



Project Number:
000081

Project Summary Information (PSI)

Project Name	Support to Colombo Urban Regeneration Project
Country	The Democratic Socialist Republic of Sri Lanka
Sector	Urban
Project No	000081
Borrower	The Democratic Socialist Republic of Sri Lanka
Executing Agency	Ministry of Megapolis and Western Development (MMWD)
Implementing Agency	Urban Development Authority (UDA)
Environmental and Social	A
Date of PSI preparation or update	April 4, 2019
Date of Concept Approval	May 8, 2018
Date of Appraisal Approval	October 16, 2018
Date of Financing Approval	April 4, 2019

I. Introduction

The city of Colombo has been the commercial and industrial center of Sri Lanka since the 17th century, largely owing to its strategic location along an international shipping route. The Government of Sri Lanka (GoSL) plans to transform Colombo into a city on par with its regional middle-income competitors and has established a dedicated Ministry of Megapolis and Western Development (MMWD) in charge of developing the Western Province, where Colombo is located. Housing and its associated urban infrastructure have long been among the most important items on the GoSL's agenda, due to their impact on both economic and social development. Since the late 1960s, the GoSL has undertaken a series of major housing development programs in Colombo. These programs provided housing for public sector workers but also small housing plots and financial support for low- and middle-income families. During the civil conflict, however, the GoSL could not sustain the investments necessary to continue expanding the housing supply or to provide full infrastructure and services for residential areas already developed. As a result, many new settlements emerged without adequate infrastructure or even authorization and many of the residential areas already developed lacked basic urban infrastructure and services. In addition to the infrastructure and service issues, another serious burden left by the earlier housing programs has been the occupation of the land of Colombo City largely by one- and two-story houses on small plots, which have been hard to redevelop, limiting the economic density of the city.

To address the issues of poor housing and services as well as inefficient land use, the GoSL has established the Colombo Urban Regeneration Program (URP). The URP aims to resettle about 50,000 low-income and lower-middle-income households, currently living in identified

underserved settlements provided earlier by the GoSL or occupied by squatting, into new high-rise apartment buildings. The land thus released will be used for public purposes such as urban infrastructure or parks and for higher-value redevelopment.

Construction under the URP's previous phases (Phases I and II) started implementation in 2011 and by the end of 2018 will have provided over 8,000 new housing units to eligible households. In addition, around 7,000 units are nearing completion and the projects for another 2,200 units have completed the procurement procedures and had contracts awarded. The proposed Project would support Phase III of the URP, planned to begin implementation in 2019, and will also address key technical, financial, environmental, social and other policy issues with the aim of improving the efficiency, equity and sustainability of the program.

The URP is a GoSL priority. It is consistent with the GoSL's aim of ensuring affordable access to adequate housing for everyone, and with the Megapolis Master Plan, which envisages the relocation of households from underserved settlements into new housing schemes with adequate standards, ensuring the optimization of urban land use for higher economic returns and sounder urban planning. It is seen as an important step in transforming Colombo into a city with a clean and pleasant environment and providing a model for national development. The URP aims to enhance social benefits, especially for low-income communities, through the provision of new housing units with adequate urban infrastructure and services. In addition, economic benefits are expected through the implementation of its land redevelopment program, improving the efficiency of the city's land use and attracting more private or foreign investments to Colombo. It is aligned with the Bank's mission to improve the social and economic outcomes in the region through supporting sustainable urban development.

II. Project Objective and Expected Results

The objectives of the proposed Project are to improve the housing conditions of low-income communities and increase land use efficiency in Colombo through investments in the construction of affordable housing and redevelopment of land, along with the associated enhancement of systems and policies.

The proposed results indicators for these objectives include: (i) the number of low-income and lower-middle-income households that move from underserved settlements to newly constructed housing units with improved utilities and facilities, and under improved resettlement practice; and, (iii) the increase in the land value of the areas made available for redevelopment.

III. Project Description

The Project will support the implementation of URP Phase-III, but with significant improvements, such as improvements in technical design, resettlement and post-resettlement policy, housing maintenance arrangements, innovation in redevelopment approach, and review of longer-term sustainability of public intervention in housing. The Project comprises three components:

Component 1: Housing Construction. Component 1 will support the construction of about 5,500 housing units in multi-story apartment buildings in eight or nine residential complexes.

Component 2: Land Redevelopment. This component will maximize the revenue from the land that will become available after the households from the underserved communities move into the new apartment units constructed under the URP.

Component 3: Technical Support and Project Management. This component will support project management and other measures to improve implementation of the URP.

