

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Kathmandu, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
September 1999

SRI LANKA: COUNTRY STRATEGY PAPER 1999

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A. SUMMARY

A1. Sri Lanka is a lower-middle income country with an average per capita income of US\$814. Poverty still exists in Sri Lanka, but there is little extreme poverty. The proportion of the population living under the \$1 a day line (adjusted for purchasing power parity) is very low. While not telling the whole story, good social indicators still paint a picture of a country that, in the absence of consistent and broad-based growth since the 1960s, has provided large expenditures on social transfers and basic services.

A2. Nevertheless, income and consumption poverty does co-exist with these good social indicators. Many Sri Lankans, while not destitute, are still quite poor and vulnerable. Concentrations of extreme poor do exist in the conflict zones in the North and East due to the large numbers of Internally Displaced People (IDPs) in these areas.

A3. Finding a lasting solution to the war is a major priority in eliminating poverty in Sri Lanka. While the path to peace will be difficult and complex, a political solution offers the only prospect for a long-term resolution to the conflict.

A4. For future stability, the underlying causes of chronic conflict in Sri Lanka also need to be addressed. The challenge is to ensure that growth benefits the poor, requiring policies that promote improved governance, continued economic reforms, better education, and more effective social welfare programmes.

A5. The UK is a comparatively small bilateral donor to Sri Lanka. The current UK programme of approximately £7 million per year represents about 1% of total aid flows. Half of the programme is spent on relief and rehabilitation.

A6. The goal for the UK development programme will be to contribute to a reduction in the proportion of Sri Lankans living in poverty by 2015 in line with the international development targets. The purpose over the next five years will be to help directly or indirectly the very poor to cope and surmount the major remaining barriers to escaping poverty. With this in mind, we shall work to develop effective partnerships that promote reconciliation, help the poor cope with conflict and raise the quality of education. We intend to develop these partnerships in such a way that they are not dependent on the continuation of a direct bilateral programme beyond the medium term.

B. THE CHALLENGE

POVERTY STILL EXISTS IN SRI LANKA, BUT THERE IS LITTLE 'EXTREME' POVERTY...

B1. The absence of consistent and broad-based growth since the 1960s has been accompanied by high expenditure on social transfers and basic services. Income and consumption poverty co-exist with good social indicators.

B2. Sri Lanka's strong commitment to health, education and social welfare has resulted in good social indicators. The infant mortality rate is 16 per thousand live births, adult literacy 92% and life expectancy 76 years for females and 72 years for males. The population growth rate is 1.3%. The country's social indicators have improved steadily during the 1990s, in particular the maternal mortality rate and access to safe water and sanitation. While these indicators are generally statistically accurate, the underlying story is more complex. They reflect the situation in non-conflict areas, do not show regional variations, and sometimes reflect gains made a long time ago.

B3. While there is much debate about the appropriate level for a 'poverty line' in Sri Lanka, most agree that there is little remaining extreme poverty outside the conflict areas. The last \$1 a day (adjusted for purchasing power parity) measurement was made in 1990, and estimated that only 4% of the population lived under the \$1 a day level. However, it also estimated that 41% lived under the \$2 a day level. The most commonly used measure, based on the cost of a minimum daily nutritional requirement, estimated in 1991 that 22% (about 3.8 million people) of the population live below the poverty line. Preliminary new figures using this measurement show that poverty has fallen only slightly since then. Sri Lankan per capita income now stands at US\$814 per head.

B4. These poor (using the minimum daily nutrition definition unless stated otherwise) are spread throughout the country, often living alongside the less poor in highly stratified communities. The poorest groups in society include landless labourers, smallholders in the dry zone, unskilled estate workers, unskilled urban informal sector workers, the unemployed and those affected by the conflict in the North and East. With the exception of Tamil estate workers,

ethnicity does not appear to be a major factor in poverty outside conflict areas. Nor does gender or age. There are relatively few restrictions on women's mobility, and the last two decades have seen increasing female labour participation (although concentrated at the lower end of the occupational range). Largely as a result of high educational enrolments, children's participation in the full-time labour force is lower than in other South Asian countries. But many children under the age of 14 are still engaged in a variety of informal sector occupations, and some of the most vulnerable are concentrated in the illegal sex industry and domestic work.

