



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 16-Aug-2017 | Report No: PIDISDSC22281

**BASIC INFORMATION****A. Basic Project Data**

Country Sri Lanka	Project ID P163305	Parent Project ID (if any)	Project Name Lagging Regions Development Project (P163305)
Region SOUTH ASIA	Estimated Appraisal Date Mar 19, 2018	Estimated Board Date May 30, 2018	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Provincial Councils and Local Government	

Proposed Development Objective(s)

The proposed PDO is to strengthen institutional capacity of local authorities and communities to improve service delivery and promote socio-economic opportunities in selected provinces.

Financing (in USD Million)

Financing Source	Amount
Borrower	20.00
International Bank for Reconstruction and Development	50.00
Total Project Cost	70.00

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)



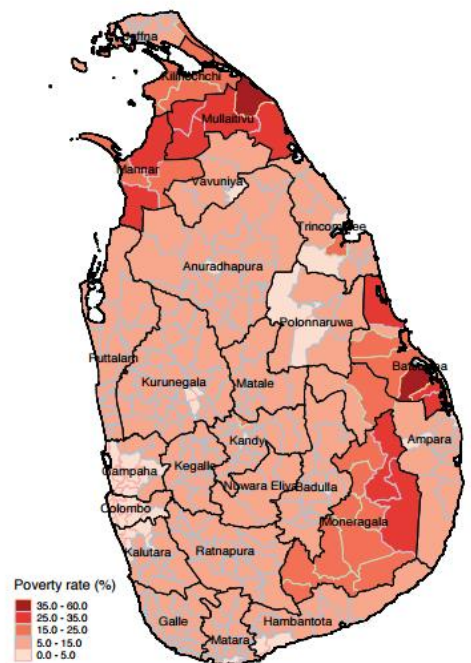
B. Introduction and Context

Country Context

1. **Sri Lanka has made significant strides in social and economic development over the past decade.** Economic growth has averaged over 7 percent a year over the past five years, following an average growth of 6 percent the preceding five years. Excluding the Northern and Eastern Provinces, the national poverty¹ rate fell from 22.7 to 6.7 percent between 2002 and 2012/13. Consumption per capita of the bottom 40 percent grew at 3.3 percent a year, compared to 2.8 percent for the total population. Human development indicators, such as educational and health outcomes, also supersede many regional and lower middle income standards.² Development gains have been further bolstered by the return of peace to the country, especially in the Northern and Eastern Provinces, after nearly thirty years of conflict.

2. **However, several geographical pockets of high poverty and lagging development remain a concern.** The bulk of the growth has been predominantly in the Western Province and Colombo Metropolitan Region. In order to propel Sri Lanka's to Upper Middle Income Country (MIC) status, development efforts need to also focus on balanced regional development. Three of the most lagging provinces in Sri Lanka, by poverty measures, are the Northern, Eastern and Uva Provinces. Figure 1 illustrates these three main pockets of poverty, where headcount poverty rates (based on the national poverty line) are close to or even exceed 20 percent. Poverty rates are the highest in Mullaitivu district (28.8 percent), and Mannar district (20.1 percent) in the Northern Province; Batticaloa district (19.4 percent) in the Eastern province, and Monaragala district (20.8 percent) in Uva Province. Taken together, the Northern and Eastern Provinces represent some of the poorest areas of the country. Further, poverty rates were found to be disproportionately high for vulnerable groups, such as youth and ethnic minorities in these provinces.

Figure 1: Geographical Distribution of Poverty



Source: Sri Lanka poverty map 2012/13, estimated from a combination of the 2012/13 HIES and the 2011 Census of Population and Housing

3. **Reducing poverty and achieving shared prosperity in Sri Lanka's lagging areas present complex development challenges.** For example, the Northern and Eastern Provinces continue to have special issues stemming from the conflict such as economic isolation, lower labor force participation, poor infrastructure connectivity to markets, and socio-economic vulnerabilities. In the estate sector (Uva Province), poverty measured by consumption has dropped significantly, but nonmonetary measures of poverty and vulnerability remain high. Workers continue to be largely dependent on the estate's management for many basic needs, particularly housing, while their access to services and the quality of services are comparatively low.

