**SPECIFIC TERMS OF REFERENCE**

**Formulation of an EU support to**

**Integrated Regional Development in Sri Lanka**

**FWC BENEFICIARIES 2009 - LOT n°7: Governance and home affairs**

**EuropeAid/127054/C/SER/multi**

1. BACKGROUND[[1]](#footnote-1)

With the end of a nearly 30 year devastating conflict in May 2009, Sri Lanka has been undergoing a major economical shift which has been acknowledged through its upgrading to a Middle Income Country in January 2010. The re-elected government in 2010 is now aiming at moving towards "peace and growth" notably though supporting economical activity in key sectors.

Indeed, the Mahinda Chinthana, a 10 Year Plan for the years 2010-2020 (MC 2020), is the main document guiding Sri Lanka’s current development policy. One of its main objectives is to double the average income per capita from USD 2,000 to USD 4,000, through diversifying Sri Lanka’s economy, change for value-adding outputs in the traditional sectors such as in agriculture, and facilitate the economy to be driven by the private sector whilst encouraging it to be more dynamic and regionally integrated. The plan focuses on flagship infrastructure and continued investments using Sri Lanka strategic geographical position so that it becomes a new hub for maritime and aviation purposes, trade, production of energy, and knowledge.

The MC 2020 also intends to improve growth prospects with equitable distribution. However, it is yet unclear how the growing costs of social service delivery will be met. Despite a steady economic growth and significant ongoing efforts linked to major infrastructure investments, around 15% of the people continue to live below the poverty line[[2]](#footnote-2). In addition to income poverty, substantial qualitative and quantitative rural/urban differences still remain in terms of access to social services, basic amenities and economic opportunities. There are extensive gaps between rural and urban areas on various socio-economic indicators, including income levels.

The strong inter-regional disparities can be notably observed in the provinces affected by the conflict, in the East and North. The report on the Millennium Development Goals (MDG) clearly indicates that regional disparities need the attention of policymakers and planners. Inadequate infrastructure and weakness of service delivery systems are the main factors behind these disparities. As stated in the Sri Lankan report, the challenges for continued poverty reduction are to sustain the level of economic growth achieved over the previous decade while enhancing equitable distribution across provinces and districts and extend development beyond the Western Province.

At national level, prospects on the achievement of the MDGs by 2015 are rather positive, except for: the share of poorest quintile in national consumption, the proportion of population below minimum level of dietary energy consumption, the integration of sustainable development into country policies and programmes, the elimination of gender disparity in primary and secondary education, and a low women political representation. It is estimated that there is insufficient information to assess the achievements on the development of a global partnership for development (UNDP).

The report particularly stresses the need for the restoration of community infrastructure and social services such as schools and health care facilities in the Northern and Eastern Provinces, with particular effort to be made to include children with disabilities, the destitute, abandoned, working and street children, into the system.

While the state structure is highly centralised, more than 330 elected local authorities exist in the country (Municipal and Urban Councils, Pradeshiya Sabhas). Under the Indo-Sri Lankan Accord of July 1987 and the resulting 13th amendment to the constitution, some authority was devolved to elected Provincial Councils. Competences between central government and provincial councils are divided according to three lists. In practice, the latter rarely exercise their powers under the concurrent list. Provincial Councils are elected for five-year terms and in the Northern Province, which had been governed from Colombo since the end of the armed conflict, the first ever elections are expected to be held in the second quarter of this year. Country-wide local government elections have been called for 17 March. Preparations have already resulted in some controversy, notably over the cancellation of some 250 candidate nominations, the postponement of the poll for more than 60 LAs, the use of state resources, a substantial decrease in the voter register in the North and reported violence during the election campaign.

Support from the international community is also adjusting to the new Sri Lankan context. International aid is gradually shifting from the humanitarian and early recovery perspective to longer term development. Whereas some traditional bilateral donors and international structures have withdrawn their operations or considerably limited it (DfID, Sweden, Norway, Netherlands, specific UN agencies), Sri Lanka strengthened its partnerships with major economical players such as China and India, who are involved in most of the new large investments in the island[[3]](#footnote-3).

If the context imposes donors to adjust the way aid is delivered, it also seems that the GoSL is willing to improve its relationships with the international community. Indeed, the Government decided to sign together with the Untied Nations a Joint Action Plan for 2011, ending with the 2010 controversy where no agreement was reached on a common document. The Ministry of Economic Development, Basil Rajapaksa, also welcomed the work done by NGOs and INGOs. Practical consequences of such declarations remain to be seen, as INGOs remain under the tight control of the authorities and their access to needy areas remains difficult notably in the North.

