

Advisory review on an environmental sector study  
and on six project proposals in Sri Lanka

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Advisory review on an environmental sector study and on six  
project proposals in Sri Lanka

Advice submitted to the Netherlands Embassy in Colombo, Sri Lanka, by a  
working group of the Commission for Environmental Impact Assessment in  
the Netherlands.

the technical secretary

Mrs. I.A. Steinhauer

the chairman

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by 'W' and 'K', with a long horizontal line extending to the right.

mr. J.W. Kroon

Utrecht, 5 October 2000

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## APPENDICES

1. Letter from the Royal Netherlands Embassy Colombo, Sri Lanka dated 19 June 2000, in which the Commission has been asked to submit an advisory review on 6 project proposals and on an environmental sector study
2. Project information
3. Documents reviewed
4. Relation between sector and sub-sectors
5. Elements for a common framework of criteria for assessment of environmental projects in Sri Lanka
6. Description and assessment of 6 proposals



# **1. INTRODUCTION**

## **1.1 Natural Resource Management in Sri Lanka**

The development co-operation relationship between the governments of Sri Lanka and the Netherlands is focussed on three sectors. One of these sectors is environment and in particular 'natural resources management' (NRM). The Asian Development Bank (ADB) is lead-donor in this area and the Srilankan authorities have asked the Netherlands Embassy to work in close cooperation with the ADB.

The Netherlands Embassy has undertaken an Environmental Sector Study to establish whether support for the area of NRM offers sufficient scope for the realisation of the Netherlands policy. A second aim of this analysis is to identify whether the selected sub-sectors and approach of the ADB as the lead-donor in this field in Sri Lanka sufficiently reflects local priorities and offers scope for a coherent and well co-ordinated contribution from the Netherlands.

The Srilankan Government has requested the Netherlands Embassy to consider financial support to six project proposals in the NRM-sector, namely:

1. ADB Proposed Forestry Resources Management Sector Project;
2. ADB Water Resources Management Project;
3. ADB/WB Protected Area Management and Wildlife Conservation Project;
4. FAO Conservation and Management of Selected Rainforests in Sri Lanka;
5. Global Environmental Facility (GEF) Sri Lanka: Conservation of Biodiversity through Integrated Collaborative Management in Rekawa, Ussangoda, and Kalametiya Coastal Ecosystems;
6. GEF Conservation of Globally Threatened Species in the Rain Forest of Southwest Sri Lanka.

## **1.2 Rationale and mandate for this review advice**

### **1.2.1 Request of the Embassy**

The Srilankan authorities (Department of External Resources, Ministry of Finance and Planning) requested the Netherlands Embassy to provide support for the development of NRM in Sri Lanka. The Embassy indicated that this was understood to cover in principle all related sub-sectors<sup>1</sup>.

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<sup>1</sup> In order to understand the difference between sector and sub-sectors and for a better understanding of this advice, the Commission provides a scheme in appendix 4

Secondly, the Embassy made clear that it was looking for a clear concept how its contribution to vertical as well as horizontal issues within and across sub-sectors may help strengthen the impact and benefit the sector as a whole.

In a letter dated 19 June 2000, (appendix 1) the Embassy invited the Commission<sup>2</sup> to advise on possible support to the various project proposals (or to only some of them), either in terms of support for specific components or non-specified general financial support. The advice will concentrate on the question which (parts of) project proposals are to be preferred from the point of view of quality, coherence and synergy with other activities in the NRM-sector.

### **1.2.2 Involvement of the Commission**

In March 2000, the Commission for EIA at the request of the Netherlands Embassy issued a review advice on an Environmental Impact Assessment (EIA)-study, which had been prepared for a Coastal Resource Management Project (ADB)<sup>3</sup>. The Embassy recently decided to contribute significantly to this project. Support to this project can be seen as a logical step in the proven track record of Netherlands development co-operation activities in the environmental sector in Sri Lanka.

The involvement of the Commission in the above mentioned CRMP-project can be seen as a comparative advantage to be able to assess whether and which of the 6 project proposals would strengthen the NRM-sector even more, given the investment already decided upon in the coastal zone management sub-sector.

This advice has been prepared by a working group of the Commission. The members of this working group are listed in appendix 2. The group represents the Commission and comprises expertise in the following disciplines: hydrology, ecology, biodiversity, forestry, land use and institutional development.

