

Project Summary Information (PSI)

Project No: 000033

Project Name	Mahaweli Water Security Investment Program - Tranche 2 Project
Country	Democratic Socialist Republic of Sri Lanka
Sector	Water/Irrigation, Water Supply
Project No	000033
Borrower	Democratic Socialist Republic of Sri Lanka
Implementation Agencies	Ministry of Mahaweli Development and Environment (MMDE)
Environmental and Social Category	Category A
Date of PSI prepared or updated	May 4, 2017
Estimated Date of Board Consideration	December 2017
Concept Decision	Approved on April 28, 2017

I. Introduction

Sri Lanka is a lower middle-income country with a total population of 21.0 million and a per capita income of US\$3,924 in 2015. Following a 30-year civil conflict that ended in 2009, Sri Lanka's economy has grown at an average 6.4 percent between 2010-2015, reflecting a peace dividend and a determined policy thrust towards reconstruction and growth. Sri Lanka's economy transitioned from a previously predominantly rural-based agriculture economy towards a more urbanized economy driven by services. In 2015, the service sector accounted for 62.4 percent of Gross Domestic Product (GDP), followed by manufacturing (28.9 percent), and agriculture (8.7 percent).

While the country's economy is becoming more urbanized, agriculture still plays an important role as 80% of the population are rural, and of which 70% are dependent on the sector for their livelihood. The sector as a whole accounts for 30% of employment and 25% of export revenue. However, the contribution to GDP by the agriculture sector has declined in recent years, and productivity needs to increase to keep pace with rising demand for domestic consumption and to achieve national goals of food self-sufficiency and poverty reduction.

In Sri Lanka, agriculture and water resources are intrinsically linked as most of the productive agriculture lands and about 6.2 million people (30% of the total population) live in the dry zone region which mainly comprise North Central Province, North Western Province and the northern half of the Eastern Province. Lack of year-round access to water resources constrains agricultural and commercial production of the dry zone region, suppressing social and economic development.

In 1970s, Government Sri Lanka (GOSL) initiated Mahaweli Development Program (MDP) to transfer available water resources from Mahaweli River System to dry zone region using large transfer canals and reservoirs. Key components of the MDP were finished by mid-1980s, but program was halted as a result of resource constraints and prolonged conflict.

Since the civil war was ended in 2009, GOSL has updated the MDP accounting for socio-economic changes and national development priorities. Completion of MDP is a key priority of the government and will maximize the productivity of Mahaweli River Basin water resources by transferring available water to the northern dry zone areas of Sri Lanka for irrigation, drinking and commercial purposes. This will accelerate

local and national economic growth. These priorities will be addressed by completing North Central Province Canal Program (NCPCP), which comprises outstanding MDP components, and will be implemented in two phases. The NCPCP Phase 1 includes (i) key upstream investments of NCPCP that will transfer water from Mahaweli River to existing reservoirs in Central Province, North Central Province, and North Western Province by implementing two new sub-projects, the Upper Elahera Canal Project (UECP) and the North Western Province Canal Project (NWPCP); (ii) rehabilitation of an existing irrigation system located in lower reach of Mahaweli River, namely the Minipe Left Bank Canal Rehabilitation Project (MLBCRP); and (iii) improved water management practices through two consulting services, improving system efficiencies and water productivity (ISEWP) and strengthening institutions with integrated water resources management (SIWRM). The NCPCP Phase 2 will develop additional transfer canals and reservoirs to allow more water to be diverted from Mahaweli River, and will extend the system to additional existing reservoirs in North Central Province.

The Mahaweli Water Security Investment Program (MWSIP) was initiated by GOSL in 2014 to implement the NCPCP Phase 1 as detailed above. The MWSIP has been supported by ADB under its multitranche financing facility (MFF) modality. The proposed AIIB Sovereign-backed Loan is to co-finance, with the ADB, a series of activities in Tranche 2 (or the Project).

The ADB will be the lead financier of the Project and will play a leading role in procurement, disbursements, environmental and social compliance, and project monitoring and reporting for the Project.

