

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)
ADDITIONAL FINANCING**

Report No.: PIDISDSA16081

Date Prepared/Updated: 03-Mar-2016

I. BASIC INFORMATION

A. Basic Project Data

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|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------|
| Country: | Sri Lanka | Project ID: | P157427 |
| | | Parent Project ID (if any): | P130548 |
| Project Name: | Strategic Cities Development Project- Additional Financing (P157427) | | |
| Parent Project Name: | Sri Lanka Strategic Cities Development Project (P130548) | | |
| Region: | SOUTH ASIA | | |
| Estimated Appraisal Date: | 29-Feb-2016 | Estimated Board Date: | 31-May-2016 |
| Practice Area (Lead): | Social, Urban, Rural and Resilience Global Practice | Lending Instrument: | Investment Project Financing |
| Sector(s): | Sub-national government administration (20%), Rural and Inter-Urban Roads and Highways (45%), Water supply (35%) | | |
| Theme(s): | Other Private Sector Development (10%), Municipal governance and institution building (20%), Urban planning and housing policy (15%), City-wide Infrastructure and Service Delivery (40%), Other environment and natural resources management (15%) | | |
| Borrower(s): | Ministry of Finance | | |
| Implementing Agency: | Ministry of Megapolis & Western Development | | |
| Financing (in USD Million) | | | |
| | Financing Source | | Amount |
| | BORROWER/RECIPIENT | | 0.00 |
| | International Development Association (IDA) | | 55.00 |
| | Total Project Cost | | 55.00 |
| Environmental Category: | A - Full Assessment | | |
| Appraisal Review Decision (from Decision Note): | The review did authorize the team to appraise and negotiate | | |

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|------------------------------------|----|
| Other Decision: | |
| Is this a Repeater project? | No |

B. Introduction and Context

Country Context

Sri Lanka is a lower middle-income country with a total population of 20.7 million people. Following 30 years of civil war that ended in 2009, Sri Lanka’s economy grew at an average 6.7 percent during 2010-2014, reflecting a peace dividend and a determined policy thrust towards reconstruction and growth. Sri Lanka’s economy is also transitioning from a previously predominantly rural-based economy towards a more urbanized economy oriented around manufacturing and services. In 2014, the service sector accounted for 63.1 percent of GDP, followed by manufacturing (28.9 percent), and agriculture (8.0 percent). Per capita Gross Domestic Product (GDP) reached USD 3,811 in 2014. The Government envisions promoting a globally competitive, export-led economy with an emphasis on inclusion. Experiences from other countries indicate that urbanization can be a potentially powerful force in support of economic growth and poverty reduction, depending on how well urban growth is managed. Cities contribute significantly to national economic growth by increasing productivity at the firm and industry levels via agglomeration economies. Sri Lankan cities account for the majority of the country’s physical, financial, intellectual and technological capital. Average productivity in urban manufacturing and services is three to five times that of traditional sectors. By acting now, Sri Lanka has the opportunity to take full advantage of the economic benefits of the urban transition, while mitigating the problems associated with fast urbanization found elsewhere in South Asia.

Following the end of the three-decade long civil war in 2009, the government embarked on significant reconstruction and rehabilitation interventions in the war affected areas. Despite the efforts toward addressing the post-conflict development challenges there is still a large backlog in local infrastructure and basic services, including the need to rehabilitate roads, repair drainage systems, and enhance the urban environment. Despite these development challenges, and alongside improvements in connectivity to the rest of the country, Jaffna area has experienced very rapid expansion and growth as a single-city agglomeration. A greater focus on basic services improvement, including strengthening urban planning and management, improving the administrative and management capacity to deliver urban services, will help Jaffna respond more effectively to the reconciliation and development needs and challenges.

Sectoral and institutional Context

The Colombo Metropolitan Region (CMR) is the engine of growth for Sri Lanka however as Sri Lanka moves into the more intermediate stages of urbanization, economic activities will spread towards the secondary cities, especially with increased investments in connective infrastructure. Improvements in urban services and infrastructure are urgently needed to cope with the development challenges and manage growth.

A well-functioning and productive system of urban centers is essential for catalyzing and supporting the transformation of the Sri Lankan economy and efforts to translate economic growth into poverty reduction. The development of the system of cities is based on fostering economic growth in major urban centers outside of Colombo, a process which is intended to

produce a more spatially balanced distribution of economic opportunities, while at the same time reducing congestion in the capital and bolstering overall national economic growth.

