



# Validation Report

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Reference Number: PCV: SRI 2012-05  
Project Number: 31287  
Loan Number: 1716-SRI(SF)  
March 2012

## Sri Lanka: Coastal Resource Management Project

Independent Evaluation Department

**Asian Development Bank**

## ABBREVIATIONS

ADB	–	Asian Development Bank
BME	–	benefit monitoring and evaluation
CCD	–	Coast Conservation Department
CFHC	–	Ceylon Fishery Harbours Corporation
EIRR	–	economic internal rate of return
MFARD	–	Ministry of Fisheries and Aquatic Resources Development
O&M	–	operation and maintenance
PCR	–	project completion report
RRP	–	report and recommendation of the President
SAM	–	special area management
TA	–	technical assistance

## NOTE

In this report, “\$” refers to US dollars.

### Key Words

adb, asian development bank, coastal resource management, ied, independent evaluation department, nongovernment organization, pcr, project completion report validation, sri lanka

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## PROJECT COMPLETION VALIDATION REPORT

### PROJECT BASIC DATA

<b>Project Number:</b>	31287	<b>PCR Circulation Date:</b>	December 2010	
<b>Loan Number:</b>	1716-SRI(SF)	<b>PCR Validation Date:</b>	March 2012	
<b>Project Name:</b>	Coastal Resource Management Project			
<b>Country:</b>	Sri Lanka		<b>Approved</b> (\$ million)	<b>Actual</b> (\$ million)
<b>Sector:</b>	Agriculture and Natural Resources	<b>Total Project Costs:</b>	80.00	72.30
<b>ADB Financing:</b>	<b>ADF:</b> \$40.00 million	<b>Loan:</b> (SDR equivalent)	40.00 (28.80)	40.20 (27.70)
	<b>OCR:</b> 0.00	<b>Borrower:</b>	27.15	20.06
		<b>Beneficiaries:</b>	0.09	0.00
		<b>Others:</b>	0.00	0.00
<b>Cofinancier:</b>	Government of the Netherlands	<b>Total Cofinancing:</b>	12.76	12.02
<b>Approval Date:</b>	7 Dec 1999	<b>Effectiveness Date:</b>	13 Mar 2000	14 Jun 2000
<b>Signing Date:</b>	14 Dec 1999	<b>Completion Date:</b>	31 Dec 2006	31 Sep 2008
		<b>Closing Date:</b>	30 Dec 2005	2 Sep 2010
<b>Project Officers:</b>	<b>Name:</b> C. Rajendran A. Kelly A. Tayyab M.Thiruchelvam	<b>Location:</b> Headquarters Headquarters Headquarters Resident Mission	<b>From</b> 2000 2001 2003 2005	<b>To</b> 2001 2003 2005 2010
<b>Validator:</b>	J. Cook, Consultant	<b>Team Leader:</b>	A. Morales, Evaluation Officer, IED1	
<b>Quality Reviewer:</b>	W. Kolkma, Director, IED1	<b>Director:</b>	W. Kolkma, IED1	

ADB = Asian Development Bank; ADF = Asian Development Fund; IED1 = Independent Evaluation Division 1, Independent Evaluation Department; OCR = ordinary capital resources; PCR = program completion report; SDR = special drawing rights; SF = special fund.

## I. PROJECT DESCRIPTION

### A. Rationale

1. The Coastal Resource Management Project addressed urgent coastal problems in Sri Lanka, including (i) serious erosion, especially in areas with concentrated economic activity or vital infrastructure; (ii) unmanaged fishing; (iii) pollution and uncontrolled exploitation of lagoons, estuaries, coral reefs, mangroves, sea grass beds, wetlands, and dune systems; and (iv) widespread poverty among the coastal population. Failure to address these problems was thought to put at risk the important contribution of the coastal belt to the economy. A significant proportion of families in coastal areas depend on the exploitation of fish and nonliving marine resources. Many live below the poverty line. Unless measures were taken to promote alternate livelihoods, the pressure exerted on the resource base would increase. Institutional reforms and capacity building efforts were considered necessary to support more efficient coastal resources management, as per the report and recommendation of the President (RRP).<sup>1</sup>

<sup>1</sup> ADB. 1999. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Coastal Resource Management Project*. Manila.

## B. Expected Impact

2. The project was intended to contribute to enhanced environmental protection in coastal areas, and poverty reduction among fishing communities. Based on the project framework in the RRP, the targets were (i) coastal erosion along seven specific coastal segments, with a total length of 52 kilometers, reduced from the current rate of 10 hectares per year by 2005; (ii) special area management (SAM) plans effectively implemented in six critical coastal sites by 2005; and (iii) spoilage catch by multiday boats reduced by 20% by 2005.

