

Third Party Evaluation FY 2007  
The Ministry of Foreign Affairs of Japan

# Country Assistance Evaluation of Sri Lanka

## Summary

March 2008

## Preface

This report is a summary of the Country Assistance Evaluation of Sri Lanka undertaken by the External Advisory Meeting on ODA Evaluation requested by the International Cooperation Bureau of the Ministry of Foreign Affairs of Japan.

Japan's Official Development Assistance (ODA), since its commencement in 1954, has contributed to addressing the international and domestic issues which vary with the times. Recently, there have been increased domestic and international calls for more effective and efficient implementation of assistance. The Ministry of Foreign Affairs, as the coordinating ministry for ODA, has been conducting ODA evaluation mainly at the policy level with two main objectives: to support the implementation and management of ODA and to ensure its accountability.

This evaluation study was to examine Japan's assistance policy to Sri Lanka under the Country Assistance Program formulated in April 2004 and the other relevant ODA policies toward Sri Lanka formulated and implemented during the period of 2002 to 2006. The study concentrated on the following aspects: relevance of the policies; appropriateness of process of planning and implementation; and effectiveness of the results. The study focused on obtaining lessons to make suggestions for enhancing policy formulation and implementation of development assistance in the future. The results of the study were publicized to ensure the accountability.

The External Advisory Meeting on ODA Evaluation, which was formed, as an informal advisory body of the Director-General of the International Cooperation Bureau of the Ministry of Foreign Affairs of Japan, to improve the objectivity in evaluation. The Meeting is commissioned to conduct an evaluation of ODA and to report results and recommendations to the International Cooperation Bureau of Ministry of Foreign Affairs. Prof. Masato Noda, a member of the Meeting, Trustee of the Nagoya NGO Center, and Associate Professor of the Chubu University, was in charge of this evaluation.

Ms. Etsuyo Arai, Research Fellow of the Institute of Developing Economies, being an advisor to the study, made enormous contribution to this report. Likewise, the Ministry of Foreign Affairs, the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC) and the ODA Task Force<sup>1</sup> also gave their cooperation. We

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<sup>1</sup> ODA Task Forces are the coordination bodies of all the Japanese concerned agencies, which are set up in the field in order to achieve efficient and effective development assistance. As of 2007, ODA Task Forces have been established in more than seventy countries including Sri Lanka.

would like to take this opportunity to express our sincere gratitude to all those who were involved in this study. The ODA Evaluation Division of the International Cooperation Bureau of the Ministry of Foreign Affairs was in charge of coordination. All other supportive works were provided by KRI International Corp. under commission of the Ministry of Foreign Affairs.

Finally, we wish to add that the opinions expressed in this report do not necessarily reflect the view or position of the Government of Japan or any other institutions.

March 2008

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## Country Assistance Evaluation of Sri Lanka Summary

<p><b>1 . Theme:</b> Evaluation of Country Assistance Policies</p>	
<p><b>2 . Country:</b> Sri Lanka</p>	
<p><b>3 . Evaluators:</b></p> <p>(1) Chief Evaluator: Prof. Masato Noda (Trustee, Nagoya NGO Center/Associate Professor, Chubu University)</p> <p>(2) Advisors: Ms. Etsuyo Arai (Research Fellow, Institute of Developing Economies)</p> <p>(3) Consultants: KRI International Corp.</p>	
<p><b>4 . Period of Evaluation Survey:</b> June 2007 - February 2008</p>	
<p><b>5 . Description of Evaluation:</b></p> <p><b><u>(1) Background:</u></b></p> <p>Sri Lanka has been exhibiting a high level of achievement in terms of its social development relative to its level of economic development. At the same time, Sri Lanka has been struggling with a long-lasting civil conflict between the Government and the Liberation Tigers of Tamil Eelam (LTTE). Japan has been the top ODA donor to Sri Lanka, underlining the historic good diplomatic relation between the two countries. In 2004, Japan published a Country Assistance Program (CAP) for Sri Lanka designed to achieve the two Assistance Policy Goals, namely: consolidation of peace and reconstruction, and assistance in line with Sri Lanka's mid- and long-term vision. The CAP is based on Japan's Official Development Assistance Charter published in 2003, which highlights peace-building as a priority issue, and Japan's diplomatic efforts to assist the peace process, such as by co-chairing the International Conference on Reconstruction and Development of Sri Lanka after the ceasefire agreement (CFA) between the Government and LTTE in 2002.</p> <p><b><u>(2) Evaluation Objectives:</u></b></p> <p>a. To conduct an overall evaluation of Japan's ODA policies for Sri Lanka, centering on the Country Assistance Program (CAP) formulated in April 2004, and to derive lessons learned and recommendations contributing to the formulation of effective and efficient</p>	

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policies for Japan's future assistance to Sri Lanka, including revision of the CAP.

b. To provide accountability to Japanese citizens by widely disseminating evaluation results, and take responsibility for providing feedback on evaluation results to related stakeholders in the Government of Sri Lanka, other donors, and NGOs in Sri Lanka.