In order to realize the vision of a system of cities, GoSL has initiated a national-level program – the Strategic Cities Program (SCP) – to manage the development of strategic cities and to ensure a consistent and coherent approach in developing key cities. GoSL and the World Bank have embarked on the first phase of development to support this program – the Strategic Cities Development Project (SCDP), which is currently ongoing in Kandy and Galle city regions, and is being extended to Jaffna city region in the north. Other Development Partners are also involved and contributing to the program by focusing on other strategic secondary cities.

The key urban context and challenges of the Jaffna city region are:

- Jaffna was severely affected during the civil conflict and will play crucial role in the peace building and reconciliation. Jaffna is a post-conflict society that was a pivotal part of the 30-year armed conflict which ended in 2009. The conflict resulted in the neglect or destruction of a diverse range of citizens' needs and services that now require addressing to rebuild the society and ensure peace is lasting. Jaffna is one of the areas in Sri Lanka with higher absolute numbers of both poor and vulnerable population.
- Urban and town centers on the Jaffna Peninsula have been playing important roles during the conflict and post-conflict period in terms of providing key basic and social services to the broader population including the poor and vulnerable.
- Jaffna area has experienced very rapid expansion and growth as a single-city agglomeration in the Northern part of the country. The Jaffna Peninsula is small and is generally well connected within the Peninsula however it has suffered from poor connections with the rest of the country. The recent growth in Jaffna has occurred alongside recent increases in connectivity to the rest of the country.

A greater focus on basic services improvement, including strengthening urban planning and management, improving the administrative and management capacity to deliver urban services, will help Jaffna respond more effectively to the reconciliation and development needs and challenges.

C. Proposed Development Objective(s)

Original Project Development Objective(s) - Parent

Improve selected urban services and public urban spaces in the Participating City Regions of Sri Lanka.

Key Results

The proposed AF will benefit the residents in Jaffna Municipal Council with improved drainage, public spaces network and community facilities, as well as residents outside of Jaffna Municipal Council with improved connectivity roads that are targeted under the project. A set of results indicators will be added for Component 4- Jaffna city region Interventions, which will be related with the proposed activities.

D. Project Description

The parent project SCDP (US\$147 million), approved by the World Bank Board on May 5, 2014, has three components: Component 1, encompassing interventions in Kandy City Region; Component 2, which focuses on interventions in Galle City Region; and Component 3, which

provides implementation support. The existing component structure will remain the same, with an additional component added for the AF for the Jaffna city region. The following section summarizes the planned additional activities.

Component Name:

Component 4: Jaffna City Region Urban Interventions is proposed under the Additional Financing: This will support priority investment and improvement including traffic and transport facilities, existing drainage system, and urban and culture heritage including streetscapes, public spaces, and restoration and safety around landmark historic buildings, as well as the development of a drainage masterplan. Institutional strengthening and capacity building support to partner agencies in Jaffna. The interventions are summarized as:

- Roads and Traffic Improvement. This sub-component will support improving the connectivity within and around Jaffna Municipal Council area, and potentially within the wider Jaffna Peninsula by connecting key rural-urban linkages. This will be done through a number of interventions that target specific roads to be improved because of their strategic importance of the linkages they provide. This component will also include the introduction of connected cycle lanes wherever possible within JMC. A Public Transport and Traffic Management Plan will be carried out in supporting critical investment identification.
- Drainage Improvement. This sub-component is to reinstate the condition of the existing drainage system in Jaffna by fully rehabilitating the network. The project will also support a comprehensive study and assist the JMC preparing a Drainage Master Plan. The project would also undertake the restoration of certain water ponds within the JMC area and improving the urban amenity around the ponds.
- Urban and Cultural Heritage Interventions. This sub-component will implement urban upgrading activities for both area-specific improvement and city-wide improvement, including the enhancement of selected streetscapes and public spaces, restoration, public safety and adaptive reuse of historic and landmark buildings. It will involve projects in three main Precincts: Old Kingdom Historical Precinct, Old Kechcheri Precinct, and City to the Lagoon Precinct (Hospital Road to the Lagoon Front). Project will in particular look into Jaffna's unique culture heritage assets by considering the needs for historic restoration, tourism development and driver for future economic growth.
- Capacity Building and Institutional Strengthening. This sub-component will strengthen the Jaffna Municipal Council by delivering systems and building the capacities of the staff to deliver services. This will be done through a number of interventions that improve the efficiency of current systems as well as their capacity to deliver on their mandate.

Component Name

Component 4: Jaffna City Region Urban Interventions

Comments (optional)

E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project activities under the Additional Financing, will be implemented in the Jaffna City Region in the Northern Province. The Jaffna Municipal Council area is highly urbanized, however the wider peninsula is more rural in nature with a number of interlinked towns, including three urban councils. The terrain is generally very flat with lagoons and islands, both distinctive features. There are nationally significant heritage sites within the city region that date back to the pre-colonial and colonial period.