In this advice, the Commission has restricted itself to a desk-study. During the preparation of this advice, the Commission consulted with one of the authors of the Environmental Sector Study

## **1.3 Justification of the approach**

For an assessment of the six project proposals at hand, the Commission suggested to the Embassy to make use of the Environmental Sector Study (ESS) as a review framework. In its letter, the Embassy endorsed this approach under the condition that the ESS should be seen as a snapshot in time only. For further development of the ESS, the Embassy indicates that the ESS should be flexible enough to incorporate changing priorities.

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<sup>2</sup> The Commission for Environmental Impact Assessment in the Netherlands (henceforth referred to as the Commission)

<sup>3</sup> Advisory review of the environmental impact assessment report and feasibility study of the Coastal Resource management project, 17 March 2000

Given the request for advice, the Commission has taken a step-wise approach:

1. Assessment of the general quality of the ESS.
2. Assessment of the usefulness of the ESS as a methodological framework that can be expanded and tuned to developing needs and changing priorities.
3. Assessment of the usefulness of the ESS as a review framework for the assessment of the project proposals.
4. Assessment of the 6 project proposals in the pipe line (making use of the ESS) under the condition that financial contribution will strengthen the sub-sector itself (vertically) but also strengthens the coherence between sub-sectors (horizontally).

The first three steps are addressed in chapter 2. Chapter 3 addresses step 4.

## **2. FINDINGS OF THE ESS-REVIEW**

### **2.1 Quality and coverage of the ESS**

The Commission judges the ESS as sound and well prepared. The approach used in the study appears to be appropriate and although time was brief, the methodology of the ESS is thoroughly applied. Considerable information is brought together and the aggregated lists of prioritised issues give a good general indication of the major problems the Srilankan environmental sector is confronting. The SWOT<sup>4</sup> analyses contain extensive and detailed information. The consensus-building workshop appears to have included representatives from relevant agencies and is a good means to receive feedback on and support for the outcomes of the ESS. The coverage of the institutional issues is well done; there is a strong focus on stakeholders participation and policy issues. The ESS provides a concise overview of Dutch funding policies and those of WB and ADB.

Therefore, the Commission is of the opinion that the ESS serves the purpose of a 'quick scan', as was asked for in the Terms of Reference (ToR) of the Embassy. This quick scan forms a good starting point for different aims.

In the following paragraphs the Commission will screen:

- Paragraph 2.2: to which extent the ESS can be used as a scheme for environmental action planning for the coming years (for both Netherlands Embassy as well as Srilankan environmental authorities);
- Paragraph 2.3: to which extent the ESS can be used for the assessment of project proposals.

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<sup>4</sup> strengths, weaknesses, opportunities, threats

Unsurprisingly, as the ESS was not carried out specifically to address the above-mentioned aims, the Commission will note some shortcomings. Each identified shortcoming will be followed by a recommendation for remedial action. The recommendations will be grouped in two categories: contents (*which* information is still missing) and process (*how* can this information be collected).

## 2.2 The ESS as an adaptable framework for environmental action planning

### 2.2.1 **Suggestions to improve ESS contents and coverage**

#### **Problem analysis**

The most important results of the ESS are Table 21 and 22, indicating prioritised crosscutting issues (14) and specific issues (27). The Commission is of the opinion that these lists form a clear diagnosis or context description of the present situation regarding natural resource management. However, an in-depth analysis, although asked for in the ToR, part C is not elaborated. Clearly, this in-depth analysis is difficult to realise within the scope of the quick-scan character of the ESS, but is essential to be able to formulate options and strategies for (development) support in the environmental sector. For example, the most highly rated crosscutting issue is 'creation of cross-linkages between national/provincial/regional level planning and sectoral level planning'. An analysis of why these linkages are important, why they are not in place right now and a mechanism to establish them is probably thought of, but not explicitly mentioned in the ESS.

- The Commission recommends to have each of the prioritised issues analysed. This is not necessarily an in-depth analysis but can be limited to a description of what are underlying problems and causes and what are the consequences? Actions then logically ensue from these problem analyses and alternative options for and feasibility of these actions can be assessed. The Commission recommends to pay specific attention to the socio-economic aspects as these are important underlying causes of the environmental problems and at the same time they constitute important conditions for formulating realistic actions.

#### **Tuning with ongoing plans and programmes**

The ESS makes a broad analysis of existing and (pipeline) project proposals for international assistance in relation to the identified environmental issues. An assessment of the ongoing and planned programs/actions by the Government of Sri Lanka itself and - on the basis of this - an identification for what areas external assistance is needed or most effective, is not clearly detectable from the ESS.

