

*This document is an abstract of the Report of the **European Parliament** Committee on Development on the Assessment of draft Country and Regional Strategy Papers/Indicative Programmes.*

This has been prepared by Working Groups on the Implementation of Regulation No. 1905/2006 of the European Parliament and of the Council of 18 December 2006 Establishing a Financing Instrument for Development Cooperation.

SRI LANKA

Focal sectors

Indicative allocation envisaged (2007-2013): €112 million

- **Focal areas**

Support to prevention and poverty reduction in the North and East through sustainable integrated district development (measures ranging from road rehabilitation to support to good governance and sustainable development in focal areas).

- **Non-focal areas**

- Trade support (under the Generalised System of Preferences scheme);
- Promotion of good governance (electoral reform, human rights monitoring, advocacy and conflict resolution).

Higher education is to be financed within the context of regional programming for Asia.

The focal sector of the CSP aims to contribute to conflict and poverty reduction in a few chosen areas of Sri Lanka's particularly afflicted North and East. It includes interventions in the areas of road and transport rehabilitation; the capacity-building component of the focal sector aims at improving district capacity to encourage and support economic and social development. In addition, this focal sector will consist of flanking measures supporting integrated development of districts - support for social and economic collective infrastructure, productive sector investments, support for pilot projects, encouragement of sustainable public support services.

The overall objective in the area of Trade and economic cooperation (non-focal sector), is to help Sri Lanka reap the benefits of further integration into the global trading system.

Support will include: trade and investment reform, sectoral diversification; market diversification, trade facilitation and custom support.

The CSP envisages, inter alia, to coordinate with SMEs to further the CSP's objective of promoting trade and economic growth in Sri Lanka, with the expected result of improved SME support institutions and services. Previous assistance in this sector included a Small Project Facility.

Activities under the non-focal area Good governance will include support to the independent Election Commission (if and when this is set up - if it is not established, the Commission will reconsider support in this area); support to the implementation of codes of conduct for political parties, independence of the media and the improvement of the voter register, and support to the respect for human rights and the setting up of monitoring mechanisms.

The CSP notes that, while Sri Lanka's record concerning gender inequalities is among the best in the region, discriminatory laws and social practices still exist. As such, gender has been mainstreamed as a cross-cutting issue.

Sri Lanka received €95 million for tsunami relief (2005-06), as well as €21 million for 2003-2006 under the Aid to Uprooted People budget; however, it is unclear if similar assistance is still being provided. It has received, and possibly still is receiving (although this is unclear) aid for mine action under ECHO and reconstruction budget lines, it has also received support under the EIDHR.

On many occasions, the CSP and the NIP mention the "flexible" approach to be followed while implementing the programmes: the EC will adapt its aid to the North and the East in each Annual Action Programme (AAP) in function of the political and security conditions on the ground, so as to cover more long term developmental work in calmer periods but also more conflict resolution type of support, focusing on communities in conflict and funding activities found under the Aid to Uprooted People programme during periods of greater instability.

The CSP/NIP also mentions the three possible scenarios according to which the support will change:

- uneasy peace - pursue regional development programmes;
- low intensity civil war - effort to keep vulnerable communities in place;
- full scale war - focus on uprooted communities and people, addressing their medium term needs in the host communities they flee to, which cannot be addressed by ECHO instruments.

The Committee on Development is generally satisfied with the areas of intervention proposed under the CSP. However, it stresses the importance of some crucial areas where a specific action is needed, such as addressing the problems of malaria. The committee intends to closely monitor these aspects as part of the ongoing structured dialogue.

DAC compatibility

From the objectives mentioned in the CSP, it would appear that the focal sectors are compatible with the requirement of DAC-ability as set out in the DCI.

There are some questions concerning the Good governance non focal area. The CSP states that within the overall objective of this non-focal sector due account shall be taken of the European Union Counter-Terrorism Strategy and the Relevant European Council Conclusions. The NIP contains no further reference to this Strategy; however, it mentions support for police reform and the strengthening of Tamil and Muslim access to government structures and services (within the support for conflict resolution and peace building).

No DAC codes are provided.

