



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 03-Sep-2025 | Report No: PIDDC01376



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Operation ID	Operation Name	
Sri Lanka	P511605	Sri Lanka Regional Empowerment through Vibrant, Inclusive, and Viable Economies	
Region	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
SOUTH ASIA	10-Dec-2025	05-Mar-2026	Urban, Resilience and Land
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing (IPF)	External Resources Department, Ministry of Finance	Ministry of Provincial Council and Local Government	

Proposed Development Objective(s)

To improve access to enabling infrastructure and services to catalyze economic development in selected priority areas of Northern and Eastern Provinces.

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	No
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Total Operation Cost	100.00
Total Financing	100.00
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	100.00
IDA Credit	100.00



Environmental and Social Risk Classification

High

Concept Review Decision

The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- Sri Lanka has emerged from a deep economic crisis and regained macroeconomic stability; however, multiple socio-economic challenges persist.** The 2022–2023 downturn, caused by fiscal mismanagement, governance failures, and external shocks, led to soaring inflation and a rise in extreme poverty from under 1 percent in 2019 to over 5 percent in 2023.¹ Under the IMF Extended Fund Facility (EFF), the government implemented reforms such as cost-reflective utility pricing, revenue measures, and prudent monetary policy. These actions stabilized the fiscal and external balances and restored investor confidence. Credit ratings were upgraded in December 2024, following progress in debt restructuring. Economic recovery began in mid-2023, with GDP growing 5 percent in 2024. Growth was driven by a rebound in construction and tourism industries. Despite signs of stabilization, Sri Lanka faces persistent socioeconomic challenges, with nearly one-third of the population in or at risk of poverty, employment and real wages below pre-crisis levels, and declining labor force participation from 52.3 percent in 2019 to 47.8 percent in 2024 - driving emigration and weakening human capital².
- Regional disparities further undermine equitable and balanced growth opportunities, requiring urgent actions to address development challenges in lagging regions.** Decades of conflict and repeated crises have left the Northern and Eastern Provinces³ far behind in development. While the Western Province contributes about 44 percent of national GDP, the North and East contribute only 4 and 5 percent respectively⁴. Lagging economic growth in these provinces has resulted in low levels of socio-economic outcomes: *i) Higher levels of rural poverty*: In 2023, poverty rates in the North and East at 23.8 and 18.6 percent respectively, were well above the national average of 14.3 percent⁵; *ii) Low labor force participation (LFP)*⁶: LFP in most of the districts (excluding Vavuniya and Mannar) is below the national average of 48.6 percent, and women's LFP is 27 percent in the North and 19 percent in the East, compared to 31.3 percent nationally; *iii) Low Household incomes*: in the Northern Province (Rs. 55,390) and the Eastern Province (Rs. 51,536), the household income was only about two thirds of the national average income (Rs. 76,414).⁷ Additionally, climate change poses significant challenges for Sri Lanka, with potential economic losses ranging from 3.3 to 3.5 percent of GDP by mid-century,

¹ World Bank Sri Lanka Development Update (Apr 2025)

² World Bank Sri Lanka Economy Outlook

³ The Northern Province (1.2 million) and the Eastern Province (1.8 million) together account for approximately 13.5% of Sri Lanka's population.

⁴ The Central Bank of Sri Lanka (2024) "Provincial Gross Domestic Product (PGDP)- 2023", The Statistics Department

⁵ Department of Census and Statistics (2022) "Poverty indicators – 2019" Ministry of Economic Policies and Plan Implementation

⁶ Department of Census and Statistics. Sri Lanka Labour Force Survey, Annual Report-2023.

⁷ Household Income and Expenditure Survey (2019). Department of Census and Statistics.



due to reduced labor productivity from heat stress, decreased agricultural yields, and intensified flooding in both urban and rural areas. The poorest and most vulnerable populations are disproportionately affected, particularly those in agriculture and coastal areas, with potential increase in poverty rates by 1.7 to 1.8 percentage points⁸.

