



## 1. Project Data

**Project ID**

P156021

**Project Name**

Ecosystem Conservation and Management

**Country**

Sri Lanka

**Practice Area(Lead)**

Environment, Natural Resources &amp; the Blue Economy

**L/C/TF Number(s)**

IDA-57920

**Closing Date (Original)**

30-Jun-2021

**Total Project Cost (USD)**

34,624,592.42

**Bank Approval Date**

25-Apr-2016

**Closing Date (Actual)**

31-May-2023

**IBRD/IDA (USD)**
**Grants (USD)**

Original Commitment

45,000,000.00

0.00

Revised Commitment

34,999,999.68

0.00

Actual

34,624,592.42

0.00

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## 2. Project Objectives and Components

### a. Objectives

The project development objective (PDO) was to improve the management of ecosystems in selected locations in Sri Lanka for conservation and community benefits (Legal agreement, p.5)

For the analysis of efficacy in this ICRR, the PDO will be parsed into two objectives as follows:

- a. Objective 1: To improve the management of ecosystems in selected locations in Sri Lanka for conservation; and



- b. Objective 2: To improve the management of ecosystems in selected locations in Sri Lanka for community benefits.

**b. Were the project objectives/key associated outcome targets revised during implementation?**

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

No

**c. Will a split evaluation be undertaken?**

No

**d. Components**

**Component 1: Pilot Landscape Planning and Management (Appraised cost: US\$2.8 million - Actual cost: US\$0.70).**

- i. Provision of Cash for Work Program
- ii. Provision of support for piloting landscape planning and management involving all stakeholders in selected landscapes comprising contiguous areas with unique ecological, cultural, and socioeconomic characteristics, including the development and implementation of landscape plans and management models and provision of technical advisory services and facilitation of training.

**Component 2: Sustainable Use of Natural Resources and Human-Elephant Co-existence (Appraised cost: US\$17.0 million - Actual cost: US\$5.60).**

- i. Provision of Cash for Work Program
- ii. Provision of support to government agencies and communities living in the buffer zones of Protected Areas and other sensitive ecosystems to:
  - a. (i) identify and implement biodiversity-friendly and climate-smart existing or new livelihood options through participatory Community Action Plans; (ii) develop capacity for business development and management and facilitate linkages to existing financing mechanisms; and (iii) develop capacity and natural resources management, livelihood development, and co-management of forest and wildlife resources; and
  - b. (i) scale up successful pilot models and implementation of other measures to address human elephant conflict, including: (A) implementation of the landscape conservation strategy aimed at allowing elephants to continue ranging outside Department of Wildlife conservation (DWC) protected areas (PAs) in other protected areas, while providing protection to farmers and village communities through protective solar electric fencing; and (B) management of elephants in elephant conservation areas and managed elephant ranges which are lands outside the DWC PAs network without transfer or change in land ownership through elephant compatible development; (ii) carry out a study to identify viable economic incentives for affected local communities, and development of policies, procedures, and mechanisms for provision of such economic incentives; and (iii) update the national master plan for mitigation of the human-elephant conflict, and development of human elephant coexistence models for other areas.



**Component 3: Protected Area Management and Institutional Capacity (Appraised cost: US\$24.2 million - Actual cost: US\$27.13).**

- i. Provision of Cash for Work Program.
- ii. Provision of support:
  - a. Strengthen the effectiveness of PA conservation and management including the development and implementation of a PA management plan; such conservation management activities include: (i) the rehabilitation and development of water resources within being a yes for wildlife; (ii) habitat management, including control of invasive species, habitat creation, and habitat enrichment; (iii) rehabilitation and expansion of road network within PA for reducing tourism pressures and patrolling; (iv) improvements to park infrastructure for better management of forest and wildlife resources; (v) species monitoring and recovery programs; (vi) protection of inviolate areas for species conservation; (viii) strengthening enforcement through the introduction of Spatial Monitoring and reporting Tool (SMART) patrolling; and (ix) improving the mobility of PA staff for better enforcement.
  - b. Enhance the quality of nature-based tourism (NBT) through planning of nature-based tourism and visitor services in PAs, including (i) carrying out of needs and capacity assessments, (ii) development and implementation of plans for enhancing nature-based tourism in selected PAs, including establishing the optimum number of visitors; (iii) development and renovation of visitor services infrastructure such as construction and renovation of visitor centers, comfort facilities, eco-friendly park bungalows and campsites, and development of infrastructure for new visitor experiences; (iv) construction of nature-based trails, wayside interpretation points, observation towers, wildlife hides, and canopy walks; and (v) improving nature interpretation facilities through the development of comprehensive accreditation systems for nature-based tourism services including related guidelines; And
  - c. Strengthen the institutional and investment capacity of conservation agencies including (i) institutionalizing reforms such as decentralization of the decision-making process; (ii) improving skills and capacity for adaptive and effective management of PAs; (iii) enhancing capacity, including infrastructure development at the National Wildlife Research and Training Center and the Sri Lanka Forestry Institute and affiliated institutions; (iv) provision of support for developing monitoring and evaluation capabilities, targeted studies, technical assistance and equipment for long term monitoring of status of critical biodiversity and forest resources, setting up of the Project website and maintenance, monitoring and evaluation of Project results; and (v) development of capacity to co-manage wildlife and forest resources with communities and other stakeholders.

