

PROCESS OF COUNTRY STRATEGY AND PROGRAM PREPARATION

1. The Country Team (CT) started the process of preparing the country strategy and program (CSP) in 2002 when the Asian Development Bank (ADB) President Chino visited soon after the ceasefire agreement was signed on 25 February 2002. The poverty reduction partnership agreement (PRPA) between ADB and the Government of Sri Lanka was also signed during the visit on 8 March 2003 based on a participatory poverty assessment and analysis.¹ Pre-CSP analyses and assessments were undertaken from April 2002 in close consultation with the Government of Sri Lanka. A stock-taking meeting was held in October 2003 soon after the beginning of the first round of peace talks in late September 2002. The stock-taking meeting agreed on the rationale and fundamentals of development context for the new CSP including (i) the prospects for a lasting peace; and (ii) the Government's new development strategy incorporating the national poverty reduction strategy, which is fully consistent with the PRPA. As such, the CSP process was linked to the progress of the peace process and the related key events including the Tokyo Conference on Reconstruction and Development of Sri Lanka (the Tokyo Conference). Assessments on governance and public management, private sector development, gender, and debt sustainability were subsequently undertaken to support the CSP preparation. The CT continued to update the pre-CSP analyses and assessment and undertook evaluation of previous CSP and assessment of strategies and assistance by other funding agencies in December 2002 when the Government announced its economic reform program of "Regaining Sri Lanka" (RSL).

2. Consultations with relevant stakeholders at all levels continued throughout the process. On 5 February 2003, a joint strategy seminar was organized by Japan Bank for International Cooperation (JBIC), World Bank and ADB in Tokyo to exchange views on respective strategy formulation.² Over 200 participants from academia, private sector and civil society attended the presentations and discussions. Local consultations at village level took place later in February 2003. Eight local consultative meetings³ in the North (1), North Central (1), East (3), and South (3) regions of the country were held reflecting conflict and non-conflict areas, government, and Liberation Tigers of Tamil Eelam controlled areas, dry and wet zones, and ADB-project and non-project areas. Participation totaling about 400 ranged from 22 to 80 people in each meeting. Women participation ranged from 8 to 25 in each meeting and represented one third of the total on average. Representation included those of farmers, fishermen, traders, rural development societies, credit societies, women's association, and nongovernment organizations. Four meetings in the North and East were predominately returnees of internally displaced people (IDPs).⁴ Participants were invited to express any significant changes in the community that affected people's well-being and economic activities over the past 5 to 10 years, followed by recent changes and development. Their development needs and priority were discussed at the end of each meeting.

3. While the observations in these meetings did not intend to translate and/ or substantiate any new findings and recommendations, they do help to secure first-hand knowledge of development experiences and future needs at local levels as well as assure good practices and

¹ 2001. ADB. *Poverty Reduction in Sri Lanka: Issues, Findings, and Approaches*. Manila.

² World Bank's Country Assistance Strategy was discussed by their Board on 01 April 2003 and JBIC's Loan Assistance Strategy for Sri Lanka was approved on 06 November 2003. Annual assistance from ADB, JBIC and World Bank amounts to about 80% of the development budget.

³ Nedunkerney, Vavuniya; Kebitigollawa, Anuradhapura; Kuchivelu, Trincomalee; Valachchenai, Batticaloa; Kalmunai, Batticaloa; Thenagallanda, Moneragala; Ratupasgodalla, Hambantota; and Rahula Junction, Matara.

⁴ Including the IDPs in welfare camps of Kalmunai, Batticaloa waiting to be resettled back to their home villages.

raise concerns on doubtful ones. Significant and positive changes since the ceasefire agreement was signed a year ago were expressed in terms of the mobility of people and goods. While generally hopeful and longing for the success in the peace process, people in the North and East showed impatience and distrust of the Government in past development and future rehabilitation efforts. In the East, tensions between Muslim and Tamil communities remained obvious. It was also observed that the modality and scope of the ongoing ADB-financed North East Community Restoration and Development Project are appropriate and relevant in the North and East. Demonstrated activities and improvements on the ground will help promote confidence-building and support the peace process. In the dry zone, better and systematic ways of rehabilitating existing tanks for irrigation to raise agricultural production need to be pursued. Medium- to long-term solutions will need to be examined to meet the expanding needs of irrigation and drinking-water requirements. Measures also need to be formulated and undertaken to contain the growing dissatisfaction of the educated unemployed through effective interventions in the short, medium, and long term to mitigate the hidden instability and reduce underutilization of human resources. Development needs vary according to the existing development context and facilities at village level as observed in these meetings.

4. High-level consultations took place during President Chino's second visit to Sri Lanka on 6–8 March 2003 followed by initial consultation to confirm with the Government, civil society, private sector, and external funding agencies on key development issues and proposed strategic focus of ADB operations. ADB's continued strong support to the peace process was confirmed during various consultations including both at local and national levels. Peace dividends would materialize through assistance to (i) rehabilitate and reconstruct the conflict-affected areas and (ii) implement the economic reform program and promote broad-based economic growth to create jobs and reduce poverty in the entire country. Following an initiating meeting in late April 2003, the strategic focus of ADB operations was decided based on the sector and thematic analyses and assessments as well as stakeholder consultations. The CT updated the sector and thematic strategies and roadmaps and concept papers and identified cofinancing possibilities in close consultation with relevant stakeholders including the sector and steering committees established for the implementation of RSL. In addition, these updates also took into consideration the needs assessment for the conflict-affected and conflict related areas jointly undertaken by ADB, World Bank, and the United Nations. Consultation with relevant stakeholders continued and agreement with the Government was confirmed on the selection of sectors, thematic areas, and the assistance program in May 2003.

5. The Tokyo Conference in June 2003 finalized the overall country development program in the medium term including the needs assessment of the conflict-affected and conflict related areas and the possible available financial resources for implementation. A draft CSP incorporating outcomes of the process and events was presented for ADB management guidance in July 2003. Another round of consultations were undertaken in mid-July 2003 with the Government, nongovernment organizations, private sector, academia, and external funding agencies to confirm the new CSP and its implementation. The process initiated in the CSP formulation will continue such that the inclusive process will be maintained throughout its implementation. The annual CSP update exercise will utilize the momentum of the process to facilitate effective monitoring and evaluation of the CSP implementation. As ADB considers increasing the assistance program to meet the emerging needs and future challenges of the country, the annual CSP update becomes a crucial tool to verify and revise the assistance program to ensure its relevance, effectiveness, and efficiency.