

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Sri Lanka	Project Title:	Green Power Development and Energy Efficiency Improvement Investment Program
Lending/Financing Modality:	Multitranche financing facility	Department:	South Asia Department (SARD)
		Division:	Energy Division (SAEN)

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General intervention

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

The goal of the government's national strategy is to achieve rapid economic growth that will benefit the entire population and lead to increased social development. The development framework envisions sustainable development of energy resources, enabling access to and use of energy services by the entire population, and reliable delivery of such services at a competitive price.^a To meet the growing demand for electricity at sufficiently low cost and acceptable reliability, to widen access to growth opportunities, and to attain sustainability in the long term, the government plans to increase supply capacity of the system including through raising the share of renewable energy sources (e.g., hydropower, wind), reducing total technical and commercial losses of the transmission and distribution networks, and undertaking energy-efficiency and conservation measures. The investment program will support the national and sector priorities of the development framework, which is based on the National Energy Policy and Strategies. In 2010, the government updated the development policy framework, which provides a comprehensive sector development road map, including a long-term investment program and policy, and reform measures.^b The updated strategies aim to (i) increase the system's supply capacity; (ii) increase the share of in-grid energy supply from nonconventional renewable energy sources; and (iii) reduce total technical and commercial losses of the transmission and distribution network. The government's main goals are to improve the quantity, quality, and cost of service delivery; and to increase electricity connections in rural areas. The investment program is consistent with the country partnership strategy for Sri Lanka of the Asian Development Bank (ADB), which focuses on (i) renewable energy development, including hydro, wind, and other clean energy sources; (ii) energy-efficiency improvement and system loss reduction; (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; and (iv) creating an enabling environment for clean power development, particularly through public-private partnerships and greater private sector participation. The investment program is included in the country operations business plan, 2014–2016.^c It supports sustainable development of Sri Lanka's power system in line with national and sector priorities, and ADB's country partnership strategy; and complements activities of other major development partners in the power subsector. It will help (i) develop hydropower, (ii) enhance capacity of the transmission system, (iii) improve efficiency of the medium-voltage network, and (iv) support demand-side management activities for energy efficiency.

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

1. Key poverty and social issues. Improved power supply and reliability contributes to improved social services, as hospitals, schools, and other social utilities are often hardest hit by inadequate power supply, load shedding, and poor power quality. For economic growth, power system development could support greater farm mechanization leading to greater agricultural yields, and benefit the commercial and industry sectors by promoting access to markets, skills training, entrepreneurship, and an increase in employment opportunities.

2. Beneficiaries. Project beneficiaries will directly benefit from an increased supply and access to electricity. The beneficiaries in tranche-1 components are general. Rural households are potential primary beneficiaries. They include the poor, women, and children. Women are severely affected by lack of electricity for housework. A social analysis in the subproject area used a sample socioeconomic baseline survey covering 450 households. It found that the population is 50.7% male and 49.3% female. The illiteracy rate is 2.8%. People represent mixed economies and communities that are largely dependent on agriculture, daily wage, fishing, and small-scale business. Water is sourced from private dug wells or private tube wells (35.1% households), tap water from National Water Supply and Drainage Board (30%). Another 43.8% draw water from a public dug well or a public tube well. Unemployment and underemployment are high in most of the subproject areas. Community consultations indicate that 30–50 youth in each community are either unemployed or underemployed. Firewood is the main source of energy for cooking and boiling; 20.7% also use electricity for cooking with rice cookers. Meanwhile, 10.6% use electric heaters for boiling water, 19.7% use liquefied petroleum gas for cooking. Kerosene is used for lighting and other domestic purposes by 41.3% of households. This includes nonelectrified and some electrified households. Health is generally good; no major chronic diseases are reported from project areas except for a few cases of high blood pressure and diabetes. Communities perceive poor households as those that do not have a stable and regular source of income, are dependent on seasonal and fluctuating incomes, and are headed by women that do not have a male member to provide them with economic support.

