew at a rate of 6,5 percent and the Competitive Index showed a positive outcome. The sovereign bond floated internationally by the government was oversubscribed by three times. However, the escalation of the war and the government exhibiting tendencies to involve in commercial activities to curtail high inflation, which was around 17,5 percent, contributed to negative development in the Ease of Doing Business index.

The Swedish Government in August 2007 decided that it would phase out bilateral development cooperation with Sri Lanka by the end of 2010. In 2007, Sida disbursed a total of 159 MSEK under the Sri Lanka country programme (compared with 152 MSEK in 2006), out of which 98,7 MSEK was within the Sri Lanka country allocation (compared with 110 MSEK in 2006).

¹ The Government gave notice for the cancellation of the Ceasefire Agreement on 2nd January 2008

2 Political, Economic and Social Developments

2.1 Political Development

In January 2007, around 20 law makers from opposition parties, including a group of 18 from the main opposition party, United National Party (UNP), joined the government. The President justified this cross over as necessary to ensure a comfortable majority in the Parliament². The crossover however, ended the bipartisan approach that had been agreed between the President and the Opposition Leader on the various issues afflicting the country, including the resolution to the long running conflict.

The All Parity Representative Committee's (APRC) deliberations on putting forward a consensus for the resolution of the conflict did not show much progress during the year, with divergent views amongst the participating political parties. The discussions were also hampered by the non-participation of UNP, Janatha Vimukthi Peramuna (JVP) and Tamil National Alliance³, the three parties that have the highest number of seats in Parliament after the present ruling coalition.

Escalating Military Conflict

In March 2007, the LTTE launched their first air raid on the only international airport in Sri Lanka, making it possibly the only guerrilla force boasting air, sea and land forces. However on the ground it suffered considerable losses in the Eastern Province.

The government forces, with assistance from the eastern breakaway faction of LTTE, led by a self styled Colonel Karuna, brought under its control the entire Eastern Province by July 2007, reducing LTTE activity in the East to sporadic guerrilla activities, such as claymore mines and assassinations, significant amongst them was its alleged assassination of the Chief Secretary of the Eastern Province. The government announced that it would hold local government elections in the East in 2008 as a means of bringing democracy to the liberated population. It was believed that the election would not be contested by some major parties who claimed that the environment would not be conducive for holding elections and it would be a tussle between the Colonel Karuna's

² The crossovers caused the number of Cabinet Ministers to increase to 53 and the total ministers to increase to 104.

³ UNP on the basis that the government has to first put forward a proposal for APRC's consideration, JVP since it is opposed to any form of devolution and Tamil National Alliance, the main party representing the North and East of Sri Lanka, due to non-invitation

breakaway faction, now referred to as Tamil Makkal Viduthalai Pulikal (TMVP)⁴ and Muslim parties.

With the East secure, the government commenced its military campaign in September 2007 with the view of militarily annihilating the LTTE in the Northern Province too. Whilst initially the government estimated that it would be able to do so by 2008, it later indicated that such an effort might have to continue in to 2009. SLMM, responsible for monitoring violations, had to curtail its activities as their security became an issue as the conflict increased and also due to access restrictions.

Consequences of the Military Solution

The curtailment of the role of SLMM has resulted in the paucity of information and there were conflicting reports in relation to direct consequences from the escalating conflict. The SLMM reported that during the first six months of 2007, there had been 757 extrajudicial killings. This included 11 humanitarian workers. LTTE was accused of bombing civilian transport facilities in the periphery of the North and East and in other parts of the country, killing mainly ethnic Sinhalese. The government's air force bombings in the LTTE areas in the North caused both military and civilian deaths.

The disappearances during the first seven months were estimated to be 540⁵. TMVP and LTTE were accused of recruiting children to their forces and it was estimated that the two groups combined recruited more than 400 children during 2007. The United Nations Special Representative on Children and Armed Conflict accused that certain elements of the armed forces assisted the TMVP with the recruitment of child soldiers. Civilian killings and disappearances of mainly Tamils in the North and East, but also in Colombo and elsewhere, increased during the year.

The increase in conflict caused increasing human rights violations and violations of domestic law. Many of the battles in the East were fought in large population centres with weapons which had substantial destructive power, such as multi barrels. The civilian displacement during the battles was estimated to be around 200,000. Some of these displaced were not able to go back to their areas of residence due to their areas of original residence being declared as high security zones. Additionally, the government declared some areas as sacred land, taking away productive farming land in Pottuvil, mainly from Muslim civilians. The Government using the strengthened Emergency Regulations made mass arrests of ethnic Tamils, especially in Colombo. In November/ December more than 2000 Tamils were arrested in Colombo. Most of them were soon released. The Emergency regulations were widened in September 2007 to include political activities⁶.

International Independent Group of Eminent Persons (IIGEP) appointed to observe the Presidential Commission of Inquiry (CoI) into various acts of grave human rights abuses has increasingly grown dependent on the ability of the CoI to bring to conclusion its deliberations leading to convictions.

⁴ Now lead by his Deputy Pillian. Karuna was accused by the breakaway group of siphoning money and thus Karuna de-camped to join his family in United Kingdom. United Kingdom has arrested and charged Karuna for violating Immigration Laws. The rights groups have indicated they would like to see him prosecuted war crimes, but no progress has been seen on this issue.

⁵ Human Rights Watch, Country Summary – Sri Lanka, quoting Law and Society Trust

⁶ The definition of terrorism was widened to include activities aimed at bringing about any political or governmental change, or compelling government change, or compelling the government of Sri Lanka to do or abstain from doing any act etc.

2.2 Poverty: perspectives and trends

The 2003–2005 country reports reviewed three areas related to poverty in Sri Lanka: income and expenditure patterns, Millennium Development Goals attainment, and social inequity. The information⁷ based on which these country reports were prepared has had very little update and thus there is little to add to the reviews already made. The 2006 country report looked at two complementary dimensions of poverty, namely human rights and humanitarian situation in the country fuelled by the breakdown of the peace process and the resumption of violent conflict. The escalation of the conflict during 2007 further inflicted a high cost on the poor and this year's report looks at another dimension in relation to conflict and poverty, which is governance.

Regional Imbalances

In general, Sri Lanka's aggregate development indicators especially in the social area show a high level of achievement. Disaggregated regional statistics however indicate a substantial deviation amongst the various regions of Sri Lanka both socially and economically. The Western Province which is the most populous and prosperous contributes around 50% to the Gross Domestic Product (GDP). The rest of provinces lag behind in development largely as a result of lack of development of infrastructure, continued involvement in subsistence agriculture amongst other reasons. The continuing war resulted in the government having to expend increasingly larger sums of money on the war, with the defence budget being 1.4 BUSD, a 45% increase over 2006. The increasing cost of war and provision of subsidies has resulted in the government having to rely heavily on donor funds for its capital budget. The government's preference for Project based funding by donors has had implications on sequencing and timing of the implementation of the capital budget projects, resulting in large delays constraining the development of regional infrastructure. The continuing lack of facilitation of the development of the provinces other than the Western Province has meant that there was migration from these provinces to the Western Provinces, especially by the educated, furthering the deterioration of the development efforts amongst the outlying provinces.

The Sri Lankan bureaucracy is characterised by high levels of centralisation and some devolution of subjects to the Provinces was achieved through the 13th Amendment to the Constitution in 1987. However, the implementation of the amendment has not been done to the spirit of the law and due to the lack of sufficient generation of funds, most Provinces continue to remain dependent on the Central Government for their operations. Thus there are possibilities from improving the operation of the principle of subsidiarity by making sub-national levels decision making more relevant for poverty reduction.

The APRC was established in 2006 to achieve a Consensus on the appropriate model for devolution in Sri Lanka. The dialogue within the Committee has been constrained due to diverging views expressed by the various political parties on the issues of unit of devolution, merger/demerger of the North and East Provinces to name a few. Thus, one of the crucial means of governance to bring to an end the conflict that has bedeviled the country for over decades is to see fruition even after a long period of deliberations.

⁷ The department of Census and Statistics conducted a Household Income and Expenditure Survey during 2006/7, however the results from which are yet to be released

Non-operational Constitutional Council

The Sri Lankan constitution has various safe guards in order to uphold good governance in the country. The Constitutional Council (CC)⁸, responsible for the appointment of independent members to the various public services commissions⁹, was established to eliminate the politicisation of the public service. The CC, remained non-operational during 2007, due to lack of appointment of one member¹⁰. The President sighting the non-operation, appointed commissioners to the various commissions including to the Human Rights Commission, bringing into question the ability of the HRC to function independently. The International Coordinating Committee of National Institutions for the Promotion and Protection of Human Rights resolved in October 2007 to lower the accreditation of the Sri Lanka Human Rights Commission from Status A to B¹¹.

The conflict in the North and East and past insurgencies has increased the military role of the police and contributed to allegedly widespread torture and human rights violations by them. Complemented with the relative slowness of the judiciary, this has had implications for a fair governance environment for the poor.

Media Freedom

Although in general the media is free to criticize the government, the media continues to be muzzled in by all parties to the conflict. There were six deaths of Tamil journalists¹² during 2007. Two others were kidnapped in the Northern Province and their whereabouts are still unknown¹³. The LTTE does not allow dissenting views within its area of control and information emanating from this area is heavily reliant on its propaganda material. The government affiliated paramilitaries prevented at times the distribution of newspapers in the East of Sri Lanka. The publishing houses in the North had their supply of newsprints and ink curtailed until May 2007. The constant harassment resulted in media institutions, especially in the north, reporting that most of the journalist staff has chosen to abandon their profession and flee the region¹⁴.

