

## SBF Project Implementation Monitoring Report

### Sri Lanka: Support to Colombo Urban Regeneration

#### 1. Project Information

Project ID:	000081	Investment Number:	L0081A
Member:	Sri Lanka	Region:	Southern asia
Sector:	Urban	Sub-sector:	Urban housing
AIIB Financing Type:	Loan: 200 USD million	Co-financier(s):	Stand-alone
E&S category:	A	Borrower:	The Socialist Republic of Sri Lanka
Red Flags Assigned:	2	Monitoring Regime:	Enhanced Monitoring- Level I
Implementing Agency:	Urban Development Authority(UDA)		
Project Team Leader:	Toshiaki Keicho		
Project Team Members:	Michaela Bergman, Principal Social Development Specialist; Susrutha Goonasekera, Senior Social Development Specialist Yangzom, Procurement Specialist; Shonell Robinson, Financial Management Specialist; Aditi Khosla, Counsel , Investment Operations; Yuka Terada, Investment Officer; Chongwu Sun, Senior Environment Consultant; Dhammika Herath, Social Development Consultant; Chamindra Weerakody, Resettlement Specialist Consultant; Nurul Mutmainnah, Financial Management Consultant.		
Completed Site Visits by AIIB:	Jul, 2019 Project launch mission: July 1 to 5, 2019  Oct, 2019 Supervision mission: October 14-21, 2019  Dec, 2019 Visit to brief the new Secretary of project status: December 16-17, 2019  Jan, 2020 Technical mission focusing on social issues: January 20-23, 2020  Several visits during the COVID-19 lockdown to the PMU and sites by Colombo-based Bank staff and the local consultant.  Jul, 2020 Virtual Mission on July 3, 9 and 10, 2020  Several visits during the COVID-19 lockdown to the PMU and sites by Colombo-based Bank staff and the local consultant.  Jul, 2021 Virtual Mission on July 5, 6, 2021 ( wrap up mission on July 12, 2021)		
Planned Site Visits by AIIB:	Subject to lifting of travel restriction		

#### 2. Project Summary and Objectives

The project supports the Government of Sri Lanka's (GoSL) Urban Regeneration Program (URP) launched in 2011. Based on the survey carried out by the UDA in 2011, the GoSL estimated that about 68,000 households were living in over 1,500 "underserved settlements," accounting for roughly 50 percent of Colombo City's population. Thus, the project aimed at improving housing conditions and services as well as reducing inefficient land use in the city of Colombo by resettling low-income and lower-middle-income households from low-rise neighborhoods into high-rise apartment complexes. The project also intended to free up centrally located land for public purposes such as urban infrastructure and parks as well as commercial redevelopment. The proposed Project supports the implementation of URP-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. Supports the construction of about 5,500 affordable housing units for underserved communities in multi-story apartment buildings; Component 2: Land Redevelopment. Maximizes 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; and Component 3: Technical Support and Project Management. Supports project management and other measures to improve implementation of the URP.

The Project objective is to Improve 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, with associated policy and system enhancements.

### 3. Key Dates

Approval:	Apr. 4, 2019	Signing:	Apr. 25, 2019
Effective:	Jul. 22, 2019	Restructured (if any):	
Orig. Closing:	Dec. 31, 2025	Rev. Closing (if any):	

### 4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	200	b) Cancellation (if any):	
c) Disbursed:	15.85	d) Most recent disbursement: (amount / date)	9, Jan. 19, 2021
e) Undisbursed:	184.15	f) Disbursement Ratio(%) <sup>1</sup> :	7.9

<sup>1</sup> Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e.,  $f = c / (a - b)$

### 5. Project Implementation Update

The project is facing a huge delay, almost by a year, in implementation due to various reasons, including, but not limited to, termination of the PMU Project Director in January 2020, Parliamentary elections of the government of Sri Lanka (GoSL) in August 2020, community resistant for resettlement and the COVID-19 pandemic.

Component 1:

Component 1 was agreed in the first project launch mission (July 1-5th, 2019) to be implemented over three overlapping phases to allow lessons learned from the first phase to be incorporated into the later phases.

The PMU awarded all four sites, Applewatta Phase II, Colombage Mawatha, Obeysekerapura, and Stadiumgama, of the first phase in 2020 with a total contract value of USD 79.36 million. The second phase sites are Furgusion, and Madampitiya and contracts were awarded in 2021 with a total contract value of USD 42.47 million. In total, out of allocated USD180 million under Component 1, USD122.83 million for 4074 housing units has been committed.

Two out of six sites, Obesekarapura and Madampitiya, faced social issues as the site required resettlement of families requiring the site-specific Resettlement Action Plan (RAP) to be implemented. Both RAPs were finalised and published in 2019. Madampitiya faced further social issues, and the project boundary had to be revised. The RAP of Madampitiya was revised and finalised. According to the Project Document, the initially intended number of units to be financed is up to 5,500. Third phase sites of the remaining 1,400 units had not yet been agreed upon to date. The PMU requests for the remaining three sites to proceed: Applewatta (Maligawatta, 400 units), Kimula Ela (Bloemendhal, 472 units), and Rathmalana (irrigation land, 400 units). Finalising the first and second phase sites with the accompanying resettlements remains the key consideration for the approval of the remaining three sites. The financial gap in key infrastructures for the ongoing six sites has also been identified. Thus, depends on the progress, further restructuring may have to be considered for this component.