B5. Most of the poor live in rural areas, where about 80% of the population live. But they are scattered, and interventions intended to address their poverty have not proven easy to target effectively. Rural poverty in Sri Lanka is clearly complex, but can be understood as a function of acute land shortages and little agricultural diversification, combined with a very limited range of non-farm employment opportunities. A strong element of patronage and some politicisation governs the allocation of resources and opportunities in many rural areas. The majority of households employ a range of livelihood strategies: in particular, remittances from an estimated half a million overseas workers and military wages and pensions. Most families (about 50-60% of the overall population) receive some form of state income transfer too.

B6. Although most poor still live in the countryside, poverty rates per capita in urban areas are only a little lower than rural areas. This reflects weak urban planning, poor institutional arrangements to provide services to all urban residents, and urban unemployment.

GROUPS OF EXTREME POOR EXIST IN THE CONFLICT ZONES...

B7. Concentrations of extreme poverty exist in the conflict zones in the North and East due to the large numbers of IDPs in these areas. An estimated one million people have been displaced since 1983, and around 800,000 remain away from their homes. Many have moved repeatedly. Not all IDPs were originally 'poor', but virtually all now have to cope with

B. THE CHALLENGE

CONTINUED

insecurity and minimal basic services. Long periods of displacement have exhausted their assets and social networks, particularly female headed households. Around 900,000 children living in the North and East are directly affected by the ongoing conflict. Most of these children have known conflict all their lives, many having only ever lived in refugee camps.

RESOLUTION OF THE WAR IS THE FIRST PRIORITY IN REDUCING POVERTY...

B8. Finding a lasting solution to the war is the major priority in eliminating poverty in Sri Lanka. The war inflicts severe immediate suffering, but also has significant long-term costs. It is estimated to cost at least 7-8% of Gross Domestic Product. The resumption of hostilities by the Liberation Tigers of Tamil Eelam in April 1995 has inevitably led to increased military spending. Defence spending consumes at least one-fifth of Government expenditure, equivalent to one-third of Government revenues: money which could be used far more productively as investment for the future. Those affected by the conflict suffer from low investment in education (and other services) with long-term consequences to themselves and the economy. The repeated difficulty of the Government in keeping to planned reductions in defence spending leads to arbitrary rationing of actual allocations to other programmes. Business investment is constrained, as is tourism and foreign investment.

B9. The Sri Lankan Government should be encouraged in its efforts to achieve a political settlement to this conflict, which will need the active efforts of all parties. While the path to peace will be difficult and complex, a political solution offers the only prospect for a long-term resolution to the conflict.

FOR FUTURE STABILITY, THE FUNDAMENTAL CAUSES OF CHRONIC CONFLICT IN SRI LANKA ALSO NEED TO BE ADDRESSED...

B10. For decades, Sri Lanka has been characterised by social, ethnic and political tensions that have often led to political assassinations and armed uprisings. Political life is extremely polarised and strikes are frequent. Earlier armed conflicts in the 1970s and 1980s in the Southern part of the country

provide examples of the destabilising impact of social and political exclusion (see paragraph B16 on the challenges of good governance).

B11. Even during the recent period of growth, rising expectations have continued to outpace reality. Low levels of absolute poverty understate the build-up of frustrations and pressures within Sri Lankan society. These rising expectations, partly attributable to the media's idealised portrayal of urban life and an education system geared towards public sector employment, are not matched by the job market. Few young people want to work in agriculture, and unemployment is particularly high among the young, especially in rural areas. Opportunities are constrained by little off-farm employment in rural areas, limited higher education places and unfulfilled expectations of Government employment.

