



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 02/25/2020 | Report No: ESRSA00481



BASIC INFORMATION

A. Basic Project Data

| | | | |
|--|--|--------------------------|----------------------------|
| Country | Region | Project ID | Parent Project ID (if any) |
| Sri Lanka | SOUTH ASIA | P172342 | |
| Project Name | Kandy Multimodal Transport Terminal Development Project | | |
| Practice Area (Lead) | Financing Instrument | Estimated Appraisal Date | Estimated Board Date |
| Transport | Investment Project Financing | 2/19/2020 | 9/24/2020 |
| Borrower(s) | Implementing Agency(ies) | | |
| Democratic Socialist Republic of Sri Lanka | Ministry of Urban Development, Water Supply and Housing Facilities | | |

Proposed Development Objective(s)

The Project Development Objective (PDO) is to enhance accessibility, efficiency, and safety for public transport users of the Kandy Multimodal Transport Terminal.

| Financing (in USD Million) | Amount |
|----------------------------|--------|
| Total Project Cost | 75.00 |

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 is built around improving public transport within the Kandy city and integrating different modes of transport to improve efficiency and accessibility. Bus transport is considered as one of the most efficient modes of motorized public transport systems for urban mobility all over the world. It occupies minimum road space while carrying maximum passengers. The strategic transport intervention in the city of Kandy focuses on the augmentation



and maintenance of the 'bus mode' to ease out the vehicular congestion by developing a Multi Modal Transport Terminal integrating the city's largest bus stand and the railway station.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The project is located in the heart of Kandy city, which is Sri Lanka's second largest city with an estimated population of close to 150,000. The exact project area covers an estimated area of about 8 acres that includes the present Good Sheds Bus Stand (GSBS), railway land adjacent to GSBS, William Gopollawa Mawatha and S W R D Bandaranayake Mawatha and a small portion of private land.

The proposed site is situated in a busy urban centre in the Kandy City, geographically sitting at a lower elevation relative to the surrounding hilly areas. The site and its surroundings are completely built with almost no natural features. Specifically, it borders a number of dilapidated and structurally unsound private buildings along its northern boundary and is nestled between two of the main roads that provide entry/exit to/from the city. In addition, there are number of utility structures located in the proposed project area, such as electricity lines, water supply, storm water drains, telephone lines etc. Meda Ela, the main drainage canal that runs through the city, traverses underneath the site as a tunnel and opens up at the end of the project site.

At present, a large number of buses and commuters use the Good Shed bus stand on a daily basis and is very busy during day time. Traffic congestion due to improper public transport management has been identified as one of the major issues faced by the city of Kandy according to a study carried out by the Road Development Authority in 2011, contributing to long travel time during peak hours, restricted mobility and deteriorating air quality in the city. If not properly managed, the proposed construction runs the risk of escalating traffic congestion and safety issues to people and property. However, a very structured approach has been taken by the Government of Sri Lanka (GoSL) to address the issue of vehicular congestion in Kandy through the incremental implementation of the Kandy Transport Master Plan, which identifies numerous measures aimed at relieving congestion in the short to medium to long term. The Kandy Multimodal Transport Terminal (KMTT) is one of the main initiatives proposed.

D. 2. Borrower's Institutional Capacity

The Ministry of Urban Development, Water supply and Housing Facilities (MoUDWSHF) has the overall responsibility for the administration of the urban sector in Sri Lanka. It has been implementing Bank-funded projects in the urban sector since 2012 and has been trained on numerous occasions on the application of safeguards policies; thus, the awareness and requirements of Bank's safeguards policies, is considerable. The parent project of KMTT, SCDP, is being implemented by a special Project management Unit (PMU) set up under the MoUDWSHF and separate Project Implementation Units (PIUs) set up in each of the three cities, namely Kandy, Galle and Jaffna, where SCDP is being implemented. The PMU of SCDP along with the PIU for the Kandy city, have demonstrated strong capacity and commitment for safeguards management under SCDP since 2014—the same institutions will prepare KMTT from the GoSL side until a special PMU for KMTT is set up. The PMU and the Kandy PIU of the SCDP has qualified and experienced Environmental and Social staffs to meet the current preparatory requirements of the KMTT. With the setting up of the KMTT PMU (by project effectiveness), full-time dedicated staff that includes a Resettlement Manager (and support staff) and a Senior Safety, Health and Environment Specialist to manage environmental and social risks of the project via technical and supervisory oversight, will be assigned.



The GoSL has placed high priority on the implementation of the RAP, including getting cabinet approval for the entitlement matrix and the associated budget. An Entitlement Assessment Committee has been established to determine the amount of compensation based on a methodology and entitlement matrix presented in the RAP. A reputable national NGO with well-recognized experience in livelihood development has been on-board since February 2019 with a contract for three years. The team has been supporting the vendors and businesses with capacity building and business development support services.

In Sri Lanka, the Central Environmental Authority, CEA, is the mandated regulatory agency overseeing environment and to some extent social management issues in the development sector. Overall, the CEA has demonstrated technical capacity in assessing environment and social risks, 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 activity that fall within prescribed thresholds stipulated in its EIA regulations. The proposed construction of the KMTT does not fall within these thresholds and hence will not require EIA/IEE clearance from the CEA.

While the MoUDWSHF and its implementing agencies have a considerable experience in managing safeguards issues under the Bank’s safeguards policies, additional support will be required to build capacity on World Bank's new Environment and Social Framework (ESF) as well. In this regard, the TA activities on institutional strengthening and capacity building under Component 3, will be used to strengthen ESF capacity within the PMU and the relevant implementing agencies, especially on stakeholder engagement given the project is in an urban area where stakeholder engagement throughout the project cycle, is critical.