Project locations of the parent project, the Municipal areas of Kandy (Central Province) and Galle (Southern Province) remain the same.

F. Environmental and Social Safeguards Specialists

Mohamed Ghani Razaak (GSU06)

II. Implementation

Institutional and Implementation Arrangements

The main responsibility of ensuring compliance with environmental, social and other safeguard requirements of the project will be borne by the PMU. It will be supported by a full-time environmental specialist who is suitably qualified and experienced in managing urban environmental issues and a PCR expert who will either work fulltime or part time, depending on the requirement. Among its key tasks, the PMU will be responsible for (i) overall policy direction, (ii) technical assistance, (iii) review and endorsement of screening reports resettlement action plans , environmental assessment and management plans, (iv) ensuring EMPs are reflected in the bid documents, (v) capacity building for effective safeguards management to the implementing agencies, (vi) monitoring of environmental compliance and (vii) progress reporting to the World Bank.

The responsibility of day to day planning, implementation and supervision of environmental safeguards specific to sub-projects will be borne by the local PMU offices. Each local PMU office will recruit an environmental specialist who will ensure timely and sound application of the EAMF to the sub-projects. The PEAs will draw on his/her expertise during the design/ implementation stages to complete safeguards work. He/she will work under and report to the PMU. On PCR issues, the environmental specialists will work under the guidance of the expert in the PMU who will also help in coordinating with the DoA and/or the local Municipal Councils.

In addition to appointing dedicated safeguards support staff, the project will build on existing capacity through; (ii) short-term and long-term capacity building of implementing staff through training and, if necessary, procurement of environmental monitoring equipment; (iv) technical assistance for preparing EAs and EMPs; (v) forums for inter-agency co-ordination and (v) independent environmental audits etc

Social safeguards compliance arrangements proposed involves the preparation of safeguards instruments for screening of sub-projects, instituting systems and capacity for safeguards management at the PMU and project partner agencies . This will include hiring of Social Development and Resettlement Specialists for PMU and Social Development Officers (SDOs) at local (city) level. PMU will assist PPAs handling resettlement activities; engage CSOs/NGOs for mobilizing community for subproject level planning and implementation, hiring consultants for resettlement planning to coordinate safeguards management activities and building capacities on resettlement management in implementing agencies. The safeguards monitoring and review will be

carried out by external consultants who will provide quarterly implementation progress reports (QPR) and yearly Safeguard Review Reports. Social accountability measures proposed include information disclosure, civil society participation in planning and monitoring of the project; and grievance redress mechanisms.

III. Safeguard Policies that might apply

| Safeguard Policies | Triggered? | Explanation (Optional) |
|-------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental Assessment OP/BP 4.01 | Yes | Environmental Assessment (OP/BP 4.01) will remain triggered as the project will support upgrading of urban services and associated rehabilitation/ improvement of urban infrastructure. These will involve medium/large scale civil construction work, canal rehabilitation, road rehabilitation etc. The scope of project activities under the AF will remain the same. The Environmental Assessment and Management Framework (EAMF), of the parent project has been updated to include the city of Jaffna. The EAMF outlines the processes and serve as a guideline to undertake environmental assessments (EAs) and/or environmental management plans (EMPs) as required. Sub-project specific EAs/EMPs will be undertaken for all activities. |
| Natural Habitats OP/BP 4.04 | Yes | OP/BP 4.04 will remain triggered on a precautionary basis as the project areas have some potential projects that may have impacts on natural habitats. Due diligence mechanisms to ensure such impacts are mitigated have been included in the procedures outlined in the EAMF. |
| Forests OP/BP 4.36 | Yes | OP 4.36 remains triggered on a precautionary basis as the project takes a framework approach and as Kandy has several forest reserves within the city. However, no significant or irreversible impacts or changes to forests are envisaged. |
| Pest Management OP 4.09 | No | OP 4.09 is not triggered as the project is not expected to procure pesticides, equipment or lead to a substantial increase in the use of pesticides. |
| Physical Cultural Resources OP/BP 4.11 | Yes | OP/BP 4.11 is triggered as some of the potential urban upgrading projects may involve conservation and/or adaptive reuse of heritage properties. The EAMF includes specific due diligence mechanisms for sound management of Physical Cultural Resources (PCRs), including PCR specific screening and guidelines to undertake management and/or adaptive reuse plans. |

