



## Integrated Safeguards Data Sheet Restructuring Stage

Restructuring Stage | Date ISDS Prepared/Updated: 09-Nov-2020 | Report No: ISDSR30907

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**Note to Task Teams:** The following sections are system generated and can only be edited online in the Portal.

## I. BASIC INFORMATION

### 1. BASIC PROJECT DATA

Project ID	Project Name
P163305	Local Development Support Project
Task Team Leader(s)	Country
Yarissa Lyngdoh Sommer, Sonya M. Sultan	Sri Lanka
Approval Date	Environmental Category
14-Mar-2019	Partial Assessment (B)
Managing Unit	
SSAU1	

### PROJECT FINANCING DATA (US\$, Millions)

#### SUMMARY

<b>Total Project Cost</b>	101.39
<b>Total Financing</b>	77.00
<b>Financing Gap</b>	24.39

#### DETAILS

##### World Bank Group Financing

International Development Association (IDA)	70.00
IDA Credit	70.00

##### Non-World Bank Group Financing

Counterpart Funding	7.00
Borrower/Recipient	7.00



## 2. PROJECT INFORMATION

### Current Program Development Objective

To strengthen local government authorities' capabilities to deliver services to communities in a responsive and accountable manner, and to support economic infrastructure development in participating provinces.

### Proposed New PDO

To strengthen local government authorities' capabilities to deliver services to communities in a responsive and accountable manner, to support economic infrastructure development in participating provinces, and to provide immediate and effective response to an eligible crisis or health emergency.

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## 3. PROJECT DESCRIPTION

The Project Development Objective (PDO) of the Sri Lanka Local Development Support Project (LDSP) is to strengthen local government authorities' capabilities to deliver services to communities in a responsive and accountable manner, and to support economic infrastructure development in participating provinces. LDSP targets four provinces in Sri Lanka, namely Northern, Eastern, Uva and North Central Provinces, which account for one-third of the nation's poor<sup>1</sup>. The project is expected to benefit around 1 million people by strengthening the accountability, responsiveness and effectiveness of Local Government Authorities (LGAs) in providing local services and infrastructure. The project aims to strengthen key local governance institutions and structures nationally. It focuses on the more vulnerable sections of the population, such as the extreme poor, women, women-headed households, war widows, unemployed youth, persons with disabilities and the elderly.

LDSP is achieving the PDO through five components: (i) Strengthening Local Government Planning Systems; (ii) Improving Local Services and Economic Infrastructure; (iii) Institutional Development; (iv) project management; and (v) contingent emergency response.

On March 11, 2020, the World Health Organization (WHO) declared the coronavirus (COVID-19) outbreak a global pandemic. To mitigate the impacts of the COVID-19 outbreak, the GoSL agreed with the World Bank on a COVID-19 Emergency Action Plan (EAP) for Sri Lanka. The EAP is part of the Government's broader strategy to meet the recovery needs of its population. It identifies prioritized activities for economic recovery and containing the spread of COVID-19 in several sectors. To finance the implementation of the EAP, the Government requested the activation of the Contingent Emergency Response Components (CERCs) of four active projects in the World Bank portfolio to

<sup>1</sup> Source: DCS, and WB staff calculations using HIES 2016



support the recovery activities. The funds from the four CERCs were combined in one CERC Pool, administered by the Ministry of Finance. The four CERCs were activated on September 8, 2020 at the request of the GoSL.

Following the CERC activation, this restructuring is being conducted to: (a) amend the PDO to add the CERC outcome; (b) reallocate funds among LDSP components and categories; and (c) revise the Results Framework (RF). All changes are described in detail in the following sections.

## DESCRIPTION OF PROPOSED CHANGES

This proposed restructuring will revise the PDO by adding a CERC outcome as follows: “To strengthen local government authorities' capabilities to deliver services to communities in a responsive and accountable manner, to support economic infrastructure development in participating provinces, and to provide immediate and effective response to an eligible crisis or health emergency.”