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

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Substantial

The proposed Environmental Risk Rating is “Substantial” for KMTT at this stage. Many of the potential environmental risks and impacts are related to construction activity given the location of the proposed facility and its surrounding physical considerations. The current Good Sheds Bus Stand (GSBS), the proposed location for KMTT, is in the heart of the Kandy city adjacent to several important civic infrastructure and commercial shops (within a radius of 1km). In addition, there are number of utility structures such as electricity lines, water supply, storm water channels, telephone lines, etc., that are located in and traverses through the project area. Further, Kandy is a designated UNESCO world heritage city, and while there are no sensitive archaeological features in the close vicinity of the site, caution is required.

The key environmental risks of the proposed KMTT includes construction related noise, vibration, air pollution, OHS, public safety, traffic congestion, waste disposal and material acquisition, most of which are not expected to be unprecedented, irreversible or long-lived. All these impacts can be minimised with known technology and good construction management practices. Some of these risks such as safety, traffic, noise, vibration and disposal/emission issues could potentially be significant. The project would not directly involve the use or disposal of hazardous material. Demolition of the existing GSBS and the surrounding structures (approximately 7000 m2) and the relocation



of utilities will generate large amounts of waste material. This contract will be handled by the SCDP. A low % of this waste will consist of Asbestos roofing sheets which will be handled and disposed under a specific plan.

Occupational and public health and safety, water and air pollution and traffic congestion would also be important considerations. The site borders a number of densely built, dilapidated and structurally unsound private buildings along its northern boundary which could potentially become vulnerable from heavy construction and piling activity. Use of heavy construction machinery and vehicles will also potentially adversely affect existing air quality in the Kandy city.

Traffic congestion due to improper public transport management is one of the major issues in Kandy. It is one of the main sources of air pollution. The project once completed will help relieve congestion, however, during the construction phase movement of vehicles will add to the existing traffic congestion in the city, particularly the two main arteries bordering the site, which routinely experiences long travel time during peak hours with restricted mobility. This could potentially elevate the risk of public safety with low probability of increased construction related accidents.

The project would require large quantities of construction materials such as sand, soil and rock material. It will also be heavy on consumption of water and electricity and discharge of construction wastewater which if released to the Meda Ela without due treatment could result in polluting the Mahaweli river. The downstream river serves as a water supply source to the city.

The KMTT, once completed, is expected to handle 330,000 passengers and over 5000 bus trips per day. The building is designed with all passenger facilities and the generation of liquid and solid waste will be significant and will need careful disposal. As such, the potential environmental risks are considered significant although they are temporary and short-term in nature.

The project will be implemented by the Ministry of Urban Development, which currently houses two WB funded urban projects and an overall 7 years of experience in safeguards implementation. Sri Lanka also has a very strong legal and institutional framework for environmental management. The KMTT will not require EIA clearance from the CEA as the project is below stipulated EIA thresholds.

Social Risk Rating

Substantial

KMTT is expected to require acquisition of 3.6742 hectares of land, out of which 99.5% is public land under the ownership of various government agencies (i.e., SLR, SLTB and Kandy Teaching Hospital). While private acquisition under the Project is minimal, economic displacement is significant with 841 businesses, mobile vendors, shop assistants, three-wheelers, etc., operating in the existing bus station and/or its immediate buffer zone, being affected.

To prepare for the construction of KMTT, bus services operating from the existing bus terminal are being shifted to eight transitional sites in Bogamabara, Clock Tower and Torrington. The operation of these transitional sites is expected to cause temporary construction related disturbances to the public, such as noise, dust, etc, and also lead to temporary livelihoods impact on eight individuals, and inconveniences to SLTB staff since the two buildings they currently occupy will be demolished after the new one is constructed. Accordingly, a social impact assessment and mitigation plan (SIAMP) was prepared by SCDP and approved by the World Bank in June 16, 2018. The SIAMP has now been appended to the Resettlement Action Plan (RAP) prepared for KMTT.



The RAP for KMTT prepared under the original project, SCDP, was cleared by the Bank and disclosed on 9 November 2018, and is currently under implementation. Due to the scale of economic losses and economic displacement under the Project, a reputable national NGO with experience in livelihood development has been on board since February 2019, with a contract for three years, to support livelihood restoration activities for the economically displaced PAPs. Besides land acquisition and economic displacements, other impacts associated with the project include impacts on vulnerable groups (e.g., vulnerable APs, women workers at the construction site, elderly and disabled commuters, etc), risks associated with labor management and labor influx, construction-related impacts (e.g., noise, dust), public inconveniences, etc.

Since the existing safeguards instruments, including the RAP, were prepared under the World Bank's safeguards policies, a gap analysis was carried out which included an audit of the RAP, identification of the potential limitations of the stakeholder consultations carried out so far, and other areas such as those relating to universal access, labor management, non-discrimination, etc., that have not been covered in sufficient detail, as required under the ESF.

Overall, the RAP audit indicates that the preparation and implementation of RAP to-date has been satisfactory and meets the requirements under ESF. Few areas for improving includes: strengthening information dissemination channels, expediting disbursement of compensation, establishing a robust monitoring mechanism to assess progress under the livelihood restoration programmes, and creating greater awareness regards the function of the GRM and broadening the scope of the existing GRM.