**Component 4: Project Management (Appraised cost: US\$1 million - Actual cost: US\$1.57).** Provision of support for Project implementation and management, including (a) support in the areas of project management, monitoring and evaluation, procurement, financial management, and environmental and social safeguards; (b) facilitation of public awareness and communication; (c) provision of technical advisory services and Incremental Operating Costs, facilitation of training, acquisition of goods and equipment.

**Component 5: Contingent Emergency Response**

**Changes to components**

Following restructuring in 2018, an amendment to the legal agreement added a subcomponent (Cash for Work program) to each of the first three components above to utilize small-scale, labor-intensive works to



create short-term employment, where community contracting was challenging. Component five was also added in 2018.

#### **e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

##### **Project cost**

Appraised: US\$45,000,000; Revised: US\$35,000,000; and Actual: 34,624,592

##### **Financing**

The project was financed through a US\$45million International Development Association (IDA) Credit.

##### **Borrower contribution**

There was no planned or actual contribution from the Borrower.

##### **Dates:**

The project was approved in April 2016 and became effective in December 2016. Mid-term review (MTR) was conducted in October 2019. It was to close in June 2021 but closed in May 2023.

The closing was extended twice for a total of one year and 11 months to complete civil work delayed by Covid-19 restrictions.

##### **Restructuring**

The project underwent five level-two restructurings and one partial credit cancellation:

- **August 2018:** to introduce incremental operating costs across all components, add a new disbursement category 'Cash for Works,'
- **April 2020:** to revise and drop some activities under categories 1 and 2, add component 5 for contingency emergency response component (CERC); reallocate funds between activities (50 percent of the funds from activity 1 and 2 were moved to add US\$9 million to component 3, increasing it by 40 percent), and revise results framework indicator and targets at the PDO level
- **May 2020:** to partially cancel credit of US\$10 million to support Covid-19 emergency priorities
- **June 2020:** to reallocate funds between components, revise one target at PDO level
- **December 2020:** to extend the project closing date by one year to complete civil works contracts delayed by Covid-19 movement restrictions
- **May 2022:** to extend closing date again by 11 months to complete delayed civil work contracts

##### **Split Rating**

The PDO remained the same, but some original PDO indicators were deleted or amended about three years before the project closed to better measure the project's achievements. The changes were stated in Table 1 of the ICR. A more detailed summary of the changes is presented below.



- Three PDO indicators defined in the PAD (paragraph 17) focused on: (i) Recording the number of direct beneficiaries; (ii) Number of villages and agriculture plots that were protected as a result of human-elephant co-existence activities; and (iii) People who gained access to income generating activities. They were replaced by one indicator that measured “The reduction in crop and property damage in areas of community fencing”.
- Another PDO indicator defined in paragraph 17 of the PAD as “Increased visitor revenue in selected PAs” was replaced by “Percentage of visitors who agree that investments and visitor management improvements enhanced the quality of nature-based tourism”.
- “Areas brought under enhanced biodiversity protection” also defined as a PDO indicator in paragraph 17 of the PAD remained unchanged.
- An intermediate results indicator defined in the PAD as “Percent of beneficiaries that agree project investments reflected their needs” was relabeled as a PDO indicator.
- Finally, three new PDO indicators were defined, namely: (i) “Number of local policies and/or measures influenced by integrated decision making”; (ii) “Number of trained staff demonstrating improved capacity for ecosystem management”; and (iii) “Percentage of beneficiaries that agree project investments reflected their needs”.

The project restructuring reduced the project’s scope and its funding was also reduced by 25 percent. Amendments to the PDO indicators focused more on measurable project achievements as well as on the assessments of the project’s efficacy and relevance to the needs by respectively tourists and farmers. With the addition of three new PDO indicators the project became marginally less ambitious but more accountable on the achievement of its institutional and capacity building dimensions. This review therefore concluded that there is no justification for a split rating of outcomes.

### 3. Relevance of Objectives

#### Rationale

#### Country context

Sri Lanka adopted a development framework that committed it to develop sustainably, with attention to its biodiversity, guided by the National Environmental Action Plan that it developed in 1992, followed by several strategies that identified the ecosystems that required strategic conservation (ICR, para 1). Its agriculture, non-timber forest products (NTFPs), and tourism depended on the services of well-functioning ecosystems. Despite its efforts, the ecosystems had degraded over time. About one-fourth of the country’s area was designated as PAs, but approximately 30 percent of the dry zone forests were degraded. The Government had enacted laws and developed strategies to manage its natural resources, but weak coordination among various organizations with overlapping mandates and outdated institutional capacity and financing models were hindering effective governance (ICR, para 2).

