

Executive Summary

**Sri Lanka Strategic Cities
Development Project (SCDP)**

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Chapter 1 – Overview of the Environmental Management Framework

In order to achieve its urban vision and national development objective, the Government of Sri Lanka has set out the Sri Lanka Strategic Cities Program as a common platform where the Government and its development partners could undertake strategic investments in selected cities either in parallel or in phases. The World Bank will embark on the first phase of this program by investing in selected strategic interventions in the cities of Kandy and Galle where it will address a number of issues that are preventing these cities from realizing their full economic potential.

The project development objective (PDO) is to contribute to the improvement of urban services and livability in selected strategic cities of Sri Lanka. This would be achieved through shaping city transformations based on the cities' cultural and economic assets with strategic investments.

The project comprises four components. Component 1 encompasses interventions for Greater Kandy Area. It will include investments to improve selected urban services (rehabilitation/augmentation of municipal water supply, rehab of underground drainage, traffic management, Kandy lake environment improvement) and enhance public urban spaces (improving streetscapes and walkability, traffic/parking re-organization, restoration of historic buildings). Component 2 focuses on the interventions for Greater Galle Area. It will include investments for urban services improvement (drainage improvement, coastal erosion protection) and public space enhancement (improving streetscapes, walkability, land-use modifications, public space within ancient Galle Fort). Component 3 will provide implementation support and technical assistance activities, with the objective of increasing the technical capacity of municipalities to plan and implement their own infrastructure projects.

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 SCDP have not been finalized at this stage, site-specific Environmental Assessments (EA) cannot be conducted. As such the preparation of an Environmental Assessment and Management Framework (EAMF) has been carried out. The main purpose of the EAMF is to (a) carry out a generic assessment of environmental impacts from SCDP and (b) outline a framework for environmental screening, assessment and management, giving details of potential environmental issues, screening criteria and guidelines on what type of environmental tools need to be applied for the various investments prior to commencement of activities. The EAMF will serve as the basis for carrying out safeguards due diligence for all sub-projects under the SCDP.

Chapter 2 – Policy, Legal and Administrative Framework

Detail review of several legislative enactments in Sri Lanka with a direct or linked mandate for environmental/natural resources management and urban services has been undertaken. Of this, the National Environmental Act No 47 of 1980 and its amendments is very important as this is an umbrella legislation that covers environmental protection within the country and is administered

by the Central Environmental Authority. Under the NEA, development projects that fall within stipulated categories require EIA/IEE approval before proceeding to implementation, Application of the NEA to SCDP has been assessed and is deemed will be limited given that most of the investments are to do with rehabilitation work. However, activities carried out in designated sensitive areas (, as prescribed in the NEA) will require to obtain CEA clearance. Of the other important legislation to SCDP are the Coast Conservation Act No.57 of 1981 amended by Act No.64 of 1988, the Antiquities Ordinance No. 9 of 1940 and subsequent amendments and the Forest Ordinance. As both Kandy and Galle are historic cities and UNESCO World Heritage Sites, the Antiquities Ordinance will have a strong influence on project procedures. While the Department of Archaeology will be a main counterpart of the project in historic building restoration, its guidance will be sought through permits/clearances for all other projects that are implemented in close proximity to known historic sites. The Forest Ordinance will become applicable if some projects that are implemented in close proximity to forest reserves have any impact on them. However, no major impacts are expected.

Of the World Bank's safeguard policies, the following will apply.

- OP 4.01 on Environmental Assessment
- OP 4.04 on Natural Habitats
- OP 4.11 on Physical Cultural Resources
- OP 4.36 on Forests

While OP 4.01 and OP 4.11 are triggered as the project (i) is likely to cause adverse environmental impacts due to civil works (mostly localized and lasting only during the construction period) and (ii) will be involved in historic building restoration and also because there could be indirect impacts to historic sites from construction work in its proximity, respectively. OP 4.04 and OP 4.36 are triggered more on a precautionary basis (as the project takes a framework approach) as both cities and its immediate surroundings possess a good natural resource base that include forests, rivers, wetlands and marine habitats. However, none of the project activities are expected impact any of these habitats in a significant way.