Sectoral and Institutional Context

4. **The Government of Sri Lanka (GoSL) has reaffirmed its strong commitment to achieving balanced economic growth and addressing regional disparities in the lagging Northern and Eastern provinces.** The National Physical Planning Policy and Plan 2017–2050 emphasizes balanced territorial development by enhancing regional connectivity and competitiveness to establish strategic development corridors nationwide. The GoSL has articulated three national development priorities: (i) eradicating rural poverty, (ii) creating a cleaner and more sustainable Sri Lanka, and (iii) building a robust digital economy. These goals are particularly crucial for the Northern and Eastern provinces, where persistently higher levels of rural poverty and inadequate infrastructure continue to hinder economic growth and modernization. The 2025 Presidential Budget⁹ reflects this focus - prioritizing infrastructure investment, industrial expansion, and economic growth in these lagging regions. The GoSL has also introduced targeted sectoral strategies and provincial economic development plans, including Integrated Rapid Development Plans (IRDPs), Urban Development Plans, and the National Tourism Policy 2024, to stimulate key sectors, promote inclusive growth, and boost local economies.
5. **With political commitment, the Northern and Eastern Provinces have a unique window of opportunity to promote economic growth by leveraging the untapped market potential in existing growth sectors, such as fisheries and agriculture.** Agriculture and fisheries are currently the backbone of the local economy, sustaining around 30 percent of the workforce of two provinces¹⁰ and serving as the primary source of livelihoods for around 65 percent of their population¹¹. The Eastern Province produces about 25 percent of Sri Lanka's national paddy output, while the Northern Province holds strong potential for high-value crops¹². The two provinces contributed around 20 percent of national fish production and accounted for 60 percent of fishers in 2022¹³, supported by both deep-sea and inland fishing activities. However, the provinces lack basic infrastructure as well as strategic economic infrastructure, including harbors and markets, and value addition/processing facilities. Raw materials such as paddy, seafood, and other marine products are therefore often transported to the Western and Southern Provinces for processing, packaging, and commercialization. Poor last-mile and rural-urban connectivity restrict production, value addition, and market access, lowering producers' incomes and private sector interest in investing in these provinces, thereby limiting local economic development and employment opportunities in the Northern and Eastern provinces.
6. **Tourism, which is a critical growth sector nationally, remains underexploited in the Northern and Eastern Provinces, with a lack of infrastructure as the key bottleneck.** With both the provinces accounting for more than 60% of the coastline, tourism is emerging as a promising sector. The Eastern province offers pristine beaches and eco-tourism across all districts, and the Northern Province, particularly Jaffna, provides rich cultural and religious assets as well as geographic proximity to Southern India. However, the tourism potential remains underutilized, with both provinces attracting less than 5% of foreign visitors at national level¹⁴. Even for domestic tourism, only about 6% of tourists visit each of the two provinces overnight, compared to 18% for Western, 17% for Central, and 13% for Southern¹⁵. A lack of

⁸ World Bank. 2025 (forthcoming). Sri Lanka Country Climate and Development Report.

⁹ 2025 Presidential budget speech. Sri Lanka Ministry of Finance, Planning and Economic Development.

¹⁰ Department of Census and Statistics. Sri Lanka Labour Force Survey, Annual Report-2023

¹¹ Integrated Rapid Development Plans, prepared by two provincial governments.

¹² Integrated Rapid Development Plans, prepared by two provincial governments.

¹³ Ministry of Fisheries (2023) "Fisheries Statistics".

¹⁴ Surbana Jurong (2024) "Eastern Province Tourism Master Plan"

¹⁵ Sri Lanka Tourism Expenditure Survey (2018) Department of Census and Statistics.



connectivity and basic infrastructure, and limited diversification of tourism offering, branding and promotion are key bottlenecks.