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| Indigenous Peoples OP/BP 4.10 | No | The social assessment by an independent consultant has revealed and confirmed that there are no indigenous communities living in the selected cities covered by the project. |
| Involuntary Resettlement OP/ BP 4.12 | Yes | The proposed project schemes may cause both physical and economic displacement. Interventions in urban areas will require land acquisition and relocation of structures, especially, business and trade stalls under urban facility upgrading improvements as well as private land for expansion of by-pass roads. However, there is no large scale relocation or resettlements expected. RPF provides guidelines and procedures to carry out specific screenings and due diligence to address social risks and mitigation measures |
| Safety of Dams OP/BP 4.37 | No | OP 4.37 is not triggered as there will be no work undertaken with regard to dams and reservoirs. |
| Projects on International Waterways OP/BP 7.50 | No | Sri Lanka is an island country; hence issue of international waterways are not applicable. |
| Projects in Disputed Areas OP/ BP 7.60 | No | Sri Lanka (hence the project areas) does not have disputed areas, hence this OP is not triggered. |

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

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| <p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>Environment</p> <p>The Additional Financing (AF) is essentially a scale up of the SCDP rather than an expansion of its technical scope and development objectives. As such the AF will maintain the same safeguards category, category A, and all policies triggered for the parent project will be applicable. Overall, the SCDP is deemed environmentally beneficial and so is the AF investments, as the type of investments proposed are very similar to those implemented in Kandy and Galle aimed at creating better services and livability in the selected cities. Implementation of the EAMF under the parent project has been quite successful and no major changes have been considered necessary in the safeguards management process outlined in it. Hence, the original EAMF, which has been updated with a general assessment of the Jaffna component, will be fully applicable to the AF operation. The updated EAMF has been reviewed, cleared and disclosed as of 28/01/2016.</p> <p>The project will contribute to an improved urban environment in all three cities where service standards and subsequent management of key urban services such as transport, drainage, walkability etc. will be uplifted. The ultimate environmental impacts of these targeted investments will be essentially positive. In Kandy, for example, traffic congestion within the city is almost paralyzing and contributes to air pollution in a significant way. With the strategic investments selected by the project it is hoped that mobility within the city will be greatly improved resulting in improved road safety, travel time and air quality. In Galle flooding within the city will be lessened with the proposed improvements to the urban canal/drain network which will result in</p> |
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reduced risks to the public and property. Similarly, in Jaffna, the planned investments are believed to provide the impetus to transform the city and bring about much needed economic growth that has been long stalled due to the prevalence of the civil conflict for decades.

The general environmental foot print of majority of the investments are associated with construction impacts that include air pollution, noise, debris disposal, public safety, inconvenience, restricted access, traffic congestion, removal of vegetation in the work sites, extraction of construction material, etc. which would be localized and temporary in nature and can be mitigated with known technologies. In some sub-projects specific issues that are apart from typical construction related impacts may arise. Such issues will be addressed with specific guidelines so that the real impacts could be evaluated successfully and mitigation measures proposed accordingly. In Kandy, landslides constitute a major natural disaster which has been aggravated over time by poor land use practices on mountain slopes. In order to guide future land-use and economic activity in hilly areas the National Building Research Organization (NBRO), which is the government authority for landslide disaster management, has prepared Landslide Hazard Zonation (LHZ) maps for vulnerable areas including the Kandy city. The LHZ maps assign risk levels to areas depending on susceptibility for land sliding and accordingly within the Kandy city 10% of the areas has been identified as having a high risk while 30% and 60% respectively has been identified as having a moderate and low risk. During project planning it is imperative to consider site susceptibility to landslides and ensure proper technologies are used to mitigate any prevalent risk in co-ordination with the NBRO.

In Galle, poor drainage capacity due to blocked channels contributes to local floods and hence maintenance dredging of canals to improve the flow will be undertaken. Canal dredging will generate significant quantities of dredge material which requires careful disposal, especially if contaminants are present. Under the World Bank funded MCUDP the same approach was adopted and it was revealed that apart from site specific issues major contaminations did not occur in the canals of Colombo. Given that Galle is much less urbanized than Colombo, it is unlikely that the sediments will contain hazardous material. Nevertheless, the project will adopt a cautious approach and undertake adequate assessment of sediment quality prior to the commencement of dredging activities and monitor disposal sites. The canals are slow-flowing and receive a considerable load of wastewater and sewage from domestic and commercial establishments in the catchment. Therefore, impacts on water quality from canal rehabilitation work will be insignificant and temporary. Since drainage and wastewater discharge are the main functions of the canal network there will be no impacts resulting from restriction on other uses due to dredging work.

