



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 05/19/2023 | Report No: ESRSA02819



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Sri Lanka	SOUTH ASIA	P178973	
Project Name	Social Protection Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Social Protection & Jobs	Investment Project Financing	5/18/2023	6/28/2023
Borrower(s)	Implementing Agency(ies)		
	Ministry of women & social empowerment		

**Proposed Development Objective**

To support Sri Lanka in providing better targeted income and livelihood opportunities to the poor and vulnerable and improving the responsiveness of the social protection system.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>200.00</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The proposed Social Protection project complements the World Bank support provided for key reforms in social protection (SP) under the Sri Lanka Stability and Resilience, Stability and Economic Transformation (RESET) Development Policy Operation (DPO), and the IMF Extended Fund Facility (EFF). Specifically, the project seeks to mitigate the impact of the crisis on the poor and most vulnerable through the provision of income support and livelihoods opportunities, while strengthening the robustness and adaptability of the country’s SP system.

The project will comprise the following three components: Component 1 will finance targeted cash transfers to poor and vulnerable groups, using the newly established social registry. Component 2 will complement the cash transfers



by financing a small-scale economic inclusion program for a selected number of poor and vulnerable people in selected geographic areas and sectors. Component 3 will finance activities to improve the management capacity of the project implementing agencies and accountability mechanisms for effectively delivering cash transfers and productive inclusion activities to the most in need. It will also support strengthening the main building blocks of a social protection system, with a specific focus on digital payments, financial inclusion, integrated information systems, and the adaptive social protection agenda. Finally, it will finance continued investments to inform broader SP reform, such as social protection policy, strategy and analysis to inform the vision for a more sustainable social protection system.

#### **D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

This operation has been prepared as a new stand-alone project which will be implemented throughout Sri Lanka. The project will provide critical support to households during the economic crisis through provision of targeted cash transfers as well as help to strengthen the social safety nets program and build a fresh social registry to ensure benefits are provided to households whose identity and eligibility are transparently validated across all 9 provinces.

The economic crisis has exerted a particularly heavy toll on the poor and vulnerable, weakening resilience and leading to deterioration of human capital. Existing inequalities rapidly widened and, between 2021 and 2022, the poverty rate doubled from 13.1 to 25.6 percent, with many more vulnerable people falling into poverty. With an informal employment rate of 60 percent, most workers do not have access to job-related social protection benefits, making them particularly vulnerable during times of economic crisis. The country is at risk of increasingly disinvesting in human capital with long lasting impact on country's productivity. Negative coping mechanisms are already showing to play a role in increased malnutrition levels and drops in school attendance and drop-out rates. Prior to the Covid Pandemic and economic crisis, Female Headed Households were poorer up to a percentage of 60 in comparison to male headed households in Sri Lanka and it is likely that they have been pushed into deeper levels of poverty.

Social protection remains inadequate to address poverty, inequality, and exclusion. The targeting performance of Sri Lanka's largest poverty alleviation cash transfer program, Samurdhi, is weak and has worsened over time, with a lesser proportion of deserving households benefiting each year, and a share of the benefit going to the richest. In addition, the lack of a social registry which, coupled with the absence of a government entity in charge of coordinating the Government's response, led to less-than-optimal targeting (including exclusion of vulnerable populations like children, female headed households and households with irregular income) and duplication of benefits. Moreover, a number of implementation challenges in scaling up the cash transfer programs led to increased inefficiencies (i.e., the manual registration of beneficiaries), and delays in payments to vulnerable groups (i.e., moving, death, awareness of requirements to open a Samurdhi bank account). Given the growing frequency and magnitude of shocks experienced by the country, there is an emerging consensus on the need to make the social protection system more scalable and adaptive to shocks.

