COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)
APPRAISAL STAGE

Report No.: PIDISDSA17506

Date Prepared/Updated: 15-Jun-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Sri Lanka	**Project ID:**	P156056
		Parent Project ID (if any):	
Project Name:	Social Safety Nets Project (P156056)		
Region:	SOUTH ASIA		
Estimated Appraisal Date:	16-May-2016	**Estimated Board Date:**	29-Jul-2016
Practice Area (Lead):	Social Protection & Labor	**Lending Instrument:**	Investment Project Financing
Sector(s):	Other social services (90%), Public administration- Other social services (10%)		
Theme(s):	Social Safety Nets/Social Assistance & Social Care Services (60%), Social Protection and Labor Policy & Systems (40%)		
Borrower(s):	Democratic Socialist Republic of Sri Lanka		
Implementing Agency:	Ministry of Finance		
Financing (in USD Million)			
Financing Source			**Amount**
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			75.00
Total Project Cost			75.00
Environmental Category:	C - Not Required		
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate		
Other Decision:			
Is this a Repeater project?	No		

B. Introduction and Context

Country Context

1. Sri Lanka is a middle-income country with a per capita income of US$3,440 in 2014. The country has achieved strong human development outcomes, reflected in literacy rates and life expectancy higher than any other country in the region. Over the past decade, Sri Lanka has made significant progress in reducing extreme poverty and promoting shared prosperity. Between 2002 and 2012, nationally defined headcount poverty fell from 22.7 percent to 6.7 percent. Over this period, per capita consumption of the bottom 40 percent grew at an annual rate of 3.3 percent, compared to 2.8 percent for the population as a whole. Recent analysis suggests that this was driven primarily by increased labor income, especially among agricultural workers. However, growth has not been even and pockets of poverty remain, especially in the east and north of the country and in the Estate sector. The inclusion of these remaining poor into the productive economy, and into good jobs, remains a challenge.

2. Despite the pro-poor growth of recent years, many households remain vulnerable to falling back into poverty. In 2012/13, around 30 percent of Sri Lanka's 20.8 million people consumed less than US$2.50 per capita per day in purchasing power parity terms. In some districts, 60 percent or more of households remain vulnerable to poverty, while in the north an estimated 44 percent of households are food insecure. In addition, Sri Lanka is exposed to frequent natural disasters, especially floods and droughts. Child malnutrition rates remain unusually high for a middle-income country, at around 30 percent. Finally, Sri Lanka is a small island economy, which will depend increasingly on external factors to sustain growth in the coming years. The country's exports are dominated by primary products and simple manufactures, whose prices are set internationally and subject to significant fluctuations. Volatility in the prices of imports and inputs have also historically affected job creation, fiscal space and the cost of living.

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3. Sri Lanka also faces a looming demographic burden. Driven by a secular downtrend in the birth rate and increased life expectancy (at 74 years in 2012), the dependency ratio is gradually rising as the population ages. By 2021, one in six Sri Lankans will be over 60. The main social spending on income support for the elderly is the civil service pension, a defined benefit scheme that accounted for 1.3 percent of gross domestic product (GDP) in 2014. The civil service pension covers only a small share of workers, however, and few of the 60 percent of workers in the informal sector participate in contributory retirement savings schemes. Such individuals will require external assistance to fund their retirement.

4. A well-designed and adequately funded safety net system is essential to addressing these challenges of vulnerability, ageing and social exclusion. Sri Lanka's safety net will need to evolve from its present state of fragmented entitlement programs and universal subsidies to an integrated system that provides income support and opportunities for economic inclusion for the poorest and most marginalized, insures the vulnerable against unanticipated shocks, and provides opportunities and incentives for individuals in the informal sector to save for their retirement.

5. The Government's planned fiscal consolidation underscores the urgency of improving the effectiveness of the social safety net. Revenue has declined consistently as a share of GDP over the past 40 years, an increasing share of which is devoted to recurrent, non-discretionary spending. The Government has accepted that increases in revenue generation through taxation

will be necessary, with consequent welfare impacts for all citizens including the poor. With limited fiscal space to increase spending on welfare programs at present, these impacts will need to be mitigated through better targeting and more efficient program management. These refinements will improve the legitimacy of programs and provide more accurate diagnostics on their impact, enabling the government to justify refinements to program design and spending commitments and thereby address the challenges of vulnerability, ageing and social exclusion.