The Government during the year closed down a publishing entity¹⁵ and a broadcasting station¹⁶. During the year Sri Lankan based Internet

⁸ The constitutional Council consists of the Prime Minister, the Speaker, the Leader of the Opposition in Parliament, one person appointed by the President, five persons appointed by the President on the nomination of both the Prime Minister, the Leader of the Opposition and one person nominated upon agreement by the majority of the Members of Parliament belonging to political parties or independent groups other than the respective political parties or independent groups to which the Prime Minister and the Leader of the Opposition belongs and appointed by the President.

⁹ Election Commission, Public Service Commission, National Police Commission. Human Rights Commission of Sri Lanka, Permanent Commission to Investigate Allegations of Bribery or Corruption, Finance Commission and Delimitation Commission

¹⁰ The lack of appointment of the last member due to lack of consensus amongst the relevant parties had resulted in the other appointments too lapsing.

¹¹ Status B – Observer Status – Not fully in compliance with the Paris Principles or insufficient information provided to make a determination;

¹² Subash Chandrabos, Nilam, Vavuniya, Selvarajah Rajewarnam, Uthayan, Jaffna and Sahadevan Nilakshan, journalism student and editor, student magazine Chaalaram. LTTE reported that Isaivizhi Chempiyan, **Suresh Linbiyo** and **T. Tharmalingam**, Voice of Tigers had died during an aerial bombing mission of the Sri Lankan Air Force. The Government of Sri Lanka has disputed that the last three named are journalists. International Federation of Journalist – <http://www.ifj-europe.org/docs/TallyforWebClean.xls>

¹³ Subramaniam Ramachandran, Thinakural and Vadivel Nimalarajah, 2008 Annual Report – Asia – Pacific, Reporters Without Borders, p. 106

¹⁴ Uthayan Newspapers reports that during the year 15 of the journalist left from the original 20, 2008 Annual Report – Asia – Pacific, Reporters Without Borders, p. 106

¹⁵ Standard Newspapers Ltd, government froze the assets, citing suspected links to the LTTE

¹⁶ Asia Broad Casting Corporation, ostentatiously because it broadcasted a news item that had not been sanctioned by the defence authorities.

Service Providers (ISPs) prevented the viewing of Tamilnet, the website known to express the views of LTTE. The media institutes expressed concern over some provisions in the Emergency Law that was operational during the year, preventing them from reporting in a balanced manner about the conflict.

Governance Perception

Several of the governance indicators prepared by international bodies indicated the decline in governance in Sri Lanka (Annex A1–2). The Sri Lankan Corruption Perception Index has declined over the years and at present is at 3.2 indicating increasing perception of corruption in its public delivery system. Freedom index related to press have shown sharp decline during the year. In the economic field the Competitive Index showed positive outcome, while the Ease of Doing Business Index declined during the year.

2.3 Economic development

The economy grew at an estimated 6,5% during the first three quarters of 2007 and the Central Bank of Sri Lanka predicted that the year's growth will be around 6,7%. In comparison to 2006 growth of 7,4%, the lowering of the growth rates indicates the effect of the conflict on the economy.

The Fiscal Responsibility Act enacted in 2003 envisaged achieving an overall budget deficit of 5% of GDP and a debt to GDP ratio of 85% by 2006. In addition, the government had predicted a surplus on the current account of its budget in 2007. However in the back drop of an escalating conflict and continued subsidies, these objectives remained illusive. The government estimated the budget deficit in 2007 to be 7,2% of GDP. The higher deficit and Central Bank credit to finance them contributed largely to the high 17,5% inflation rate experienced during 2007. The debt to GDP ratio reduced to around 90% of GDP from a peak of 105,5% of GDP in 2005, more owing to the higher growth of the economy than to the reduction of government debt.

The government floated an international bond to the value 500 MUSD in August 2007. This was despite the lower sovereign ratings of BB- and B given by Fitch rating and Standard & Poor, respectively and an active campaign by the opposition parties, arguing that the government was not transparent enough on how the proceeds would be used. Whilst this increased the cost of borrowing the issue was oversubscribed by three times. The proceeds were used by the government to pay off both foreign and local debt, and the inflow of foreign currency resulted in the Sri Lanka currency appreciating against the United States Dollar.

The donor support to Sri Lanka averages around 4% of GDP. Foreign direct investment remained around 2% and growth in it was affected by uncertainties of the conflict. In this context remittance by migrant workers increasingly became one of the largest sources of foreign currency inflows in to Sri Lanka and was over 8% of GDP. The larger quantum of migration for work occurs to Middle Eastern countries and over 55% of them are women for non-skilled jobs, usually as house assistants. With labour laws less protective of employees in many countries in which these women work, they become very vulnerable for exploitation and this has had high social implications on the traditional rural families, most of them come from.

3 Assessment of the Overall Country Programme

3.1 Country Strategy Relevance

The country strategy has two focus areas: peace and democratic governance, and pro-poor economic development. Other areas are research cooperation, concessional credit and humanitarian assistance.

Sri Lanka with a per capita income of USD 1500 is classified as a lower middle income country. However, aggregated data conceals the under development in areas outside the prosperous Western Province. The conflict makes it difficult for the government to effectively work towards poverty reduction measures. Thus while the strategy focuses remain valid, the escalating conflict does not create a conducive environment to achieving results envisaged through the country strategy. However, the increased conflict requires increased focus on governance; human rights and humanitarian assistance.

With the resumption of hostilities the Embassy adopted a no new agreements for public investment and related services to maintain a conflict-sensitive approach based on do-no-harm principles. The Swedish Government in August 2007 decided that it would phase out bilateral development cooperation from Sri Lanka by the end of 2010.

3.2 Key issues for dialogue and harmonisation

As indicated in previous country reports, constructive harmonised donor dialogue with GoSL is still elusive with the Government preferring a project approach in working with donors. In January 2007, the government at the Sri Lanka Development Forum presented a 10 year framework for development under the title of Mahinda Chintana – A Vision for a New Sri Lanka, A 10 Year Horizon 2006–2016. The government's discussions with development partners on the framework for development have largely been bilateral.

As in previous years, dialogue activities in 2007 were largely among international community to gather support for awareness and action with regard to human rights and humanitarian problems. Joint international community missions travelled to various parts of the North and East in order to assess mainly the humanitarian situation in these areas.

A significant measure in May 2007 was the signing of a set of 10 Guiding Principles for Humanitarian and Development Assistance in Sri Lanka by 11 bilateral donors¹⁷, United Nations and the European Commission. The guiding principles sought to ensure in providing humanitarian and development assistance; non discrimination, impartiality, respect for human dignity, transparency and accountability, sustainability, consultation and participation, coordination amongst others by the signatories and its implementing partners. There has been continued dialogue between the government and the signatories on the implementation of the Guiding Principles.

3.3 Disbursement volumes

In 2007, Sida disbursed a total of 159 MSEK under the Sri Lanka country programme (compared with 152MSEK in 2006), out of which 98,7 MSEK within the Sri Lanka country allocation (compared with 110 MSEK in 2006). The disbursements during the quarters of 2007 were 53%, 19%, 2% and 26%. The balance in the quarterly disbursements was affected by larger transfers to non-governmental partner organisations and multilateral organisations during the first quarter of 2007.

These disbursements are however far lower than planned. The 2007 country plan included over planning of 61 million within the Sri Lanka country allocation, attributed mainly to wrong planning figures for four projects which have been rejected, stalled or implemented at a slower pace due to conflict and war. Still, 98,7 MSEK disbursed in 2007 represents 98,7% of the amount actually allocated by Sida's Asia Department.

3.4 Main results in relation to the country strategy

The results picture that is emerging from the Embassy's ongoing assessment and rating of 32 major programmes in the 2003–2007 strategy portfolio (1,1 billion SEK in total) is mixed but still better than perhaps expected. On the one hand, an estimated 40% of the Sida funding has been allocated for programmes that have produced results that so far clearly justify the investment made, largely due to several financially dominant and well-managed INEC credits. Around 55% is problematic but still acceptable from a results perspective. The remaining 5% represent unfortunate failure and waste.

On the other hand, and while the overall picture certainly is satisfactory, the results potential has been severely hampered by external risk fall out in terms of escalating conflict and deteriorating governance standards, not only for programmes implemented in the directly affected North and East, but also in safe and solid Colombo-based institutions such as the Central Bank.

A major, but hardly surprising, conclusion from the Embassy's assessment and rating is therefore that the external macro political and economic environment, by far, is the most decisive factor determining the results value of Sida's investment. Other such factors are mirrored by the provisional findings that: (a) credits are more responsibly managed than grants, (b) aligned funding via the Sri Lankan Treasury reduces the risk of corruption but slows down implementation and therefore has mixed results value in itself (c) the level of funding is not decisive per se, but large and quick amounts may easily turn suffocating and harmful, (d) the competence and capacity of

¹⁷ Australia, Canada, European Commission, Germany, Greece, Japan, Netherlands, Norway, South Korea, Sweden, Switzerland, United Kingdom, United Nations and United States.

partner organisations is necessary but not even nearly sufficient in disabling environments, (e) field presence of competent Swedish advisors through twinning arrangements is often crucial.

More concretely, the best results recorded and documented during the most recent three years include:

Sri Lankan Press Institute (9,9 MSEK): establishment of an institute with the only real and fee-based journalist training programme in Sri Lanka (164 graduated journalists since 2004, of which 80% are employed by the local media houses) and a self-regulatory press complaints mechanisms (119 complaints leading to published corrections and apologies).