According to the ICR (para 3), harvesting of NTFPs, including game, medicinal plants, and food items, extraction of firewood, and fodder for livestock from forests were important sources of livelihood and income, especially for the largely poor communities around the PAs. Poorly managed, the dependency on PAs reduced both conservation and livelihood benefits, calling for an integrated approach to increase livelihood benefits for communities around PAs and to reduce pressure on PAs, to arrest the decline in the



carrying capacity, which was threatening several key species. The PAs were not adequate to support the elephant population, which needed to continue to roam outside (ICR, para 4). But Human-Elephant Conflict (HEC) imposed considerable burden on communities on the fringes of PAs and other ecologically sensitive areas. It became clear that the management of forested ecosystems, which had focused on protection, needed to take an integrated approach to address different interests (ICR para 7). The development of Nature-based tourism (NBT), whose potential had been underutilized, offered an opportunity to align the interests of conservation and those of neighboring communities.

### **PDO relevance to country strategy**

The PDO was relevant to the updated National Determined Contribution (NDC) Plan that Sri Lanka submitted in July 2021, committing to increase its forest cover from 29 percent to 32 percent by 2030 as one of several means to achieving carbon neutrality by 2050 (ICR, para 31). The PDO was also relevant to key national strategies and action plans, including (i) the Punarudaya, Sri Lanka's environmental action plan, which emphasized the conservation of the country's natural resources, particularly forest and wildlife resources, (ii) sectoral strategies on water, agriculture and energy, and (iii) and other Government of Sri Lanka (GoSL) policies of increasing forest cover, harnessing of ecosystem benefits, developing mechanisms for human-elephant co-existence, and improving the revenue generating capability of wildlife and forest resources.

### **PDO relevance to World Bank assistance strategy**

The PDOs were relevant to the World Bank's (WB) climate agenda, as ecosystems were important in both climate change mitigation and adaptation. The WB's Country Partnership Framework (CPF) with Sri Lanka for FY17-FY20, the previous Country Partnership Strategy FY13-FY16, supported the strategic themes of improved living standards and social inclusion and improving resilience to climate and disaster risks. Pillar 3, 'Seizing green growth opportunities, improving environmental management, and enhancing adaptation and mitigation potential,' prioritized ecosystem management. The PDOs remain relevant to the WB's new Country Partnership Framework (CPF) for Sri Lanka for FY24-27 (ICR, para 30). It supports High-Level Outcome Two on human and natural capital and Objective 5, "Maintain and Strengthen Natural and Human Capital for Resilience and Livelihoods," while underpinning the cross-cutting theme of "enhancing resilience".

### **Level at which PDO is pitched**

The core of the PDO, to improve the management of the ecosystem, is pitched at an appropriate level to simultaneously address the problem of degrading ecosystems and misalignment of the interests of conservation and that of communities living around ecologically sensitive areas. However, PDO indicators were amended, making them marginally less ambitious but more accountable for the achievement of the important institutional and capacity-building dimensions.

### **Rating**

High

## **4. Achievement of Objectives (Efficacy)**



## OBJECTIVE 1

### Objective

To improve the management of ecosystems in selected locations in Sri Lanka for conservation.

### Rationale

#### Theory of change

As indicated in Figure 1 of the ICR, in the context of a lack of integrated decision-making that balances conservation and development, the theory of change employed by the project postulated that project **activities/inputs** such as (i) introducing landscape level participatory planning framework to balance the need for conservation of sensitive ecosystem and local development; (ii) supporting implementation of management plans to improve habitat and increase protection in PAs; (iii) developing NBT to improve visitor experiences and increase revenues; and (iv) strengthening facilities and capacity at Department of Wildlife Conservation (DWC) and Forest Department (FD) would lead to **outputs** such as: (i) plans and reports developed and implemented; (ii) the area benefitting from improved habitat management and; (iii) training programs developed and staff trained which would contribute to the **outcome** of improved management of ecosystems for conservation.

### Outputs

- 2 landscape management plans for biodiversity-rich and environmentally sensitive forest ecosystems completed, meeting the target of 2
- 2 conservation status & enforcement monitoring and reporting systems developed, meeting the target of 2
- 7 protected area-level nature-based tourism plans developed, meeting the target of 7
- 2,027 staff trained, exceeding the target of 310
- 11 range-level PA management plans implemented
- 315,788 ha benefited from habitat improvement activities, falling short of the target of 350,000 ha
- 3 supportive infrastructure (facilities of National Wildlife Training and Research centre in Giritale, for example) upgraded for long-term capacity building, meeting the target of 3
- 3 long term training programs for offering Diploma and Certificate degrees by DF and DWC updated, exceeding the target of 2

### Outcomes

- 4 local policies and or measures relevant to conservation adopted as a result of integrated decision-making, meeting the target of 4
- 493,675 ha brought under enhanced biodiversity protection, exceeding the target of 350,000 ha
- 85 percent of the visitors agreed that investments and visitor management improvements enhanced the quality of nature-based tourism, exceeding the target of 50 percent
- 2 out of possible five of a measure of improved capacity for ecosystem management among trained staff, meeting the target of 2.