The proposal is to reallocate \$17.00 million of the of IDA Credit to the CERC (Component 5). The total IDA financing for the project will remain \$70 million, but the following activities will be reduced as a result of the reallocation of funds: Component 2 - Under sub-component 2.1 the IDA contribution will be reduced from US\$63.0million to US\$46.0 million. The Disbursement Table in the Financing Agreement will be updated to reflect this reduction in the following manner - US\$7.0 million will be reduced from Category 2 (financing Basic Transfers to LGAs) and US\$10million from Category 3 (co-financing Performance Transfers with the EU grant).

As a result of the restructuring, the proposed revisions to the project’s RF will be required:

- a. One CERC PDO indicator added: “CERC implemented according to the emergency action plan”.
- b. Three CERC intermediate indicators added, as indicated in Table 2 below.
- c. End-line target for only one indicator related to total beneficiaries will be revised as a result of reduced financial resources following reallocation to the CERC (see detailed changes in the RF).
- d. Update the recipient name to Ministry of State for Provincial Councils and Local Government (MSPCLG) in the Financing Agreement and the Datasheet.

While several new indicators are being added to the LDSP, the project will not be held responsible for the achievement of these indicators, since there are no funds or activities in this project to achieve these targets. These indicators will track what is being implemented by other projects, which will use the pooled CERC funds. The teams responsible for the implementation of the Emergency Action Plan (EAP) will provide the reporting and updates required for the RF updates during the six-monthly missions undertaken by the project. The final ratings of the project during ICR will not be based on performance under the CERC components.



**Changes in Component Costs:** A total of US\$ 17 million will be reallocated from sub-component 2.1 to Component 5 - the CERC. A 43 percent reduction in the amount of funding originally allocated under sub-component 2.1 will result in a reduction in the extent of services and infrastructure that LGAs can deliver to local communities by the end of the project. This sub-component includes both Basic Transfers (BT) and Performance Transfers (PT), which support the core activities of LGAs. US\$7 million from the BTs (disbursement category 2) and US\$ 10 million from the PTs (disbursement category 3) will be reallocated to the CERC component, respectively, as indicated in Table 3. The reduction in the BT allocation will not affect the number of end target tranches envisaged. PTs will continue to be co-financed between IDA and EU grant, however, the IDA contribution will be reduced.

**Table: Project Costs and Financing by Component**

Project Component	Original Component Allocation (US\$ million)	Proposed Reallocation Amount (US\$ million)	Proposed Component Allocation after Proposed Reallocation (US\$ million)
Component 1. Strengthening Local Government Planning Systems	1.5	0	1.5
Component 2. Improving Local Services and Economic Infrastructure	63	17	46.00
Sub-component 2.1 Improving Local Service Delivery	54.5	17	37.50
Sub-Component 2.2 Economic Cluster Support	8.50	0	8.50
Component 3. Institutional Development	3.69	0	3.69
Component 4. Project Management	8.23	0	8.23
Component 5. CERC	0.00	17.00	17.00
Project Preparation Advance	0.41		0.41
Front End Fees	0.175		0.175
Total IDA Allocation for the Project	70.00		70.00

**Safeguards.** The CERC Pool will be managed via a standalone set of environmental and social safeguard due diligence processes that have been outlined via a specific CERC Environmental and Social Management Framework (CERC-ESMF). The CERC-ESMF was prepared by the NPD and disclosed in June 2020. It was assessed during the preparation of the CERC-ESMF that the activities financed fall within the low risk category as they will mostly involve procurement and the use of goods and minor civil works within existing facilities. The CERC-ESMF provides guidance on the requisite due diligence steps to be undertaken by the implementing units during the implementation of CERC activities in line with the World Bank, Ministry of Health (MOH) and WHO guidelines for managing risks of COVID-19. It also includes a Negative List of activities that the implementing unit will have to abide by. No major civil works can be undertaken as per the Negative List as part of the CERC activities. The CERC activities will be monitored via an independent mission and a team who will work with the Bank Team’s Environmental and Social Specialists from the Bank Team for existing PMUs where applicable. There will be no updates required to the project-specific safeguards instruments of projects



that are contributing funds to the CERC. The CERC-ESMF will be applicable as supplementary guidance to all units implementing CERC interventions in parallel to any project associated instruments.

