



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 27-Jul-2018 | Report No: PIDISDSA24148

**BASIC INFORMATION****A. Basic Project Data**

Country Sri Lanka	Project ID P163864	Project Name Framework Development and Infrastructure Financing to Support Public Private Partnerships	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 12-Jul-2018	Estimated Board Date 27-Sep-2018	Practice Area (Lead) Transport & Digital Development
Financing Instrument Investment Project Financing	Borrower(s) Democratic Socialist Republic of Sri Lanka	Implementing Agency Ministry of Finance and Mass Media	

Proposed Development Objective(s)

The Project Development Objective is to support the preparation of Public-Private Partnerships that will enable the Government of Sri Lanka to facilitate private sector financing for the development of its priority infrastructure and services.

Components

Improving the Enabling Environment
Preparation of Selected, Prioritized PPP Transactions
Project Management

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	27.00
Total Financing	27.00
of which IBRD/IDA	25.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Bank for Reconstruction and Development (IBRD)	25.00
Non-World Bank Group Financing	
Counterpart Funding	2.00
Borrower	2.00
Environmental Assessment Category	
A-Full Assessment	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context

- Overview.** Sri Lanka is a lower-middle-income country with a per capita gross domestic product (GDP) of US\$4,065 in 2017. The economy grew at an average 5.8 percent during 2010–2017 following the end of the 30-year civil war in 2009, enjoying the benefits of a peace dividend and policy thrust toward reconstruction and growth. In 2017, it recorded a 3.1 percent GDP growth and is expected to reach 4.4 percent growth in 2018.¹ It ranks relatively high (73) on the United Nations Human Development Index compared to other developing economies and 110 on the World Bank Group's Doing Business Indicator in 2017 (up from 113 in 2015).
- Challenging fiscal landscape.** Sri Lanka is faced with large fiscal deficits and high public debt. In 2015, the country recorded a fiscal deficit of 7.6 percent of GDP and a central government debt level of 77.7 percent of GDP. The corrective fiscal measures adopted following the International Monetary Fund (IMF) program in 2016 saw the fiscal deficit reduce to 5.5 percent of GDP in 2017. However, the central government debt remained high at 77.6 percent of GDP by end 2017 while the debt portfolio indicated significant risks including refinancing risks of maturing Eurobonds from 2019 and relatively high share of foreign currency denominated debt.
- Vision 2025.** The Government that came to power in 2015 envisions promoting a globally competitive, export-led economy with an emphasis on inclusion. It has indicated keenness to undertake reforms in the areas of public finance, competitiveness, governance and education sectors. Recently, the GoSL presented Vision 2025, a policy document encompassing structural reforms to address key economic challenges. The Vision 2025, among other things, recognizes economic limitations faced by the country

¹ World Bank staff estimates.



due to the constrained fiscal space and the importance of promoting private sector participation in strengthening economic growth.

Sectoral and Institutional Context

4. **Growing infrastructure needs.** In Sri Lanka infrastructure has been a significant driver of economic growth in recent years with key infrastructure sectors being transport, energy and water supply and sanitation. Several studies have identified a number of constraints in these specific sectors which alone require large capital investments. Investments in the transport sector has thus far concentrated on the rehabilitation of the road network and the development of the expressways with less efforts on the development of the bus or rail networks which has led to a deterioration of public transport. The Western Region Master Plan developed by the Ministry of Megapolis and Western Development envisions about US\$11 billion in transport related investments up to 2020 in the Western Region alone. The country is currently facing shortages in power generation and addressing these constraints require at least US\$ 2.73 billion worth of capital investment up to 2020². Lack of capital due to weak cost recovery and high investment required for water resource development are key constraints facing the water and sanitation sector. The World Bank in 2014 estimated the investment needs of water supply and sanitation infrastructure at US\$ 429 million per year in until 2020³. (See Annex 1 for more details)

5. While the Colombo Metropolitan Region (CMR) have seen an increase in infrastructure investments over the years the country still has a lot to do in addressing economic and social infrastructure needs beyond the CMR. According to GoSL estimates, around US\$27.4 billion in public funding (about Rs. 4,335 billion) is required to address the infrastructure needs for the period 2017-2020⁴ (of which about US\$5 billion are off-budget funding requirements).

