



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 07/29/2021 | Report No: ESRSA01584



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Sri Lanka	SOUTH ASIA	P176164	
Project Name	Inclusive Connectivity and Development Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Transport	Investment Project Financing	7/15/2021	10/5/2021
Borrower(s)	Implementing Agency(ies)		
Democratic Socialist Republic of Sri Lanka	ministry of highways, Ministry of Highways		

Proposed Development Objective

The Project Development Objective (PDO) is to provide safe, efficient and climate resilient connectivity and supply chain to empower project communities in Sri Lanka.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>500.00</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The project development objective will be implemented through improved rural roads network, agro-logistics infrastructure and services, as well as institutional strengthening that will ultimately help poverty reduction and bridge the urban-rural gap. Under the project, a priority list of rural roads will be improved and rehabilitated, along with improvements on ancillary infrastructure and services related to transport and agro-logistics.

Component 1: Enhancing Safe and Climate Resilient Transport Connectivity (US\$450 million): This component will finance planning, review and monitoring, knowledge sharing, design, civil works, and contract management related to rehabilitation/improvement, and maintenance of an estimated 3000 km of priority rural roads spread across all nine



provinces. Climate and disaster vulnerabilities will be a key criterion considered in roads prioritization and all roads will be improved to withstand climate risks. This component will also focus on institutional strengthening for better road management and building capacity for stakeholders engaged in the local road construction industry in asset management, road safety, climate resilience as well as development and adoption of technical guidelines on bioengineered solutions for road construction.

Component 2: Enhancing Supply Chain and Access to Services for Farmers (US\$50 million): This component will augment the rural roads investments for better impact by supporting complementary infrastructure and services. This will support the construction and/or rehabilitation of produce collection points adjacent to the road networks being improved under the project. Assessments will be carried out to identify specific interventions to further improve the agriculture supply chains, such as the dedicated economic centers, the policy and institutional framework for agro-logistics and leveraging private investments in areas such as introducing innovation into agro-logistical aspects of value chains, improving market access for smallholder producers, supporting green and/or climate resilient technologies etc.

#### D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project will have national coverage and will be implemented in all nine provinces of the island. The exact location of subproject sites, which include road corridors, sites for improvement of agro-logistical infrastructures and support to the agro-logistical sector via the Matching Grant Program, will largely be known during project implementation. However, they are envisioned to be country-wide and sporadically spread across areas where human settlements and existing agricultural areas are located to enhance community benefits.

Sri Lanka is an island in the Indian Ocean with a land extent of 65,610 Km<sup>2</sup>. It has a widely varying topography characterized by three distinct zones (peneplains) distinguishable by elevation. South Central part of Sri Lanka, the highest peneplain, is the rugged central highlands, consisting of rolling hills with peaks rising to 2500 m above sea level, steep escarpments and gorges. The land descends from the central highlands to extensive internal plains which makes most of the island's surface at 30 – 300 m above sea level elevations and the coastal belt that surrounds the island with a 1340 Km long coastline that consists of scenic sandy beaches indented by coastal lagoons, bays, heads and wetlands. Most of Sri Lanka's major rivers rise in the central highlands and flow in a radial pattern to the sea. Sri Lanka faces critical environmental challenges of which flooding, deforestation, land degradation, loss of soil fertility, soil erosion and landslides, water and soil pollution, solid waste management and human-wildlife conflict take significant proportions. Except for areas protected under the country's conservation laws, most of the island is inhabited with an extensive road network, albeit about half in poor condition, and other basic infrastructure, including in rural areas and villages across the nine provinces.

In terms of social aspects, Sri Lanka ranks the highest in the region in terms of social indicators like education and health. Economic growth has translated into shared prosperity with the national poverty headcount rate (at \$3.20 poverty headcount rate) declining from 19.4 percent in 2009/10 to 11.0 percent in 2016. Extreme poverty is rare and concentrated in some geographical pockets. However, the COVID-19 pandemic has triggered sharp jobs and earnings losses in the informal sector and some formal sectors such as the apparel industry. As a result, poverty is expected to have increased to 12.5 percent in 2020, after falling further to 9.1 percent in 2019.



Female labor force participation at 34.9 percent was less than half of men (73.4 percent) by 2019 and needs to increase to facilitate sustained economic growth. Further, rural sector is a significant part of Sri Lanka's economy; yet lags behind the more urban areas in terms of development, connectivity and accessibility to basic services, economic opportunities and information services. Specifically, the rural population accounts for 81.8 percent of Sri Lanka's population, contributes to 52.7 percent of the country's labor force and is also home to a large majority (77 percent) of the country's old-age population (aged 60 years and above) who need reliable road network and accessibility to health facilities. Poverty at the rural level is 12.2 percent, which is significantly higher than the urban poverty rate (5.2 percent).