B12. It is not clear that growth is benefiting the poor or disadvantaged. Aggregate level data on poverty suggest that poverty levels have fallen only marginally over the recent years of high economic growth and liberalisation. Growth in Sri Lanka has been predominantly in the Western Province where 85% of industry is located. The proportion of poor rural families benefiting directly from employment in the new garment factories springing up on the west coast of the island is small. Most of the rural poor depend on rice production, for which prices have been falling in recent years. At the same time, liberalisation has increased the costs of agricultural inputs. Further, investment in economic infrastructure in rural areas is constrained by the cost of the war and political and institutional difficulties.

B13. Not only Tamils in the North and East of the country, but other groups consider themselves unfairly treated and are a source of potential future conflict. These groups include plantation Tamils and Muslims in the Eastern part of the country. Lack of opportunities manifest themselves in household conflict too. Alcoholism, domestic violence and child abuse are increasingly recognised as significant social problems, attributed variously to unemployment, the break up of families through overseas work, the strain of conflict and other factors. Sri Lanka has one of the highest suicide rates in the world, killing more people since 1983 than the war itself.

B. THE CHALLENGE

CONTINUED

THE EXTERNAL ECONOMIC ENVIRONMENT FOR CONTINUED GROWTH AND NEW OPPORTUNITIES IS WORSENING...

Bi4. Growth in the Sri Lankan economy fell to 4.7% in 1998 compared with 6.4% in 1997. The driving force behind Sri Lanka's growth in previous years has been tea and garments exports. Tea exports have remained competitive even as the world price has fallen, but nevertheless the prospects for growth in this sector are poor. The US is the principal market for garment exports, hence Sri Lanka is vulnerable to any downturn in the US economy, greater competition from other Asian countries as a result of the crisis, competition from devalued Latin American exporters, and from Mexico's better access to the US market under the North American Free Trade Agreement.

Bi5. Non-traditional exports (tennis racquets, bikes, etc), seen as the hope for Sri Lanka to diversify its exports, have stagnated since 1997 due to the Asian financial crisis. Rubber and coconut production has also been badly affected. Foreign direct investment has been reduced as East Asian countries are sources of foreign investment (Malaysian and Korean investment proposals have already been withdrawn). However the Sri Lankan Government has considerable expertise that enables it to conduct complex trade and investment negotiations, and there is an entrepreneurial capability in the private sector.

THE CHALLENGE FOR SRI LANKA IS TO ENSURE PRO-POOR ECONOMIC GROWTH THROUGH IMPROVED GOVERNANCE, CONTINUED ECONOMIC REFORMS, BETTER EDUCATION, AND MORE EFFECTIVE SOCIAL WELFARE PROGRAMMES...

Bi6. *Good governance and public administration reform is the foundation for future peace and poverty elimination.* While Sri Lanka has a well-entrenched democratic system, control of the political system is perceived by many to be predominantly in the hands of one or two social groups. The perception by some outside the elite is that political power cannot be achieved through the democratic process, creating conditions for conflict. With interests entrenched and Government attention focused on the conflict, public

administration reform has been disappointingly slow. A reorganisation of administration with clear systems to promote fairness, efficiency and effectiveness would have enormous impact on future stability and welfare. Public sector reform is central to making devolution work if and when this happens, and effective decentralisation in the delivery of public services and Civil Service reform remains a priority. Provinces have little control over how they spend their budgets and over management decisions. A history of politicisation of the Civil Service distorts decision-making and reduces the ability of lower-level officials to make decisions based on technical assessments. There remain opportunities to improve the pay and morale of the Civil Service while reducing the staff complement and making the allocation of jobs and promotion more transparent.

Bi7. Building on the basis of good progress in recent years, *new economic reforms* could improve opportunities for the poor and help reduce the risk of future conflict. Given the constraints faced by the authorities in managing a war, the reform process has been more active than many expected, and recent macro-economic management has been good. Continuation of reforms will improve the environment for job creation and the quality and level of Government services. These include reforms to both the quantity and quality of public expenditure: for example in reforming public sector employment policies and pension schemes¹ to reduce their burden on the budget. Reform of regulations governing the labour market would help reconcile the rights of workers with the need for growth and employment creation.

