SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Sri Lanka	Project Title:	Urban Project Preparatory Facility
Lending/	Technical Assistance	Department/	South Asia Department
Financing Modality:	Loan	Division:	Urban Development and Water Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: SDG 11

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy The technical assistance (TA) loan will support the preparation of projects in 25 secondary towns and 4 strategic cities. It is in line with the Government of Sri Lanka's overall development strategy and sector objectives to create inclusive and balanced geographic urban development for accelerating economic growth and environmental sustainability. The government's development policy framework envisages that emerging urban centers will grow in population and economic activities, and identifies the development of water and sanitation infrastructure as a key to achieving the desired economic success of the country.^a In its Vision 2025 and Public Investment Program (2016– 2018), the government articulates its goals and strategy for stimulating inclusive and balanced geographic development for achieving upper middle-income status.^b As part of this strategy, the government prioritizes (i) 24hour water supply and full sanitation coverage, especially in underserved urban areas; (ii) improving environmental and disaster management in and around cities; and (iii) strengthening the capacity of local institutions for improved service delivery. The Sri Lanka country partnership strategy, 2018-2022 of the Asian Development Bank (ADB) supports this strategy and targets equitable growth to enhance social development and reduce inequality for balanced economic growth throughout the country.^c The TA loan will support these aims by designing future infrastructure projects to deliver services to all urban residents, including poor and vulnerable groups. The ensuing projects prepared under the TA loan are expected to narrow regional disparities. ADB supports this development policy framework. ADB's country partnership strategy for Sri Lanka includes two strategic objectives: (i) strengthen the drivers of growth by promoting the diversification of economic activities and productivity enhancement, and (ii) improve the quality of growth by promoting inclusiveness. The TA loan will directly support these objectives by reducing regional inequalities through investments in strategic and secondary towns.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

- 1. **Key poverty and social issues**. Sri Lanka's poverty rate dropped from 15.2% in 2006-2007 to 6.7% in 2012-2013, and to 4.1% in 2016, which is the lowest in the South Asia region. The sharp drop in rural poverty since 2006 and the substantive drop in the estate sector are the main contributors to this improvement. In 2012/13, the lowest poverty rate was in the Western Province, where it was only 2%. By comparison, the poverty rate in Uva Province was 15.4%, in Sabaragamuwa 8.8%, and in North Western 6.0%. While the differences in poverty and income between the Western Province and a few provinces in the rest of the country have declined, the gaps are still very large. Economic growth is concentrated in the Western Province—its share in national gross domestic product was 43% in 2013, with lesser contributions from the Northern, North Central and Uva provinces. The feasibility studies and designs of ensuing projects prepared by the TA loan will assess the local poverty issues and reduction mechanisms in urban communities of all 29 cities under the TA loan. The designs of projects will support SDG 11 aimed at improving livability, safety, and resilience of cities.
- 2. **Beneficiaries.** Direct beneficiaries of the TA loan are the Ministry of Provincial Councils, Local Government, and Sports (MPCLGS) and the Ministry of Megapolis and Western Development (MMWD). For the ensuing infrastructure investments to be made, potential beneficiaries include residents, businesses, and tourists. Projects will cover all 25 districts of Sri Lanka, including 29 cities—25 secondary towns under the MPCLGS and four strategic towns along the Colombo–Trincomalee Economic corridor under the MMWD. Poverty and social analyses for selected projects will be carried out through the TA loan to identify the socioeconomic profile of the population in the project-influenced areas; expected benefits and constraints; and the ability of the poor and vulnerable groups, including women, to benefit from the projects.
- 3. **Impact channels.** Project studies and detailed designs under the TA loan will cover all 25 districts of Sri Lanka and include less developed urban areas with high poverty rates. Feasibility studies prepared under the TA loan will identify social and poverty issues. Design features of the ensuing projects will improve urban services to poor and vulnerable groups through participatory planning and inclusive access to services. Contract documents will include measures to encourage the hiring of local residents during implementation.
- 4. **Other social and poverty issues**. Lack of access to services, land (tenure security), and affordable housing are critical issues faced by the urban poor. The government has undertaken many programs (e.g., housing for slum dwellers and the Samurdhi microenterprises program) to improve the social and economic status of the poor.^d
- 5. **Design features**. The studies under the TA loan will identify practical and implementable design features that will be integrated into the projects being developed.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. The main stakeholders of the TA loan are the MPCLGS and

