

SOCIAL PROTECTION PROJECT (P178973)

Executive Summary – Stakeholder Engagement Plan

Project Background:

Sri Lanka's longstanding structural weaknesses, which were elevated by several exogenous shocks and ill-timed 2019 tax cuts plunged the country into a severe economic crisis, that exerted a heavy toll on the poor and vulnerable, weakening resilience and leading to deterioration of human capital. The 2018 political crisis, 2019 Easter bombings, followed by a 3.5 percent economic contraction amid the COVID-19 pandemic in 2020, and the loss of access to international financial markets following credit rating downgrades the same year, lead to Sri Lanka announcing in April 2022 an external debt suspension seeking International Monetary Fund (IMF) support, as the crisis deepened. In September 2022, IMF and Sri Lankan authorities reached a staff-level agreement (SLA) and 48 month Extended Fund Facility (EFF) program of US\$2.9 billion. Amid the crisis, existing inequalities rapidly widened, and between 2021 and 2022, the poverty rate doubled from 13.1 to 25.6 percent, with many vulnerable people falling into poverty.

Sri Lanka's social protection system is extensive but fragmented, and includes *Samurdhi*, the Government's main social assistance program, that provides cash transfers, microfinance and various community and livelihood development activities. In addition, there are three main categorical Cash Transfer (CT) programs targeting low income individuals over 70 (Elderly Benefit or EB), Persons with Disabilities (Disability Benefit or DB) and sufferers of Chronic Kidney Disease of Unknown Cause (CKDU). These CT programs operate separately with little coordination, leading to significant duplication in a number of delivery functions (i.e. selection, registration, payments, grievances) resulting in overall levels of operational spending, inefficiencies, weak independent oversight and accountability. The *Samurdhi* program benefits only 48 percent of the poorest income quintile who received CTs in 2019, while close to 12 percent of the richest income quintile received CTs the same year (World Bank 2022).

The IMF EFF¹ and the pipeline World Bank's Resilience, Stability and Economic Transformation (RESET) Development Policy Operation (DPO)² seeks to unlock the main policy-level constraints of the country's CT programs, and help establish a new social protection system that is transparent, well-targeted, effective and resilient. The policy reforms include support to establish a new social protection system that relies on the social registry, which is being operationalized³, robust eligibility criteria⁴ and digital payments for the delivery of targeted CT programs.⁵ In addition, the Welfare Benefits Board⁶ (WBB) which became operational in July 2022, is mandated to coordinate the management of data on welfare applicants and on the design and implementation of CTs, is leading the above efforts. The new Social Protection Project

¹The EFF was approved on 21st March 2023.

² RESET is expected to be approved by the World Bank Board of Directors in June 2023.

³ Over 3.7 million families have registered in the social registry and are now being surveyed by local officials at their homes to validate registration data and determine their eligibility to receive cash benefits.

⁴ Included in the regulations "*Selection of Persons Eligible to Receive Payments*," which were approved by parliament on February 9, 2023. These regulations are one of two policy reforms included in the EFF and RESET DPO.

⁵ While these policy reforms are essentially taking away from *Samurdhi* its role of delivering *Samurdhi* CTs, *Samurdhi* will continue to be responsible for the delivery of non-cash support to program beneficiaries, including for example livelihoods/economic inclusion services.

⁶ Welfare Benefits Board was established through the Welfare Benefits Act of 2002.

(SPP) complements the World Bank support provided for key reforms in Social Protection (SP) under the RESET DPO.

Project Objective and Components:

The new Social Protection Project (SPP) financed by the World Bank seeks to mitigate the impact of the economic 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 Social Protection (SP) system. The project comprises of the following three components:

- **Component 1 – Cash Transfers** - will finance targeted income support to poor and vulnerable households, through CTs. using the newly established social registry and based on the new welfare benefit payment scheme.
- **Component 2 – Pilot to enhance opportunities for poor and vulnerable households** - will complement the CTs 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 – Project Management and Strengthening of Social Protection (SP) Systems** - will finance activities to improve the management capacity of the project implementing agencies and accountability mechanisms for effectively delivering CTs and economic activities to the most in need.

