INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE

Report No.: ISDSC11204

Date ISDS Prepared/Updated: 19-Nov-2014

Date ISDS Approved/Disclosed: 31-Oct-2014, 29-Nov-2014

I. BASIC INFORMATION

A. Basic Project Data

Country:	Sri Lanka	**Project ID:**	P147827
Project Name:	Water Supply and Sanitation Improvement Project (P147827)		
Task Team Leader:	Shideh Hadian		
Estimated Appraisal Date:	06-Feb-2015	**Estimated Board Date:**	19-May-2015
Managing Unit:	GWADR	**Lending Instrument:**	Investment Project Financing
Sector(s):	General water, sanitation and flood protection sector (100%)		
Theme(s):	Other rural development (75%), City-wide Infrastructure and Service Delivery (25%)		

Financing (In USD Million)

Total Project Cost:	150.00	Total Bank Financing:	143.00
Financing Gap:	0.00		

Financing Source	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	143.00
Local Communities	7.00
Total	150.00

Environmental Category:	B - Partial Assessment
Is this a Repeater project?	No

B. Project Objectives

The development objectives of the project will be to increase access to sustainable piped water services and sanitation, and to improve hygiene behavior, in selected Districts in the country.

C. Project Description

Project Concept

The project supports the Government's Mahinda Chinthana vision to expand piped water supply to 60% of the population by 2020. In doing so it builds on the experience of two earlier World Bank financed rural water supply and sanitation projects, and on two recently completed NLTA studies which, together, support a more integrated approach to water and sanitation service delivery in the country.

The World Bank supported Sri Lanka with two consecutive Community RWSS Projects during 1992-2010. The 1st CWSSP for US$ 24.3 million was closed on December 1998 with satisfactory rating. The 2nd CWSSP for US$ 39.8 million was closed on December 2010, with moderately satisfactory rating on the account that only about 55 percent of the revised connections target was achieved – although the project was fully disbursed at closing. Under the two projects, over 1.4 million people were provided access to safe water through construction of rural schemes, and close to 120,000 latrines were constructed. The lessons learned from these two projects as well as those implemented by the Asian Development Bank (ADB) are:

- Continuous technical and management backstopping support to the CBOs during the project period and the post-construction period is instrumental in long term sustainability of the CBO managed schemes.
- Communities require close support from Partner Organizations until their CBO reaches a minimum degree of maturity to handle O&M of the schemes post construction.
- Diligent investigations of groundwater sources, particularly in the dry zone, should be conducted to ensure quality and yield of the water sources throughout the year. Clustering sub-projects around surface water sources should be considered.
- Asset ownership and legal status of the CBOs need to be defined and enforced to strengthen the CBOs' legal standing thus enabling them to confidently address tariff revision and collections issues.

The NLTA study on the Estates sub-sector highlighted the low quality of services in the estates and the challenges of organizing communities to take responsibility for water and sanitation services. The study also identified the more complex institutional arrangements in the estates where the PHDT, plantation companies and the Estate Workers Housing Cooperative Societies (EWHCS) have to work together to deliver sustainable services.

The second NLTA study, which assessed the delivery of the MC water sector goals, identified challenges of mobilizing funds, increasing the financial sustainability of the NWSDB, and the likely blurring of traditional divides between rural and urban as the rural areas develop and service delivery methods converge towards piped systems expected in a middle income country. Issues of water resources were identified as possible constraints going forwards. As a consequence the study proposed that the sector be developed in a more integrated manner with Province-wide planning and development covering urban, rural and estates sectors, whilst allowing different methods of service delivery in each of them.

The project design builds on the above, incorporating key lessons learnt. It will cover all sub-sectors – urban, small towns, rural and estates. The basic building block for project engagement will be the District – in line with the organizational structure of the project counterpart (NWSDB) and administrative structure in the country. Within selected Districts the project will support investments across all sub-sectors, implemented by NWSDB, but with service delivery arrangements appropriate for the sub-sector. The PHDT and estate companies will support service delivery in the estates, the CBOs and NCWT in the rural areas, and the NWSDB in the towns/ urban areas.