6. **Current Infrastructure Financing.** Infrastructure financing in the country has so far been dominated by public funding, often supported by loans from International Financial Institutions (IFIs) and countries such as China and Japan that have typically lent to the GoSL/state-owned enterprises (SOEs). In addition, some of the infrastructure projects were also financed by SOE's by borrowing locally with the support of a sovereign guarantee. Private sector financing in infrastructure is often only sought in cases where a project is unable to secure public funding irrespective of whether or not the project is actually suitable for private sector investment.

7. **Fiscal constraints necessitate the need to attract more private investments.** With high public debt levels, continuing to rely on public debt financing to provide infrastructure is unlikely to be a sustainable approach for the GoSL. Therefore, moving forward, Public-Private Partnerships (PPPs), although complex and time-consuming, are seen as one of the solutions that may provide value for money for projects that are well prepared and structured, where suitable.

8. **Sri Lanka's past successful experience in PPPs.** Sri Lanka has the potential to benefit immensely from a PPP program in addressing its infrastructure requirements given its past successful track record where private participation in infrastructure over 1995–2005 totaled US\$2.1 billion across the transport,

² World Bank staff estimates based on the Long-Term Generation Expansion Plan (LTGEP) 2018-2037 of the GoSL

³ Water and Sanitation Study Dissemination (2014) – World Bank

⁴ GoSL Public Investment Program 2017-2020



telecom, and energy sectors. Several of these projects procured over a decade ago have already completed successful implementation without any renegotiation.

9. **Analytical work underpinning the design of the PPP program.** The GoSL approached the World Bank in 2016, seeking assistance in developing a robust PPP program in Sri Lanka. The World Bank carried out a PPP Diagnostic (September 2016) and the results of this diagnostic together with recent experiences and several ongoing assessments of the World Bank such as the Infrastructure Sector Assessment Programs (InfraSAPs) for transport and energy, the Public Investment Management Assessment carried out in coordination with the IMF and the project prioritization exercise carried out for the water sector have informed the design of the project. Furthermore, results of the assessments carried out by the consultants assisting the preparation of the enabling environment have also contributed to the project design.

10. **Several Constraints identified in these assessments impinge on a successful PPP program.** In the recent past several transactions that could have been developed as PPPs have been financed through public finance with some of them being pursued as unsolicited proposals failing to extract value for money. The use of USPs have been exacerbated by limited capacity in Government to prepare and procure PPPs. The initiatives by the Government to invite the private sector without appropriate due diligence or transaction structuring have resulted in abortive project processing adding to the frustration of the Government that is keen to show results. The absence of a transparent policy framework and inconsistent application of it strategies have failed to provide the much-needed confidence to the private sector. Furthermore, Sri Lanka is also suffering from limited availability of domestic finance that can sustain a large PPP program. (See details in Annex 1)

11. **The GoSL so far has shown strong and continued commitment to the PPP Agenda by establishing the PPP unit.** In 2017, a PPP Unit was established by the GoSL based on the recommendations made in the World Bank's PPP Diagnostic. Subsequently, the PPP Unit was reconstituted as the National Agency for Public-Private Partnerships (NAPPP). The NAPPP was temporarily established as a department under the Ministry of Finance and Mass Media (MoFMM) in January 2018 with the expectation that it will be formally established through an Act of Parliament or an alternative legal mechanism to ensure sustainability within the institutional structure. Furthermore, a Board of Governors (BOG) has been constituted which will have oversight over the NAPPP and its processes. The BOG will provide guidance to the NAPPP on policy related issues, communications and overall monitoring and evaluation of the PPP program. The GoSL currently has investment projects of approx. USD 3 Billion⁵ to be developed through PPPs.