## C. Intended Objectives or Outcomes

3. The main objective of the project was to establish integrated management of coastal resources to improve their sustainability. Targets were that (i) the Coast Conservation Department (CCD) would implement coastline protection and stabilization measures in seven specific coastal stretches by 2005; (ii) six SAM plans would be implemented by the CCD by 2004 in collaboration with coastal communities and nongovernment organizations; and (iii) the Ceylon Fishery Harbours Corporation (CFHC) would manage two safe, efficient, and hygienic harbors and two anchorages by 2005.

## D. Components and Outputs

4. The project comprised four components with the objectives and main targets as outlined in Table 1.

**Table 1: Components**

Component	Objective	Target
1. Coastline stabilization	To address the problem of coastal erosion and develop proactive coastal erosion management systems	Coastline protection and stabilization measures in seven coastal stretches by 2005 extending to 52 kilometers
2. Coastal environment and resource management	To address problems of coastal resource degradation and include activities intended to improve the income levels of coastal communities, thereby relieving the pressure on coastal resources	Implementing six SAM plans by the CCD by 2004
3. Fisheries resource management and quality improvement	Aimed at sustainable coastal fisheries management supported by the construction of harbors and/or anchorages and ancillary facilities to permit improved fish quality and reduced pollution in lagoons	Monitoring control and surveillance system for conserving and managing fishery resources, introducing village-based fish processing technologies, and constructing two fishery harbors and two anchorages
4. Institutional strengthening	To enhance the institutional capabilities of the MFARD, other concerned agencies, and community organizations in coastal and fisheries resource management	Training 25 staff in agencies with CRM responsibilities; establishing monitoring unit in the MFARD by 2002; and developing and implementing community-based SAM plans

CCD = Coast Conservation Department, CRM = coastal environment and resource management, MFARD = Ministry of Fisheries and Aquatic Resources Development, SAM = special area management.

Source: ADB. 1999. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Coastal Resource Management Project*. Manila.

## **E. Provision of Inputs**

5. The project cost was estimated at \$80 million, including an Asian Development Bank (ADB) loan of \$40 million from the Asian Development Fund, repayable over 35 years at 1% interest. The project was to be cofinanced by the Government of the Netherlands, which provided a grant of \$12 million. Government funding was budgeted at \$27 million, or 33% of project cost. The project required 228 person-months of international consulting inputs and 510 person-months of national consulting inputs, in each case 10% higher than planned. There were six international competitive bidding contract packages in the project and nearly 20 local competitive bidding packages.

## **F. Implementation Arrangements**

6. The project executing agency was the Ministry of Fisheries and Aquatic Resources Development (MFARD). In line with arrangements defined at appraisal, a project management office was established in the MFARD under a project director. The project director supervised site managers at the six project sites and the project implementation units at the CCD and CFHC. An interagency project steering committee chaired by the MFARD secretary met periodically to review progress. It proved difficult to schedule meetings due to the high number of members in these institutions (government project completion report [PCR], para. 36).

7. Advisory technical assistance (TA) implemented in 2005–2006 was intended to (i) prepare draft shoreline management plans for selected pilot sites; (ii) introduce public–private partnerships for implementing and managing these plans; and (iii) introduce economic criteria for coastal protection investments, operation and management, and coastal buffer zone options. The TA was implemented satisfactorily but unavailability of funds meant follow-up interventions under the pilot studies were not implemented and the TA was rated *partly successful* (PCR, para. 29).<sup>2</sup>

# **II. EVALUATION OF PERFORMANCE AND RATINGS**

## **A. Relevance of Design and Formulation**

8. The PCR rates the project *relevant* at both approval and completion. The project is also consistent with the government's plans and policies, which included ADB's strategy during formulation (ADB was the lead agency assisting Sri Lanka in environmental and natural resources management at the time). ADB support would focus on modernizing the legal framework, enhancing stakeholder involvement, decentralization to address the poverty–environment nexus, and sustainable management of natural resources. Given the disastrous state of coastal zone management on the west coast, the project can be considered highly relevant at the time of design.

9. The project was also relevant in relation to Sri Lanka's 2002 Poverty Reduction Strategy. As per the PCR, the project incorporated many of the features of the strategy, such as erosion control to benefit low-income fishing families who were unable to berth boats due to lack of beach area and who lost their homes due to erosion. Further, the government would also encourage sustainable exploitation of marine resources through community-based (common) resource management, enhanced regulation of fishing, the preparation of resource profiles, and improved fishing vessels and navigation equipment suitable to the needs of small-scale fishers.

