

Project Summary Information (PSI)

Project No: 000036

Project Name	Climate Resilience Improvement Project - Phase II
Country	Democratic Socialist Republic of Sri Lanka
Sector	Water/Flood Protection
Project No	000036
Borrower	Democratic Socialist Republic of Sri Lanka
Implementation Agencies	Ministry of Irrigation and Water Resources Management (MIWRM)
Environmental and Social Category	Category A
Date of PSI prepared or updated	July 25, 2017
Estimated Date of Board Consideration	March 2018
Concept Decision	Approved on July 20, 2017

I. Introduction

Sri Lanka is a lower middle-income country with a total population of 21.0 million and a per capita income of US\$3,924 in 2015. Following a 30-year civil conflict that ended in 2009, Sri Lanka's economy has grown at an average 6.4 percent between 2010-2015, reflecting a peace dividend and a determined policy thrust towards reconstruction and growth. Sri Lanka's economy has been transitioning from a dominantly rural-based agriculture one towards a more urbanized economy driven by services. In 2015, the service sector accounted for 62.4 percent of Gross Domestic Product (GDP), followed by manufacturing (28.9 percent), and agriculture (8.7 percent).

Climate-related hazards such as flood, landslides and drought pose significant threats to economic and social development in Sri Lanka. The annual average fiscal loss associated with disasters in Sri Lanka is estimated to be US\$380 million. Flooding is the most frequent natural disaster, with an estimated annual loss of US\$240 million, which represents almost two thirds of all disaster losses.

Following the catastrophic Tsunami in 2004, the Government of Sri Lanka (GoSL) took initial steps to introduce new legal provisions and institutional mechanisms for disaster risk management. The main focus of the disaster management initiatives over the past ten years has been to reduce the incidence of disaster casualties. The occurrence of more natural disaster events in recent years, resulting in severe socio-economic damages, is driving the Government to scale up its comprehensive approach to climate resilience.

As part of its Comprehensive Climate Resilience Program, the Climate Resilience Improvement Project (CRIP) was initiated by the GoSL in 2014, which has been supported by the World Bank, to reduce economic losses caused by natural disasters. The proposed AIIB Sovereign-backed Loan is to co-finance, with the World Bank, a series of activities in CRIP Phase II (the Project).

The World Bank will be the co-financier of the Project and will take a leading role in procurement, disbursements, ensuring environmental and social compliance, and monitoring and reporting for the Project.

II. Project Objectives and Expected Results

The development objective of the CRIP is to improve resilience to extreme climate events, and to strengthen the Government's capacity to respond effectively to natural disasters. The Project aims to: (i) reduce the flood risks to the people, personal assets and public infrastructure in the priority river basin(s), Kelani and possibly Mundeni Aru; and (ii) enhance the capacity of the Department of Meteorology (DoM), Irrigation Department (ID), Disaster Management Center (DMC), and the National Building Research Organization (NBRO) to provide effective and efficient forecasting and early warning of hydro-meteorological risks to minimize disaster losses from extreme events in the future.

III. Project Description

The Project tentatively consists of the following three components:

Component 1: Flood Risk Mitigation Investments

This component will reduce flood risks for the people, personal assets and public infrastructure in the priority river basin(s), Kelani and possibly Mundeni Aru. The investments include: (i) construction and/or rehabilitation of flood embankments; upgrading of minor flood protection schemes; river regulation works; and river bank protection works; (ii) project preparation for the development of potential storage reservoirs upstream of Kelani river; and (iii) design of an integrated catchment management program.

Component 2: Strengthening of Hydro-meteorological Services, Early Warning and Response Systems

This component will strengthen the quality of weather, climate and hydrological information and services, early warning, and response systems in Sri Lanka to reduce disaster risk for loss of life and property during extreme climate events and satisfy user needs of weather dependent sectors.

Component 3: Project Implementation and Monitoring

This component will ensure the efficient and successful implementation and monitoring of Project activities.