Bi8. *Some impressive education indicators mask serious deficiencies in the quality and efficiency of education.* No country has reduced poverty in a sustainable way without a major effort to develop its human resource base. An efficient and effective education system is central to avoiding future conflict and reducing the remaining levels of poverty in Sri Lanka. But, despite high enrolment rates of 95% at primary level and 70% at secondary level, the quality of education in Sri Lanka has deteriorated. The Sri Lankan Government has been concerned about falling standards of learning, which in time may lead to more poor adults with limited ability to remain above the poverty line, and has established a Presidential Commission.

¹ Sri Lanka has one of the most rapidly ageing populations in the world.

B. THE CHALLENGE

CONTINUED

B19. While greater overall expenditure would benefit education in Sri Lanka, there are several reforms that would make spending more efficient, help raise quality and target resources where they are most needed (these include teacher recruitment and deployment, school rationalisation and reducing the share of state subsidies to higher education). Reform and expansion (including introducing some cost recovery) of the higher education system would widen the skills base and allow greater access. Constraints to private sector involvement in education could also be relaxed. Matching education to the needs of the labour market will create new opportunities and future growth. Relatively high levels of educated but unemployed young people are the result of a lack of relevant practical skills, an insufficient command of English and the paucity of jobs in the private sector.

B20. *Improving the quality and efficiency of social transfers will stimulate growth and reduce poverty.* Government policy over recent years has rightly emphasized the role of the private sector in creating employment and sustainable poverty reduction, and has reduced the amount spent on Government subsidies. However, a significant reform agenda remains to improve further the quality and effectiveness of Government welfare transfers, which represent a large burden on the budget with questionable impact. Social

welfare programmes that were better targeted, more closely co-ordinated and less politicised would have more impact on the truly poor. For example, targeting is still weak in the Samurdhi programme, the main Government welfare programme, and much of the assistance is still provided in the form of hand-outs. Paradoxically, assistance to the most destitute (orphans, handicapped, the elderly) is very low. *More broadly, there is greater opportunity to embed poverty and equity analysis in policy formulation in every sector and sphere.* The current poverty analysis process being undertaken by the Government is encouraging, but it is important that this is about reforming Government policies as well as mobilising donor support.

B21. *Preservation of the environment is central to sustainable poverty reduction.* Although some legislation to promote this is in place, some is out of date while institutions are often weak. In the forestry sector, for example, the absence of institutional and legislative reforms have delayed full implementation of the National Forest Policy (1995), which directs a significant change in the role of the state from implementer and controller to regulator and facilitator. In consequence Sri Lanka fails to meet its potential to grow the timber it needs and will face a growing import bill as well as suffering environmental degradation.

C. PARTNERSHIPS

C1. Development assistance is dominated by Japan, the World Bank and Asian Development Bank (ADB), who account for 85% of concessional flows to Sri Lanka. Such flows to Sri Lanka are considerable (US\$860 million in 1996/97), especially for a country of Sri Lanka's size and wealth. Together with our bilateral programme, UK membership of these banks (and of the United Nations system) means we are a substantial contributor to Sri Lanka's development. It is an important theme of the 1997 White Paper on International Development that we should seek to work in partnership with others and promote more effective collaboration between donors and Government. To ensure that we add value to others' work in Sri Lanka we shall focus our efforts in a very selective way.

