

## Sri Lanka: Support to Colombo Urban Regeneration Project

### 1. Project Information

Project ID:	P000081	Instrument ID:	L0081A
Member:	Sri Lanka	Region:	Southern Asia
Sector:	Urban	Sub-sector:	Affordable housing
Instrument type:	<input checked="" type="checkbox"/> Loan:200.00 US Dollar million <input type="checkbox"/> Guarantee	Co-financier(s):	
ES category:	A	Borrowing Entity:	Ministry of Finance, Sri Lanka
Implementing Entity:	Urban Development Authority (UDA), Sri Lanka		
Project Team Leader:	Toshiaki Keicho		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Shonell Robinson, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Chongwu Sun, OSD - Environment Specialist; Hari Bhaskar, Team Member; Christopher Damandl, Project Counsel; Ting Wang, Alternate Counsel; Yangzom Yangzom, OSD - Procurement Specialist; Yuka Terada, Back-up PTL; Jinghui Li, Project admin		
Completed Site Visits by AIIB:	Dec, 2019 Visit to brief the new Secretary of project status: December 16-17, 2019 Jul, 2019 Project launch mission: July 1 to 5, 2019 Oct, 2019 Supervision mission: October 14-21, 2019 Jan, 2020 Technical mission focusing on social issues: January 20-23, 2020 Jul, 2020 Virtual Mission on July 3, 9 and 10, 2020 Mar, 2020 Several visits during the COVID-19 lockdown to the PMU and sites by Colombo-based Bank staff and the local consultant. Oct, 2020 Several visits during the COVID-19 lockdown to the PMU and sites by Colombo-based Bank staff and the local consultant. Feb, 2021 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) Nov, 2021 several virtual meetings to follow up on the agreed action at the high level meeting in September Sep, 2021 High level virtual meeting on September 3rd Feb, 2022 Virtual meeting specifically for on-going implementation under Component 1. Virtual		

	meeting specifically for E&S training under Component 3. Jun, 2022 Field mission undertaken by Senior Social Development Specialist May, 2022 May 30- June 3rd Mission for the Project Change on Emergency health component
Planned Site Visits by AIIB:	Oct, 2022 September/October Mid-term Review including a follow-up on Project change
Current Red Flags Assigned:	1
Current Monitoring Regime:	Regular Monitoring
Previous Red Flags Assigned:	2
Previous Red Flags Assigned Date:	2022/03

## 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 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.

In early 2022, due to the economic crisis, GoSL requested AIIB to reallocate USD70 million from the project to purchase essential medicines and other medical supplies. On June 29, 2022, the reallocation was approved by the board.

After the reallocation, the project comprises four components: Component 1: Housing Construction. Supports the construction of about 4,100 affordable housing units for under-served 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 under-served communities move into the new apartment units constructed under the URP; Component 3: Technical Support and Project Management. Supports project management and other measures to improve implementation of the URP; and Component 4: Emergency Health. Supports purchasing critical medicines and other medical supplies. Newly added Component 4 will be implemented by Ministry of Health.

The Project objective has been updated 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, and to enhance the capacity of Sri Lanka to respond to the urgent medical needs.

## 3. Key Dates

Approval:	Apr. 04, 2019	Signing:	Apr. 25, 2019
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Effective:	Jul. 22, 2019	Restructured (if any):	Jun. 29, 2022
Orig. Closing:	Dec. 31, 2025	Rev. Closing (if any):	

**4. Disbursement Summary (USD million)**

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	33.67	Most recent disbursement (amount/date):	5.00/Dec. 07, 2021
Undisbursed:	166.33	Disbursement Ratio (%) <sup>1</sup> :	16.84

**5. Project Implementation Update**

Apart from close consultation with the PMU to follow up on the delays, there was a high-level discussion in September 2021 to discuss on the way forward where both parties agreed to defer USD50 million till June 2022 to ensure to get the Project back on track. In early 2022, due to the on-going economic crisis, GoSL requested AIIB to reallocate USD70 million from the project to purchase essential medicines and other medical supplies. On June 29, 2022, the reallocation was approved by the board. On July 1, 2022, AIIB sent a letter to GoSL to restore the deferred USD50 million to support the smooth implementation of the remaining components under the project. After the reallocation, the scope of original activities has been scaled down and most project funds have been committed.

**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 USD79.36 million. The second phase sites are Furgusion, and Madampitiya and contracts were awarded in 2021 with a total contract value of USD42.47 million. In total, out of allocated USD180 million under Component 1, USD122.83 million for 4,074 housing units has been committed. Two out of six sites, Obeysekerapura 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. After the reallocation, the target number of 5,500 units has been adjusted to 4,100 units.

**Component 2 :**

The Project will facilitate redevelopment of identified sites by the private sector or PPP through planning and designing, marketing and, in some cases, providing site improvements and infrastructure. Initially, ten sites were proposed for land redevelopment. After the reallocation, possible coverage of sites under the Component 2 has been reduced. 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.

**Component 3:**

Various activities are still under finalisation of the procurement. To respond to the on-going economic crisis, all procurement activities were suspended during this quarter. As the reallocation concluded and approved, remaining procurement will resume from next reporting period.

