

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Sri Lanka	Project Title:	Urban Project Preparatory Facility
Lending/ Financing Modality:	Technical Assistance Loan	Department/ Division:	South Asia Department Urban Development and Water Division

<b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b>
Poverty targeting: SDG 11
<p><b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b></p> <p>The technical assistance (TA) loan will support the preparation of projects in 25 secondary towns and 4 strategic cities. It is in line with the Government of Sri Lanka's overall development strategy and sector objectives to create inclusive and balanced geographic urban development for accelerating economic growth and environmental sustainability. The government's development policy framework envisages that emerging urban centers will grow in population and economic activities, and identifies the development of water and sanitation infrastructure as a key to achieving the desired economic success of the country.<sup>a</sup> In its Vision 2025 and Public Investment Program (2016–2018), the government articulates its goals and strategy for stimulating inclusive and balanced geographic development for achieving upper middle-income status.<sup>b</sup> As part of this strategy, the government prioritizes (i) 24-hour water supply and full sanitation coverage, especially in underserved urban areas; (ii) improving environmental and disaster management in and around cities; and (iii) strengthening the capacity of local institutions for improved service delivery. The Sri Lanka country partnership strategy, 2018–2022 of the Asian Development Bank (ADB) supports this strategy and targets equitable growth to enhance social development and reduce inequality for balanced economic growth throughout the country.<sup>c</sup> The TA loan will support these aims by designing future infrastructure projects to deliver services to all urban residents, including poor and vulnerable groups. The ensuing projects prepared under the TA loan are expected to narrow regional disparities. ADB supports this development policy framework. ADB's country partnership strategy for Sri Lanka includes two strategic objectives: (i) strengthen the drivers of growth by promoting the diversification of economic activities and productivity enhancement, and (ii) improve the quality of growth by promoting inclusiveness. The TA loan will directly support these objectives by reducing regional inequalities through investments in strategic and secondary towns.</p>
<p><b>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</b></p> <p>1. <b>Key poverty and social issues.</b> Sri Lanka's poverty rate dropped from 15.2% in 2006-2007 to 6.7% in 2012-2013, and to 4.1% in 2016, which is the lowest in the South Asia region. The sharp drop in rural poverty since 2006 and the substantive drop in the estate sector are the main contributors to this improvement. In 2012/13, the lowest poverty rate was in the Western Province, where it was only 2%. By comparison, the poverty rate in Uva Province was 15.4%, in Sabaragamuwa 8.8%, and in North Western 6.0%. While the differences in poverty and income between the Western Province and a few provinces in the rest of the country have declined, the gaps are still very large. Economic growth is concentrated in the Western Province—its share in national gross domestic product was 43% in 2013, with lesser contributions from the Northern, North Central and Uva provinces. The feasibility studies and designs of ensuing projects prepared by the TA loan will assess the local poverty issues and reduction mechanisms in urban communities of all 29 cities under the TA loan. The designs of projects will support SDG 11 aimed at improving livability, safety, and resilience of cities.</p> <p>2. <b>Beneficiaries.</b> Direct beneficiaries of the TA loan are the Ministry of Provincial Councils, Local Government, and Sports (MPCLGS) and the Ministry of Megapolis and Western Development (MMWD). For the ensuing infrastructure investments to be made, potential beneficiaries include residents, businesses, and tourists. Projects will cover all 25 districts of Sri Lanka, including 29 cities—25 secondary towns under the MPCLGS and four strategic towns along the Colombo–Trincomalee Economic corridor under the MMWD. Poverty and social analyses for selected projects will be carried out through the TA loan to identify the socioeconomic profile of the population in the project-influenced areas; expected benefits and constraints; and the ability of the poor and vulnerable groups, including women, to benefit from the projects.</p> <p>3. <b>Impact channels.</b> Project studies and detailed designs under the TA loan will cover all 25 districts of Sri Lanka and include less developed urban areas with high poverty rates. Feasibility studies prepared under the TA loan will identify social and poverty issues. Design features of the ensuing projects will improve urban services to poor and vulnerable groups through participatory planning and inclusive access to services. Contract documents will include measures to encourage the hiring of local residents during implementation.</p> <p>4. <b>Other social and poverty issues.</b> Lack of access to services, land (tenure security), and affordable housing are critical issues faced by the urban poor. The government has undertaken many programs (e.g., housing for slum dwellers and the Samurghi microenterprises program) to improve the social and economic status of the poor.<sup>d</sup></p> <p>5. <b>Design features.</b> The studies under the TA loan will identify practical and implementable design features that will be integrated into the projects being developed.</p>
<b>II. PARTICIPATION AND EMPOWERING THE POOR</b>
1. <b>Participatory approaches and project activities.</b> The main stakeholders of the TA loan are the MPCLGS and