- The Commission recommends to have each of the prioritised issues compared with ongoing and planned programs and actions. This can lead to requirements/criteria for further prioritisation in time of areas in need of support (as was requested in the ToR).

### **Dutch environmental policy**

Also Dutch environmental policy is only described in very general terms, whereas there exists a number of policy documents related to international development cooperation, such as tropical rainforests, biodiversity, forestry, water resource management.<sup>5</sup>

- The Commission recommends to assess the prioritised issues against Dutch environmental policy documents on different sub-sectors, in case the Embassy wants to use Dutch policy as a review framework for identifying areas of cooperation.

### **Scope of natural resource management**

The focus in the ESS (in accordance with the ToR) is limited to natural resources. Table 3 mentions natural resource categories, as commonly used in Sri Lanka and thus used in the ESS. The question arises whether or not this is sufficient to identify all potential environmental issues. Eg. mineral resources (sand, gems) are not mentioned as a category and eco-tourism unjustly is mentioned as a natural resource. The abiotic part (soil, water, air) and related environmental problems (sewage, waste, pollution) of the sector is addressed by the ESS, but could have received more attention.

- A clear choice has to be made between two scenarios. Either (i) focus on natural resource management only; the abiotic 'brown' part of the sector is left out, except in case it has a (negative) impact on natural resources, or (ii) the whole environmental sector is addressed; in that case full attention has to be paid to the 'brown' sector. Only in case the scope of NRM is completely covered, a justified selection of sub-sectors can be made (which was mentioned as an aim of the ESS too).

## **2.2.2 Process-oriented improvements**

### **Consensus building workshop**

Because of the high level participation in the consensus-building workshop and because few or no stakeholders other than central government representatives were present, only the most general crosscutting issues and most general specific<sup>6</sup> issues were mentioned. Details of the study are thus lost and the ESS loses its strength. The ESS comes up with issues which will take long

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<sup>5</sup> Ministry of Agriculture, Nature Management and Fisheries (1992). The Dutch Government's Policy Paper on Tropical Rainforests. The Hague, The Netherlands.

Ministry for Development Cooperation (1994). Biological Diversity. Sector and Theme policy Document 8. The Hague, The Netherlands.

Ministry for Development Cooperation (1998). Forest and Forestry. Sector and Theme policy Document 11. The Hague, The Netherlands.

Ministry for Development Cooperation (1998). Water for the future, Integrated Water Resource management, Policy priorities 02, The Hague, The Netherlands.

<sup>6</sup> Meant are specific issues formulated that generally, that all stakeholders can agree upon it easily.

to be realised (eg. the main focus in cross cutting issues regard the institutional framework) and which in practice will be difficult to realise. Furthermore, it can be questioned whether identified priorities are fully supported by executing staff. Also NGOs, private sector and administration representatives may have been under-represented at the workshop.

- The Commission recommends for follow-up consensus-building workshops to invite participants who are more involved in realisation/execution of activities. This may lead to another ranking of crosscutting and specific issues. It also may be worthwhile to organise similar workshops with representatives of the Netherlands Embassy and the most important donors (WB, ADB, EU, FAO) for consultation and participation purposes. An improved methodology - when carried out periodically with the right persons and institutions - might serve well in getting a more internalised, Sri Lanka-driven process for co-ordinated priority setting and actions (which is a longer term objective of the Embassy).

### **2.2.3 Conclusion and recommendations**

*Key Question: to which extent the ESS can be used as a scheme for environmental action planning for the coming years (for both Netherlands Embassy as well as Srilankan environmental authorities)?*

The Commission is of the opinion that the ESS can be used as a starting point for environmental action planning for the coming years. In future, as part of the planning process, the Commission recommends to organise workshops with lower-level representatives working in the field of the 4 sub-sectors as selected in principle by the Netherlands Embassy (coastal zone management, biodiversity, forestry and water management) and give them the following tasks:

- ranking of cross-cutting and specific issues and compare with Table 21 and 22;
- analysis of each issue (background, underlying causes and options for action);
- check with sub-sector policies and ongoing programmes;
- special attention for socio-economic issues.

When these sub-sector workshops are finalised, the results have to be summarised and submitted to the central, high level representatives. As such, these workshops can be organised with regular intervals, thus providing the possibility to incorporate changing priorities and to check the effectiveness of ongoing projects (monitoring). 'Policy workshops' with Colombo based participants (ministries, donors, NGO representatives) could be preceded by one or more 'technical workshops', providing the material for the policy makers.