**Component 4 ( newly added):**

<sup>1</sup> Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

This component will support purchasing critical medicines and other medical supplies. This component will be implemented by the Ministry of Health (MOH). The established Project Management Unit of the Asian Development Bank (ADB)'s Health System Enhancement Project (HSEP) will also implement this component. The activities envisaged under this Component are finished products and likely to have minimal or no significant adverse E&S impacts.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Construction of 4,100 housing units across 6 multi-storey apartment complexes. (AIIB USD 108m, GOSL USD 19m)	all six sites have started construction.	The mission advised the contractor as well as the PMU's environmental officer to ensure E&S compliance, avoid night-time work as much as possible and to undertake a consultation process to inform the neighborhood of any unavoidable night-time work in advance. The mission also urged the PMU to bring onboard the post-resettlement livelihood development consultancy as an urgent matter	Four contracts under first phase and two contracts under second phase have been signed
Component 2: Provisions for planning, basic infrastructure, and marketing (in the case of commercial redevelopment) to facilitate redevelopment of newly vacated land. (AIIB USD 10m; GOSL USD 1m)	ToR for consultancy is under the discussion	N/A	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)	Inception report for Improvement of Urban Regeneration Policies was submitted. Trainings for PMU on Environmental & Social were taken place.	N/A	Contract awarded and signed for Review and Improvement of Urban Regeneration Policies, contract for Socio Economic Baseline Survey and preparation of RAPs is currently at negotiation stage, contract for Community Mobilization is at Combined Technical and Financial Evaluation Stage. ToR for other consulting services have been cleared by the Bank.
Component 4: Emergency health	This component was added through the project change in June 2022	N/A	N/A

**Financial Management:**

The IFR as of March 31, 2022, was submitted after the due date and required revisions due to errors. However, the revised report, is deemed to be satisfactory to the Bank, as it reconciles with the records as per the Bank, and the requisite documents have been submitted.

The audit report for the financial year which ended December 31, 2022, was due on June 30, 2022, and remains outstanding. It is expected that the audit report will be submitted to the Bank by July 31, 2022.

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

A functioning, three-tier GRM is under operation. The first and the second tiers, at the field and PMU level, have received complaints and resolved in a timely manner. The Government established Special Appeals Committee – for the appeal of additional housing – had received 55 appeals, and all resolved. An E&S training, including a session on GRMs, was held for PMU staff with resource persons comprising of Bank staff and consultants.

During the June field mission, worker's grievance mechanisms were not seen to be in operation in any of the sites visited and recommendations were made to each of the Project Manager's to set up a complaints / suggestions box to receive worker complaints and feedback.

Potential complaints related to Component 4 will be handled by the existing GRM under MOH.

**7. Results Monitoring**

The project incurred further delays due to the on-going Economic Crisis and civil unrest.

The result framework does not show much progress but all contracts for 4,100 units under Component 1 have been awarded.

Based on the reallocation, results monitoring framework and its target have been updated.

**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	Comments, if any
Apr. 01, 2019	Baseline : 0	N/A	
Apr. 01, 2020	0	N/A	
Apr. 01, 2021	0	N/A	
Apr. 01, 2022	0	N/A	
Apr. 01, 2023	0	N/A	
Apr. 01, 2024	2,000	N/A	
Apr. 01, 2025	> 4,000	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	Comments, if any
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Apr. 01, 2019	Baseline: No	N/A	Work in progress
Apr. 01, 2020	No	N/A	Work in progress
Apr. 01, 2021	No	N/A	Work in progress
Apr. 01, 2022	No	N/A	Done
Apr. 01, 2023	Yes	N/A	Done
Apr. 01, 2024	Yes	N/A	Done
Apr. 01, 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	Comments, if any
Apr. 01, 2019	Baseline: N/A	N/A	
Apr. 01, 2020	N/A	N/A	
Apr. 01, 2021	N/A	N/A	
Apr. 01, 2022	N/A	N/A	
Apr. 01, 2023	N/A	N/A	
Apr. 01, 2024	> 30%	N/A	
Apr. 01, 2025	> 30%	N/A	

**Project Objective Indicators #4**

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

Year	Target	Actual	Comments, if any
Apr. 01, 2019	Baseline: N/A	N/A	
Apr. 01, 2020	P	No	
Apr. 01, 2021	P	Yes	
Apr. 01, 2022	P	N/A	
Apr. 01, 2023	A	N/A	
Apr. 01, 2024	A	N/A	
Apr. 01, 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	Comments, if any
Apr. 01, 2019	Baseline: 0	N/A	
Apr. 01, 2020	0	0	
Apr. 01, 2021	0	0	under construction
Apr. 01, 2022	0	N/A	
Apr. 01, 2023	2000	N/A	

Apr. 01, 2024	3500	N/A	
Apr. 01, 2025	4,100	N/A	

**Intermediate Result Indicators #2**

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

Year	Target	Actual	Comments, if any
Apr. 01, 2019	Baseline: 0	N/A	
Apr. 01, 2020	0	0	
Apr. 01, 2021	0	0	
Apr. 01, 2022	0	N/A	
Apr. 01, 2023	0	N/A	
Apr. 01, 2024	0	N/A	
Apr. 01, 2025	> 10	N/A	

**Intermediate Result Indicators #3**

3. Percentage of SWM grievances addressed.

Year	Target	Actual	Comments, if any
Apr. 01, 2020	N/A	N/A	
Apr. 01, 2021	N/A	N/A	
Apr. 01, 2022	N/A	N/A	
Apr. 01, 2023	50	N/A	
Apr. 01, 2024	50	N/A	
Apr. 01, 2025	50	N/A	

**Intermediate Result Indicators #4**

The number of health institutions/ hospitals benefiting from the emergency component

Year	Target	Actual	Comments, if any
Apr. 01, 2022	N/A	N/A	
Apr. 01, 2023	N/A	N/A	
Apr. 01, 2024	490	N/A	
Apr. 01, 2025	N/A	N/A	

**Remarks:**

Intermediate Result Indicators #2 is related to Component 2 and is on hold for further discussion.

Intermediate Result Indicators #4 is newly added from this quarter to monitor component 4: emergency health.