7. **Addressing critical gaps in connectivity, basic infrastructure, and productive infrastructure is essential for advancing economic growth and attracting private sector investments.** Limited air transport and rail connectivity lead to long travel times and reduced competitiveness. Inadequate water supply is a major bottleneck, hindering industrial growth and limiting tourism potential. In the Northern Province, only 19 percent of households have access to safely managed water supply, significantly lower than the national average of 60 percent. In the Eastern Province, water provision is intermittent due to limited supply. Jaffna and key tourist destinations such as Arugam Bay¹⁶ suffer from poor waste segregation and unsafe disposal, while open dumping leads to environmental and health risks. Untreated effluent is discharged into the environment, resulting in contamination of groundwater. Climate hazards—floods, heatwaves, and cyclones—could expose 90 percent of the population to high risk by 2050¹⁷. Flood-prone zones overlap with urban centers, disrupting infrastructure and key economic activities. Regulatory barriers—such as overlapping mandates, lengthy business registration, and weak inter-agency coordination—also deter private sector investments.
8. **Addressing these binding constraints to growth requires a phased solution that shifts from *ad hoc*, fragmented investments towards a set of strategic, coordinated interventions that build on prior phases, and proactively identify opportunities for commercialization, thereby attracting private sector financing.** Past efforts in the Northern and Eastern Provinces focused narrowly on physical reconstruction, with limited coordination, resulting in underutilized infrastructure and sub-optimal outcomes. A lack of strategic direction in the reconstruction efforts¹⁸ has left much of the infrastructure underutilized. Progress has been uneven and partial, constrained by governance challenges, inefficient resource use, and weak responsiveness to local needs¹⁹. Past World Bank projects implemented in these two provinces – the North East Local Services Improvement Project (NELSIP) and the Local Development Support Project (LDSP) – also emphasized the need for strategic and coordinated infrastructure planning. The government is therefore keen to transition toward integrated, growth-oriented development, aligning infrastructure investments to support productive growth and foster private sector participation.
9. **The proposed operation adopts a programmatic and phased approach, emphasizing spatially targeted investments in enabling infrastructure, support for productive value chains, and the mobilization of private capital to accelerate regional growth and job creation.** Aligned with the government’s vision and the region’s unique natural and cultural assets, the operation will offer a cohesive and strategic framework to guide and co-locate investments, foster cross-sectoral coordination, strengthen local capacities, and enhance competitiveness in key economic sectors. The phased approach will enable the strategic sequencing of interventions, beginning with no-regret, high-impact investments in the first phase, while laying the groundwork for more complex investments in the second. Expanding connectivity and developing large-scale infrastructure (e.g., ports, airports) at a scale commensurate with the region’s near-term economic projections require extensive preparation and private sector participation. Preparatory activities for these investments can begin in the first phase to accelerate the readiness of subsequent phases. By providing enabling infrastructure and strengthening value chains across growth sectors, it will help unlock the full economic potential of the Provinces, stimulate local jobs creation, and attract private sector engagement.
10. **The operation will actively build synergies with recent and ongoing World Bank initiatives and work with development partners to maximize impact and avoid duplication.** The proposed project will not only build on complementary

¹⁶ During the peak season, daily waste generation reaches 18–22 metric tons, while only 10 metric tons are collected. The collected waste is neither segregated nor processed and is currently dumped in an open site, threatening environmental sustainability and long-term tourism development.

¹⁷ World Bank (2021) “Climate Change Action Plan 2021-2025: South Asia Roadmap”

¹⁸ Economic Development Framework for a Northern Province Master Plan (2018). Document commissioned by the Central Bank of Sri Lanka

¹⁹ World Bank (2018) “Shadows of Conflict in Northern and Eastern Sri Lanka: Socioeconomic Challenges and a Way Forward”



investments but also facilitate matchmaking with relevant operations to optimize the impact and maximize benefits for the target populations. Joint preparation with IFC will enable better identification of larger-scale private sector potential.

Relationship to CPF

11. **The proposed operation aligns with the World Bank Group’s Sri Lanka Country Partnership Framework (CPF) FY24-27²⁰ and its overarching goal to restore economic stability and build a stronger foundation for green, resilient, and inclusive development.** The CPF identifies “Economic Stabilization and Private Sector Job Creation” as a high-level outcome, with a cross-cutting focus on resilience. The proposed operation directly contributes to this outcome with its special focus on economic development and job creation in the key value chains in the two provinces. The operation is also aligned with the CPF’s call for improved institutional coordination and long-term strategy for regional development. The CPF notes that empowering sub-national government agencies through capacity, institutional, and financial means would improve service delivery. The operation would advance this goal by establishing a multi-stakeholder planning platform and capacity-building activities for provincial and local authorities, ensuring investments are technically sound and sustainable.
12. **The operation is consistent with Sri Lanka’s Nationally Determined Contributions (NDC) commitments under the Paris Agreement²¹,** the revised National Policy on Climate Change (2023), the 2050 Carbon Net Zero Road Map and Strategy (2023), and the National Adaptation Plan for Climate Change Impacts in Sri Lanka (2016–2025). The project will prioritize investments in climate change adaptation and resilience to reduce the impacts of climate hazards on vulnerable infrastructure including roads and water supply, public buildings, cultural heritage sites, and public spaces and economic sectors including tourism, agriculture, fisheries and aquaculture.