Component 2 :

There are about ten sites proposed for land redevelopment under Component 2. The Project will facilitate redevelopment of these sites by the private sector or PPP through planning and designing, marketing and in some cases, providing site improvements and infrastructure. 87 Watta's TOR has been drafted for designing a PPP model of this particular site. The environmental impact of the Bloemendhal Garbage Dump, which is adjacent to the site, remains a key concern. Further clarity on overall approaches in selecting the sites is still needed. Preparation of an overall rule and procedure for component 2 has been strongly suggested to the PMU. A consultant for preparing rules and procedures for land redevelopment has yet to be appointed. This is a dated covenant and was due January 22, 2020. Thus, depends on the progress, further restructure may have to be considered for this component.

Component 3:

Various activities are still under finalisation of the procurements except for the supervision of Housing Units awarded to State Engineering Cooperation.

Out of the various activities, one of the most critical ones is a Review of Urban Regeneration Program (URP) policies, as the appointment of consultants for this review is a dated covenant (due January 22, 2020).

Components	Physical Progress	Environmental & Social Compliance	Procurement
Construction of 5,500 housing units across 8 or 9 multi-storey apartment complexes. (AIIB USD 153m, GOSL USD 27m)	Six site's contractors mobilized ( first and second phase)and 4 sites have	Revision of Obesekarapura RAP concluded and being implemented. Project Affected Households (PAHs) on Obeyesekerapura site relocated. Livelihood support interventions for Obeysekerapura PAPs are partially completed due to lockdown in the area. Madampitiya RAP was revised twice: first revision to include additionally identified PAHs and second revision to shift the project	Four contracts under first phase and two contracts under second phase have been signed and the remaining contracts under third phase are on hold.

	started construction.	boundary. Madampitiya RAP second revision finalized and project boundary has been shifted to exclude 11 families who did not agree on the condition. Option for relocation for 11 families will remain open.	
Component 2: Provisions for planning, basic infrastructure, and marketing (in the case of commercial redevelopment) to facilitate redevelopment of newly vacated land. (AIIB USD 35m; GOSL USD 5m)	On-hold for further discussion	One of the proposed pilot site for implementation of the land redevelopment "Model C" (Project Document, Annex 2, paragraph 10), 87 Watta is located directly adjacent to the now decommissioned and largely overgrown Bloemendhal dumping site. Some of the requested clarification has been answered such as study and data collection of the site by the National Building Research Organization. The required assessment report based on corrected data has not yet submitted.	the land redevelopment consultants are proposed to be hired under the same component. Further discussion needed on how many consultants to be hired.
Component 3: Technical Support and Project Management (AIIB USD6m; GOSL USD 10m)	Consultancy not started	Socia Economic Base Line Survey including preparation of all Post Construction RAPs is under evaluation for technical proposal (3.1): Consultancy Services for Community Mobilization, Capacity Improvement and Livelihood development of to be and/ already resettled Families Under Support to Colombo Urban Regeneration Project (3.3) at RFP stage ; Review and Improvement of URP's Policies on Housing Allocation, Transfer and Management has not yet started which would effect drafting of remaining RAP.	Socia Economic Base Line Survey including preparation of all Post Construction RAPs is under final stage of evaluation. Pending consultancy procurement under 3.4 to review and improvement of Urban Regeneration Program's Policies on Housing Allocation, Transfer and Management is a dated covenant under the loan agreement ( due Jan 2020). The consultancy is currently under finalisation of the contract documents to award the identified company.

#### Financial Management:

The PMU continues to have functioning Financial Management arrangements in place, in which gradual improvements have been noted in areas such as quality of reporting. This improvement is derived from enhancement of the staffing arrangements, in which a dedicated and experienced Project Accountant was hired.

Budgeting: Due to significant delays in project implementation, the actual financial progress is below the budgeted by an average of approximately 76%.

#### Reporting:

Interim Financial Reports (IFRs) for the period ended December 31, 2020, and March 31, 2021, were both submitted after the due date but deemed to be acceptable by the Bank, despite minor discrepancies with respect to FX gain/loss calculation and the understatement of capitalized charges charged under the loan. The next IFR for the period ended June 30, 2021, will become due to the Bank by July 31, 2021.

The project audit for the year ended December 31, 2020, became due for submission to the AIIB on June 30, 2021. As of July 6, 2021, the audit field work was already completed and responses to audit queries were provided by the PMU on June 22, 2021. It is expected that the audit report will be submitted to the Bank by July 31, 2021.