Sectoral and institutional Context

6. Sri Lanka has an extensive but fragmented social protection system. There are 13 non-contributory cash transfer programs, most of which are run by the Ministry of Social Empowerment and Welfare (MoSEW). The largest of these is Divineguma (formerly known as Samurdhi), an integrated welfare program under the MoSEW that provides cash transfers, microfinance and various community and livelihood development activities. In 2015, the program covered 1.48 million households, approximately 30 percent of the population. The Ministry of Provincial Councils and Local Government runs its own Public Assistance program, while the Ministry of Disaster Management provides ad-hoc assistance in the aftermath of disasters. In-kind programs are run by a range of ministries, and comprise assistance such as cooked meals, textbooks and transport subsidies for students. Annex 6 provides a summary of the main cash and in-kind transfer programs.

7. Implementation of social protection programs is conducted at the local level, with 331 divisional secretaries (DSs) reporting to the Divisional Services Division at the Ministry of Home Affairs (MoHA) and appointed to manage administrative units called Divisional Secretariats. Within each Divisional Secretariat, Grama Niladaris (GNs), village officers also under the MoHA, are responsible for small clusters of villages, maintaining the voter registry, collecting statistics, conducting social welfare activities and handling grievances. The 14,022 GNs interact with 500➢(1,000 households each and serve as the closest point of government contact with citizens. Specific social programs also have officers at the GN and Divisional Secretariat level, who report to the respective implementing line ministry. The social protection system is decentralized, and record keeping is still mainly paper-based. This places limits on the scope of central control and planning, with implications for accountability and transparency. Program lists are maintained by GN-level program officers, cross-checked by the GN and approved by the DS. The DS is responsible for monitoring and reporting on local activities, and since records are still kept manually the central government only has access to summary information on beneficiaries.

8. The targeting performance of Sri Lanka's main safety net programs has been consistently poor, limiting the programs' potential impact on equity and economic inclusion. Although income thresholds are used to determine eligibility for the main cash transfer programs, this information is self-reported. There is no consistent standard for the reporting of income, and no sharing of self-reported income data between programs. In the Divineguma program, selection of beneficiaries is partly at the discretion of the DSs and GN-level program officers and is therefore not fully transparent. There is also a strong incumbency effect: because exit mechanisms are not sufficient to ensure turnover of the caseload, some beneficiaries have remained in programs even though they may no longer satisfy the income means test. Political interests block the removal of existing beneficiaries, precluding other eligible individuals from obtaining assistance. Beneficiaries wish to remain in the program not only for the cash benefit, but also for the other entitlements obtained by virtue of program membership, such as social insurance, scholarships and occasional incentives.

9. Concerns about the poor targeting are reflected among frontline staff and beneficiaries themselves. In a recent qualitative study of Divineguma, program managers, district officers and beneficiaries reported knowing people who in their view are relatively well off and should not be in the program. Many respondents mentioned political interference as a barrier to removing these unqualified beneficiaries. Respondents also gave examples of people who in their opinion should be receiving Divineguma benefits but have not been admitted despite multiple appeals. These included widows and single parents with small children and no stable source of income, and 'new families' (e.g. those married in recent years). This phenomenon can be explained by the restrictions on new enrollments and outdated targeting criteria.

10. Expenditure on safety nets in Sri Lanka has historically been relatively generous, comprising at various times food rations, subsidies and cash transfers and amounting to over 10 percent of GDP in the early years of independence. However, federal expenditure on social welfare has declined steadily in recent years. Almost 90 percent of social welfare spending goes to public sector pensions and benefits to military families (both of which are skewed towards wealthier households), and in 2014 only 0.2 percent of GDP was spent on social safety net programs. Recent survey analysis indicates that poverty reduction over the past decade would have been 10 percent higher if benefit amounts had stayed constant in real terms. Benefit amounts were increased at the start of 2015, raising adequacy considerably. Looking ahead, it will be important for the Government of Sri Lanka (GoSL) to maintain these benefits in real terms as it invests in strengthening the performance of the programs. In turn, improved program performance will help safeguard ongoing adequate financing of safety nets.

11. There is very little coordination between social programs even though they all operate at the local level. Households can potentially receive benefits from several ministries. The degree of duplication is not known, due to deficiencies in both systems and policies. Providing information on overlaps and clear policy guidance on how to treat them could achieve potential savings. Harmonizing program management (and especially payment of benefits) could also reduce the administrative burden on local officials and beneficiaries, who currently must apply separately for each program and follow different application procedures. There is significant potential to achieve administrative efficiencies given all programs for a given Divisional Secretariat are delivered through the same office. An additional consideration for the GoSL, given budget constraints, is to ensure that welfare payments are made only to eligible households.