Further, to meet the requirements under ESF, a revised Stakeholder Engagement Plan, Labor Management Procedure, etc, have also been prepared. Moving forward, the implementation of RAP will require continuous oversight and monitoring, and any delays or interruptions in project progress, will pose significant socio-economic risks to the affected personal as well as reputational risks to the Project. Similarly, proper management of the fairly sizable workforce required during construction phase, continuous engagement with a variety of stakeholders involved in the project, and maintenance of a transparent and accountable GRM, will be challenging during project implementation.

Due to these reasons, the proposed social risk rating for the project is 'Substantial' at this stage.

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 is relevant to the entire project as social and environmental impacts are expected from the proposed construction of the KMTT. As explained in E&S risk classification, the key environmental and social risks are associated with the construction related elevated occupational and public health and safety risks, labour influx, impacts on vulnerable groups, traffic congestion and disruption to public activity and environmental pollution from noise, vibration and air, liquid & solid waste discharge. During operation of the completed project, liquid and solid waste generation will be significant and will need to be properly managed.



Since the site is located in a highly urbanized area and the surrounding area consists of main transport routes within and into the city and cannot be restricted to the public, the impact of traffic congestion is likely to be an important consideration. These routes will very much be susceptible to congestion. During the construction phase, a comprehensive traffic management plan will have to be implemented to reduce the transportation impacts with key measures such as transportation of building material/machinery encouraged during night time. As for the temporary relocation of the bus operation, clear measures have been laid out in the Kandy Traffic Management Master plan, some of which are already in operation and working successfully. As the site would be cordoned off from the public during construction and the entire bus operation temporarily relocated to pre-identified sites within the city, the risk of public safety from construction activity per se would not be that significant. The risks would be more from vehicular mishaps due to increased congestion, noise, vibration and pollution and potential risks to public and private properties from structural damage. Piling, excavation of the site and movement of construction vehicles will produce significantly moderate levels of noise and vibration; but this will be limited for a shorter time period. A number of these risks have been identified and will be minimized through the proposed design and construction methodology. Special care has been taken to ensure that: (i) Noise and vibration levels within the area to be restricted to allowable limits as per the CEA standards (through the use of silent pile driving etc); (ii) Air Circulation Effectiveness (ACE) in each space complies with ASHRAE 129 – 1997; and (iii) Environmental, Health and Safety aspects comply with national regulations and EHS Guidelines of the World Bank.

Construction related spoil and debris, waste from labor camps are expected during the construction phase while a considerable amount of solid waste and liquid waste will be produced on a daily basis during the operation stage. During construction period, erosion and siltation is expected due to modifications to the ground and it will cause moderate impacts to the runoff. In addition, oils and greases and can be expected to be mixed with the runoff due to the use of many construction machinery. Proper storm water drainage management within the site is required prior to discharge to the Meda Ela canal.

As for the operational stage, it is expected that the KMTT will be connected to the Kandy City Wastewater Management Project (KCWMP) which will be completed by the time the terminal is operational. The underground sewerage infrastructure needed to connect to Kandy's Wasterwater network is already embedded within its design. The current traffic volume is a considerable source of air pollution although existing air quality measurements show contaminant levels are below stipulated national standards. The KMTT, once operational, is expected to positively contribute towards improving air quality in the city by bringing better order into the traffic flow. The design of the KMTT has been based on the following criteria (which have a positive environmental outcome): (i) incorporation of fire safety measures designed to the mandatory national and international standards; (ii) maximization of the natural light and ventilation minimizing energy usage and where needed powered ventilation to maintain acceptable levels of internal air quality. The building will be fixed with sensor modules comprising of carbon monoxide (CO) sensors and nitrogen oxides (NOx) sensors, ensuring air quality standards stipulated by the Central Environment Authority (CEA) of Sri Lanka are complied with; and (iii) incorporation of green cover areas for improved air quality and to turn down the thermostat.

Besides the construction related impacts described above, the project is also likely to have adverse impacts on vulnerable groups, if not managed properly. Among the persons displaced by the KMTT, approximately 128 are from vulnerable groups, including PAPs suffering from chronic illnesses, persons with disabilities, elderly, women heads of households, and those living below the poverty line. Apart from these economically displaced vulnerable groups,



construction work of KMTT and its operations could also cause adverse impacts on several other vulnerable and disadvantaged groups, including gender discrimination in employment, gender based violence and sexual harassment and exploitation of women workers at the construction site; labor and other types of exploitation of children and adolescents who have dropped out of school and seek employment at the construction site; income losses of street beggars who are dependent on cash assistance provided by commuters and business operators; mobility difficulties experienced by elderly and disabled commuters; inability of the poor to afford commuter services at KMTT; women and girls accessing the terminal, skywalk, and pedestrian public spaces being subjected to sexual harassment and gender-based violence.

The project has already prepared an Environmental and Social Impact Assessment (ESIA) and a ESMP consisting of three parts focusing construction and operational phases that meets the requirements of the EMF and the social and environmental standards. Consultations conducted during the preparation of E&S instruments revealed the dire need for improved terminal facilities and widespread public support for the project. Consultations carried out during the preparation of RAP were key to designing the resettlement and livelihood support for the affected persons. The proposed architectural designs of the KMTT has benefited from input from the Kandy City Heritage Committee. Similarly, feedback provided during consultations with directly affected as well as other interested parties have been used to inform technical designs. For example, the width of the Skywalk was increased to provide space for constructing shops which can be later allocated to displaced vendors at GSBS; a permanent motorable road was incorporated to the design for the benefit of residents along the Samagi Mawatha who would lose their access road during KMTT construction work.