The same process can be executed in a parallel manner in a cross-section of districts in Sri Lanka, bringing together sectoral technical and decentralised administrative participants.

In case the Embassy explicitly wishes to become active in the 'brown' sector, a similar workshop could be held with representatives of the 'brown' sub-sector. The same can be done for representatives of the Embassy, especially paying attention to Dutch sub-sector environmental policies. By organising these follow-up workshops, automatically a second opinion is gained on the quality of the information used in the matrices of the ESS. This second opinion is recommended as IUCN provided the majority of data for the first stage of the ESS. The Commission has no reason to believe that IUCN staff is not sufficiently qualified/experienced to perform this task, but a feedback from the different stakeholders can only give the ESS more value and support. This is even more worthwhile as the stakeholder analysis clearly reveals that major problems are lack of co-ordination, lack of user/stakeholder participation, lack of monitoring and feedback and lack of implementation capacity at all levels.

Working this way, the ESS helps to make operational the environmental policy of Sri Lanka.

## 2.3 The ESS as review framework for assessment of project proposals

### 2.3.1 **Review framework for justification of the selection of sub-sectors**

The Commission is not aware how the sub-sectors as identified by the Embassy (biodiversity, coastal zone management, forestry and water management) were selected. Reviewing the ESS, the Commission wondered whether the selection of sub-sectors would be substantiated through the ESS. The ESS however, does not categorise the 'specific issues' per sub-sector. The sub-sectors are covered more or less in the non-prioritised SWOT-lists (Tables 9- Species and populations, 10- Ecosystem and habitats, 11- Forestry and 15- Water resources). Only some sub-sector issues are covered in the prioritised 'specific issues' Table 22.

- The Commission notes that the aim of the ESS 'to identify whether the selected sub-sectors sufficiently reflect local priorities' is not specifically addressed. The follow-up workshop per sub-sector, as suggested by the Commission in 2.2.3, can be of use in answering the above-mentioned question of the Embassy.

### 2.3.2 **Review framework for project evaluation**

In Table 24 (components of) pipeline projects are compared with the priority issues identified in Table 21 and 22, in order to determine their immediate relevance in addressing major NRM constraints. The idea was, that if project objectives and approaches are indeed addressing a number of priority issues, these could be considered justified. The table shows that in principle 17 out of 18 projects can be considered for co-financing (and out of the 36 project-components, 26 are considered suitable). Therefore, applying a second filter, the projects are also checked with Dutch environmental policy, in order to determine whether Dutch development co-operation should play a financial role. As Dutch environmental policy is formulated in very general terms, this does not fulfil the role as an extra criterion for selection. As a result, almost all pipeline projects are recommended for co-financing.

The pipeline includes the six project proposals at hand, although the analysis of projects nr. 4, 5 and 6 is not very thorough and project activities are not discussed.

- The Commission is of the opinion that the ESS does contain useful information for review of the six project proposals. However, the question of the Embassy 'how financial contribution can strengthen the sub-sector itself (vertically) and at the same time contribute to strengthening the NRM sector as a whole (horizontally)' can not be answered directly by the ESS.

### **2.3.3 Conclusion and recommendations**

Key Question: *to which extent the ESS can be used for the assessment of project proposals?*

The Commission is of the opinion that the ESS provides parts for a reference framework that is required for the justification of the chosen sub-sectors and for the evaluation of the six projects proposals. As such, it can be used as a first screening tool for project evaluation, namely in making clear which projects are *not* suitable for financing. In chapter 3 of this advice, the Commission gives a tool/approach for project assessment.

## **3. ASSESSMENT OF THE PROJECT PROPOSALS**

### **3.1 General**

To address the question of the Embassy how its contribution can strengthen the sub-sector itself (vertically) but also strengthens the coherence between sub-sectors (horizontally), the Commission developed an approach for project assessment. Guiding principles for the Commission in developing such an approach were:

- making use of the results of the ESS as much as possible;
- taking into consideration the 'lessons learned' in the NRM-sector. This is done on basis of the information provided in the 6 project proposals. The proposals together provide an impression of the problems at hand and necessary steps to take;
- applying 'best professional judgement' taking into consideration the criteria quality, sustainability, coherence and synergy.