In Jaffna, the only work with a high environmental risk is the desilting of drainage canals and ponds. Drainage improvements in Jaffna must be approached cautiously as it's a city that is solely dependent on its ground water resources, with rainwater percolation being the primary way in which it recharges. Hence, given Jaffna's unique geology and its heavy reliance on scarce ground water, it is crucial that urban planning and development be approached from a sound understanding of ground water management. While the ponds are heavily silted and has been long neglected, it is important to scientifically determine the safe depth for excavation for too little or too much desilting can have adverse consequences. Desilting ponds and drainage canals will also generate large quantities of silt. The project will follow the guidelines provided in the EAMF in determining sediment suitability for disposal.

Physical Cultural Resources

Kandy, Galle and Jaffna are cities rich in cultural heritage and requires particular attention to

mitigate any negative impacts on PCRs that can take place either directly or indirectly during project implementation. As highlighted in the preceding chapter, PCRs in three cities are dominated by built PCRs such as historic buildings, monuments, temples and monastic complexes. For Kandy and Galle cities, cultural heritage buildings and properties have been inventoried and mapped by both the Department of Archaeology and the CEA and a historic building code is in practice which requires historic buildings to adhere to conservation guidelines when any change is implemented. For Jaffna, due to the long standing conflict period, a mapping of archeological, historical and cultural property has not been conducted in detail currently, however locations of some of the key PCRs within the municipality are known. Some of the key interventions undertaken by the project, focuses on rehabilitating and improving existing infrastructure in the urban areas, such as drainage systems, roads and water supply schemes. In addition the project will also have a cultural heritage focused component focusing on heritage assets under interventions planned for Urban Upgrading. The planned interventions will fall within the purview of conservation, historical restoration, physical rehabilitation, adaptive reuse and management and maintenance of heritage assets. While these interventions are expected to have positive outcomes, care should be taken to employ the right expertise, use sympathetic construction material and techniques and not to over-restore resulting in negative impacts on the townscape and the Outstanding Universal Value (OUV) of designated UNESCO Heritage Site. Also, reuse of restored, heritage buildings will need to take into consideration impacts of increased visitation and the resultant wear and tear and have adequate heritage buildings should take into consideration impacts of increased visitation and the resultant wear and tear and have adequate management measures to ensure the continual conservation of the cultural heritage asset.

One of the primary goals of the SCDP is to ensure sustainable management and conservation of these two heritage cities and to enhance their value through planned heritage conservation. As such, project will undertake restoration of selected heritage buildings and ancient monuments. Both cities have a strict historic building code in practice, administered by the local municipalities, which requires historic buildings to adhere to conservation guidelines when any change in implemented. All the structures identified hitherto are owned by the DoA, hence design and implementation will be carried out by or under close supervision by the DoA according to a restoration plan approved by the UNESCO heritage committee established for each city.

Involuntary Resettlement

Compared to two city regions (Kandy and Galle) of the parent project, the social context of Jaffna city region is complex and issues are somewhat related to conflict that devastated the region for three decades. Rapid Social Assessment carried out revealed some key social risks and issues. For example, there are issues of reclaiming the encroached lands that belong to the heritage sites and drainage and storm water retention ponds and reservations, difficulties in regulating improper waste management practices that carry implications for maintenance of ponds once rehabilitated, unravelling complex land ownership and tenure systems, and limitations on availability of land, non-availability of legal documents of proof of ownership etc. that in combination or singly will lead to delays in project implementation. Also there is a sizable migrant population in the city region residing in government lands and engaged in various income earning activities including informal businesses. Freeing of spaces for urban upgrading works may require relocation of illegal occupants including squatters and encroachers in prime urban locations therefore will be a challenge. The Resettlement Policy Framework (Previously known as the SMF) has been revised and updated to address the above issues and to reflect additional safeguards requirements of interventions proposed for the Jaffna Additional Finance.

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

The project will support improved city planning and development by financing a Strategic Development and Growth Plan and subsequently an integrated Master Plan for Kandy and Galle. This will be a major output and the road map for development of the two cities. It has been recommended that Strategic Environmental Assessments are carried out to enhance the city development master plan with elements of sustainability and green city planning based on natural assets/ecology and carrying capacities. The role the SEA can play in lessening environmental risk and enhancing its outlook while facilitating economic development in future city development will be an important one. As such, it is anticipated that future cities' development will be guided by the integrated master plans and the long-term net cumulative impact resulting from sound upstream environmental planning (that will come with the SEA) will be positive in comparison to haphazard city development. However, implementation of the master plan will generate a range of environmental impacts which will need to be mitigated at the project level.

