
**Country Partnership Strategy
for the Democratic Socialist
Republic of Sri Lanka**

2012-2016

Republic of Korea
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Executive Summary

The economy of Sri Lanka has been growing strongly in recent years driven by increasing tourism and rising exports of agricultural commodities. Yet despite this, the country still faces significant development challenges. Development cooperation will continue to play an important role in the medium term to help Sri Lanka deal with these challenges.

This Country Partnership Strategy (CPS) details how Korea intends to assist Sri Lanka to achieve its development objectives. It outlines the volume of assistance and the sectors supported. Korea's ODA has expanded in recent years, supporting projects in economic and social sectors such as transport, water supply/sanitation and public administration. Building on these efforts, Korea will focus 70% of its budget on three priority areas for the years 2012-2016: i) economic and social infrastructure, ii) technical and vocational education and training (TVET) and secondary education, and iii) public administration.

The strategy is guided by aid effectiveness principles and anchored in strong planning procedures. Support is aligned around the priorities of the Sri Lankan government, and coordinated with the approaches of other donors. To ensure this, the strategy has a strong accountability dimension, with actions monitored and outcomes evaluated.

On that basis, the strategy will evolve over the period of its implementation (2012-2016) to take into account new priorities and lessons of evaluation findings. In short the strategy provides a concise account of Korea's overall policy direction for its development cooperation with Sri Lanka.

I. Introduction

1. The economy of Sri Lanka has been growing strongly in recent years driven by increasing tourism and rising exports of agricultural commodities. Yet despite this, the country still faces significant development challenges. Development cooperation will continue to play an important role in the medium term to help Sri Lanka deal with these challenges and implement its 10-year National Development Plan (Mahinda Chintana 2006-2016: Vision for a New Sri Lanka) to make a meaningful contribution to poverty reduction and sustainable development.

2. This Country Partnership Strategy (CPS) details how Korea intends to assist Sri Lanka to achieve its development objectives. The partnership is based on mutual understanding and respect, and aims to improve development effectiveness by linking Korea's development experience and comparative strengths in development cooperation to Sri Lanka's development plan.

3. Korea, as a member of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC), strives to comply with international norms and standards in shaping its development partnership. Thus, the strategy is guided by aid effectiveness principles and anchored in strong planning procedures. Support is aligned around the priorities of the Sri Lankan government, and coordinated with the approaches of other donors. To ensure this, the strategy has a strong accountability dimension, with actions monitored and outcomes evaluated.

4. The strategy will be continuously revised and updated through dialogue with the government and will take into account changing circumstances in Sri Lanka. Furthermore, the strategy will evolve over the period of its implementation (2012-2016) to take into account new priorities and lessons of evaluation findings. It therefore lays out a framework for further enhancing partnership and cooperation.

5. The remainder of this strategy is organized as follows. Section II presents Sri Lanka's development status and challenges. Section III discusses Korea's development cooperation with Sri Lanka. Section IV identifies how programs will be implemented to maximize results.

II. Sri Lanka's Development Status and Challenges

6. The Sri Lankan government has made enormous efforts in post-conflict reconstruction and peace building after the end of civil war in May 2009. The overwhelming victory by President Mahinda Rajapaksa in the 2010 presidential election pushed forward his platform for political stability and economic renewal. Sri Lanka is on track to achieve most of the Millennium Development Goals (MDGs) with remarkable success in halving the poverty ratio, providing near-universal access to primary education, and reducing child and maternal mortality rates in the last 15 years. Catalyzing these achievements, Sri Lanka aims to further eradicate poverty through balanced and sustainable development and robust economic growth to elevate the country to a level of a middle-income country with a GDP per capita of USD 4,200 by 2016.

7. Despite its significant progress however, its industrial base for sustainable economic growth is still relatively weak while high inflation, an unfavorable climate for foreign investment, and a stagnant labor market pose potential barriers to economic development.

