

Project Implementation Monitoring Report (#12)

Reporting Period From 2024/02 To 2024/07

Sri Lanka : Reduction of Landslide Vulnerability by Mitigation Measures (RLVMM) Project

1. Project Information

Project ID:	P000124	Instrument ID:	L0124A
Member:	Sri Lanka	Region:	Southern Asia
Sector:	Others	Sub-sector:	Multi-subsector
Instrument type:	<input checked="" type="checkbox"/> Loan:80.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
ES category:	B	Borrowing Entity:	Ministry of Finance, Sri Lanka
Implementing Entity:	National Building Research Organization, Sri Lanka; Ministry of Health, Sri Lanka		
Project Team Leader:	Tomas Herrero Diez		
Responsible DG:	Rajat Misra		
Responsible Department:	PSC1		
Project Team Members:	Nurul Mutmainnah, SFD - Financial Management Specialist; Susrutha Goonasekera, SFD - Social Development Specialist; Andres Pizarro, Team Member; Chongwu Sun, SFD - Environment Specialist; Chang Tian, Team Member; Hari Bhaskar, Team Member; Christopher Damandl, Project Counsel; Ting Wang, Alternate Counsel; Rizal Rivai, SFD - Procurement Specialist; Md Towshikur Rahman, Team Member; Weimin Zhou, Back-up PTL; Chang Tian, Project admin		
Completed Site Visits by AIIB:	Mar, 2024 As part of the implementation review mission, the AIIB team visited sites under packages 4, 5 and 7 (ongoing/completed/potential). The main objectives of the visits were to monitor the project's general progress, quality of civil works and the environmental and social (E&S) impacts. Jul, 2024 A virtual review meeting was conducted including pictures and videos of the civil works completed and ongoing to identify quality shortcomings and E&S issues and proposed remedial actions, as needed.		
Planned Site Visits by AIIB:	Sep, 2024 An implementation review mission is planned for September 2024 to monitor the implementation of all the project's components, including the emergency health component. In addition, technical site visits are also planned along with the implementation review mission to supervise the civil works implementation progress and quality.		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		

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Previous Red Flags Assigned Date:	2024/01
Brief justifications for assigned red flags:	The number of red flags was reduced from 2 to 1 in January 2023. This was approved considering that (i) Sri Lanka has reached an agreement with the International Monetary Fund; (ii) the project has shown some new progress over the last months, and (iii) a common approach for all the Sri Lanka projects was encouraged during the Quarterly Portfolio Review (QPR) Meetings.

2. Project Summary and Objectives

The project objectives (POs) are to (i) reduce risk and damage from landslides through the implementation of mitigation measures and enhancement of policy and regulation associated with landslide management; and (ii) enhance the capacity of Sri Lanka to respond to the urgent medical needs. [The second part of the objective to address urgent medical needs was added through the project change in June 2022].

To assess the achievement of the objective, the following key indicators are monitored: (i) aggregated number of direct project beneficiaries (i.e. number of people directly protected from landslide hazards [disaggregated by gender]); (ii) area of road protected by the implementation of mitigation measures (square meters); (iii) length of railway protected by the implementation of mitigation measures (meters); (iv) climate resilience standards and specifications related to landslide mitigation adopted; (yes/no); (v) recommendations to enhance land use guidelines in landslide-prone areas submitted by the Steering Committee to the Government of Sri Lanka (GoSL) for endorsement process (yes/no); and (vi) aggregated number of planned resettlement to be avoided (number of households). In addition, other intermediate results indicators are/will be monitored: (vii) landslide mitigation schemes constructed to protect homes, agricultural land and economic activities using improved designs and standards (number); (viii) grievances registered related to delivery of project benefits has been resolved (percentage); and (ix) hospitals/health institutions benefitting from the emergency component (number). [The indicator (ix) was added through the project change in June 2022].