IV. Environmental and Social Category

The Bank has decided to apply the World Bank's Environmental and Social Safeguard Policy requirements to the Project because: (i) they are consistent with the Bank's Articles of Agreement and materially consistent with the provisions of the Bank's Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that the World Bank has in place to ascertain compliance with its policy requirements are appropriate for the Project. Under the World Bank's Safeguard Policies, the Project has been assigned Category A, which is in line with the Bank's Environmental and Social Policy. Based on current screening, the following six World Bank Safeguard Policies are applicable to the Project: OP/BP 4.01 Environmental Assessment; OP/BP 4.04 Natural Habitats; OP/BP 4.36 Forests; OP/BP 4.11 Physical Cultural Resources; OP/BP 4.12 Involuntary Resettlement; OP/BP 4.36 Forests; and OP/BP 4.37 Safety of Dams.

Overall, the Project will be environmentally beneficial because the major investments aim at mitigating climate-induced basin-level flood risks, protecting and managing at-risk public and private assets, ensuring public safety, and mitigating water-induced hazards to the physical environment. However, the proposed Project interventions under Component 1 would include large-scale physical infrastructure interventions that would include the construction and upgrading of flood embankments, river regulation, dikes, storm water

drainage canals, access roads and road bridges. Accordingly, risks associated to the large-scale construction were also taken into consideration.

While the exact locations for many of the investments are still to be confirmed, these should be known once the consultants have completed their ongoing hydrological/hydraulic studies. The due diligence requirements will be covered under an Environmental Assessment and Management Framework (EAMF) which will serve as a guideline and set out due diligence mechanisms for detailed environmental assessments (EAs) that will need to be undertaken for each specific project activity, as per the national environmental legislation of Sri Lanka and the World Bank's Safeguards Policies. The EAMF will need to be prepared, following consultation with stakeholders, for disclosure by the client prior to Project appraisal. Full EAs will be carried out and Environmental Management Plans (EMPs) will be prepared for each specific Project investment prior to the award of contract. The EMP will be included as a part of the civil works contract, as an obligation of the contractors, with sufficient provisions included for mitigation measures.

Regarding social aspects, given the nature of the interventions envisaged under Component 1 of the Project, a Social Management Framework (SMF), including a resettlement policy framework (RPF), will be prepared based on a Strategic Social Assessment (SSA) of the prioritized basins. The RPF will be consistent with the requirements of the GoSL's National Involuntary Resettlement Policy (NIRP) and the World Bank's policy requirement. In addition, Resettlement Action Plans (RAPs) related to each specific infrastructure intervention under Component 1 for land acquisition and involuntary resettlement will be prepared prior to the commencement of each intervention.

During Project preparation, the Bank staff will conduct field visits as necessary and undertake the due diligence to confirm understanding of the baseline scenario, and to ensure that mitigation measures and environmental and social management plans are appropriate and key environmental and social issues/risks and impacts are addressed. Project environmental and social documentation will be posted as it becomes available, as well as information on the project level grievance redress mechanism.

V. Estimated Project Cost and Financing Source (US\$ million)

The Project cost estimate is still being finalized. The preliminary estimates foresee a foreign currency cost of US\$155 million, which will be the combined loan amount from the World Bank and AIIB. The local cost, which will include the land acquisition and resettlement and other local costs, is expected be funded by the GoSL. These costs will be finalized once the project preparation progresses further. The financing sources are as follows (in US\$ million):

Total Project Cost:	155 + Local Cost (TBD)	Total AIIB Financing:	77.5
Financing Gap:	0		
For Loans/Credits/Others			Amount
World Bank			77.5
AIIB			77.5
GoSL			Local Cost (TBD)
Total			155+ Local Cost (TBD)

TBD = To Be Determined

VI. Implementation

The Project will be implemented by the Ministry of Irrigation and Water Resources Management (MIWRM) and managed by the existing Project Management Unit (PMU) established for CRIP Phase I. A project implementation unit (PIU) will be established within the ID of the MIWRM, headed by a ID Deputy Project Director. This PIU will also implement the flood forecasting activities associated with Component 2, whilst other Component 2 activities will be implemented by a second PIU established under the Ministry of Disaster Management (MDM) which will be headed by a MDM Deputy Project Director with relevant technical staff as required, seconded from DMC, DoM and NBRO.

Procurement will be conducted in accordance with the World Bank's Procurement Regulations for Borrowers under the New Procurement Framework.

Expected project implementation period (Start Date and End Date): March 2018 – March 2023.

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