**(3) Evaluation Scope:**

This Evaluation addresses Japan's overall ODA policies for Sri Lanka, centering on the CAP formulated in April 2004. It covers the period from 2002 (when preparation for the CAP was initiated) to 2006. It also reviews ODA projects such as Japanese ODA loan projects, grant aid projects, and technical cooperation projects started since 2002.

**(4) Evaluation Methodology:**

Based on the evaluation guideline of the Ministry of Foreign Affairs (ODA Evaluation Guideline, Third Edition, May 2006), this study has made comprehensive analyses with respect to the three main issues, namely: "relevance of policies", "appropriateness of processes" and "effectiveness of results." Based on this analysis, suggestions for Japan's assistance policy were made.

**6. Evaluation Results:**

**(1) Relevance of ODA Policy:**

Japan's ODA policy toward Sri Lanka during the period evaluated, a period which highlighted Japan's contribution to peace building, can be seen as adequate and appropriate given Japan's role as the top foreign assistance donor. First, the CAP for Sri Lanka was consistent with Japan's higher-level aid policies—the ODA Charter and the ODA Medium Term Policy, which identify poverty reduction, sustainable growth and peace building as key priority issues. Second, the CAP for Sri Lanka maintained Japan's active involvement and contribution to establishing peace. It also supported the Declaration at the International Conference on Reconstruction and Development of Sri Lanka held in June 2003.

The CAP also reflected key international development needs and issues such as the Millennium Development Goals (MDGs) and viewpoint of human security. In general, the CAP was consistent with the three main national development policies of the Government of Sri Lanka during the period of the evaluation, namely *Regaining Sri Lanka*, the *New Economic Framework*, and *Mahinda Chintana: 10-Year Framework for Development*.

Japan's ODA made the most of its comparative advantages characterized by large

financial resources and diverse support modalities. On the other hand, Japan's ODA policies are also consistent with the assistance policies of other donors especially those of the World Bank and the Asian Development Bank. It also has sufficient complementarities with other donors' assistance programs.

However, the CAP addressed too many goals in the various sub-sectors under the strategic and priority sector goals, and with unclear prioritization among them; it is therefore necessary to clarify priorities and select priority sub-sectors to be assisted in future. In light of the development needs of Sri Lanka given the conflict situation, special attention should be placed on the perspective of human security which is addressed by Japan's key ODA policies.

## **(2) Appropriateness of Processes:**

### **1) Appropriateness of the Process of Policy Formulation**

The policy formulation process for the CAP involved collecting the views of various stakeholders, including not only Japan's relevant ministries and government agencies but also NGOs and private companies who have knowledge concerning Sri Lanka. At the same time, dialogue and coordination with the Government of Sri Lanka was started during the early stage of the policy formulation process. Some Sri Lankan NGOs have profound experience and knowledge regarding the relevant development issues as well as policy formulation capacities. Moreover, in light of the fact that regional disparities are a significant problem faced by Sri Lanka, it would be further recommended to establish a system whereby the views and knowledge of such NGOs can be effectively utilized. At the same time, the views of local governments should also be incorporated, given the fact that they are working closely with the grassroots-level.

The length of time required for the policy development process should be minimized: the current CAP took a year and 10 months. The duration of time should be shortened by minimizing the time required for coordination among Japan's relevant ministries and government agencies.

The ODA Task Force in Sri Lanka (the Sri Lanka-based task force comprising the Embassy of Japan in Sri Lanka and local representative offices of JICA, JBIC and JETRO) functioned effectively to adjust ODA policies to newly adopted Sri Lankan government development policies and emerging assistance needs in the wake of the Tsunami disaster. For the future revision of the CAP, the locally accumulated knowledge and experiences within the ODA Task Force should be fully utilized.