**EU programming**

The Multi-annual Indicative Programme 2011-2013, as approved by the European Commission (EC) in June 2010, acknowledges a still volatile situation where a flexible scenario based approach remains required. In a scenario of political reconciliation and engagement by the GoSL, the conditions necessary to support development and reconstruction activities by means of integrated regional development should be in place. In a scenario of uneasy peace and a continuing humanitarian and human rights crisis, in which normal development cooperation would be problematic, support would focus on medium-term assistance for vulnerable communities, in particular those affected by the conflict, and on supporting any positive developments towards conflict transformation and reconciliation.

The identification phase was carried out in 2010 and gained momentum with an Identification mission that took place in December 2010. The subsequent Identification Fiche prepared by the Delegation was presented to the Quality Support Group (QSG) in February 2011 The Identification Fiche includes options regarding the implementation methodology, as well as a draft logframe with a first set of proposed activities and a draft budget. The main recommendations of the QSG can be summarized in the following points:

* Validation of an integrated approach, including focal and non focal sectors as they are interlinked, in a single programme, based on three main areas of activity i.e.: poverty reduction through the provision of basic infrastructure and services for vulnerable populations (core component), economic development, and support to local governance.
* Focus on four Districts: Ampara, Batticaloa, Mannar, Vavuniya; for the core component of the programme. The remaining Districts within the Eastern and Northern Provinces would also be eligible to the programme, if necessary. Agreement on proposed criteria: balance between needs and development potential, absorption capacity and receptiveness and willingness to engage of local stakeholders towards improved governance and engagement into integrated regional development.
* EU support should focus on sectors which are included as priority in local development plans, as the aim should be to support sustainable, inclusive local development outcomes by providing EU support in an integrated way to development of small infrastructure including WASH, education, vocational training, primary health, livelihoods. Possibility of some activities (e.g.: support to tourism) to be included in other sectors (livelihoods, vocational training) to be explored, in order to limit the number of sectors of intervention.
* The need for a more in-depth analysis of activities of other donors in order to guarantee synergies and harmonize approaches, especially regarding the support to local authorities, and ensuring division of labour. The capacity of local authorities and the conditions for implementing a multi-actor governance need to deeply assessed in each targeted district and the intervention strategy adopted accordingly.
* Cross-cutting issues should be integral to the programme: context/conflict sensitivity, gender issues, inclusion of protection, environment.

The Formulation Mission will notably follow these conclusions and recommendations of the QSG, as preliminary steps for the instruction of the programme.

1. DESCRIPTION OF THE ASSIGNMENT
* Global objective

The overall objective of this mission is to support the formulation of an EU support to an Integrated Regional Development Programme including activities for poverty reduction, economic development, and support to local governance, in line with the Multiannual Indicative Programme 2011-2013.

* Specific objective(s)

The Specific Objective is to finalise a formulation study including an Action Fiche in the view of a future EU support programme on integrated regional development at District and decentralised level, including support to local governance, in conflict-affected areas in Sri Lanka, more particularly in the North and East.

Based on the previous work already carried out during the identification phase and taking into account further developments including the recommendations of the Quality Support Group, the mission will assist the EU Delegation in the development of the technical specifications of the Programme in order to instruct and implement the Integrated Regional Development Programme in Sri Lanka.

The available funding envelope consists of a total of € 60 Million from the Multiannual Indicative Programme 2011-2013 bringing together which considers € 54 Million for its focal sector, and € 6 Million for non focal-sectors. The EU Delegation in Colombo is willing to present an Action Fiche and related Annexes for EC internal approval in July 2011.

* Requested services

Developing the outputs of the Identification phase, using all information at hand and to be collected during the country assignment, the formulation study can be defined in two parts, that in practical terms could be implemented jointly during the mission as they are closely interlinked. The Consultants will produce a feasibility analysis (part A) comprising the following:

**A1)** The review of the intervention logic.

Based on the Identification Fiche and Annexes, there is a need to validate or to further develop the problem analysis, in the latter case this would lead to an updated description of the global and specific objectives. The detailed problem analysis will demonstrate relationships between causes and effects. This will allow a subsequent detailed description of objectives, results, activities, and targeted beneficiaries. This analysis will identify root causes of problems and will give elements on how to tackle them.