Total Beneficiaries:

The number of direct beneficiaries is estimated at 2 million families (7.4 million beneficiaries), with over 3.35 million families covered by the updated social registry. The direct 2 million families will benefit from the CTs provided through the WBPS while those not part of the scheme but included in the social registry could benefit from future government programs that use the social registry for targeting purposes as well as from CTs in the even they fall into poverty. The project will benefit poor and vulnerable families, and elderly, persons with disabilities and patients of CKDU through the provision of CTs for these categorical groups. It is also expected that these CTs would cover a high number (20 percent) of FHH due to their increased vulnerability. **In terms of economic inclusion activities, a total of approximately 5,800 beneficiaries are expected to receive support under Component 2.** Women, and particularly female-headed households, will be the key target population due to their high vulnerabilities. This component will also pilot appropriate activities for the inclusion of Persons with Disabilities.

Institutional Arrangements

The project has two implementing agencies (IA) - the Ministry of Finance, Economic Stabilization and National Policies (MoF) and the Ministry of Women, Child Affairs and Social Empowerment (MoWCASE). Project Management Teams (PMTs) will be identified and established at WBB under MoF and Department of Samurdhi Development (DSD) under MOWCASE. The PMT of the WBB under the MoF will manage the day to day operations for Component 1 – Cast Transfers, and the PMT of the Department of Samurdhi Development (DSD) under MoWCASE will manage day to day operations for Component 2, productive inclusion programs. Under Component 3, the sub-component 3.1 will be implemented by MoF and sub-component 3.2 by MoWCASE.

The Environmental and Social risks

While the environment risks under the project are considered 'Low'. However, the **Social risks** are assessed as "Substantial". The key potential social risks include: (i) exclusion of eligible beneficiaries due to errors linked to targeting, inaccuracies in data submitted, errors not detected during verification, and 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) limited capacity of PMTs to mitigate social risks, particularly those related to the Stakeholder/Citizen's Engagement (CE/SE) process and response to appeals/grievances; and (iv) moderate but 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 transfers.

To mitigate these risks, this project will provide cash transfer (CTs) to beneficiaries included in the newly established social registry whose identity and eligibility are transparently verified. In addition, payment of benefits will be through electronic transfer into beneficiaries' personal bank accounts, to ensure thorough accountability and ease of access. In addition, the project will finance a comprehensive campaign of communications about the cash transfer (CT) also have a functional mechanism to respond to appeals and grievances timely. A behavioral standard clearly stating zero-tolerance for Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) with consequences will also be adopted and communicated to all project actors and there will be a mechanism to report and respond to SEA/SH related incidents in a confidential manner through qualified service providers.

World Bank Requirements for Stakeholder Engagement

As the SP project is prepared as per the Environmental and Social Standard (ESS) 10 on "*Stakeholder Engagement and Information Disclosure*". The overall objective of this Stakeholder Engagement Plan (SEP) is to establish a systematic approach for stakeholder engagement, maintain constructive relationship with stakeholders, consider stakeholder views, promote and provide means for effective and inclusive engagement with project-affected parties, including public information disclosure and consultation, throughout the project life cycle. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project and any activities related to the project. The SEP also includes summaries of consultations carried out. The SEP is disclosed in the Ministry websites for public review and comments. The SEP is a living document and will be updated throughout the project life cycle. If significant changes are made to the SEP, the Borrower will disclose the updated SEP.

Social Safety Nets Project (SSNP) Experience and Consultations for Project Preparation

This new SP project builds upon the Social Safety Nets Project (SSNP) financed by the World Bank which supported the establishment of the WBB to develop the Social Registry Information System (SRIS). The WBB will regulate and maintain the new SRIS and select beneficiaries. Under SSNP, a communication strategy and GRM guideline were developed. Although the GRM module is not fully operational, it will be linked to the Integrated Welfare Management System (IWMS) that is being developed. At the Divisional Secretariats the GRM operates manually for the moment.

The SSNP's citizen engagement activities and stakeholder consultations contributed to the preparation of the beneficiary registry providing inputs to the overall design of the improved integrated social protection system which will be supported by the new SP project. In addition, DSD also conducted consultations with project affected persons and interested parties during the preparation of the new SP project. The findings from the consultations conducted are included in the project's Stakeholder Engagement Plan (SEP) which has been publicly disclosed.