Plantation Schools (45,9 MSEK): construction of 52 new school buildings, a maintenance programme with full coverage of all 411 schools in the plantation areas, and a positive external context with more than 3,000 teachers recruited for exclusive area service. The ultimate impacts in terms of school attainment will not be identifiable until around 2015.

Telecommunications in the North and East (24,7 MSEK): provision of 24,709 fixed telephone lines servicing the same number of households and businesses in areas hitherto without proper coverage, and with cost-per-unit efficiency by any local and international standard, and good levels of customer satisfaction (64%).

Institute of Biotechnology (20,9 MSEK): establishment of the most advanced bio-science research institution in Sri Lanka, affiliated with the University of Colombo, and legally based on a gazetted government ordinance, and regularly funded by the Sri Lankan Treasury With 9 PhD/MPhil and 36 MSc students enrolled in 2007, the institute had near maximum intake.

4 Specific Country Programme Overview 2006

4.1 Sector Follow Up

Pro-poor economic development

The shifting of violent conflict from the Eastern province to the Northern Province has affected the performance of implementation of the *rehabilitation of provincial roads* damaged by both the Tsunami and conflict in the Northern Province. The relative peace in the Eastern Province has now enabled work to be possible in the Eastern province. Asian Development Bank (ADB) during 2008 and 2009 will work towards implementing the additional projects in the Eastern Province and in the Southern parts of the Northern Province. The Swedish Rescue Services Authority trained the Road Development Authority (RDA) on erecting truss and heavy girder *emergency bridges*. RDA has decided to install all fifteen bridges at various locations around the island as the provided bridges take around 2–3 weeks to install and require launching distances on either side of the bridge making them less versatile in emergency situation in comparison to bailey bridges. The fact that the life of these steel bridges is long with little maintenance, also weighed in the decision of the RDA. The evaluation on the *Piloting of transport access in rural areas* concluded that the removal of connectivity bottle-necks indeed improves economic potential of the community but also cautioned on increasing unsustainable exploitation of the natural resources. However, the second proposition that participation improves ownership and hence maintenance, was not seen to hold as public infrastructure such as roads is not only used by the community but by many others too and hence the evaluators recommended the need to consider a wider stakeholder participation as a means for improved maintenance and sustenance of the created infrastructure.

The visits by the Sri Lankan Central Bank staffers to Riksbank under the staff exchange project recommenced in August 2007 after a pause of about 10 months. In terms of improving capacities in the Sri Lankan debt market, the ADB hired consultants completed all planned activities. An assessment suggested follow-up actions in relation to design of a qualification framework for financial sector professionals in Sri Lanka. A no-cost extension was provided for the proposed activity to be carried out.

In terms of credit programmes, the rehabilitation of the *plantation schools* is proceeding according to schedule. A mid term evaluation conducted in May 2007 suggested speeding up the component dealing

with the repairs and maintenance work and the project office agreed to the same. The Ceylon Electricity Board was in negotiation with the most responsive bidder for the *rural electrification project*. The National Water Supply and Drainage Board signed agreements with the responsive tenderer for the implementation of the Sida supported *wastewater treatment facility* in Ratmalana/Moratuwa and Ja-ela/Ekala. Most legal issues in relation to the proposed credit agreement with Suntel for *Telecommunication facilities in the North of East* have been cleared during the year.

The Regional Micro and Small Enterprise Growth and Development Programme, *Enter-Growth*, is covering the North-Central and North-Western Provinces, including some of the poorest districts in Sri Lanka. These districts also border the conflict areas, which are increasingly noticed by the negative influence on security and the local economy.

A strategic review by external experts was made in January 2007, mainly to review the effectiveness of the project strategy. The review found the programme relevant, adequate and making good progress. In particular the review commended the “light touch” interventions which facilitate local initiative and ownership and also being consistent with good donor practices.

A major achievement of the programme is the establishment of Enterprise Forums in all four districts to enhance dialogue between the private sector and the local authorities. Another main achievement is the Value Chain Development (VCD), both local and regional, where value chains with a significant potential to affect the local economy are selected, being pro-poor, pro-growth and change feasible. Both the Enterprise Forums and VCD have already developed clear strategies for sustainability which are also starting to be implemented through transfer of ownership to local partners (Enterprise Forums) and outsourcing (VCD). Other important achievements by Enter-Growth are well attended business service fairs, social marketing campaigns, enterprise culture development, policy and regulatory work.

JobsNet, a programme supporting development and delivery of employment services, was during 2007 finally able to establish a Public Private Partnership, Jobsnet Ltd., with shared ownership between the government, the private sector and the trade unions. Strong efforts have also been made, in collaboration with the implementing partner International Labour Organisation (ILO), to promote values of Corporate Social Responsibility (CSR). The Tsunami related component of JobsNet has been successfully implemented in five districts in the Southern and Eastern parts of the country, with a focus on capacity building to deliver basic employment services.

The agreement to support *Sri Lanka Accreditation Board (SLAB)* was signed by the Embassy in February and the project was officially launched in May. The support is a partnership between SLAB and the Swedish Board of Accreditation and Conformity Assessment (SWEDAC), which is also the technical advisor for the implementation. A number of activities to develop the quality infrastructure in Sri Lanka have started during the first year with strong demand from stakeholders. Several visits from SWEDAC have been instrumental for the launching of some major activities, in particular related to development of methods and procedures for a national accreditation body, and also accreditation of laboratories in the health sector. SLAB participation in regional accreditation activities has also been supported and achieved.

An agreement for support to The *Federation of Chambers of Commerce and Industry in Sri Lanka (FCCISL)* was signed in December. The support is a

joint funding between Sweden and Norway, with Sweden as lead donor. Major new developments in the programme are, in comparison with earlier support, the full transfer of ownership to a local partner (FC-CISL), the national consolidated approach and the stronger focus on organisational development. An important part of the support is the Business for Peace Initiative (BPI) which is mobilising the private sector in the conflict transformation and peace building work, a probably still much untapped resource.

The *e-learning* programme, implemented by the University of Colombo – School of Computing (UCSC) in partnership with Swedish ICT4D network SPIDER, develops and facilitates web-based distance learning opportunities at higher levels of education countrywide. Through the support a National e-Learning Centre, NeLC, has been established at UCSC. During the first year of implementation capacity has been built for postgraduate and research programmes in the area of e-learning. Also methodologies, systems and resources to create e-learning programmes have been developed, as well as e-learning courses. Another important achievement is the development of an online degree programme for information and communication technology capacity development in developing countries. The serious delays in transfer of funds through the Sri Lankan government system jeopardises the implementation of the programme, and will most likely lead to serious delays in finalising the programme in time.

Peace, Democracy, Human Rights and Humanitarian assistance

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 has continued the increased support and dialogue efforts in relation to human rights protection during 2007.

The intensification of the conflict has affected the work in the conflict areas in particular and country in general, leading to partly or fully suspended activities and shrinking and difficult environment for constructive space during periods of time. Support for *demining* was partly suspended at a point because of this and then the last extension was completed by end 2007. The *access to justice* project, implemented by United National Development Programme (UNDP) and Ministry of Constitutional Affairs, was evaluated by external consultants and one of the major conclusions was that the work in the North and East has been severely hampered by the conflict. A reformulation of the programme is underway with a strengthened conflict sensitive and human rights perspective to address the critical needs in North and East. Based on this reformulation a decision was made for a no-cost extension of the programme until end of 2008.

The support to *civil society organisations* included working with key political stakeholders and raising the capacity of civil society at grass-roots as well as national levels. The Embassy is still in direct agreement with some local and international organisations within conflict transformation and human rights monitoring. These partner programmes were carried out to a satisfactory level despite tremendous challenge in making significant impact due to worsened conflict situation in the country. However, the larger part of the portfolio has been taken over by *Diakonia*, which is now responsible for monitoring, follow up and capacity building of these organisations. An important part of the Diakonia portfolio is the newly established Lanka Youth Organisation's Network (LYON) which

constitutes an independent arena for youth to organise themselves for active involvement in society. Mid-annual report and Annual Review Meeting with Diakonia highlighted smooth transition, better foundation for partner capacity building, need to include new partners mainly from the northeast, and to increase Diakonia capacity in relation to human rights and conflict transformation through a full time expat consultant. By end of 2007 Diakonia has decided to strengthen its presence and delegation in Sri Lanka despite the portfolio facing high sustainability risks due to Swedish bilateral development cooperation's phase out by 2010 from Sri Lanka.

Enhanced rights of women and children were supported through United Nations Children Fund's (*UNICEF*) *country programme*. The problem of child abductions attracted special attention as well as the needs of other vulnerable groups such as internally displaced persons, and women and children in the conflict affected areas. An evaluation of the programme was finalised in 2007. It stated that UNICEF continues to play an important role as an agency in relation to the escalating conflict and the humanitarian situation. One of the major conclusions was that the area of protection needs to be strengthened because of the challenges on the ground, this recommendation has been better reflected in its new country plan 2008–2010.

The support to the *Office of High Commissioner for Human Rights* continued within the *Common Humanitarian Action Plan, CHAP*, and enabled the Office of the High Commissioner for Human Rights (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. OHCHR was also instrumental in facilitating number of high profile visit during the year including the High Commissioner for Human Rights and a number of special rapporteurs and special representatives to the UN Secretary General. *The International Commission of Jurists (ICJ)* and *International Working Group on Sri Lanka (IWG)* were supported for their work of strengthen international lobbying and advocacy in relation to the deteriorating human rights and rule of law situation. 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. However, IWG couldn't implement its planned activities focusing on building negotiation capacity of parties due to suspended peace negotiation.