It was observed that the close interaction between Japanese ODA implementing agencies and Sri Lankan counterpart agencies generated a good understanding on the part of Sri Lankan Government officials toward the principles of Japan's ODA policy. However, it was also observed that they were not sufficiently familiar with the CAP itself. While the dialogue and coordination efforts with the World Bank and ADB were observed during the process of developing the CAP and the Economic Assistance Policy Dialogue, communication with other donors may require some improvement: other donors revealed insufficient understanding regarding Japan's ODA policy.

Overall, feedback and communication with the Government of Sri Lanka as well as other donors after the launch of the CAP should be improved.

## **2) Appropriateness of the Process of Policy Implementation**

First, the appropriateness of the policy implementation process could be viewed as adequate, based on a review of the consistency of operational policies of the Japanese implementing agencies (JICA and JBIC) with the CAP. The gradual establishment of local operational capacity on the part of the implementing agencies can be recognised as contributing to effective policy implementation. During the process of developing projects, the Japanese and Sri Lankan counterparts took part in frequent informal dialogues and communication. These interactions were effective in ensuring the selection of projects reflecting Japan's ODA policy, whereas the ownership of the Sri Lankan side was also ensured. There is good evidence that local operational capacity building contributed to the effectiveness of the ODA policy implementation process: the Sri Lanka-based ODA Task Force has been effectively involved in prioritizing grant assistance and technical cooperation projects, and JICA's recent operational policy toward strengthening local operational capacity was also recognised as a contributing factor for effective and efficient project formulation and implementation. Some good examples of coordination and collaboration between various projects and aid modalities were also observed, which can be recognised as a good sign of the effectiveness and efficiency of Japan's ODA.

In order to assist the institutional capacity development of Sri Lankan ministries and government agencies for project implementation, measures such as dispatching JICA experts and capacity development components within Japanese ODA Loans and technical cooperation have been undertaken. These measures should be considered effective; they are also well appreciated by the Sri Lankan side.

Through participation in the various aid coordination fora, Japanese aid agencies have been actively exchanging information and making efforts to coordinate activities with other donors. As a result, views and information were shared sufficiently with the international agencies that work in the same sub-sectors, such as the World Bank and ADB. However, there were some donors and agencies that did not exhibit sufficient understanding toward Japan's ODA policy, partially due to a lack of sufficient sharing of information. Therefore, it may be necessary to raise understanding of Japan's policies through improved communication. Furthermore, as the largest donor, Japan should take a leading role in terms of donor coordination efforts.

Collaboration with NGOs was observed to be satisfactory in general, with evidence of utilizing various means of collaboration such as providing funds for their activities, NGO's cooperation on certain aspects of Japan's ODA loans and technical cooperation projects, and exchanges of information and opinions. Further efforts would be desirable, however, in order to improve the system to build on the experiences, skills and knowledge of Sri Lankan NGOs.

### **(3) Effectiveness of Results:**

#### **(3-1) Japan's Contribution to Sri Lanka's National Development Finance**

Japan's ODA made a significant financial contribution, accounting for an average of 6 to 7% of the annual development budget of the Government of Sri Lanka.

#### **(3-2) Contribution of Japan's ODA in Priority Areas**

i) It was observed that Japan's ODA toward the reconstruction of the Northern and Eastern provinces gained high recognition and appreciation through its assistance utilizing various aid modalities and based on an appreciation of the regional and ethnic balance.

ii) The contribution of Japan's ODA to the development of economic infrastructure such as roads, electricity, water and sanitation was found to be high. Therefore, positive impacts are expected for the socio-economic development of targeted project areas.

iii) The financial contribution of Japan's ODA toward the industrial and construction sub-sectors has been large relative to other donors' contributions and the Government of Sri Lanka's national development budget. The vocational training sub-sector has been also assisted with three projects. Therefore, although no visible impact is yet to be observed, some positive impact can be expected in the future.

iv) Japan has been providing assistance to the area of poverty reduction, paying keen

attention to regional and ethnic balance. On a financial basis, the degree of contribution toward the sub-sectors of agricultural development and irrigation has been high. In the health sub-sector, the sector master plan developed with the assistance of Japan's ODA has been utilized.

Reconstruction after the Tsunami has been effectively assisted, from emergency relief to mid- and long-term development, utilizing various assistance modalities.