Moving forward, the new KMTT PMU will need to be trained on ESF requirements with a well targeted capacity building program. The project will have environmental and health and safety professionals in the Contractor's as well as the Supervision Consultant's teams. In addition, independent environmental and social audits will be performed to check the level of risk management, at least once a year. Specific measures will be incorporated into the contractor's ESMP to ensure sufficient resources will be deployed to manage the risks and to provide maximum safety for workers and the public.

In addition to the ESIA, the project has also carried out an audit of the ongoing RAP, prepared a Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP) and the Environmental and Social Commitment Plan (ESCP). All these instruments have been disclosed to the public following due procedure.

ESS10 Stakeholder Engagement and Information Disclosure

During the preparation of RAP disclosed on 9 November 2018, extensive consultations were carried out with all categories of PAPs with effect from November 2017. The initial activities involved person-to-person visits to inform as well as build a rapport with various stakeholders. This was followed by a total of 22 focus group discussions conducted with the various groups of PAPs, including business operators, rentiers, shop assistants and mobile vendors. In addition, key informant interviews were also carried out with leaders of trader associations and relevant officials in key partners of the project such as KMC, SLTB, SLR and CPRPTA. Similarly, the preparation of ESIA and ESMP included public consultations, however they are rather limited in scope and coverage.



Consultations were also organized to gather stakeholder feedback on several preliminary technical designs of the KMTT. For example, (i) initial design for the rehabilitation of Meda Ela (central drainage canal of the city) was changed to minimize relocation impacts on commercial and residential structures located besides the S W R D Bandaranaike Mawatha; (ii) the width of the Skywalk was increased to provide space for constructing shops which can be later allocated to displaced vendors at GSBS; and (iii) a permanent motorable road was incorporated to the design for the benefit of residents along the Samagi Mawatha who would lose their access road during KMTT construction work.

The information cell established in the vicinity of the GSBS provided a form of one-stop-shop for the stakeholders including the APs to make any inquiries, access information that they would require, and to report their grievances and complaints. Furthermore, this information cell also served as the venue for most of the consultations, particularly for small group consultations, and provided convenient access for the APs, a familiar environment, reduced their travel time, and saved their business times. The vulnerable APs particularly benefited from this venue of the information cell and its comparative advantages.

However, since the consultations were carried out mainly as part of RAP preparation and ESIA, there is a need to undertake consultations with a cross cutting audience, to meet the requirements under ESS10. Further, the gap analysis conducted to examine the consistency between the existing safeguards instruments and the ESF requirements, indicates the need to further strengthen the frequency, channels and outreach for information dissemination.

To that end, a separate Stakeholder Engagement Plan has been prepared that specify: (i) how the activities carried out so far will be retrofitted to meet the ESF requirements; (ii) additional consultations that need to be carried prior to project implementation ; (iii) consultations that will be required during project implementation, (iv) the full list of relevant stakeholders (other than the direct project affected people), including their interest and influence on the project. The objective of the SEP is to establish a systematic approach for stakeholder engagement; maintain a constructive relationship with stakeholders; take into account stakeholders' views; promote and provide means for effective and inclusive engagement with project-affected parties throughout the project life-cycle; and ensure that appropriate project information is disclosed to stakeholders in a timely, understandable, accessible and culturally-appropriate manner. Under Component 3 of the project on 'Institutional strengthening and capacity building,' specific activities will be carried out to strengthen the ESF capacity within the KMTT PMU and implementing agencies, especially on stakeholder engagement.

Further, given that access to information and participation by vulnerable persons/groups are largely curtailed by their low education levels, social hierarchies, physical disabilities, inability to spend on transport, etc., the project will take special measures to ensure that the vulnerable groups are able to access information and meaningfully participate in consultations. These will include: face- to-face verbal communications, public address systems, help desks at bus operating sites including KMTT, a kiosk for reporting incidences of GBV or sexual harassment for women and girls at bus operating sites and terminals, a grievance redress mechanism at the construction site to report incidences of gender-based violence, and a modest travel allowance for their participation in consultative meetings.

At present, under SCDP, there is project-based four-tier grievance redress mechanism (GRM) which is easily accessible to the aggrieved parties. The GRM is considered transparent and accountable in grievance handling as well



as in responding both effectively and efficiently to the grievances reported by the affected parties. The GRM consists of a dedicated social development officer responsible for grievance handling at the project site level; Grievance Redress Committee (GRC) operating at the project level; a grievance response mechanism led by the Project Director; and an Independent Grievance Panel (IGP) operating at the national level.

At the time of RAP preparation, information and awareness about the GRM was disseminated using a variety of media such as brochures, leaflets and posters printed in Sinhala and Tamil and the electronic media. Specifically, using these modes of communication, the roles and functions of the GRM and its different tiers, specific locations where the different tiers are established, grievance reporting procedures, time frames for grievance resolution at each level, etc., were disseminated to the affected persons as well as the general public. The gap analysis carried out indicates that the existing GRM system meets the requirements under ESS10, and the same mechanism can be used for the KMTT project as well.

In terms of information disclosure, the existing RAP was cleared by the World Bank and disclosed on 9 November 2018 on the GoSL's as well as World Bank's external website. The updated RAP as well as other instruments such as the ESMP, LMP, SEP, have also been disclosed accordingly. During the implementation of these plans and procedures, particularly the SEP, the stakeholders will be provided with timely, relevant, understandable and accessible information, including those relating to the project design and planned activities, expected benefits and potential risks and impacts of the project. As part of the environmental and social assessment, a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not, will also be maintained and disclosed.