MMWD, and other relevant city administrations. The poor, women, and other vulnerable groups in the 29 cities will benefit from the ensuing projects prepared by the TA loan. The project preparation team held meetings with the MPCLGS and MMWD in November 2017 and April 2018 to discuss participatory approaches under the TA loan. Feasibility studies and detailed engineering design to be prepared under the TA loan will identify the needs and challenges faced particularly by the poor, vulnerable, and excluded groups through community consultations. Regular consultations will be conducted by the project teams to confirm that ensuing projects are designed in such a manner that will directly address their needs and concerns. The TA loan will support greater inclusion of women in urban governance and their employment in skilled positions (i.e., technical and management) in project agencies and urban local bodies in the ensuing loans through the development of gender mainstreaming guidelines for the urban sector and the design of an urban governance improvement program. 2. Civil society organizations. Civil society organizations operating in the target towns will be consulted during the preparation of the ensuing projects, and project information will be readily available to civil society. 3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA) Information gathering and sharing (H) Consultation (M) Collaboration (L) Partnership (L) 4. Participation plan. Information sharing with civil society organizations will enable wider information dissemination among the target communities. No. A participation plan to be prepared for the ensuing projects.
III. GENDER AND DEVELOPMENT Gender mainstreaming category: Effective gender mainstreaming
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A. Key issues. Sri Lanka is the best performing country in South Asia for gender equality according to the Gender Inequality Index. Gender indicators for women in health and education are strong, but women's participation in the labor force is still very low, especially in technical or engineering-related jobs. Low labor force participation and high unemployment rates among women (73.7% in urban areas) indicate that their skills are underused, which could be attributed to unequal access to basic urban services (water, sanitation) and transport, amongst other reasons. Women's participation in decision-making positions in the community is limited, and they lack knowledge on technical matters related to wastewater management, hygiene, and sanitation.
B. Key actions. ☐ Gender action plan ☐ Other actions or measures ☐ No action or measure
At the project preparatory stage, sex-disaggregated data on the range of socioeconomic indicators relevant to the project will be collected, with a focus on the needs and constraints faced by the poor, women, and vulnerable groups in the project areas, particularly with regard to equitable access to the benefits and opportunities. These data and analysis will be used to integrate gender perspectives into project planning to achieve positive outcomes for women, particularly in achieving gender equality. The TA loan will promote projects that have gender-friendly design features, incorporating the concerns raised by women during consultations. The consultants will prepare guidelines for mainstreaming gender equality in the urban sector. The project design will include mitigation measures for any negative impacts on women arising from the project. Women could be employed in jobs generated under the ensuing projects, particularly in management and technically skilled positions, which will be actively pursued. Under the attached transaction TA, a governance improvement program for ensuing ADB projects will be designed with criteria for greater participation of women in local government and gender-friendly delivery of infrastructure and services. The aim of the facility is to promote women's participation in city planning and administration; and ensure that city planning promotes women's access to jobs through better trunk infrastructure, child-care facilities (promoted by the city administration), and safe and secure transportation. The TA loan will also ensure at least 100 officials, including staff from both project management units (with 30% women), will have increased capacity in gender mainstreaming in the design, implementation, and operation and maintenance of urban projects. The TA loan will support in the preparation of gender action plans for the ensuing projects.
A. Involuntary Resettlement 1. Key impacts. No resettlement will occur under the TA loan. The TA loan will prepare feasibility studies and detailed designs, and provide implementation support to ensuing investment projects that will be financed by ADB. 2. Strategy to address the impacts. The resettlement impacts of ensuing projects will be assessed and resettlement planning documents will be prepared (if required) following ADB's Safeguard Policy Statement (2009), and government policy and procedures. The TA loan consultants will provide capacity building support to ensure (i) grievance redress mechanisms can function effectively for ensuing projects; and (ii) the project communication skills of the implementing and executing agencies are improved so that affected persons are well informed, thus reducing the number of grievances arising because of the ensuing projects. 3. Plan or other Actions. □ Resettlement plan □ Combined resettlement and indigenous peoples plan □ Combined resettlement framework and indigenous peoples planning framework social impact matrix □ Social impact matrix □ Social impact matrix