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

The project interventions of SCDP will mainly be focused on rehabilitating and/or upgrading existing city infrastructure. Selection of infrastructure for rehabilitation/upgrading in all major urban sectors in the three cities will follow a strategic analysis and consideration of alternative technologies. For example in Kandy, selection of interventions in the transport sector to help ease city traffic follows up with further analysis on recommendations made by a key strategic Kandy transport sector study. The project implementation timeline will allow adequate time for the preparation of interventions that may trigger adverse impact, so that the necessary investigations, alternative analysis and mitigation can be planned and completed in support of project implementation. Some of the general measures taken to avoid or minimize adverse environmental and social impacts include (a) use of the existing right of way in case of rehabilitation/upgrading existing infrastructure; (b) avoidance of design alternatives that may affect heavily built up areas; and (c) works along existing canal and drainage paths with required section corrections.

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.

In order to address environmental safeguard issues and challenges in implementation, the GOSL has prepared an EAMF which has been reviewed and cleared by the World Bank and publicly disclosed since November 2013. This EAMF has been updated to include investments under the AF and re-disclosed as of 28/01/2016. The EAMF (i) describes the project area in terms of key physical, hydrological and biological features and carries out an early assessment of anticipated environmental impacts from the project, (ii) recommends typical mitigation strategies including for those specific issues requiring particular attention (iii) sets out the safeguard management processes and instruments to be applied at the sub-project level (in order to comply with the safeguard policies triggered by the project) (iv) defines institutional roles, responsibilities and capacity building needs for effective implementation of safeguards planning and mitigation and (v) public consultation and disclosure requirements. The criteria set out in the EAMF primarily recommends that each sub-project be subjected to a detailed screening, using a pre-determined screening template, based on which the requirement for a stand-alone and site-specific assessment and the type of assessment are determined.

The EAMF includes specific due diligence mechanisms for sound management of Physical Cultural Resources (PCRs) as well, including PCR specific screening and guidelines to undertake management and/or adaptive reuse plans.

Application of the EAMF to sub-projects identified for implementation in year 1 has been completed and the relevant safeguard documents have been reviewed, cleared and disclosed.

For all other sub-projects in the pipeline the same methodology will be systematically applied wherein first the detail screening will be carried out for each sub-project soon after the concept designs have been completed and the sub-project scope has been defined. Based on the screening outcome, the appropriate safeguard instrument will be determined and carried out, as necessary, with any proposed consequent changes to the designs effected prior to commencing the procurement process. As guidance to the PMU, the EAMF provides a classification of sub-projects in the pipeline in accordance with (a) safeguard categories of OP 4.01 and (b) prescribed thresholds of the Sri Lanka National Environmental Act (NEA), and recommends the type of environmental analysis suited for each type of investment commensurate with the magnitude of potential impacts. This classification is only a broad guidance and will be re-evaluated at the time of screening for each specific sub-project. This will be reviewed and revised as necessary during implementation of the project.

Status of environmental safeguards implementation at AF stage

Management of environmental safeguards under SCDP thus far, has been fairly satisfactory. The PMU has provided good leadership in ensuring smooth application and management of environmental safeguards in investments so far finalized. Implementation and monitoring of activities as per the respective Environmental Management Plans (EMPs) for construction work under project interventions tendered, have ensued no major environmental issues, thus compliance has been satisfactory.

The Government has prepared a Social Management Framework (SMF) for the Project to address potential adverse social impacts including measures to ensure sustainable resettlement measures for project affected persons and recovery from adverse social impacts to properties and livelihood. The SMF provides a resettlement policy framework (RPF) for the whole project to ensure all affected persons will be able to improve or at least restore the lost assets and livelihood to the pre-project level. The SMF lays down principles and procedures for: (i) social screening and impact survey for future sub-projects with standard templates; (ii) social inclusion and gender development plans; (iii) preparing RAPs before awarding work; (iv) overall legal and institutional arrangements; (v) entitlement matrix ; (vi) implementation arrangements; (vii) grievance redress mechanisms, monitoring and evaluation; (viii) information disclosure, consultation, and stakeholder participation; (ix) implementation schedule including monitoring plan; and (x) indicative budget in compliance with the Bank's safeguard policies on involuntary resettlement OP/BP 4.12 and physical cultural resources OP/BP 4.11. The SMF also states that no project affected household or person shall be displaced or evicted under any existing country legislation or administrative instruction without the necessary provision of compensation and rehabilitation benefits as per the entitlement matrix in the SMF. Social surveys and Resettlement Action Plans (RAP) have already been successfully completed, in line with the SMF for the first-year pipeline of four sub-projects.