12. **Assistance provided to the PPP Program through the Public-Private Infrastructure Advisory Facility (PPIAF).** At the request of the GoSL, grant finance of US\$700,000 was provided by the Public-Private Infrastructure Advisory Facility (PPIAF) to the Bank. The Public-Private Infrastructure Advisory Facility, a multi-donor technical assistance facility financed by multilateral and bilateral donors and managed by the Bank, has extended a grant to facilitate the execution by the Bank of a series of preparatory activities on which the Project is building, such as the provision of recommendations and capacity building activities on the PPP legal and regulatory framework including PPP related guidelines, and organization structure of the PPP unit, staffing and knowledge building and management, the

⁵ Estimated by NAPPP based on the availability of information and excludes projects in the Port City that still requires clarity.



development of tools for the preparation of PPP transactions, the design of criteria for the prioritization of possible PPP transactions and tools for the assessment of their level of readiness, such as outline business cases. The specific activities financed by the grant are discussed in detail in Annex 5.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The PDO is to support the preparation of Public-Private Partnerships that will enable Government of Sri Lanka to facilitate private sector finance.

Key Results

13. The PDO will be measured through the following key indicators:
- (a) Feasibility studies or project designs that include gender analysis completed for at least three (3) PPP transactions with the assistance of the project.
 - (b) Transaction advisory services provided for at least two (2) PPP transactions with the assistance of the project
 - (c) Commercial closure of at least one (1) PPP transaction with the assistance of the project

D. Project Description

14. **The project will contribute to the** transformation in Government systems and enhance the Government capacity for planning and evaluation of PPPs that is expected to increase investor confidence. The main thrust of the project will be to prepare feasibility studies and provide transaction advisory services to improve the structuring of selected PPP transactions, throughout the preparation of the tender documents and, in some cases, the negotiation of the contractual arrangements with the selected bidder, through award and up to the financial closure. The project components are discussed in detail in Annex 1 of the PAD.

Project Components

Component A: Improving the Enabling Environment (US\$2.5 million)

15. This component aims to improve and strengthen the enabling environment for PPPs in Sri Lanka by building on the various PPP related support that has been previously provided by the World Bank and other IFIs/donors (e.g. US AID).

A.1 Establishing the Institutional environment for sustainability of PPPs

16. **This subcomponent will strengthen the institutional framework to improve sustainability of the PPP program, by:** (a) organizing and staffing NAPPP including its constitution as a separate legal entity; (b) establishing institutional arrangements for the provision of long term infrastructure financing for PPPs



and funding for project development with a focus on addressing the identified weaknesses in the infrastructure financing sphere; (c) establishing mechanisms to channel public funding as Viability Gap Funding (VGF) to improve financial viability of PPPs; (d) developing principles for the assessment of contingent liabilities arising from PPPs and (e) establishing and strengthening other key institutions which would contribute to the successful implementation of the PPP program, such as the establishment of PPP nodes in line agencies, and establishment of institutions critical in enhancement of the enabling environment such as procurement appeals committee and arbitration center. The establishment of these key institutions is expected to contribute towards the sustainability of the program.

A.2: PPP Capacity Building

17. **Proposed activities will encompass capacity building for PPPs for both GoSL and private sector that is critical for successful implementation and sustainability of PPPs.** This subcomponent will provide specific capacity building for NAPPP to carry out its functions, and training to acquire required skills. The programs will also focus on Government agencies, the Attorney General's department and National Planning Department. The project will provide specific training for agencies already involved in the PPP process as well as decision makers in Government, particularly Cabinet Appointed Negotiating Committees to facilitate the expeditious processing of the PPP transactions. The project will also carry out capacity building for staff at central and provincial levels with focus on female Government staff. The capacity building program will also include the local private sector and the banking Industry for the imperative for the sustainability of the PPP Program.

A.3: Communications and Stakeholder Engagement for PPPs

18. **This component will support the development of a PPP communication strategy and private sector (and other stakeholders) engagement.** Engaging stakeholders and having a robust communication strategy is seen as a critical element in ensuring successful implementation of PPPs that require buy-in from all stakeholders and general acceptability from the public. This subcomponent will support NAPPP in the development and implementation of a robust communication strategy intended to ensure that all stakeholders are adequately informed and engaged in the GoSL's PPP program and the program is sustainable. Through increased awareness, this subcomponent will seek to address the historic misconception that PPPs are privatization, foster support and buy-in from the media, help mitigate some of the risks associated with the political economy of the country and contribute to broadening the program. This sub component will also support in organizing roundtables and consultations etc. with the private sector and other stakeholders to gain their input into the design and sustainability of the PPP program.

