

SRI LANKA: Integrated Watershed & Water Resources Management Project
Executive Summary of Safeguard Documents

(A) ENVIRONMENT AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

Background: The Global Climate Risk Index 2019 ranks Sri Lanka as the second among the most affected countries of the World by climate change. The impacts of climate change are already starting to show with severe and long duration droughts followed by severe flooding and landslides occurring almost every year in several parts of the country. The island's major rivers originate from the mountains in the central region and radiate out to the lowlands to distribute water across the country; making the central region the main watershed of the country. Over the years, forest cover in the upper watersheds have been extensively modified, degraded and fragmented. The natural montane wetlands and marshlands have been converted to agricultural lands and other anthropogenic land uses. Lowered capacity for water infiltration and retention in the upper watershed areas has contributed to increasingly variable and uncertain water availability affecting agriculture and industrial growth, community and individual livelihoods, and even lives. Studies show that these trends are likely to exacerbate, and the wetter areas of the country would eventually become wetter and the drier areas drier. Unplanned settlements, industrial projects, and maladaptive agricultural practices are creating additional water stresses. It is estimated that approximately 80% of the river basins have greatly reduced their water quality and quantity due to these unplanned activities.

Sri Lanka's water resources are critically important to sustain the country's socio-ecological integrity and development goals. As such, the Government of Sri Lanka (GoSL) has initiated many watershed and water resources management programs focusing on various geographical areas of the country to address these challenges. As a continued response to the expected economic, social and environmental losses of current water resources management challenges, the GoSL has developed the *Sri Lanka Water Resources Management Project (IWWRMP)*. The systematic implementation of this project is expected to address and adapt to some of the adverse climate change impacts projected for the country.

Project description: The Project Development Objective (PDO) of the project is to 'restore the Upper Mahaweli watershed, strengthen institutional capacity for water resources management, and enhance the functionality of water resources infrastructure.' The project has four components as follows:

Component 1: Watershed and Water Resources Management

- Subcomponent 1.1: Watershed management planning and institutional strengthening
- Subcomponent 1.2: Watershed restoration and related infrastructure investment
- Subcomponent 1.3: Multi-sector Water Resources Planning: (i) Basin water management planning and monitoring; (ii) Groundwater management.

Component 2: Infrastructure Improvements

- Subcomponent 2.1: Rehabilitation of dams and irrigation infrastructure.
- Subcomponent 2.2: Support for policy and institutional arrangements for dam safety.

Component 3: Contingent Emergency Response

Component 4: Project Management

Objective of the ESMF: Projects and programs financed with IDA resources need to comply with World Bank Operational Policies. Therefore, sub-projects and components eligible for funding under this project will be required to satisfy the World Bank's safeguard policies, in addition to conformity with environmental legislation of the Government of Sri Lanka (GOSL). As detail designs for a majority of sub-projects or investments under IWWRMP have not been finalized at this stage, preparation of an Environmental & Social Management Framework (ESMF) has been carried out. It has formed the basis for appraising the environmental and social aspects of the project and has been made available for public review and comment in appropriate locations in Sri Lanka and in the World Bank's external website since March 2019. The main purpose of the ESMF is to (a) carry out a generic assessment of environmental and social impacts from the project (b) outline a framework for environmental and social screening, assessment and management, giving details of potential environmental and social issues, screening criteria and guidelines on the type of safeguards tools that need to be applied to various investments prior to commencement of activities. The ESMF will serve as the basis for carrying out safeguard due diligence for all sub-projects under the IWWRMP during project implementation.

Policy, Legal and Administrative Framework: (i) National: Detail review of several legislative enactments in Sri Lanka with a direct or linked mandate for environmental/natural resources management and water resources management has been undertaken. Similar assessment has been undertaken for social assessment and development and is comprehensively documented in the Resettlement Policy Framework (RPF) which has been prepared and disclosed parallelly. As for environmental protection, the constitution of the Democratic Socialist Republic of Sri Lanka provides that "The state shall protect, preserve and improve the environment for the benefit of the community", "The duty and obligation of every person in Sri Lanka to protect nature and conserve its riches" thus showing the commitment by the state and obligations of the citizens (under chapter VI Directive Principles of State policy and Fundamental duties in section 27-14 and in section 28-f).

The National Environmental Act No 47 of 1980 and its amendments is the most important environmental legislation which provides an umbrella cover for environmental protection within the country. It is administered by the Central Environmental Authority. Under the NEA, development projects that fall within stipulated thresholds for listed categories require EIA/IEE approval before proceeding to implementation. Application of the NEA to IWWRMP has been assessed and is deemed to be limited given that most of the investments are to do with rehabilitation work or small-scale work that is below the prescribed EIA thresholds. The NEA currently operates in the entire country except in the North Western Provincial Council (NWPC), where the NWPC has enacted a separate statute under the 13th amendment to the Constitution of Sri Lanka and had created a separate provincial institute.

Of the other important legislation with specific potential application to IWWRMP are the Fauna & Flora Protection Ordinance (FFPO) Act No. 49 of 1993 & its amendments, Forest Ordinance (FO) 1907 (No. 16 of 1907) as amended up to 2009. These two acts provide for the creation and management of protected

areas and its biodiversity, the Soil Conservation Act 1951 (No. 25 of 1951) which focuses on soil conservation in mountainous areas, Antiquities Ordinance that provides for the protection of archaeological resources and the Mines and Mineral Act No. 33 of 1992 which regulates material burrowing and mining. The FO and FFPO will become applicable only if project sites that are implemented in close proximity to forest reserves have any impact on them. At this point, no major impacts are expected. These acts and regulations are implemented via number of key national agencies with a mandate for environmental management and protection including the Forest Department, the Department of Wildlife Conservation, Department of Archeology, and Geological Survey and Mines Bureau who have their regional offices and staff to cater to and monitor environmental matters as per the policies and regulations governing them.