The results framework (RF) measured the outcomes in terms of the extent to which the methodology of landscape-level planning has influenced local policies, improved capacities of the staff of Forest Department (FD) and DWC, the area both inside PAs and in other ecologically sensitive areas that have benefited from biodiversity protection measures, and visitor perceptions of the improvements on PAs.

The two landscape management plans developed were expected to influence the country's apex planning bodies to adopt a participatory landscape approach (ICR, para 35). The plans developed in the country adopted the approach. Two of the four policies thus developed include the integrated landscape management policy and the ten-year forestry sector master plan. The landscape planning approach was also introduced at PA and community levels to improve management through integrated decision-making.

The improved capacity of those who received training in conservation management was measured by an index. It was based on information collected from both trainees and their supervisors. Capacity was assumed to have improved if at least 50 percent of them rated the content and quality of training as satisfactory. The indicator is weak because only 7 and 31 percent of FD and DWC staff, respectively, participated in the survey (ICR, Annex 1).

Close to half a million acres of land inside and outside participating PAs benefited from enhanced biodiversity protection measures, which included the development of water resources and measures to improve patrolling. They can be expected to increase the carrying capacity, but the indicator falls short of offering evidence of improvement in conservation in terms of increased biodiversity, for example. The results framework had suggested using the GEF Management Effectiveness Tracking tool (METT) to measure the benefits of improved management, but the ICR notes that it was not done (para 44).

Visitor perceptions were captured from domestic repeat visitors, 85 percent of whom indicated that they noticed an improvement in the quality of NBT facilities. The indicator suggests that facilities had improved, potentially leading to higher visitor revenues, but falls short of offering evidence to indicate that conservation had improved.

The theory of change sought to improve the management of ecosystems by influencing the way policies and plans are prepared, developing the capacity of planners, and making the investments necessary to improve the habitat and visitor experience. The project delivered the targeted outputs. The ICR presents evidence of having influenced policies, but of having improved the capacity to manage is weak. The improvements made in the habitats have the potential to enhance their carrying capacity but there is no evidence of it. Repeat visitors, however, suggested that they noticed improvements in the investments made to improve NBT. As conservation is likely to be achieved, but the evidence of it is weak, the achievement of this objective is rated substantial with moderate shortcomings.

**Rating**  
Substantial

## **OBJECTIVE 2**

### **Objective**

To improve the management of ecosystems in selected locations in Sri Lanka for community benefits.





## Rationale

### Theory of change

In the context of the degradation of protected area and the dependence of neighboring communities on forests for their livelihoods, and to protect the communities from HEC, while continuing to let elephants roam outside the PAs, the theory of change employed by the project postulated that, **inputs/project activities** such as, (i) supporting government agencies and communities on the fringes of PAs to develop and implement community action plans that generate biodiversity friendly and climate smart livelihood options, and (ii) piloting successful models to reduce human-elephant conflict, would lead to **outputs** such as: (i) Community action plans prepared and implemented; (ii) Plans mainstreamed; (iii) Increased income generating activities created; and (iv) Increased number of villages and crops protected. These outputs would contribute towards the **outcome** of increased benefit for the communities in terms of livelihoods that helps them use the resources sustainably and gain from reduced conflict with elephants.

### Outputs

- 60 community action plans prepared, meeting the target of 60
- 8,105 persons gained access to income generating activities as a result of project interventions, falling short of the target of 12,000
- 28,646 direct project beneficiaries, exceeding the target of 27,000
- 53 percent of direct beneficiaries are women, exceeding the target of 30 percent
- 13,839 had their assets protected, falling short of the target of 16,000
- 31 villages and agricultural plots protected as a result of human-elephant coexistence activities, falling short of the target of 107
- 3 knowledge products on elephant management in place, meeting the target of 3
- Institutional framework for sustainable management of fencing program in place

### Outcomes

- 77 percent of beneficiaries agree project investments reflected their priorities, exceeding the target of 75 percent
- 75 percent reduction in crop and property damages in areas of community fencing, exceeding the target of 45 percent

The RF measured the outcomes in terms of the extent to which the beneficiaries feel that the project investment reflected their priorities and reduction in crop and property damage in communities protected with community fencing.

Three quarters of the beneficiaries felt that project investments reflected their priorities, but it falls short of suggesting that they benefited from livelihood options generated by the project. That is also confirmed by the project falling short of the target number of people (by 25%) whose access to income generating activities are increased.

Seventy five percent of the estimated beneficiaries of community fencing reported that their crops and property were protected better or damage was lower. But the project built electric fences in less than a third of



the targeted communities because of lack of demand from communities, many of whom did not collectively choose to have the fences because some would benefit more than others.

On the other hand, at project completion a community survey offered more evidence on outcomes. The average monthly income of beneficiaries had increased by a modest 6 percent. It also showed that the communities depended less on forests; firewood collection for commercial sale and domestic use was reduced due to alternative livelihoods and more efficient stoves, and hunting and sandmining had decreased (ICR, paras 49 and 50).

