

## INITIAL POVERTY AND SOCIAL ANALYSIS

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| Country:                    | Sri Lanka    | Project Title:       | Power System Reliability Strengthening Project |
| Lending/Financing Modality: | Project loan | Department/Division: | South Asia Department/Energy Division          |

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

In 2016, the total installed capacity was 4,018 megawatts (MW) and the annual electricity generation of Sri Lanka was 14,148 gigawatt-hour (GWh).<sup>a</sup> The country's electricity requirement increases at an average rate of 5%–7% annually (7.4% in 2016) and the energy demand will continue to increase with industrial and commercial development. It is estimated that about 150–200 MW additional installed capacity is required each year to fill the gap for the electricity demand while ensuring uninterrupted, reliable, and low-cost electricity for all people. The electrification level (access to electricity) stands at 99.3% and the government expects to increase it up to 100% from 2016 to 2017. However, people who already live in electrified areas do not have electricity due to low income levels and other social factors, whereas 270,000 families in the country are not provided with electricity either through grid or off-grid options.<sup>b</sup> Sri Lanka aims at reaching a target of 20% of electricity generation from non-conventional renewable energy (NRE) sources by 2020 while relieving the dependence on fossil fuel imports.<sup>c</sup> In 2016, the country had achieved 8.2% of electricity generation from NRE sources, which included mini-hydro, wind, solar, and biomass. The country partnership strategy (CPS) of the Asian Development Bank (ADB) is consistent with the development policies of the Government of Sri Lanka, including its energy policies.<sup>d</sup> The CPS focuses on assisting the government in addressing major constraints for sustaining inclusive growth in Sri Lanka. The government's main goals are to improve the quantity, quality, reliability and cost of service delivery, and to increase electricity connections in rural areas.

The project is consistent with the Asian Development Bank (ADB) country partnership strategy for Sri Lanka, which focuses on (i) renewable energy development, including hydro, wind and other clean energy sources; (ii) energy efficiency improvement and system loss reduction; and (iii) transmission and distribution system enhancement to remove grid constraints on absorbing additional capacity from renewable energy sources, achieving energy-efficiency and reliability improvements, and expanding energy access for lagging regions.

At Government's request, the project is included in the Sri Lanka country operations business plan, 2018–2020.<sup>e</sup> The project will support sustainable development of Sri Lanka's power subsector in line with national and sector priorities, and ADB's country partnership strategy; and complement activities of other major development partners in Sri Lanka's power subsector. The project will assist to: (i) enhance transmission infrastructure; (ii) improve efficiency and reliability of medium-voltage network; and (iii) upgrade protection systems.

#### B. Targeting Classification:

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

Explain why: Although electrification makes social intervention to the poor, there is no direct linkage with the poverty reduction.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The primary beneficiaries are the consumers of electricity in Sri Lanka. These comprise residential, commercial, and industrial users. The project has components to strengthen transmission and distribution network reliability.

2. Impact channels and expected systemic changes: The project will focus on improving electricity supply reliability nation-wide areas of Sri Lanka. Benefits to the poor are indirect via improved power supply to existing consumers, and power connections to new consumers that contributes to economic growth and employment. Better access to

<sup>a</sup> Ceylon Electricity Board. 2017. *Statistical Digest 2016*. Colombo.

<sup>b</sup> Government of Sri Lanka. Department of National Planning, Ministry of National Policies and Economic Affairs. *Public Investment Programme 2017–2020*.

<sup>c</sup> Nonconventional renewable energy includes mini-hydro up to 10 megawatt capacity, wind, solar, biomass, tide, and geothermal power generation sources.

<sup>d</sup> ADB. 2017. *Country Partnership Strategy: Sri Lanka, 2018–2022—Transition to Upper Middle-Income Country Status*. Manila.

<sup>e</sup> ADB. 2017. *Country Operations Business Plan: Sri Lanka, 2018–2020*. Manila.

electricity enables productive economic activities and creates opportunities that improve wellbeing of the population. Lack of and unreliable access to electricity seriously disrupts social access to health and diagnostic services, communications and media information, and any economic activities. Electricity will be the basis to improve accessibility to these services and achieve relevant benefits.