Sweden, Norway and Denmark 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 (SLPI), with its two major departments, the Sri Lanka College of Journalism (SLCJ), and the Press Complaints Commission of Sri Lanka (PCCSL) and a safety fund for media personnel administered by SLPI. A new joint Scandinavian support was also initiated to the Media Resource and Training Centre in Jaffna. The SLPI programme is so far a convincing success, but with serious sustainability risks in the longer run. During 2007, the SLPI had developed into an operational institute for media freedom, accountability and professionalism, without unhealthy duplication in the local media context. For example, SLCJ had certified 64 journalists, of which an estimated 87 percent were employed by media houses; PCCSL, against bad external odds, had received 69 genuine press complaints of which 25 were resolved in favour of the complainant; and SLPI's difficult advocacy

had yielded attributable impacts in terms of, for example, a thwarted media censorship attempt by the government in 2007.

The twinning arrangement between the *Sri Lankan Police (SLP) and Swedish Police* continued with a focus on operational scene-of-crime offices in all districts (except in LTTE-held areas). Between January–August 2007, such offices carried out 2,270 crime scene visits, covering 20% of the serious crimes reported to SLP, and collected 2,768 pieces of evidence, resulting in a sharp increase of crime scene evidence being sent for matching analysis. As far as ultimate impacts are concerned, Scene of Crime Officer (SOCO) evidence has so far been used successfully in only one court proceeding. This cannot be taken as an indication of impact failure since such proceedings often take several years in Sri Lanka.

The current humanitarian crisis means that project implementation of *FORUT's Tsunami programme* was further delayed. The implementation rate during the first-half has however been much lower than expected due to the war but the 2nd half displayed good progress with completing of houses in Batticaloa and changed approach in Wannu for owner driven construction to overcome material cost increase factors etc. The programme is therefore extended to the end of 2008.

To address the ongoing humanitarian situation and the dramatic increase of the displaced population in the country Sida decided to support the UN's 2007 *Consolidated Humanitarian Action Plan (CHAP)* with 12 million SEK, channelled through Food and Agriculture Organisation (FAO), United Nations High Commissioner for Refugees (UNHCR) and United Nations Office for Coordination of Humanitarian Affairs (OCHA). In addition to the large scale displacement focus in the east during the first half of the year, the 2nd half has shown increase in new displacement in the north with increased fighting along forward defence line north of Vavuniya and Mannar. However, during the year a greater challenge with regard to access, and respect and protection to humanitarian organizations and workers was witnessed.

Research cooperation

All research cooperation programmes, except one, were extended on a no-cost basis in September in order to allow for full conclusion during the phase-out period. The one exception was the Peradeniya Sociology programme which was terminated due to suspected corruption (see Annex A4 for details). Of the twelve programmes that were extended, eight have progressed more or less according to plan. Two of the remaining four programmes have come to a standstill as they are located in the conflict affected North, and the other two have suffered from delayed and complicated funding due to aligned routing of the Sida funds via the Sri Lankan Treasury. All of these four programmes face serious threats to full conclusion before the stipulated phase out deadline in late 2010. It can also be noted that the audit process of the 2005 research cooperation programme were so delayed that the Embassy found no operationally meaningful alternative to making the 2006 and 2007 periods subject to a combined audit initiative during the first two quarters of 2008.

5 Office and Administrative Issues

5.1 Current Resources and Staffing

The Embassy had seven sent-out staff and ten locally employed staff at the beginning of 2007. Of the locally employed staff, two are national programme officers. Two administrative local staff left the Embassy in January and was replaced by one in August. The bilateral expert left the Embassy in July and the programme officer for Human Rights and democracy left in December and is not going to be replaced.

5.2 Administrative Issues

The year 2007 focused on issues related to the administrative integration between UD and Sida. Competence development for administrative staff took place to prepare for changes in the administrative support functions. The Head of administration and two local administrative staff was sent to Sweden for training in Agresso and Palasso in November.

5.3 Quality assurance

In August, the Embassy developed its system for control of agreement conditions to include also contract conditions. Preparations for a comprehensive quality assurance system were also made, with a focus on development process instructions to ensure compliance with Sida's rules and regulations. Auditors from the Swedish National Audit Office visited the Embassy in October and their report is awaited.

The Embassy also initiated its assessment of country programme results during the 2003–2007 strategy period. 33 programmes with a total value of 1,1 billion SEK are planned to be assessed through a model and methodology developed by the Embassy. By March 2008, 22 programmes and 79% of the funding had been assessed.

Annex 1

Annex A1-1: Political, economic and social index scores for Sri Lanka

Click on the indicator to view a definition	2000	2005	2006
Population, total	19.4 million	19.6 million	19.8 million
Population growth (annual %)	1.6	0.8	0.7
Poverty headcount ratio at national poverty line (% of population)	..	..	..
Life expectancy at birth, total (years)	73.6	74.7	..
Fertility rate, total (births per woman)	1.9	1.9	..
Mortality rate, infant (per 1,000 live births)	16.1	12.0	..
Mortality rate, under-5 (per 1,000)	19.4	14.0	..
Births attended by skilled health staff (% of total)	96.0	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..
Immunization, measles (% of children ages 12-23 months)	99.0	99.0	..
Prevalence of HIV, total (% of population ages 15-49)	..	0.1	..
Primary completion rate, total (% of relevant age group)	..	..	..
School enrolment, primary (% gross)	..	..	..
School enrolment, secondary (% gross)	..	..	..
School enrolment, tertiary (% gross)	..	..	..
Ratio of girls to boys in primary and secondary education (%)	..	..	..
Literacy rate, adult total (% of people ages 15 and above)	..	..	..
Surface area (sq. km)	65,610.0	65,610.0	65,610.0
Forest area (sq. km)	20,820.0	19,330.0	..
Agricultural land (% of land area)	36.4	..	..
CO2 emissions (metric tons per capita)	0.5	..	..
Improved water source (% of population with access)	76.0	..	..
Improved sanitation facilities, urban (% of urban population with access)	96.0	..	..
Energy use (kg of oil equivalent per capita)	417.5	..	..
Energy imports, net (% of energy use)	44.0	..	..
Electric power consumption (kWh per capita)	276.7	..	..
GNI, Atlas method (current US\$)	15.7 billion	22.9 billion	25.7 billion
GNI per capita, Atlas method (current US\$)	810.0	1,170.0	1,300.0
GDP (current US\$)	16.3 billion	23.5 billion	27.0 billion
GDP growth (annual %)	6.0	6.0	7.4
Inflation, GDP deflator (annual %)	7.3	9.9	10.3
Agriculture, value added (% of GDP)	19.9	16.8	16.4
Industry, value added (% of GDP)	27.3	26.1	26.5
Services, etc., value added (% of GDP)	52.8	57.1	57.1
Exports of goods and services (% of GDP)	39.0	33.9	32.6
Imports of goods and services (% of GDP)	49.6	45.5	43.1
Gross capital formation (% of GDP)	28.0	26.2	26.6
Revenue, excluding grants (% of GDP)	16.8	16.0	..
Cash surplus/deficit (% of GDP)	-8.4	-7.2	..
Time required to start a business (days)	..	50.0	50.0
Market capitalization of listed companies (% of GDP)	6.6	24.3	28.8
Military expenditure (% of GDP)	4.5	2.7	..
Fixed line and mobile phone subscribers (per 1,000 people)	61.9	234.7	..
Internet users (per 1,000 people)	6.3	..	..
Roads, paved (% of total roads)	..	..	..
High-technology exports (% of manufactured exports)	..	..	..
Merchandise trade (% of GDP)	77.2	64.5	63.4
Net barter terms of trade (2000 = 100)	100.0	..	..
Foreign direct investment, net inflows (BoP, current US\$)	172.9 million	272.4 million	..
Long-term debt (DOD, current US\$)	8.3 billion	10.1 billion	..
Present value of debt (% of GNI)	..	48.4	..
Total debt service (% of exports of goods, services and income)	10.3	4.5	..
Official development assistance and official aid (current US\$)	275.7 million	1.2 billion	..
Workers' remittances and compensation of employees, received (US\$)	1.2 billion	2.1 billion	2.1 billion

Source: <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=lka>

Political, economic and social index scores for South Asia and Sri Lanka (updated 2008-02-25)

The most recently reported index scores for South Asia

Country	1 Gender Equality 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		3.06↔	23.5↓			21.03↓	10↔	69↔	56.5↓			159↑						
Bangladesh	52↔	6.11↔	111.0↑	40↔	2.0↔	12.30↓	8↔	66↑	53.17↓	47.8↓	5.8↑	107↓	3.55↑	2 340↑	0.33↓		64↓	0.547↑
Bhutan		2.62↔	379.7↑		5.0↓	9.44↑	11↔	62↑	37.17↓			119↑		5 690↔			0.579↑	
India	41↔	7.68↔	292.6↑	52↔	3.5↑	9.85↑	5↔	35↑	39.33↓	55.6↑	6.7↔	120↑	4.33↔	3 800↑	0.37↓		71↓	0.619↑
Maldives	64↔		306.1↓		3.3↔		11↔	68↑	45.17↑			60↓		2 680↑			0.741↑	
Nepal	44↔	3.42↔	116.9↑	36↔	2.5↔	15.07↓	9↑	58↑	53.75↑	54.0↓	5.0↓	111↓	3.38↑	1 630↑	0.47↓		63↓	0.534↑
Pakistan	42↔	3.92↔	132.2↑	51↔	2.4↑	18.97↓	11↔	63↓	64.83↑	58.2↓	5.8↑	76↓	3.77↑	2 500↑	0.31↓		63↓	0.551↑
Sri Lanka	58↔	6.58↔	239.5↓	47↔	3.2↑	16.00↓	8↓	63↓	67.5	59.3↓	5.8↓	101↓	3.99↑	5 010↑	0.40↓		56↓	0.743↓

Index scores for Sri Lanka 2000-2007

2000			257.9↓				7↔			61.6↓	6.1↑			3 470↑				0.741↑
2001							7↔			64.3↑	6.0↓			3 560↑				0.730↓
2002			289.9		3.7↔		7↔	63↔	15.75↔	62.3↓	5.9↓			3 80↑	0.40↓		43↓	0.740↑
2003			279.3↓		3.4↓		7↔	52↑	24.83↓	60.9↓	6.0↑			3 390			44↓	0.751↑
Sri Lanka			262.6↓		3.5↑		6↑	53↓	36.50↓	59.9↓	5.9↓			4 000↑			51↓	0.755↑
2004			241.4↓		3.2↓		6↔	56↓	33.25↑	58.6↓	5.8↓			4 520↑			43↑	0.743↓
2005			239.5↓		3.1↓		6↔	58↓	50.75↓	60.1↑				5010↑			46↓	
2006					3.2↑		8↓	63↓	67.5↓	59.3↓							56↓	
2007																		

NOTE:

Green figures (or ↑) indicate positive trends compared to previously reported years; red figures negative trends (or ↓), and blue figures unchanged trends or scores for which there are no earlier benchmarks (or ↔).