**A2)** Stakeholder Analysis.

Further to the prominent role of the services of the District Secretariats, the inclusion of local institutions and of local government units, and of both formal and informal local organisations like CBOs and NGOs, is crucial for the integration of various rural development efforts. A specific stakeholders analysis per component and per District will determine which stakeholders are key to participate in an IRD programme and under which role. This will include poverty profiling, the identification of immediate and ultimate beneficiaries, and their actual role in the design and implementation of the development plans. The analysis will be district-specific, leading to an estimated geographical coverage per component.

The stakeholder analysis will also identify, for each priority area, which stakeholders (notably LAs and CBOs) are willing to part take; or to deliver parts of the action. The potential involvement of Provincial Councils and of the Finance Commission will also be explored.

**A3)** Capacity Assessment.

Sustainability is a major concern, potential challenges in this area including capacity of local administrations and identifying a process through which rural communities themselves would evolve local organisations to satisfy their own local needs.

The analysis will comprise the assessment of capacities and constraints (legal and fiscal constraints, financial management risks, technical capacity constraints) of the identified stakeholders to participate in the programme (participation in its various forms from implementation to supervision and monitoring).

Notably, the assessment will study the capacity of institutional mechanisms to coordinate the decisions taken: at community level, between communities, between communities and other “actors” such as LAs, the government (at different levels) and the organised private sector, and finally between deconcentrated and decentralised public actors.

It will conclude on capacity building needs of the main identified stakeholders.

**A4)** The assessment will also include a detailed political economy analysis of decentralisation and its implications for regional planning. This entails but is not limited to a detailed capacity assessment of elected local authorities, Provincial Councils and de-concentrated agencies of central government. The practical implementation of the 13th Amendment, pertinent legislation and gazetted policies should be scrutinised, as should be observation reports of the local elections scheduled for 17 March 2011.

**A5)** Analysis of the potential of the component on economic development,

As for the EU Delegation, one prerequisite for an effective community development in the context of integrated development is the improvement of human capital, through training and capacity building. One recommendation is to further explore the capacity of the emerging private sector in all focus Districts. The analysis will be performed at a macro, meso and micro level. Identify: possible structures that could be included in the programme; economic subsectors and value chains that have potential for inclusive growth at the local level; eventual productivity issues; main challenge faced by the SMEs in terms of business environment and capacity to generate sustainable employment;

**A6)** Complementarity with ongoing and foreseen technical cooperation interventions including of other donors.

Identification of possible interactions, synergies or complementarities, between the proposed action and existing programmes/projects, through a consistency/coherence check with existing programmes and with GoSL and EU policies. The mission should ensure that a division of labour between donors, particularly EU Member States, is respected, and explore the possibility of joint donor actions.

**A7)** A risk analysis will be performed for all expected results of the programme, and will notably identify major obstacles to the effective participation of local communities and institutions in an IRD approach.

On this basis, the formulation study will recommend an inclusive programme design (part B), specifying the "WHAT", "WHERE", and "HOW" of the future Programme, with due attention for sustainability and horizontal issues the specification of each of the components of the programme, including:

**B1)** Actions, results and beneficiaries, taking into account programme resources and relevant donor and Sri Lankan programmes (Action Components, “**WHAT**”), considering:

* the type of actions to be carried out under each component and their delivery, together with the identification of potential major investments to be made;
* the design should ensure that the local communities and administrations do fulfill their role in the implementation of the Development Plans with an increased efficiency, in view of providing quality public services. The study shall also propose complementary actions to optimize involvement of communities;
* how the components should be adapted in any particular way to meet special conditions applying to some of the districts;
* the added value of using past experience in strategic thematic areas (housing, intensive support to vulnerable communities, economic infrastructure development);
* how coherence will be established with other EU instruments (NSA, EIDHR);
* the opportunity to support new initiatives related to economic development (skills development and vocational training, advisory support on value chains, support to SMEs, potential of joint activities with EIB or with EU Member States);
* feasible and result-oriented capacity-building, striking a balance between support to "deconcentrated" and "decentralised-elected" bodies, as well as how to increase community awareness on how to improve their economic conditions;
* the opportunity for authorities notably Local Authorities to improve accountability and public service delivery
* assess the opportunity of a Technical Assistance, e.g.: through the support of a Economic Development Officer, specify expertise/qualifications requirements and extent of such assistance;
* taking into account actual capacity of stakeholders, potential of the programme for capacity building activities, and sustainability considerations.