PARTNERSHIP WITH GOVERNMENT

C2. We have well established working relations with several Government institutions. Three issues among the 'White Paper criteria' for partnership will be worth keeping in view:

- **Human rights:** There is a solid basis of economic and social rights and an open democratic political system. The civil war has brought death and suffering for large numbers. The Government has addressed some past criticisms through legal and institutional strengthening, the reconstitution of the Human Rights Task Force, and various Presidential Commissions of inquiry into human rights abuses. But the National Human Rights Commission, established by parliament in 1996, has proved totally ineffective. It is also important that the authorities continue to permit access of food and medicines to conflict areas in the North;
- **Commitment to poverty reduction:** The Government has stressed its commitment to promoting human development through rapid economic growth, investment in education and targeted social safety nets. This commitment was evident in high past investments in education and health, and it will be demonstrated again if the Government drives forward the current education reform agenda. Some past poverty programmes have been poorly targeted and risked being vehicles

for political patronage, but the ongoing policy work initiated by the Government to look at poverty has the potential to ensure that future growth is equitable and benefits the poor;

- **Corruption:** There is corruption in the private and public sectors. It will be important for the Government to improve transparency and reduce corruption. In this respect it is particularly disappointing that the Anti-Bribery Commission has become redundant, owing to rivalries between its members.

CIVIL SOCIETY

C3. Working with civil society is fundamental to our approach. There is an important role for civil society organisations not only in implementing relief and rehabilitation programmes for those displaced by the conflict, or facilitating efforts to promote greater intercommunal understanding, but also in advocacy. Effective information flows between donors, human rights groups, lobby groups and government are crucial.

OTHER DONORS

C4. Many donors are working on the different challenges to poverty reduction identified in Section B. The World Bank and United Nations Development Programme (UNDP) are engaged with the Government on poverty analysis. The Netherlands and Norway have in the past supported rural development programmes focusing on sustainable agriculture and income generation. They are well placed to judge the opportunities here for effective poverty reduction. The Asian Development Bank has taken the lead on improved public sector management; their initial focus is on strengthening the institutional capacity of the Ministry of Finance and Planning. The World Bank and ADB are exploring public enterprise reform and private sector development and helping establish an overall regulatory framework. The World Bank is also financing a large project to address urban poverty in Sri Lanka. Finally ADB is now also taking a lead role in improved environmental management; we have shared with them our past experience.

C. PARTNERSHIPS

CONTINUED

C5. We shall keep in close touch with the World Bank and UNDP about their work with Government on poverty analysis. This is important and has potential, especially if it improves understanding of the impact of policies on the poor and helps the Government to improve its targeting of social welfare programmes. But our principal focus will be on three key challenges in reducing poverty in Sri Lanka: education,

relief and rehabilitation, and resolving conflict. This is where past experience, sector knowledge and established relationships give us the best opportunity to collaborate with others and add value to their efforts. Other challenges in reducing poverty will be confronted by others, as the review of their coverage above shows.

D. CURRENT UK DEVELOPMENT PORTFOLIO

D1. In the recent past the portfolio of bilateral projects was spread over a number of issues, even though the scale of the programme was modest. These included forestry, environmental management, economic management, and institutional development. We have embarked on a rationalisation of this portfolio since the White Paper on International Development was published. The most significant elements of the current UK programme consist of primary education support; and a relief and rehabilitation programme for displaced people and communities affected by the civil conflict.

- In *primary education* we are developing an effective partnership with the line ministry and the World Bank to bring about improvements in quality. Our involvement in primary education - in English Language, Mathematics, and Planning - has included a high level of collaboration with the World Bank (particularly) and Germany. There have already been some successes: independent research suggests a strong link between teacher participation in workshops based at support centres (of the kind supported by DFID) and children's achievement. Continued progress will depend on action on some important policy issues, including teacher employment and deployment.
- The UK programme of *relief and rehabilitation* focuses on assistance provided by non-governmental organisations (NGOs) and UN agencies to families displaced by the civil conflict in the North and East who are now either living in

refugee camps or living with other families in cramped conditions with little or no government service provision. The current UK programmes aim to develop the capacity of communities to cope with displacement, bring relief supplies and sustainable provision of water and sewerage, education and community health schemes, organisational skills, and promote income generation and agriculture. A recent review found that relief supplies were helping people to cope and that other activities had brought a slight improvement in economic security. But vulnerability to repeated displacement prevents true sustainability.