8. The core principle of this CPS, therefore, will be to assist Sri Lanka in overcoming such barriers; achieving sustainable growth and transforming into a middle income country through expansion of socio-economic infrastructure, human resource development and capacity building of the public system. For this overarching goal, in line with the national development plan of Sri Lanka (Mahinda Chintana), Korea will target efforts towards rapid and equitable growth with an emphasis on the proposed strategic priorities.

III. Korea's ODA to Sri Lanka

A. Overview 2007~2011

9. Korea committed USD 283 million to Sri Lanka between 2007 and 2011, of which - USD 238 million was provided in concessional loans and USD 45.4 million in grants. Korea's ODA to Sri Lanka increased from USD 13.7 million to USD 33.9 million (a two and a half times) in this period, as detailed in Table 1 highlighting the strengthening bilateral relationship between the two countries. These resources financed nineteen projects, which were approved or implemented by EDCF and KOICA. Korea funded projects in economic and social sectors such as transport, water supply/sanitation and public administration. Indeed the transport and water supply/sanitation sectors account for the bulk of ODA at 61.2% of total ODA (Table 2). Korea invested in projects across the country with a particular focus on the South and Central Northern areas.

Table 1. Korea's ODA to Sri Lanka between 2007-2011

(Unit: USD millions)

Year (commitments)	2007	2008	2009	2010	2011	Total
Total	13.7	147.6	44.3	43.9	33.9	283.4

Source: EDCF and KOICA statistics (grants only include contributions from KOICA).

Table 2. Korea's ODA to Sri Lanka by sector between 2007-2011

(Unit: USD millions)

Category	Transport	Education	Water supply/ Sanitation	Health	Environment	Public administration (including IT)	Industrial energy	Rural development	Other	Total
Loans*	95.0	26.5	76.34	-	33.54	6.65	-	-	-	238
Grants**	0.16	10.11	1.96	6.88	5.29	9.76	3.73	3.95	3.56	45.4
Share (%)	33.6	12.9	27.6	2.4	13.7	5.8	1.3	1.4	1.3	100.0

Source: EDCF and KOICA statistics.

* Commitment based

** Disbursement based

10. This strategy aims to build on these existing efforts and contribute to the implementation of Sri Lanka's midterm development plan. This will be accomplished through predictable financing, technical assistance and knowledge and technology transfer for the years 2012 to 2016. With these measures, Korea will help unlock the economic potential of Sri Lanka and contribute to poverty reduction and social integration - strengthening bilateral relations and promoting mutual growth.

11. The CPS and its priority areas were established through close collaboration between the governments of Korea and Sri Lanka with regular consultations and policy dialogue. A wide range of factors such as Sri Lanka's development strategy, Korea's ongoing

development projects in Sri Lanka and Korea's comparative advantage were reflected in the process of establishing the CPS.

12. Korea will focus 70% of its budget for development cooperation in Sri Lanka on the three priority areas described below, as agreed for the years 2012-2016:

- Promoting balanced regional growth through the expansion of road and water supply and drainage infrastructure and development of renewable energy.
- Increasing international competitiveness through human resource development.
- Enhancing the productivity and transparency of the public sector through e-Government and capacity building.

13. The delivery of the strategy will be guided by aid effectiveness principles and reflects international norms and standards including the MDGs, Busan Partnership Agreement and DAC recommendations. Korea will pursue three values - efficiency, sustainability, and harmonization - to enhance effective implementation.

B. Priority Areas 2012~2016

B.1 Economic and Social Infrastructure

<h4>Promoting balanced regional growth through the expansion of road and water supply and drainage infrastructure and development of renewable energy</h4>

14. This program aims to promote balanced and sustainable growth by providing the necessary road infrastructure to improve transport services for both passengers and freight. It will also help ameliorate water supply and drainage infrastructure, and develop renewable energy to ensure a stable supply of water and electric power, contributing to regional economic development and welfare of the local people. The details of Korea's contribution are as follows:

- **Development needs analysis:** Korea will provide technical assistance for feasibility studies and projects design in the area of infrastructure restoration (roads and bridges), traffic systems, water resources development, water supply and drainage system and renewable energy development.
- **Expansion of road, water supply and drainage, and energy infrastructure:** Korea will help to promote economic growth and better quality of life by expanding roads, water supply and drainage, and energy infrastructure in the most needed areas. In particular, road projects will aim to widen existing roads and enhance connectivity, contributing to the improvement of transport logistics and sustainable economic development.
- **Capacity Building:** Korea will assist with capacity building in the strategic planning and management for road sector, water supply and drainage, and electric power system. While training programs will be provided to transfer the necessary skills and knowledge, policy advisors and experts will also be hired to establish mid and long term strategies.
- **Public and Private Cooperation:** Recognizing the important role of the private sector in development cooperation, Korea will also explore the possibility of Public and Private Partnerships (PPP) to use aid as a catalyst and create synergies among the public and private sector.

Increasing international competitiveness through human resource development

15. This program aims to improve national industrial productivity and competitiveness required to enter foreign markets. The primary measures to achieve this include expanding educational facilities, providing technical assistance and enhancing capacity building. It will also contribute to human resource development and poverty reduction by providing support to secondary education. The specific details of Korea's contribution are as follows:

- **Strengthening Infrastructure:** Responding to local demands, Korea will provide support to upgrade educational facilities and equipment for technical colleges and other vocational training institutions such as VTC, NAITA, NIBM, etc. To enhance sustainability and strengthen its functions, priority will be given to existing educational facilities, and concessional loans will potentially be provided for the establishment of new institutions through strategic selection of target areas.
- **Technical Assistance:** Korea will provide support to strengthen the national TVET systems and to put them into practice through various types of technical assistance. Grant assistance will be provided for policy development to strengthen public-private partnership in TVET, and for the development of an employment information system targeting both employers and job-seekers.
- **Capacity Building:** Curricula and educational materials will be developed and updated to increase the quality of education. Capacity building programs will be provided to teachers and trainers. Additionally, in collaboration with like-minded donors, Korea will support the Sri Lankan government in drafting its long-term plans and strategies. Possibilities of joint technical cooperation will be explored to enhance aid effectiveness.
- **Secondary Education:** In line with Sri Lanka's 'Development of Secondary Schools' program, Korea will support the improvement of school facilities, educational materials and the training of teachers. Such programs will target schools in regions that are lagging behind.

B.3 Governance

Enhancing productivity and transparency of the public administration through e-Government and capacity building

16. This program aims to enhance the productivity and transparency of the public administration through the improvement of e-Government, institutional reforms and capacity building of public officials. This will be achieved by putting in place effective public systems and enhancing the capacity of government to innovate. The details are as follows:

- **E-Government System:** In line with the 'Re-engineering Government' program and through the package support of concessional loans and grants, Korea will help establish sectoral architectures (G2G, G2C, G2B) and public online service systems to promote efficiency, transparency of administration and user participation.
- **Institutional Reform:** Technical assistance will be provided to support sectoral reform strategies around government's policy for public sector reform and innovation, anti-corruption, participatory administration, public sector restructuring, and e-Government related policies.
- **Capacity Building:** Korea will provide various types of capacity building programs in the public sector to reinforce administrative skills and promote ICT experts in the field of administrative reforms, government innovation, public finance, human resources management, performance evaluation, emergency management and e-Government.

C. Other Modalities

C.1 Training programs

17. As a measure of capacity building in our cooperation on the priority areas, various types of training programs will be included in program implementation modalities. In order to improve the quality of trainings, multi-year programs will be supported and a short-term training as a one-off event will be refrained.

18. In line with the development needs of Sri Lanka, comprehensive and long-term training strategy will be designed to build capacity of each different target at individual, organizational and institutional levels. In addition, the issues of sustainable environment and gender equity will be integrated in certain training courses as cross-cutting filters.

19. In order to assure the quality of training programs, monitoring and evaluation system will be enhanced, with full utilization of the data base system of the training institutions and professionals in each sector. Linkages and coherence between training programs provided by each relevant authority in Korea will be also strengthened to maximize the effectiveness and impact of each program.