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 expected types of workers to be employed by the project include: Direct workers (workers and staff at the PMU and PIU); Contracted workers (contractors, sub-contractors, laborers); Primary supply workers (suppliers of construction materials such as aggregates, equipment, etc.); and Community workers. Since the scope of construction work of KMTT is comparatively large, it will require a sizable work force estimated to be around 150-200 contracted workers. To meet this demand, it may or may not be possible to find the required labor force and associated goods and services locally for a number of reasons, including worker unavailability and lack of technical skills and capacity. Therefore, a sizable proportion of the labor force may have to be brought in from outside the project area. It is also anticipated that this expected influx of workers will be compounded by an influx of other people ("followers") that could have adverse impacts in terms of risks of social conflicts, increased burden on and competition for public service provisions, increased risk of illicit behavior and crime, local inflation of prices, increased risks of gender-based violence, etc. These risks are likely to be minimal given that Kandy city has seen substantial in-migration during its urbanization process.

However, in the already congested area of Kandy city, the large-scale construction works envisaged under the Project pose occupational health and safety risks to the workers and the general public with the sheer volume of constantly



moving heavy vehicles, dump trucks maneuvering around, etc. Further, while labor management practices in Sri Lanka is geared towards avoidance of disputes, construction disputes are reportedly increasing due to the scarcity of skilled labor in the light of the increasing construction demand. In the case of KMTT, likely causes for labor disputes include labor wages rates and delays of payment; disagreement over working conditions; health and safety concerns in the work environment; and risk of vulnerable/disadvantaged groups from being unable to benefit from employment opportunities under the project.

In terms of national labor regulations, Sri Lanka lacks a single unified labor law/code; instead, a number of statutes govern employment and industrial relations in the country. Together, these labor regulations cover aspects such as working age, work hours, contracting rules, leave policies, maternity leave, minimum wage, labor taxes and dismissal rules, among others, as required under the ESS 2. However, despite the plethora of laws and regulations in Sri Lanka, their implementation has been noted as being challenging due to their incomplete application and weak enforcement of these legal provisions.

A comprehensive Labor Management Procedure (LMP) in line with the requirements of ESS2 and national regulations, has been prepared. 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.

There will also be a grievance mechanism for labor issues, drawing on national laws and procedures. To ensure health and safety of workers during the construction and operational phases of the project, a Health, Safety and Environmental (HSE) plan, in line with the World Bank Group Environmental Health and Safety Guidelines and Good International Industry Practice (GIIP), will also be prepared by the contractor. The HSE plan will also comply with the national OHS requirements as set out in the Factories Ordinance Act of Sri Lanka which cover occupational health and safety extensively.

ESS3 Resource Efficiency and Pollution Prevention and Management

The KMTT has been designed to obtain the green building certification from the Urban Development Authority. As such, Green Building guidelines have been taken into consideration in the KMTT design to the extent possible, governing areas such as energy efficiency, sustainable site planning management, materials and resource management, quality of the building environment, water efficiency and green cover enhancement have been applied in the development of the terminal. Some of the measures that will be taken in the implementation of the project which are relevant to this standard include:

- The inclusion of low flow fixtures for reduction in water consumption and greywater/ sewage generation without affecting the health and safety of occupants. The washrooms within the KMTT will use low flush toilet systems, low flow urinals, wash basins with water saving pipes etc.
- Water use efficiency has been a key criterion in the building design - Treated drinking water from the Kandy Municipal Council (KMC) will be used for potable purposes while rainwater will serve the purpose of non-potable requirements of the KMTT. The terminal will have facilities to harvest rainwater and to recover wastewater to reduce



consumption from primary sources. The rainwater intercepted by the building will get recycled via a rainwater harvesting system. The rainwater collected will be stored in a sump built underground within the premises and pumped up for non-potable purposes. (garden taps to water the gardens and to flush the toilets via cisterns).

- Energy saving has been a key criterion throughout the electrical design of the KMTT. The building will be fitted with the incorporation of occupancy controls to turn off lights when the space is unoccupied, maximum use of natural day light for illumination, exterior lighting complying with dark sky standards, use of solar street lamps etc. Highly efficient lighting and equipment are planned to be used to contribute to the overall reduction in energy usage, while proper switching and lighting control will be implemented for improved building operation. Most of the roof structures shall be provided with high efficiency polycrystalline solar photovoltaic panels to enhance sustainable power generation.
- Design of each part of the KMTT development has provision for green cover enhancement which will uplift the environmental conditions and turn down the thermostat not to mention the improvement in the aesthetic environment.

Construction of the KMTT will have impacts on air, water and land pollution. However, these impacts will be temporary and will not cause irreversible impacts. Kandy city is considered to have the worst air quality among all Sri Lankan cities in Sri Lanka, however ambient air quality measurements show levels below prescribed air quality standards by the CEA. Construction will add dust & other fugitive particles and vehicle emissions to the air. Waste water from the site that are mixed with oil and grease have the potential to contaminate surface and ground water in the locality and solid waste from labour camps as well as construction activity could pollute the general environment. In addition, noise and vibration from piling and other construction activity will have short-term impacts, especially on the structures bordering the northern border of the site. With the operation of the KMTT, many of these issues will stop to exist and an actual significant improvement in the environment could be expected. Due to reduction in traffic congestion in the city, city air quality is expected to improve. In order to document and analyse the impact on urban air quality resulting from operationalization of the KMTT, a baseline air quality assessment has been conducted by SCDP and will be repeated and documented throughout KMTT construction and operational phases. A parking space will be allocated for the mobile air quality unit (vehicle) to be parked enabling the Central Environmental Authority (CEA) to operate an air quality monitoring unit. It is expected that air quality trend monitoring within the Kandy city in the future will formally take place in collaboration with the CEA. For this, (i) an operational fund will be set up by the CEA and an (ii) MOU will have to be arranged between CEA and the KMTT operator. Similarly, a proper SWM system will be implemented in the KMTT reducing garbage scattering and pollution as it is now.