IV. Environmental and Social

AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Standards (ESSs), is applicable to the Project. As per the Bank's ESP, the Project has been classified as Category A, due primarily to the scale and complexity of the involuntary resettlement involved. The environmental impacts and risks are typical of urban construction projects of this kind (large-scale housing schemes) as are the health and safety issues. These are expected to be temporary, manageable through adequate mitigation measures, and not irreversible. The social risks and impacts associated with the proposed Project are complex and are mainly related to: (i) the determination of land ownership in the areas to be acquired for sub-projects under Components 1 and 2; (ii) the need to ensure that people's livelihoods are not adversely affected by the move to the new sites; (iii) ensuring people will adapt to life in high-rise apartment blocks and safeguarding the long-term viability of the housing complexes and services; and (iv) the need to identify and engage with the affected households and other stakeholders, including people living near the new housing schemes, from the beginning of the Project (especially the need to facilitate the active participation of women, young people and people of different ethnic and socio-economic groups). These issues will be addressed through the post-resettlement and other social programs (currently implemented by the UDA) and will be further enhanced under Component 3.

In accordance with the Bank's ESP and national policy requirements, the Borrower and the Executing Agency have prepared a Resettlement Planning Framework (RPF) and an Environmental and Social Management Planning Framework (ESMPF) that set out the general principles for managing the social and environmental impacts, especially the resettlement and post-resettlement measures needed to ensure that the standards of living and livelihoods of the households that are relocated can be enhanced or, at the very least, restored. The draft RPF and ESMPF have been disclosed in English, Sinhala and Tamil versions on the websites of the UDA, MMWD and AIIB <http://www.uda.gov.lk/housing-projects.html>; https://www.megapolism.in.gov.lk/web/index.php?option=com_content&view=article&id=404&Itemid=337&lang=en and <https://www.aiib.org/en/projects/proposed/2018/colombo-regeneration.html>.

Resettlement Action Plans (RAPs) and Environmental and Social Management Plans (ESMPs) will be prepared for each of the sub-projects under Component 1, including the two or three sub-projects to be identified for the 1,400 new units for families that have yet to be identified, and will have to be reviewed and approved by the Bank and disclosed by the Bank and UDA during project implementation. The ESMPs must be approved by the Bank and disclosed before the construction contracts are signed. The sub-projects under Component 2 will be covered by the RAPs for Component 1, since the Component 2 sites have either been or are being vacated under the current URP program or will be vacated when the families from

these sites move to the housing units constructed under Component 1. The RAPs will focus on the site-specific issues related to each resettlement project. It should be noted that most of the resettlement sites are located close to (less than a kilometer), and in some cases, are immediately adjacent to, the areas they originally occupied.

The ESMPs will analyze the potential environmental and social risks and impacts related to the project activities (during and after construction). The ESMPs will also propose measures needed to avoid, minimize, mitigate, or compensate for adverse impacts and to improve the environmental and social performance of the Project. During preparation of the ESMPs, public consultation will be carried out with identified stakeholders, namely with the project-affected people, to seek their views, concerns and feedback, to further enhance the project design and mitigation measures.

A project-level Grievance Redress Mechanism (GRM) has been developed that will allow project-affected people to raise their concerns and resolve outstanding issues.

V. Estimated Project Cost and Financing Source (US\$ million)

The total project cost is estimated to be US\$287 million (the detailed financing plan is presented in the table below). The GoSL has requested that the Bank to finance the Project through a Sovereign-backed Loan.

Items	Cost Amount (US\$)	Financing Sources					
		AIB		GoSL		Private Partner	
Component 1: Housing Construction	180.0	153.0	85%	27.0	15%		
Component 2: Land Redevelopment	45.0	35.0	78%	5.0	11%	5.0	11%
Component 3: Technical Support and Project Management	16.0	6.0	38%	10.0	62%		
Net Project Cost (Excl. Taxes and Duties)	241.0	194.0	80%	42.0	18%	5.0	2%
Taxes and Duties	40.0			40.0	100%		
Capitalized Front-end Fee, Commitment Fees and Interests		6.0	100%				
Total:	287.0	200.0	70%	84.0	29%	5.0	1%

VI. Implementation

The MMWD will act as the Executing Agency and the UDA will be the Implementing Agency for the Project. The UDA is under the administration of MMWD. A Project Management Unit (PMU) will be formally established in UDA before loan effectiveness and will be directly responsible for project implementation, management, monitoring and progress reporting to the GoSL and the Bank. To satisfy the Bank's operational standards, the PMU will include technical, planning, procurement, financial management, information technology and environmental and social specialists.

Procurement for all works, goods and services, consulting services contracts funded by the Loan proceeds will be carried out in accordance with AIIB's Procurement Policy (January 2016) and its associated Interim Operational Directive: Procurement Instructions for Recipients (June 2, 2016).

Proposed project implementation period: January 1, 2019 - December 31, 2024.

Contact Points

AIIB

Mr. Anzheng Wei
Project Team Leader/ Investment Officer
Tel: +86 (10) 8358 0195
Email: awei@aiib.org

Borrower

Madara Sevewandi De Silva
Director, External Resources Department
Ministry of National Policies and Economic Affairs
Tel: +94 112484717
Email: Madara@erd.gov.lk

Implementing Agency

Udyani Jayawardane
Acting Project Director
Urban Development Authority
Ministry of Urban Development
Water Supply and Housing Facilities
Email: apdtecurpcc@gmail.com