In paragraph 3.2, the Commission provides insight in the approach (in three steps) how the assessment of the 6 project proposals was executed. As such, the Commission aims to contribute to the development of a strategic tool/concept for assessment of project proposals for use by the Embassy, in order to define and optimise their (long-term) support to the environmental sector.

Of course, the impact of Embassy support to the sector and the degree to which the broad and ambitious goals of sector support can be achieved, to a large extent will depend on the amount of funding available.

### 3.2 Points of departure and criteria for the assessment of project proposals

#### Approach step 1: summary of 'lessons learned'

All proposals stress poverty as the main cause and consequence of environmental degradation. The 'lessons learned' show that:

- The relationship between provision of income earning alternatives for local communities and the achievement of environmental conservation or sustainable use of resources is complex and indirect.
- There should be an understanding within and secure role for the local communities regarding their rights and responsibilities with respect to the use of natural resources and environmental conservation.
- The key to success is a combination of high level and administrative support, strong but adaptive flexible management and close communication.

#### Approach step 2: criteria derived from lessons learned

Projects which are to be financially supported by the Embassy would have to contribute to resolving the complex situation summarised above. This means that they should be evaluated by using the following key questions:

**Problem analysis and project objectives:** Is the project based on a coherent problem analysis (underlying causes and effects) and does the project effectively address (part of) these problems?

**Legal setting:** Are legislative and regulatory considerations and policies governing the proposed activities addressed in the project?

**Stakeholder participation:** To which degree does the project allow for participation and involvement of stakeholders, in design and execution?

**Institutional framework:** Is the project embedded within a sound institutional framework on the national and local level, including competent authorities directly involved in the execution of the project and control and maintenance of the executed works?

#### Approach step 3: criteria derived from 'best professional judgement'

**Quality:** Does the project design logically ensue from the problem analysis and are proposed project interventions of sufficient quality?

**Sustainability:** Are project outputs (financially) sustainable after the project is terminated?

**Coherence:** To which degree does the project fit within the existing environmental policies and programs and supports or complements other activities and projects?

**Synergy:** To which degree there is horizontal or vertical synergy with other programs or projects?

Based on these general criteria, a number of sub-criteria and questions have been identified by the Commission. The complete, although not exhaustive, set of criteria for assessment of project proposals in the NRM-sector in Sri Lanka is summarised in Appendix 5.

### 3.3 Findings of the assessment of project proposals

The next step is to assess the different projects on the basis of the set of criteria developed above. The results are presented in Appendix 6. This Appendix consists of a descriptive part (page i to iii) and an assessment part (page iv to vii).

The Commission explicitly wants to emphasize that these results are only indicative as these are the outcome of a quick scan of the project proposals only; no field visits were made. Hence, the Commission could basically check whether the project proposals address the topics raised in appendix 5, but experienced limitations in valuing the different topics (is it sufficient/effective/realistic/feasible?).

The filling in of Appendix 6 led to the formulation of more specific criteria/questions in Appendix 5. As such, the development of Appendix 5 and the elaboration of Appendix 6 has largely been done in an iterative process. Both Appendices can be further refined by the Embassy if so required.

The following table summarizes the results of the assessment. Although the table is indicative - for the reasons explained before - it provides a framework for comparing the proposals and for directing financial support by the Embassy.

However, a real ranking of project proposals is only possible, if a weight is assigned to each of the 8 general criteria. They can be valued equally, but also differently for instance when 'synergy' is considered as a more important criterion than 'stakeholder participation'. This is up to the Embassy.

	1	2	3	4	5	6
Problem analysis	+	+	+	+	+	+
Legal status	0	0	0	0	0	-
Stakeholder participation	+	-	+	+	+	+
Institutional framework	+	0	+	0	+	0
Quality	+	0	+	0	+	0
Sustainability	+	0	+	0	0	-
Coherence	+	+	+	+	+	+
Synergy	+	+	+	0	0	+

From this summary of assessment some general observations and conclusions can be drawn.

1. All project proposals contain a sound problem analysis.
2. The proposals clearly focus on protection of natural resources and sustainable use by reducing poverty and degradation instead of the historical concept of increasing production in eg. forestry and fisheries.
3. The legal and regulatory support is in all project proposals weak.
4. Almost all project proposals have a participatory approach.
5. In the institutional framework, quality and sustainability, there is some difference between the proposals. These criteria can therefore be used to distinguish between the different proposals.
6. Coherence between all proposals is high. The proposals differ in the degree of synergy. Judgement however very much depends on if synergy is considered e.g. from a regional point of view or a contents-wise point of view.