II. Project Objectives and Expected Results

The objective of the MWSIP (the Program) is to increase and secure perennial access to water for irrigation and nonagricultural users in dry zone areas of Sri Lanka, through proposed physical and non-physical investments. The Tranche 2 of the Program (the Project) will contribute to achieving the Program's objective by implementing several construction, consultancy and project management activities that form critical part of the Program.

III. Project Description

The Project (i.e., Tranche 2 of the MWSIP) tentatively consists of the following components:

Component 1: Construction of Canals and Tunnels (portion of UECP)

This component includes (i) construction of 28 km tunnels (out of which 20 km tunnel using tunnel boring machine and eight km tunnel using New Austrian Tunneling Method); (ii) construction of nine km canal works including eight km tunnels using New Austrian Tunneling Method; and (iii) construction of approximately 14 km canal works, including heightening the level crossings of three existing dams.

Component 2: Construction Supervision

This component includes the construction supervision services for Tranche 2 civil contract packages by the Program Management, Design and Supervision Consultant (PMDSC).

Component 3: Project Management

This component includes Tranche 2 related project management activities to be conducted by the Program Management Unit (PMU).

Component 4: Institutional Strengthening

This component includes the consulting services, strengthening institutions with integrated water resources management (SIWRM), which will recommend programs for modernizing policy and governance

frameworks, and institutional strengthening to improve national water resources planning and management, and operational and maintenance procedures.

IV. Environmental and Social Category

The Bank has decided to use the ADB’s Safeguard Policy Statement (SPS), 2009, since (i) it is consistent with the Bank’s Articles of Agreement and materially consistent with the provisions of the Bank’s Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that the ADB has in place to ascertain compliance with its Safeguard Policies are appropriate for the MWSIP. Under the ADB’s SPS, all three tranches under the MWSIP have been assigned Category A for Environment and Category C for Indigenous Peoples. For Involuntary Resettlement impacts, the first tranche is categorized B by ADB while subsequent tranches are likely to be categorized A. The Bank’s Environmental and Social Policy provides for a single categorization and in this case, reviewing ADB’s screening process vis-à-vis the Bank’s policy, Category A has been assigned to Tranche 2 (the Project).

An Environmental Assessment and Review Framework (EARF) has been developed to guide the preparation of the Environmental Assessment (EA) and implementation of the Environmental Management Plan (EMP) for each of the 3 sub-projects (UECP, NWPCP and MLBCRP) under the MWSIP. The EA provides guidance for screening and categorization and also identifies impacts and risks. The mitigation measures are incorporated in the EMP. There are also provisions for public consultation, information disclosure and grievance redress mechanism included in the EA/EMP. Individual EAs have been undertaken for the three sub-projects. Due to several changes to the feasibility design and proposed construction methods that had been presented in the UECP EIA, an addendum to the UECP EIA is currently being prepared based on the final design.

A Resettlement Framework (RF) for the investment program has been prepared to guide the formulation of Resettlement Plans (RPs) for all tranches. Each tranche will implement comprehensive income restoration and improvement programs for the Project-Affected People (PAP). The investment program will also establish a project-level grievance redress mechanism to address issues related to computation of compensation and payment, resettlement assistance, and income generation and improvement.

The Environmental and Social safeguard documents have been disclosed and posted on the following website: <https://www.adb.org/projects/47381-001/main#project-documents>

V. Estimated Project Cost and Financing Source (US\$ million)

The Project is estimated to cost US\$400 million. The financing sources are as follows (in US\$ million):

Total Project Cost:	400	Total AIIB Financing:	155
Financing Gap:	0		
For Loans/Credits/Others			Amount
Borrower			50
ADB			195
AIIB			155
Total			400

VI. Implementation

The executing agency is the Ministry of Mahaweli Development and Environment (MMDE) under which a Program Management Unit (PMU) has been established to implement this investment program. Three Project Implementation Units (PIUs) have been established to implement the three sub-projects (i.e., UECP, NWPCP and MLBCRP) respectively.

Procurement will be conducted in accordance with the ADB's Procurement Guidelines for Borrowers with universal eligibility. The ADB's Procurement Guidelines are consistent with the Bank's Core Procurement Principles and standards

Expected project implementation period (Start Date and End Date): December 2017 – September 2024.

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