Annex 2

List of Strategic Documents Received

Sri Lanka's Muslims Caught in the Crossfire, International Crisis Group, Asia Report N°134, May 2007

Sri Lanka's Human Rights Crisis, International Crisis Group, Asia Report N°135, June 2007

Sri Lanka's Sinhala Nationalism and the Elusive Southern Consensus, International Crisis Group, Asia Report N°141, November 2007

One Year On: – counter Terrorism Sparks Human Rights Crisis for Sri Lanka's Minorities, Minority Rights Group, December 2007

UN Inter-Agency Standing Committee Report, August 2007

Human Rights Fact Sheet, A Satkunanathan, August 2007

Human rights Solidarity, Page 22–25, A Asian Human Rights Publication, September 2007

Sri Lanka Dysfunctional Criminal Justice System, Edited by Jasmine Joseph, Asian human rights Commission, 2007

The Cost of War, A Review and Update for 2001 Report by Marga Institute and national Peace Council, August 2007

Reports by United Nations Officials

- High Commissioner for Human Rights, Louise Arbour, October 2007
- Special Report on Torture, Manfred Novak, October 2007
- Special Representative to the Secretary General on Humanitarian Affairs, Sir John Holmes
2007 Annual Report, Asia-Pacific, Reporters Without Borders, 2007

Annex 3



PLANNING OVERVIEW Sri Lanka PER Sector

Delimitation:

Status: I, P, A, C
 Region/Country: Sri Lanka
 Sector: -
 Allocation account: All
 Other: Status C with agr end > 200800

DEVCOOPAG (All)

ALLOC FRAME	ALLOCATION ACCOUNT	SIDA MAIN SECTOR	RESP UNIT	AGREEMENT ID AND TITLE	AGR PERIOD	CONTRIBUTION ID AND TITLE	STATUS	Data					
								DAA TOTAL	OUTCOME UP TO AND INCL. 2007	OUTCOME 2008	FC 2008	FC 2009	FC 2010
INSIDE	Sri Lanka	03 Research	713	A7110682 LKA-Biomolekylar Lab	200005-201812	71010331 Biomolekylar lab	C	15 000 000	15 000 000	0	0	0	0
		03 Research Total							15 000 000	15 000 000	0	0	0
		04 HR & Democratic governance	451		-	45000005 HR monitoring	I	10 000 000	0	0	5 000 000	5 000 000	0
						45000006 UNICEF country programme	I	10 000 000	0	0	5 000 000	5 000 000	0
						45000007 Building SLPI	I	3 000 000	0	0	3 000 000	0	0
				A4500015 CSOs 2003 - 2006	200301-200712	45003308 CSOs 2003 - 2006	A	4 785 307	4 785 307	0	0	0	0
						45003309 CSOs: WIN	A	2 035 829	2 035 829	0	0	0	0
						45003310 CSOs: SLSM	A	2 796 712	2 796 711	0	0	0	0
						45003311 CSOs: LST	A	2 663 589	2 663 589	0	0	0	0
						45003312 CSOs: CPA	A	2 483 614	2 483 614	0	0	0	0
						45003313 CSOs: INPACT	A	5 301 565	5 301 565	0	0	0	0
						45003314 CSOs: NPC	A	4 249 997	4 249 997	0	0	0	0
						45003315 CSOs: PAFFREL	A	4 033 976	4 033 976	0	0	0	0
						45003316 CSOs: CSHR	A	3 615 178	3 615 178	0	0	0	0
						45003318 Capacity Study	A	1 321 433	1 321 403	0	0	0	0
						45003319 CSOs FORUT SL	A	5 002 502	5 002 502	0	0	0	0
						45003320 CSOs: WMC	A	1 033 368	1 033 367	0	0	0	0
						45003322 CSOs SAP-SRI	A	2 201 648	2 201 645	0	0	0	0
						45003324 CSOs: ESCO	A	1 502 774	1 502 774	0	0	0	0
						45003339 CSOs Diakonia	A	335 480	247 658	0	0	0	0
						45003340 CSOs ICJ	A	184 941	184 941	0	0	0	0
						45003341 CSOs: Sarvodaya	A	600 542	600 542	0	0	0	0
				A4500029 Diakonia framework	200701-201006	45000004 Diakonia Sri Lanka frame	A	30 000 000	12 000 000	0	10 000 000	8 000 000	0
				A4510002 SLP - SL Police	200506-200812	72600268 Civil Policing Cap-buildi	A	31 500 000	19 617 985	1 364 284	6 884 278	600 001	0
				A4510003 UNDP Access to Justice	200403-200806	72600367 UNDP Eq Access to Justice	A	12 000 000	12 000 000	0	0	0	0
				A4510006 Media Support 2007-2009	200701-201006	45000003 Media Support 2007-2009	A	8 500 000	1 803 480	0	2 400 000	4 150 000	0
				A7200630 Demo youth leadership	200109-200712	45003887 Demo youth leadership	A	9 377 020	9 176 665	0	0	0	0
				A7200740 UNICEF Sri Lanka	200408-200806	74002358 UNICEF SL 2004-07	A	76 000 000	76 000 000	0	0	0	0
				A7263010 SL ECD	200112-200712	72603010 ECCD-Eastern University	A	5 830 000	2 034 083	0	0	0	0

ALLOC FRAME	ALLOCATION ACCOUNT	SIDA MAIN SECTOR	RESP UNIT	AGREEMENT ID AND TITLE	AGR PERIOD	CONTRIBUTION ID AND TITLE	STATUS	DAA TOTAL	OUTCOME UP TO AND INCL. 2007	OUTCOME 2008	FC 2008	FC 2009	FC 2010
INSIDE	Sri Lanka	04 HR & Democratic	726	A7200973 System-based Audit SNPB	200711-200712	72600864 System based-Audit SNPB	A	100 000	100 000	0	0	0	0
		04 HR & Democratic		governance Total				240 455 475	176 792 810	1 364 284	32 284 278	22 750 001	0
		05 Conflict, peace & security	451	-		45000008 Conflict transformation	I	9 506 000	0	0	0	6 503 000	3 003 000
				A4500015 CSOs 2003 - 2006	200301-200712	45003321 CSOs: P & D Project	A	2 001 671	2 001 671	0	0	0	0
				A4500026 Conflict Transformation	200601-200812	45000002 Conflict transformation	A	16 857 431	9 421 742	0	6 933 000	0	0
				05 Conflict, peace & security Total				28 365 102	11 423 413	0	6 933 000	6 503 000	3 003 000
		07 Infrastructure	451	A4500022 Population Registry	200506-200806	45000048 Population Registry	C	11 000 000	767 017	0	0	0	0
				A4500023 Prov Roads in N&E Sri Lan	200512-201006	45000031 Provincial Road Rehabilit	A	120 000 000	20 000 000	0	21 000 000	79 000 000	0
				A4500025 e-learning	200604-201006	45003891 eLearning UCSC	A	15 000 000	3 004 336	1 996 848	5 000 000	4 000 000	2 995 664
				A4500027 Emergency Bridge Material	200609-201003	45000057 Emergency bridges	A	18 000 000	16 000 000	0	2 000 000	0	0
				A7188704 Power Sector Restruct	200211-200712	71800068 Power Sector Restruct.	A	2 750 000	2 750 000	0	0	0	0
			713	A7101146 Upgrading plant. schools	200211-200909	71001091 Upgrading plant.schools	A	45 000 000	45 000 000	0	0	0	0
			742	A7402063 IOGT/NTO Post-tsunami Rec	200506-200910	74002838 IOGT-NTO Tsunami 2005-08	A	45 000 000	45 000 000	0	0	0	0
				07 Infrastructure Total				256 750 000	132 521 353	1 996 848	28 000 000	83 000 000	2 995 664
		08 Trade, business & fin. syst	451	-		45000100 EnterGrowthSustainability	P	3 000 000	0	0	0	3 000 000	0
				A4500016 Jobsnet	200403-200812	45000027 Jobsnet	A	26 000 000	24 000 000	500 000	2 000 000	0	0
				A4500017 Central Bank Exchange Pro	200402-200812	45000034 Central Bank Programme	A	6 000 000	2 597 742	0	2 943 606	0	0
				A4500019 TA Debt and Fin Mkts SL	200409-200812	45000045 Financial Reforms ADB	A	9 500 000	8 791 802	0	0	0	0
				A4500020 Regional MSME Development	200506-200905	45000033 Regional MSME development	A	35 000 000	27 500 000	650 000	6 500 000	1 000 000	0
				A4500028 Quality Infrastructure Sr	200703-201008	71005104 LKA Accreditation/Sri Lac	A	8 000 000	1 400 047	249 697	3 300 000	2 000 000	1 300 000
				A4500031 Org Dev of Chambers LKA	200712-201012	45000099 FCCISL+Business for Peace	A	12 000 000	0	0	6 000 000	6 000 000	0
				A7101061 Federation of Com & Ind	200112-200712	71005152 LKA FCCISL, Peacsb N/E	A	16 052 674	16 052 674	0	0	0	0
				08 Trade, business & fin. syst Total				115 552 674	80 342 265	1 399 697	20 743 606	12 000 000	1 300 000
		09 Natural resources&envirom.	732	A0000105 Sida - UNEP Agreement	200505-200704	73000639 UNEP, post tsunami rehab	A	6 000 000	6 000 000	0	0	0	0
				09 Natural resources&envirom. Total				6 000 000	6 000 000	0	0	0	0
		11 Other	212	A4100400 Progr funded staff Asia	199801-200801	41002701 SRI-SAK-02 PO	C	11 844 973	11 844 972	0	0	0	0
						41002702 SRI-SAK-05 Demo	C	11 157 183	11 157 183	0	0	0	0
						41002703 SRI SAK-04	C	3 570 618	3 569 694	0	0	0	0