¹ The official poverty figures in Sri Lanka refer to the share of individuals whose household per capita consumption falls below the official poverty line. This indicator is referred to as the poverty headcount index and is the standard measure of the incidence of poverty.

² Poverty and Welfare in Sri Lanka: Recent Progress and Remaining Challenges (2016) World Bank Publication



Sectoral and Institutional Context

Sectoral Context

4. **The Northern and Eastern Provinces are emerging from several decades of armed conflict that ended in 2009.** A recent Strategic Social Assessment of the Northern and Eastern Provinces identified the following key challenges - lagging infrastructure development; lower access to services; limited socioeconomic opportunities; and post-conflict social issues. Economic decline that resulted from the conflict continue today, most notably in low competitiveness and high unemployment. Existing institutional and community support systems are unable to address issues of low female participation in labor force and reemergence of youth unrest, for example. These characteristics are especially acute in districts where the armed conflict ended more recently, and overlaps with areas of chronic and persistent high poverty.

5. **With the end of the armed conflict, the Government of Sri Lanka (GoSL) has focused heavily in rebuilding critical infrastructure, restoring service delivery, and strengthening institutions in the North and East.** The Government has restored critical transportation and communication networks, especially roads and highways, to improve connectivity and linkages within the region. Further, there have been efforts to strengthen basic services (e.g. water, sanitation, secondary roads), at the lowest level of government, the Local Authorities (LAs)—which include Pradeshiya Sabhas (PSs), Urban Councils (UCs) and Municipal Councils (MCs). GoSL efforts have been supported by World Bank interventions such as the North East Housing Reconstruction Program (Cr. 40140 and Cr. 44280) and the North East Local Service Improvement Project (NELSIP — Cr. 47280, Cr. 56880 and TF13787). In particular, NELSIP supported LAs in the Northern, Eastern and other nearby Provinces to improve the delivery of local services in an accountable, transparent and responsive manner. The project successfully introduced participatory planning and budgeting, as well as strengthened project management, financial reporting and monitoring.

6. **In Uva, the GoSL focused on economic growth and development through programs aimed at supporting new industries.** Uva's poverty is concentrated in the Moneragala District, characterized by high poverty, low population density, and an overwhelmingly rural population. Uva's poor rely on subsistence agriculture and are handicapped by lack of access to services, most notably electricity, water and sanitation services. Ground water is scarce and irrigation networks do not cover most of the area, leaving households to engage in farming activities that rely on rainwater for cultivation. The Government, in collaboration with the private sector, is exploring the growth of new industries, such as rubber cultivation, and the establishment of special economic zones to promote job creation and growth. Since 2014, NELSIP included support to strengthening service delivery in Moneragala.

7. **Uplifting socioeconomic conditions in North, East and Uva will require interventions to unlock economic opportunities these provinces.** This could include, for example, removing regulatory and institutional barriers to private investments, proving greater (hard and soft) connectivity to markets, improving conditions for the participation of women and youth in local institutions and labor markets, along with targeted initiatives in the North and East to address social vulnerabilities left behind by years of conflict. Further assessments are needed to identify specific actions and investments that address the precise needs of each of these provinces. While LAs will have an important role in promoting such initiatives, entities like chambers of commerce and industry, community organizations and social groups are critical to developing an effective platform to develop and implement socioeconomic programs that unlock economic opportunities and advance social cohesion.

Institutional context

8. **Sri Lanka has a bifurcated local infrastructure development and service delivery system.** The devolved system comprises 335 elected Local Authorities (LAs) [271 Pradeshiya Sabhas (PS), 41 Urban Councils (UCs) and 23 Municipal



councils (23 MC)). LAs are institutionally under the Provinces and report to the Ministry of Provincial Councils and Local Governments (MPCLG). The decentralized system comprises a three-tier structure of vertically integrated local administrations at District, Division and Grama Niladhari (GN) levels. This system falls under the Ministry of Public Administration (MPA) and is headed by officers appointed by the Central Government.