### **(3-3) The Degree of Achievement of ODA Policy Goals**

#### **i) Consolidation of Peace and Reconstruction**

There is extremely limited socio-economic data available to compare the situation before and after the CFA in February 2002. The conflict situation at the time of the Evaluation of the Country Assistance Program was worse than the time of the formulation of the CAP: the CFA was terminated in January 2008 by the Government of Sri Lanka. Therefore, the extent of the contribution of Japan's ODA for achievement of this goal is difficult to measure. On the other hand, assistance provided in the areas which are under the control of the LTTE was observed to be effective in promoting mutual understanding and confidence-building among ethnic groups. This assistance is regarded as effective in helping remove the factors inducing conflict and generating an environment for peace building.

#### **ii) Sustainable Development**

Despite the Tsunami disaster and the worsening conflict situation, Sri Lanka during the evaluation period exhibited steady economic growth as well as social development. It could be assumed that Japan's long-term assistance might influence Sri Lanka's high achievement of economic and social development, although it is not possible to verify this quantitatively. As explained earlier, Japan provided assistance based on a consideration of regional and ethnic balance. In order for this assistance to achieve its desired effect, however, it would be necessary first to complete all the on-going projects.

#### **iii) Realizing Human Security**

Japan has been supporting the reconstruction and redevelopment of the Northern and Eastern Provinces. Working in the area of rural community development and livelihood development, Japan also provided assistance that could directly benefit marginalized populations such as plantation workers. These types of support are considered to be effective in improving the quality of life of those who are under threat, although incrementally. This assistance can therefore be regarded as effective in terms of

achieving human security.

## **7. Recommendations**

### **(1) Recommendations Regarding the Country Assistance Program:**

#### **(1-1) Prioritization, Selection and Concentration Based on the Perspective of Human Security**

It is important to highlight the “achievement of human security” as a guiding principle for Japan’s ODA policy toward Sri Lanka, which is facing a conflict situation. Further efforts should be made to provide assistance which can directly benefit marginalized and vulnerable populations. At the same time, the assistance policy should include a strategy for how to generate synergies between assistance for both consolidating peace and sustainable development. Furthermore, based on the comparative advantages of Japan’s ODA established through the experience of long term assistance, the optimal sub-sectors for achieving the CAP’s strategic goals should be selected and prioritised.

#### **(1-2) Promoting Strategic Synergies Between the ODA Policy Goals of Consolidating Peace and Achieving Sustainable Development**

Two ODA policy goals established by the CAP are equally important for the development of Sri Lanka. However, in order to have a positive effect and promote synergies in terms of efforts to achieve both goals, the implementation of ODA policies should be more strategic, taking into account the following points:

- i) In the peace-building process, the commitment and efforts of concerned parties toward reconciliation is indispensable and is a precondition for development. ODA can, however, promote peace through the following two means.
- ii) As the peace building process progresses, ODA can be utilized to promote the process by indicating visible “dividends of peace.” It is expected to contribute to generate a sense of security among the concerned parties and affected populations and, furthermore, some starting point for reconciliation.
- iii) ODA can also promote development not only in the conflict-affected Northern and Eastern Provinces, but also throughout the country considering the ethnic and regional balance. This effort is expected to be a preventive measure to eliminate the causes of conflicts which are rooted in pervasive poverty and inequality.

#### **(1-3) Sustaining Efforts for Consolidating Peace with Communication and Dialogue**

The conflict in Sri Lanka is characterised by recurrent improvement followed by

deterioration. Enduring efforts and sustained communications with the parties involved in the conflict will be required in order to eventually promote initiatives for consolidating peace. In this respect, Japan's current approach of ongoing communication with concerned parties and continuous support should be sustained further in the future.

#### **(1-4) Improvements Required in Terms of Policy Management**

In order to operate ODA policy management along the desired PDCA cycle ("plan", "do"/implementation, "check"/monitoring and evaluation, "action"/feedback to the plan and further actions), the structure of the CAP may require the following improvements:

i) setting clear goals and indicators that concretely represent the state of the achievement; ii) optimization of the hierarchy of objectives and selection of sub-sectors; iii) improvement of monitoring and evaluation mechanisms for the CAP including the introduction of the mid-term policy review based on practical procedures; and iv) reviewing the timing of the impact evaluations. In terms of target indicators, the numerical targets set by the national development policies of the Government of Sri Lanka should be considered for use. Sufficient coordination and consensus building with the Sri Lankan side is, of course, necessary in terms of setting any target indicators.

#### **(2) Recommendations on the ODA Policy Formulation Process:**

##### **(2-1) Speeding Up the Process**

Streamlining the process of ODA policy formulation and shortening its period (within a year is desirable) will be required in order to match the ongoing changes in needs and evolving situation in Sri Lanka.