C. Proposed Development Objective(s)

To improve access to enabling infrastructure and services to catalyze economic development in selected priority areas of Northern and Eastern Provinces.

Key Results (From PCN)

D. Concept Description

13. **Project concept overview.** Phase 1 will focus on a coordinated set of interventions within selected PIAs to unlock the potential of the regional productive sector in which they are anchored (e.g. tourism, agriculture, aquaculture, and fisheries), create jobs and/or enhance the quality of jobs linked to the PIA. PIAs will serve as the locus for enabling infrastructure, localized livelihoods/enterprise support, private capital mobilization and institutional strengthening. PIAs have been selected using a three-stage process: (i) Stage 1: a rapid assessment of high economic potential zones across the two regions using an Economic Potential Index (EPI); (ii) Stage 2: proposals from provincial and national governments based on their existing development plans to generate a long-list of investment needs in the high economic potential zones; (iii) Stage 3 (ongoing, to be finalized during project preparation): short listed PIAs applying

²⁰ Report No. 182326-LK, discussed by the World Bank Board of Executive Directors on June 28, 2023.

²¹ Sri Lanka committed to reduce greenhouse gas (GHG) emissions by 14.5% for the decade to 2030, including an unconditional reduction of 4%. Updated NDC was submitted in 2021.



a multi criteria model based on contribution to economic growth, job creation, private capital mobilization potential, and implementation readiness.

14. **PIAs aim to replace *ad hoc*, scattered investments with focused and strategic investments designed to catalyze local economic development and crowd in private capital.** Clustering in areas of high economic potential—where businesses, communities, and infrastructure are concentrated around specific sectors or value chains such as tourism, agriculture, or fisheries/aquaculture —offers several advantages: (i) reinforces the need for a multisectoral approach to regional development, (ii) enables tailored solutions to address specific local and spatial challenges; (iii) promotes more efficient, strategic allocation of resources focused on local jobs and economic opportunities; and (iv) strengthens the capacity of subnational governments to shift from a sectoral, business-as-usual approach to integrated investments, private partnerships, and productive asset management. A multisectoral approach, underpinned by resilient infrastructure, strengthens cross-sectoral linkages and synergies, and maximizes the return on development investments.
15. **Stage 1 and 2 of the selection have been completed, generating a long list of PIAs spanning tourism, fisheries, aquaculture, and agribusiness as anchor productive sectors.** Stage 3 is ongoing to select final PIAs across both provinces for packages under Components 1 and 2 through multi-criteria analysis, including: (i) economic growth potential (local economy and spillover effects); (ii) job creation potential (expected number of jobs created and increased income, considering opportunities for women and youth); (iii) clustered or co-located investment characteristics (geographical concentration and sectoral coordination); (iv) private sector investment potential; and (v) readiness (land availability, archeological clearances advanced, feasibility studies/assessments available, technical viability and implementation timeline). Shortlisted PIAs will be further divided into: (i) prioritized PIAs ready for implementation; (ii) strategic PIAs and investments requiring deeper preparatory work; and (iii) PIAs eligible for inclusion under other ongoing government schemes or World Bank-financed projects.

The proposed Project would have the following four components:

16. **Component 1: Enabling Infrastructure for PIA Development (US\$80 million)** aims to address critical gaps in productive and basic infrastructure²² that strengthen the anchor productive sector or value chain in the selected PIAs, from the long-list, in the tourism, fisheries/aquaculture and agribusiness sectors. This component will finance (i) plans, designs and relevant studies; (ii) existing infrastructure improvement and new infrastructure development to improve productivity, boost economic growth and improve livability; and (iii) integrated commercialization potential within infrastructure investments in the PIAs. **Sub-component 1.1: Infrastructure Planning and Design** will finance consultancy services to support the preparation of priority infrastructure and services that contribute to the development of key economic value chains such as tourism and fisheries sectors, in the prioritized PIAs. **Sub-Component 1.2: Infrastructure Development** will finance infrastructure works to implement targeted interventions in final PIAs, including: (i) improving access to tourist sites and surrounding areas (e.g., access roads); (ii) rehabilitating cultural heritage related sites, enhancing the attractiveness of public spaces and provision of tourism-related services including information and recreation centers as part of urban regeneration; (iii) upgrading priority municipal infrastructure for residents, tourists and businesses, such as internal roads, water supply systems, wastewater and stormwater management, among others as needed under the coordinated package of investment at PIA level; (iv) solid waste management investments (e.g. collection, segregation, recycling and demarcation/basic investments in controlled landfills), particularly implementing scalable models for small towns and tourist areas; and (v) constructing and rehabilitating productive infrastructure for fisheries related PIA, such as improvement of post-catch processing, trading facilities, common basic infrastructure needed for efficient, safe and hygienic handling of catch within existing