World Bank: The IWWRMP has been placed under safeguards category A given that some of the feasibility studies involved (*such as water diversion and development of river basin investment plans* considered under components 2 and 3) may carry potentially high future safeguard risks to natural ecological systems, livelihoods and may also lead to resettlement issues. While the physical interventions recommended by these feasibility studies will not be financed under IWWRMP, the studies will set the scope for future investments. Apart from this, the physical interventions proposed under component 1 and 2 are not expected to generate environmental and social impacts that are significant and irreversible.

The WB Safeguard Policies triggered under this project are OP/BP/GP 4.01: Environmental Assessment, OP/BP 4.04: Natural Habitats, OP/BP 4.36: Forests, OP/BP 4.11: Physical Cultural Resources, OP/BP 4.12: Involuntary Resettlement and OP/BP 4.37: Safety of Dams. While OP 4.01 is triggered as the project is likely to cause adverse environmental impacts due to civil works (mostly localized and lasting only during the construction period), OP 4.04 and OP 4.36 are triggered more on a precautionary basis (as the project takes a framework approach) as some of the project sites and its immediate surroundings are likely to possess a good natural resource base that include forests, rivers and wetlands. However, none of the project activities are expected impact any of these habitats in a significant way. As for OP 4.12, the policy is triggered due to potential land acquisition and disruption of livelihoods of farmers and fishermen communities in sub-schemes areas. A separate Resettlement Policy Framework (RPF) has been prepared in parallel to this ESMF with more details on OP 4.12 implementation.

Description of the Project Area: Watershed management activities under Component 1 of IWRMP will focus on the Upper Mahaweli catchment encompassing Kandy and Nuwara Eliya districts in Central Province and Badulla District of the Uva Province. This area is typically mountainous, with the main land use being tea, forest and scrub. This subproject region has many ecologically sensitive areas and protected forested areas that make up the country's critical upper watershed. Mahaweli River is the main river in the watershed, which is also the country's longest river. It is nourished by several tributaries/rivers such as Hulu Ganga, Rathmal Oya, Ma Oya etc. The main reservoirs within the project includes Victoria and Randenigala, Rantambe, Kothmale and the Polgolla Barrage. As specific project sites are not known, a general environmental profile has been presented. The area also has some key cities of the country such as Kandy and Nuwera Eliya with a sizeable urban population, however majority of the estimated population of about 2,750,000 is considered rural. Land degradation is one of the main environmental

issues in the upper Mahaweli watershed. These areas suffer from high levels of soil erosion which is leading to the siltation of the reservoirs in the region. Other issues of concern in the area are deforestation, encroachment and low productivity plantations. Under component 1, river basin management plans will also be developed for the Mi Oya-Ma Oya and Walawe Basins.

Under Component 2, rehabilitation activities will be undertaken in multiple sites across several districts. A majority of the sites will be in the dry zone and a few in wet zone districts of Kandy and Matale. Reservoir and canal interventions will be carried out in the Walawe basin and in the irrigation schemes in the Northern Province. Land uses in the Dry Zone consist mainly of inland water bodies, scrub jungle areas and predominantly irrigated agricultural areas and associated urban and rural settlements. This region also has significant number of environmentally sensitive areas.

Overview of potential environmental and social impacts: The project is expected to bring about significant environmental and social benefits to the country via improved and scientifically informed use and management of water resources on par with international best practice. The project will have significant benefits particularly with regards to improvement of food security, health and wellbeing, especially in terms of providing water for agriculture, improving soil fertility, strengthening livelihoods and reducing potential outbreaks of epidemic infectious diseases, thus contributing to poverty reduction as well as to the improvement of socio-economic and health indicators of the project host areas.

While the overall program is environmentally and socially beneficial, the construction of new infrastructure and upgrading of existing infrastructure are likely to result in certain adverse environmental and social impacts that will need to be identified and mitigated across the design and implementation phases of the investments. These environmental and social impacts will depend on the environmental and social sensitivities associated with the location, scale of the type of subproject. It is deemed that the majority of the proposed IWRMP subprojects activities will not result in significant long-term adverse environmental or social impacts under components 1 and 2, and if identified at the inception of the sub projects, adequate mitigation measures will be adopted to minimize or negate these impacts. However, special attention will be paid to subproject activities that may involve proposals for water diversion under basin investment plans expected to be prepared under components 2 and 3. With the broad objective of improving water resources management and development in the country, the project's overall positive environment and social outcomes outweigh the negative impacts. The following types of subprojects will not be financed and therefore will be considered as a "Negative List":

Environment:

- Sub-projects that involve the significant conversion or degradation of critical natural habitats such as protected areas and other sensitive ecosystems known to harbor critical species populations.
- Activities that could lead to invasion or spread of weeds and feral animals or the use of toxic chemicals, intensive use of pesticides and activities that generate large quantities of pollutants.
- Activities that could dangerously lead to the exposure of sensitive/critical/vulnerable habitats
- The reclamation of wetlands.
- Construction of new large infrastructure within or directly adjacent (in buffer zones) to:
 - Designated Protected Areas including marine protected areas.