Borrower capacity: The GOSL has past experience in managing environmental safeguard risks in large scale urban upgrading work funded by international donor agencies. The Central Environmental Authority, the country's premier environmental regulatory agency, has almost three decades of experience in environmental management and monitoring of development

projects and will make available their expertise through the project steering committee, when necessary. Agencies such as the UDA and RDA have some level of experience in Environmental Impact Assessments (EIA), either in a project approving or implementing capacity. The National Building Research Organization has considerable expertise in assessing landslide prone areas, particularly with areas such as Kandy and will work closely with the project to provide expertise towards project implementation. The Coast Conservation Department has been one of the first to introduce EIAs in coastal development in the South Asian region and has an established procedure for evaluating environmental impacts. The Department of Archaeology is the government authority on preservation of cultural assets and has strong regulations for ensuring consequences upon the antiquarian, historical or archaeological aspects or value of the asset in question are identified and managed. However, despite the well-developed regulatory framework, experience and dedicated institutions Sri Lanka has, enforcement and implementation at times can be weak. More recently, MODUD has gained valuable experience in managing environmental safeguard risks through the implementation of the MCUDP that focuses on flood management and urban upgrading in Colombo. Since SCDP will be similar in design to MCUDP, the PMU should liaise closely with the MCUDP to share experience and lessons learnt.

Further, measures will be put in place to improve the capacity of the PMU to manage safeguard issues associated with additional lending activities and the project will mobilize additional safeguards staff to Jaffna and build capacity, systems and procedures based on the experience implementing SCDP to meet the national standards and World Bank requirements.

For social safeguards management, the country has in place well developed Land Acquisition (LA) Act and National Involuntary Resettlement Policy (NIRP) to deal with land acquisition and involuntary resettlement risks. Over the last few years, the capacity and experience of applying the law and policies in the country as well as donor policies on involuntary resettlement have been improved through implementing projects such as MCUDP and the Southern Transport Development Project (ADB). The key project partner agencies such as Road Development Authority (RDA) has nearly 30 years of experience in planning and preparing resettlement action plans and human resources to implement the land acquisition act. In addition, over the past three years, the Bank has supported the capacity building training and knowledge sharing programs for staff of key government agencies involved in management of land acquisitions and resettlement and this will be continued under the project during the course of implementation.

Implementation arrangements – The main responsibility of ensuring compliance with environmental, social and other safeguard requirements of the project will be borne by the PMU. It will be supported by a full-time environmental specialist who is suitably qualified and experienced in managing urban environmental issues and a PCR expert who will either work fulltime or part time, depending on the requirement. Among its key tasks, the PMU will be responsible for (i) overall policy direction, (ii) technical assistance, (iii) review and endorsement of screening reports resettlement action plans, environmental assessment and management plans, (iv) ensuring EMPs are reflected in the bid documents, (v) capacity building for effective safeguards management to the implementing agencies, (vi) monitoring of environmental compliance and (vii) progress reporting to the World Bank.

The responsibility of day to day planning, implementation and supervision of environmental safeguards specific to sub-projects will be borne by the local PMU offices. Each local PMU office will recruit an environmental specialist who will ensure timely and sound application of the EAMF to the sub-projects. The PEAs will draw on his/her expertise during the design/

implementation stages to complete safeguards work. He/she will work under and report to the PMU. On PCR issues, the environmental specialists will work under the guidance of the expert in the PMU who will also help in coordinating with the DoA and/or the local Municipal Councils.

In addition to appointing dedicated safeguards support staff, the project will build on existing capacity through; (ii) short-term and long-term capacity building of implementing staff through training and, if necessary, procurement of environmental monitoring equipment; (iv) technical assistance for preparing EAs and EMPs; (v) forums for inter-agency co-ordination and (v) independent environmental audits etc

Social safeguards compliance arrangements proposed involves the preparation of safeguards instruments for screening of sub-projects, instituting systems and capacity for safeguards management at the PMU and project partner agencies . This will include hiring of Social Development and Resettlement Specialists for PMU and Social Development Officers (SDOs) at local (city) level. PMU will assist PPAs handling resettlement activities; engage CSOs/NGOs for mobilizing community for subproject level planning and implementation, hiring consultants for resettlement planning to coordinate safeguards management activities and building capacities on resettlement management in implementing agencies. The safeguards monitoring and review will be carried out by external consultants who will provide quarterly implementation progress reports (QPR) and yearly Safeguard Review Reports. Social accountability measures proposed include information disclosure, civil society participation in planning and monitoring of the project; and grievance redress mechanisms.