**B2)** The detailed definition of priority areas within the selected 4 focus Districts (scope, "**WHERE**")

* defining objective need criteria (e.g. no of resettled families, no of families below poverty and/or highly vulnerable groups such as women / widow headed households);
* taking into account the feasibility of forming community / village clusters (e.g. connecting different ethnic/religious groups, location of other donor interventions, willingness of LAs and CBOs to part take);
* taking into account the capacity building possibilities in non-focus Districts;
* taking into account availability of resources.

**B3)** The confirmation of implementation method(s) and the specification of coordination, management and monitoring arrangements leading to a structuring IRD approach, e.g. steering committee, on-going independent monitoring, and the subsequent definition of indicators ("**HOW**"):

* Outline the proposed institutional set-up for programme steering, coordination and management at all levels, including with the participation of national and decentralised structures with the objective of strengthening ownership. If any, particularities applying to specific components are to be emphasized and elaborated.
* As for a coordination mechanism, coordination of the various rural development activities should be ensured to maximize and sustain existing rural development efforts. Coordination may include support to local communities, especially at the take-off stage / identification of needs, facilitating the capacity-building of local communities, catalyzing the interactions between the community organisations and the organised private sector, installation of monitoring mechanisms, etc.
* Establish an adapted framework for Monitoring and Evaluation purposes, allowing the demonstration of results during the implementation and at the end of the programme , using indicators to be captured in the Logical Framework. This M&E should be included within the institutional set-up and should indicate the sources of information (government indicators, MDGs, Line Ministries and Departments, specific indicators to be followed up).
* Funding modalities (contribution/delegation agreements, grants, service contracts) are to be proposed and the identification of possible partners in the eventuality of joint management. This exercise will be based on the initial options provided in the Identification Fiche and will take into account lessons learned, sectoral analysis and potential sector developments, efficiency and implementation capacity, synergies with other government/development partner programmes, identified best practices where applicable. Should the initial options prove not to be viable, alternative modalities are to be assessed and proposed.

**B4)** **The Budget**: consider the funding allocation to each of the selected components and districts and priority areas within the selected districts, further to the establishment of agreed criteria (population size, degree of need, etc). Consider where the above resources should be located; considering the best funding modalities to be used.

**B5) Cross-cutting issues**: specify programme provisions on: Context sensitivity and if needed conflict sensitivity, Environmental sustainability, Risk mitigation strategy. A special importance shall be given to gender issues and gender equality.

* Required outputs
1. A **short inception report** of approximately 5 pages expressing the consultants’ understanding of the assignment (including explicit methodology to complete the assignment), and detailing the schedule of work for this assignment.
* An **interim formulation report**. The first part (part A) of this report should develop the feasibility analysis and subsequent recommendations for technical specifications of the programme, to be used for further consultation and validation with stakeholders. This report will give an outline of each proposed component and sub-options. It will also give options regarding specific priorities by district and resource allocation by district (technical specifications). A draft version has to be available one week before the consultative workshop. The second part (part B) should consist of a first draft Action Fiche using the EC template with the required annexes such as a draft logical framework and a draft budget.
1. The assignment should give rise to **a consultation workshop** to present the studies and conclusions from Part A of the interim formulation report. This workshop would serve to present findings of specific objectives and to validate the consultants' provisional proposal. A **consultation workshop report** should detail the main recommendations and outcomes of the workshop.
2. A **draft formulation report** to be submitted to the EU not later than 1 week after the completion of the in-country assignment. This report develops further the interim formulation report and provides a comprehensive technical specification and feasibility analysis; the second part that consists of draft Action Fiche and Annexes such as detailed Logframe and Budget. A **final formulation report** will be submitted by the consultant within one week after reception of comments on the draft formulation report by the EU Delegation.
3. Develop **Terms of Reference** for the setting up and operation of a possible Technical Assistance, as for instance through a District Economic Development Partnership, including membership and chairmanship. The Consultants should also develop **guidelines** for the setting up and operation of Local Action Groups, if this option from the Identification Phase is retained.
4. EXPERTS PROFILE or EXPERTISE REQUIRED

The requested services are for four persons (one Team Leader and three Thematic Experts) for a total of 170 working days (see the indicative table below).

The consultants will advise the EU Delegation at the beginning of the assignment in-country on how their work days can best be used in order to fulfill the objectives of the assignment. It is important that the consultants work not only with the Delegation but also with all other relevant stakeholders. The consultants will design an appropriate methodology to complete the assignment which should be presented to the EU Delegation through the Inception Report.