#### D. 2. Borrower's Institutional Capacity

The Government of Sri Lanka (GoSL) has a number of environmental policies, regulations and standards of specific relevance to environmental protection. The National Environmental Act (NEA), administered by the Central Environmental Authority (CEA), is the overarching environmental regulation that provides the legal basis for environmental protection and pollution control in the country which it does through key regulatory instruments such as Environmental Impact Assessment (EIA) and environmental quality standards. The CEA is the mandated regulatory agency overseeing environmental management and to some extent social management issues in the development sector. It has demonstrated technical capacity in assessing environment and social risks of development activity and has benefited from many capacity building initiatives in the past. While Sri Lanka has a strong EIA system, a number of weak areas that need improvement are observed, such as post EIA compliance monitoring and enforcement. Further, Sri Lanka requires EIA clearance only for development activities that fall within prescribed thresholds stipulated in its EIA regulations, and as such, development activities that are below the stipulated thresholds, are screened out of the process even when they could potentially have serious impacts cumulatively. Activities financed via this project will therefore not be subject to EIA processes in line with the NEA.

Sri Lanka has put in place an elaborate legal system to manage land acquisition for development purposes. However, where property and livelihoods of non-title holders are concerned, the legal provisions are less elaborate, but policy guidelines such as the National Involuntary Resettlement Policy (NIRP) 2001, have been established to address the gaps. Sri Lanka also has a detailed system for valuation of properties, both in specialized and non-specialized categories involving different methods. The NIRP and the Land Acquisition Regulations of 2008 and 2009 seek to address gaps bringing the process closer to the Bank's ESS-5 on Land Acquisition, Restrictions on Land-Use and Involuntary Resettlement. For example, the Land Acquisition Act (LAA) provides for compensation for land, structures and crops, and does not address resettlement issues, including impacts on non-titleholders. NIRP provides for addressing resettlement and rehabilitation issues including payment of compensation at replacement cost irrespective of the legal status of the affected party.

The LAA also does not provide clear guidelines directing the project executing agencies (EAs) to address key resettlement planning and implementation issues such as (a) exploring alternative project options to avoid or minimize impacts on people; (b) compensating the non-titled persons who will be affected by a project but are currently using and dependent on land; (c) consulting affected persons and resettlement hosts on resettlement options; (d) providing for successful social and economic integration of the affected persons into the host communities, and (e) rehabilitating affected persons along with income restoration measures. In some circumstances, this void in the legal framework, will be filled by the involuntary resettlement policies of the GOSL reflected in the NIRP and the World Bank ESF. All entitlements and compensation for persons affected by land acquisitions and non-



land economic displacements will be guided by those two policies and based on the principle of replacement cost for all losses caused to the APs.

The project will be implemented by the Road Development Authority (RDA) of the Ministry of Highways, that will be the lead agency responsible for the implementation of the whole program which will be centrally managed. The capacity of the RDA is assessed as being satisfactory and in line with the core requirements for environmental and social (E&S) management. There is a history of capacity building on E&S management and implementation of safeguards policies by the RDA, including for operations supported by the World Bank and other donors over the decades. In addition, the RDA has institutionalized, via the Bank’s former Road Sector Assistance Project (RSAP), an Environmental and Social Division (ESD) focused on conducting and managing due diligence for all projects implemented by the RDA.

While the ESD within the RDA has prior experience with World Bank’s environmental and social safeguards policies, the scope and reach of the project will require additional expertise and manpower to provide support in terms of conducting E&S due diligence in line with the Environmental and Social Framework (ESF) for the large number of subprojects that will be undertaken sporadically across the provinces. This has been adequately built-in to form a Project Management Unit (PMU) that will include seconded experienced staff from the ESD and a team at the provincial level, at each province, that will be trained to implement E&S areas.

Under Component 2, the agro-logistical infrastructure and the activities supported under the Matching Grant Program (MGP), will also be led by the RDA but with staff from the Ministry of Agriculture seconded to manage the agriculture-specific activities. The assets that will be financed via the project will be handed over to the relevant provincial and local authorities once the civil works are completed. Depending on the nature of the agro-logistic infrastructure, it is expected that the operation and maintenance of these facilities may be undertaken by the private sector, local authorities, district agriculture offices, etc. The specific operational modality for these will be confirmed during project implementation. However, capacity building will also need to support those responsible for the operation and maintenance of these ancillary investments that will be financed by the project. E&S due diligence for activities under Component 2 will also be managed by the RDA’s PMU team that will manage the overall operation.

A detailed E&S capacity assessment has been carried out during preparation and a capacity building program, as has been developed and included as part of the project’s Environmental and Social Management Framework (ESMF) and referred to in the Environmental and Social Commitment Plan (ESCP). The ESD team has already received ESF training via the Virtual ESF client training conducted by the World Bank ESF Implementation Support Unit in March 2021 during project preparation.