Planning Overview 2006

2

2008-05-22

ALLOC FRAME	ALLOCATION ACCOUNT	SIDA MAIN SECTOR	RESP UNIT	AGREEMENT ID AND TITLE	AGR PERIOD	CONTRIBUTION ID AND TITLE	STATUS	DAA TOTAL	OUTCOME UP TO AND INCL. 2007	OUTCOME 2008	FC 2008	FC 2009	FC 2010
INSIDE	Sri Lanka	11 Other	212	A4100400 Progr funded staff	199801-200801	41002706 SRI-SAK-Soc.	C	5 903 628	5 903 628	0	0	0	0
			451	A4500024 Consultancy fund 2006-07	200607-200806	45000062 Consultancy fund 2006-07	A	6 716 812	1 787 343	0	0	0	0
				A4500032 Consultancy Fund 08-10	200802-201012	45000009 Consultancy fund 2008-10	A	12 000 000	0	81 954	4 335 000	4 000 000	4 000 000
				A4510005 Programme Development	200405-200712	45000053 WB multi donor trust fund	A	2 000 000	2 000 000	0	0	0	0
				11 Other Total				53 193 214	36 262 820	81 954	4 335 000	4 000 000	4 000 000
				Sri Lanka Total				715 316 465	458 342 660	4 842 783	92 295 884	128 253 001	11 298 664
				INSIDE Total				715 316 465	458 342 660	4 842 783	92 295 884	128 253 001	11 298 664
OUTSIDE	Concessionary credits	02 Education	713	A7101694 LKA RIERP Consult	200602-200706	71001901 LKA Plant School Engin	A	750 000	707 308	0	0	0	0
				A7101728 LKA School Monitor 07-10	200606-201012	71001958 LKA school monitor 07-10	A	1 200 000	196 271	260 816	350 000	350 000	150 000
				02 Education Total				1 950 000	903 579	260 816	350 000	350 000	150 000
		07 Infrastructure	713	-		71001978 LKA Disaster Info System	I	1	0	0	0	0	0
				A7101009 LKA, Rural Electrific	200004-200712	71000960 Rural electrification LKA	A	92 230 000	92 223 379	0	0	0	0
				A7101764 LKA labb audit	200609-201612	71001976 LKA molecular labb audit	C	250 000	29 139	0	0	0	0
				A7800164 Suntel	200412-201812	71001436 LKA Expansion of Telecom	A	40 000 000	25 000 000	0	15 000 000	0	0
				07 Infrastructure Total				132 480 001	117 252 518	0	15 000 000	0	0
		09 Natural resources&envirom.	713	21113010 LKA Creditline NDB	200309-200808	71000887 Creditline NDB, Sri Lanka	C	31 000 000	31 000 000	0	0	0	0
				A7101281 LKA Waste Water Consultan	200301-200609	71001359 LKA WWT Consultant	A	6 528 698	6 322 224	0	0	0	0
				A7101710 LKA WWT Procurement Suppor	200602-200712	71001931 LKA WWT Procurem support	A	1 889 186	1 763 155	0	0	0	0
				A7180033 LKA - Wastewater Treatment	200512-201101	71010343 LKAWastewater Treatment	A	279 900 000	227 384 343	0	18 600 000	18 600 000	12 700 000
				A8200002 Monitoring Consultancy	200608-200806	71001955 LKA, Monitoring WWT	A	1 472 560	892 521	116 716	368 140	0	0
				09 Natural resources&envirom. Total				320 790 444	267 362 243	116 716	18 968 140	18 600 000	12 700 000
				Concessionary credits Total				455 220 445	385 518 340	377 532	34 318 140	18 950 000	12 850 000
		05 Conflict, peace & security	742	A7402294 SRV 2007	200701-200809	74003333 SRV FIN FRAME 2007	A	1 360 320	1 246 960	0	0	0	0
			746	A7402054 MAG Mine Clear 2005-07	200505-200805	74002761 MAG Mine Action 2005	A	10 000 000	10 000 000	0	0	0	0
				05 Conflict, peace & security Total				11 360 320	11 246 960	0	0	0	0
		06 Humanitarian assistance	742	A7402294 SRV 2007	200701-200809	74003333 SRV FIN FRAME 2007	A	1 759 680	1 613 040	0	0	0	0
				A7402260 ICRC appell 2007	200701-200809	74003142 ICRC appeal 2007	A	2 040 000	2 040 000	0	0	0	0
				A7402067 SHIA Hum ass Tsunami 2005	200507-200609	74002762 SHIA Tsunami 2005	A	159 000	159 000	0	0	0	0
				A7402094 UNDP Tsunami LKA 2005	200510-200712	74002788 UNDP Tsunami LKA 2005	A	5 000 000	5 000 000	0	0	0	0

Planning Overview 2006

3

2008-05-22

ALLOCC FRAME	ALLOCATION ACCOUNT	SIDA MAIN SECTOR	RESP UNIT	AGREEMENT ID AND TITLE	AGR PERIOD	CONTRIBUTION ID AND TITLE	STATUS	DAA TOTAL	OUTCOME UP TO AND INCL. 2007	OUTCOME 2008	FC 2008	FC 2009	FC 2010							
OUTSIDE	Humanitarian assistance	06 Humanitarian	742	A7402191 OCHA CHAP Sri L 2006	200609-200709	74003067 Sri Lanka OCHA 2006	A	3 500 000	3 500 000	0	0	0	0							
				A7402192 OHCHR CHAP Sri L 2006	200609-200709	74003073 Sri Lanka CHAP OHCHR 2006	A	3 500 000	3 500 000	0	0	0	0							
				A7402193 UNHCR CHAP Sri L 2006	200609-200709	74003072 Sri Lanka CHAP UNHCR 2006	A	5 000 000	5 000 000	0	0	0	0							
				A7402275 CHAP 2007 Sri Lanka FAO	200701-201003	74003125 CHAP 2007 Sri Lanka FAO	A	9 000 000	9 000 000	0	0	0	0							
				A7402290 CHAP 2007 Sri Lanka UNHCR	200701-200903	74003155 CHAP 2007 Sri Lanka UNHCR	A	5 000 000	5 000 000	0	0	0	0							
				A7402292 OCHA CAP 2007	200701-200903	74003147 OCHA CAP 2007	A	1 965 000	1 965 000	0	0	0	0							
				A7402430 ICRC appeal 2008	200801-200909	74003310 ICRC appeal 2008	A	3 960 000	0	1 980 000	3 960 000	0	0							
				06 Humanitarian assistance Total								40 883 680	36 777 040	1 980 000	3 960 000	0	0			
				Humanitarian assistance Total								52 244 000	48 024 000	1 980 000	3 960 000	0	0			
				Non-governmental organisations	01 Health	743	A7401785 PMU frame 2005-2006	200501-200803	74002685 PMU frame 2005-2006 South	A	319 569	319 549	0	0	0	0	0			
							A7401908 Avtal om Rambidrag ForumS	200601-200906	74002897 Forum Syd 06-08 SouthSEKA	A	0	0	0	0	0	0				
							A7402218 PMU frame 2007-2009	200612-200906	74003115 PMU frame 2007-2009	A	991 089	317 955	93 060	321 254	341 220	0				
							A7402236 Underavtal SHIA 2007-2009	200612-201006	74003089 SHIA fram 2007-2009	A	25 127	8 140	1 992	7 967	9 020	0				
							01 Health Total								1 335 785	645 644	95 052	329 221	350 240	0
							02 Education	743	A7401785 PMU frame 2005-2006	200501-200803	74002685 PMU frame 2005-2006 South	A	958 706	958 648	0	0	0	0	0	
A7401908 Avtal om Rambidrag ForumS	200601-200906	74002897 Forum Syd 06-08 SouthSEKA	A						0	0	0	0	0	0						
A7402218 PMU frame 2007-2009	200612-200906	74003115 PMU frame 2007-2009	A						3 352 833	1 075 635	314 820	1 086 797	1 154 340	0						
A7402236 Underavtal SHIA 2007-2009	200612-201006	74003089 SHIA fram 2007-2009	A						567 872	183 964	45 012	180 056	203 852	0						
02 Education Total								4 879 411	2 218 247	359 832	1 266 853	1 358 192	0							
04 HR & Democratic governance	743	A7401785 PMU frame 2005-2006	200501-200803				74002685 PMU frame 2005-2006 South	A	575 731	575 696	0	0	0	0	0					
		A7401908 Avtal om Rambidrag ForumS	200601-200906				74002897 Forum Syd 06-08 SouthSEKA	A	0	0	0	0	0	0						
		A7402217 Diakonia frame 2007-2009	200607-200906				74003889 Diakonia frame 2007	A	3 590 328	3 539 760	0	0	0	0						
		A7402236 Underavtal SHIA 2007-2009	200612-201006				74003115 PMU frame 2007-2009	A	1 904 859	611 105	178 860	617 447	655 820	0						
04 HR & Democratic governance Total								10 367 649	6 118 501	519 434	1 979 818	2 198 240	0							
05 Conflict, peace & security	743	A7402217 Diakonia frame 2007-2009	200612-200807	74003889 Diakonia frame 2007	A	169 442	167 055	0	0	0	0	0								
		A7402218 PMU frame 2007-2009	200612-200906	74003115 PMU frame 2007-2009	A	63 261	20 295	5 940	20 506	21 780	0									