**Table 1. Indicative allocation of working days**

|  |  |  |
| --- | --- | --- |
| **Work-plan** | **Number of working days** | **Location** |
| In-country assignment, drafting of inception and draft final report | At least: 1 x 40 for the Team Leader 3 x 36 for the thematic experts | Sri Lanka |
| Preliminary desk study, review of documentation, mission preparation, international travels, drafting of ToR / Guidelines, finalisation of reports | 22 | Experts’ home country |
| Total | 170 |  |

* Profile per expert or expertise required:

|  |  |  |
| --- | --- | --- |
| **Experts** | **Category** | **Working Days** |
| Expert I – Team Leader | Senior | 56 |
| Expert II – Thematic expert | Senior | 38 |
| Expert III – Thematic expert | Senior | 38 |
| Expert IV – Thematic expert | Senior | 38 |

**Expert I** (Senior), who will coordinate the mission as Team Leader, should have the following:

a) Qualifications: The candidate should have an advanced university degree (Master's or Ph.D.), preferably in economics, public policy, institutional development, rural development or in a related field;

b) Skills: A minimum of 10 years of professional experience, of which at least 8 years working experience as a key expert designing and implementing decentralisation and local development programmes, or in integrated development / spatial planning;

c) Proven experience in managing similar missions, as well as in programme approaches, participatory planning processes, in conducting feasibility studies, as well as in performance indicators and measurement;

d) Excellent analytical, communication and report writing skills required. Good networking skills and proven ability to perform under pressure in a difficult working environment (i.e.: experience in post-conflict situations, ability to demonstrate cultural sensitivity);

e) Knowledge and experience in identification/formulation missions for the EC and knowledge of the PCM and of EC related procedures will be an asset;

f) Excellent spoken and written English.

**Expert II** (Senior), thematic expert in poverty reduction, should have the following:

a) Qualifications: The candidate should have a university degree preferably in economics, political sciences, rural development, engineering, or a related field.

b) Skills: A minimum of 10 years of professional experience, of which a minimum of 7 years experience in designing and/or implementing development projects with a particular emphasis on in livelihood development and intensive support to highly vulnerable groups, reconstruction and rehabilitation of community infrastructure, rural development. International comparative expertise in economic development and knowledge of the Sri Lankan context are required. Proven experience in programme approaches, participatory planning processes, in conducting feasibility studies;

c) Excellent analytical, communication and report writing skills required. Good networking skills and proven ability to perform under pressure in a difficult working environment;

d) Excellent spoken and written English. Knowledge of Tamil and/or Sinhala would be considered an asset.

**Expert III** (Senior), thematic expert on Governance, should have the following:

a) Qualifications: The candidate should have a university degree preferably in public policy, economics, political sciences, law, rural development, or a related field.

b) Skills: A minimum of 10 years of professional experience, of which a minimum of 7 years experience in designing and/or implementing local governance projects, with a particular emphasis on capacity analysis and extensive experience in capacity building, improvement of public service delivery. International comparative expertise in local governance and knowledge of the Sri Lankan context are required. Proven experience in programme approaches, participatory planning processes, in conducting feasibility studies;

c) Excellent analytical, communication and report writing skills required. Good networking skills and proven ability to perform under pressure in a difficult working environment;

d) Excellent spoken and written English. Knowledge of Tamil and/or Sinhala would be considered an asset.

**Expert IV** (Senior), thematic expert in local economic development, should have the following:

a) Qualifications: The candidate should have a university degree preferably in public policy, economics, political sciences, rural development, or a related field.

b) Skills: A minimum of 10 years of professional experience, of which a minimum of 7 years experience in designing and/or implementing development projects with a particular emphasis on private sector development, support to SMEs, income generation, employment, and extensive experience in capacity building. International comparative expertise in economic development and knowledge of the Sri Lankan context are required. Proven experience in programme approaches, participatory planning processes, in conducting feasibility studies;

c) Excellent analytical, communication and report writing skills required. Good networking skills and proven ability to perform under pressure in a difficult working environment;

d) Excellent spoken and written English. Knowledge of Tamil and/or Sinhala would be considered an asset.

1. LOCATION AND DURATION

As indicated in Table 1, the mission will be performed both through desk study and in-country assignment, the latter being **majorly** within the identified four focus Districts of the IRDP in Sri Lanka and otherwise in Colombo. The in-country assignment shall start by April and end in the beginning of June.

1. REPORTING

All reports will be submitted in English and submitted in three paper versions and an electronic version to the EU Delegation. The report should be presented in Word for Windows format and all tables will be in Excel for Windows format.