## II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Substantial

#### Environmental Risk Rating

Substantial

The Environmental risk classification of the Project at appraisal is assessed as 'Substantial' given that exact subprojects and their locations are largely undetermined and will be detailed out in terms of nature, scale and footprint during project implementation, especially activities under Component 2. Project financed subprojects will



also be extensive in number and sporadically spread across all nine Provinces of the country. Project interventions to be financed will specifically include, under Component 1 the rehabilitation/improvement of rural/provincial roads and under Component 2 the construction and/or rehabilitation of produce collection points and the matching grant program which will target eligible investments by agribusinesses, such as: the upgrading/establishing cold storage facilities/pack houses, ambient warehouses, and processing facilities; digital enablement of logistics facilities and transportation services; and innovative and green logistics services, including end-to-end handling and transport services and clean/green transport solutions. Key environmental risks and impacts expected due to the nature of proposed physical interventions on roads will relate to temporary disruption of current traffic circulation, traffic safety, damage to access roads, dust nuisance, and gaseous emissions, possible pollution of soil and water resources, , and momentary interference to neighboring settlements through various operational activities, erosion and sedimentation of rivers and wetlands from earth works and run-off, disturbance to biotope and felling of trees along the Right of Way (ROW), increased traffic, generation and disposal of waste/spoil, occupational and community health and safety (especially with added risks associated with the spread of COVID-19 under the current pandemic context in the country), air pollution and noise. Sourcing of construction materials will also have risks and impacts. Off-site activities include quarry, burrow pit and asphalt plant operations, which if not managed properly, may cause localized adverse impacts. There might be site- specific E&S risks and impacts of some road improvement works, which will need be screened, assessed and managed in site-specific instruments such as E&S Impact Assessments (ESIAs) and/or E&S Management Plans (ESMPs) to be prepared during project implementation when the locations of these roads are known, and detailed designs are prepared. Specific to agrologistical infrastructure that will be supported such as rehabilitation of cold-storage, storage facilities, establishment of road side warehouses and sorting areas and activities that are eligible for the MGS are associated with civil works and potential operational impacts such as the generation of waste, risks and hazardous due to the operation of machinery, occupational health and safety, and noise. Establishment of cold-storage facilities may also involve the generation of hazardous chemicals. These impacts can be addressed through comprehensive environmental and social screening and conventional mitigation and management measures. It is not expected that the project will have adverse impacts to environmentally or socially sensitive areas as the project sites will be largely located within pre-settled areas of human habitation such as per urban settlements, villages and agricultural areas. As such, the potential risks and impacts and issues are predictable and expected to be temporary and/or reversible; and within the actual footprint of the project. Yet the details of project technical designs and nature of exact locations not being known, the need for the due diligence and management of potential environmental impacts across a large number of sub-projects elevate potential risks that can come about during implementation and the need for stringent management across project implementation.

**Social Risk Rating**

Substantial

The social risk rating of the project is considered 'Substantial'. Broadly, the project is expected to provide benefits/positive impacts through enhanced access to roads; reduction in travel time and transportation costs; increased employment opportunities and income generation from construction work; increased road safety and reduced traffic incidences; and improved access to markets, public services, etc., and hence, better livelihoods. Civil works for the roads will mainly occur within the existing ROW of the road and for agriculture and community facilities within the existing footprints of these structures. There might be a need for land acquisition for road widening; construction/expansion of agriculture facilities (e.g., warehouses , collection centres, cold storage facilities); and improvement/construction of economic centres/community infrastructure (community centres , village markets). While the land required for such interventions are envisaged to be either of very small scale and/or mostly linear and narrow strips of the land by the road, there are risks associated with the temporary/permanent



physical and economic displacement of squatters/encroachers on the RoW of the roads, damages to crops, structures, relocation/damages to communal properties such as religious statues, shrines, sacred trees etc.. Other social risks identified during appraisal include: inadequate coordination between concerned agencies (e.g., RDA, PDRA, DoAD, DoA, ID, etc) on road connectivity, agricultural activities, linkages to the markets and public services; lack of dedicated personnel dealing with social aspects within the implementing agencies; and/or frequent changes of alignments and project sites leading to delays in project implementation as well as adverse impacts on affected communities. At this stage, there is no evidence of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, as defined under ESS7, that would be impacted due to the project. However, during project implementation, the social screening process may suggest potential impacts on the Veddha community which would have to be addressed. Regardless, exclusion of vulnerable and disadvantaged groups from decision-making as well as other project benefits, especially during the selection of roads, agriculture facilities, and interventions to support institutional strengthening and capacity enhancement, is a risk. Likewise, political interferences during the selection of roads and community infrastructure, is also a concern. Improving the safety standards of the roads will be important and this project could be used as an opportunity to improve road safety standards, especially for the roads within inhabited settlements. However, insufficient consultation and lack of required coordination amongst stakeholders during the development and deployment of the digital rural connectivity assessment tool, is also a risk. Construction works under the project will be carried out by domestic companies thus supporting generation of road maintenance related jobs. The number of laborers needed for the project is expected to be small and most likely to be hired locally. Thus, potential impacts caused by labor influx to communities, including GBV/SEA/SH risks, are not likely to be significant, as suggested by the application of the World Bank Sexual Exploitation & Abuse/Sexual Harassment Risk Screening Tool. The national- and multisectoral scope of the project requiring coordination between different stakeholders including Road Development Authority, Ministry of Highways, Ministry of Agriculture, Urban Development Authority, local authorities, civil society groups, community-based organizations, local communities, increases the risk factors mentioned above. However, management of these risks would be undertaken through principle of 'mitigation hierarchy'.