Stakeholder Identification and Analysis

The SPP has identified the "Affected Parties" who are groups or other entities that will be directly influenced by the project and/or have been identified as being most susceptible to change associated with the project activities related to provision of cash grants and livelihood support. Affected Parties include vulnerable groups such as : households living below the poverty line, women headed/Single headed households who are poor, pregnant and lactating mothers who are poor, Elderly, Disabled, CKDU/Cancer/Non-Communicable Diseases (NCD) patients who rely on the State system, families in Estate communities, underserved urban settlements, remote rural locations, poor households affected by natural disasters, informal workers on Estates, small scale cash crop farmers, artisanal fishermen, blue collar workers in export processing zone (EPZ), unemployed youth from poor households – urban and rural , casual workers, micro/small/petty business owners affected by crisis to name a few. The SP project identified other interested parties who have a high interest level and high to moderate level of influence in project implementation. Those with high influence include MoF, MoWCASE, Ministry of Home Affairs (MoHA), District Secretaries, Divisional Secretaries and field offices, Welfare Benefit Board, Department of Samurdhi, National Secretariat of Elders, National Secretariat for persons with Disabilities to name a few.

Communication and Information disclosure

The ESF documents such as the Stakeholder Engagement Plan (SEP) and the Environment and Social Commitment Plan (ESCP) was disclosed at appraisal stage on the website of MoF, MoWCASE and the World Bank's external website, after clearance from the Government and the World Bank. During implementation, apart from the main ESF documents, sub-project specific safeguard instruments such as project quarterly reports, annual reports and monitoring activities as per the ESCP and SEP will be publicly disclosed. Translations of executive summary of all documents will be disclosed to the public in local languages. Project related information on eligibility criteria, application procedures, beneficiary selection, progress reporting, consultations, Grievance Redress Mechanisms, capacity building and awareness raising programs will be disclosed through digital platforms, MoF and MoWCASE websites, traditional media (TV, newspaper, radio) and through Divisional Secretary offices. These channels will provide detailed information on how stakeholders can provide their feedback and suggestions.

Strategy for Stakeholder Engagement

Continuous consultations with stakeholders identified in the SEP will be conducted through the project life cycle to obtain views and feedback on project beneficiaries/target groups, selection criteria, project deliverables, implementation procedures, impacts and risks, safeguards measures, GRM and beneficiary satisfaction using multiple approaches such as group meetings, mini workshops, focus group discussions, satisfaction surveys, social media and community monitoring to name a few. The SEP identifies the engagement strategies for each type of stakeholder group including the areas to be consulted, consultation methods, timings etc.

Strategy for engaging vulnerable groups

The Project Management Teams (PMTs) with the Divisional and District Secretary officers of the Social Assistance units of the relevant divisions (EB, CKDU, Disability), will ensure that poorest households affected by multiple vulnerabilities such as: Families with elderly, disabled, and with CKDU/Cancer/NCDs patients, those living in vulnerable areas such as in estate sector, underserved urban settlements, and remote rural locations & Veddha communities and Female Headed Households/Single headed households among others are able to participate in a meaningful process where their voices are heard. The timing and location of venues for community meetings will be carefully considered taking into account the target groups to be consulted, ensure that physically challenged are able to access venues, childcare or elder care duties of women are considered, and that there is safety and security for women and children at such venues. To engage indigenous persons (IP) Veddha communities, outreach through CBOs/CSOs working with these communities, use of local language and sensitivity towards the Veddha communities social and cultural norms will be taken into account when engaging with them. In addition, Indigenous People's Framework (IPPF) will also be produced documenting the strategies to engage Veddha communities in line with World Banks ESF requirements.

Grievance Redress Mechanism

The project will have two GRMSs one for the Cash grants component and the other for the livelihood support component. The project aims at strengthening the GRM set up under the SSNP. 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 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 manual. GRM for the livelihood support component, will be managed and coordinated by the PMU of the Department of Samurdhi Development (DSD). The Environmental and Social Specialist with the PMU of the DSD for the project will act as GRM focal for the project. The GRM will also be designed to refer Gender Based Violence (GBV)/SEA/SH incidents to qualified service providers for necessary response

Monitoring and Reporting

The responsibility for Monitoring and Evaluation of the SEP for SPP will be shared by the WBB under MOF and the DSD under MoWCASE. Both WBB and DSD will be fully staffed to roll out the SEP. The project will use multiple methods and tools for M&E such as stakeholder interviews, group discussions, feedback surveys, site visits and SEP implementation team of the two PMTs (WBB and DSD) will coordinate and facilitate documentation of M&E results and outcomes. Monitoring responsibilities have been detailed including timeframes and methods to be used. Beneficiary feedback indicators to meet the World Bank requirements for mainstreaming Citizen Engagement has been included in Results Framework and documented in SEP.