The project has a total cost of USD92.3 M with USD80 M from AIIB and USD12.3 M from GoSL. The project has five components (AIIB loan in braces): (i) Implementation of landslide mitigation measures, including field investigation, detailed designs, construction and supervision/management of civil works implementation to mitigate landslide risk in a minimum of 100 sites (USD53.36 M); (ii) Strengthening of policy, standards and institutional capacity related to landslide risk (USD1.90 M); (iii) Provision of essential facilities and laboratory equipment (USD2.21 M); (iv) Technical support and project management (USD1.53 M); and (v) Emergency health (USD18 M). [The project's and components' costs were revised, and the Component 5 was added through the project's change approved in July 2022; initially USD30 M was allocated to the Component 5. Another project restructuring was conducted in May 2024 to reduce the allocation to the Component 5 to be USD18 M].

3. Key Dates

Approval:	Apr. 04, 2019	Signing:	Apr. 25, 2019
Effective:	Jul. 23, 2019	Restructured (if any):	May. 10, 2024
Orig. Closing:	Dec. 31, 2023	Rev. Closing (if any):	Dec. 31, 2025

4. Disbursement Summary (USD million)

Contract Awarded:	49.37	Cancellation (if any):	0.00
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Disbursed:	30.98	Latest disbursement (amount/date):	1.97/Jul. 03, 2024
Undisbursed:	49.02	Disbursement Ratio (%) ¹ :	38.72

5. Project Implementation Update

For the entire project, the total amount of awarded contracts is USD49.37 M, and the disbursement is USD30.98 M. **Original components:** The project has been experiencing delays since the beginning. These delays are mainly due to four unexpected events: (i) a series of bombings struck churches and hotels in Sri Lanka in 2019 (which led to delays on some of the pre-construction activities); (ii) COVID-19 situation in Sri Lanka contributed to further delays during civil works preparation and implementation, especially during two major outbreaks in May and August 2021; (iii) the institutional changes impacting on the National Building Research Organization (NBRO), where the Project Management Unit (PMU) is housed, causing additional delays to the procurement process; and (iv) the economic and political crisis, which triggered some civil unrest and led to shortage of supplies such as fuel or construction material from the second half of 2021 to the present. Despite all these challenges, the project has progressed reasonably well over the last months. In terms of civil works, 71 percent of the packages have been already awarded, with 32 percent completed. Of the remaining packages, four packages are ready for awarding and the rest are expected to be awarded during the second half of 2024. A 2-year closing date extension was approved in October 2023 making the revised closing date December 31, 2025. On April 1, 2024, the Department of External Resources (ERD) requested to repurpose USD12 M from the Emergency Health Component back to the original RLVMMMP components. This was deemed necessary as in 2023, heavy rains and floods severely impacted Sri Lanka causing frequent landslides, including at very high-risk locations, which urgently need the implementation of mitigation measures. However, with a reduced budget allocated to the original components, the scope of inclusion of new sites under RLVMMMP was very limited. On the other hand, the implementation of the Emergency Health Component was extremely slow. Considering that the emergency has passed, and the needs from the original project, it was agreed to repurpose USD12 M of unused loan proceeds back to the original projects. This amendment was countersigned by ERD on May 10, 2024. The PMU is currently finalizing the selection of the additional sites and preparing the designs to utilize the repurposed USD12 M. While the civil works are expected to be completed within the closing date, the defect liability period for some packages may go beyond the closing date and a second closing date extension may be needed. **Emergency health component:** Following the restructuring approved in July 2022 (to repurpose USD30 M to support the procurement of essential medicines and medical supplies), USD6 M were disbursed in October 2022, mainly for retroactive financing. Since then, the procurement process has been slower than expected. Currently, out of the USD60 M allocated to this Component (USD18 M from RLVMMMP and USD42 M from Support to Colombo Urban Regeneration Project {SCURP}), USD15.06 M is committed and another USD17.6 M is in the pipeline (under evaluation). As of today, the total disbursed amount is USD 24.67 M, of which the USD10.67 M has been disbursed from RLVMMMP (59.2 percent of RLVMMMP allocation).