#### **D. 2. Borrower's Institutional Capacity**

The project will be implemented by the Ministry of Finance, Economic Stabilization & National Policies (MoF) and the Ministry of Women, Child Affairs, and Social Empowerment (MoWCASE). The MoF have engaged the World Bank and have received support to implement social protection programs in Sri Lanka for approximately 10 years. In addition,



the MoF has received broader system and capacity building under the existing Social Safety Net Project (SSNP) (P156056) in the country. Under the MoF, Department of Sumurdhi Development has experience providing emergency cash transfers in times of crisis through the Sri Lanka COVID-19 Emergency Response and Health Systems Preparedness Project (P174291) to help mitigate the impacts of the pandemic. The SSNP also supported the establishment of a Welfare Benefits Board (WBB) to develop Social Registry Information System (SRIS). The Welfare Benefits Board (WBB) established under the MoF will regulate and maintain the new social registry /SRIS and select beneficiaries. Hence WBB under the MoF will be responsible for the implementation of the activities under the cash grant component of the project and Department of Sumurdhi Development under the MoWCASE implement the activities related to the livelihood support component.

The implementing entities have experience working on the Bank’s former safeguards policies, but limited experience on implementing the ESF. In addition, the safeguards implementation performance of the Safety Nets Project (SSNP), was rated as ‘Moderately Satisfactory’ owing to the lack of adequate staff and capacity of the implementing entity to effectively implement communication & stakeholder engagement activities and a functional GRM. Though the PMU of the SSNP has developed a comprehensive GRM manual and a communication strategy to engage citizens, there had been delays in implementation of the automated GRM.

As a lesson learnt, the new project will have adequate staff in place to implement ESF requirements including the the Stakeholder Engagement Plan and a functional GRM for this proposed project. Hence, Project Management Teams (PMTs) will be established within WBB and Department of Samurdhi Development and will be adequately staffed with a dedicated Environment and Social (E&S) Specialist to carry out all required project implementation functions, with additional staff recruited and trained as required to perform Environmental/Social Framework obligations including communications, stakeholder engagement, Grievance Handling etc.

Public Disclosure

## II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Substantial

#### Environmental Risk Rating

Low

The project will not support any new civil works nor be associated with rehabilitation or construction activities. There will be purchase of some IT equipment for the newly set up WBB, in limited numbers. This material will generate limited amount of E-waste at the end of the use of their lifecycle of use and therefore need to be managed in an environmentally sound manner using existing country arrangements. Outreach activities will be also conducted mostly electronically to further ensure interactions are managed. Therefore, interventions under this project will not result in any associated negative environmental impacts.

#### Social Risk Rating

Substantial

The Social risks are assessed as Substantial. The key potential social risks include: (i) risk of exclusion of eligible beneficiaries due to exclusion/inclusion errors linked to targeting, inaccuracies in data submitted and errors not detected during verification, challenges faced by vulnerable groups to access and submit information, open/operate bank accounts and withdraw cash, (ii) possible social unrest created by non-project beneficiaries and other interested groups due to lack of understanding and transparency in the processes, data protection, consultations and



mechanisms to respond to appeals/grievances and opposition by local-level officers concerned with losing authority and influence; (iii) the limited capacity of the project implementing entities to mitigate these social risks, particularly risks related to the Stakeholder/Citizen's Engagement (CE/SE) process and response to appeals/grievances; and (iv) potential SEA/SH incidents due to risk of misuse of authority by officials engaging with beneficiaries and domestic violence linked to household decision making on spending of cash received.

## **B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

### **B.1. General Assessment**

#### **ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

##### ***Overview of the relevance of the Standard for the Project:***

The interventions supported under this project will provide cash and livelihood support to poor and vulnerable households affected by the current economic crisis in Sri Lanka. This project will not support rehabilitation, construction activities, nor civil works. There will be procurement of information technology (IT) goods such as laptops & servers, in limited quantities for the use of operation of the integrated beneficiary registry Management Information System (MIS). Over the lifetime use of these equipment and at the end of use they will create limited amount of e-waste. Therefore, project interventions are not expected to have adverse environmental risks or impacts. As there are no activities with a physical footprint identified, nor are there activities that could lead to specific actions that could have associated environmental impacts, no environmental assessment is required.