- In addition it is worth noting the *Commonwealth Development Corporation's* investment portfolio of around £56 million in different sectors, including infrastructure, tourism and power.

LESSONS LEARNED...

D2. The most effective interventions have come where there has been long-term investment in a sector or organisational relationship, where DFID has acquired a deep understanding of institutional and sector policy issues, and mutual trust has been developed that facilitates change.

D3. Poverty reduction may be achieved through many avenues (including environmental management), but the connection and analysis linking our interventions to poverty reduction needs to be clear.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. The goal for the UK development programme will be to contribute to a reduction in the proportion of Sri Lankans living in poverty by 2015 in line with the International Development Targets. *Our purpose over the next five years will be to help directly or indirectly the very poor to cope with their vulnerability and surmount the major remaining barriers to escaping poverty.*

E2. There are some important principles underlying *how* we shall pursue this purpose. We recognise that our impact on poverty will be enhanced if we work in close collaboration with others, rather than pursuing a purely bilateral portfolio, even one that is more tightly focused. So we shall place particular emphasis on developing strong working relationships with other players. We shall encourage complementary approaches and interventions. We shall seek co-financed programmes, particularly with multilateral agencies. We shall provide resource transfers to the very poor, working through multilateral agencies or international NGOs, but always encouraging approaches that build capacity of communities and civil society. We shall provide technical assistance to Government². We shall develop these approaches in such a way that they will not rely indefinitely on our own professional resources but rather our multilateral partners may take them over fully in the medium term.

E3. The analysis earlier in the paper shows the impact of the war on extreme poverty and the importance of raising the quality of learning in the education sector if the children of poor families are to gain the skills to escape poverty. These are the challenges we are best placed to address. The *objectives* of our programme will be:

- improved quality of education, particularly at the primary level;
- improved livelihood security of the very poor in conflict areas;
- processes for intercommunal reconciliation explored.

E4. We shall continue to work closely with our multilateral and bilateral partners in the education sector, paying particular attention to help for Government in improving the quality of primary education. We shall encourage any moves towards sector-wide thinking. We have a substantial

existing portfolio which should help the Government to address some of the necessary educational reforms (B19). How far Government does so will influence the scope (and the scale) of future interventions.

E5. We have an immediate concern that poor and vulnerable people should be helped to cope better with the consequences of war. But we shall keep in the forefront of our minds that it is peace that will end the vulnerability of those affected, remove the major remaining causes of poverty, and release significant human and financial resources for Sri Lanka's development. So we shall also remain alive to any opportunities which may emerge to contribute to the search for a lasting solution to the conflict. Meanwhile we shall draw on our experience of working in conflict areas in other parts of the world to identify scope for measures to reduce conflict. A review of the NGO-implemented relief and rehabilitation programme in early 1999 sought to draw learning together from other programmes, including the United Nations High Commission for Refugees and International Committee of Red Cross programmes reviewed in 1998. In offering future support we shall need to ensure that our readiness to do so does not reduce the incentive for the conflict to be resolved, and that our efforts are in the best long-term interests of those affected by it.

E6. Our relief and rehabilitation programme will provide support beyond humanitarian relief. There may exist some opportunities now for development activities in conflict areas. Over the coming months, we will explore whether there are further ways in which the UK might help efforts to promote intercommunal reconciliation in Sri Lanka, recognising that any movement to resolve the conflict by the parties involved will stand greater prospects of success if the context improves in this way. In doing so, we will focus particularly on respect for international humanitarian law and human rights, on opportunities for building communication and understanding between communities, and on the enabling conditions necessary for an effective constituency for peace. We shall look for opportunities to collaborate with others and add value to their efforts. But we will only support additional conflict-related work if we are confident that it will do no harm and will do some good. We

² As expressed in the UK White Paper on International Development, sharing of knowledge is appropriate for middle-income countries, but substantial resource transfers are not. The latest World Bank estimate for per capita income at the end of 1997 is US\$814, which puts Sri Lanka in the UN lower-middle income country classification (ranging from US\$766 to \$3,035).