## B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

### B.1. General Assessment

#### ESS1 Assessment and Management of Environmental and Social Risks and Impacts

##### **Overview of the relevance of the Standard for the Project:**

ESS1 applies to the project due to the E&S risks associated with project activities - more specifically the reconstruction, rehabilitation and maintenance of local roads and rehabilitation of agro-logistical infrastructure and activities to be supported in the sector via a MGP under Component 2. Environmental and social screening have been carried out for a total of 500 Km identified as part of the First-Year Rural roads improvement program. Based on the preliminary designs, screening, and community consultations, these sub-projects have been deduced to have low-moderate risks and impacts.

More precisely, the environmental impacts from road rehabilitation works most commonly include possible temporary disruption of current traffic circulation, road safety, relocation of utilities, damage to access roads, dust nuisance, and gaseous emissions, potential pollution of soil and water resources, brief disturbance to biotope, and momentary interference to neighboring settlements through various operation activities and generation of



demolition waste in minor quantities. Off-site activities include quarry, burrow pit and asphalt plant operations, which if not managed properly, may cause localized adverse impacts.

Agrologistical infrastructure that will be supported such as rehabilitation of cold-storage, storage facilities, establishment of road side warehouses and sorting areas and activities that are eligible for the MGS will have impacts that fall largely within the footprint of the interventions and are associated with civil works, such as dust, noise, occupational health and safety among others and potential operational impacts such as the generation of waste, risks and hazardous due to the operation of machinery, occupational health and safety, and noise. Establishment of cold-storage facilities may also potentially involve the generation of hazardous chemicals and handling of asbestos, mainly in the form of roofing material, in old infrastructure during the rehabilitation process.

Social risks include, inadequate coordination between concerned agencies on land acquisition, livelihoods support and agriculture-related issues; lack of dedicated personnel dealing with social aspects within the implementing agencies; frequent changes of alignments and project sites leading to delays in project implementation as well as adverse impacts on affected communities; political interferences during the selection of roads and community infrastructure; and adverse impacts arising from land acquisition, though such impacts are expected to be minimal, if any. Vulnerable and disadvantaged individuals and groups are more likely to be adversely affected by these risks, including exclusion from decision-making as well as other project benefits. Further, at this stage, there is no evidence of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, as defined under ESS7, that would be impacted due to the project. However, the presence of indigenous peoples in the project area will be assessed during site-specific E&S screening. The contractor's site offices, and possibly, but highly unlikely, workers' camp can be potential sources of temporary adverse impacts. In most cases such impacts can be mitigated readily through good construction practice, environmental permitting process and through implementation of site-specific environmental and social due diligence mechanisms.

Notwithstanding these social and environmental risks, the project has been designed to generate positive impacts such as opportunities to pilot bio-engineered solutions and greening on rural roads, enhancement of road safety standards, support for green agro-logistics, more hygienic operations around agro-processing, among others. The project will also support improvement of economic and community infrastructure, community mobilization, business skills and entrepreneurship development of women and youth, generation of the road maintenance related jobs, all of which will help improve rural economy and liveability. Further, designs of all project interventions will be executed in a participatory and inclusive manner, to ensure that all community members fully benefit from the connectivity opportunities generated by the project.

An Environmental and Social Commitment Plan (ESCP), drawn and agreed upon with the borrower, sets out the substantive measures and actions that will be required for the project to meet E&S requirements over the project's lifetime. These measures shall be implemented within a specified time-frame and the status of implementation will be reviewed as part of project monitoring and reporting.

Given that the location of most road segments and ancillary facilities to be rehabilitated will mostly be known at project implementation, the RDA has prepared an Environmental and Social Management Framework (ESMF), Resettlement Policy Framework (RPF), Labor Management Procedures (LMP) and Stakeholder Engagement Plan





(SEP), prior to appraisal to facilitate screening, assessment, and management of E&S issues of activities / sub-projects during project implementation, as key commitments of the ESCP.