1. ADMINISTRATIVE INFORMATION

The assignment will be contracted on a **Global Price** basis. Framework Contractors are invited to submit a short methodology together with their best offer.

The assignment is for a total of 170 working days, to be achieved in 7/8 weeks. Per diems will be paid for the duration of the stay in Sri Lanka, excluding any leave days, at the rate applicable at the time of request (see EuropeAid website). The experts may work six days per week, when requested by the TL and agreed by the Delegation.

For national experts, per diems will only be paid for missions outside the usual place of residence and/or work.

National Travel: the per diems include intra-city travel. Inter-city travels foreseen in the Terms of Reference are to be included under local travel costs. An indicative provision of maximum €2,000 should be included under reimbursables for inter-city travel. International travel in economy class is foreseen to be included under reimbursables.

An indicative provision of maximum €2,000 should be included under reimbursables for 4 workshops to be organised for approximately 30 participants each, one workshop per focus District. The experts will be responsible for all costs related to the organisation of the workshop (incl. rental of conference facilities, travel costs, lunch and refreshments, telecommunications and other administrative costs including secretarial support if required).

The Framework Contractor may also use a local team (Sinhala and Tamil speaking) for data collection for the various components, and logistical support. In this case an indicative provision of maximum €2,000 should be included under reimbursables.

The Framework Contractors are also requested to attach a copy of the passport of the proposed experts, together with their location of residence for the collection of their visa.

If deemed necessary, phone interviews will be held with the Experts during the evaluation of the offers.

ANNEX 1

**BACKGROUND of the Identification study for EU support to an integrated regional development programme in Sri Lanka (October 2010)**

**Overall political and economic context**

The 26-year civil war between Tamil separatists (LTTE[[4]](#footnote-4)) and the Sri Lankan Government (GoSL) which came to an end in May 2009 with the total military defeat of the LTTE by the Sri Lankan Army near Mullaitivu, had a devastating impact on the civilian populations as well as on the country's economy. In the North, infrastructure, shelters and economic activities have been shattered, with preliminary reports stating that up to 85% of the built infrastructure is damaged. In the East, economic development had virtually stopped and was furthermore affected by the disaster of the 2004 tsunami. Human rights standards also progressively eroded as a consequence of the armed conflict and its aftermath. While the LTTE until its complete defeat committed widespread abuse in the areas under its control in addition to acts of terrorism in Government-held areas, GoSL continues to restrict civil liberties through the rigorous application of the Prevention of Terrorism Act (PTA), the State of Emergency (SoE) and the Emergency Regulation (ER). In addition, a re-structuring of government departments after the Parliamentary poll in April and the adoption of the 18th Amendment to the Constitution greatly enhanced the powers of the President and further eroded the functioning of democratic institutions.

After having placed the population going out from the Vanni (North) in controlled camps, the Government announced the commencement of a resettlement process in November 2009. As of September 2010, about 270,000 IDPs have returned to their place of origin, with less than 30,000 still remaining in camps. However, areas of destination are often devastated. Functional health facilities are limited; only a fraction of the schools are operating; WASH infrastructure are also disrupted, and land disputes are a major source of concern.

The revival of the economy within the Northern and Eastern provinces is subject to multiple challenges. In both Provinces, the need for infrastructure rehabilitation, the deficiencies in the almost non-existent public service and social facilities, together with the lack of livelihood opportunities, have exacerbated inequalities and social cohesion with the rest of the country.

In recent months, reconstruction has taken place but at differentiated pace, between East and North, and inside the two provinces, with certain urban areas picking up quickly, but the country-side remaining in deep disarray.

**EU strategy**

EU assistance to Sri Lanka under the Country Strategy Paper (CSP) 2007-2013 focuses on reconstruction in areas affected by the conflict and, where possible, development through trade and good governance, including human rights and reintegration actions, while ensuring the continuum between relief, rehabilitation and development.

The CSP identifies disproportionate levels of poverty in the North and East together with a clear need to support Sri Lanka in conflict resolution and prevention as two pressing development challenges. Drawing on lessons from current and past programmes, it defines reconstruction and development through supporting communities affected by the conflict, primarily in the North and East, as Focal Sector.