9. **The dual systems of government have overlapping and competing responsibilities that constrain efficient and equitable infrastructure development and service delivery.** The decentralized systems of service delivery report upwards and hence have weak incentives to engage communities and respond to local needs. They also have significantly greater fiscal resources than LAs to undertake development activity. The LAs are characterized by limited service delivery mandates. They are responsible for basic municipal infrastructure and service delivery, including roads, drainage, solid waste removal, as well as markets, elementary health, and, in some cases, water supply. LAs are also constrained by large fiscal gaps between assigned responsibilities and available resources as well as severe capacity limitations and weak operational systems.

10. **Lack of integrated planning between the dual systems of government creates challenges in addressing regional and area based development challenges.** Programs delivered through the centralized system of government do not bring in any bottom up planning for development, nor look at coordinating across different sectors. As a result, several overlapping programs co-exist. There is also little coordination between the LA and the centralized systems of government. NELSIP introduced a participatory planning process to support the prioritization of service delivery for local communities, as well as social audits and several innovations related to citizen engagement. These innovations can be further strengthened to support integrated planning.

Relationship to CPF

11. The proposed project contributes to the World Bank Group's Country Partnership Framework (CPF) for the period FY2017-2020. The project contributes to Pillar 2 "Promoting Inclusion and Opportunities for all" to support the Government's objective to enhance the inclusiveness of the country's growth and development model. The project directly contributes to Objective 2.3 Improving living standards in the lagging areas under Pillar 2, by supporting socio-economic development and service delivery through improved partnerships between Local Authorities and citizens. The proposed project also contributes to two crosscutting objectives of the CPF, namely (i) strengthening governance and accountability; and (ii) improving gender equality.

C. Proposed Development Objective(s)

12. The proposed PDO is to strengthen institutional capacity of local authorities and communities to improve service delivery and promote socio-economic opportunities in selected provinces. This will be achieved by strengthening the capacity for integrated planning at the local level, strengthening coordination between different branches of government, and institutionalizing the bottom up community driven planning process to more effectively address local needs and priorities.

Key Results (From PCN)

13. Progress towards the PDO will be measured by the following key indicators that reflect the overall results areas of the project:

- a) Local institutions strengthened to deliver integrated area based plans



- b) Number of community institutions enabled and strengthened to deliver socio-economic services
- c) Number of beneficiaries benefiting from improved access to infrastructure and socio-economic services

D. Concept Description

14. The project will introduce and pilot integrated area based planning at the LA level with the objective of improving and streamlining service delivery and promoting socio-economic development. Building on the foundations of NELSIP, the project will institutionalize participatory planning, and strengthening the capacity of LAs to develop area based plans. The objective overall objective of the integrated plans will be to (i) improve service delivery; (ii) catalyze sustainable economic opportunities; and (iii) enhance social cohesion. Improvements to service delivery will aim at further enhancing efficiency, responsiveness and accountability of LAs; and improving the quality and sustainability of infrastructure and service delivery investments across LAs and the central government. Catalyzing sustainable economic opportunities will involve promoting local economic endowments and opportunities, improving access to markets and addressing local regulatory constraints to businesses, as well as leveraging the private sector. Finally, social cohesion will be enhanced through targeted interventions to improve the socioeconomic standing of vulnerable and disadvantaged populations, strengthen the role of women in economic and social spheres, and by ensuring that interventions use the principle of rebuilding the social fabric and enhancing trust levels between citizens and their local governments.