- Designated Sites of Cultural heritage- Sacred Cities/ UNESCO World Heritage Sites
- Known Elephant Corridors
- Illegal Activities as defined specifically under the Forest Ordinance and Fauna and Flora Protection Ordinance, as outlined in Chapter 3 of the main report.

Social:

- Activities that require relocation, and/or structural demolition of any homes or business.
- Activities that require land acquisition and involuntary resettlement that affects more than 20 families (as outlined in the NEA as well as the NIRP described in the RPF).
- Activities likely to create adverse impacts on ethnic groups within the village and/or in neighboring villages.
- Activities that lead to loss or damage to cultural property, including sites having archeological (prehistoric), paleontological, historical, religious, cultural and unique natural values.

Component 1 (subcomponent 1.1 and 1.2 on watershed management activities) is designed to prepare watershed plans, support on-farm and off-farm restoration activities, provide technical and financial assistance to plantation companies to improve soil and water management practices and to strengthen the national policy and institutional environment for watershed planning and management. Overall, the component would bring about many positive environmental and social impacts by setting forth decision making in a direction that is responsive to scientific evidence and needs of the communities and by reinstating same in the country's policy and regulatory framework. The component would involve many technical assessments, mapping and stakeholder consultations to diagnose problem areas, agree on interventions and then set up mechanisms for implementation and monitoring. The planning will be complemented by the implementation of on-farm and off-farm soil and water restoration activities identified in the respective watershed plans. These activities are likely to include reforestation, forest boundary demarcation, forest fire prevention, soil bunding, contour bunding, crop diversification, alternative livelihood development, agro-product development, basic infrastructure rehabilitation such as village roads and steep slopes etc. The likely positive impacts are reduced soil erosion, increased water productivity, increased crop yield, improved biodiversity, improved livelihood etc. Examples for potential negative impacts would include possible social exclusion from consultations, user-conflicts over land usage, pollution as a result of income generation methods such as animal husbandry, temporary construction related impacts, social impacts from livelihood activities such as eco-tourism etc. all of which can be identified and mitigated through proper planning and early impact identification.

Component 1 (subcomponent 1.3 on multi-sector water resources planning) will bring about many positive environmental outcomes through integrated basin water management planning and monitoring resulting in improved water resources management in the country and increasing resilience against the risk of future water scarcities. One key safeguard concern in the preparation of river basin planning (with water allocations) is the possible rise of water use conflicts in certain communities and regions. Additionally, potential inter-basin water transfers can present several complex scenarios which would need to be assessed in a case specific way.

Component 2 will undertake irrigation canal rehabilitation and safety remedial works for dam headworks which could not be funded by the previous Dam Safety and Water Resources Planning Project (DSWRPP) project. Altogether 83 dams and 76 canal systems have been proposed for rehabilitation. Typical interventions include improvements to rip rap on dams, toe drain, toe filter, dam bund and access roads, repairs to sluice gates and other structures, improvements to spills and spill tail channels, electro-mechanical improvements, irrigation canal improvements such as dredging, embankment strengthening, canal bed lining, installation of community facilities such as bathing steps, foot bridges, rehabilitation or replacement of canal intake structures etc. Experience from the recently concluded DSWRPP indicate that the key environmental issue in dam rehabilitation is off-site impacts of material burrowing and quarrying. In addition, the most common impacts are deemed as noise, vibration from construction and transport, debris and dredge material disposal, disturbance to plants and animals, water quality impairment, access restriction, public safety which would occur in varying degree depending on site conditions. Experience from the DWRPP indicate these issues are not significant. Further, concerns of dam safety will need to be considered strongly in each case. Impacts on PCRs are likely to be minimal and site specific. Though resettlement is not identified under this project at this stage, large scale interventions may require minimal land acquisition and resettlement. Land acquisition, where it happens, could have impacts on local livelihoods. However, the positive impacts far outweigh the negative impacts which can be dealt with site specific ESMPs. In addition, establishing a policy framework and a permanent institutional arrangement for dam safety will minimize risks of future dam failure and facilitate repair and rehabilitation of dams and dam components at risk all of which will yield numerous social and environmental benefits.

The ESMF provides detail guidelines on mitigating/managing some of the common constructional issues mentioned above as well as on specific issues such as health and safety, dredge material disposal, landslide management, chance find of PCR, dam safety, livelihood assistance, labor management and more. Most of the identified potential safeguard impacts can be effectively mitigated with good construction planning, site management, debris disposal and public safety practices by following environmental guidelines and codes of practices given in the ESMF.

Environmental and Social Management Framework: Implementation of environmental requirements will follow the following steps closely linking with activity planning, design and implementation steps.

1. Step 1: Environmental and Social Screening of Identified Physical Subprojects
2. Step 2: Preparing Environmental and Social Safeguard Assessments, Management and Monitoring Instruments
3. Step 3: Concurrence and Clearance
4. Step 4: Inclusion of Environmental and Social Specifications and Environmental and Social Management Plan in bid documents
5. Step 5: Environmental Method Statements and ESHS Performance Clauses (for large investments)
6. Step 6: Compliance Monitoring and Reporting

All sub-projects under IWWRMP will be subjected to a detailed environmental and social screening at the concept design stage. This will help identify the anticipated environmental and social impacts, risks and benefits based on the intervention at an early stage and determine if the anticipated impacts and public

concern warrant further stand-alone environmental assessments and management plans, RAPs or Livelihood Support Plans and if so, recommend the level of analysis.