The first MIP 2007-2010 is being implemented through the "EU-ACAP – EU Assistance to Conflict Affected People" mechanism, which regroups 8 projects providing small infrastructure, socio-economic measures, protection, in particular livelihood in the Northern and Eastern provinces. Projects under the EU-ACAP are carried out by I/NGO's and UN agencies, selected through Calls for Proposals launched in 2008. They complement EC assistance provided since 2004 to tsunami and to conflict-affected areas notably through housing under the Aid to Uprooted Programme (AUP) and support under the Food Facility. Projects under the EU-ACAP were actually launched in 2009 and are now in full swing. They also build on humanitarian assistance provided by ECHO during and in the aftermath of the conflict.

The Multi-annual Indicative Programme 2011-2013, as approved by the European Commission in June 2010, acknowledges a still volatile situation where a flexible scenario-based approach remains required. In a scenario of political reconciliation and engagement by the GoSL, the conditions necessary to support development and reconstruction activities by means of integrated regional development should be in place. In a scenario of uneasy peace and a continuing humanitarian and human rights crisis, in which normal development cooperation would be problematic, support would focus on medium-term assistance for vulnerable communities, in particular those affected by the conflict, and on supporting any positive developments towards conflict transformation and reconciliation.

The non-focal area of "good governance" has the overall objective to enhance democratic governance and respect for human rights and to support peace-building by addressing the root causes of conflict and building trust between the three main communities.

In addition to its function as a non-focal area, good governance will feature as a cross-cutting theme for focal areas. For instance, on "stabilisation, development and reconstruction in conflict-affected areas", the local capacity to plan and manage the development strategies and projects is listed as one of four main indicators.

Moreover, the MIP stipulates that all EU-funded activities in Sri Lanka should be conflict-sensitive in order to avoid exacerbation of existing tensions or creating new conflicts and also to encourage and support opportunities for improving relations between communities in all projects, irrespective of which focal or non-focal area they fall into.

**As far as funding is concerned, an envelope of €60Million is envisaged for the 2011-2013 period, of which €54Million would be allocated to the development and reconstruction Focal Sector and the remaining €6Million to non focal areas (€4Million for Good Governance and €2Million for Trade).**

**Sri Lanka's development strategy and plans**

The "Mahinda Chinthana: Vision for a new Sri Lanka" (MC) is the main document guiding Sri Lanka's current development policy by giving a development framework for 2006-2016. Its main objectives is to raise the GDP growth rate in excess of 8%, and it includes ten-year policy frameworks for various sectors of the economy, with a focus on agriculture, industry, construction and services. The plan recognises the existence of large regional differences in social indicators and proposes specific strategies for the North and East and the Plantation sector. It is expected to ensure sustainable broad-based growth in the provinces and improvement of the living standards in line with the "Mahinda Chinthana Goals" (MCGs). The MC also spells out the President's vision of a "unitary state, not to be divided". This policy chapter rejects the notion of a separate Tamil "homeland" and considers the merits of the different layers of elected local and regional government bodies. In the MC, the President pledges to resurrect elected village councils (Jana Sabhawa and Gam Sabhawa) and announces a revision of the Pradeshiya Sabha and Urban Council Ordinance, as well as the re-establishment of the Northern Provincial Council.

In parallel, the Government of Sri Lanka (GoSL) has launched through the offices of the PTF[[5]](#footnote-5) a three-year plan to sustain the resettlement process in the Northern Province. The Department of National Planning also launched a "Three Year Eastern Province Development Plan 2007-2010". In July 2010, all Districts and Provinces were also requested by the central authorities to present a five year (2011-2016) development plan in order to reach the objectives set in the "Mahinda Chinthana".

Sri Lanka has a longstanding history in local development planning notably through experiencing the integrated rural development approach[[6]](#footnote-6) launched in the 70's, which introduced a multi-sectoral approach to district-level planning; to participatory development e.g.: through the Change Agent Programme; and to integrated poverty alleviation programmes such as the Jansaviya and the Samurdhi programmes.

Also, many attempts have been made to decentralise administrative decision-making in the country, starting as early as 1955. In the Sri Lankan context, devolution means transferring political and administrative decision-making authority from central government to elected bodies at lower levels. The main legal texts for decentralisation are: (i) The Thirteenth Amendment to the Constitution (1987); (ii) The Provincial Councils Act No 42 of 1987; (iii) the Pradeshiya Sabha Act No.15 of 1987. In practice, social and economic development activities are under the responsibility of both deconcentrated and decentralised powers, which may somewhat complicate obtaining a comprehensive view of development priorities and budget allocations.