The ESMF guides the preparation of the appropriate instruments to be used for specific sub-projects. When sites and designs are finalized, they will need E&S screening and the preparation of management instruments to mitigate any site specific impacts associated with the proposed interventions. The instruments to be prepared when the sub-project locations are identified and defined include site-specific Environmental and Social Screening Reports (ESSRs), ESIA, ESMPs or Codes of Environmental and Social Good Practice (CESGPs) . The instruments will be prepared in compliance with the World Bank Group’s Environment, Health, and Safety (EHS) Guidelines. The screening criteria for sub projects will be defined in the ESMF. It is expected that CESGPs will be used for basic, less risky sub projects that usually only involve change of asphalt or drainage on exiting roads, concrete resurfacing or pavement improvements for instance. The site specific ESMPs would be used in more complex rehabilitation that involve resurfacing, asphaltting and when locations of road segments are more sensitive or involve works on existing structures, bridge and culvert rehabilitation, landslide mitigation structures or widening.

Activities financed under Component 2.2 will also be subject to Environmental and Social screening as per the ESMF and subsequent CESGPs/ESMPs will be prepared in line with the identified sub-project specific risks. These site-specific documents will constitute an integral part of bidding documents for contractors. ESMF and site-specific E&S assessment documents (ESIAs/ESMPs and ESMP checklists) will be appropriately disclosed and discussed with the public in a timely manner.

Under Component 2.3, the Matching Grant Program Operations Manual will include the same due diligence procedures for all proposals in line with the ESMF. This will include screening and ensuring where applicable the presence of a valid Environmental Protection License (EPL), and the preparation of civil works and operational Codes of Conduct in line with the activities being financed via the respective proposal. Each proposal will be screened via the grant screening mechanism which will include E and S screening and management of E and S risks will be tied to the grant agreement and release of grant tranches for each respective proponent of the program.

500 kms of roads have been selected as front runners for rehabilitation. These projects have been screened and the majority have low to moderate E&S risks and CESGPs and ESMPs have been drafted and will be subject to World Bank clearance and disclosed prior to the close of project appraisal.

### **ESS10 Stakeholder Engagement and Information Disclosure**

The multi-sectoral nature of the project requires engagement of and coordination among various stakeholders, including the road authorities, Ministry of Agriculture, Urban Development Authority, Municipal Councils, civil society organizations, community-based organizations, farmers groups, local communities, etc. To ensure effective and continued engagement of all relevant stakeholders as well as effective collaboration between them, a comprehensive Stakeholder Engagement Plan (SEP) has been prepared. The document was prepared by the RDA and will be implemented by the PMU under the Ministry of Highways.

The key stakeholders of the project include: (i) affected parties such as landowners, squatters, encroachers who could be adversely impacted due to physical and/or economic displacement; farmers and local communities who will



benefit from agriculture facilities and community infrastructure; road users and transport operators, etc; (ii) other interested parties such as the project implementers and partners like the RDA, PRDA, DS, Ministry of Agriculture, Ministry of Highways, local authorities, community based organizations, contractors and consultants, etc; (iii) disadvantaged and vulnerable groups like squatters and non-titleholders living in poverty, people with disabilities, female-headed households, female construction workers, etc. The presence of these vulnerable groups will be determined during the screening and the consultations. Further, the exact composition of stakeholders may also change depending on final project design. However, the consultation and disclosure of information with stakeholders will be core during both planning and implementation stages of the project.

The SEP details the nature, modes and frequency of engagement with these stakeholders commensurate to the interests and relevance in the project activities, besides specifying the monitoring and reporting requirements on SEP implementation. Specifically, it includes: description and overview of the project, including environmental and social risks and impacts; national and World Bank requirements on stakeholder engagement, information disclosure and consultations; summary of stakeholder engagement activities already organized under the project; stakeholder identification and analysis; elaboration on how various stakeholders relating to the project will be engaged throughout the course of the project and which methods will be used as part of the process; responsibilities and resources for the stakeholder engagement program; description of the range of information to be communicated to stakeholders and the methods to be used for stakeholder consultation at each stage; project grievance redress mechanism; and monitoring and reporting requirements for the SEP.

The SEP also outlines the responsibilities of the project management unit (PMU), other relevant government institutions, supervision consultants and contractors in the implementation of stakeholder engagement activities, including the ways in which the PMU, supervision consultants and contractors will communicate with stakeholders; the mechanism by which people can raise concerns; provide feedback; and/or make complaints about the PMU, supervision consultants, the contractors, and the project itself.