As per the ESCP, greenhouse gas emissions from the project will be calculated.

ESS4 Community Health and Safety

The ESS4 is relevant as the project is expected to pose health and safety risks and impacts to the local community, which is largely the public that use this urban space. The project will use heavy machinery and construction vehicles, thus could be prone to traffic accidents and road safety issues. It will involve the construction of a large terminal and an overhead skywalk connecting the KMTT to the William Gopollawa Mawatha over the Kandy Railway Station which will pose various construction safety risks to the public who use the surrounding areas. The site is expected to be completely delineated prohibiting public access to the construction area, as such providing opportunity to manage



the risk. However, the construction of the skywalk needs particular attention as the Kandy Railway Station cannot be closed. Increased volume of vehicles and vehicle movements in the project during construction also pose safety risk to the public. The likely influx of labour could expose the local public to health risks and communicable diseases as well potential GBV/SEAH risks, although this risk is not considered significant given Kandy is a city that attracts a large migratory population. Pollution of ground with oil and grease and other contaminants can contaminate drinking water sources, although this is not a significant risk as the entire area is supplied with a municipal water supply. Contamination of Meda Ela and subsequently the Mahaweli river downstream, with chemicals and turbidity can give rise to various health issues although the risk of Mahaweli getting seriously contaminated is low. Dust and other air contaminants can pollute the air that the public inhales. The existing ESMP incorporates measures to handle health and safety issues. The contractor will engage an experienced health and safety expert to develop a full Health and Safety plan for the project which will address health and safety aspects of community and workers and an accompanying awareness program which will be implemented during the construction period. This Health and Safety Plan will have emergency procedures clearly laid out. The project planning will require the deployment of security personnel for the protection of workers and equipment, and the risks associated with the use of security personnel will be assessed and necessary prevention and mitigation mechanism will need to be planned and put in place under the project.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 is relevant for the project due to land acquisition requirements and economic displacement expected during the construction of KMTT. Based on the preliminary design, the total land requirement for KMTT will be 3.6742 hectares. Out of this, 3.6552 ha or 99.5% will be secured from various government agencies, including SLR, SLTB and Kandy Teaching Hospital. However, economic displacement under the project is significant with an estimated 820 businesses, mobile vendors, shop assistants, three-wheelers, etc operating in the existing bus station and/or its immediate buffer zone, being affected (the number of affected parties is now 841 following decision of the Grievance Redress Committee to include individuals/businesses who were earlier excluded from the eligibility list). The total household population among these business operators is 3,688, as established through the census of PAPs conducted as part of the SIA related to KMTT.

Project related economic damages include both permanent and temporary loss of livelihoods due to permanent demolition of all commercial and other structures located inside the technical boundary of the existing bus station, and temporary access difficulties and loss of their client base during the construction of KMTT. These temporary impacts will be experienced by many of the commercial establishments in the immediate buffer zone of the project site. To address these impacts, a comprehensive RAP was prepared and cleared by the Bank and disclosed on 9 November 2018.

Additionally, the operation of transitional bus sites where the bus services from the current bus stand will be temporarily relocated to, is expected to cause temporary construction related disturbances to the public, such as noise, dust, etc, and also lead to temporary livelihoods impact on eight individuals (in Bogambara) and inconveniences to SLTB staff while the two buildings they currently occupy will be demolished after the new one is constructed (in Kandy South Bus Depot). The proposed transitional arrangements during the period of construction of KMTT have been carefully designed and piloted in consultation with SLTB, CPRPTA and other affected parties in order to mitigate their adverse impacts and minimize inconveniences to the public during the period of construction of the



new transport terminal. A social impact assessment and mitigation plan (SIAMP) for the eight transitional sites was prepared by SCDP and approved by the World Bank in June 16, 2018. The SIAMP has now been appended to the Resettlement Action Plan (RAP) prepared for KMTT.

The RAP is currently under implementation, and as of 30 November 2019, 769 APs out of 841 (91%) have participated in the Entitlement Assessment Committee (EAC) meetings of whom, 735 APs out of 769 (95%) have received their compensation. Likewise, the Livelihood Restoration consultant, a reputable national NGO with well-recognized experience in livelihood development has conducted 12 consultation sessions with vendors to raise their awareness on the livelihood restoration process. 417 APs (87%) out of a total of 492 eligible for livelihood support have prepared business plans, and the livelihood restoration consultant has also conducted a program with commercial banks to explore the possibility of getting additional financial resources to augment the compensation amounts of the APs, thus allowing the APs to either scale up or invest in more profitable businesses. Of those who have prepared certified business plans, 184 have started their businesses and are making progress accordingly.

In terms of land acquisition, the public land to be used for KMTT is state land, vested in Sri Lanka Railways and KMC. SCDP has negotiated via the Commissioner General of Lands to get the clearance from both SLR and KMC to construct the KMTT on these lands. Accordingly, the General Manager of SLR has given the consent to use the railway land to construct the KMTT while retaining the land ownership with SLR. Similarly, the Council of KMC too has agreed to the construction of KMTT on their land while retaining the ownership of the land with KMC. There is a small public land lot belonging to the Kandy Teaching Hospital, and in this case too, the Director of the hospital has given consent to the construction of KMTT on their land. Regarding the acquisition of two private land lots, the Valuation Department is currently in the process of preparing the valuation report.