As a guideline, an early assessment has been made of all proposed investments along with recommendations of type of environmental/social analysis and/or feasibility studies to be undertaken for each type of investment, commensurate with the magnitude of potential impacts and risks. Most of the sub-projects under components 1 and 2 would be safeguard Category B of nature that does not need rigorous environmental or social studies to be undertaken.

Project component	Proposed Interventions	Safeguard Analysis needed
Component 1 (watershed management activities)	Proposed interventions include a deep dive into technical analysis complete with GIS mapping, surveying and SWAT modeling, followed by the preparation of management plans at the macro, sub and mini watershed levels. These watershed plans will include on-farm and off-farm activities for soil erosion control.	<ul style="list-style-type: none"> • Screening of all mini-watershed plans using the ESSR format provided in the ESMF. • For simple on-farm soil and water conservation activities such as drainage line treatment, soil bunding, stone wall construction, terracing, water harvesting etc. and vegetative treatment such as trenching, planting of ground cover/native trees, home gardening etc., which are small-scale and community driven, <i>Environmental Codes of Practice (ECOPs)</i> would be recommended. • For off-farm water and soil conservation activities such as water harvesting structures, drainage management structures including dykes, diversion drains, leader drains, main drains, check dams and clearance of silt exacerbated by intense rain events etc. that will be implemented at a regional scale (such as the plantations), <i>Environmental and Social Management Plans (ESMPs)</i> would be recommended. • For large scale reforestation activities (for example more than 5 ha) that would involve land clearing, soil improvement, replacement with broad leaf forest species, a limited <i>Environmental Assessment (EA)</i> or <i>Initial Environmental Examinations (IEE)</i> would be recommended. The PMU is expected to use discretion in terms of justifying an EA (or lesser analysis) using ESSR outcomes and area of influence.
Multi-sector water resources planning	This component is a technical assistance to help water agencies to transform towards integrated river basin planning and water management using participatory methods.	This component will not fund any physical activities, hence there will be no environmental impacts. However, development of river basin investment plans with potential inter-basin water transfers in the future (even though they will not be funded under the current project) could potentially carry high environmental and social risks. Therefore, a <i>Social and Environmental Strategic Assessment (SESA)</i> will be carried out for each pilot river basin.

Project component	Proposed Interventions	Safeguard Analysis needed
Component 2	<p>The proposed interventions will include rehabilitation of dams and associated irrigation infrastructure managed by the ID, MASL and the NPC.</p> <p>In addition, this component would fund a feasibility study to transfer water from Kalu Ganga reservoir to drier CKDu areas using piped laid along existing canal traces.</p>	<ul style="list-style-type: none"> • Screening and preparation of the ESSR for all dam and canal rehabilitation works. • In most cases the preparation of an ESMP post the screening would suffice unless otherwise determined by the screening finding. • The ESMP would particularly focus on rehabilitation of burrow sites and provide specific guidance on how best to use and close identified earth and gravel burrow sites. ¹ <p>An EIA will be carried out on the feasibility study looking at transferring water from Kalu Ganga to CKDu areas.</p>

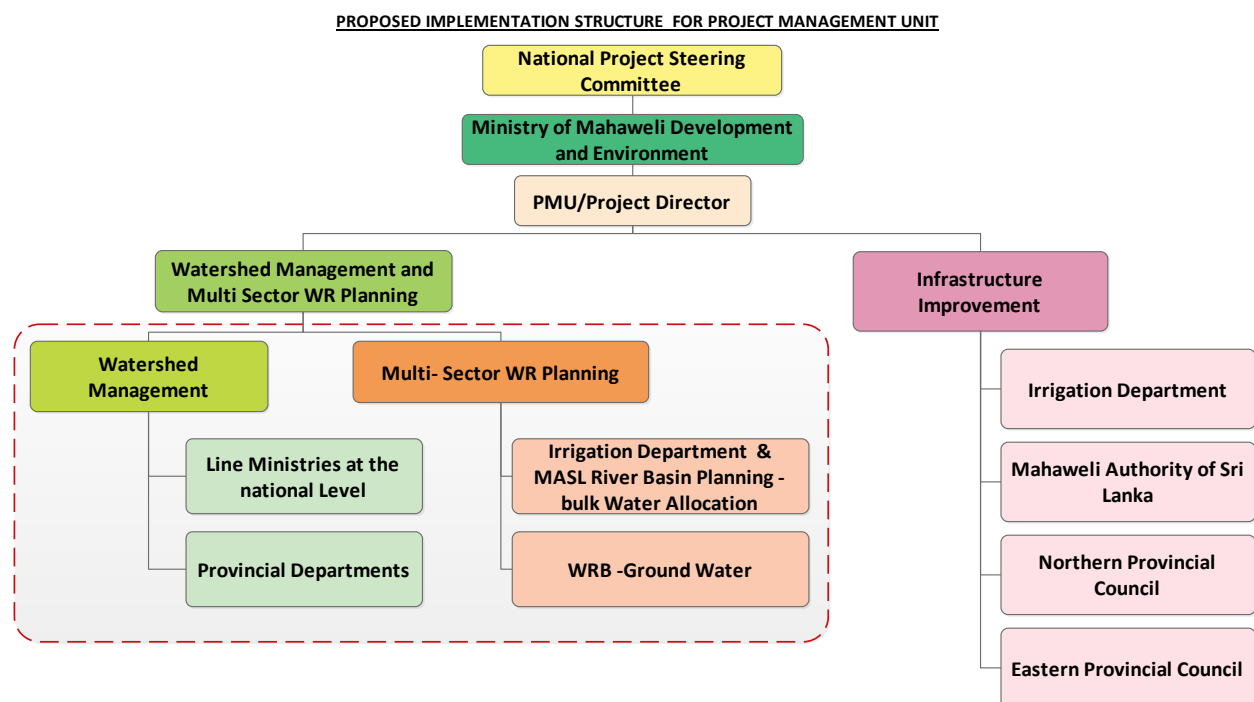
Any proposed project intervention to be conducted *within or in close proximity to a known heritage asset*, either locally, nationally or internationally designated, will carry out a PCR screening and assessment using the formats provided in the ESMF. All ESMPs will carry PCR chance find procedures. For any large dams (which are normally 15 meters or greater) and dams below that height but are considered to be complex from a design and management point of view, OP/BP 4.37 requires that investigations, designs, construction and operation of the dam be reviewed by an independent panel of experts.