Planning Overview 2006

4

2008-05-22

ALLOCC FRAME	ALLOCATION ACCOUNT	SIDA MAIN SECTOR	RESP UNIT	AGREEMENT ID AND TITLE	AGR PERIOD	CONTRIBUTION ID AND TITLE	STATUS	DAA TOTAL	OUTCOME UP TO AND INCL. 2007	OUTCOME 2008	FC 2008	FC 2009	FC 2010				
OUTSIDE	Non-	05 Conflict, peace & security Total	743	A7401785 PMU frame 2005-2006	200501-200803	74002685 PMU frame 2005-2006 South	A	232 703	187 350	5 940	20 506	21 780	0				
				A7401908 Avtal om Rambidrag ForumS	200601-200906	74002897 Forum Syd 06-08 SouthSEKA	A	2 536	2 536	0	0	0	0				
				07 Infrastructure Total								2 536	2 536	0	0	0	
				08 Trade, business & fin. syst	743	A7401785 PMU frame 2005-2006	200501-200803	74002685 PMU frame 2005-2006 South	A	50 725	50 722	0	0	0	0	0	
						A7401908 Avtal om Rambidrag ForumS	200601-200906	74002897 Forum Syd 06-08 SouthSEKA	A	0	0	0	0	0	0		
						A7402218 PMU frame 2007-2009	200612-200906	74003115 PMU frame 2007-2009	A	182 754	58 630	17 160	59 238	62 920	0		
						A7402236 Underavtal SHIA 2007-2009	200612-201006	74003089 SHIA fram 2007-2009	A	115 585	37 444	9 162	36 649	41 492	0		
				08 Trade, business & fin. syst Total								349 064	146 796	26 322	95 887	104 412	0
				09 Natural resources&envi ronm.	743	A7401785 PMU frame 2005-2006	200501-200803	74002685 PMU frame 2005-2006 South	A	238 408	238 394	0	0	0	0	0	
						A7401908 Avtal om Rambidrag ForumS	200601-200906	74002897 Forum Syd 06-08 SouthSEKA	A	0	0	0	0	0	0		
						A7402218 PMU frame 2007-2009	200612-200906	74003115 PMU frame 2007-2009	A	253 044	81 180	23 780	82 022	87 120	0		
						09 Natural resources&envi ronm. Total								491 452	319 574	23 760	82 022	87 120	0
				11 Other	743	A7401785 PMU frame 2005-2006	200501-200803	74002685 PMU frame 2005-2006 South	A	390 584	390 560	0	0	0	0	0	
						A7401908 Avtal om Rambidrag ForumS	200601-200906	74002897 Forum Syd 06-08 SouthSEKA	A	0	0	0	0	0	0		
						A7402217 Diakonia frame 2007-2009	200612-200807	74003889 Diakonia frame 2007	A	819 731	808 185	0	0	0	0		
A7402218 PMU frame 2007-2009	200612-200906	74003115 PMU frame 2007-2009	A			281 160	90 200	26 400	91 136	96 800	0						
11 Other Total								1 514 576	1 295 457	27 993	97 510	104 016	0				
Non-governmental organisations Total								19 170 176	10 934 105	1 058 332	3 871 817	4 224 000	0				
Research	03 Research	757	A7500376 LKA, 2003-07. General agr	200310-201012	75007285 2003-07 General agreement	A	2 250 000	963 496	0	536 505	500 000	250 000	0				
			A7500377 LKA 2003-07 Uni Colombo	200310-201012	75007336 NARA Workshop	A	280 000	280 000	0	0	0	0					
			A7500378 LKA 2003-07 Uni Jaffna	200310-201012	75007314 03 Colombo	C	4 419 000	4 419 000	0	0	0	0					
					75007321 Biotechnology 04-10	A	6 035 000	5 642 982	0	382 019	0	0					
					75007322 Split PH progr 04-10	A	12 833 000	8 425 665	0	1 076 000	2 557 335	774 000					
					75007323 Networking univ. 04-10	A	9 333 000	4 400 000	0	4 933 000	0	0					
					75007324 Library support 04-10	A	4 700 000	4 499 987	78 201	200 013	0	0					
			A7500379 LKA 2003-07 Uni Peradeniy	200310-201012	75007325 Staff develop 04-10	A	3 250 000	2 628 995	0	621 005	0	0					
			A7500379 LKA 2003-07 Uni Peradeniy	200310-201012	75007316 Thermostable 03-10	A	5 765 163	3 723 394	0	633 000	800 000	608 769					
					75007317 03 Peradeniy	C	2 045 000	2 045 000	0	0	0	0					
					75007328 Social reconstruct. 04-07	A	5 606 272	5 230 272	-848 966	373 000	0	0					
					75007329 Electrical eng 04-10	A	8 142 995	8 142 995	0	0	0	0					

Planning Overview 2006

5

2008-05-22

ALLOCC FRAME	ALLOCATION ACCOUNT	SIDA MAIN SECTOR	RESP UNIT	AGREEMENT ID AND TITLE	AGR PERIOD	CONTRIBUTION ID AND TITLE	STATUS	DAA TOTAL	OUTCOME UP TO AND INCL. 2007	OUTCOME 2008	FC 2008	FC 2009	FC 2010				
OUTSIDE	Research	03 Research	757	A7500380 LKA 2003-07 NSF Jayewardene	200310-201012	75007318 NSF 03-10	A	2 825 990	2 824 681	0	0	0	0				
				A7500472 ERD/Univ. of Ruhuna	200606-200903	75007315 03 Jayewardenapura	C	618 000	618 000	0	0	0	0				
						75007326 Social health 04-10	A	6 567 000	5 691 663	0	500 000	375 337	0				
						75007327 Regional imb 04-10	A	5 184 455	3 231 519	0	1 369 470	450 000	133 466				
						75007320 06-08 Ruhuna	A	4 426 000	2 314 832	0	2 111 168	0	0				
						75007319 Kelaniya 07-08	A	3 600 000	1 813 169	0	1 786 831	0	0				
				03 Research Total								87 880 875	66 895 650	-770 765	14 532 011	4 682 672	1 766 235
				Research Total								614 516 496	511 372 095	2 645 099	56 681 968	27 856 672	14 616 235
				Grand Total								1 329 831 961	969 714 755	7 487 882	148 977 852	156 109 673	25 914 899



Country report - Sri Lanka

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C

Region/Country: Sri Lanka

Other: (agr end > 200700 or Outcome < 0)

Responsible Unit (All)

Allocation Frame			Data			
Allocation Account	Main Sector	Outcome 2007	Outcome 2008	FC 2008	FC 2009	
Inside country allocation	15515 Sri Lanka	03 Research	0	0	0	0
		04 HR & Democratic governance	42 794	1 364	32 284	22 750
		05 Conflict, peace & security	8 658	0	6 933	6 503
		06 Humanitarian assistance	-3	0	0	0
		07 Infrastructure	22 002	1 997	28 000	83 000
		08 Trade, business & fin. syst	18 441	1 400	20 744	12 000
		09 Natural resources&environm.	0	0	0	0
		11 Other	6 894	82	4 335	4 000
	15515 Sri Lanka	Total	98 787	4 843	92 296	128 253
Inside country allocation Total			98 787	4 843	92 296	128 253
Outside country allocation	15541 Concessionary credits	02 Education	412	261	350	350
		07 Infrastructure	29	0	15 000	0
		09 Natural resources&environm.	18 990	117	18 968	18 600
	15541 Concessionary credits	Total	19 432	378	34 318	18 950
	15551 Research	03 Research	11 735	-771	14 532	4 683
	15551 Research	Total	11 735	-771	14 532	4 683
	15561 Non-governmental organisations	01 Health	323	95	329	350
		02 Education	1 253	360	1 267	1 358
		04 HR & Democratic governance	5 495	519	1 980	2 198
		05 Conflict, peace & security	187	6	21	22
		07 Infrastructure	-1	0	0	0
		08 Trade, business & fin. syst	96	26	96	104
		09 Natural resources&environm.	81	24	82	87
		11 Other	896	28	98	104
	15561 Non-governmental organisations	Total	8 331	1 058	3 872	4 224
	15571 Humanitarian assistance	05 Conflict, peace & security	1 247	0	0	0
		06 Humanitarian assistance	19 618	1 980	3 960	0
	15571 Humanitarian assistance	Total	20 865	1 980	3 960	0
Outside country allocation Total			60 363	2 645	56 682	27 857
Grand Total			159 149	7 488	148 978	156 110

Annex 4

Serious Audit Findings and Suspected Corruption

Two special cases of suspected corruption continued to be investigated during 2007. In the most serious case, around 380,000 SEK was spent 2003–2006 in ineligible or non-documented ways by the University of Peradeniya, with another 840,000 SEK in balance funds on the project account frozen since August 2006. After serious delay, the University submitted additional supporting documentation in October 2007, but the audit firm (PricewaterhouseCoopers) concluded that it was only marginally adequate and relevant. On November 9, the Embassy requested repayment before December 14 of the frozen balance funds plus interest, and on November 26 the External Resources Department (ERD) of the Ministry of Finance and Planning put additional pressure on the University to repay without delay. However, due to prolonged Central Bank clearance, 848,966 SEK was repaid to Sida only in February 2008.