Social risks are related to exclusion and inclusion errors in the targeting (people who should be included being excluded and people who should not be included being included). To mitigate these risks, this project will provide cash transfers to the beneficiaries included in the newly established social registry to ensure benefits are provided to households whose identity and eligibility are transparently verified. The criteria for selection into the Cash Transfer (ECT) program will be based on the multi-deprivation score (MDS) formula developed by the Department of Census and Statistics for the WBB. The software to collect the data was developed under the ongoing World Bank funded Social Safety Nets Project (SSNP). Payment of benefits will be through electronic transfer directly into beneficiaries' personal bank accounts, to ensure thorough accountability and ease of access. The targeting of beneficiaries for livelihood grants will rely on the use of the recently completed poverty assessment and information in the Welfare Benefits Information System (WBIS). A special preference will be given to poor single parents/female headed households. The collection and processing of personal data will adhere to and be aligned with the forthcoming national legislation on personal data privacy and no significant data collection is expected to take place before 2024 when the data protection law will become applicable.

The project will finance a comprehensive campaign of communications to make citizens aware of the cash transfer and the livelihood support program including the processes to receive the cash and submit appeals and grievances. In the initial stages the transfer program, all appeals, and grievances will be handled manually at the Divisional Secretariat level. However, as the SPP progresses, the WBB will establish and maintain an automated grievance redress management (GRM) system. Accordingly, the project will be implemented in a transparent manner having systems to immediately respond to concerns of stakeholders to minimize risks of public protests against the project including its beneficiaries etc.



In addition, WBB and Department of Samurdhi Development will be adequately staffed to carry out all required project implementation functions, with additional staff recruited and trained as required to perform Environmental and Social Framework obligations including Communication, stakeholder engagement, Grievance Handling etc.

The implementing agencies have prepared a Stakeholder Engagement Plan (SEP) and an Environmental and Social Commitment Plan (ESCP). ESCP, includes, inter alia, commitments related to managing project workers and e-waste. The draft SEP and ESCP is disclosed by Appraisal.

### **ESS10 Stakeholder Engagement and Information Disclosure**

The project recognizes the need for effective and inclusive engagement with all relevant stakeholders and the population at large. Since the Social Protection (SP) project complements the work already been done under the existing World Bank-funded Social Safety Nets Project (SSNP), the stakeholder engagement activities under the SSNP have contributed to the design of this proposed project. For example, the SSNP supported the establishment of a Welfare Benefits Board (WBB) to develop Social Registry Information System (SRIS) including capturing socio-economic data which is pilot tested in several divisional secretariats. During the pilot testing to establish the social registry, the SSNP conducted pilot validation surveys, consulted with Samurdhi recipients in selected districts as part of the community outreach and community consultations. Additional consultations are being conducted with affected and interested groups conducted by WBB and Ministry of Samurdhi Development. Feedback from the consultations will be documented in the Stakeholder Engagement Plan (SEP) and the SEP will be re-disclosed by project commencement.

The Stakeholder Engagement Plan (SEP) of the project has been prepared which includes a robust Citizen Engagement approach: stakeholder engagement platforms at local and national levels, a communications campaign to make citizens aware of the new cash transfers and livelihood grants program including the appeals/grievance handling process, a plan for ongoing broad consultations including feedback surveys with targeted stakeholders, including vulnerable groups and a guideline of the grievance redress management (GRM). For example, regular multi-stakeholder platforms would be organized to engage and address concerns and receive feedback from stakeholders with a view to strengthen social accountability of the program. Beneficiaries feedback (BF) indicators are also included into the results framework (RF) of the project to measure satisfaction levels of beneficiaries on the cash transfer programs. Two Beneficiary feedback are also included in the results framework to measure satisfaction levels of beneficiaries and Grievances addressed within a stipulated standard for a response (Number).