Concurrence and clearance: All safeguards instruments will be subject to prior review and clearance by the World Bank safeguards specialist assigned to the IWRMP. Only cleared safeguards instruments will be included in bidding documents and other procurement instruments.

¹ During DSWRPP, which undertook the remediation of several large to medium scale dams in Sri Lanka, interventions at each dam site was assessed with a detail EA. The key lesson learnt from this experience is that environmental impacts from the type of dam repairs carried out under DSWRPP (and now proposed to be extended to several additional dams that could not be completed under DSWRPP) aren't extensive. They are localized, temporary and easily manageable with good construction planning and management. The key issue identified through the EAs was the selection and management of earth and gravel burrow sites. Therefore, learning from DSWRPP the level of analysis for dam work under SLWRMP is proposed to be further streamlined and to focus on specific issues such as burrow site management.

Institutional Arrangements for the Implementation of the Project: The project will be managed by a PMU embedded in the MMDE, with part of the staff in the PMU drawn from government agencies. The PMU will be responsible amongst others for ensuring that the social and environmental safeguards applicable to the project are fully complied with. The PMU is also responsible for monitoring project activities, preparing the quarterly and annual project progress reports, and ensuring that all reports (including financial reports) are submitted to the World Bank on time. The overall project oversight will be the responsibility of the National Project Steering Committee (NPSC), established in the MMDE and chaired by its Secretary.

Project Implementation Partners: The overall implementation of component 1 is the responsibility of the MMDE. The Project will draw on key expertise from the Forestry and Central Environmental Authority, Department of Agrarian Development; Ministry of Sustainable Development; Land Reform Commission, Ministry of Plantation Industries, and Ministry of Lands. Component 2 will be implemented by the Mahaweli Authority of Sri Lanka (MASL), Irrigation Department (ID), Eastern Provincial Council and the Northern Provincial Councils. Component 1.3 will be implemented by ID in close coordination with MASL.



Institutional Arrangements for the Implementation of the ESMF: The PMU established within the MMDE will appoint suitably qualified and experienced experts to focus on the tasks and responsibilities outlined in the ESMF in the role of a (i) Senior Environmental Specialist (SES) and Senior Social Specialist (SSS). Both the SES and the SSS will report to the Project Director (PMU), under the Secretary (MMDE), and will be responsible for the overall management of environmental and social safeguards, respectively, of the project and the implementation of the project specific safeguards instruments. To support the specialists, 3 Environmental Officers (EOs) and 3 Social Officers (SOs) will be hired. Out of them, 2 will specifically focus on supporting the watershed sub-centers in Polgolla and Nuwera Eliya each, while the other EO and

SO will assist the SES and SSS on the requisite actions with regard to components 1 and 2. The PMU will hire environmental and social consultants to provide technical support the PMU where specialized services are required.

Implementation of measures laid out in the ESMPs from the preconstruction, during, and to the close of construction will largely be the contractor's responsibility (apart from those provisions relating to technical designs and other specified tasks indicated in the ESMPs), and for this, the contractor will nominate a safeguard officer (as requested in the ESMP) as the focal person who will be directly responsible for ensuring compliance with the ESMP during construction.

The World Bank project task team, specifically the environmental and social specialists, will provide close supervision and necessary implementation support by reviewing and providing guidance on conducting screening, and the preparation of relevant safeguard instruments as well as providing training for trainer's programs for the SESSC and team and other programs identified in the ESMF

Gender: The ESMF provides a framework for gender inclusion in the IWWRMP. Overall outcomes expected from gender inclusion into the project will result in following benefits:

- Identify gender-based differences in access to resources to predict how different members of households, groups, and societies will participate in and be affected by planned development interventions;
- Permit planners to achieve the goals of effectiveness, efficiency, equity, and empowerment through designing gender specific activities and supportive program strategies;
- Sensitize the project personnel on GBV; incorporate measures to prevent and address incidents of GBV including establishment of a separate GRM to handle GBV related complaints.
- Develop training packages to sensitize development staff on gender issues and training strategies for beneficiaries.

Identifying gender gaps in unemployment, wages, and employment type in the project area of influence and adoption of corrective action within subproject will lead to increased benefits and reduced impacts in subproject areas.

Consultations: The ESMF outlines a brief framework for planning and conducting consultation under IWWRMP. Only the most appropriate consultation method will be adapted to sub-projects during implementation and the responsibility of consultation lie primarily with the PMU and its implementing partners. During the preparation of the ESMF, several consultations ranging from national stakeholders to community groups have been held and their feedback has been recorded in one chapter in the ESMF.