The Committee on Development has requested the Commission for more detailed information on the specific activities which will be subject to EC support for conflict resolution and peace building - and in particular in the area of police reform - since they are subject of its particular concerns. Further, the committee stresses the fact that the

concrete activities to be carried out in this field by the Commission must fully comply with the criteria for ODA eligibility. The committee intends to monitor this very closely as part of the ongoing structured dialogue, including during the process of examination the Annual Indicative Programme for Sri Lanka.

MDG profile

It is noteworthy that the country is either an earlier-achiever or on-track for a majority of MDGs. Annex 2 provides the data for Sri Lanka from the UNDP and Asia Development Bank's 2006 MDG progress report (which covers the figures for 2004).

The CSP underlines the fact that Sri Lanka has a very good record in the health sector. However, it mentions that public expenditure for health care has declined recently. In addition, it recognises that malaria represents a serious problem, which must be addressed more efficiently. Despite this fact, the Commission does not outline any specific measures in this respect.

In the area of education, the CSP emphasises the fact that Sri Lanka has achieved almost 100% primary school enrolment, and an impressive 75% (girls and boys) for secondary school enrolment. Despite high enrolment rates, children belonging to marginalised groups can nevertheless still find themselves outside the education system. While these groups may include IDPs, it is unclear if any actions in this field are foreseen under this CSP.

Combating HIV/AIDS has been mainstreamed as a cross-cutting issue in the programming process.

The Committee on Development is generally satisfied with the proposed MDG profile of the CSP. It expresses concerns about the lack of concrete actions in the fight against malaria, which is recognised indeed as a very problematic area. The committee requests further clarifications on this issue. It also stresses the importance of ensuring a better quality of education, as well as the need to ensure that children belonging to marginalised groups are not left outside the education system.

The committee recommends the inclusion of a MDG matrix, making it possible to monitor progress, and intends to closely monitor its implementation as part of the ongoing structured dialogue.

Budget support

The CSP does not explicitly mention the way of delivery of the financial allocations. However, it stresses that given the fact that the EC treats Sri Lanka as a conflict country still in crisis, it will ensure flexibility in the implementation of the assistance to meet demands on the ground and maintain effectiveness and efficiency of aid.

The Committee on Development invites the Commission to ensure that if and when budget support is used, this is done in full conformity with the DCI requirements.

Consultation/Donor coordination

The government was consulted through relevant Ministries: the former Ministry of Relief, Reconstruction and Reconciliation (RRR), the Ministry of Commerce and the Ministry of Finances. According to the NIP, discussions with the civil society take place regularly.

Despite this fact, the Commission does not provide any reports or evidence of these consultative meetings. Moreover, the CSP contains no reference to consultations held with the national parliament.

The CSP emphasises the fact the EC has a central position in donor coordination in Sri Lanka as it has taken over the chairmanship of the Bilateral Donor Group. Information on the specific areas of intervention of the different donors (including the EU Member States) is contained in two separate Annexes, namely Annex 3 - Overview of the EC assistance and Annex 5 - Other Donor Matrix. In addition, Annex 5 does not contain the date at which the Matrix was issued. Given the fact that the information is fragmented and not inclusive, it is very difficult to draw a conclusion on the place and the role of the EC assistance vis à vis the rest of the donor community and with respect to the achievement of the MDGs.

The Committee on Development expresses its particular concern about the fact that the national parliament of Sri Lanka was not included in the consultation process. It requests the Commission to provide a more comprehensive, consolidated donor matrix which would give a clearer picture of the EU financial allocations and activities in comparison to the other donors.

Conclusion

At this stage of the consultation process and on the basis of the documents received, the Committee on Development does not object to the CSP Sri Lanka in the framework of the comitology procedure foreseen under Article 35 of the DCI. However, the committee underlines the fact that during the process of examination of the Annual Action Programme for Sri Lanka particular attention must be given to the concrete activities that the Commission intends to carry out within the non focal area of Good governance as far as their compliance with the criteria for ODA eligibility are concerned.

The committee asks the Commission and Member States to take the remarks made above into account in their examination of the CSP Sri Lanka as well as for the implementation of CSP/NIP.