

INTEGRATED SAFEGUARDS DATA SHEET

IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC18709

Date ISDS Prepared/Updated: 07-Sep-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Sri Lanka	Project ID:	P160552
Project Name:	Climate Mitigation Action Support		
Team Leader(s):	Keisuke Iyadomi		
Estimated Date of Approval:	31-Oct-2017		
Managing Unit:	GSU18	Lending Instrument:	IPF
Financing (in USD Million)			
Total Project Cost:	3.35	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Partnership for Market Readiness			3.35
Environment Category:	C - Not Required		

B. Project Development Objective(s)

To help Sri Lanka develop capacities and systems to: (a) implement national climate change policies, strategies and actions; and (b) design or strengthen market/non-market mitigation instruments.

C. Project Description

The project will be supported by multilateral trust funds in order to achieve PDOs including the Partnership for Market Readiness, a grant-based, capacity building multi-donor trust fund that provides funding and technical assistance for the collective innovation and piloting of market-based instruments for Greenhouse Gas (GHG) emissions reduction. Additional funding sources will be identified as needed.

The Partnership for Market Readiness (PMR), which was launched in December 2010 and became operational in April 2011, provides support to prepare and implement climate change mitigation policies, including carbon pricing instruments in order to scale up GHG mitigation. The PMR also serve as platform to share lessons, countries work together to shape the future of cost-effective GHG mitigation. Implementing Country Participants use PMR resources to support the design, development, and piloting of instruments to price carbon and/or create a carbon market. Some countries are ready to design the instruments themselves, others are at a stage of capacity building.

The PMR consists of three phases: i) Expression of Interest (EOI) and Organizational Framework Phase; ii) Preparation Phase; and iii) Implementation Phase. At the EOI Phase, a country submits an EoI to the PMR Secretariat, which is subsequently presented to the PA for confirmation as an Implementing Country Participant. Following confirmation, a country presents to the Partnership Assembly (PA) an organizational framework of proposed PMR activities in order to receive the preparation phase of PMR funding. At the Preparation Phase, an Implementing Country Participant will receive a Preparation Funding allocation from the PA of US\$ 350,000 in order to formulate its Market Readiness Proposal (MRP), which details the country's roadmap for its proposed market-based instrument and market readiness components, as well as a funding for its implementation. At the Implementation Phase, an Implementing Country Participant implements readiness components outlined in the MRP, which will be supported by PMR funding up to \$3 million depending on the readiness components proposed along with other funding sources identified.

Sri Lanka is already granted to start the Preparation Phase by the PA. Sri Lanka has submitted its EoI and presented the Organizing Framework for the scoping of PMR activities at the PA meeting held in Lima, Peru on April 26-29, 2016. Participation of Sri Lanka as an Implementing Country Participant and US\$ 350,000 preparation grant were approved at the same meeting. The proposed project will support Sri Lanka to prepare a MRP and implement PMR activities under the Implementation Phase, which is expected to start in early 2018 subject to an approval of US\$ 3 million implementation grant by the PA.

The proposed project will consist of two phases as per the PMR process: Preparation Phase and Implementation Phase. The proposed components for the Implementation Phase will be further elaborated and materialized in the market readiness proposal with the use of US\$ 350,000 preparation grant. Further, these components could be further modified at the PMR Implementation Phase or complemented by other multilateral trust funds or donors.

Preparation Phase (October 2016 - December 2017) with US\$ 350,000 PMR Preparation Grant:

The World Bank Group will support the Government of Sri Lanka to formulate a Market Readiness Proposal as per the guideline provided by the PMR Partnership Assembly. The proposed activities, though will be formulated better and finalized during MRP preparation phase, are the following:

- (i) Conduct an assessment and studies in the areas identified in the Sri Lanka's Organizational Framework for the PMR activities;
- (ii) Prepare terms of references for activities to be included in the Market Readiness Proposal and undertaken during the Implementation Phase; and
- (iii) Organize consultation with key Ministries, Government entities, local offices, and other multi-stakeholders to formulate the Market Readiness Proposal.

Implementation Phase (January 2018 - June 2020) with up to US\$ 3 million PMR Implementation Grant:

The World Bank Group will support the Government of Sri Lanka to implement the following activities which will be further stipulated in the Market Readiness Proposal and subject to approval by the PMR Partnership Assembly.