Component B: Preparation of PPP Transactions (US\$20 million)

19. The Project will support the transactions selected and prioritized by NAPPP in consultations with various sector Ministries and line agencies, and: (i) for which an outline business case has already been prepared; or (ii) which are already being prepared and/or negotiated but need additional support to achieve financial close.



B1: Feasibility Studies

20. **Under this subcomponent, the Project will: (i) carry out the due diligence necessary to assess all project related aspects and scope of the project** It will include due diligence work to assess the technical, legal, economic, and financial feasibility of the proposed transaction (technical scoping, concept design, economic and financial analysis including value for money analysis). It will also cover other assessments such as gender analysis, traffic surveys and willingness-to-pay surveys; address mechanisms for citizens engagement, grievance redress and management of labor influx; as well as environment and social assessments (although they will not be carried out independent of the feasibility study); and (ii) provide technical assistance to agencies where policy or strategic decisions are needed prior to initiating PPPs. The objective of these activities will be to strengthen the likelihood of economic viability of the transactions proposed by GoSL for public private partnership.

21. B.2 Project Structuring and Transaction Advisory Services

22. **Under this subcomponent, the Project will support the structuring of the transactions, preparation of procurement documentation and negotiations of the contractual documents with the selected bidder up to the financial closure of one or more selected transactions.** It will ensure that the GoSL, through NAPPP, receives transaction, legal and financial advisory support in the structuring and negotiation of transactions, to supplement NAPPPs in-house resources. This component will include market sounding, design of risk allocation, financial modelling, preparation of the PPP project documents (concession and other agreements), provision of professional and experienced skills for GoSL negotiations with the selected bidder and financiers to increase value for money, up to financial close, including the assessment of GoSL's contingent liabilities for each transaction and, where necessary, the structuring of risk mitigation instruments to improve bankability.

Component C: Project Management (US\$2.5 million)

23. **Under this component, the Project will support the costs of operation of NAPPP for the management of GoSL's PPP program.** It will finance the day to day activities of NAPPP, goods and services required for the preparation and operation of NAPPP, as well as the cost of consultants for certain pre-identified positions for skills that cannot be easily accessed in the market.

E. Implementation

Institutional and Implementation Arrangements

24. **The implementing agency of the project will be the Ministry of Finance and Mass Media (MoFMM).** To carry out the implementation, a department (i.e. NAPPP) has been established within MoFMM. Once NAPPP is restructured and constituted a legal entity separate from MoFMM and the Bank has confirmed that it is acceptable to the Bank for the purpose of implementing the Project, it will assume the role of the Implementing Agency for the project independent of the MoFMM. NAPPP is currently being managed by the Board of Governors and a Chairman who is also the acting CEO. The Board of Governors which has been appointed by MoFMM will have oversight over NAPPP and its processes and provide policy level guidance and monitor the transactions assisted by NAPPP. It consists of



representatives from the offices of the President, Prime Minister, key infrastructure Ministries and the private sector.

25. **NAPPP was established through a decision of the Cabinet of Ministers with the appointment of the current personnel in January 2018⁶.** It is currently staffed with 11 professionals with financial and legal skills recruited from the private sector on a contract basis. It is envisaged that the required specialists for environment and social safeguards, gender, monitoring and evaluation, FM and procurement will be recruited and/or be seconded from MoFMM as necessary so that NAPPP will have a healthy mix of public and private sector skills and experience. Being a newly established institution, NAPPP does not have any previous experience in executing World Bank financed projects and, as such, will need to be closely guided by the World Bank team so that NAPPP adheres to the requirements and policies of the World Bank with regards to safeguards, procurement and financial management (FM) during the implementation of the project.