Procurement arrangements for CERC component. There are no changes or updates to the Procurement Plan or to procurement arrangements for LDSP, since the project will not be procuring any new goods for the CERC activities. Only projects that will receive CERC funding will need to procure new goods for the implementation of CERC funded activities.

There are not pending audits under the LDSP

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#### **4. PROJECT LOCATION AND SALIENT PHYSICAL CHARACTERISTICS RELEVANT TO THE SAFEGUARD ANALYSIS (IF KNOWN)**

The project will focus on LAs in the Northern, Eastern, North Central Provinces, as well as on the border districts of Uva Province. The Northern Province has an area of 8,884 square kilometers. The province is surrounded by the Gulf of Mannar and Palk Bay to the west, Palk Strait to the north, the Bay of Bengal to the east and the Eastern, North Central and North Western provinces to the south. The Northern province has a dry climatic condition and the terrain is flat with a number of outer islands and coastal terrain, lagoons and low lying areas. The province is divided into two distinct geographic areas: Jaffna peninsula and the Vanni. The Eastern province has an area of 9,996 square kilometers which is predominantly flat terrain that expands on to the eastern coastline of the Island. The province is surrounded by the Northern Province to the north, the Bay of Bengal to the east, the Southern Province to the south, and the Uva, Central and North Central provinces to the west. The province's coast is dominated by lagoons. The Uva Province is made up of two districts, the mountainous Badulla district to the east and the Moneragala district to the west, which shares a similar dry zone climate and flat terrain of the Eastern Province, and stretches across 8,500 square kilometers. The main economic activities in the project area are paddy cultivation, horticulture and fishery. Majority of the people earn their livelihood as farmers, fisherers, and professionals in the civil and business sector.

#### **5. ENVIRONMENTAL AND SOCIAL SAFEGUARDS SPECIALISTS ON THE TEAM**

Andrew Zakharenka, Environmental Specialist  
Ferdous Jahan, Social Specialist  
Bandita Sijapati, Social Specialist



**6. SAFEGUARD POLICIES TRIGGERED**

Safeguard Policies	Triggered	Explanation
Environmental Assessment (OP) (BP 4.01)	Yes	<p>The project is expected to finance physical interventions associated with improvements to existing LA owned infrastructure, new infrastructure that will support LA service delivery, and support for prioritized economic infrastructure that will be selected on the basis of: i) support or advance economic activity in the selected cluster/value chain; ii) support to economic activities of local residents; and iii) presence of activities that result in greater climate resilience. Thus, construction activities supported under the Project may have potential site specific environmental impacts during the construction phase which can be managed with inbuilt due diligence. However, such impacts are not likely to have large scale significant irreversible environmental impacts. Therefore, the project is classified as Environmental Category B.</p> <p>To mitigate potential environmental and social impacts that may be caused due to project interventions and ensure all negative impacts associated with project investments are avoided and/or mitigated, an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) have been prepared. These instruments provide detailed guidance on the specific due diligence requirements as well as on the specific environmental and social safeguards instruments required for sub-projects, including screening, preparation of environmental and social management plans, resettlement action plans etc., to mitigate any potential negative project impacts.</p> <p>Sub projects and sites will be required to have a site specific Environmental Management Plans (EMPs) based on the Environmental Assessment (EAs) conducted by project proponent and approved by Project Approving Agency, with agreed mitigations measures.</p>
Performance Standards for Private Sector Activities OP/BP 4.03	No	