²² Productive infrastructure will include specific infrastructure required for economic value chains (For example, jetties, harbors, markets etc), while basic infrastructure will include roads, bridges, water, waste and waste-water, energy, etc.



harbors/facilities.²³ The project will consider both climate and disaster risk mitigation and adaptation measures in infrastructure investments, urban regeneration, tourism and fisheries related facilities.

17. **Component 2: Local Economic Development and Private Sector Mobilization (US\$10 million)** will leverage restored and new infrastructure to stimulate local economic activity, generate employment and income opportunities, and attract private investment. Key activities include: i) Development and implementation of area-based economic development plans for the prioritized PIAs; ii) Fostering private sector participation; and iii) Providing skills for local communities and sector-specific workers. **Sub-component 2.1: Area-Based Economic Development Plans** will identify and implement targeted interventions to enhance competitiveness, attract local private sector for operation and maintenance of the assets, and create jobs, including: (i) identification of commercialization opportunities within the PIAs; (ii) developing and implementing strategies to increase the attractiveness of the PIAs by promoting the upgraded sites, new attractions and productive infrastructure; (iii) entrepreneurship enhancing local activities such as designing cultural programming, event activations, and community led activities (e.g., street fairs, night markets, etc.); and (iv) supporting communities with value chain strengthening (identification of opportunities for value addition), improved productivity (efficiency and increased production) and capacity building and skills training, e.g., hospitality, tour guiding, and small business management, technical training for fishermen in fish handling, hygiene, pier operations, and processing. **Sub-component 2.2: Fostering Private Sector Participation** will aim to strengthen the enabling environment for investment and increase the involvement of local private sector actors in business development through: (i) assessment of business regulations at the local level for improving the business registration and licensing process and developing recommendations to simplify and harmonize sub-national regulatory processes; and (ii) mobilizing public-private partnerships within PIAs, tailored to the local context. Private partnership approaches will prioritize shifting from publicly financed and managed facilities toward sustainable private operation and maintenance of rehabilitated or newly developed infrastructure and services.
18. **Component 3. Institutional Development (US\$7.5 million)** will strengthen institutional and planning capacity to sustain project benefits and prepare for future investments. **Sub-component 3.1. Strategic planning and capacity building** will support strategic regional planning to guide long-term development priorities and identify investment pipelines for subsequent phases. Key activities will include: (i) Preparation of provincial capital investment plans, resource mobilization strategies, and opportunities for private sector engagement; (ii) Technical assessments, feasibility studies, and detailed engineering designs, including for larger-scale connectivity infrastructure (e.g., airports, roads and bridges) and other investments to be implemented in subsequent phases; (iii) Support for capacity building will include: preparation of operation and maintenance plans for project-supported assets—such as solid waste management, drainage, water distribution, and waste treatment—along with action plans to increase revenue and ensure financial sustainability; and iv) Strategic Environmental and Social Assessment (SESA) to identify mitigation measures to be integrated into the program or supported through other government or MDB-financed projects, ensuring resilient, sustainable, and inclusive strategies. **Sub-component 3.2. Establishment of a multi-stakeholder Planning Platform** to improve coordination among central government ministries, provincial departments, district administrations, local authorities, and other development partners. It will integrate bottom-up feedback from civil society organizations and the private sector into the strategic plans of the provinces. It will also include support for the ‘Investors’ Forum’ in collaboration with IFC with an aim to bridge the gap between private investors’ needs and government priorities.

²³ Rehabilitation of piers and jetty services rather than new harbors will be the focus -construction of facilities such as dry dock facilities and rehabilitation of hygienic zones to support proper fish landing and handling, reduce post-harvest losses, and meet export standards, rehabilitating markets, and providing basic infrastructure (e.g. roads to facilitate efficient transportation of fish products), waste management infrastructure within existing facilities to enable safe & efficient fish processing.



19. **Component 4: Project management (US\$2.5 million)** will provide institutional and technical support to the implementing agencies to ensure effective project coordination, fiduciary oversight, safeguards compliance, and results monitoring.