3. Focus of (and resources allocated in) the TRTA or due diligence. Social development specialists will be recruited under the TRTA to conduct the poverty and social analysis. The project includes enhancement of transmission infrastructure, improvement of medium-voltage network, and upgrade of protection systems of the electricity network to enable expanded electricity access, stable power network operation, and better quality and reliability of electricity supply in rural and urban areas.

4. Specific analysis for policy-based lending. Not applicable.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? The project may have minor and temporary resettlement related impacts. During project implementation, women affected by the project will be given preference for suitable work. The implementing agency will ensure that women are consulted and invited to participate in group-based activities and, where possible, women will be given the opportunity to learn new skills that may provide alternative forms of income generation and livelihood.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes  No Please explain.

There will be indirect benefits to women as a result of enhanced power supply. No specific measures are required at this moment for differential gender requirements as women are not specifically disadvantaged because of economic, political, or socio-legal discrimination and they do not face specific barriers to access and benefits of electrification.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes  No Please explain

The proposed project will make positive effects on women.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme)  EGM (effective gender mainstreaming)

SGE (some gender elements)  NGE (no gender elements)

The investment project may be designed with a "Some Gender Elements" category subject to availability of fund resources.

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

Affected people and local communities, local authorities, focal groups, civil society groups, and local associations. All relevant stakeholders will be identified and consulted throughout the implementations of the TRTA and the ensuing project.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

The stakeholders will be consulted throughout the design stage during TRTA and the ensuing program implementation on the relevant issues, including environmental, social and other issues that may affect communities and poor people.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? Community based organizations participate through consultation process.

Information generation and sharing  Consultation  Collaboration  Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes  No

The consultations will be carried out during implementation as per Sri-Lankan regulations.

## IV. SOCIAL SAFEGUARDS

**A. Involuntary Resettlement Category**  A  B  C  FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?  Yes  No The magnitude of impacts will be assessed once the project components have been made more specific. Considering the impacts have not been estimated at this stage, it is conservatively categorized as A, and it can be re-categorized once the impacts are further assessed during the project

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| processing. All necessary measures will be taken during due diligence to ensure that any potential involuntary resettlement issue is addressed accordingly.   |
| 2. What action plan is required to address involuntary resettlement as part of the TRTA or due diligence process?<br><input checked="" type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix<br><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None   |
| <b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI<br>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br>No indigenous people are expected in the project areas.  |
| 3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No   |
| 4. What action plan is required to address risks to indigenous peoples as part of the TRTA or due diligence process?<br><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix<br><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None   |
| <b>V. OTHER SOCIAL ISSUES AND RISKS</b>   |
| 1. What other social issues and risks should be considered in the project design?<br><input checked="" type="checkbox"/> (L) Creating decent jobs and employment <input checked="" type="checkbox"/> (L) Adhering to core labor standards <input type="checkbox"/> Labor retrenchment<br><input checked="" type="checkbox"/> (L) Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability<br><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability<br><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____ |
| 2. How are these additional social issues and risks going to be addressed in the project design?<br>A limited and temporary number of skilled and unskilled jobs will be available to the local population during construction. Specific assurances will ensure enforcement of core labor standards by contractors. Appropriate assurances will be incorporated in the ensuing program regarding spread of communicable diseases, including HIV/AIDS.   |
| <b>VI. TRTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>   |
| 1. Do the terms of reference for the TRTA (or other due diligence) contain key information needed to be gathered during TRTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No   |
| 3. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the TRTA or due diligence? Resources for social development consultants, surveys and workshops are allocated for conducting poverty, social and/or gender analysis.   |

Sources: Government of Sri Lanka. 2008. *National Energy Policy and Strategies of Sri Lanka*. Colombo.  
Government of Sri Lanka. Department of Census and Statistics. 2015.. *Household Income and Expenditure Survey 2012/13*. Colombo.  
Government of Sri Lanka. Department of National Planning, Ministry of National Policies and Economic Affairs. *Public Investment Programme 2017–2020*.  
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