Natural Habitats (OP) (BP 4.04)	Yes	OP/BP 4.04 is triggered on a precautionary basis and measures are in place to ensure that any possible impacts to natural habitats or sensitive environments, are avoided/mitigated. The screening procedures and checklists for the sub-projects' locations and expected impacts are detailed in the ESMF.
Forests (OP) (BP 4.36)	No	No activities in forests or in close proximity to forest areas are expected. The negative list in the ESMF defines potential sub-projects that would be ineligible for project financing, including those significantly impacting or degrading wildlife and forest reserves, national parks, conservation forests, and sanctuaries.
Pest Management (OP 4.09)	No	Not applicable as no project interventions are made where significant use of pesticides and other such substances are utilized.
Physical Cultural Resources (OP) (BP 4.11)	Yes	<p>The policy is triggered on a precautionary basis. While project interventions are not envisioned to be conducted in areas close to sites of cultural importance, renovation, rehabilitation and improvements may be made to historic LA buildings that are socially or culturally important. Site-specific mitigation measures will be a requisite for such activities.</p> <p>The ESMF proposes the screening procedures on PCR and measures to mitigate the potential impacts, as well as a chance find procedures.</p>
Indigenous Peoples (OP) (BP 4.10)	No	There are no conclusive evidence/information available that establishes the presence of indigenous people in the project area. However, the project will adopt an inclusive and participatory approach to benefit disadvantaged groups like women, youth, conflict-affected families, among others.
Involuntary Resettlement (OP) (BP 4.12)	Yes	The project will involve civil works and other activities associated with improvements to existing LA owned infrastructure, new infrastructure to support LA service delivery, and economic infrastructure to benefit local communities. While most of these activities are expected to be carried out in the existing land belonging to the LAs, there may be requirements for additional land in some cases. It is expected that the requirements for additional land will be met by using public lands, or land availed through voluntary donation. However,





for some investments, especially under Sub-Component 2.2 on Economic Cluster Support, additional land may have to be acquired through private acquisition.

The Resettlement Policy Framework (RPF), prepared alongside the ESMF for the project, includes specific guidance on the use of state-owned land, voluntary donation, and acquisition of private land. The RPF also includes guidelines on social screening, social impact assessments, and if required, preparation of site-specific Social Impact Mitigation Plan (SIMP), or an Abbreviated Resettlement Action Plan (ARAP) or a full Resettlement Action Plan (RAP), depending on the nature and scope of impacts. Additionally, the ESMF and the RPF include framework for monitoring, consultation and information disclosure, grievance redress mechanism, and implementation arrangements for safeguards management.

Safety of Dams (OP) (BP 4.37)	No	There will be no project interventions focused on dams or rehabilitation of existing dams.
Projects on International Waterways (OP) (BP 7.50)	No	The proposed project activities do not have any impacts on international waterways and therefore this policy is not triggered.
Projects in Disputed Areas (OP) (BP 7.60)	No	There are no disputed areas in Sri Lanka and therefore this policy is not triggered.

## II. KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

### A. SUMMARY OF KEY SAFEGUARD ISSUES

1. Describe any safeguard issues and impacts associated with the Restructured project. Identify and describe any potential large scale, significant and/or irreversible impacts.

The Project activities will focus on three priority areas: strengthening local government planning systems, improving local services and economic infrastructure, and institutional development, which are expected to generate significant benefits in the participating provinces. Component 2 involves basic and performance transfers to LAs, as well as pilot identification and provision of infrastructure to promote local economic development across the geographical boundaries of several LAs. Project activities will involve civil and other types of work to improve existing and build new infrastructure to support services delivery which may have environmental and social impacts. While the exact locations and specific activities are not available at present, these activities are not likely to have large-scale significant or other irreversible impacts. For instance, types of works potentially financed under the project in participating districts will include rehabilitation of damages rural roads, construction of rural drinking water supply and sanitation schemes, reconstruction of public building, such as multipurpose community centers, markets, preschools, bus stands, dispensaries, etc., construction or reconstruction of flood water drainage lines, promotion or enhancement



of small scale solid waste management schemes (with daily receiving capacity less than 5 mt), rehabilitation of micro water ponds, promotion of group economic and income generating activities, such as brickmaking, bakery, milk collection centers, etc., provision of street lighting, and similar activities. Thus, adverse impacts from project activities, if any, will be site-specific and are not expected to cause strong cumulative and/or irreversible impacts.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area.