3. Impact channels. The project has the capacity to indirectly improve the quality of life and well-being of project beneficiaries by providing opportunities to increase incomes through employment and alternative livelihoods. Alternative energy sources, such as kerosene and wood, sometimes cause health problems because of air pollution in houses. Electricity is environment friendly and better for the health. Also, better access to electricity

enables productive economic activities and creates opportunities that improve the well-being of the population. Lack of and unreliable access to electricity seriously disrupts social access to health and diagnostic services, communications and media information, and economic activities. Electricity will improve accessibility to these services and help achieve relevant benefits. Stable electricity supplies promote business expansion and increase employment opportunities, which can have a positive impact on reducing poverty. The investment program will bring direct and indirect positive social impacts. This will specifically benefit residents of remote areas by improving the frequency and voltage for various uses, ultimately resulting in socioeconomic growth including possible job opportunities or employment for skilled and unskilled labor during construction.

4. Other social and poverty issues. Poverty continues to be a growing problem despite Sri Lanka being an exceptional country with its life expectancy, literacy rate, and other social indicators nearly on par with those of developed countries, and even topping the rankings for the South Asia region. While all these indicate that the country should be experiencing a high standard of living, until recently it has only ranked in the medium category of the Human Development Index. This is despite the fact that Sri Lanka has been experiencing moderate gross domestic product (GDP) growth averaging 5.5% per annum during 2006–2009. One of the reasons is due to its relatively low GDP per capita; currently ranked in the bottom one-third of the world. This could be due to rural poverty. In 2006/07, 15.2% of the population (2.8 million) was living below the poverty line, compared with 26.1% in 1990/91. The Poverty Headcount Index further halved from 15.2% in 2006/07 to 7.6% in 2009/10 with significant improvements in the rural and estate sectors. However, taking the \$2.00 per day mark as an indicator, the national percentage of people living below the poverty line is as high as 30.3%. According to official census data, urban poverty is 6.7%, rural poverty 15.7%, and estate sector 32.0%. The investment program will have indirect positive social impacts.

5. Design features. The investment program is expected to have a positive impact on people’s access to energy from the grid across the country, as well as in the direct area of influence of the program either in the way of jobs or increased economic growth and investment in the area. No critical or adverse impacts of an irreversible manner are identified. No direct impact on poverty is envisaged to occur as result of the implementation of the program. Nonetheless, the investment program will have indirect impacts on Sri Lanka as a whole.

C. Poverty Impact Analysis for Policy-Based Lending- Not Applicable (NA)

II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation. Consultations were carried out with various stakeholders, such as village community, local residents, women’s group in the villages, representatives of government officials and executing and implementing agencies. Focus group discussions were conducted with 34 communities in various transmission and distribution subproject locations. Formal and informal consultations were carried out for the hydropower project including the host community. Stakeholders were informed about the new project and program and information dissemination will continue during program implementation.

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. A village committee was formed in the hydropower project area to act as a key stakeholder during land acquisition and resettlement implementation.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation. Consultation will be continued with all stakeholders, including civil society, during investment program implementation. For the hydropower project in Moragolla, a housing committee and a resettlement committee, with representation from affected people, will work closely with Ceylon Electricity Board (CEB) on implementation of land acquisition and resettlement issues.

4. What forms of civil society organization participation is envisaged during project implementation?

Information gathering and sharing Consultation Collaboration Partnership

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?

Yes. No. The executing and implementing agencies will continue consultation and participation with adequate representation from all stakeholders including the poor and vulnerable.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: No gender elements

A. Key Issues

No particular gender issue is expected. The executing and implementing agencies and the construction contractor will attempt to create job opportunities during construction with equal wages for men and women.