10. This validation finds that, by the time of completion in 2010, the project remained highly relevant to the national environment because of the potential threats of sea-level rise.

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<sup>2</sup> ADB. 2010. *Completion Report: Coastal Resource Management Project in Sri Lanka*. Manila.

However, ADB's Sri Lanka country partnership strategy, 2009–2011<sup>3</sup> substantially reduced the emphasis on the environment and agriculture and natural resources sectors, reflecting the core thrust of ADB's Strategy 2020.<sup>4</sup> However, environment-related activities would strengthen capacity of line agencies to implement environmental and social safeguards, and promote climate change initiatives. Despite this reduced relevance, this validation considers that the project objectives were relevant to national environmental and social goals and, thus, concurs with the PCR rating of *relevant*.

## **B. Effectiveness in Achieving Project Outcomes**

11. The PCR states that the project met its objectives and most of its targets and lists the achievements, impacts, and issues of coastal stabilization works carried out over a 41-kilometer stretch along the west coast. However, the government was not able to fulfill its obligations in areas for which it was responsible, reducing overall achievement. Nonetheless, despite delays including the 2004 tsunami, most of its targets were achieved.

12. The targets under component 2 were achieved after a delayed start. The PCR noted that changes recommended at the midterm review were duly carried out. The coastal resource management and visitor centers were successfully constructed. Other activities—including strengthening communities, building awareness, planning special area management, conserving habitats, managing resources, and improving water exchange and social programs—have been completed. The fisheries resource management and harbors component experienced significant delays but ultimately most of its physical objectives were achieved, though one anchorage and a planned fish market were dropped. The government PCR provides information on the number of boats using the new harbors, suggesting a substantial increase between 2004 and 2007, together with increased fish catches. However, increased boat numbers (e.g., from 1,033 to 3,868 in Chilaw) are not necessarily desirable, since the inshore resources were already overexploited. Analysis of these issues under the project and by the PCR would have been valuable. Meanwhile, institutional strengthening targets are reported to have mostly been met, though the legislation developed under the component has yet to be passed. Overall, this validation supports the PCR rating of *effective*.

## **C. Efficiency of Resource Use in Achieving Outputs and Outcomes**

13. The PCR notes that many activities were completed more or less on time, but there were major delays in some activities. Delays were experienced in making most foreign currency payments to contractors. The government PCR (para. 127) reports that the finance division found it difficult to disburse funds in a timely manner. The inexperience of field managers in handling finances contributed to these delays. The necessary procedures and technology to streamline the activities of the finance division were lacking from the beginning. This validation acknowledges that process efficiency varied across components, but overall it is rated *moderate*.

14. The PCR noted that the December 2004 tsunami damaged project facilities and delayed implementation. A decision was taken (with ADB approval) under the project to contribute to emergency rehabilitation efforts, and a valuable contribution was made up to the time when the government and other projects (including the ADB-funded Tsunami Affected Areas Rebuilding Project)<sup>5</sup> came on line (government PCR, para. 219).

<sup>3</sup> ADB. 2008. *Country Partnership Strategy: Sri Lanka, 2009–2011*. Manila.

<sup>4</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

<sup>5</sup> ADB. 2005. *Report and recommendation of the President to the Board of Directors: Proposed Loans and Grants to Sri Lanka for the Tsunami-Affected Areas Rebuilding Project and North East Community Restoration and Development Project II*. Manila.

The tsunami recovery project had many impacts, including the reestablishment of severe overcapacity in the marine capture sector, and the resurgence in power of inefficient state enterprises.

15. Economic efficiency at the time of design was good for a project of this nature, with an economic internal rate of return (EIRR) of 15.0%. At completion, the EIRR was estimated to have increased to 18.6%, due mainly to reduced cost of civil works under some components. The costs and benefits of component 4 (institutional strengthening) were excluded from the analysis. The economic benefits and EIRR of the coastline stabilization program were highly sensitive to the inclusion of tourism-related benefits. However, this validation notes the potentially large benefits from stabilization. Overall, the project is considered to have represented an *efficient* use of resources. This validation concurs with the PCR rating of *efficient*.