C.2 Dispatch of experts & volunteers

20. Sector experts will be dispatched to provide technical assistance in the priority areas of our cooperation, as well as to strengthen technical dialogue with the government of Sri Lanka and other relevant stakeholders. The number of experts to be dispatched will be decided through mutual discussions and agreement between the two governments. The period of dispatch will be extended to over six months in order to provide technical assistance in more systematic and sustainable approach.

21. Through the World Friends Korea program, volunteers will be mobilized to support program implementation in each priority area of cooperation and to ensure the sustainability of completed projects.

C.3 Development of research and policy advisory services

22. Technical cooperation in the form of consultancy services, such as development research and policy advisory services will be gradually extended by 2016. To ensure the development research outcomes are put into practical uses and that the research projects do not overlap, the information provided by Korea's ODA agencies will be shared with the relevant authorities and other development partners in Sri Lanka.

23. Based on need analysis, experts will be dispatched to explore potential development projects in the priority areas and to map out development research that could have a practical impact in Sri Lanka. Institutions in Sri Lanka will jointly take part in these research activities for capacity building and knowledge sharing purposes.

D. Cross-Cutting Issues

24. Environmental sustainability, gender equality and human rights are all cross-cutting challenges in Sri Lanka, limiting the government's capacity to design and implement its programs. The achievement of each priority area will require some strengthening of environmental management and woman empowerment, which make the core and unifying themes of this strategy. In addition, Korea will integrate a human rights-based approach into development policies and programs.

25. Changing climatic conditions and increasing pressure on resources leads to environmental degradation. As part of identifying ways to develop environmentally friendly strategies leading to sustainable development, Korea will conduct strategic environment assessments and environment impact assessments and focus on climate-resilient projects that improve adaptation to climate change.

26. Disparities between men and women adversely affect the quality of life for society as a whole, hindering development and poverty reduction. Korea will adopt a two-track approach to enhance gender equality as both a cross-cutting issue and development objective in its own right. Mainstreaming gender equality in the priority areas of the CPS will provide opportunities to enhance synergies between them and gender equality will be considered in monitoring and evaluation processes.

27. Korea will integrate a human rights-based approach into the design and implementation of the development programs to identify whether development practice will result in human rights violations.

IV. Program Implementation

A. Aid allocation

28. At least 70% of Korea's ODA will be allocated to priority areas of bilateral cooperation, while some flexibility will be allocated to respond to urgent humanitarian demands and socio-economic changes in Sri Lanka. Through dialogue between the two countries and midterm review in 2014 (tentative), the proportion of budget allocation to priority areas can be discussed and adapted as needed.

29. Synergies can be created when project linkages between concessional loans and grants are strengthened, as well as linkages between feasibility studies, projects and technical assistance. Starting from the initial stage of policy dialogue and project selection, possibilities will be explored for such linkages with the Government of Sri Lanka.

Table 3. Funding Allocation by Priority Area (%)

Category		Grant	Concessional Loan (To be approved)
Priority Areas	Priority Area 1. Promoting balanced economic and social growth by strengthening road connectivity and improving water supply management	20	70
	Priority Area 2. Increasing international competitiveness through human resource development focusing on TVET and secondary education	30	
	Other area. Enhancing productivity and transparency of the public administration through e-Government and capacity building	20	
Others		30	30
TOTAL		100	100

Funding allocation may be subject to change in the consultation and design of projects.

B. Coordination among Development Partners

30. The main areas of cooperation with development partners in Sri Lanka will be aligned with Sri Lanka's development strategies and priorities of the CPS. Korea is committed to improving aid effectiveness and supports the use of country systems wherever possible.

31. For better aid coordination, Korea will consider participating in the thematic Working Group particularly in priority areas of the CPS i.e., transport, water supply/sanitation, human resource development, and public administration. Additionally, Korea intends to increase local staff numbers in field offices to enhance aid harmonization with other donors as well as the government of Sri Lanka. If necessary, sector experts for CPS priority areas will be dispatched to assist the field office to improve project management and enhance technical dialogue with other donors.