The project will have two GRMSs, a) one for the Cash grants component and b) the other for the livelihood support component:

(a) GRM Cash transfer – The project aims building on the GRM set up under the SSNP for the Cash transfer component. The WBB’s call center will be: (i) fully staffed; (ii) all grievances recorded and categorized; (iii) grievances will be analyzed periodically; and (iv) remedial action will be taken to resolve issues. At the Divisional Secretariats, staff will have access the Management Information System (MIS) to register and document grievances related to selection, exclusion, targeting, and payment mechanism. Service standards on responses will be spelled out in the GRM user manual.



(b) GRM for the livelihood support component - will be managed and coordinated by the Project Management Team (PMT) of the Department of Samurdhi Development (DSD). The Environmental and Social Specialist with the PMT of the DSD for the project will act as GRM focal points for the project. The GRM will also be designed to refer Gender Based Violence (GBV)/SEA/SH incidents to qualified service providers for response while maintaining survivor confidentiality.

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

ESS2 is relevant.. Activities under the proposed Project are not expected to have negative impacts related to labor and working conditions, and the applicable national legal framework is aligned with the principles of ESS2. Hence a standalone LMP is not proposed. Commitments related to labor will be included as commitments in the ESCP. The project is expected to have: (i) Direct workers (i.e. staff of PMT at Welfare Benefits Board (WBB) and Department of Samurdhi Development) , (ii) Contracted workers of third party consulting firms (e.g. IT service providers developing the integrated beneficiary registry and the Management Information System) and (iii) community workers who are members of the Sumurdhi Community Based Organization (CBOs) who will support community outreach, monitoring of the livelihood program and grievances handling.

All direct and contracted workers will be subject to the requirements of ESS2 and labor legislature of the country pertaining to terms and conditions of employment; principles regarding non-discrimination, prevention of workplace harassments and equal opportunity; establishment of workers' organizations; rules prohibiting child labor and forced labor; and measures to ensure occupational health and safety at the work locations. For community workers, rules prohibiting child labor and forced labor; and measures to ensure occupational health and safety applies.

Government workers will be involved from the Divisional Secretariat Offices and they will closely engage with the beneficiaries to implement the cash transfer and income grants program. In addition, Government workers/ Civil servants with the Ministry of Finance, Economic Stabilization & National Policies (MoF) and the Ministry of Women, Child Affairs and Social Empowerment (MoWCASE) will be involved to support project implementation and supervision activities and they will remain subject to the terms and conditions of their existing public sector employment or agreement, unless there has been an effective legal transfer of their employment or engagement to the project.

Any procurement of IT equipment for the establishment of the MIS will be purchased from reputed/well established suppliers who already have a good track record of adhering to child/forced labor and worker safety issues in the manufacturing process, and with no known allegations of violations in the said areas. In the event any project IT suppliers were found not adhering to these principles related to child/forced labor and worker safety in the manufacturing process, the project will have mechanisms in place to terminate those supply contracts and explore alternatives.



The above-mentioned labor requirements are included as commitments in the Environmental and Social Commitment Plan (ESCP) of the project. A commitment is also included in the ESCP to establish and operate a grievance mechanism for project Workers consistent with ESS2 under both MoF and MoWCASE.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

ESS 3 is relevant. Component 3 will entail the procurement of IT equipment, in limited quantities, for the operation of the integrated beneficiary registry and the Management Information System. . Over the lifecycle of use of these devices, maximum of 5-10 years, this may lead to the generation of e-waste when equipment is disposed of at the end of its useful life or damaged during use. The Central Environmental Authority (CEA) of Sri Lanka has E-waste management guidelines issued, including a special program within government ministries and agencies for E-waste management in collaboration with certified E-waste recyclers. The measures are assessed as adequate in line with the requirements under ESS4 for management of hazardous materials (E-waste). Specific measures on E-waste management if carried out under these guidelines pose limited risks. Therefore, the ESCP will refer to the national guidance on E-waste management to ensure sound management at the end-of-life cycle or during disposal during project implementation due to not rectifiable damages.