The SCDP has been categorized as safeguards category A given the sensitivity of the project locations and the World Heritage status, in addition to the resettlement and land acquisition that would need to take place.

Chapter 3 - Description of the Project Area

Kandy – Located at the center of Sri Lanka, at an altitude of 488.6m (1629 Feet) above sea level Kandy is surrounded by a triangular mountain range, namely the Hantana and Knuckles mountain ranges. The city has been established in the Valley of the Mahaveli River, covers a land area of 1917 square Kilometers and is home to about 120,000 resident population. The Mahaveli River, which is the longest running river in Sri Lanka, flows on the edges of the city. Being the gateway to the central highlands, Kandy's geographic location has made it a major transportation and commercial hub. Almost 50% of the land area in Kandy consists of residential and commercial areas. About 15% of the land has been designated as forest reservations, which are confined to top of the mountain ranges mentioned. Kandy has become the foremost cultural city of Sri Lanka due to a rich heritage of living monument. Not only is it home to a multitude of Buddhist religious monuments, including the most revered Temple of the Tooth Relic, it plays center stage for over 600 years of recorded

local history. As such, Kandy city has been declared by UNESCO as a Living World Heritage Site. The city has a number of surface waterbodies, namely the man-built Kandy lake which is at the centre of the city, Meda Ela that connects the lake and the Mahaweli river and 2 natural water reservoirs located up in the hill. Solid waste and traffic congestion are two key issues that are affecting the quality of the city environment. Solid waste is currently opened dumped and is causing pollution in the Mahaweli river.

Galle - The city of Galle is the administrative capital of the Southern Province and. It is a major coastal city situated on the Island's Southwestern tip and is a 120Km drive away from Colombo. It is the administrative and commercial hub for the Southern regions of the island, with major schools hospitals and administrative units being located within the city. Historically a port city, it is also a Heritage city with the Galle fort area being demarcated a Living UNESCO World Heritage Site. Topographically, the city is situated in the South West coastal plains where most of the land is flat. Gin Ganga, a main river, flows out to sea at Gintota in Galle and the city has a few more canals and lakes. The water flowing in these canals are polluted with wastewater, solid and liquid waste coming in from the city center and residential areas. Rumassala, a forested coastal cliff, coral reefs of Hikkaduwa and Bouena Vista and some mangrove patches along the coast are some of the important natural resources within and in the immediate surroundings of the city. Solid waste management, coastal pollution and inland water pollution are some of the key environmental challenges the city is facing.

Chapter 4 – Assessment of impacts and technical framework for safeguards management

The net environmental impact of the project will be positive. However, during the construction stage adverse impacts will take place and a preliminary assessment indicates that (i) most of such impacts will be generic construction related impacts while (ii) some will be associated with special issues such as maintenance dredging and dredge material disposal, land slide hazard, construction near historic sites etc. The EAMF provides detail guidelines for addressing all these potential impacts.

All sub-projects under the SCDP will be subjected to a detailed environmental screening at the concept design stage. This will help identify the anticipated environmental 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, and if so, recommend the level of analysis.

As a guideline, an early assessment has been made of all proposed investments t and recommended type of environmental 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 belong to safeguard Category B and do not need rigorous environmental studies to be undertaken and only the screening report with a site specific EMP would be adequate. Most of the environmental impacts can be effectively mitigated with good construction planning, site management, debris disposal and public safety practices by following environmental codes of practices given in the EAMF. However, specific impacts will need specific guidelines to plan mitigation as provided in the EAMF. Any impacts to forests and natural resources will be identified

at the screening stage and depending on the need will be addressed more in detail in the subsequent EAs. The proposed screening criteria has been applied effectively to year 1 projects and completed with the preparation of EMPs. The EMPs will be made part of the tender document and eventually linked to the contract document. Public consultations have been held as part of the EAMF and year 1 project EMP preparations and documented.