The selection of the participating Districts is crucial. The project will cover up to seven high priority Districts for infrastructure investments depending on the District profile, needs and demand as well as the Government priorities in the District. The high priority Districts have been selected in consultation with National Planning Department (NPD), MWSD and the NWSDB based on three criteria: (i) % of peopled with access to unimproved/unsafe water; (ii) % of households with access to non-piped water source; and (iii) Districts in the dry zones. Poverty - measured by the poverty head count - has a strong correlation with access level and is therefore implicitly captured in the District selection process. Additional prioritization assessments, specifically including the Poverty Head Count Index (the percentage of population below the poverty line), did not materially change the priority Districts. The seven priority Districts in four Provinces are:

- Mulathivu and Kilinochchi Districts in Northern Province
- Nuwara Eliya District in Central Province
- Badulla and Monoregala Districts in Uva Province
- Kegalle and Ratnapura Districts in Sabaragamuwa Province

It should be noted that Central Province is home to some 54% of the estate population in the country. This is important given that the estate poverty headcount index at 11.4 is more than double that in urban areas (5.3) and 20% higher than in rural areas (9.4) according to the 2012 statistics. Within the priority Districts the sub-projects will be selected based on considerations of equity (as between Districts and sub-sectors) and on revealed demand (for rural and estates sub sectors).

Project Description

Component 1 – Water Supply and Sanitation Infrastructure ($132m indicative)
This component would finance infrastructure investments to support expansion of piped water services, in urban and rural areas in the high priority districts. Within the urban sub-sector the focus will be on towns given that the Government has a number of projects already planned for the larger urban centers. Some rehabilitation of existing systems would be included.

In Central Province investment will focus on piped water supplies in estates and adjoining rural villages. From experience of earlier pilots in the estate sector some of the key issues to be considered include: (i) Capacity of the estate workers to manage the schemes, and alternatives in the event of low capacity/interest; (ii) Roles of the different parties in O&M – the Board, the plantation owners, the community, the PHDT and the Estate Workers Housing Cooperative Society (EWHCS).

Sanitation improvements would be included in all sub-sectors using appropriate models in line with current government policy. In towns this will likely include the provision of district level septage treatment plants and bowsers, in rural areas this will likely be pit latrines, and in the estates sub-sector community toilets.

Component 2 - Technical Assistance for Sector Capacity Building and Sustainability ($10m indicative).

The project will support a range of technical assistance for capacity building and to improve long term sustainability of investments made by the Government. These will include:

National Program to develop a strategy to mitigate the aggravating effects of drinking water quality on CKDu - The root cause of CKDu remains unclear but water supplies which are hard or fluoride contaminated appear to exacerbate the disease. The TA would include: (i) preparation of a Water

Quality Mapping to map out the ground water quality assessments at the district levels nation-wide, which will help to identify possible risk areas in relation to the spread of CKDu in the Island; and (ii) preparation of a National Strategy to respond to CKDu threat; which include developing a risk rating system (based on the water quality mapping) and assessing different technical and cost effective approaches (e.g. Rain harvesting, bowers, RO).

Improving Sustainability of Rural and Estate Water Supply - This TA would address three key elements:

o Sustainability of rural water schemes to ensure that CBO managed schemes are kept functional for their full economic life through a range of initiatives including: (a) administrative backstopping to CBOs; (b) technical backstopping; and (c) a system to help the CBOs solve problems on their own.

o Monitoring and Evaluation (M&E). Survey of CBOs/WUAs functionality, and preparation of a data base and M&E system for same-time monitoring and reporting of CBOs functionality.

o Sustainability of estate sector schemes. Designing an approach to ensure long term sustainability in the estate schemes through appropriate financing and institutional arrangements.

Capacity Building for the NWSDB - The Board is now 35 years old and there is a need to confirm whether the current structure is still relevant given changes in the sector. The latter include increasing pressures to decentralize, to provide opportunities to staff, and to create a more entrepreneurial and incentivized management/staff. Financial analyses will be undertaken to assess the long term financial performance of the Board, institutional and regulatory aspects of the sector, and identification of options to improve as needed.

TA Support to the Department of Community Water Supply - The newly established Department of Community Water Supply can play a key role in the sustainability of RWS, and the project will provide support to enhance the capacity of this Department and help with formulating an institutional framework and operational strategy to sustain the RWSS investments.

Public Disclosure Copy

Preparation of a Water Supply and Sanitation Sector Program – The project will be provide financial and technical assistance for the preparation of a program to improve water supply and sanitation across the island. This will allow GOSL to address the gaps and strategically invest in the sector through a programmatic approach which can be financed by local or foreign funds.

Component 3 - Project Management Support. ($8m indicative)

This component will finance administration and management during implementation.

Component 4 - Contingency Emergency Response (US$ 0 million).

In case of an adverse natural event that causes a major disaster, the government may request the Bank to re-allocate project funds to this component in support of emergency response and reconstruction.