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 5:	In October 2022, USD20	The activities under this	The revised Procurement

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

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<p>Health emergency</p>	<p>M (USD6 M from this project and USD14 M from SCURP) was disbursed for retroactive financing.</p> <p>As of mid-July 2024, USD10.67 M out of the USD18 M from RLVMMMP has been spent (59.2 percent).</p>	<p>Component are likely to have no adverse E&S impacts as they only support the procurement of medical goods.</p>	<p>Plan was approved by AIIB on May 3, 2024, and is now been revised.</p> <p>The procurement process has been very slow, due to long evaluation processes, limited interest from the market, and frequent mistakes made by potential suppliers. This has contributed to a low level of competition, high prices, and consequently, the cancelation and re-invitation of lot of tenders.</p> <p>USD15.06 M is committed and another USD17.6 M is in the pipeline (under evaluation). The balance is expected to be utilized before February 2025.</p>
<p>Component 1: Implementation of landslide mitigation measures</p>	<p>Out of 28 packages, 9 packages (1, 2, 3, 4A, 4B, 4C, 5B, 7 (Lot 4), and 9) have been fully completed. Another 5 packages (7 (Lots 1 to 3, and Lot 5 and Lot 6) are in an advanced stage having more than 85 percent progress each. Additionally, implementation is in progress for 6 more packages (5A, 5C, 5D, 8 (Lots 1 to 3)). As of mid-July 2024, the progress of these packages range between 7 to 52 percent. The remaining 8 packages will be procured during the second semester of 2024 and finalized by 2025.</p> <p>With the recent restructuring, the original component has received additional USD12 M. The PMU is now selecting the</p>	<p>Based on the field visits undertaken in March 2024, the compliance on E&S aspects had been rated as Moderately Unsatisfactory. This is mainly due to the social risks observed. During the site visits, a number of houses that have been unwilling to relocate were identified. Some of them are considered to be at high risk of rock falling, posing a risk to lives. The Bank has urged the PMU to ensure that all the houses located at high-risk areas are immediately evacuated, or the civil works must be stopped.</p> <p>NBRO has prepared site specific Environmental and Social Management Plans (ESMPs) for all 128 sites and disclosed on their website.</p> <p>More frequent monitoring and reporting of E&S aspects are needed particularly for the socially sensitive sites such as schools, hospitals and other vulnerable areas.</p>	<p>Out of the remaining 8 packages, 4 packages are ready for awarding (6A, 6B, 6C, and 6F). The remaining 4 packages (5E, 6D, 6E, and 6G) are expected to be awarded in Q4 2024.</p> <p>For the additional Package 10, the PMU is considering following a design and build (D&B) approach. This will be further explored once the sites are finalized.</p> <p>For the remaining 3 CSC packages: (i) one package (linked to Package 5) is currently waiting for Ministry approval; (ii) the request for expression of interest (REOI) and terms of reference (TORs) of another package (linked to Package 6) is currently being reviewed by AIIB; and (iii) the remaining CSC package (linked to Package 8) may follow a different procurement strategy consisting in hiring</p>