Grievance Redress Mechanism: The objective of the GRM is essentially to provide affected parties within the project areas, with access to a mechanism that is legitimate, reliable, transparent, and cost-effective to enable them to present their grievances and find solutions that satisfy their needs and aspirations. The GRM provides a platform with the institutions, instruments, methods, and processes by which a resolution to a grievance is sought and provided. A number of mechanisms are available to aggrieved parties to access redress depending on the nature, complexity and diversity of the grievance. The GRM will also provide a platform for conflict resolution (to the extent possible) for resolving conflicts between affected persons and / or other stakeholders and can provide information sought by the public on the project.

A three-tier grievance redress system has been proposed for the IWWRMP that would function at local (DS level) and regional levels (District level), with recourse to a national-level body for appeal. The Proposed Grievance Redress Mechanism is implemented through Grievance Redress Committees (GRC) appointed. For the GRM to be effective, it is necessary for the project management units to explain and publicize the procedures. The General Public, Public Officers, Social Organizations, Contractors and Divisional Secretaries in the respective areas will be made aware of the procedures for GRM.

Compliance monitoring and reporting: Compliance monitoring will large take place via field inspections. Using the standard Environmental and Social Compliance Monitoring Checklist and the Special Monitoring Checklist for Ensuring Safe Conditions for Workers and Public presented in the ESMF, the project staff will document the progress of ESMP implementation and prepare: (a) bi-annual social and environmental monitoring reports (submitted two weeks prior to each supervision mission) and (b) quarterly progress reports or as per the compliance monitoring agreement made during project implementation. In addition, the project will conduct independent environmental and social audits twice during the project implementation period—once prior to the Mid Term Review and a year before the project’s stipulated closing date. In addition, an audit will be initiated if a situation would call for one – for example high number of safeguards related grievances, poor implementation of ESMPs etc.

Information disclosure: The implementing agency has publicly disclosed the draft ESMF since March 2019. Similarly, it has disclosed the Environmental and Social Screening Reports (ESSRs) and Environment and Social Management Plans (ESMPs) for the Mahalindawewa dam rehabilitation and the Walawe Right Bank irrigation canal rehabilitation since July 2019. Similarly, for all other subprojects, the Environmental and Social Assessments, including ESSRs, EAs, REAs, SIAs, LSAs and ESMPs, will be disclosed by the project for public review and comments in appropriate locations in the Project area. These include the project websites, social media, project offices and local authority offices to ensure all layers of the community have due access. Executive summaries of all ESIA and RESAs will be translated to the local languages of Sinhala and Tamil.

(B) RESETTLEMENT POLICY FRAMEWORK

Introduction and background: Sri Lanka has shown steady growth over the last decade, and now, reached an upper middle-income country status. Continued investments in infrastructure for irrigated agriculture, hydroelectric power, and domestic and industrial water supply have supported the growth in the island. However, as the economy is becoming more diversified, the water demands have been increasing both in terms of quantity and quality. Yet, poor management of water resources has raised serious concerns. Pollution control of major water bodies and rivers, surface and ground water quality management, watershed management, river management, and environmental flow management in the river basins, are virtually non-existent. At the same time, existing infrastructure is aging, pollution and sand mining of rivers and water bodies are increasing, and the limited ground water resource is being increasingly tapped for irrigation, drinking and industrial uses with inadequate regulation, monitoring and long-term planning. As a result, critical watersheds are degrading, causing reduced crop yields, downstream sedimentation and low river base flows. These factors and risks are further exacerbated by the onset of climate change. Global Climate Risk Index ranks Sri Lanka as the second-most climate change affected country in the world. Recognizing the evolving challenges and increasing climate risks, the Government of Sri Lanka (GoSL) has requested the World Bank (WB) to extend assistance to formulate a project on watershed and water resources management under the Ministry of Mahaweli Development and Environment (MMDE).

Project Description: The Project Development Objective (PDO) of the is to restore the Upper Mahaweli watershed, strengthen institutional capacity for water resources management, and enhance the functionality of water resources infrastructure. The project design includes four components, as follows:

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- Subcomponent 1.1: Watershed management planning and institutional strengthening
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Component 2: Infrastructure Improvements

- Subcomponent 2.1: Rehabilitation of dams and irrigation infrastructure.
- Subcomponent 2.2: Support for policy and institutional arrangements for dam safety.

Component 3: Contingent Emergency Response

Component 4: Project Management

Project Interventions and Potential Social Impacts : Between the various project components, only Components 1 and 2 will involve any physical infrastructural works, while the other components are focused more on institutional strengthening, technical assistance and other such soft interventions.

Under sub-component 1.2 on ‘Watershed Restoration and related Infrastructure Investment,’ both on-farm and off-farm physical works related to reduction of land degradation such as construction of soil bunds, lock and spill drains, leader (*Neththi*) drains, stone bunds, terraces, contour platforms, single platforms, check dams, slope protection with soil filled bags, construction of side walls by boulders, gabion

structure, drop structures, percolation pits, silt traps, gully conservation, stream bank conservation, fill slope conservation, cut slope conservation, agro-road improvement, will be carried out with the assistance and participation of the people in the project area.

Likewise, the objective of sub-component 2.1 'Rehabilitation of Dams and Irrigation Infrastructure,' under Component 2 is to rehabilitate the identified high-risk dams owned by various government institutions, and also seek to improve efficiency of other major water assets such as tanks, canals, and irrigation schemes. These activities will involve physical construction works which is likely to lead to potential social impacts.

