

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA23842

<b>Project Name</b>	LK Water Supply and Sanitation Improvement Project (P147827)
<b>Region</b>	SOUTH ASIA
<b>Country</b>	Sri Lanka
<b>Sector(s)</b>	General water, sanitation and flood protection sector (100%)
<b>Theme(s)</b>	Other rural development (75%), City-wide Infrastructure and Service Delivery (25%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P147827
<b>Borrower(s)</b>	DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
<b>Implementing Agency</b>	Ministry of Water Supply and Drainage
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	04-May-2015
<b>Date PID Approved/Disclosed</b>	04-May-2015
<b>Estimated Date of Appraisal Completion</b>	04-May-2015
<b>Estimated Date of Board Approval</b>	24-Jun-2015
<b>Appraisal Review Decision (from Decision Note)</b>	The Chair authorized the team to proceed with appraisal subject to clearance of the Social Management Framework (SMF) and Environmental Assessment Management Framework (EAMF) by the Regional Safeguards Advisor and their disclosure, along with the ISDS, in Sri Lanka and Infoshop in Washington D.C.

## I. Project Context

### Country Context

1. Sri Lanka is a lower middle-income country with a total population of 20.5 million people. Following 30 years of civil war that ended in 2009 Sri Lanka's economy grew at an average 7.5 percent per year during 2010-2013, reflecting a peace dividend and a determined policy thrust towards reconstruction and growth. Sri Lanka's economy is also transitioning from a previously predominantly rural-based economy towards a more urbanized economy oriented around manufacturing and services. In 2013 the service sector accounted for 57 percent of GDP, followed by manufacturing (33 percent), and agriculture (11 percent). Per capita Gross Domestic Product (GDP) reached USD 3,280 in 2013. The Government of Sri Lanka (GoSL) envisions reaching an annual per capita GDP of USD 7,000 by 2020. High growth has translated into shared prosperity with national poverty headcount ratio declining from 15.2 percent in 2006/07 to 6.7 percent in 2012/13. The country is ranked 73rd in Human Development Index indicators in 2014.

2. Sri Lanka averaged fiscal deficits of around 7-8 percent of GDP over the past decade. GoSL has been able to reduce fiscal deficit from 9.9 percent of GDP in 2009 to 5.9 percent 2013. Public debt, which was over 106 percent of GDP in 2002, was reduced to 78 percent by 2013. However, the level of public debt remains high. Budget expenditure on interest payments account for 5 percent of GDP, equally high as capital investments.

3. There has been a tremendous focus on resettling internally displaced people and rebuilding the Northern and Eastern provinces that were most heavily affected and inaccessible during the conflict with the aim to reconnect these provinces and better integrate them economically with the rest of the country. The Government also aims to provide decent and healthy living conditions for every Sri Lankan family by year 2020, which includes among others, access to safe piped water supply to 60 percent of the population from current coverage of 44 percent.

4. Despite all the achievements, Sri Lanka faces several challenges such as: persistent inequalities and pockets of poverty in lagging regions, plight of vulnerable groups including displaced peoples and those working in the Plantation sector, persistent malnutrition across all segments of the population , and emergence of a new form of Chronic Kidney Disease of uncertain etiology (CKDu) with public health implications for the country.

### **Sectoral and institutional Context**

Since 2000 the Government has set out a range of policies covering all aspects of the water and sanitation sector which, taken together, provide a sound framework within which the sector operates. The Government's vision for the water sector is to provide access to safe drinking water for all citizens over the medium term (by 2020) with a particular emphasis on increasing the quality of service (increasing the proportion of people served through piped water connections to 60 percent and with coverage by sewerage systems tripling to 7 percent). The government also envisages a sector with improved institutional performance where tariffs are set to ensure cost recovery, and regulatory reforms are introduced, so that there can be greater self-financing of capital works through innovative financing structures. In rural areas, there will be a continued focus on community involvement in water supply and greater collaboration between the various actors in the sector including the National Water Supply and Drainage Board (NWSDB) and the local authorities.

## **II. Proposed Development Objectives**

The development objective of the project is to increase access to piped water services and improved sanitation, and to strengthen rural service delivery arrangements, in selected Districts.

## **III. Project Description**

### **Component Name**

Component 1 – Water Supply and Sanitation Infrastructure (\$160.24 million, IDA \$145.22 million)

### **Comments (optional)**

### **Component Name**

Component 2 - Institutional Capacity Strengthened (\$6.43 million, IDA \$6.43 million)

### **Comments (optional)**

**Component Name**

Component 3 - Sectoral Technical Assistance (\$6.06 million, IDA \$6.06 million)

**Comments (optional)****Component Name**

Component 4 - Project Management Support (\$11.2 million, IDA \$7.28 million).

**Comments (optional)****IV. Financing (in USD Million)**

Total Project Cost:	183.90	Total Bank Financing:	165.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
BORROWER/RECIPIENT			5.00
International Development Association (IDA)			165.00
Local Communities			13.90
Total			183.90

**V. Implementation**

## Institutional and Implementation Arrangements

The Ministry of Urban Development, Water Supply & Drainage (MUDWSD) will be the executing agency for the project. A Project Steering Committee will be set up at the national level to provide guidance on all components, in particular where cross-ministry support and coordination will be essential. A Project Management Unit will be established under the MUDWSD with key staff from the NWSDB, the newly established Department of National Community Water Supply (DNCWS) and the Plantation Human Development Trust (PHDT). The DNCWS will actively support the implementation of service delivery in rural areas whereas the PHDT will be engaged in the implementation of service delivery in estates.

**VI. Safeguard Policies (including public consultation)**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	<b>x</b>	
Natural Habitats OP/BP 4.04		<b>x</b>
Forests OP/BP 4.36		<b>x</b>
Pest Management OP 4.09		<b>x</b>
Physical Cultural Resources OP/BP 4.11		<b>x</b>
Indigenous Peoples OP/BP 4.10		<b>x</b>
Involuntary Resettlement OP/BP 4.12	<b>x</b>	
Safety of Dams OP/BP 4.37		<b>x</b>
Projects on International Waterways OP/BP 7.50		<b>x</b>

Projects in Disputed Areas OP/BP 7.60		x
---------------------------------------	--	---

**Comments (optional)**

**VII. Contact point**

**World Bank**

Contact: Shideh Hadian  
 Title: Senior Infrastructure Economist  
 Tel: 458-2666  
 Email: shadian@worldbank.org

**Borrower/Client/Recipient**

Name: DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA  
 Contact: Mr. Ajith Abeysekera  
 Title: Addl. Director General, External Resources Department MOFP  
 Tel: 94-11-2484698  
 Email: ajith@erd.gov.lk

**Implementing Agencies**

Name: Ministry of Water Supply and Drainage  
 Contact: Eng. B W R Balasuriya  
 Title: General Manager, Water Board  
 Tel: 94-112635990  
 Email: gm@waterboard.lk

**VIII. For more information contact:**

The InfoShop  
 The World Bank  
 1818 H Street, NW  
 Washington, D.C. 20433  
 Telephone: (202) 458-4500  
 Fax: (202) 522-1500  
 Web: <http://www.worldbank.org/infoshop>