A multi-tiered GRM will be available for project stakeholders, including project affected persons to submit complaints/grievances, questions, comments, and suggestions, or provide any form of feedback on all project-funded activities. The SEP includes a description of the GRM including principles, processes and timelines that shall be followed in receiving and redressing grievances.

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

ESS2 is considered relevant for the project. The total workforce at the site level at any given time is expected to be less than 50-80 persons. The expected types of workers to be employed by the project include: direct workers (workers and staff either hired or seconded from within the RDA for project implementation); contracted workers involved in the implementation of civil works for road rehabilitation and ancillary facilities (contractors, sub-contractors, laborers); and primary supply workers (suppliers of construction materials such as aggregates, equipment, etc.).



The potential risks associated with labor and working conditions, including Occupational Health and Safety (OHS) associated with the construction and operation of roads and agro-logistic infrastructure, as well as the presence, and nature of engagement of these different types of workers (e.g., primary suppliers), and the corresponding provisions of ESS2 that will apply to those workers, will be determined during the project preparation phase.

While the scope of construction work on individual sub-projects involved is presumed to be comparatively small with an emphasis to engage local workers (particularly for unskilled labor), at times there may be a need for contracted workers to be brought in from other parts of the island. Further, there is also the potential of foreign workers based in Sri Lanka partaking in such activities, especially as skilled workers. The various categories of workers hired for the anticipated civil works (as required) and the influx of 'followers' will be subject to the requirements of ESS2 (and ESS4), including clear information on the terms and conditions of employment, principles regarding non-discrimination and equal opportunity and the establishment of workers' organizations, rules regarding child labor and forced labor, and occupational health and safety measures including provisions for management and spread of communicable diseases such as COVID-19. Drawing on national laws and procedures as well as the requirements under ESS2, there will also be a grievance mechanism for addressing labor issues/concerns that will be established as part of the Labor Management Procedure (LMP).

The project has applied the Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) Risk Assessment Tool and the risk level is considered to be 'low.' Based on the additional information obtained during project preparation, the SEA/SH risk levels will be reassessed and measures for addressing any risks associated with Gender Based Violence (GBV), if relevant, will be included in an action plan following the GBV Good Practice Note prepared by the Bank.

A comprehensive Labor Management Procedures (LMP) in line with the requirements of ESS2 has been prepared and will be disclosed prior to the close of project appraisal. Further, to ensure health and safety of workers during the construction and operational phases of sub-projects to be financed via the project, an OHS plan, in line with the World Bank Group Environmental Health and Safety Guidelines and Good International Industry Practice (GIIP), has been prepared as an Annex to the ESMF in line with the nature of works expected via the project interventions. The OHS plan will provide guidance in the preparation of sub-project specific OHS actions and plans, and has also been specifically identified in the ESCP.

In addition to the LMP, specific measures of managing OHS risks such as risk of electrocution and fire safety, solid waste management and accident prevention and road safety recommendations have also been included in the guidance provided in the ESMF in the form of generic ESMPs and OHS guidelines for both road and agro-logistical infrastructure types the project may finance.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

ESS3 is relevant to the project as civil works associated with road and ancillary infrastructure reconstruction and rehabilitation work will include the use of a range of materials like asphalt, cement, fly ash, lime stabilized soil, upcycled plastic waste and other material that can pollute the environment unless properly handled. In addition, the project might be a significant user of material resources like gravel and stone from borrow pits and quarries. Construction and demolition waste are expected, as asphalt might be removed from current roads and replaced and during rehabilitation of agro logistical infrastructure some demolition waste, including old asbestos roofing may be



produced and will need to be either reused in the construction process or disposed in an environmentally sound manner. Ideally construction waste would be reused where feasible for road rehabilitation and maintenance works, while unusable fractions will be disposed at dedicated sites as per national environmental regulations. Through the implementation of procedures and measures stated in the ESMF, and via site-specific ESMPs and CESGPs, the contractors will be required to avoid or minimize the release of pollutants and assure compliance with the Environmental, Health and Safety Guidelines of the World Bank Group. Mitigation measures to ensure the appropriate handling; storage, use and disposal of hazardous and non-hazardous materials and wastes will be identified in the ESMF. When supporting the rehabilitation of any cold storage facilities, Non-Ozone Depleting Substance (ODS ) refrigerants will be selected via the facility design selection criteria and procurement of ODS has been included as part of the project's negative list in the ESMF and project Operations Manual. Specific guidance on management is included in the ESMF and will be included in subsequent site specific instruments and also in the management plans of work camps and work sites. Only licensed quarries and licensed sources of sand and borrow sites that have received pre environmental clearance should be considered for material sourcing. Guidelines for quarry and burrow site management and due diligence criteria for material sourcing and selection has been included in the ESMF.