<p><b>B. Indigenous Peoples Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Key impacts. Is broad community support triggered? No impacts to indigenous people will occur under the TA loan. Nevertheless, indigenous peoples' impacts for ensuing projects will be assessed and documents prepared (if required). <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other actions.</p> <table border="0"> <tr> <td><input type="checkbox"/> Indigenous peoples plan</td> <td><input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</td> </tr> <tr> <td><input type="checkbox"/> Indigenous peoples planning framework</td> <td><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td><input type="checkbox"/> Environmental and social management system arrangement</td> <td><input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</td> </tr> <tr> <td><input type="checkbox"/> Social impact matrix</td> <td></td> </tr> <tr> <td><input checked="" type="checkbox"/> No action</td> <td></td> </tr> </table>	<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan	<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework	<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary	<input type="checkbox"/> Social impact matrix		<input checked="" type="checkbox"/> No action	
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<b>V. ADDRESSING OTHER SOCIAL RISKS</b>										
<p><b>A. Risks in the Labor Market</b></p> <p>1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input type="checkbox"/> unemployment (L) <input type="checkbox"/> underemployment (L) <input type="checkbox"/> retrenchment (L) <input type="checkbox"/> core labor standards (L)</p> <p>2. <b>Labor market impact.</b> The feasibility studies prepared by the TA loan will assess the viability of preferential employment for local communities under the proposed projects. Contract documents prepared for ensuing projects will have clauses on core labor standards (including no child labor, no bonded labor, no work discrimination on any grounds, and freedom of association and collective bargaining) and equal pay for equal work for men and women as well as preferential employment for local communities in construction and operation and maintenance activities (including women).</p>										
<p><b>B. Affordability</b></p> <p>The TA loan will only finance studies related to the development of urban infrastructure (such as water supply, sewerage, and roads). The economic analysis for various subprojects proposed under ensuing projects will assess the affordability of the proposed urban services and the impact on the poor.</p>										
<p><b>C. Communicable Diseases and Other Social Risks</b></p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):  <input checked="" type="checkbox"/> Communicable diseases (L) <input checked="" type="checkbox"/> Human trafficking (L) <input type="checkbox"/> Others (please specify) _____ (NA) _____</p> <p>2. Risks to people in project area. Not applicable as no works will be supported under the TA loan.</p>										
<b>VI. MONITORING AND EVALUATION</b>										
<p>1. <b>Targets and indicators.</b> The executing agencies and ADB will monitor the progress of the feasibility studies and detailed designs of the ensuing investment projects.</p> <p>2. <b>Required human resources.</b> Resettlement, social development, and gender experts will be part of the design teams.</p> <p>3. <b>Information in the project administration manual.</b> The frequency of review missions, monitoring, and timing of completion reports is detailed in the project administration manual.</p> <p>4. <b>Monitoring tools.</b> The executing agencies and ADB will monitor the progress of feasibility studies and detailed designs of ensuing investment projects.</p>										

<sup>a</sup> Government of Sri Lanka, Ministry of Finance and Planning, Department of National Planning. 2010. *Sri Lanka: The Emerging Wonder of Asia; Mahinda Chintana—Vision for the Future; The Development Policy Framework*. Colombo.

<sup>b</sup> Government of Sri Lanka. 2017. *Vision 2025: A Country Enriched*. Colombo; and Government of Sri Lanka, Ministry of Finance and Planning, Department of National Planning. 2013. *Unstoppable Sri Lanka 2020: Public Investment Strategy, 2014-2016*. Colombo.

<sup>c</sup> ADB. 2017. *Country Partnership Strategy: Sri Lanka, 2018–2022—Transition to Upper Middle-Income Country Status*. Manila.

<sup>d</sup> A government poverty reduction program introduced in 1995 to create employment opportunities.

<sup>e</sup> Government of Sri Lanka, Ministry of National Policies and Economic Affairs, Department of Census and Statistics. 2017. *Quarterly Report of the Sri Lanka Labor Force Survey (First Quarter)*. Colombo.

Source: Asian Development Bank.