C. Monitoring and Evaluation

32. A Comprehensive monitoring system to manage ODA activities in Sri Lanka will be established by designing a risk matrix for each of the main areas to effectively respond in case of internal or external emergency. If necessary, strategies will be revised accordingly. Korea will consult with Sri Lanka and participate in Consultative Group Meetings to help anticipate and respond to potential risks.

33. To strengthen post project monitoring and evaluation, the outcome will be jointly reviewed between Korea and Sri Lanka. The joint evaluation will enable participation of Sri Lanka's government (e.g. Department of Project Monitoring and Management) and institutions, while facilitating alignment of evaluations with national needs and ownership of the evaluation process and its results. This will result in effective and comprehensive follow-up measures which will enable Sri Lanka to fully utilize the assistance provided under the development program.

C.1 ODA Integrated Monitoring System and Risk Management

34. An Integrated monitoring system for ODA was established by the Korean government to manage Korea's overall ODA activities and will be used to monitor Korea's ODA projects in Sri Lanka. The monitoring system utilizes a risk matrix to analyze internal and external risks related to the management of projects. This ensures that the implementation strategy can be adapted to respond to emerging risks. Korea will also hold consultations with Sri Lanka to prevent and detect any possible risks involved in the implementation and management of projects through policy dialogue, field office dialogue with relevant ministries and project executing agencies, and Consultative Group Meetings.

C.2 Evaluation of Projects/Programs and CPS

35. Korea's evaluation of development projects and programs will be divided into three main categories– performance evaluation including mid-term assessment, ex-post evaluation, and thematic evaluation- to reflect the extent to which activities and outputs contributed to reaching the desired outcomes and impacts. Joint evaluation with Sri Lanka will also be conducted to reinforce its participation and ensure ownership.

36. Conducting evaluation of the CPS will allow assessing the achievements and serve as a basis to validate the findings and reflect them in the next strategy. A joint mid-term review with the government of Sri Lanka is proposed in 2014 (to be defined) to increase its participation in the evaluation process and share the results. This will enable both the Korean and Sri Lankan governments to assess the effectiveness of Korea's ODA programs under CPS. The final CPS review will be carried out in 2016, six months prior to the expiration of the current CPS by Korea's relevant authorities in consultation with Sri Lanka.

APPENDIX 1. Summary of Korea's Partnership Strategy with Sri Lanka

Sri Lanka's Ten Year Horizon Development Framework (2006-2016)	
Vision	"Mahinda Chintana" – Vision towards a New Sri Lanka aimed at raising the GDP growth in excess of 8 per cent and elevating Sri Lanka's position as a Middle Income country by 2016.

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Korea's Country Partnership Strategy (CPS) to Sri Lanka (2012-2016)			
Goal	Poverty reduction and social integration through balanced growth and industrial development		
Objectives	Promote a more balanced economic, social and sustainable growth	Increase international competitiveness by improving the quality of education and the systems for skilled labor development	Enhance productivity and transparency of the public sector through e-Government and capacity building
Priority Areas	Economic and social infrastructure	Technical and Vocational Education and Training (TVET) & secondary education	Governance

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Programs	- Road Rehabilitation - Water resources & renewable energy development	- Expansion of TVET facilities - Development of TVET related policies - Capacity building programs - Support to 'Development of Secondary Schools' program	- Development of e-government system - Technical assistance for sectoral reforms - Capacity building programs
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Action plan to improve aid effectiveness	Efficiency	Sustainability	Alignment and Harmonization
	<ul style="list-style-type: none"> • Predictability • Selection and concentration • Connection to existing projects 	<ul style="list-style-type: none"> • Reinforcing performance evaluation • Reinforcing follow-up management • Reinforcing monitoring 	<ul style="list-style-type: none"> • Coordinating aid efforts among donor countries • Aligning with the recipient country's development strategies

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Basic principles for the CPS	MDGs, Busan Partnership Agreement, DAC recommendations, and other measures to improve Korean ODA
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