There is a potential that the agro-logistical and community infrastructure that will be supported for rehabilitation during project implementation will be used predominantly for the storage of agricultural produce and field crops and goods produced via agro processing activities. Therefore, these activities will be screened and guidance on design requirements in line with environmental management aspects will be included in the ESMF. Energy-efficient refrigeration equipment will be recommended for the cold storage system and to manage Green-House Gas (GHG) emissions, the ESMF will recommend measures in line with international and national best practices for selection of GHG friendly equipment where the use of harmful coolants will be managed via product design. ESMF will also include guidelines for the decommissioning of any old structures during rehabilitation of agro-logistical infrastructure and in line with the available final disposal facilities for hazardous waste in the country the ESMF will indicate and identify measures to be taken for safe removal, containment and disposal. The site-specific ESMPs will be part of the tendering documentation and civil works contracts, ensuring these measures are adhered to in line with the ESMF.

#### **ESS4 Community Health and Safety**

ESS4 is relevant to the project. The civil works will lead to risks to road users, both pedestrians and motorists, during the construction phase and given the linear character of the sub projects, full partition or fencing of construction sites might not be possible. The civil works associated with agro logistical infrastructure rehabilitation can also pose impacts from typical nuances in line with civil works such as noise, dust and vibrations to neighboring communities, however the sites can be fenced out and isolated to ensure mitigation within the footprint and restrict community access. The ESMF provides guidance on best practice mitigatory measures, ranging from signage and signaling and mitigation measures to control excessive noise and dust levels and other civil works impacts that can be a nuisance to the public. A robust mitigation and management plan will be included in the proposed ESMPs or site-specific CESGPs. Traffic and Road Safety Management Plans with measures to ensure the safety and well being of nearby communities and road users during construction and for the operation phase will be prepared together with the Emergency Response Plans with procedures to respond to accidental leaks, spills, emissions, fires, and other unforeseen crisis events as part of these instruments. General guidelines for traffic management plans will be included in the ESMF to



guide contractors to prepare site specific plans. Special guidelines will be given for sensitive sites like schools, hospitals, religious places, and other sensitive receptors where applicable.

The SEA/SH risk classification for the project has been assessed as ‘low’ during appraisal stage but will be reassessed during project preparation. The guidance on potential issues related to SEA/SH as well as others such as COVID-19, universal access, climate and geophysical hazards, will be reflected in the ESMF and other relevant ESF instruments. Further, if relevant, a Labor Influx Management plan will be prepared by the client according to the requirements of ESS2 and ESS4, and the plan will be incorporated into the ESMPs and CESGPs developed for specific subcomponents during project implementation.

### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

ESS5 is relevant to the project. The project will finance rehabilitation, reconstruction and/or upgradation of dirt roads to asphalt local rural roads and streets as well as small-scale community infrastructure (e.g., rehabilitation of cold storage facilities, warehouses, community centers, community childcare facilities, village markets, bus stands, rest stops, etc.). The interventions are not expected to require large land take; instead, land acquisition requirements will be limited to small and narrow linear impacts or site-specific impacts. Accordingly, the need for resettlement, demolition of structures, or impacts to livelihoods because of the land takes, are expected to be minimal.

To the extent possible, the project will carry out the civil works in the existing footprint of the land, and if required, will explore the options for land acquisition following guidance outlined in the RPF, including for instances of voluntary land donation (VLD) . The VLD will be acceptable only when the borrower can demonstrate the provisions as set in ESS5 are followed. These include that the potential donor is informed and consulted about the choices, choice of refusal is an option, amount of land required is minor and will allow the participating households to maintain livelihoods at current levels, no physical relocation is involved, and consent is obtained from actual users in case of communal land.

Under certain situations, minor involuntary resettlement may be unavoidable, hence a Resettlement Policy Framework (RPF) has been prepared to address the issues related to minor land acquisition and related impacts. Specifically, the RPF includes guidelines for assessing risks and impacts associated with involuntary resettlement, procedures for voluntary land donation, entitlements for compensation of losses as detailed in the entitlement matrix, organizational responsibilities, and monitoring and reporting framework. Additionally, for four of the 22 roads sub-projects to be implemented during the first year, site specific Abbreviated Resettlement Action Plans, are being prepared.

### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

The proposed operation’s sub-projects are expected to be restricted to existing road corridors and therefore impacts on natural habitats is expected to be limited. Nevertheless, as the location of roads are still not identified, it is likely that a small number of the rehabilitation works might be carried out in road corridors in proximity to designated protected areas and or in the buffer zones of protected areas where there are communities and agricultural areas. The potential impacts of such activities will only be identified when specific routes are known and addressed, therefore ESS6 remains relevant to the project. Specific guidance on screening on impacts to biodiversity and wildlife



have been presented in the ESMF, where possible international best practice guidelines should be used to incorporate design measures for wildlife crossings and means of avoiding any identified sub-project level impacts on biodiversity via design and management via respective CESGPs/ ESMPs.