Notwithstanding this progress, since the RAP was prepared under the previous operational policies, an audit of the RAP was carried out to verify the payment of compensation, livelihoods support, relocation support, effectiveness of the GRM, etc. Broadly, the RAP audit indicates that the overall preparation and implementation of RAP to-date has been satisfactory and meets the requirements under ESF. Few areas for improving RAP implementation, as determined by the RAP audit, include: strengthening the information dissemination channels and their frequency, expediting disbursement of compensation, supporting the implementation of business plans prepared by APs under the livelihood restoration programme, establishing a robust monitoring mechanism to assess the effectiveness of RAP implementation and the livelihood restoration programme, and creating greater awareness regarding the function of the GRM and broadening the scope of the existing GRM beyond eligibility and compensation issues.

Since the RAP activities that have been implemented will need to be captured as part of the documentation, the RAP audit has been added as an annex to the current RAP (and its summary) and re-disclosed. Further, based on the aforementioned findings and recommendations of the RAP audit, an action plan with clearly defined set of activities that needs to be accomplished in the next phase of RAP implementation, including the timeline, have been laid out.

Based on the existing monitoring framework prepared for the KMTT RAP, the project will continue to monitor the processes, outputs, outcomes and impacts of the RAP implementation over the lifespan of the project. The project will be monitored both internally and externally, and the necessary institutional arrangements required for monitoring of the implementation of the resettlement plan, will be put in place for the new project as well. Further,



independent evaluations will be carried out twice a year until the completion of the civil works under KMTT and resettlement activities spelled out in the RAP are completed.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not a priority consideration as the project area is completely modified urban landscape and a built up area with very little remnant natural features. Meda Ela, which used to be a natural canal flows underneath the proposed KMTT site. However, it has been reduced to an urban drain due to urban expansion and carries a significant load of pollution from a heavily built catchment before discharging to the Mahaweli River 500m downstream. During construction, there is a potential risk that contaminated storm flows can enter the Meda Ela with downstream impacts to the river. Therefore, the ESMP includes specific provision to treat all inlets to the Meda ela within the project site with siltation and contamination control measures. There are several trees within the project area, some of which, may need removal, but their removal would not affect any natural ecosystems. The project will need large quantities of construction material which will involve burrowing, quarrying and extraction. The contractor is likely to purchase these material from commercial suppliers. However, if the contractor directly operates such sites, he will do so in adherence to the ESMP which covers such areas as well in a way that is consistent with the ESF and the national regulations.

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

This ESS is not relevant since there is no evidence suggesting the presence of Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities in the project area.

ESS8 Cultural Heritage

Kandy is a World UNESCO heritage site. The Department of Archaeology has investigated locations for artifacts of high historical and archaeological interest in the Kandy city and its region but none has been found within the project location. The Kandy city and its urban heritage has been maintained in the proposed building designs ensuring historical and cultural identity of the Kandy city. Design features have been decided upon after receiving inputs from all the stakeholders including the Kandy city Heritage Committee. That said, the updated ESMP includes provisions for Chance Finds, which will also be included in the contractor’s contract.

ESS9 Financial Intermediaries

Given the nature of the project, this standard is not relevant as there will not be an financial intermediaries involved.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

This policy is not relevant in the context of Sri Lanka

OP 7.60 Projects in Disputed Areas

No

This policy is not relevant as there are no disputed areas in the country

Public Disclosure



III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

| DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED | TIMELINE |
|---|----------|
| ESS 1 Assessment and Management of Environmental and Social Risks and Impacts | |
| Establish and maintain an organizational structure with qualified staff and resources to support management of E&S risks | 09/2020 |
| Update, re-disclose, adopt, and implement, the Environmental and Social Management Plan that has been prepared for the Project in line with the finalized design, in accordance with the ESF standards | 04/2021 |
| Incorporate climate and disaster risks-related elements/measures into the project design. | 03/2021 |
| Require the contractor to submit to the PMU the following plans, in a form that is acceptable to the client and in line with the client’s ESIA/ESMP and the ESF <ul style="list-style-type: none"> o Contractor’s ESMP o Waste Management and Disposal Plan o Health and Safety Plan o Road safety monitoring plan o Traffic management plan | 04/2021 |
| Carryout a crack survey to establish the baseline condition of structures in the buffer zone (100m radius from project boundary) prior to commencement of construction. | 02/2021 |
| Carry out regular monitoring and evaluation of the implementation of project ESMP and contractor's ESMP to ensure that all contractors engaged on the project operate in a manner consistent with the requirements of the ESSs, including the specific requirements set out in the ESCP. This will be done on a monthly basis, within 5 days of end of month. | 05/2021 |
| Include relevant sections of the ESMP, SEP, LMP (that will fall under the purview of the contractor) in the bidding documents. | 04/2020 |
| Carry out E&S audits every quarter during project implementation. | 01/2021 |
| Provide training to KMTT environmental and social staff on (i) environmental and social standards and management procedures as per ESF; (ii) preparation of environmental and social management plans (ESMP); (iii) environmental and social risks and impacts monitoring; and (iv) record-keeping, documentation and reporting. | 10/2020 |
| ESS 10 Stakeholder Engagement and Information Disclosure | |
| Re-disclose draft SEP with time frames and methods of engagement | 02/2020 |