26. **NAPPP will support the various Ministries and line agencies in project identification, preparation, evaluation, negotiation and award.** NAPPP will provide: (i) financial and legal advice in the PPP transactions and (ii) act as the convener of the PPP preparation and procurement process. NAPPP will also act as the interface between the GoSL and the private sector coordinating all PPP transactions-related requirements. The authority and the process for NAPPP to carry out these functions will be provided through the GoSL's procurement guidelines for PPPs. It will carry out these functions with the support of consultants as well as through its own staff. In engaging consultants to help implement the World Bank project, NAPPP will be required to follow the World Bank Procurement Regulations. These consultants will be engaged to support the staff of NAPPP in carrying out activities financed under this Project, including preparation of feasibility studies, transaction structuring and contract negotiations. However, in the procurement of the actual concessionaire for the delivery of the PPP transaction, NAPPP will follow GoSL's procurement guidelines for PPPs. An Operations Manual will be prepared to streamline the processes to be followed in the implementation of the project. See Annex 2 of the PAD for details.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

Majority of the transactions identified under the PPP pipeline will be carried out in urban areas, specifically Colombo and its suburbs. While these areas are highly developed and congested, Colombo still has both biologically and physically important wetlands, as well as coastal ecosystems. Due to low lying nature of the land including having a high water table and number of waterways, hydrological conditions of the project influence areas need to be understood and taken into account when designing and applying safeguard instruments to the transactions. There are also numerous physical cultural resources scattered across Sri Lanka which need to be identified when undertaking Environmental Impact Assessments and necessary protection provided if they are within the project impact area. The proposed interventions in some of the rural areas such as desalination plant, solar and wind energy farms, are also likely to be located closer to sensitive ecosystems such as coral reefs, sand dunes and bird migratory paths. The risks and impacts to

⁶ The NAPPP has been established by Cabinet Memorandum dated July 03, 2017



these ecosystems need to be assessed adequately, specifically assessing potential alternative sites to avoid impacts, ensuring temporal and spatial variations that need to be taken into consideration and necessary mitigation measures included to avoid and/or reduce the impacts.

G. Environmental and Social Safeguards Specialists on the Team

Darshani De Silva, Environmental Safeguards Specialist

Bandita Sijapati, Social Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This policy is applicable because the project will include support to undertake feasibility for infrastructure projects that will include improvements/rehabilitation to existing structures or construction of new infrastructure. As scope, actual locality and foot print of the transactions that will be supported through this investment are unknown, an Environmental Assessment and Management Framework (EAMF) has been prepared and publicly disclosed locally and in the Bank external website.
Performance Standards for Private Sector Activities OP/BP 4.03	No	The project is only focusing on capacity building and preparing feasibility for PPPs and will not be financing PPP transactions.
Natural Habitats OP/BP 4.04	Yes	Based on the experience of the establishment of new infrastructure in the country in the recent past, it is expected that the proposed infrastructure transactions will have potential threats to significant natural habitats or designated areas of natural importance. Therefore, this policy is applicable. The EAMF includes appropriate screening as part of the environmental assessment (EA) process and necessary guidelines on avoidance and mitigation measures to address potential impacts.
Forests OP/BP 4.36	Yes	Based on the experience of the establishment of new infrastructure in the country in the recent past, it is expected that the potential infrastructure



		transactions will have potential threats to forests as in many instances construction material such as metal, sand and gravel have been extracted from forest reserves. Therefore, this policy is applicable. The EAMF includes appropriate screening as part of the EA process and necessary guidelines on avoidance and mitigation measures to address potential impacts.
Pest Management OP 4.09	No	The potential infrastructure transactions do not include purchase of pesticides, transportation or pesticide application. Therefore, this policy is not applicable. However, as a precautionary measure, these types of activities will be identified in the negative list with appropriate screening as part of the EAMF.
Physical Cultural Resources OP/BP 4.11	Yes	The potential infrastructure transactions are likely to impact physical cultural resources (PCRs) as Sri Lanka has PCRs spread across the country. The EAMF includes appropriate screening as part of the EA process and actions to be taken on chance-finds to be included in EA documents.
Indigenous Peoples OP/BP 4.10	No	There are no conclusive evidence pointing to indigenous people living within the potential project area.
Involuntary Resettlement OP/BP 4.12	Yes	Past experiences of infrastructure financing suggests that the feasibility studies supported under the project for potential PPP transactions will require land acquisition for the rehabilitation of existing structures or construction of new infrastructure. Since the precise nature of the transactions for the feasibility studies are unknown, an EAMF has been prepared alongside a separate Resettlement Policy Framework (RPF) that provide guidance on social safeguards management, implementation and monitoring. These safeguards instruments have been publicly disclosed locally and in the Bank's external website.
Safety of Dams OP/BP 4.37	No	This policy is not applicable as the project does not include potential infrastructure transactions that involve new construction/rehabilitation of any dams or impacts to the functionality of existing dams.
Projects on International Waterways OP/BP 7.50	No	The policy is not applicable because the project does not include potential infrastructure transactions located in international waterways