B. Key Actions.

As part of social due diligence, focus group discussions were carried out with women’s groups of villages surrounding the project to create awareness of the development activities. Separate focus group discussions were conducted with women’s groups at 20 locations (236 participants) in the subproject (as stakeholders). Women are considered vulnerable and additional assistance is provided in the resettlement framework and resettlement plan. CEB will ensure the construction contractor follows proper health, safety, labor, and gender equality provisions.

Gender action plan Other actions or measures No action or measure

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
A. Involuntary Resettlement	Safeguard Category: <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Key impacts. Hydro components will have significant impacts on land acquisition and involuntary resettlement with physical and economic displacement. Plant construction will require 38.24 hectares of private land and will impact 86 households (308 people). Transmission and distribution components will require minimal land acquisition (2.92 hectares), most impacts are temporary and limited to loss of trees and crops on the right-of-way.</p> <p>2. Strategy to address the impacts. Two resettlement plans were prepared (for the Moragolla hydropower plant and for the transmission and distribution components). The plans contain applicable policy frameworks and details on census surveys and entitlement matrix. A resettlement framework was prepared.</p> <p>3. Plan or other actions.</p>	
<input checked="" type="checkbox"/> Resettlement plan <input checked="" type="checkbox"/> Resettlement framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> No action	<input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix
B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Key impacts. There will be no impact on indigenous peoples. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. No action is required. However, an indigenous peoples planning framework was prepared for the entire facility program including a future tranche.</p> <p>3. Plan or other actions.</p>	
<input type="checkbox"/> Indigenous peoples plan <input checked="" type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary

V. ADDRESSING OTHER SOCIAL RISKS	
A. Risks in the Labor Market	
<p>1. Relevance of the project for the country's or region's or sector's labor market.</p> <p><input type="checkbox"/> L unemployment <input type="checkbox"/> L underemployment <input type="checkbox"/> L retrenchment <input type="checkbox"/> M core labor standards</p> <p>2. Labor market impact. In general, the project will create job opportunities for skilled and unskilled laborers during construction. The executing and implementing agencies will include specific provisions in its contractual agreements with construction contractors to ensure gender equality and compliance with labor standards.</p>	
B. Affordability	
No particular issue is expected.	
C. Communicable Diseases and Other Social Risks	
<p>1. Indicate the respective risks, if any</p> <p><input type="checkbox"/> L Communicable diseases <input type="checkbox"/> L Human trafficking <input type="checkbox"/> NA Others (please specify) _____</p> <p>2. Describe the related risks of the project on people in project area. Provisions will be taken to prevent or minimize impacts. Where and if necessary, the project will be expected to take specific action to inform, educate, and prevent workers from contracting and spreading HIV/AIDS. A no-tolerance policy on human trafficking and child labor, among other issues, is expected.</p>	

VI. MONITORING AND EVALUATION	
<p>1. Targets and indicators. Target indicators will be general in nature, such as (i) number of employment or jobs generated during project construction for unskilled, semi-skilled and skilled labor, (ii) how the compensation and assistance are disbursed and whether it is disbursed on time prior to the start of construction, and (iii) whether affected persons are rehabilitated and their livelihoods restored.</p> <p>2. Required human resources. Project implementation unit staff and project management consultant staff.</p> <p>3. Information in PAM. Explain what information the project review, monitoring, and completion reports included in the PAM. Safeguards, gender, health, labor.</p> <p>4. Monitoring tools. Safeguards, especially land acquisition, involuntary resettlement, physical displacement, relocation and income restoration.</p>	

^a Ministry of Finance and Planning of Sri Lanka. 2006. *Mahinda Chintana: Vision for a New Sri Lanka*. Colombo.

^b Ministry of Finance and Planning of Sri Lanka. 2010. *Mahinda Chintana: Vision for the Future*. Colombo.

^c ADB. 2014. *Country Operations Business Plan: Sri Lanka, 2014–2016*. Manila.

^d United Nations Development Programme. 2009. *Sri Lanka National Report on Disaster Risk, Poverty and Human Development Relationship*. Colombo.

Source: Asian Development Bank.