20. **The project design will ensure alignment with WBG corporate commitments:**

(i) **Gender Inclusion.** The project will seek to reduce gender gaps around women’s participation in economic activities. Women’s labor force participation (LFP) is 27% and 19% in the North and East, compared to 70% and 65% for men, respectively, with particularly lower rates in Ampara (15%), Batticaloa (21.5%) and Kilinochchi (21.8%). Female-headed households (25% of all households) face economic insecurity, limited access to land and productive resources, weak access to basic services and social protection, and heightened exposure to gender-based violence (GBV). In addition, women-led enterprises face major barriers, including limited access to capital, insufficient technical and business skills, and minimal exposure to formal training in areas such as accounting, marketing, and digital tools. The project will address the gender gap by increasing women’s economic participation in the selected PIAs under Component 2 through targeted skills and business support, with results measured and disaggregated by gender.

(ii) **Private Sector Engagement.** The project will identify private sector engagement opportunities in service delivery, operation and maintenance of public assets, participation in tourism enterprises, and along the fisheries value chains—form production to distribution and sales—in selected PIAs, as well as preparatory work to enable private sector engagement in subsequent phases.

(iii) **Climate Co-Benefits.** The project will prioritize climate-resilient infrastructure and incorporate relevant climate change adaptation and mitigation measures in the strategic infrastructure under Component 1, including climate-resilient design of roads, bridges, and fisheries infrastructure to withstand flooding and sea-level rise, improved stormwater and wastewater systems. All investments will follow green and climate-smart technology principles focused on sustainability and resilience based on global practices.

(iv) **Citizen and stakeholder engagement** will be ensured through structured consultations, inclusive planning processes, and the multi-stakeholder platform for regional planning under Component 3.

Legal Operational Policies

Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The environmental risk rating is ‘substantial’ as both technical assistance and civil works may result in impacts that are medium in magnitude and spatial consent, with some cumulative and indirect impacts. There is a low probability of serious adverse effects to the environment as there are known and reliable mechanisms available to manage the likely risks and impacts. Civil works may result in the consumption of finite natural resources, generation of dust, noise,



erosion and sedimentation, waste generation, and impacts to either marine or terrestrial biodiversity. Some works may be located in the vicinity of protected areas and the IUCN Red List and national assessments have identified vulnerable, endangered, and critically endangered species within the two provinces. Technical assistance will likely have similar downstream and indirect impacts to those listed above. Furthermore, economic development is expected to result in cumulative impacts (e.g., land clearance, waste generation, multiple water discharges etc.) which must be considered in the Strategic Environmental and Social Assessment (SESA) and sub-project specific E&S assessments. Operational risks and impacts may include the consumption of water and energy, waste generation, and ongoing discharges (e.g., from water treatment systems). These risks and impacts will be managed through the development and implementation of operational ESMPs or environmental and social management systems (ESMSs) as determined by the E&S screening process. The social risk rating for the project is 'substantial' at concept stage, reflecting the potential for significant but manageable adverse social impacts. Key risks include land acquisition, impacts on vulnerable populations, labor influx, and community health and safety. Infrastructure development may require land acquisition, potentially resulting in physical and economic displacement of houses, shops, and businesses. To minimize these risks, the project will prioritize use of government owned land with minimal encumbrances. Rehabilitation of cultural heritage sites will require careful planning and close consultation with local communities and authorities to avoid unintended damage or loss of cultural resources. Given the Northern and Eastern Provinces' history of conflict and higher proportion of vulnerable populations, project activities will be designed to avoid exacerbating inequalities or creating new vulnerabilities. Mechanisms will be established to ensure equitable benefit distribution, prevent exclusion of vulnerable groups, and promote inclusive economic development. The SEA/SH risks for the project are rated as 'Moderate', as determined through the application of the World Bank's SEA/SH Risk Rating tool for Major Civil Works. This rating is based on the potential for labor influx, the higher percentage of female-headed households, and the interaction between project workers and local communities, particularly in regions with existing vulnerabilities. A GBV/SEA Action Plan will be developed to address these risks with tailored mitigation and response measures, which will be included as a commitment in the ESCP. In addition to a SESA and sub-project specific E&S assessments a Stakeholder Engagement Plan (SEP), and Labor Management Procedures (LMP) will be prepared to manage the E&S risks and impacts. E&S staff will be embedded in the PMUs and PIUs, with capacity building provided regarding ESF requirements and E&S risk management.

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APPROVAL

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