Indeed, national development efforts are organised at national, provincial and divisional level. At the national level, the "Mahinda Chinthana" is the National Development Policy and Strategy dealing with different sectors for subjects and functions reserved for the Central Government. The major components of the decentralised/deconcentrated planning and coordination are then found at four levels: a) Provincial Development Policy, Strategy and Programme, b) District Development Programme, c) Divisional Development Plan, d) Village Development Plan.

The National Policy on Local Government (gazetted on December 2009) defines the compact of deconcentrated government and elected local government institutions (LGIs) in the national planning process. Besides democratic representation, rule of law, accountability and responsiveness, this policy document also defines the role of LGIs in equity promotion, poverty reduction and social inclusivity. Notably, it encourages civil society participation in the local planning and budgeting process and CBO capacity-building to that end.

In June 2010, the newly formed Ministry for Finance and Economic Development[[7]](#footnote-7) has engaged a new dialogue with the Donor Community, calling for more coordination with other donors and local structures and alignment with governmental strategies and development policies. This initiative is an invitation to donors for change in their relationship with the GoSL, and should open new scopes and opportunities for development cooperation work.

**Implementation of the MIP 2011-2013**

Without prejudice to any choice in terms of scenarios proposed by the MIP, the EU Delegation is also of the opinion that a longer term, strategic, more aid-effective and sustainable approach towards implementing EU assistance is not only warranted, but necessary.

Following the declared intention of the GoSL to strive to more socio-economic cohesion throughout the country and to devote particular attention to lagging regions and districts, accompanied by the ongoing process of drafting regional development plans at district level, the EU Delegation in Sri Lanka is looking into the possibility to define under its MIP 2011-2013 a new support programme for regional development in selected Districts in the Eastern and the Northern Provinces. If necessary, the continuation of medium-term assistance for vulnerable communities, as being the case in the ongoing EU-ACAP, with an accent on ensuring the Link between Relief, Rehabilitation and Development (LRRD), may also be envisaged.

A set of criteria will need to be established in view of selecting a limited number of districts on which the EU intervention would be concentrated. The approach will include the anchoring of the interventions at a local-level and aim at the improvement of social service delivery and the funding of investments on the basis of local development plans. The support programme will contribute to the alleviation of poverty and support to good governance in a sustainable way, and be context sensitive, through:

* The implementation of local development activities, including the setting up/ rehabilitation of social and/or productive community infrastructure (roads, water supply system, drinking water, schools, health posts, etc.) and stabilisation of communities affected by the conflict by means of improved living standards and new livelihood opportunities, with stronger community support structures;
* creating an enabling environment for small businesses;
* human resources development with particular attention for vocational training;
* capacity building of local authorities, notably to generate revenue, strengthen financial management and accountability, and improve planning capacity;
* the strengthening of partnerships between local authorities with non state actors including the private sector and local communities, notably through adequate mechanisms for community consultation and participation.

The above mentioned approach will be in line with the recent position of the Ministry of Economic Development towards Donor coordination and alignment, and will gradually lead to improved Aid Effectiveness, as per the objectives of the Paris Declaration. Its implementation would present a move from project implementation towards the support of a programme, thereby contributing to increase ownership by local authorities, and alignment to regional and local development strategies, institutions and procedures. Particular attention will be paid to involving civil society and locally elected bodies throughout the process of defining and implementing EU assistance. The EU Delegation will also try to play a catalysing role towards better overall donor coordination in supporting local development plans.

1. Please refer to Annex 1, Background of the Terms of Reference for the Identification Study, for complementary information. [↑](#footnote-ref-1)
2. Source: MDG report 2010. Note there is no available data for the Northern Province. Other estimates indicate a figure of 23% under the poverty line in Sri Lanka for 2010, 22% in 2009. [↑](#footnote-ref-2)
3. Conditions of such support being largely unknown. [↑](#footnote-ref-3)
4. LTTE:Liberation Tigers of Tamil Eelam [↑](#footnote-ref-4)
5. Presidential Task Force for Resettlement, Development and Security in the Northern Province [↑](#footnote-ref-5)
6. The IRD approach notably gave an early definition of the basic elements for rural development planning: a) Rural development through social change; b) Human development, people's participation and institution building; c) Poverty alleviation; d) Resource and economic development; Mitigating disparities between groups, genders and potential entrepreneurs. [↑](#footnote-ref-6)
7. The MED has notably taken over the activities of the former Ministries of Nation Building, and is in charge of: the formulation of rural and regional economic development policies and strategies, the implementation of rural livelihood initiatives, and the implementation of decentralised budgets. [↑](#footnote-ref-7)