Project Summary Information

	Date of Document Preparation: 16/06/2026
Project Name	New Habarana - Kappalthurai Transmission Grid Expansion Project
Project Number	P000897
AIIB member	Sri Lanka
Sector/Subsector	Energy/ Electricity transmission and distribution
Alignment with AIIB's thematic priorities	Green Infrastructure, Connectivity and Regional Cooperation
Status of Financing	Under preparation
Objective	To increase the capacity and reliability of the New Habarana - Kappalthurai transmission corridor, thereby enabling the evacuation and integration of renewable energy from Sri Lanka's eastern province into the national grid.
Project Description	The project comprises the construction of around 77-kilometer (km) 220-kilovolt (kV) double-circuit transmission line and the augmentation and modification of two Grid Substations (GSSs) in Sri Lanka's Central (i.e., New Habarana) and Eastern region (i.e., Kappalthurai). The Government of Sri Lanka (GoSL) has undertaken this project to develop grid interfacing infrastructure to ensure efficient and uninterrupted electricity transmission from country's renewable energy (RE)-based generation plants in the eastern region towards major load centers. With a target of generating 70% of electricity from RE resources by 2030, the GoSL is keen to accelerate its RE transition. According to the Renewable Energy Resource Development Plan 2021–2026, published by the Sri Lanka Sustainable Energy Authority (SLSEA), there is potential for 1,100 MW of RE in the eastern region of the country (in the Trincomalee district). However, this area is currently connected to the national grid network by a transmission line that is over 45 years old and has reliability issues. Given the potential of the region, the National Transmission Network Service Provider Private Ltd (NTNSP), formerly Ceylon Electricity Board (CEB), and the GoSL have planned to construct a new transmission network from the New Habarana Grid Substation to the Kappalthurai Grid Substation with financial support from AIIB, emphasizing the need for transmission network capacity expansion in the project area. The following activities are planned under the project scope:

	(i) Construction of around 77-km 220kV double circuit transmission line from New Habarana GSS to Kappalthurai GSS; and (ii) Augmentation and modification of New Habarana GSS (220/132 kV) and Kappalthurai GSS (220/33 kV);
Expected Results	The project will be measured and monitored based on the outcome of the following parameters: • Additional electricity evacuation capacity through the transmission corridor (in Gigawatt hours (GWh)) • Renewable Energy capacity integrated into the grid (MW) • Greenhouse Gas (GHG) emission reduction (tCO2eq/year) • Length of Transmission Line constructed (in kilometers (km) • Number of Transmission Line Towers completed • Number of GSS augmented • Number of new Transmission Line Bay constructed
Environmental and Social Category	B
Environmental and Social Information	**Applicable Policy and Categorization.** AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Standards (ESSs) and the Environmental and Social Exclusion List (ESEL), applies to this project. ESS1 (Environmental and Social Assessment and Management) and ESS2 (Land Acquisition and Involuntary Resettlement) apply, while ESS3 (Indigenous Peoples) is not applicable. The environmental and social (E&S) risk and magnitude of the project is classified as Category B. The project has limited number of potentially adverse impacts, where impacts are not unprecedented or irreversible and can be managed through standard industrial practices and implementation of the Environmental and Social Management Plan (ESMP). **Environmental and Social Instruments.** The client prepared a nationally compliant Initial Environmental Examination Report (IEER) in 2024. This document has since been substantially updated and expanded to serve as the project's primary ES preparation-stage instrument, the Environmental and Social Impact Assessment (ESIA), as well as the main implementation-stage instrument, the ESMP. These instruments include measures to manage ES risks and impacts, consistent with AIIB's ESP and ESSs. These will further be expanded to include risk-specific instruments necessary during construction and operation phases and will form part of the project's disclosure package together with the Non-Technical Summary (NTS) of the ESIA in English and local language. **Environment and Social Aspects.** Most environmental impacts are typical of transmission infrastructure projects and can be effectively managed through standard mitigation measures, including controls for dust and air emissions, noise and vibration, waste generation, water pollution, and soil erosion during construction. The project traverses a