#### **D. Preliminary Assessment of Sustainability**

16. The PCR rates the project *less likely sustainable*, largely based on the government's implied inability or unwillingness to support the operation and maintenance (O&M) of project investments. The problem appears to result largely from the inability to charge fees for the use of project infrastructure such as harbors (which the CFHC is reported to be unable to implement) or visitor centers (through retaining park entrance fees). Community coordination committees were central to the development of the special management areas. The PCR (Appendix 3) reports that some of the committees had developed into development foundations, while others were not functioning due to lack of activity and post-project support. This validation questions whether it was sensible to establish new institutions for community coordination rather than working through existing structures. If intended to be sustainable, they would have needed further support and ongoing funding. Also, due to problems of infrastructure O&M funding, this validation supports the PCR's rating of project sustainability as *less likely*.

#### **E. Impact**

17. The PCR noted that the environmental impact appears to have been strongly positive, with the arresting or slowing of coastal erosion processes on some of the worst-affected areas on the west coast. The project contributed to some degree to reducing the causes of erosion, such as beach and river sand mining. The PCR reports a reduction in other illegal practices such as mangrove felling and dynamite fishing. The PCR also noted improvements in fish production.

18. The PCR (paras. 48–49) states that coastal stabilization has benefited more than 60,000 households, or 300,000 individuals, by protecting houses and providing stable beaches for landing boats. Under the coastal environment and resource management component, nearly 1 million people in the SAM sites benefited through nearly 370 interventions for habitat conservation, resource management, and reengineering of lagoons. The livelihood development programs of the coastal environment and resource management component benefited more than 1,000 villagers, of whom 75% were women—a positive result. The validation concurs with the PCR that the project impact is positive and, in accordance with PCR validation guidelines, this validation assesses the impact as *significant*.

### **III. OTHER PERFORMANCE ASSESSMENTS**

#### **A. Performance of the Borrower and/or the Executing Agency**

19. The PCR (para. 34) reports that successive secretaries of the MFARD provided valuable leadership and ensured that policy and on-the-spot issues were solved

immediately. However, there were issues regarding the administration of the fisheries resource management and quality improvement component by the CFHC. As the CFHC did not directly implement the component, its ownership of the outputs of the component was not secured. Also, efforts to institutionalize the outputs of the TA demonstrated insufficient ownership by the MFARD, particularly in regard to strengthening community participation in resource management and institutional development. Changes of government and senior officials and consequent delays in gaining the necessary approvals resulted in the loss of follow-on investment, reducing the ability to embed the institutional gains made up to 2005. Most activities in the field were channeled through the district and divisional secretariats. However, in many instances the project did not receive sufficient priority from the local government (government PCR, para. 128). Nonetheless, the project was implemented on time, with adequate financial support from the government. The performance of the borrower and the MFARD is rated *satisfactory*.

## **B. Performance of the Asian Development Bank**

20. ADB's supervision of the project is rated *satisfactory* by the PCR, with review missions mainly around 9 months apart. The midterm review took place in two parts, involving 7- and 8-person teams for a total of 204 days—a much greater effort than most midterm reviews, highlighting the issues facing the project at that time. The project was delegated to ADB's Sri Lanka Resident Mission following the midterm review. Continuity of project officer after delegation ensured implementation without lapses and improved project monitoring. Earlier transfer of responsibility from ADB headquarters to the resident mission may have assisted in smooth implementation. This validation concurs with the PCR's assessment of ADB performance as *satisfactory*.

## **C. Others**

21. An environmental impact assessment was prepared on the project and reviewed by the Commission for Environmental Impact Assessment of the Ministry of Foreign Affairs, and also by the Embassy of the Netherlands prior to the commitment of funds. Other environmental covenants were complied with and, overall, no significant environmental issues were reported. No mention is made by the PCR of resettlement, suggesting that there were no issues in this area. Environmental and resettlement safeguards, including waste treatment, were built into the design of the fisheries harbors.

22. The PCR (para. 50) noted that the project empowered women in villages, involving them in generating income, and changing attitudes in both men and women. The involvement of religious leaders in the local public consultation process was valuable. Their mediation was often sought to assist in addressing public concerns. The government PCR (pages 49–53) indicates a strong level of consultation with stakeholders. No particular issues relating to governance are reported in project documents.

# **IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS**

## **A. Overall Assessment and Ratings**

23. Based on the ratings under the four core evaluation criteria, this validation concurs with the overall PCR rating of *successful*. The project was and remains *relevant* to the country's national plans, was *effective* as most of the project outcomes were achieved despite significant delays including the 2004 tsunami, and *efficient* in the use of resources and based on an acceptable EIRR. However, the sustainability of outcomes is rated *less likely* as the continued support to some project investments is uncertain.