## 6. Status of the Grievance Redress Mechanism (GRM)

A three-tier GRM is under operation. The first and the second tiers, at the local and Ministry level, have received complaints and resolved them. Complaints are yet to reach the third tier. It has met once for training purposes. The Government established Special Appeals Committee – for the appeal of additional housing – had received 55 appeals, resolved 44 and 11 are under review.

Major complaints were mainly from the Madampitiya site on the request for additional housing to be provided. These additional housing requests were escalated to the special appeal committee to make a decision following the government's additional housing criteria. Those complaints which might have affected the implementation of the project were consulted with the Bank and resolved accordingly.

## 7. Results Monitoring

The project incurred further delays due to COVID-19 lockdown and containment measures.

The result framework does not show much progress but all the first and second phase work contracts under Component 1 have been awarded with some delays because of COVID-19 lockdown and full compliance with AIIB E&S policies, especially for resettlement.

Adaptation of New URP policies and the City Guidance Plan of Colombo are due towards the final year of the project implementation and are reported as work in progress.

Baseline Year: Apr. 1, 2019 End Target Year: Apr. 1, 2025

#### Project Objective Indicators #1

1. Aggregated number of beneficiaries (households) that move from underserved settlements to newly constructed housing with improved utilities and facilities and under improved resettlement practice

Year	Target	Actual	Others, if any
Apr. 1, 2019	Baseline : 0	N/A	
Apr. 1, 2020	0	N/A	
Apr. 1, 2021	0	N/A	
Apr. 1, 2022	0	N/A	
Apr. 1, 2023	2,000	N/A	
Apr. 1, 2024	4,000	N/A	
Apr. 1, 2025	5,000	N/A	

#### Project Objective Indicators #2

2. New URP policies (with improvement on the housing allocation, transfer and management and acceptable to the Bank) adopted (Yes/No)

Year	Target	Actual	Others, if any
Apr. 1, 2019	Baseline: No	N/A	Work in progress
Apr. 1, 2020	No	N/A	Work in progress
Apr. 1, 2021	No	N/A	Work in progress
Apr. 1, 2022	Yes	N/A	Done
Apr. 1, 2023	Yes	N/A	Done
Apr. 1, 2024	Yes	N/A	Done
Apr. 1, 2025	Yes	N/A	Done

#### Project Objective Indicators #3

3. % of value increase of the land made available for redevelopment under the project compared with the government's baseline price

Year	Target	Actual	Others, if any
Apr. 1, 2019	Baseline: N/A	N/A	
Apr. 1, 2020	N/A	N/A	
Apr. 1, 2021	N/A	N/A	
Apr. 1, 2022	30%	N/A	
Apr. 1, 2023	30%	N/A	
Apr. 1, 2024	30%	N/A	
Apr. 1, 2025	30%	N/A	

#### Project Objective Indicators #4

4. Updating the City Guidance Plan of Colombo (P=in Preperation, A=Adopted)

Year	Target	Actual	Others, if any
Apr. 1, 2019	Baseline: N/A	N/A	
Apr. 1, 2020	P	No	

Apr. 1, 2021	P	Yes	
Apr. 1, 2022	P	N/A	
Apr. 1, 2023	A	N/A	
Apr. 1, 2024	A	N/A	
Apr. 1, 2025	A	N/A	

## Intermediate Result Indicators #1

## 1. Aggregated number of housing units constructed using the improved technical design and standards

Year	Target	Actual	Others, if any
Apr. 1, 2019	Baseline: 0	N/A	
Apr. 1, 2020	0	0	
Apr. 1, 2021	0	0	under construction
Apr. 1, 2022	2000	N/A	
Apr. 1, 2023	3500	N/A	
Apr. 1, 2024	4,500	N/A	
Apr. 1, 2025	5,500	N/A	

## Intermediate Result Indicators #2

## 2. Area of redeveloped land used for public and high-value uses (Acres)

Year	Target	Actual	Others, if any
Apr. 1, 2019	Baseline: 0	N/A	
Apr. 1, 2020	10	0	
Apr. 1, 2021	20	0	
Apr. 1, 2022	35	N/A	
Apr. 1, 2023	55	N/A	
Apr. 1, 2024	75	N/A	
Apr. 1, 2025	92	N/A	

## Intermediate Result Indicators #3

## 3. Percentage of SWM grievances addressed.

Year	Target	Actual	Others, if any
Apr. 1, 2020	N/A	N/A	
Apr. 1, 2021	N/A	N/A	
Apr. 1, 2022	50	N/A	
Apr. 1, 2023	N/A	N/A	
Apr. 1, 2024	N/A	N/A	
Apr. 1, 2025	80	N/A	

**Remarks:** Four Contractors awarded in 2020 have started the construction and still on-going even during the lock-down situation of COVID-19. The one of the two contractors awarded in 2021 is awaiting for the resolution of pending resettlement issues. We expect progress further for the next reporting period. Intermediate Result Indicators #2 is related to Component 2 and is on hold for further discussion to restructure the Component to reflect identified gap ( lack of basic infrastructure finances for Component 1, etc) . Policy review is expected to progress for the next reporting period.