Broadly, the geographic area of intervention of Component 1 will be the upper Mahaweli watershed. The Mahaweli Authority of Sri Lanka and the Forest Department (FD) are key agencies which will implement Component 1. The dam and irrigation infrastructure works under Component 2 is sub-divided between Sri Lanka Mahaweli Authority (MASL), Irrigation Department (ID), Eastern Provincial Council and Northern Provincial Council (NPC).

At the preparation stage of the project, the MMDE took a policy decision not to include any interventions that will require physical displacement of people and/or those that will lead to permanent loss to productive assets leading to involuntary resettlement (or permanent economic displacement). Accordingly, the proposed interventions under the project will be designed so as to avoid any physical displacement or permanently impact any productive assets of people. However, there can be some instances where strips of private land may be required especially in constructing cut and fill slope stabilization structures under the interventions in the Victoria watershed. Construction of soil bunds, lock and spill drains, stone bunds and shifting from existing agricultural practices to productive agriculture practices (such as use of organic fertilizer) may incur a temporary loss of income for farmers in the watershed area of Victoria left bank. Rehabilitation works carried out in the dams of selected tanks under subcomponent 2.1 may require lowering the water levels during rehabilitation works which would affect the farming activities of the farms in the command areas of such tanks thus leading to temporarily loss of income and livelihoods. Small shrines and places of worship near the dams and irrigation canals that are earmarked for rehabilitation may also get accidentally damaged during construction works.

Accordingly, the World Bank's Operational Policy (OP) 4.12 on Involuntary Resettlement has been triggered under the project. As it is envisaged that the proposed interventions will be planned and carried out with no physical displacement of people and no permanent loss of their productive assets, the impacts of resettlement however envisaged to be "minor". Since the exact location of the project interventions are not known, and the project does not have specific planning information at this stage, a Resettlement Policy Framework (RPF) has been prepared under the project.

Objective of the Resettlement Policy Framework: The overall objective of the Resettlement Policy Framework (RPF) is to establish the standards and provide guidance for all the interventions that will take place under the project, especially under Components 1 and 2. The principle set out by the RPF is to ensure that the impacts of land acquisition and resettlement are either avoided, minimized or mitigated, allowing people affected by the project to improve or, at the very least recover their livelihoods and standards of living. The resettlement programs will be executed as sustainable development programs and will ensure

that people affected by the project are given the opportunity for meaningful consultation and are able to participate in the planning and implementation of the Resettlement Plans (RPs) and Livelihood Support Assistance (LSA) plans. The RPF is based on the Sri Lankan laws and regulations pertaining to Land Acquisition (LA) and resettlement, and the World Bank's policies including OP 4.12 on Involuntary Resettlement, OP 4.01 on Environment Assessment, and OP 4.11 on Physical Cultural Heritage. In addition to the RPF, an Environmental and Social Management Framework (ESMF) to address non-land related social impacts, and environmental risks and impacts, has been prepared under the project to complement this RPF.

Existing institutional and legal framework for land acquisition: Sri Lanka has a complex legal system to manage land acquisition, regulate land use, address the issues of gender equality and inclusion, and consultations and information disclosure. Primary among these are the Land Acquisition Act of 1950, Land Acquisition Regulations of 2008, the National Involuntary Resettlement Policy of 2001, Crown Land Ordinance of 1947, State Lands Act of 1949, State Lands (Recovery of Possession) Act of 1979, and Land Development Ordinance of 1935. Likewise, World Bank's Operational Policies which are relevant to the project include: OP/BP 4.01: Environment Assessment, OP/BP 4.12: Involuntary Resettlement, OP/BP 4.04: Natural Habitats, OP/BP 4.36: Forests, OP/BP 4.11: Physical Cultural Resources, and OP/BP 4.37: Safety of Dams.

Despite the elaborate legal system to manage land acquisition for development purposes, some gaps exist between the national legislation and systems, and the World Bank's requirements, especially in matters relating to exploring project alternatives to avoid or minimize impacts, compensation for non-titled persons affected by project interventions, consultations with affected persons on resettlement options, livelihood restoration and rehabilitation measures. As elaborated in this RPF, all activities under the project will be consistent with the legal/regulatory framework of Sri Lanka and aligned with the World Bank policies and guidelines.

Social Management Planning: The key steps in social management planning are: social and environment screening, Environmental and Social Impact Assessment (ESIA), inventory and valuation, determining eligibility and entitlements, consultation and disclosure of findings, preparation of resettlement instruments, including Livelihoods Support Assistance (LSA) plans and/or Resettlement Plans (RP), consultations and finalisation of the resettlement instruments, disclosure of the final LSA plans and/or RP, if relevant.

The process of resettlement planning will start with a screening, assessment and categorization of impacts. If the environmental and social screening indicates that the intervention involves risks and impacts associated with 'involuntary resettlement,' including possible impacts on livelihoods due to water draw downs, the PMU will carry out an Environmental and Social Impact Assessment (ESIA) including 100% census survey of the affected households once the cut-off date has been announced prior to the beginning of the census survey. The ESIA will provide information on the losses and damages incurred by individuals or households, and communities, impacts on women and vulnerable communities, etc. The census and ESIA will also involve systematic consultation, disclosure, orientation, and coordination with the Divisional Secretaries, Planning Directors, Grama Niladharis, Community Based Organizations, Non-Governmental

Agencies, and community members, including women and other vulnerable groups. Based on the results of the ESIA and the consultations carried out, an RP and/or LSA plan, will be prepared.