The theory of change assumed that assisting communities develop and implement plans would help them identify and develop income generating activities that would benefit them while reducing their dependence on forests. The indicators used to measure the outcome suggest that beneficiaries felt that project activities reflected the priorities but not that the project activities had adequately generated livelihood options. However, a community survey indicated that the communities had become less dependent on protected areas due to the availability of alternative livelihoods. Beneficiaries of community and crop fences reported that the fences had reduced damage from elephants, but the project succeeded in fencing only a third of the targeted communities because of lack of demand. The project fell short of targets on two key outputs outcome indicators and a community survey suggested that outcomes have been achieved; the overall achievement of this objective is therefore rated Substantial with moderate shortcomings.

**Rating**  
Substantial

## **OVERALL EFFICACY**

### **Rationale**

The project expected to improve the management of ecosystems for conservation and community benefits. It introduced landscape level planning, trained the staff in implementing organizations to manage better and invested in habitat improvement to enhance the carrying capacity of protected areas and improve visitor experience. The new planning approaches introduced influenced policies and plans produced by the country's apex planning organizations. There is some evidence of improved capacity among staff but it is not strong. Nevertheless, the investment in habitat improvement in PAs is likely to lead to natural resource conservation. The visitors to protected areas reported that the investments had enhanced the quality of tourism facilities. The achievement of conservation was marginally substantial. To achieve community benefits, the communities were helped to develop and implement actions plan that would lead to income generating opportunities and piloted measures that would reduce damage from human elephant conflict. The beneficiaries felt that project investments reflected their priorities, but the project fell short of creating the targeted number of income- generating opportunities. The beneficiaries of community fences felt that crop and property damage was reduced, but the project protected only a third of the targeted villages with fences. The achievement of benefits to communities was marginally substantial. Overall, the efficacy with which the two objectives was achieved is therefore rated substantial but only marginally so.



## Overall Efficacy Rating

Substantial

### 5. Efficiency

According to the ICR, the economic analysis at appraisal quantified a subset of the benefits that the project activities were expected to provide. The benefits of the project were associated mostly with greater sustainability, reduction in HEC, improvements in environmental flows, and the capacity to conserve and manage ecosystems. As the environmental benefits did not translate into direct, measurable market benefits and non-market valuation techniques were labor intensive, the analysis employed simpler approaches to quantify the minimum level of benefits for project components that would render the project beneficial.

An earlier valuation of environmental services in Sri Lanka had shown that the total value of ecosystem services ranged from US\$2,128 per ha per year to US\$622,845 per ha per year compared to an average global value of US\$3,274 per year for watershed benefits. For the components 3a and 3c, assuming the lower bound of US\$2,128 per ha, with a discount rate of 12 percent over 20 years, the analysis suggested that the activity breaks even if it preserves only 975 ha with an ERR of 15.54 percent. Alternatively, they suggested that if the goal of preserving 200,000 ha were achieved, the incremental value of land that needs to be achieved would be only US\$9 per ha per year (PAD, annex 5, para 15).

At completion, the ICR repeated the analysis of benefits from watershed improvement using actual disbursements (3a and 3c), valuation of improved forest ecosystems, and cash flows from carbon emission reduction benefits. The analysis is modeled around three scenarios to identify the break-even point to illustrate that even a small incremental value added to ecosystem valuation can justify the investment. The project (activity) breaks even when project value added to ecosystem valuation reaches US\$5 per ha per year at a discount rate of 12 percent. Based on the benchmark value of environmental services from a previous project in Sri Lanka, this result indicates this project's substantial economic efficiency, but the relevance of the assumptions made in the ICR for this analysis is not robust.

The analysis at completion differed from the one at inception in two ways: the area considered at completion was 315,000 ha that received investments in biodiversity conservation, habitat improvements, and improved PA management, and carbon benefits were also included (ICR, Annex 4, p. 66). According to the World Bank project team (based on an exchange with IEG on February 8, 2024, and a follow-up email) the reasons for lower returns at completion were: i) actual costs were 27 percent higher than assumed at appraisal and (ii) the analysis at appraisal assumed accrual of benefits beginning year one whereas the analysis at completion assumes benefits accruing beginning year five.

Using the FAO EX-ACT tool and assumptions stated in Annex 4, estimated that GHG emissions sequestered over a period of 20 years could be worth US\$13.7 million.

Several factors influenced implementation efficiency.

Delays in staffing and low capacity to implement slowed project implementation in the beginning (ICR, para 62). The technical review committee that was to assess the quality of proposals did not become functional for some



time. The project steering committee did not meet in the first half of 2019. The high turnover of staff in key positions was also a challenge the project faced.

In later stages, factors external to the project, including the pandemic, political changes, and sovereign default, which led the country into a deep economic crisis, affected the project. While COVID-19-related restrictions disrupted the work of contractors, rising inflation and devaluations following the fiscal crisis fueled shortages and price escalations. Delays in approving price escalations led several contractors to abandon work until the issues were resolved (ICR, para 83).