1. National MRV Systems and registry tracking

Sri Lanka has implemented an excel based carbon registry and tracking under Sri Lanka Carbon

Crediting Scheme. Sri Lanka's current participation in the World Bank's Carbon Partnership Facility and some other mitigation activities with the support of UNDP is expected to strengthen the support for MRV in the energy sector. Development of an effective national MRV system helps to streamline monitoring, reporting, and verification of the mitigation activities in different sectors. At present, Sri Lanka's MRV systems have not been well developed due to under developed carbon markets (also demand issue), limited institutional capacity and low awareness of carbon offsetting scheme processes.

The project with support from the Partnership for Market Readiness can help develop a suitable national MRV system to be linked with future domestic carbon market while it will also strengthen Sri Lanka's MRV systems, thereby encouraging investments in climate-friendly development activities by:

- i) Conducting a market analysis to assess a suitable market instruments for Sri Lanka;
- ii) Improving data management and validation processes;
- iii) Building institutional capacity to develop domestic carbon markets so as to effectively engage in international markets (e.g. through bilateral offset schemes);
- iv) Building awareness and confidence in the carbon offsetting scheme process, especially with banks and financial institutions; and
- v) Identify sectors that show the greatest potential for development of domestic carbon offsets market (e.g. energy efficiency in industry and manufacturing, waste heat recovery, renewable energy).

2. Institutional/regulatory capacity building

Institutional capacity building would be required across stakeholders for creating effective domestic carbon markets as well as supporting the proposed national MRV and registry system. Capacity to develop necessary regulations and policies that support development, implement and enforcement of market instruments is needed in the beginning. Considering this, Sri Lanka is expecting support from PMR for:

- i) Developing national capacity to better manage international grants for climate change activities through establishment of a Project Management Unit of the PMR;
- ii) Facilitating stakeholder consultations to promote private investment in green growth and increase domestic demand for Sri Lanka Carbon Offset Scheme; and
- iii) Conducting a market analysis on domestic carbon markets to identify suitable instruments.

3. Sri Lanka Carbon Offset Scheme (SLCOS)

Sri Lanka has instituted domestic carbon standards through its carbon offset scheme (SLCOS) for regulation and registry of projects that provide carbon offsets. Projects that meet SLCOS eligibility criteria are registered and are eligible to receive SCERs (Sri Lankan Certified Emission Reductions). The SLCOS could support generating voluntary offsets for promoting Sri Lanka's carbon neutrality. It also incentivizes projects for blue-green development under Sri Lanka Next. Expansion of carbon footprint registry can accelerate green growth and facilitate the achievement of INDCs. The Sri Lanka Climate Fund provides carbon footprinting certification services ranging from organization to product footprints in line with GHG Protocol, ISO 14064 -1 & 2 and PAS 2050 carbon footprinting standards. SLCOS requires further strengthening through:

- i) Research on mitigation potential in Sri Lanka to target sectors with the greatest potential;

- ii) Development & design of market-based instruments that supports the scheme;
- iii) Improving data management to build a national registry; and
- iv) Help identify measures to improve tradability of carbon offsets to improve uptake of the scheme.

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

Not applicable. The project does not finance any physical activity on the ground, but rather consists solely of technical assistance and capacity building activities.

E. Borrower's Institutional Capacity for Safeguard Policies

Institutional capacity needs to be further assessed in case it is revealed at later stage that the project would trigger any safeguard policies. Nevertheless, it may be still required to provide technical guidance or inputs as well as training to increase general understanding of safeguard policy when the existing carbon offset scheme is studied and improved as a part of the project components at the both Preparation and Implementation Phase if needed.

F. Environmental and Social Safeguards Specialists on the Team

Samira El Khamlichi (GCCIA)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

Appraisal stage ISDS required?: No

IV. APPROVALS

Team Leader(s):	Name: Keisuke Iyadomi	
Approved By:		
Safeguards Advisor:	Name: Maged Mahmoud Hamed (SA)	Date: 02-Sep-2016

Practice Manager/ Manager:	Name: Chandra Shekhar Sinha (PMGR)	Date: 22-Sep-2016
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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.