	dry lowland ecosystem that supports migratory birds and is located near several protected areas (PAs) and two Key Biodiversity Areas (KBAs), where the key biodiversity risks include bird and bat collisions or electrocution, as well as disturbance to mammals. Assessments identified six biodiversity receptors that trigger Critical Habitat designation under IFC Performance Standard 6 (Criterion 1c) due to important concentrations of a nationally or regionally listed endangered or critically endangered species. To mitigate these risks, the project incorporates route optimization, installation of bird flight diverters, provision of wildlife movement corridors during construction, carcass management protocols, biodiversity monitoring, and habitat enrichment and rehabilitation programs implemented by relevant government agencies with project support. A supplementary avifaunal survey will be undertaken during the migratory season, with findings incorporated into an updated Critical Habitat Assessment. In addition, a Biodiversity Management Plan (BMP) will be developed prior to construction to apply the mitigation hierarchy and achieve no net loss of biodiversity, and where feasible, net biodiversity gains. Furthermore, the total length of the 220 kV transmission line is around 77km and the total land area under the RoW will be around 673 acres. NTNSP will not acquire this land for the RoW but will allow the landowners to use the land for the same purpose for which they have been using the land after the completion of the civil works, however, subject to certain conditions. In addition, the project commits to livelihood restoration and tailored support for vulnerable households, including poor households, elderly persons, persons with disabilities, and subsistence-dependent families, where livelihoods may be adversely affected. The ESIA further includes procedures for continued stakeholder consultation, disclosure of valuation methodologies, compensation entitlements, grievance redress arrangements, and compensation procedures applicable to temporary land use, permanent land occupation for tower foundations, and removal of trees and crops. These measures are further supported through a Resettlement Policy Framework (RPF), Stakeholder Consultation and Information Disclosure Plan, and project-level Grievance Redress Mechanism (GRM). **Occupational Health and Safety, Labor and Employment Conditions.** The project involves occupational health and safety (OHS) risks primarily during the construction phase. Workers are therefore required to have OHS training and adequate Personal Protective Equipment to manage and prevent risks. Community health and safety risks during construction relate mainly to interactions between project traffic and local road users, exposure to dust and noise for nearby residents, and accidents due to unauthorized access to construction sites. The ESMP, along with the Hazardous Identification and Risk Assessment (HIRA) attached to the ESIA includes assessment of occupational and community health and safety risks and identifies appropriate mitigation measures, where NTNSP commits strict guidance in following the measures proposed. NTNSP will implement a project-specific Occupational Health and Safety Management Plan, Traffic and Transport Management Plan, and Emergency Preparedness and Response Plan, in line with Sri Lanka's Factory Ordinance and the World Bank Group Environmental, Health, and Safety Guidelines, following the national legislation and good international industry practice. In addition, the ESMP

	has elaborated further providing measures to avoid and mitigate risks, including OHS, traffic, child abuse and gender-based violence (GBV)/ sexual exploitation and abuse (SEA)/ sexual harassment (SH), and labor and working conditions. **Stakeholder Engagement, Consultation, and Information Disclosure.** During the ESIA conducted for the project, information related to tentative directions of the transmission line route of the project, sites earmarked for the GSSs, land requirements, potential impacts of the project, both positive and negative, and direct and indirect, entitlement policies and frameworks for compensation for the affected parties and grievance redress procedures were shared with affected persons during consultations. NTNSP has prepared a Stakeholder Consultation and Information Disclosure Plan and will continue their communications with the affected persons and other stakeholders and disclose information such as the valuation procedures, project related impacts, specific entitlements of the affected persons, compensation procedures, grievance redress procedures and dates of the commencement of civil works. Moreover, the draft English versions of ES instruments and English, Sinhala and Tamil versions of the executive summaries will be posted on NTNSP's and AIIB's websites and made available in hard copies in the project area. **Project Grievance Redress Mechanism (GRM).** The project will establish a project-level GRM which is easily accessible to the aggrieved parties, transparent and accountable in grievance handling and responding while winning the confidence of the complainants. The GRM will consist of two tiers. The first tier will be at the project's site level while the second tier will be at the PMU-level. The PMU of NTNSP will establish a clear set of procedures with specific time frames for grievance resolution at each level which will include procedures for receiving and recording grievances, screening and referrals, assessment of grievances, grievance resolution, reporting and monitoring. Brochures and leaflets printed in Sinhala and Tamil languages covering the above information and the information of AIIB's Project-affected People's Mechanism (PPM) will also be distributed. Apart from the above-mentioned two levels of GRM, the Contractors will also establish a GRM at site level (Workers' GRM) which will exclusively address the issues and grievances of the labor teams. **Monitoring and Reporting Arrangements.** The PMU will be fully responsible for monitoring the project's implementation and is expected to prepare progress reports to be prepared semi-annually based on agreed format highlighting progress on the implementation of ES instruments. These monitoring reports, which will be shared with AIIB, will also highlight the status of achieving agreed targets for monitoring indicators and detail project implementation progress. During implementation of the project, the Bank will conduct regular supervision missions to monitor progress. The frequency of the missions will depend on implementation progress and complexity. The Bank will also have virtual and in-person interactions with NTNSP and may engage the Bank's local consultants to

	conduct more frequent supervision, as required.
Cost and Financing Plan	Total Project Cost: USD 55.02 million Proposed AIIB Financing: USD 35.00 million NTNSP Contribution: USD 20.02 million
Borrower	Democratic Socialist Republic of Sri Lanka
Implementing Entity	National Transmission Network Service Provider Private Limited (NTNSP)
Estimated date of loan closing (SBF)	December 2029

Contact Points:	**AIIB**	**Democratic Socialist Republic of Sri Lanka (Borrower)**	**National Transmission Network Service Provider Private Limited (NTNSP) (Implementing Entity)**
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Date of Concept Decision	March 27, 2025		
Date of Appraisal Decision	June 11, 2026		
Date of Estimated Financing Approval	August 2026		

Independent Accountability Mechanism	AIIB's Project-affected People's Mechanism (PPM) will be the applicable independent accountability mechanism to handle all complaints relating to ES issues that may arise under the project. The PPM has been established by the Bank to provide an opportunity for an independent and impartial review of submissions from project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through project-level GRM or AIIB Management's processes. For information on how to make submissions to the PPM, please visit https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html