Although the PAD recognized that employing a Problem Elephant Rehabilitation and Holding Center (PERC) to address problem elephants could jeopardize the survival of elephants (Annex 2, para 15), the project allocated funds to build one. The work, which began after project approval, had to be stopped following concerns raised by the environmental community through Grievance Redressal mechanisms (GRM).

Limited capacity to work with communities of the Department of Wildlife Conservation (DWC), one of two implementing organizations, hampered the development of Community Action Plans (CAPs) (ICR, para 81). The PAs were also required to develop demand-driven projects in consultation with communities. After considerable delays, the project abandoned the approach to prepare a proposal based on the needs identified in their strategies.

However, the project met the targeted outcomes with only 78 percent of the appraised costs with differing efficiency across activities. While components one and two incurred lower costs, there were considerable cost overruns in activity 3c.

Implementation efficiency was difficult to estimate because of inadequate data. The estimated returns involved assumptions about watershed benefits, but there was little evidence of their flow. Annex 4 of the ICR noted that 25 percent of the credit was canceled, which included the abandonment of a Problem Elephant Rehabilitation and Holding Center because of concerns about elephant survival. There was significant cost escalation for the important Protected Area Management and Institutional Capacity component, but cost savings in other areas. Overall, the project's implementation period was extended by 23 months to achieve much less than the original objectives.

Summary: According to this review, the veracity of the project's economic efficiency is undermined by doubts about the relevance of the assumptions made in the ICR, and there were a number of shortcomings in the project's implementation efficiency. Overall, the project's efficiency is therefore rated modest.

## Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

**Rate Available?**

**Point value (%)**

**\*Coverage/Scope (%)**



Appraisal	✓	15.54	41.00 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

The PDO, to achieve conservation and community benefits from improved management of ecosystems, was highly relevant to Sri Lanka given the environmental degradation that was taking place because of uncoordinated development and the dependence of neighboring communities on forests, and the need to reduce the costs of human-elephant conflicts borne by neighboring communities. The overall efficacy in achieving those objectives was substantial, with moderate shortcomings because there was inadequate evidence of conservation benefits. Efficiency was rated modest because the analysis of economic efficiency had shortcomings, and there were implementation delays, cost overruns, and cancellation of some activities. Based on the marginally substantial efficacy and modest efficiency, the project's achievements had moderate shortcomings, and its overall outcome is therefore rated Moderately Satisfactory.

### a. Outcome Rating

Moderately Satisfactory

## 7. Risk to Development Outcome

**Government commitment risk:** Convinced of the benefits from consultative landscape-level planning, the Ministry of Finance issued a note to the cabinet recommending that the Ministry of Wildlife and Forest Resources Conservation (MoWFRC) fund the continued implementation of major outputs from Ecosystem Conservation and Management project (ESCSMP), including the Integrated Landscape Management Policy (ILMP), the two Landscape Management plans, seven nature-based tourism plans. The fiscal uncertainties that the government faces will test this commitment.

**Public capacity risk:** Even if the government remains committed, the ability of the implementing organizations to scale up the new approaches piloted by the project is doubtful. During project implementation, the government abandoned the attempts to mainstream the new approaches and went back to preparing projects using traditional models.

**Community capacity risk:** The benefits from livelihood-generating activities that require collective action and community fences that require maintenance are also at risk. Many communities did not come forward to benefit from community fences because some benefitted from them more than others. Such differences in benefits jeopardize collective action needed for maintenance.



## 8. Assessment of Bank Performance

### a. Quality-at-Entry

The PDOs were highly relevant to the country's strategies and the World Bank's strategies to assist the country. The approach taken in the design to introduce new approaches to planning, build capacity to manage in implementing organizations, make the necessary investment in protected areas to improve the habitat, and pilot new ways to reduce elephant-human interactions – recognizing that elephants need to be able to roam outside the protected areas – was sound and based on lessons from previous projects.

The activities/components identified by the project were adequate to achieve the objective, provided the capacity of the implementing organizations could be raised to the required level. The project failed to recognize that it may not be possible to build the required capacity to consult with stakeholders, an important aspect of improved planning processes that the project expected to mainstream in Sri Lanka. The new approach caused considerable delay in the early stages, and its use was later abandoned. The design also included the building of PERC despite being ambiguous about the benefits, and it had to be canceled because of objections from the conservation community.

The project was rightly ambitious in aiming to influence approaches to managing the environment in the country and build the capacity to do so for lasting effect.

At appraisal, the project's overall risk was assessed as moderate, with the limited capacity of implementing organizations as a substantial risk (ICR, para 76). The implementation arrangements were complex as departments (FD and DWC) from two different ministries were involved. Only one of them, the Ministry of Mahaweli Development and Environment (MoMDE), had the experience of implementing externally financed investments. The project attempted to mitigate the risk by establishing the Project Management Unit (PMU) in the MoMDE with staff experienced in implementing donor-financed projects.

Although most project activities were based on lessons from previous operations, the project design failed to recognize the capacity limitations that would delay implementation and included an activity that was arguably ambiguous and had to be canceled. The project's quality at entry is therefore rated Moderately Satisfactory

**Quality-at-Entry Rating**  
Moderately Satisfactory

### b. Quality of supervision

The World Bank project team provided adequate supervision with 15 missions over seven years of implementation.