Public Disclosure



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|---|---------|
| Implement the SEP and engage with identified stakeholders throughout the project life cycle in meaningful consultation conducted in a culturally appropriate manner, and provide with timely, relevant, understandable and accessible information | 09/2020 |
| Maintain and disclose records of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not. | 09/2020 |
| Adapt & strengthen the existing GRM established for KMTT within SCDP with efficient institutional arrangements, resource allocations, grievance reporting, recording and tracking systems, and awareness-raising programs | 09/2020 |
| Establish a focal point (e.g. existing information center and contractor’s office) closer to the KMTT construction site to receive and register public grievances and complaints | 02/2020 |
| Monitor grievances registered to ensure that they reported and resolved effectively, and that decision-making processes demonstrate transparency, accountability, and efficiency, and cultural appropriateness | 02/2020 |
| Submit bi-annual report to the World Bank on SEP implementation. | 03/2021 |
| ESS 2 Labor and Working Conditions | |
| Implement the labor management procedures (LMP) prepared in accordance with the requirements of national law and ESS2 | 10/2020 |
| Establish, maintain, and operate a grievance redress mechanism for Project workers to raise workplace concerns | 10/2020 |
| Prepare, adopt, and implement a Health and Safety Plan as specified in the ESMP including emergency prevention and preparedness | 03/2021 |
| ESS 3 Resource Efficiency and Pollution Prevention and Management | |
| Prepare GHG emission assessment & management plan | 04/2021 |
| Develop measures to ensure KMTT is designed, constructed and operated with environmentally sound systems for solid/wastewater collection and disposal | 04/2021 |
| Adopt and implement resource efficiency measures in design, construction and operation of the KMTT, as per green design criteria and measures outlined in the ESMP | 03/2021 |
| Adopt the Green Building Accreditation for KMTT from UDA. Ensure that final building designs and construction methods are aligned with accreditation criteria and that application for accreditation be filed at the end of project closure | 03/2021 |

Public Disclosure



Public Disclosure

| ESS 4 Community Health and Safety | |
|--|---------|
| Recruit a health and safety expert to the contractor’s team to obtain specialist guidance on managing anticipated safety risks throughout the construction and operational phases through appropriate designs, construction methods and operational mech | 01/2021 |
| Evaluate the risks and impacts of the project on the health and safety of communities, and incorporate mitigation measures into the project specific Health and Safety Plan to avoid (i) safety risks causing from structural elements of the project an | 04/2021 |
| Prepare and implement an emergency response plan during construction and operation phases of the project | 04/2021 |
| Conduct independent reviews throughout the stages of project design, construction, operation, and decommissioning particularly when structural elements or components of a project area are situated in high-risk locations | 04/2021 |
| Establish and implement appropriate quality management systems to anticipate and minimize risks and impacts of services provided by project on community health and safety. | 04/2021 |
| Incorporate sufficient mitigation measures in the final ESMP to avoid health and safety risks on communities, including GBV risks, that may be caused from behavior of project workers, labor influx, and emergency situations | 04/2021 |
| Incorporate adequate mitigation measures into the ESMP to avoid or minimize the potential for community exposure to water-borne, water based, water-related, and vector-borne diseases and communicable and non-communicable diseases, that could result | 04/2021 |
| Develop and implement a traffic management plan including technically and financially feasible road safety measures throughout project life cycle to avoid potential traffic and road safety risks to workers, communities, and road users | 04/2021 |
| Incorporate appropriate measures, based on GBV risk assessment as recommended in World Bank’s Good Practice Note, to both Contractor’s ESMP and the contractual agreements | 04/2021 |
| ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement | |
| Update the current RAP based on the findings of the RAP audit and after the final engineering design is available | 04/2021 |
| Submit the updated RAP for World Bank review and clearance, translate the updated RAP into local languages and redisclose it | 04/2021 |



Public Disclosure

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|---|---------|
| Translate the updated RAP into local languages and disclose in the official website of the Ministry, KMTT site office, and other relevant public domain accessible to project affected parties and other stakeholders | 04/2021 |
| Engage all project affected parties in continuous consultations and disclose relevant information in decision-making processes related to their resettlement and relocation, livelihood restoration, and monitoring and evaluation | 09/2020 |
| Monitor RAP implementation to ensure that all project affected parties are paid compensation at replacement cost and provided with any other assistance to help them improve or at least restore their standards of living or livelihoods | 05/2020 |
| Strengthen the livelihood restoration program implemented for PAPs with continuous support, training, linkages to resource institutions & monitoring, and ensure that PAPs have restored and improved their livelihood activities | 05/2020 |
| ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources | |
| Develop and adopt appropriate measures in the ESMP to prevent contamination of the Meda Ela from the construction of the proposed infrastructure | 04/2021 |
| ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities | |
| ESS 8 Cultural Heritage | |
| Implement the chance find procedures in the ESMP for chance find archaeological objects encountered during construction with expert recommendations from the Department of Archaeology as necessary | 04/2021 |
| ESS 9 Financial Intermediaries | |

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 project will comply with the Bank’s new Environmental and Social Framework and its Environmental and Social Standards. This project does not require EIA clearance from the CEA. The Project, however, will be subjected to the national and local permits and clearances as per the existing legal-institutional framework. The exact requirements to obtain such permits and clearances are recorded in the ESCP.

IV. CONTACT POINTS



The World Bank

Kandy Multimodal Transport Terminal Development Project (P172342)

World Bank

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Borrower/Client/Recipient

Borrower: Democratic Socialist Republic of Sri Lanka

Implementing Agency(ies)

Implementing Agency: Ministry of Urban Development, Water Supply and Housing Facilities

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Wei Wang
Practice Manager (ENR/Social) David Seth Warren Cleared on 25-Feb-2020 at 11:06:8 EST