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

shall bring the same scrutiny to bear on all our development efforts in Sri Lanka. And we shall look for synergy between our objectives, as we did recently in sharing with those involved in education in Sri Lanka our experience of curriculum development in Northern Ireland.

E7. This rationalised and better focused approach will improve the impact of the UK's contribution to the development targets in Sri Lanka and contribute to a more effective and less burdensome overall donor effort. There is just one other issue where the UK might remain involved in the short term: urban poverty, if it is clear that we can add value to initiatives that the Colombo Municipal Council are developing with other donors (bearing in mind the successful relationship we have established with the Council).

F. IMPLEMENTING THE NEW STRATEGY

Fi. We will continue to manage the Sri Lanka country programme from DFID's South East Asia office, based in Bangkok. The sharper focus of this strategy will allow use of this office's professional resources to be rationalised, and free some staff time for the poorer countries of the region.

F2. The Development Secretary position in the British High Commission in Colombo has recently been upgraded to reflect the responsibility of the job and the need for interaction and co-ordination with the Sri Lankan Government and donors. We shall consider the case for developing in-country management arrangements to facilitate work on conflict and communal harmony.

G. PROGRAMME RESOURCES

Gi. We shall remain substantial financiers of Sri Lanka's development through our contributions to multilateral agencies, but as our efforts to work in closer partnership with

them on selected issues begins to bear fruit over the coming years it is likely that fewer bilateral financial resources will be necessary.

SUMMARY OF PREPARATION PROCESS

1. Initial preparation for this Country Strategy Paper (CSP) started in August 1997 when a two-day consultative process was undertaken to explore the concept of a UK exit strategy from a development programme in Sri Lanka. This occurred having already identified the need to revise the shape of a future development programme in light of the emerging (at that time) UK White Paper on International Development. That process included discussion with DFID and Foreign and Commonwealth Office staff, together with project managers, local NGOs, academics, and the Sri Lankan Government. The broad framework as set out earlier in this paper was agreed.
2. The emerging conclusions from the 1997 discussions were to some extent put into practice through a more concerted approach to primary education and relief and rehabilitation in the conflict zones.
3. This earlier consultation was followed by a further series of meetings in Colombo in September 1998. A discussion paper and draft paper of a future UK development strategy was circulated prior to consultation. That paper formed the basis of discussion and led to further refining of the work from 1997 together with the follow-up to the World Bank consultative meeting held in Paris in May 1998. The September 1998 meetings in Colombo included discussions with the Sri Lankan Government, UK project managers, NGOs, academics, other donors and the wider diplomatic community. This CSP reflects further consideration by the UK Government in light of those discussions.
4. Preparation of this CSP was achieved through DFID South East Asia and the British High Commission, Colombo, consulting and listening to a wide range of partners and stakeholders to produce a coherent strategy within which the UK development programme should operate for the next few years. Once these thoughts were consolidated, the CSP was circulated in draft more widely within DFID and also within UK Government (Foreign and Commonwealth Office, Department of Trade and Industry, and Treasury).

ANNEX 2

COUNTRY PROGRAMME EXPENDITURE PROFILE

£ MILLION	1999/00	2000/01	2001/02
COMMITMENTS			
Education	1.9	1.5	1.0
Relief and Rehabilitation	2.9	1.1	0.1
Environment	0.3	0.1	
Public Sector Reform	0.1		
Jaffna Power	1.0		
Others	0.3	0.3	0.3
SUB TOTAL	6.5	3.0	1.4
OTHER PLANS			
Education		0.5	1.0
Relief and Rehabilitation	0.5	2.3	3.2
Conflict Related Work	0.5	0.5	0.5
CMC Urban Poverty	0.2	0.2	
SUB TOTAL	1.2	3.5	4.7
GRAND TOTAL	7.7	6.5	6.1
EXPECTED ACTUAL EXPENDITURE	7.0	6.0	5.5

¹ Additional allocations for emergency assistance will be considered on an annual basis.