Following the MTR in October 2019, when the project lagged substantially in absorbing the funds, the WB team redesigned the implementation arrangements. Project implementation units were established in both





implementing ministries staffed with people who had extensive experience in implementing donor funded projects and expertise in forest and natural resources management.

Focusing on outcomes and impact, at restructuring the project's results framework (RF) was strengthened through two consecutive restructurings, and the new project implementation structure was introduced with a dedicated M&E function in each of the implementing ministries (ICR, para 87).

Supervision paid considerable attention to ensure compliance with safeguard policies. WB management temporarily halted implementation of project activities that proceeded with safeguards instruments that had not been approved by the Bank.

The Bank team was proactive in elevating critical issues to bring them to the attention of secretaries and directors in the government of Sri Lanka (GoSL) (ICR, para 115). The risk of non-completion of major construction was one of them.

Better public communication, including on social media platforms, on issues raised by a vocal conservation community could have helped mitigate negative coverage of some project activities.

Prompt attention to poor project performance through restructuring and proactive interventions to ensure project completion made supervision performance satisfactory.

### **Quality of Supervision Rating**

Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The RF captured the dynamics implicit in the theory of change and the expected outcomes. The outcome indicators, however, did not adequately capture the benefits of conservation. The expected benefits were improved environmental flows. For good reasons, a value was attached to them based on information from previous studies. The results framework could have included some intermediate indicators so one doesn't have to jump from "area that benefited from improved management" to "conservation." The RF better captured the dynamics of change with regard to improved community benefits.

The indicators were specific and measurable. No baseline survey was planned.

### **b. M&E Implementation**

The results framework was significantly changed during restructuring when the theory of change was also formally articulated. Of the five original PDO level indicators, one was revised, three were moved to



intermediate levels, and four new indicators were introduced, increasing the total to six. Some of the new indicators were less precise in measuring the outcome. For example, increased revenue from tourism, which would have reflected both conservation and improvements in facilities, was replaced by visitor perceptions of whether the investments had enhanced the quality of nature-based tourism. A new indicator captured the effect of introducing landscape-level planning on local policies, which wasn't previously captured. The new set of indicators was more measurable and attributable to the project interventions, but they did not capture the outcomes relatively better than the previous set of indicators. Targets for five intermediate outcome indicators were also revised upwards.

The ICR notes that the project did not use the management effectiveness tracking tool (METT) to measure improvements in the management of protected areas, as planned (Annex 1, page 37). It is not clear how else the area brought under enhanced biodiversity protection was determined. Increased patrolling appears to have been an important element of improved management. If so, it was not a departure from the protection based failed strategies of the past.

End-of-project surveys and assessments – such as a tourism survey, a staff survey, and a community beneficiary survey – were completed to assess the outcomes.

### **c. M&E Utilization**

M&E data figured prominently in the communication products curated for broader audience to inform about project implementation.

The results framework features prominently in restructuring which suggests that some of the changes made in implementation could be attributed to M&E.

In summary, the M&E system, implementation, and use were generally sufficient to track the outputs, but inadequate to assess outcomes in terms of improved environmental flows or conservation particularly because of the failure to measure improvements in the management of PAs. Overall, M&E quality is, therefore, rated Modest.

### **M&E Quality Rating**

Modest

## **10. Other Issues**

### **a. Safeguards**

The project was categorized “category B” and triggered seven safeguards: OP 4.01 Environmental Assessment; OP 4.04 Natural Habitats; OP 4.36 Forests; OP 4.11 Physical Cultural Resources; OP 4.09 Pest Management; OP 4.12 Involuntary Resettlement and OP 4.10 Indigenous Peoples.

The project completed planned mitigation activities, including the preparation and disclosure of safeguards instruments. Environmental and social management plans were developed for 153 major activities. Minor



activities were carried out under the provisions of the Environment and Social Code of Conduct developed by the PMU in accordance with national systems.

**OP 4.10 Indigenous Peoples:** An Indigenous People Planning Framework (IPPF) was prepared, which subsequently led to an Indigenous Peoples Plan prepared in consultation with the indigenous peoples (Vedda) community in Rathugala, who live adjacent to the Gal Oya National Park. A total of 123 IP families were provided with a variety of livelihood interventions.