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C. Proposed Development Objective(s)

Development Objective(s)

The development objective of the project is to improve the equity, efficiency and transparency of Sri Lanka's social safety net programs for the benefit of the poor and vulnerable.

Key Results

D. Project Description

The project has three components. The first two components will follow a results-based financing modality with disbursements made upon achievement of specific results measured by Disbursement Linked Indicators (DLIs). The eligible expenditures will be cash transfers paid by the MoSEW to eligible beneficiaries. The third component will finance technical assistance to strengthen the GoSL's capacity to achieve the DLI targets, conduct monitoring and planning, and provide for incremental operating costs. This component will use a traditional IPF disbursement modality based on a six-monthly forecast of expenditures for the agreed activities.

Component Name

Building a Unified Social Registry

Comments (optional)

This DLI-based component will support the establishment of the WBB and development of the unified social registry for identification and collection of information on beneficiaries.

Disbursement of funds under this component will be subject to the achievement of the following DLIs:

DLI 1: Welfare Benefits Board established and fully functional
DLI 2: SRIS active and operational
DLI 3: Safety net program budget under the Welfare Benefit Scheme

Component Name

Integrated Service Delivery Systems

Comments (optional)

This DLI-based component will support the collection of data on current beneficiaries and new applicants of programs under the WBS, and develop an integrated MIS for the harmonized management of programs.

Disbursement of funds under the component will be subject to the achievement of the following DLIs:

DLI 4: Social registry populated with current data on beneficiaries of programs under the Welfare Benefit Scheme
DLI 5: Welfare Benefit Scheme beneficiaries qualifying under the eligibility criteria
DLI 6: Divisional secretariats using the integrated MIS for program delivery

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Component Name

Support for Project Implementation, Monitoring and Planning

Comments (optional)

This TA component will support the establishment of the WBB and project management unit (PMU), and use of the new system for monitoring and longer-term strategic planning. Periodic monitoring reports and supporting research will provide accountability for program results, and feed into the development of a National Social Protection Strategy and action plan for expansion of the new system to other programs. The component will also provide TA to fund the implementation of Components 1 and 2.

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

The project will be carried out across the entire country, and has no physical characteristics relevant to the safeguard analysis.

F. Environmental and Social Safeguards Specialists

Darshani De Silva (GEN06)

Mohamed Ghani Razaak (GSU06)

II. Implementation

Institutional and Implementation Arrangements

12. The design of the new social safety net system is presently being overseen by the Department of Project Management and Monitoring (DPMM) on behalf of the Ministry of Finance (MoF). The DPMM oversees the implementation of development projects and programs in Sri Lanka, ensures directions made by the Subcommittee on Economic Affairs are carried out, and is responsible for monitoring and evaluation (M&E) of projects.

13. The legal foundation for the reform is the Welfare Benefits Act (2002), which was made effective on February 15, 2016. The Act creates a WBB under the Ministry of Finance. The Board will be comprised of a Commissioner of Welfare Benefits and four other members, appointed by the MoF in consultation with the Constitutional Council. The Board is appointed for a renewable term of 3 years.

14. The project will be implemented by the MoF. A PMU under the MoF will be responsible for managing procurement, accounting and reporting requirements and to provide capacity building and staff training where appropriate. Component 3 will finance the operation of the PMU, capacity building, as well as all technical studies, contracts, and the costs of M&E for the project. It will also finance technical assistance to establish and build the capacity of the WBB.

15. While no social or environmental safeguards are triggered for this project, a Social Management Framework outlining the process and procedures to be followed in grievance redressal, citizen engagement and gender mainstreaming activities under the project will be prepared and disclosed.

III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	The project does not include components with physical activities that could generate adverse environmental and social impacts.
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	Project is only to improve social benefit targeting system and do not involve any location specific physical activities. No conclusive evidence/ information is available to determine the presence of indigenous people in project area.

Involuntary Resettlement OP/ BP 4.12	No	No constructions or physical interventions are planned under the project.
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	

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
The project does not finance any physical activities and therefore no environmental or social impacts are anticipated due to project interventions. The project is classified as Environmental Category "C" and no further actions are required as part of safeguards.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
N/A
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N/A
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
N/A
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
N/A

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ ] No [ ] NA [×]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ ] No [ ] NA [×]

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All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ ] No [ ] NA [×]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ ] No [ ] NA [×]

V. Contact point

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VI. For more information contact:

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VII. Approval

Task Team Leader(s):	Name: Thomas Walker	
Approved By		
Practice Manager/ Manager:	Name: Pablo Gottret (PMGR)	Date: 15-Jun-2016
Country Director:	Name: Rolande Simone Pryce (CD)	Date: 21-Jun-2016