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

During preparation of the EAMF, project stakeholders (including the cities' political, administrative and religious leaderships) in both cities have been consulted to hear their concerns about the projects' environmental impacts and the outcomes have been documented. During screening of the year 1 sub-projects public of the area has been consulted and documented. In addition, consultations with other primary stakeholders such as the implementing partners (SLLRDC, UDA, CCD, DoA and the MCs) and regulatory agencies (CEA) have been carried out during this time. The EAMF has been placed in public domain in-country and through the World Bank's Infoshop since November 2013 to comply with the 120 day disclosure requirement of a Category A project. After the EAMF and the year 1 EAs and RAPs are disclosed, the PMU will carry out a media notice where an opportunity will be provided to the public to discuss the project design, its environmental and social implications. Similarly, for all types of environmental analyses conducted subsequently, affected communities would be consulted, process documented and account taken of the results of consultation, including any actions agreed resulting from the consultation. Public disclosure of the relevant safeguards documentation will be a pre-requisite for bidding of works contracts. The contract documents for each contract package will mandatorily include the relevant environmental mitigation provisions stipulated in the EMPs for the given sub-projects in order to ensure contractor compliance with the safeguards requirements.

Two city level key stakeholders consultation workshops carried out as part of social assessment and resettlement planning exercise. The stakeholders include local politicians, city level administrators, religious leaders, social service organizations and potential partner agencies of the Government. Each of these city level consultations was attended by nearly 100 participants. In addition, series of sub project level community consultations were carried out as part of resettlement planning process. The social consultants hired from local universities carried out

these consultations on behalf of the government and the consultation process has been explained in the resettlement planning documents of each subproject. The social assessment document includes the gender action plans, community consultations plans as well as leaflets and brochures describing the project purpose, interventions, potential impacts and grievance redress system to minimize adverse social impacts.

The same process will apply to the AF activities. In the process of updating the EAMF, two city wide well attended public consultations have been held in Jaffna. Given the post-conflict nature and the socio-political sensitivities of the Jaffna region, citizen engagement and consultations will be given high priority and mainstreamed into the planning process under the AF.

Social Assessment has identified key stakeholders and the project preparation is largely based driven by a “participatory and consultative” process. Given the post-conflict context, and specific laws related land inheritance pattern of Tamil community, additional safeguard measures have been incorporated in the RPF to address these specific issues unique to the region. Project also include a citizen engagement strategy to ensure needs and priorities of urban community are properly mainstreamed in the project preparation and implementation

B. Disclosure Requirements

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Environmental Assessment/Audit/Management Plan/Other | |
| Date of receipt by the Bank | 20-Dec-2015 |
| | |
| Date of submission to InfoShop | 28-Jan-2016 |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors | 29-Feb-2016 |
| "In country" Disclosure | |
| Sri Lanka | 27-Jan-2016 |
| <i>Comments:</i> | |
| Resettlement Action Plan/Framework/Policy Process | |
| Date of receipt by the Bank | 27-Jan-2016 |
| | |
| Date of submission to InfoShop | 28-Jan-2016 |
| "In country" Disclosure | |
| Sri Lanka | 27-Jan-2016 |
| <i>Comments:</i> | |
| If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP. | |
| If in-country disclosure of any of the above documents is not expected, please explain why: | |
| | |

C. Compliance Monitoring Indicators at the Corporate Level

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| OP/BP/GP 4.01 - Environment Assessment |
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| Does the project require a stand-alone EA (including EMP) report? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Are the cost and the accountabilities for the EMP incorporated in the credit/loan? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| OP/BP 4.04 - Natural Habitats | |
| Would the project result in any significant conversion or degradation of critical natural habitats? | Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>] NA [<input type="checkbox"/>] |
| If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank? | Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>] |
| OP/BP 4.11 - Physical Cultural Resources | |
| Does the EA include adequate measures related to cultural property? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| OP/BP 4.12 - Involuntary Resettlement | |
| Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Is physical displacement/relocation expected? Provided estimated number of people to be affected | Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] TBD [<input checked="" type="checkbox"/>] |
| Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods) Provided estimated number of people to be affected | Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] TBD [<input checked="" type="checkbox"/>] |
| OP/BP 4.36 - Forests | |
| Has the sector-wide analysis of policy and institutional issues and constraints been carried out? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Does the project design include satisfactory measures to overcome these constraints? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Does the project finance commercial harvesting, and if so, does it include provisions for certification system? | Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>] NA [<input type="checkbox"/>] |
| The World Bank Policy on Disclosure of Information | |
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| 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 [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |

| All Safeguard Policies | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Have costs related to safeguard policy measures been included in the project cost? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>] |

V. Contact point

World Bank

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Borrower/Client/Recipient

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VII. Approval

| | | |
|-------------------------------|--------------------------------|-------------------|
| Task Team Leader(s): | Name: Zhiyu Chen | |
| Approved By | | |
| Safeguards Advisor: | Name: Maged Mahmoud Hamed (SA) | Date: 03-Mar-2016 |
| Practice Manager/ Manager: | Name: Peter D. Ellis (PMGR) | Date: 03-Mar-2016 |
| Country Director: | Name: Francoise Clottes (CD) | Date: 16-Mar-2016 |