The Bank project team addressed and achieved safeguards compliance, including by temporarily halting project activities when it found that a number of safeguards instruments had not been duly approved by the WB. Some of the cases in which they addressed safeguard issues include the following (ICR, para 104 to 106):

- Lunugamvehera National Park was using mechanical methods to cut down on the thick growth of invasive species. The Bank team recommended more selective manual removal of invasive species to protect native species while providing income-earning opportunities for laborers. The DWC committed to completing the task by employing labor.
- Responding to a request in October 2019 for inspection of a complaint that the construction of the Kudawa Access Road to Sinharaja World Heritage Site (WHS) was harming endemic species of fauna and flora and was affecting local livelihoods, the WB Inspection Panel resolved it in February 2020. The alleged adverse impact pertained to civil works that predated the project and were not approved by WB. The WB project team resolved the issue by consulting with local stakeholders, establishing a monitoring committee, making several design improvements in partnership with a local university, proposing additional mitigation measures, and organizing multiple consultations to inform and discuss the new measures with key stakeholders.
- Controversy arose over the construction of a water pipeline in Yala National Park, to recharge water holes during the dry season to meet the demand at the Park Head Quarters. NGOs objected to pipes being buried 10 meters from the road in scrub jungle. The corrective safeguards action plan developed included reducing the footprint of the trench, using smaller machines, restricting trenching to a few 100 meters at a time, and contractor training and monitoring. The WB team and PMU recommended the DWC to consult with the NGOs.

Several safeguard issues and health & safety risks were observed at sites with incomplete construction (SLFI Nuwarala-Eliya, Giritale National Wildlife Research and Training Institute, NBT infrastructure & dormitory in Knuckles and Ticketing Centre in Sinharaja) due to suspension of contracts owing to price escalation. However, risks associated with these sites were managed using site-specific Environmental Management Plans by the PMU before project closure and safeguard compliance was achieved.

GRMs were established at all project sites, with conflict resolution, relationship building, and promotion of gender equity and equality considered under social development aspects. At project closing, the total cumulative complaints tallied 198, with two outstanding complaints to be resolved (FD received and resolved 135 complaints, and DWC received 63 complaints).

The overall safeguards was rated as Moderately Satisfactory at project closing.



## b. Fiduciary Compliance

**Procurement:** Project procurement was an issue throughout implementation. Procurement performance was rated Moderately Satisfactory for most of the implementation period. Due to limited capacity at the implementing agencies, the Bank's procurement management system, STEP, was not regularly updated (ICR, para 110). Nevertheless, the project remained in compliance with Bank procurement policies and procedures.

**Financial Management:** Based on a Financial Management (FM) capacity assessments carried out at preparation, FM risk was assessed as "Substantial" because of the implementation agency's lack of experience with WB operations, limited FM capacity, decentralized fund flow, and weak payment and reporting structures (ICR, para 111). To mitigate the risk, the primary responsibility for FM and oversight was placed with the PMU under the MoMDE, who had experience with several donor financed operations, including familiarity with procedures of WB projects, and who had dedicated full-time FM staff.

Annual audit reports were timely submitted and the project's FM performance rating was assessed in the satisfactory range throughout implementation. However, external audit reports of the PMU's accounts carried out annually by the Auditor General of Sri Lanka included qualified opinions every year from 2019 to 2022 (including). According to the ICR (para 112) the WB team was proactive in following up with the PMU to address and resolve the concerns raised.

## c. Unintended impacts (Positive or Negative)

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## d. Other

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## 11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Substantial	Modest	Shortcoming in assessing the improvements in the management of protected areas.
Quality of ICR	---	Substantial	

## 12. Lessons

The ICR identified several lessons. Two of them that stood out as potentially useful to other similar projects are restated here with some editing as follows:



**Communicating with stakeholders proactively on the platforms in which they raise issues – a meeting where the issues emerge – can diminish the chances of the issues escalating into major public relations challenges.** The conservation community in Sri Lanka objected to three project activities (PERC at Lunugamvehera NP, the Kudawa access road in Sinharaja WHS, and the pipeline in Yala NP). The Bank project team, addressing the issue through conventional channels, such as consultation, news articles, and publicity material, failed to quickly assuage the concerns.

**The chances of effectively making project activities demand-driven can be enhanced by building capabilities for carrying out consultative processes in implementing organizations.**

Low institutional capacity was flagged as a risk. Despite the support, officials from FD and DWC faced difficulties developing integrated proposals based on the needs and demands of affected communities. They reverted to identifying investment activities from a list of needs in existing PA management plans. Centralizing decision-making, they prioritized infrastructure development and mechanical interventions over soft interventions, such as grassland management and manual maintenance, that communities would have preferred.

### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The ICR provides a detailed overview of the project's design and implementation, including several restructurings that took place and their implication for implementation. It does so in a logical manner that clearly lays out how the changes affected activities, outputs, and outcomes. The report conforms to the guidelines, is adequately detailed, and information is appropriately referenced and presented in several annexes, which include information on capacity development activities and links to communication products of the project. The report is outcome-oriented, with analysis using information from the results framework and surveys implemented at the end of the project. The analysis is logical, and the results are presented concisely. The analysis is also internally consistent and candid in noting how deficiencies in some aspects influenced other aspects of the project. The lessons drawn from the project in the ICR were to some extent useful and based on evidence from the project, although, as noted below, the lessons had some shortcomings.

However, there were some limitations. The ICR does not provide adequate information on the parameters of the survey implemented at the end of the project. It could also have discussed the implications of the revisions to PDO indicators on the assessment of the project's outcomes.

On balance, the quality of the ICR is rated substantial.

#### a. Quality of ICR Rating

Substantial