### **ESS4 Community Health and Safety**

ESS 4 is relevant. . There could be SEA/SH risks due to abuse of authority especially during selection of beneficiaries, verification of eligibility and during close interactions between community and divisional level government officials including during training activities. In addition, there could be potential risks of gender-based violence, linked to household decision making on spending of cash received given the heightened stress levels of families in the crisis situation. To mitigate these risks, a behavioral standard clearly stating zero-tolerance for Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) with consequences will be adopted and communicated to all project actors. Any SEA/SH related incident that is reported to the GRM will be referred to a qualified service provider to respond while maintaining survivor confidentiality.

### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

This standard is not relevant. Activities that will result in the involuntary taking of land, relocation of households, loss of assets or access to assets that leads to loss of income sources or other means of livelihoods, and interference with households' use of land and livelihoods, will not be considered under the project.

### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

This standard is not relevant since the project does not involve any civil or rehabilitation works that would affect biodiversity or natural resources.





**ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

This standard is relevant. Sri Lanka’s population includes Veddhas, primarily forest-dwellers, whose collective identity and presence is consistent with the characteristics that are specified in paragraphs 8 and 9 of ESS7. The population of Veddhas is estimated to be around 5000 - 10,000 and while they used to be concentrated in the south-central jungles of Sri Lanka, in the area known as Mahiyangana, they are becoming completely assimilated with most of them speaking Sinhala instead of their indigenous languages—the latter now nearing extinction.

The project activities do not present adverse impacts on indigenous people. However, there is a potential of exclusion of vulnerable groups in Veddha communities from receiving project benefits due to targeting errors, information about the project not reaching the Veddha communities etc. To mitigate these risks, the project design will have in-built systems to ensure equitable & fair selection of beneficiaries, transparency in enrollment, and robust monitoring, validation & appeal processes in place to address targeting errors. The project will also have in place a strong GRM, a targeted and culturally appropriate communications & community outreach strategy as detailed in the Stakeholder Engagement Plan (SEP).

In addition, the project will adopt and implement an Indigenous People's Planning Framework (IPPF) consistent with ESS 7, to include a time-bound plan for engaging the Veddha community through meaningful participation and consultation in a culturally appropriate manner, and ensure mechanisms by which IPs can raise concerns or seek redress for project-related grievances as part of the Project GRM.

**ESS8 Cultural Heritage**

This standard is currently considered not relevant since the project does not involve any civil or rehabilitation works that would have an impact on cultural heritage.

**ESS9 Financial Intermediaries**

Given the nature of the project, this standard is Not Relevant as there will not be any financial intermediaries that will be involved.

**B.3 Other Relevant Project Risks**

At this stage, there are no other project-specific risks of relevance.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

Public Disclosure



**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

**Is this project being prepared for use of Borrower Framework?** No

**Areas where “Use of Borrower Framework” is being considered:**

Project is implemented following the ESF.

**IV. CONTACT POINTS**

**World Bank**

Contact:	Francesca Lamanna	Title:	Senior Economist
Telephone No:	5778+8397 / 66-2-6868397	Email:	flamanna@worldbank.org
Contact:	Srinivas Varadan	Title:	Sr Social Protection Specialist
Telephone No:	5785+79127	Email:	svaradan@worldbank.org
Contact:	Rene Antonio Leon Solano	Title:	Practice Leader
Telephone No:	5770+3344 / 961-196-3344	Email:	rleonsolano@worldbank.org

**Borrower/Client/Recipient**

**Implementing Agency(ies)**

Implementing Agency: Ministry of women & social empowerment

**V. FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**VI. APPROVAL**

Task Team Leader(s): Srinivas Varadan, Rene Antonio Leon Solano, Francesca Lamanna  
Practice Manager (ENR/Social) Robin Mearns Cleared on 18-May-2023 at 12:23:13 EDT