**Table 2: Overall Ratings**

Item	PCR	IED Review	Reason for Disagreement/Comments
Relevance	Relevant	Relevant	
Effectiveness in achieving outcome	Effective	Effective	
Efficiency in achieving outcome and outputs	Efficient	Efficient	
Preliminary assessment of sustainability	Less likely sustainable	Less likely sustainable	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Impact	Positive	Significant	In accordance with IED validation guidelines
Overall assessment	Successful	Successful	
Quality of PCR:		Satisfactory	

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.  
Source: ADB. 2010. *Completion Report: Coastal Resource Management Project in Sri Lanka*. Manila.

## **B. Lessons**

24. The PCR identifies a number of useful lessons, with which the validation concurs. They are summarized as follows:

- (i) Community involvement from inception to completion is the key. Law enforcement alone cannot safeguard the environment. To ensure that communities benefit, their involvement is important even in large infrastructure development and rehabilitation projects.
- (ii) At the project management level, a sense of ownership has to be developed early to prevent implementation delays and ensure continued O&M.
- (iii) To ensure the sustainability of the alternative livelihoods generated, market linkage is crucial to generate income and prevent communities from returning to their traditional activities.
- (iv) Delays ensue when activities from different components are grouped in one subproject. Such grouping can discourage ownership of project outputs. Combining harbor development with coastal conservation delayed project implementation considerably because the activities were not complementary.

## **C. Recommendations for Follow-Ups**

25. The validation concurs with the recommendations made in the PCR regarding future monitoring, covenants, further actions, and sand build-up in the Hambantota fishery harbor.

26. This validation notes that, given the huge problems of coastal erosion on both Sri Lanka's west and east coasts and large littoral movement of sand, conversely leading to harbor sedimentation, further investment to build on project initiatives in coastal protection is urgently required. ADB could consider such support under its climate change initiatives as promoted by ADB's Climate Change Implementation Plan for South Asia, 2009–2011.<sup>6</sup>

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Evaluation Design, Implementation, and Utilization**

27. The RRP (para. 87) indicated that a benefit monitoring evaluation (BME) system would be designed and established at the Planning and Monitoring Division of the MFARD

<sup>6</sup> ADB. 2008. *Climate Change Implementation Plan for South Asia, 2009–2011*. Manila.

by December 2003, utilizing information collected and processed through the data collection and management systems of the CFHC, the CCD, Department of Fisheries and Aquatic Resources, and National Aquatic Resources Research and Development Agency. BME would be undertaken by a team of consultants. The PCR (Appendix 8) reports that staff resources were assigned to improve the effectiveness of the Planning and Monitoring Division in the MFARD, fulfilling the loan covenant. However, this validation considers the BME system to have been poorly designed and implemented. The lack of direct control of the BME system by the project meant that project-related data were not necessarily given priority. Reliance on consultants meant that there was unlikely to be much transfer of skills or technology.

28. The PCR reports that a monitoring and evaluation division was added to the project management unit in 2004, 4 years after commencement and less than 2 years from planned completion. The government PCR (para. 35) reports that the division was overwhelmed by the lack of data due to late commencement, with 4 components, 11 field offices, and multiple interventions.

## **B. Comments on Project Completion Report Quality**

29. The Independent Evaluation Department assesses the PCR quality *satisfactory*. The report follows the Project Administration Instructions 6.07.<sup>7</sup> Lessons and recommendations are considered appropriate and relate well to the PCR's analysis. Further lessons and recommendations could probably be drawn from the project experience, which might be particularly relevant in light of the severe impacts that would occur in Sri Lanka with any significant rise in sea level.

## **C. Data Sources for Validation**

30. The sources of data for this validation consist of (i) the project RRP, (ii) related project documents and correspondence, (iii) the ADB PCR, and (iv) the government PCR.

## **D. Recommendation for Independent Evaluation Department Follow-Up**

31. No specific follow-up by the Independent Evaluation Department is recommended.

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<sup>7</sup> ADB. 2009. Project Completion Report. *Project Administration Instructions*. PAI 6.07. Manila.

## **REGIONAL DEPARTMENT'S RESPONSE TO THE PROJECT COMPLETION REPORT VALIDATION REPORT**

On 6 December 2011, the Independent Evaluation Department (IED) circulated the draft validation report for interdepartmental comments. IED received initial comments from the Sri Lanka Resident Mission, South Asia Department on 14 November 2011; and the following comments on the revised draft on 2 March 2012:

We have no comments, as the report generally supports the PCR ratings and rates the quality of PCR as *satisfactory*. The ratings on IED review are exactly same as the PCR except for the rating of impact. IED report rates impact as *significant* while PCR rated as *positive*.