##### **(2-2) Involvement of Different Stakeholders**

In order for the ODA Task Force to function fully in revising the CAP in the future, the degree of its involvement and authority should be clarified. It will be necessary to establish a mechanism to incorporate the views not only of relevant ministries and agencies of the central government, but also of local governments, other donors, and NGOs.

##### **(2-3) Promoting Understanding of Japan's ODA Policy**

After revision of the CAP, it will be important to publicize the revised version not only to relevant ministries and agencies of the central government, but also to local governments, other donors, and NGOs, in order to promote their understanding concerning Japan's ODA policy. Measures for public relations activities should be re-examined (e.g., access to the CAP through the website of the Embassy of Japan in

Sri Lanka).

**(3) Recommendations Concerning the ODA Policy Implementation Process:**

**(3-1) Strengthening the Functions of the ODA Task Force**

The social and political situation in Sri Lanka, including the conflict situation, is rapidly evolving. Therefore, it will be important to establish a system which could flexibly and appropriately match these changes. Since the ODA Task Force is familiar with the actual situation and needs of Sri Lanka, it will be effective to promote the further involvement of the ODA Task Force in the ODA policy implementation process. Therefore, with the coming merger of JICA and JBIC it will be necessary to institutionalize (clarify the authority and responsibilities) and strengthen the functions of the ODA Task Force.

**(3-2) Strengthening the Monitoring and Evaluation System**

In order to establish a more efficient and effective monitoring and evaluation system which would meet field-level needs, the further involvement in monitoring and evaluation processes on the part of JICA and JBIC field offices, as well as enhanced collaboration with Sri Lanka's Ministry of Plan Implementation, should be pursued. In order to ensure accountability and sharing of information among stakeholders concerning assistance for Sri Lanka target and target sectors, the system for managing and publicizing the results of these monitoring and evaluation efforts should be further improved.

**(3-3) Strengthening Collaboration among Different Projects, Aid Modalities, and Sectors**

Considering the trend of a decreasing ODA budget, efficient and effective collaboration among different projects, aid modalities, and sectors should be promoted.

**(4) Enhancing the Quality of Social Development and Promoting South-South Cooperation:**

Although Sri Lanka has a good reputation for its high-level social development, further assistance to enhance its performance will be necessary. It is also important to continue supporting Sri Lanka to become a center for South-South cooperation, which would connect African countries to Asian ones for their mutual benefit.

**(5) Recommendations Regarding Donor Coordination:**

Japan, as the top donor, has made significant contributions to the development of Sri Lanka, based on a long-term perspective. Japan should endeavour to assist other donors to understand Japan's ODA policy and directions in implementing Japan's ODA policy toward Sri Lanka. Japan, as the top donor, should also demonstrate leadership in terms of donor coordination, and should enhance its presence in the donor community.

**(6) Promoting Collaboration with NGOs and Local Government:**

It is important to promote assistance at the grass-roots level based on an appreciation of regional and ethnic balance, as well as the needs of marginalized people. In this regard, it is desirable that strategic collaboration with NGOs and local governments should be strengthened. It will be necessary to examine improvements of Japan's ODA modalities for grassroots human security grant aid, grant assistance for Japanese NGO projects, and grassroots technical cooperation schemes, in order for NGOs to utilize these modalities efficiently and effectively, while ensuring transparency in terms of the funding provision process as well as the system of managing these aid modalities. For the purpose of promoting collaboration with appropriate NGOs/CBOs, it is important to build a system for accumulating information on NGOs/CBOs and defining their roles in Japan's ODA policies.

(Note: The opinions expressed in this summary do not necessarily reflect the views and positions of the Government of Japan or any other institutions.)

**Photo of the Field Survey**



Department of External Resources (ERD),  
Ministry of Finance and Planning



JBIC Representative Office in Colombo



Department of National Planning (NDP),  
Ministry of Finance and Planning



JICA Sri Lanka Office



National Water Supply and Drainage Board  
(NWSDB)



Sarvodaya Shramadana Movement



Nuwara Eliya Municipal Office



Project Site Visit: Nuwara Eliya Sanitary Landfill  
(sewage treatment)



Project Site Visit: Nuwara Eliya Sanitary Landfill  
(medical waste disposal)



Project Site Visit: After-TEA Project  
(grassroots technical cooperation)



Project Site Visit: Gamini Dissanayake  
Institute of Technology & Vocational Studies



Project Site Visit: Faculty of Dental Sciences,  
University of Peradeniya