The tactic chosen by the Embassy in consultation with Sida Sarec and EVU, was to first bring home the balance funds, and only thereafter make claims for the wrongly used 380,000 SEK (or more precisely 6,208,637 LKR). This will be a very complicated and time-consuming exercise, and it should ideally be managed by Sida HQ. The Embassy will anyhow contract its local lawyer to make an assessment of the legal options available. The ERD has indicated that repayment from the Treasury is not an option since the funds were not routed in an aligned way via the Treasury.

The other case of suspected corruption is the Early Childhood Development Programme managed by Save the Children and implemented by the Eastern University in Batticaloa. On the basis of a KPMG Ford Rhodes Thornton audit, the Embassy requested repayment of 380,655 LKR on November 23, 2006. Since then, the University has done nothing to repay. The ERD has been informed and asked for assistance, but so far without any known action taken. This case is particularly troublesome given the conflict context in the East. In addition, the bilateral phase out reduces the Sri Lankan incentive to ensure repayment. Also this is a case that ideally should be managed by Sida HQ. So far, the only positive aspect in this unfortunate story is that Save the Children repaid 1,935,917 SEK in unused balance funds in April 2007.

It should also be mentioned that the Swedish National Audit Bureau in October 2007 found out that a 120-page management letter by PricewaterhouseCoopers on the capacity building programme managed by

the Federation of Chambers of Commerce and Industry (FCCISL), despite a range of serious audit findings, had been effectively ignored by the Embassy since March 2006. While a clear case of incompliance with Embassy's anti-corruption work plan (valid since April 2006), the overdue follow up process in late 2007 revealed that all serious audit queries could be legitimately explained and sorted out, and indeed as revalidated by PricewaterhouseCoopers itself. While certainly not an excuse for ignoring for eighteen months a management response process, this turn out is one of many examples in the Embassy's portfolio where serious audit queries are revalidated and not reconfirmed through additional external control. It is also yet another example of an audit firm using trainee staff for auditing of the 2005 period, but whose findings could not be reconfirmed by the more senior staff engaged from 2006 onwards. The Embassy had precisely the same problem with the Pricewaterhouse-Coopers audits of the 2003–2004 research cooperation programme, which also were reported in early 2006.

Annex 5

QA-reporting

In line with the Embassy's Quality Assurance System (approved on 2007-10-09 and updated on 2008-04-21), the controller function should (routine 9.1) produce a quality assurance report as an annex to the Embassy's annual report to Sida.

1 Initial and in-depth assessments

Due to the planned phase-out of the bilateral cooperation, the Embassy only assessed two programmes in 2007 with >3 million SEK budgets: the final phase of the regional chambers programme (FCCISL) which was assessed, decided and agreed in December, and the continued phase of the core support to INPACT. The EPAC was however not formally engaged as per its full instruction (routine 1.2) to review these assessments.

In the case of FCCISL, the controller function did a special review of the draft agreement in order to ensure that reporting clauses did not imply any risk to a completed phase out by December 2010, and that conditions regarding full and final clearance from audit suspicion raised by PricewaterhouseCoopers in March 2006 before any disbursements could be made. The importance of the conditions regarding audit clearance was particularly crucial since the Swedish National Audit Bureau two months earlier found out that the mentioned audit had not been acted on. The Embassy therefore consulted JUR and EVU, which both approved the proposed clauses, before the agreement was signed. The reason the EPAC was not fully activated was that the assessment period had been desperately delayed by the audit process hick-up. In fact, the consultation with Sida, the decision, and the signing of the final agreement, all happened in four days (December 3–6).

In the case of INPACT, it is currently unclear to the Embassy why the assessment was not appraised by the EPAC. The assessment was finalised in May, and the decision made the same month. Perhaps the Embassy assumed that an EPAC appraisal was not needed since the EPAC had appraised the previous INPACT support in April 2005. If so, that is wrong and incompliant with the approved EPAC routine.

Note that the Diakonia and Accreditation contributions were assessed by the Embassy as well as appraised by the EPAC in 2006, although decisions were made in early 2007. It can perhaps also be noted that in 2004–2006, the EPAC met on 27 occasions, with 25 documented and standardised minutes as products.

2 Decision making and documentation management

There are three >3 million SEK decisions (Diakonia, Accreditation and FCCISL) made in 2007, apparently using the right decision template (routine 2.1). There are however a couple of decisions on <3 million contributions for which the wrong template was used: for the CHA membership fee (3,000 SEK), for a police seminar (40,000), for a cost-extension of the Law & Society Trust programme (50,000), and for the new contribution to the Rajee Foundation (550,000).

As indicated by the handwritten decision numbers on the decision originals, the instruction (routine 2.3) to not take decision numbers from the shared decision database before signed is largely, but not always, followed. There seem to be no decision number confusion despite partial incompliance.

The decisions on delegations are not all filed in separate in and out files as per instruction (routine 2.5). In fact, most such decisions were (April 2008) still found in the original base decision file.

3 Management of agreement and contract conditions

The conditions of all new agreements were entered in the Embassy's database (routine 3.1). Also, all conditions of new agreements from April onwards were entered in PLUS as per EVU requirements (routine 3.2). By the end of the year, there were 741 agreement conditions and 84 contract conditions listed in the accumulated database covering valid agreements and contracts since January 2006. There were also 28 agreement conditions listed in PLUS under two agreements (FCCISL and Conflict Transformation). As far as the Embassy is aware, there are no agreements that should have been, but were not, covered by these two controlling systems.

4 Payments of requisitions and invoices

The controller function has not made a systematic follow up of Embassy compliance with the payment instructions (routines 4.1–4.6), but knows for a fact that there are no cases where payments have been made despite serious audit findings not cleared. There are however two cases where payments have been made despite the absence of audit statements from the penultimate activity period. The two cases are Transparency International Sri Lanka's value-for-money audit of Tsunami rehabilitation (whereby 186,000 was paid in 2007 although the 746,000 payment in 2005 had not been audited) and the Central Bank Programme (whereby 41,000 was paid in 2007 although the 463,000 payment in 2005 also had not been audited). In both of these cases are audits being done of all payments made.

5 Financial follow up and forecasting

Financial follow up on a monthly basis (routine 5.1) has been done. Forecasting (routines 5.2–5.3) has also been done as per instruction for quarterly forecasts and monthly after August. The final country allocation disbursement for the year was 98 million, with forecasts ranging from 107 million in March, to 91–97 million from April to November.

6 Auditing and corruption control

In 2007, also because of the planned arrival of the Swedish National Audit Bureau (SNAO), the Embassy made an inventory of audits made in its country allocation portfolio. The Embassy also consulted EVU about the practical meaning of Sida's audit policies, and the implications

of important aspects related to the audit clause in the specific agreement template. The conclusion was that 98% of all payments made in 2005 had been subject to financial audit statements, and 70% to management letters or audit memoranda. For 2006, the same relations were 47% and 44% respectively. This indicates two problems.

First, the Embassy has not complied fully with the requirement of annual periodicity, mainly because the audits of the research cooperation portfolio had to be combined (i.e. through combined audits of the 2006 and 2007 periods in one audit-go in 2008). Second, while financial audit statement coverage is good, the management letter or audit memoranda coverage is suboptimal. The main reason, even if stupid, is that the Embassy had misunderstood the audit requirement for auditing of core support to CSOs which are subject to annual statutory audits in accordance with Sri Lankan accounting standards (which comply with internationally accepted standards). In short, the Embassy had not fully understood that such auditing is insufficient to Sida, and that management letters or audit memoranda, through approval of audit engagements, always must be added to the statutory audit procedures, i.e. always and not only on the basis of risk and importance, or as indicated by the annual audit statement. In fact, even the Embassy's quality assurance system, originally approved in October 2007, one week before the arrival of the SNAO, documents this misunderstanding.

On the more positive side, it can be noted that several CSOs have changed auditor, and now engage one of the big-four firms with international affiliation (routine 6.2), and also that there are no major difficulties in terms of management response processes to management letters or audit memoranda (routine 6.7): partner organisations are for obvious reasons very quick to respond to all sorts audit queries.

For more details, see Annex 4 (and routine 6.11).

7 Results assessment and rating

Throughout 2007, the Embassy continued its results assessment of the 2003–2007 country strategy portfolio. The only major deviation from the instruction is the timing of the end product (routine 7.5) which has been re-scheduled to July 2008. By April 2008, 86% of the planned assessment and rating coverage of 1,1 billion SEK had been concluded as per the Embassy's format and standard.

8 Dialogue and harmonisation

Dialogue activities have been almost exclusively focused on aspects related to human rights, escalating conflict and related humanitarian problems (routine 8.2).

9 Registration and archiving

No systematic overview or reform has been made of the archive, but the Embassy can itself conclude that it is way easier to find documents in the archive than the Swedish National Audit Bureau pretended it was.

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.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 20 88 64
sida@sida.se, www.sida.se