The expected impacts and risks on human population and/or the environment will be site-specific, can be easily mitigated in a predictable manner, and not likely to cause strong cumulative impacts. This is because the activities generally carried out by LAs and community organizations, are not complex nor large in scale, and do not involve activities that have a high potential for harming people and the environment. Further, project activities will be located away from environmentally or socially sensitive areas, as specified in the negative list prepared under the Project.

3. Describe any potential alternatives (if relevant) considered to help avoid or minimize adverse impacts.

All infrastructure sub-projects supported under the Project, will be screened and assessed for environmental and social safeguards. The ESMF and the RPF prepared for the Project defines the principles and process for sub-projects selection and implementation, including use of alternative approaches to avoiding or minimizing adverse impacts.

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.

Despite the moderate risk of the project's expected environmental and social impacts, the PIU has prepared an Environment and Social Management Framework (ESMF) and a standalone Resettlement Policy Framework (RPF) that include: (i) principles and procedures for screening and identifying social and environmental impacts; (ii) the criterion and due diligence processes based on risks and impacts; (iii) guidelines for preparing time-bound safeguards action plans to assure compliance; (iv) institutional arrangements for implementing safeguards management plans; (v) guidance for public consultation process and disclosure of safeguard documents; (vi) mechanisms for grievance redress, monitoring and evaluation of processes and outcomes; and (vii) responsibilities of the GoSL and WB in relation to the preparation, implementation and progress review of safeguards implementation for the various activities supported under the Project. The PIU has prepared the Environmental and Social Safeguard Manual (ESSM) in April 2020, which outlines procedures for application of the ESMF. In terms of capacity, the MPCLGS successfully completed similar project (North East Local Services Improvement Project) recently and understands the safeguards policies and procedures required by the Bank. Further, the PIU is hiring a full-time safeguards specialist (social and environment) to monitor and report on implementation of the safeguards policies. During project implementation, additional personnel has been mobilized at the Provincial and LA-levels for safeguards implementation and monitoring. Similarly, capacity building activities on safeguards management have been carried out at the MPCLGS, CLGs, DSs, LAs, etc. to ensure effective management, compliance and monitoring of safeguards implementation.

5. Identify the key stakeholders and describe the mechanism for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders include MPCLGS, CLGs, DSs, LAs, the private sector, and community members. During the preparation of the safeguards instruments, the ESMF and the RPF, several rounds of consultations were held with a variety of stakeholders, including public officers, civil society members, and community members in the Northern, Eastern and Uva Provinces in March 2018. These documents were disclosed in-country and in World Bank's website on March 2018, and again in September 2018. The ESMF and the RPF further describes the procedures for community



and stakeholder consultations, as well as for managing stakeholder expectations, issues and concerns, and specific guidance on disclosure requirements. Additionally, the Grievance Redress Mechanism and Good Governance Resource Centres already established and will be further strengthened to ensure transparency, accountability, and cost effectiveness. Grievance Redress Mechanism has been established, along with the national, provincial and district level committees and procedures.

**B. DISCLOSURE REQUIREMENTS**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure
10-Sep-2018	13-Sep-2018

For Category 'A' projects, date of distributing the Executive Summary of the EA to the Executive Directors

"In country" Disclosure

Country	Date of Disclosure
Sri Lanka	13-Sep-2018

Comments

**Resettlement Action Plan/Framework Policy Process**

Date of receipt by the Bank	Date of submission for disclosure
10-Sep-2018	13-Sep-2018

"In country" Disclosure

Country	Date of Disclosure
Sri Lanka	13-Sep-2018

Comments

**C. COMPLIANCE MONITORING INDICATORS AT THE CORPORATE LEVEL**



#### OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?	No
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#### OP/BP 4.04 - Natural Habitats

#### OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?	Yes
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes

#### OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes

#### The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?	Yes
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

#### All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes
Have costs related to safeguard policy measures been included in the project cost?	Yes
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes



Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes
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### III. APPROVALS

Task Team Leader(s)	Yarissa Lyngdoh Sommer Sonya M. Sultan	
Approved By		
Practice Manager/Manager	Catalina Marulanda	22-Dec-2020

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