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

The seven priority Districts and four Provinces where the project will be implemented and a brief description of the environmental characteristics of each of these districts is provided below:

- Mulathivu and Kilinochchi Districts in Northern Province
- Nuwara Eliya District in Central Province
- Badulla and Monaragala Districts in Uva Province
- Kegalle and Ratnapura Districts in Sabaragamuwa Province

The Mullativu and Kilinochchi Districts have similar environmental conditions due to their location within the Northern Province. The physical features of Mullaitivu District consist of flat land terrain, generally sloping to the East and North. Mullaitivu has 70 Km of coastal belt and four key lagoons, namely Kokkulai, Nayaru, Nanthikadal and Mathalan. Elevation varies from sea level to 36.5m as the highest elevation. The total land area (Including forest area and excluding large inland water bodies) is 2,617 Km2. Approximately 64.1% of the total land area consists of forest, agriculture covers nearly 16.9%, range land accounts for 5.2%, 8.7% constitutes of water bodies whilst homestead and build up land accounts for 5.1% of the total land area. Urban centers are small with newly established infrastructure, built post the ending of the conflict in 2009. The Kilinochchi District is situated in the Northern part of Sri Lanka. It covers an extent of land area approximately 1237. 11 Km2 and inland water way of 44.30 Km2. The average population density is being 96 persons per Km2. The terrain in Kilinochchi is also flat with no major perennial rivers but a series of irrigation tanks and medium tanks supply water to the local population. Climatic conditions in both districts are dry and humid. The average annual rainfall in this region is 1325 mm and 75 % of the rainfall receives during the period from September to December North-East monsoon. Temperatures in the Districts range on average from 25°C to 30°C. Agriculture is currently sparse in both regions but picking up as the newly resettled communities that were previously internally displaced establish their livelihoods once more.

The Nuwara Eliya District (NED) is located in the central highlands of SriLanka of Central Province and is located in the country's highest Peneplain. The terrain is generally mountainous, with deep valleys; it forms a complex of massifs, mountain ranges, plateaus and basins. The Southern border of this peneplain runs about 50 miles from Adam's Peak (2,243m) which is on the Western side to Namunukula (1,939m) of the Eastern side. From the middle of this Southern border and running towards North is the High Plains that extends between Kirigalpotta (2407m) and Pidurutalagala (2527m). It is near this Pidurutalagala mountain,that Nuwara Eliya town (1868m) is situated. The district has a subtropical highland climate, with a mean annual temperature of 16 °C and is the main area for tea productions. Numerous tea estates have been established and are operational along the hilly terrains of the district.

The Badulla and Monaragala Districts have very different terrain even though they are both located in the Uva Province. Badulla District covers a land area of approximately 2,861 Km² and has a highland terrain with ample rainfall. Much of the mountainous terrain has been utilized for tea and vegetable cultivation and the lower region where climatic conditions are drier and the terrain is flat, for paddy cultivation. The mountainous terrain of the upper region is susceptible to earth slips and landslides, especially during the rainy seasons. The Monaragala District has a similar terrain to the lower regions of Badulla, where the land is flat and dry. It is the largest of the 25 districts of Sri Lanka, with an area of 7,133 Km². The district is mainly made up of rubber, cocoa and sugar cane plantations and paddy lands. The valley is mostly dry and rainfall is sparse, thus cultivation is linked to the monsoonal seasons. The townships are located in the flat land and are fairly small settlements, with the city of Monaragala being the main township. The Savanna like plains situated along the Southern parts of Monaragala, bordering the Hambantota District, has been designated as part of the Yala National Park.

The Kegalle District encompasses a land area of 1663 km2 of mountainous terrain of transitional slopes between the high land and of the central hills. Elevations within the district as you start from its periphery and move towards the central regions, are 50m to 1800m above sea level. The mountainous terrain from the east meanders down to valleys in the western parts of the district, where a number of rivers and streams are located. These include the Kaleni River, Ma Oya and Rambukan Oya. Annual rainfall varies from 2,500 mm to 3,000 mm and temperature varies from 25.7 °C-30°C. Settlements are centered on rubber cultivation, which has stretched over most of the area of the District, and minor export crops such as coffee, cocoa, pepper, clove and nutmeg. Population densities in the rural regions are dispersed while there is high population density in the major cities such as Kegalle, Mawanella and Ambepussa.