B. Indigenous Peoples Safeguard Category: ☐ A ☐ B ☒ C ☐ FI 1. Key impacts. Is broad community support triggered? No impacts to indigenous people will occur under the TA loan. Nevertheless, indigenous peoples' impacts for ensuing projects will be assessed and documents prepared (if required). ☐ Yes ☒ No				
Strategy to address the impacts. Not applicable.				
3. Plan or other actions.				
 ☐ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ Environmental and social management ☐ Social impact matrix ☐ No action ☐ Combined resettlement plan and indigenous peoples plan ☐ Combined resettlement framework and indigenous peoples planning framework ☐ Indigenous peoples plan elements integrated in project with a summary 				
V. ADDRESSING OTHER SOCIAL RISKS				
 A. Risks in the Labor Market 1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). ☐ unemployment (L) ☐ underemployment (L) ☐ retrenchment (L) ☐ core labor 				
standards (L) 2. Labor market impact . The feasibility studies prepared by the TA loan will assess the viability of preferential employment for local communities under the proposed projects. Contract documents prepared for ensuing projects will have clauses on core labor standards (including no child labor, no bonded labor, no work discrimination on any grounds, and freedom of association and collective bargaining) and equal pay for equal work for men and women as well as preferential employment for local communities in construction and operation and maintenance activities (including women).				
B. Affordability				
The TA loan will only finance studies related to the development of urban infrastructure (such as water supply, sewerage, and roads). The economic analysis for various subprojects proposed under ensuing projects will assess the affordability of the proposed urban services and the impact on the poor.				
C. Communicable Diseases and Other Social Risks				
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): Communicable diseases (L) Human trafficking (L) Others (please specify) (NA)				
2. Risks to people in project area. Not applicable as no works will be supported under the TA loan.				
VI. MONITORING AND EVALUATION				
1. Targets and indicators. The executing agencies and ADB will monitor the progress of the feasibility studies and				
detailed designs of the ensuing investment projects.				
2. Required human resources . Resettlement, social development, and gender experts will be part of the design				
teams.				
3. Information in the project administration manual. The frequency of review missions, monitoring, and timing of				
completion reports is detailed in the project administration manual.				
4. Monitoring tools . The executing agencies and ADB will monitor the progress of feasibility studies and detailed designs of ensuing investment projects.				

- ^a Government of Sri Lanka, Ministry of Finance and Planning, Department of National Planning. 2010. *Sri Lanka: The Emerging Wonder of Asia; Mahinda Chintana—Vision for the Future; The Development Policy Framework.* Colombo.
- ^b Government of Sri Lanka. 2017. *Vision 2025: A Country Enriched.* Colombo; and Government of Sri Lanka, Ministry of Finance and Planning, Department of National Planning. 2013. *Unstoppable Sri Lanka 2020: Public Investment Strategy, 2014-2016.* Colombo.
- ^c ADB. 2017. Country Partnership Strategy: Sri Lanka, 2018–2022—Transition to Upper Middle-Income Country Status. Manila.
- ^d A government poverty reduction program introduced in 1995 to create employment opportunities.
- Government of Sri Lanka, Ministry of National Policies and Economic Affairs, Department of Census and Statistics.
 2017. Quarterly Report of the Sri Lanka Labor Force Survey (First Quarter). Colombo.

Source: Asian Development Bank.