The Environmental and Social screening criteria presented in the ESMF also has specific screening questions in line with the guidelines prepared nationally for identifying potential areas where Human Animal Conflict (HAC) is common and this applies specific for the agro-logistical activities proposed under Component 2.2 and 2.3. The screening criteria will identify if the potential project site is located in a known area of HAC and specific mitigation measures will then be identified by the project implementation agency with the Department of Wildlife Conservation (DWLC) in line with existing programs and guidance they have available for the relevant District. These will be respective to the specific sub-project screening where identified and mitigatory measures can include fencing and avoidance systems, including live fencing among others, being implemented in line with the project design.

As an value addition via the ESF the project will utilize a Pro Green grant to prepare country specific guidance on design aspects focusing on animal crossings for rural and provincial roads, biodiversity enhancement activities utilizing concepts of sustainable green drainage systems and promoting greening along wrong corridors. It is expected that included as part of Component 1, for roads to be rehabilitated close to protected areas designs and implementation of these guidelines developed will be undertaken as pilots, focusing at looking at the use animal crossings and bio engineered solutions as far as possible to minimize potential impacts on biodiversity.

### **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

In Sri Lanka, there is a small community of Veddhas, who meet the ESS7 criteria for indigenous people, that may be affected due to the national-scope of this project. Accordingly, all the subprojects will be screened during preparation/implementation, as described in the ESMF, to ascertain the absence/presence of such groups in the project area. If the screening indicates presence of any groups that meet the criteria set out under ESS7, sub-project specific Indigenous Peoples Development Plans (IPDPs) will be developed. Further, Free Prior Informed Consent (FPIC) will be applicable in cases involving impacts on IPs land, livelihood, cultural heritage besides in cases requiring relocation. In the instances where FPIC cannot be ascertained, the project will not proceed with those sub-projects/activities. The same shall be stated in the ESCP.

### **ESS8 Cultural Heritage**

ESS8 is relevant. Project activities may involve risks or impacts on tangible or intangible cultural heritage as it involves the rehabilitation of existing roads and infrastructure as well as road widening that can impact cultural heritage sites such as temples, mosques, churches, sacred trees, other sites of worship, cemeteries and other areas of community heritage value and significance. There also are associated risks with chance find antiquities and archeological assets which are common in civil works projects in the country. Therefore the Standard is considered Relevant at appraisal. While cultural heritage sites are relatively well documented in Sri Lanka, proximity of selected roads and project finance infrastructure to such places or located within known cities designated as heritage areas as well as those that may be of importance to local communities are undocumented or formally identified are yet to be known. While most construction is expected to take place in existing foot prints and ROWs, the ESMF outlines screening measures that should be used to identify the presence of tangible and intangible cultural heritage, any specific impacts to the



same such as indirect impacts from ongoing construction activities including the potential impacts from vibrations if sites are located in close proximity to the respective civil works sites and the potential of discovering chance finds. The ESMF includes due diligence procedures in line with ESS8 to screen for risks and impacts on cultural heritage, proposes mitigatory measures to such sensitive sites via the generic ESMPs and guidelines and includes chance find procedures which will be included in all CESGPs and ESMPs prepared for site specific interventions. Further, the stakeholder consultation process will include consultations related to identifying cultural heritage in collaboration with the communities.

**ESS9 Financial Intermediaries**

Given the nature of the project this standard is not relevant as there will be no FIs involved in project interventions. The Matching Grant Program will be implemented and managed directly by the project implementing agencies involved and ESS9 is not relevant to these activities as no intermediary parties will be used in the grant process.

**B.3 Other Relevant Project Risks**

At this stage, there are no other project-specific risks of relevance.

**C. Legal Operational Policies that Apply**

<b>OP 7.50 Projects on International Waterways</b>	No
<b>OP 7.60 Projects in Disputed Areas</b>	No

Public Disclosure

**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

**Is this project being prepared for use of Borrower Framework?** No

**Areas where “Use of Borrower Framework” is being considered:**

The use of Borrower Framework is not being considered for the project. The project will comply with the World Bank’s Environmental and Social Framework (ESF) and its Environmental and Social Standards (ESS), and will also be subjected to the national and local permits and clearances as per the existing legal-institutional framework.

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

Borrower: Democratic Socialist Republic of Sri Lanka

**Implementing Agency(ies)**

Implementing Agency: ministry of highways

Implementing Agency: Ministry of Highways

**V. FOR MORE INFORMATION CONTACT**

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**VI. APPROVAL**

Task Team Leader(s): Andrew D. Goodland, Wei Wang, Justin Runji

Practice Manager (ENR/Social) Josefo Tuyor Cleared on 29-Jul-2021 at 10:48:3 GMT-04:00