Situated in a Valley, the Ratnapura District (3,275 Km2) has a rich environment with numerous streams and some of the islands main waterfalls are located in the wet zone of the island. The district receives rainfall mainly from south-western monsoons from May to September. During the remaining months of the year, there is also considerable precipitation due to convective rains. The average temperature varies from 24 to 35 °C, and there are high humidity levels. Ratnapura is the center of a long-established industry of precious stone mining including rubies, sapphires, and other gems . Apart from gem mining, large plantations of tea and rubber surround the main settlements of Ratnapura, Embilipitiya and Balangoda. Segments of the Sinharaja Forest Reserve and the Udawalawe National Park are also located in the South East of the District.

E. Borrowers Institutional Capacity for Safeguard Policies

A comprehensive policy and regulatory framework for the conservation of natural resources and environmental management is in existence Sri Lanka. 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. All development projects, that fall in to a set of prescribed categories are required to conduct a comprehensive environmental screening and mitigation planning process (EIA or IEE). These processes are largely consistent with the Bank's safeguard policy on Environmental Assessment. With over three decades of experience the CEA demonstrates the technical expertise in evaluating environmental impacts of development projects. However even with an enabling legal environment and an able CEA, field level enforcement of legal instruments and subsequent monitoring of environmental management activities has been very low. The Ministry of Water Supply and Drainage (MoWSD) will be the main implementation agency for this project. The National Water Supply and Drainage Board (NWSDB) under this ministry will be the main counterpart for this project. The project will be built on the strength and expertise of the NWSDB. In addition, local and provincial level agencies will take part in the implementation of this project as per project design. Assessments of the financial and operational aspects of the involved agencies will be carried out during project preparation.

The NWSDB has been working on bank funded sector projects since 2013 and thus have gained adequate experiences in satisfactorily implementing safeguards under a project context. This is certainly an advantage and provides a foundation which the project can build on further. However the capacity of local and provincial level agencies will be assessed during project preparation. The capacity of these institutions will have to be built via the NWSDB, drawing from the lessons learned and experience, in order to enable them to fully implement safeguards at the field level.

F. Environmental and Social Safeguards Specialists on the Team

Mohamed Ghani Razaak (GSURR)

Mokshana Nerandika Wijeyeratne (GENDR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	The project has identified that physical interventions to the environment will be made via the expansion of piped water services, in urban and rural areas in the high priority districts. Within the urban sub-sector the focus will be on towns given that the Government has a number of projects already planned for the larger urban centers. Some rehabilitation of existing systems would be included as well. An Environmental Assessment and Management Framework (EAMF) will be prepared during the preparatory stage by the client. The EAMF will identify and outline procedures proposed to ensure environmental impacts are evaluated and mitigated accordingly. These include, environmental assesments, Environmental Management Plans (EMPs), specifications in bid documents, monitoring plans etc which will be followed during project implementation at the subproject level. In addition it will also outline the required enhanced assessments that will be required of water sources in districts located in dry zones during sub project preparation to reduce risk of source failure during subsequent operations.
Natural Habitats OP/BP 4.04	No	It is expected that all expansion work and rehabilitation work will be carried out in areas where there will be no potential threats to significant natural habitats or designated areas of natural importance.
Forests OP/BP 4.36	No	No activities in forests or in close proximity to forested areas are expected as per the proposed project interventions
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	No	Project interventions are not envisioned to be conducted in areas close to sites of cultural importance, measures to chance finds will be included as part of the measures taken under Environmental Assessment OP/BP 4.01
Indigenous Peoples OP/BP 4.10	TBD	The project areas do not cover areas where indigenous communities are residing. However,

		the safeguards requirements in relation to this policy will be decided after a comprehensive Social Assessment on project area.
Involuntary Resettlement OP/BP 4.12	TBD	The project interventions are mainly for the rehabilitation of existing water supply schemes and the expansion of some piped water services. No involuntary resettlement will be expected under the project. However, requirements to trigger this policy to be decidedafter a Social Assessment (SA).
Safety of Dams OP/BP 4.37	No	Not applicable as the project does not involve new construction/rehabilitation of any Dams
Projects on International Waterways OP/BP 7.50	No	Not Applicable to Country Context
Projects in Disputed Areas OP/BP 7.60	No	Not Applicable to Country Context

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 10-Jan-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing[1] should be specified in the PAD-stage ISDS:

EAMF Preparation to be completed by- 01/10/2015 (Tentative)

IV. APPROVALS

Task Team Leader:	Name: Shideh Hadian	
Approved By:		
Regional Safeguards Coordinator:	Name: Francis V. Fragano (RSA)	Date: 26-Nov-2014
Practice Manager/ Manager:	Name: William D. Kingdom (PMGR)	Date: 29-Nov-2014

Public Disclosure Copy

[1] Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.