Categorization of Impacts and Analysis of Alternatives: Based on the screening results on possible “resettlement impacts”, using the *Environmental and Social Screening* form, each sub-component of the project will be categorized as “Significant”, “Non-Significant” or “No resettlement”. For project activities that are categorized as *Significant or Non-Significant*, an ESIA, including a census survey, will be carried out. Similar impact assessments will be conducted for interventions with *No Resettlement* impacts but those that will lead to temporary loss of income and other impacts on livelihoods. A Resettlement Plan (RP) will be prepared for interventions that are “Significant,” an abbreviated RP will be prepared for interventions that are “Non-Significant” and Livelihood Support Assistance (LSA) programs will be prepared for interventions with “No resettlement” impacts but with possible temporary loss of incomes. The LSA programs will especially be developed for interventions in sub-component 2.1 where communities will need to forego one or two cropping seasons or experience an impact on livelihood activities during rehabilitation and improvement works of dams and canals. The ESIA and census surveys for the preparation of LSA programs or RPs will be conducted with systematic consultation, disclosure, orientation, and coordination with the Divisional Secretaries, Planning Directors, Grama Niladhari, Community Based Organizations and Non-Governmental Agencies within the relevant project areas.

At the planning stage of IWWRMP, the MMDE took at a decision to exclude any interventions that would lead to physical displacement of people and permanently impact any productive assets. In addition, the following measures will also be adopted to avoid/ minimize impacts on people in each project intervention:

- Timing of the proposed on-farm and off-farm construction activities under sub-component 1.2 during the off-seasons will seek to avoid or minimize any loss to livelihood or employment activities of the people.
- Scheduling the rehabilitation works under sub-component 2.1 during the off-season will be pursued, again to avoid or minimize any livelihood or employment of people in the project area.
- A Livelihood Support Assistance (LSA) program will be introduced to mitigate any temporary loss of livelihoods due to project interventions, especially those under Components 1 and 2.

Under circumstances where private land is permanently required for any project intervention, such land will be taken as per the provisions of LAA and compensation will be paid based on LAA and its subsequent regulations. However, such requirements are envisaged to be minimal, if any. Besides compensation, entitlements and assistance will also be provided for the following as part of the LSA plan and/or RP:

- Temporary loss of agricultural and plantation lands and crops,
- Damage to private properties and structures,
- Temporary loss of livelihood and employment (loss of income),
- Temporary loss of services/ utilities,
- Special assistance for households,
- Impacts on community assets, and
- Unanticipated adverse Impacts.

The cut-off date for eligibility for LSA programs and/or RP, payment of compensation and other resettlement assistance, will be the last date of the census survey conducted for each sub-component. If in case there is any requirement for land acquisition, the cut-off date for eligibility for compensation for non-title holders will be the last date of census survey carried out for that proposed project subcomponent. For title holders, the cut-off date will be the date in which section 2 notice under LAA is published.

Review and Approval Process: LSA program or RPs developed by external consultants will be first reviewed and approved by the PMU. The revised RPs will be submitted to the Ministry of Land and Parliamentary Affairs as an attachment if there are any proposals for land acquisition. PMU approved LSA programs and RPs will be submitted to the World Bank for review and clearance. Once the GoSL and the Bank have cleared or approved the LSA program/ RPs, such plans will be disclosed on MMDE website in Sinhala, Tamil and English. The Bank will also upload these documents to its own website.

Grievance redress mechanism: A formal Grievance Redress Mechanism (GRM) will be established under the project with the objective of helping project affected persons resolve their problems through a process of mutual understanding and consensus with the relevant parties at the level of the project. The GRM will operate at three levels starting from local (DS level) through regional level (District level) to National level. Entitlement or eligibility for non-cash benefits, dust, noise and vibration nuisance at the construction site, loss of access, damages to public and private property (especially damage caused by vibration/pile driving and removal of religious shrines, statues or trees) are some of the issues that could be taken up at different levels of GRC.

Consultation and Engagement Strategies: Providing accurate information about the project to stakeholders (including people affected by the Project) from the planning stage onwards will help prevent any misunderstanding and misinformation, and also assist in building trust between different stakeholders and the project team. The PMU will be responsible for managing and conducting the process of consultation with the affected parties throughout the project cycle. A Public Information Booklet (PIB) will be delivered to each household in the project implementing area. The implementing agency has publicly disclosed this RPF and the accompanying ESMF since March 2019, and these instruments have also been disclosed in World Bank's external website.

Implementation Arrangements, Monitoring and Evaluation: The project will be managed by a PMU embedded in the MMDE while the overall project oversight will be the responsibility of the National Project Steering Committee (NPSC), established in the MMDE and chaired by its Secretary. The PMU will be responsible amongst others for ensuring that social and environmental safeguards applicable to the project are fully complied with. The PMU will also be responsible for monitoring project activities, preparing the quarterly and annual project progress reports, and ensuring that all reports (including financial reports) are submitted to the World Bank on time. Specifically, internal monitoring will be the responsibility of the PMU. A Management Information System (MIS) will be established within the PMU to facilitate record keeping, analyzing and generating required information. It will include project specific database system to track the execution of the LSA programs and RPs. The PMU will engage an external evaluation agency/consultant to prepare independent evaluation reports on the progress of implementing safeguards programs. The consultant will produce reports on a semi-annual basis.

Budget: Baseline survey conducted covering all affected persons for LSA programs and RPs will provide inputs for the cost estimate for each LSA program or RP. The budget for executing the LSA programs, RPs and payment of statutory compensation in the event of any land acquisition will be channeled through government counterpart funds. The funds will be allocated to the PMU initially and then disbursed to each project sub-component.