Projects in Disputed Areas OP/BP 7.60

No

The policy is not applicable because there are no disputed areas in Sri Lanka.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

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

The project will only support the technical assistance part of the proposed PPP transactions and will not be involved in the implementation of the PPP transactions. Overall, the project is anticipated to have positive socio-economic benefits in terms of modernization of facilities and public services, improved environmental performance and increased economic growth. Although many of the transactions in the potential pipeline to be supported by this project are likely to have moderate environmental and social impacts, some of the candidate PPP transactions could have significant adverse environmental and social impacts that are sensitive, diverse, cumulative or irreversible.

The potential negative environmental and social impacts from these proposed PPP transaction activities are likely to include: i) infrastructure foot print impacts such as physical and economic displacement of people, loss of ecosystems including loss of vegetation cover, loss of flora and fauna, loss of faunal migration paths, interferences to ecological niches and pressure on natural resources such as sand and metal; ii) construction related impacts such as negative issues due to borrow pits, quarry sites, blasting and rock excavation, underground fractures, incessant traffic including accidents; iii) impacts during operations such as air, water and land pollution, impacts from animals, noise and vibration, health and safety issues of staff and nearby communities; and (iv) adverse impacts on communities from the project induced labour influx, including those related to risks of social conflict, illicit behaviour, burden on and competition for public service provision, risks of sexually transmitted diseases and gender-based violence. Further, due to large scale of civil works involved in some of the transactions or the likelihood of locating them in sensitive natural habitats, these social and environmental impacts could be severe. However, most of the adverse impacts will be site-specific, and are limited in terms of their significance.

The above impacts have been identified based on the likely localities of the infrastructure. Accordingly, the management of adverse impacts are related to: i) crossing sensitive sites such as wetlands, water resource protection areas, coastal ecosystems and physical cultural resources; ii) community impacts such as land taking and resettlement; iii) construction impacts such as noise, dust, soil erosion and social disturbance; and iv) operational related impacts such as occupational and community health and safety, and labor-influx. During the environmental and social assessments, these impacts must be fully identified, quantified and the appropriate mitigating measures clearly defined and costed to be incorporated into the budget of each transaction.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: Potential transactions in the PPP pipeline will involve multiple sectors, including social infrastructure such as housing and health facilities, transport and logistics, energy, tourism and water supply and sanitation. Civil works may involve mostly new construction. Many of the PPPs will be located in urban areas where there are already heavy developments, but in some cases, transactions such as energy and water supply, will be in rural areas. These transactions are likely to have cascading effects on future development and expansion of settlements, which need to be anticipated while assessing site specific impacts of the transactions as part of the environmental and social



assessments. Such developments could also bring about pressures to natural resources such as over-extraction and environmental degradation.

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

At this stage of the project, actual scope, specific sites, feasibilities of PPP transactions, etc., have not yet commenced to undertake alternative analysis. An Environmental Assessment and Management Framework (EAMF) and Resettlement Policy Framework (RPF) have been prepared to guide these processes including undertaking appropriate environmental and social assessments and preparing safeguards management plans, during which time, alternatives will be also considered.

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.

Because the full extent of the environmental and social impacts of the program is not known in advance, the Borrower has prepared an EAMF and RPF. The EAMF and the RPF help ensure that the principles and procedures for ensuring safeguards due diligence, compliance with local regulations, and the development of in-country capacity, are established. Specifically, these instruments form the basis for conducting environmental and social assessments of all future transactions to be carried out by the National Agency for Public Private Partnerships (NAPPP). The EAMF and the RPF are also in compliance with the World Bank's safeguard policy requirements specified for technical assistance and capacity building. Both these safeguards instruments have been prepared based on the available information on the likely impacts of the current pipeline of proposed PPP transactions.