15. The project objectives will be achieved through the following proposed project components:

- **Component 1: Improve Local Governance and Access to Services.** This component will focus on: (i) supporting integrated and participatory spatial planning of local governments and central government agencies in the selected provinces/ areas and their capacity; (ii) investments in small catalytic infrastructure to address service delivery gaps and improve connectivity to markets; (ii) strengthening the capacity of LAs in planning, budgeting, sub-project implementation and community engagement; (iii) institutionalizing financial audits, performance assessments, the right to information policy and other accountability systems for LAs. The component will also strengthen coordination between the LAs and the divisional secretaries (DS) through the Divisional Coordinating Committee (DCC); and (iv) supporting improved coordination between districts and the provincial council to develop strategic investment plans for the province. Area based plans would cover the combined area of an LA and DS and would be based on the needs and preferences of local communities. At the local level, LAs, working with provinces and local stakeholder groups, will formulate Capital Investment Plans to ensure that their investments are strategic and efficient. The project will also institutionalize social audits and other citizen engagement mechanisms to strengthen trust and accountability.
- **Component 2: Promote Socio-Economic Development.** This component will aim at (i) enhancing competitiveness and supporting local entrepreneurship to promote local economic endowments; and (ii) targeting specific needs of vulnerable demographic and social groups such as women, youth, IDPs, etc. to improve economic opportunities and promote social cohesion amongst them. Building on the findings of the Strategic Social assessment (SSA), LAs will adopt an area-based approach and work closely with community groups as well as the private sector, and trade associations, cooperatives and local community groups to determine priorities, formulate socioeconomic development plans and identify catalytic and/or innovative interventions to achieve the above objectives. Eligible interventions will be integrated into area based plans and financed through the project, and may be undertaken through community groups, private sector or by LAs themselves.



- **Component 3: Project Implementation Support.** This component will support key project agencies at the central, provincial and local levels in the management and implementation of the project. It will finance project management and implementation activities such as operating costs of the Project Coordination Unit (PCU), training and capacity building, communications, etc. This component will also finance technical, financial and safeguard audits.
- **Component 4: Emergency Contingent Response Component.** In case of a major natural disaster, the Government may request the Bank to re-allocate project funds to this component (which presently carries a zero allocation) to support response and reconstruction

16. The project components will be further refined during project preparation.

17. Over and above at the apex level, the project will seek synergies with various ongoing and planned government and donor supported initiatives such as the World Bank Agriculture Sector Modernization Project and the proposed World Bank Second Provincial Roads Project to achieve proposed results.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will focus on LAs in the Northern Province, Eastern Province and the Uva Province. The Northern Province has an area of 8,884 square kilometers. The province is surrounded by the Gulf of Mannar and Palk Bay to the west, Palk Strait to the north, the Bay of Bengal to the east and the Eastern, North Central and North Western provinces to the south. The northern province has a dry climatic condition and the terrain is flat with a number of outer islands and coastal terrain, lagoons and low lying areas. The province is divided into two distinct geographic areas: Jaffna peninsula and the Vanni. The Eastern province has an area of 9,996 square kilometers which is predominantly flat terrain that expands on to the eastern coastline of the Island. The province is surrounded by the Northern Province to the north, the Bay of Bengal to the east, the Southern Province to the south, and the Uva, Central and North Central provinces to the west. The province's coast is dominated by lagoons. The Uva Province is made up of two districts the mountainous Badulla district which moves towards the east to the Monaragala district which shares a similar dry zone climate and flat terrain to the eastern province, and stretches across 8,500 square kilometers. The main economic activities in the project area are paddy cultivation, horticulture and fishery. Majority of the people earn their livelihood as farmers, fisherers, and professionals in the civil and business sector.

B. Borrower's Institutional Capacity for Safeguard Policies

Sri Lanka has a comprehensive policy and regulatory framework for the conservation of natural resources and environmental management. The Central Environmental Authority (CEA) is the key regulatory body that is mandated by the National Environmental Act (NEA) to implement all regulatory provisions outlined in its statutes. On the social side, the Land Acquisition Act and the National Involuntary Resettlement Policy and associated regulations are in place to guide land acquisition and resettlement issues associated with the project.

