

Project Summary Information (PSI)

Project No: 000075

Project Name	Anuradhapura Wastewater Management Project
Country	Democratic Socialist Republic of Sri Lanka
Sector	Water/Wastewater Management
Project No	000075
Borrower	Democratic Socialist Republic of Sri Lanka
Implementation Agencies	National Water Supply & Drainage Board (NWSDB)
Environmental and Social	Category B
Date of PSI prepared or updated	July 10, 2018
Estimated Date of Board Consideration	April 2019
Concept Decision	Approved on June 18, 2018

I. Introduction

Sri Lanka is a lower-middle-income country with a total population of 22.2 million and a per capita income of USD3,911 in 2016. Following a 30-year civil conflict that ended in 2009, Sri Lanka's economy grew at an annual average of 6.4 percent between 2010 and 2015, reflecting a peace dividend and a determined policy thrust towards reconstruction and growth. The predominantly rural, agricultural economy has been in transition towards a more urbanized one, driven by services. In 2015, the service sector accounted for 62.4 percent of Gross Domestic Product, followed by industry (28.9 percent), and agriculture (8.7 percent).

Sanitation has been improving in Sri Lanka during the past few decades; about 95 percent of the country's population now has sanitation coverage. However, only about 2.4 percent of the covered population is connected to a collective wastewater management system. Most people (92.6 percent) still use individual sanitation systems, i.e., on-site sanitation facilities such as septic tanks and closed pit latrines. Most of the existing individual sanitation systems are outdated and poorly maintained, which decreases their ability to function efficiently. As a result, insufficiently treated wastewater is discharged into drainage channels, with serious consequences for both public health and the environment.

The Government of Sri Lanka (GoSL) has recognized that sanitation service is integral to the country's sustainable development and has set an ambitious goal for sanitation development, which anticipates connecting seven percent of the population to collective wastewater management systems by 2020 (from the current 2.4 percent).

In the government's Strategic Sewerage Master Plan (2016), Anuradhapura has been identified as one of 15 priority cities in need of sewerage development. Anuradhapura, which is over 2,000 years old, was one of the ancient capital cities of Sri Lanka and was designated a World Heritage Site by UNESCO in 1982. The city is now the capital of the North Central Province and a center of administrative and tertiary operations, making it a regional hub for local development. It has a population of 50,595 (2012 census), and is located in an area that has countrywide religious importance and has a tourism potential that remains underdeveloped. The city currently has no collective wastewater management system.

Improvement of wastewater management in Anuradhapura is considered as a priority by the GoSL as it will have a direct impact on the overall hygiene and attractiveness of this important city and ultimately the wellbeing of the people living there.

Anuradhapura is also one of the cities selected to be developed in the Strategic Cities Development Program, under the Ministry of Megapolis and Western Development. Since 2016, the Agence Française de Développement (AFD) has supported the GoSL to develop the city under the Anuradhapura Integrated Urban Development Project (AIUDP). Improvement of the city's storm drainage system, provision of public transport

facilities, improvement of traffic management and enhancement of public space are planned to be carried out under the AIUDP.

This project, the proposed Anuradhapura Wastewater Management Project, to be co-financed with AFD, will address the city's wastewater management through investment in a series of activities (see Section III).

It is expected that AFD will be the lead financier of the proposed project and will take the lead in procurement (to be confirmed), in ensuring environmental and social compliance, and in monitoring and reporting.

II. Project Objectives and Expected Results

The objective of the proposed project is to increase access to improved sanitation services¹ and to reduce wastewater pollution in Anuradhapura city. The expected results of the proposed project are improved sanitation services for the people living in Anuradhapura city and reduced wastewater pollution in the Anuradhapura city area.

III. Project Description

The proposed project tentatively consists of the following two components:

- **Component 1: Construction of a New Sewerage System in Anuradhapura City.** This component will include construction of household connections, sewerage pipelines, pumping stations, pumping mains, a wastewater treatment plant and an outfall sewer.
- **Component 2: Strengthening of Project Management and Administration.** This component will support strengthening the capacity of both NWSDB and the Project Management Unit (PMU) for project management and administration, including, inter alia, procurement, financial management, and monitoring and evaluation, through the provision of goods, consultant services, training, and financing of incremental operating costs.

IV. Environmental and Social

The proposed project will use AFD's Environmental and Social Policies, since: (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 (ESP) and relevant Environmental and Social Standards (ESSs); and (ii) the monitoring procedures that AFD has in place to ascertain compliance with its safeguard policies are appropriate for use by the Bank. Under AFD's Environmental and Social Policies, the proposed project has been tentatively rated as "Substantial" (equivalent to AIIB's Category B), which is consistent with the provisions of the Bank's ESP and ESSs. Categorization for the proposed project will be further reviewed and finalized based on the environmental and social due diligence, including the Bank team's site visits prior to appraisal.

Based on the preliminary screening, the proposed project is expected to have some negative impacts during construction, but these will be limited in scope and duration. They may include the generation of dust and noise, traffic and local business interruption, and temporary use of land for construction activities. The anticipated impacts can be managed through implementation of adequate mitigation and monitoring measures.

The safeguard instruments to be developed will include an Environmental and Social Impact Assessment and Environmental and Social Management Plan (ESMP). If sub-components cannot be precisely identified during project preparation, an Environmental and Social Management Framework will be prepared, along with a Resettlement Planning Framework if it is established that there may be a need for land acquisition.

Regarding land acquisition and management of temporary physical and economic displacement as a result of the construction of the wastewater treatment plant and pumping stations, and installation of sewerage

¹ For the purposes of the proposed project, improved sanitation means a household connection to the sewerage network, whereby wastewater receives proper treatment in compliance with environmental regulations, before being discharged.

pipelines, a Resettlement Action Plan will be designed and implemented in consultation with project-affected people (ensuring inclusion of men, women and those considered as vulnerable) and other relevant stakeholders, and monitored throughout project implementation.

The ESMP will include measures to ensure the health and safety of contractors and sub-contractors as well as their effective supervision and adherence to a code of conduct. It will also address labor management issues. Provisions will be included for the use of chance find procedures for the management of archaeological and historical materials if they are unanticipatedly encountered.

A process of meaningful and inclusive stakeholder engagement with respect to both management and mitigation of potential risks and impacts and willingness to pay for potential increases in tariffs will be required, with attention paid to ensuring that women and minority groups are appropriately consulted. Project-related environmental and social documentation will be disclosed electronically and in hard copy in the project area. These documents will be in English and local languages. An appropriate project-level Grievance Redress Mechanism will also be established.

V. Estimated Project Cost and Financing Source (USD million)

The overall project cost is currently estimated at USD120 million. The financing sources are as follows (in USD million):

Total Project Cost:	120	Total AIIB Financing:	50
For Loans/Credits/Others		Amount	
AFD			50
AIIB			50
GoSL			20
Total			120

VI. Implementation

The proposed project will be implemented by the NWSDB and managed by a PMU to be established within the NWSDB.

Procurement will be conducted in accordance with AFD's procurement policy or the Bank's procurement policy, which needs be further discussed between AFD and AIIB.

Expected project implementation period (Start Date and End Date): April 2019 – April 2024.

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