The EAMF provides guidance for preparation of environmental instruments such as environmental screening, Environmental Impact Assessments, Environment Management Plans, Environmental Audits, etc., as well as social aspects that are applicable under OP 4.01. In addition, the EAMF also determines the institutional measures to be taken as part of capacity building. It provides the generic guidelines for environmental management best practices, and general and industry specific and community environment, health and safety guidelines to be incorporated as part of the safeguard instruments to be developed for each selected transaction. The EAMF also guides the process to be followed when the national environmental regulations have to be met in addition to the World Bank requirements.

Likewise, the RPF sets out principles and guidelines for assessing and mitigating social impacts caused due to PPP transaction activities in a manner consistent with Sri Lankan law and regulations, the National Policy on Involuntary Resettlement (NIRP) and the World Bank's OP 4.12 on Involuntary Resettlement. The RPF includes guidelines for social screening, impact assessment, and preparation of action plans for addressing adverse social impacts. Additionally, it lays down principles and guidance for providing entitlements, institutional arrangements for implementing social/resettlement action plans including grievance redress, consultation, participation, disclosure, monitoring and evaluation of progress and outcomes. It also stipulates supplementary guidelines for a participatory approach aligned with the principles of social inclusion and accountability, and management of labor-induced adverse impacts.

As a Category A project, all safeguard screening forms, terms of references to undertake environmental and social impact assessments and the clearance of these documents by the Bank have been agreed with the NAPPP. The NAPPP will facilitate the implementation of the EAMF and the RPF by the respective sectoral implementing agency (IA) undertaking above processes. Safeguard screening forms will be prepared by the NAPPP safeguard specialists with the safeguard focal points of the IAs once adequate details of the transactions are known. All other instruments that will be prepared based on the categorization of the transactions will be carried out by consultants independent to the feasibility study consultants.



The need for capacity development within the NAPPP is included in the EAMF and the RPF, and is also integrated into the project design. The NAPPP is a new authority and requires building human capacity in many areas, including safeguards. It has been agreed that the NAPPP will require environmental and social specialists to manage day-to-day safeguard requirements of the project and to ensure that the NAPPP functions effectively while delivering its role in the long-run. These staff will be recruited to the NAPPP before the project becomes effective.

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

The project stakeholders include the public sector implementing agencies, private sector investors, PPP transaction level project affected people and beneficiaries of PPP transactions. At this stage of the project, only potential public sector implementing agencies are known. Once the final list of PPP transactions are identified, their scopes and specific locations of physical investments are determined, the project will be able to identify the project affected people.

The NAPPP carried out a consultation on February 20, 2018 to create awareness of the project and safeguard requirements among the potential implementing agencies. The NAPPP also shared the draft EAMF and the RFP with these agencies for comments. The feedback received through this consultation and document circulation have been incorporated into both frameworks. The first cleared EAMF and RFP were also disclosed to public on May 2, 2018 both in-country and in the Bank's external website. The frameworks were updated with the decision not to finance any specific transactions using project funds. Accordingly, the EAMF and RFP were disclosed to public again on July 24, 2018 within the country. Based on the principles described in the EAMF and the RFP, the project has a consultation and disclosure strategy and plan to develop a consultation plan prior to the commencement of feasibility studies and safeguard instruments for the selected PPP transactions.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
23-Jan-2018	24-Apr-2018	24-Jul-2018

"In country" Disclosure

Sri Lanka

02-May-2018

Comments

The updated EAMF was disclosed in-country on July 24, 2018 via the following link:<https://www.nappp.gov.lk/policies-guidelines-and-procurement>

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
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08-Feb-2018

02-May-2018

"In country" Disclosure

Sri Lanka

02-May-2018

Comments

The updated RPF was disclosed in-country on July 24, 2018 via the following link: <https://www.nappp.gov.lk/policies-guidelines-and-procurement>

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

Yes

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

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes



OP/BP 4.36 - Forests

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

NA

Does the project design include satisfactory measures to overcome these constraints?

NA

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?

No

The World Bank Policy on Disclosure of Information

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

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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APPROVAL

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