Any impacts to Physical Cultural Resources (PCRs) as a result of infrastructure development also will be identified at the screening stage and mitigated through recommendations in the EMP with guidance from the Department of Archaeology (DoA). All historic buildings identified for restoration under the project are owned by the DoA, hence their guidelines, conservation plans and expertise will strictly apply. The EAMF also provides guidelines of chance finds of PCR.

Chapter 5 - Institutional Framework for Safeguards Management

The project will be implemented and managed by a self-standing and ring-fenced Project Management Unit (PMU) which will be established under the Ministry of Defence and Urban Development (MoDUD). The PMU will operate under the oversight of a Steering Committee, chaired by MoDUD's Secretary and composed relevant stakeholder agencies. Local PMU offices will be established both in Kandy and Galle, headed by Project Managers. To ensure co-ordination and efficiency, project Coordination and Consultative Committees will be established both in Kandy and Galle, chaired by the respective Mayors.

The PMU will be responsible towards the Bank for the overall fiduciary and safeguard aspects of the project, for monitoring the agencies' compliance with the project's environmental and social safeguards and for overall project monitoring and evaluation (M&E) against results indicators.

Implementation arrangements for safeguards management are summarized as follows:

Planning, implementation and supervision of environmental safeguards will take place at three levels;

- MoDUD (through main PMU) - The overall responsibility of ensuring compliance with environmental safeguards requirements of the project will be borne by the main PMU. It will be supported by a full-time environmental specialist and a physical cultural resources specialist, both directly reporting to the Project Director. The PMU will be responsible for providing overall policy direction, technical assistance, review and endorsement of screening reports, environmental assessment and management plans, capacity building for effective safeguards management to the implementing agencies, monitoring of environmental compliance and progress reporting to the World Bank.
- Project Execution Agencies (through the local PMUs) - The local PMU office will recruit an environmental specialist for each city who will ensure timely and sound application of the EAMF to the planned investments. The Project Executing Agencies will draw on his/her expertise during the design/implementation stages to complete safeguards work. He/she will work under and report to the PMU.
- Contractor - Implementation of EMPs will largely be the contractor's responsibility (apart from those provisions relating to technical designs and other specified tasks indicated in the EMPs)

and for this the contractor will nominate a site engineer as the focal person who will be directly responsible for ensuring compliance with the EMP during construction.

Chapter 6: Strategic Environmental Planning

The SCDP will support improved city planning and development by financing a Strategic Development and Growth Plan and subsequently an integrated Master Plan for Greater Kandy and Greater Galle. This will be a major output and the road map for development of the two cities. It is recommended that Strategic Environmental Assessments are carried out to enhance the city development master plan with elements of sustainability and green city planning based on natural assets/ecology and carrying capacities to the. The role the SEA can play in lessening environmental risk and enhancing its outlook while facilitating economic development in future city development will be an important one.

Chapter 7: Stakeholder Consultation and Information Disclosure

For all types of environmental analyses conducted under the SCDP (including screening), communities in the project sites should be consulted within a structured and culturally appropriate manner. Further, environmental assessment documentation and EMPs should be made available to the public (in accordance with the World Bank's policy on Access to Information) by the PMU prior to tendering of works contracts through the website of the project and notices through media, as appropriate. In addition, it may be necessary to conduct discussions with the regulatory agencies (such as the CEA, CCD on relevant issues) and other implementing agencies who would have a stake in the project due to various reasons. Consultation will enable the project implementing agency to understand the stakeholder's requirements and for the stakeholders to develop an understanding of the project so that potential conflicts could be eliminated or minimized.

The process of consultation should be documented and account taken of the results of consultation, including any actions agreed resulting from the consultation. Public disclosure of the relevant safeguards documentation will be a pre-requisite for tendering civil works contracts. The contract documents for each contract package will mandatorily include the relevant environmental mitigation provisions stipulated in the EMPs (which would have community concerns reflected, if any) for the given sub-projects in order to ensure contractor compliance with safeguards requirements.