Sri Lanka has demonstrated satisfactory capacity for implementing and monitoring environmental and social safeguard issues in Bank-financed projects. The respective local authorities in the regions have reasonable knowledge regarding



safeguards requirements and procedures built through the implementation of the NELSIP project as well as other Bank financed national operations that have worked with the LAs in the three provinces. The nature of the physical interventions under the former NELSIP operation have not had major environmental and social impacts and were managed well, however monitoring and reporting of safeguards were noted as areas that needed further improvements as assessed via an independent environmental audit at project closure. Environmental and social due diligence measures were internalized into typical procedures conducted when planning and implementing physical infrastructure by the LA technical and engineering staff. However, in order to further strengthen the existing capacity and ensure effective implementation of the project's ESMF, further strengthening of the stakeholder's capacity to implement, monitor and report on environmental and social management will be an essential inbuilt element in the project's safeguards management instruments.

C. Environmental and Social Safeguards Specialists on the Team

Bandita Sijapati, Social Safeguards Specialist

Mokshana Nerandika Wijeyeratne, Environmental Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The project is expected to finance physical interventions associated with improvements to existing LA owned infrastructure and new infrastructure that will support LA service delivery. It is expected that these activities will take place on existing public lands, owned by the LAs. Construction activities may have potential site specific environmental impacts during the construction phase which can be managed with inbuilt due diligence, however the project is not likely to have large scale significant irreversible environmental impacts. Therefore, the project is proposed as Environmental Category B.</p> <p>As the exact locations of project financed physical interventions will be known only during project implementation, as a risk mitigation measure, the client will prepare an Environmental and Social Management Framework (ESMF) to guide project implementation. The ESMF will include guidance on conducting environmental screening, preparation of environmental assessments and management plans as well as on monitoring, which will be key elements in ensuring sound environmental practices during the implementation of physical interventions.</p>



Natural Habitats OP/BP 4.04	Yes	OP/BP 4.04 is triggered on a precautionary basis and measures to ensure any possible impacts to natural habitats or sensitive environments are avoided/mitigated will be covered in the ESMF.
Forests OP/BP 4.36	No	No activities in forests or in close proximity to forest areas are expected
Pest Management OP 4.09	No	Not Applicable as no project interventions are made where significant use of pesticides and other such substances are utilized.
Physical Cultural Resources OP/BP 4.11	Yes	The policy is triggered on a precautionary basis. While project interventions are not envisioned to be conducted in areas close to sites of cultural importance. Renovation, rehabilitation and improvements may be made to historic LA buildings that are socially or culturally important, for which specific mitigation measures will be a requisite. These measures and measures to safeguard chance finds will be included as part of the measures taken under Environmental Assessment OP/BP 4.01 in the ESMF.
Indigenous Peoples OP/BP 4.10	No	The project will adopt an inclusive and participatory approach to benefit disadvantaged groups like women, youth, conflict-affected families, among others. However, there are no conclusive evidence/information available that establishes the presence of indigenous people in the project area.
Involuntary Resettlement OP/BP 4.12	Yes	The project will involve civil works and other activities associated with improvements to existing LA owned infrastructure and new infrastructure to support LA service delivery. It is expected that these activities will take place, to the extent possible, on existing public lands owned by the LAs. However, for some investments, additional land might be required but the impact will not involve involuntary resettlement of more than 200 persons. A Resettlement Policy Framework, prepared as part of the ESMF for the project will include guidance on social screening, preparation of social impact assessments, and preparation of site-specific Resettlement Action Plan, if required. The ESMF will also include framework for monitoring, consultation and information disclosure, grievance redress mechanism, and implementation arrangements for the ESMF.
Safety of Dams OP/BP 4.37	No	There will be no project interventions focused on dams or rehabilitation of existing dams.
Projects on International Waterways OP/BP 7.50	No	The proposed project activities do not have any impacts on international waterways and therefore this



		policy is not triggered.
Projects in Disputed Areas OP/BP 7.60	No	There are no disputed areas in Sri Lanka and therefore this policy is not triggered.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Apr 30, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

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APPROVAL

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Note to Task Teams: End of system generated content, document is editable from here.