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	<p>potential sites for additional one package (roughly 25 to 30 sites under package 10) which could be considered to utilize this additional amount.</p> <p>The procurement process for the Construction Supervision Consultants (CSC) for Package 7 was completed in July 2023 and the consultant is on board now.</p>		<p>individual consultants instead of a firm, which is being discussed with the Bank.</p>
<p>Component 2: Strengthening of policy standards and institutional capacity</p>	<p>Due to the similar nature of the works proposed, the 3 technical assignments (TAs) originally envisaged under Component 2 were merged into only one TA. Joint terms of reference (TORs) have been prepared.</p>	<p>The activities under this Component are likely to have minimal or no adverse E&S impacts as they only support the procurement of study.</p>	<p>A draft REOI and Request for Proposal (RFP) have been prepared by NBRO. AIB reviewed the draft RFP and TOR, which are now being finalized. The procurement process is expected to be initiated in Q3 2024.</p>
<p>Component 3: Provision of essential facilities</p>	<p>The procurement of 5 contracts out of 28 under this Component have been completed. The goods were received by NBRO in 2019 and 2020.</p>	<p>As above.</p>	<p>Initially, there were 5 remaining packages. However, to attract more bidders, the PMU has proposed to split those into 23 packages. This is being reviewed by the Bank. The remaining packages are expected to be procured and delivered within 2025.</p>
<p>Component 4: Technical support and project management</p>	<p>The web-based project monitoring support program has been developed and is operational.</p>	<p>As above.</p>	<p>Project management is being supported by GoSL funds.</p>

Financial Management:

There continues to be an existing financial management system in place, which is deemed to be adequately functioning. Original components: The Interim Financial Reports (IFRs) for Q4 2023 and Q1 2024 were submitted in a timely manner and deemed acceptable to the Bank. The IFR for Q2 2024 is due for submission on July 31, 2024. The current disbursement progress is 32.75 percent. The most recent withdrawal application (WA) was submitted in July 2024 for USD6.23 M, and it is being processed. The 2023 Audit Report (including the Management Letter) was shared on June 5, 2024, which was earlier than the due date. The Bank reviewed the report and found the audited financial statements and the auditor's opinion to be acceptable. Emergency health component: The IFR for Q4 2023

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was submitted on time to the Bank, but there was a delay of around two weeks for the submission of the IFR for Q1 2024. Both submitted IFRs are deemed acceptable to the Bank. The IFR for Q2 2024 is due for submission on July 31, 2024. The cumulative disbursement is USD24.67 M, which is approximately 41 percent of the total allocation of USD60 M (from both RLVMMMP and SCURP). From RLVMMMP, USD10.67 M has been disbursed from the allocated USD18 M (59.2 percent). The most recent disbursement was made using the Special Commitment method, with an amount of USD1.97 M. At the end of 2023, the PMU shared a draft WA to request an advance of USD2 M, but the final WA has not been submitted to the Bank yet. The audited financial statement of 2023 and the Management Letter were submitted with a delay of about one-and-a-half weeks, with a clean opinion. During the review of the document, the Bank noticed that the recommendation from the last year's audit memo to include the Audited Project Financial Statements in the IFR format has not been followed up and requested the PMU to do so.

6. Status of the Grievance Redress Mechanism (GRM)

Original components:

A GRM is in place to register feedback/grievances from the project affected people (PAPs) and redress their concerns in a stipulated time frame. The GRM is accessible to all PAPs. Information on the GRM was provided during the socialization of the ESMPs. Feedback/grievance boxes are available at each site. Alternatively, users are invited to submit their feedback/grievances in writing, by e-mail, by telephone, through the project's website, and in person (through the contractors or members of the local governments). Contact details are published on the project's website.

As of mid-July 2024, a total of 140 feedback/grievances, related mainly to minor design revisions to enhance accessibility, temporary access interruption, drainage systems, water supply, and slope protection, have been received. The functionality of the GRM has significantly improved recently as all issues (both major and minor) related to the project's implementation are being registered.

All of the complaints have already been resolved. The Bank continued to advise to keep a clear signboard reflecting the details of the project's GRM and the Bank's Project-affected People's Mechanism (PPM) at each of the ongoing landslide sites. All the feedback/grievances and related recommendations and outcomes are and will be provided in the bi-annual E&S monitoring reports.

Emergency health component:

It was agreed with the PMU and ADB that the GRM established for the ADB-funded HSEP will be used to handle the potential complaints pertaining to this Component. The Bank requested the PMU to include a link to the HSEP's GRM on the project's website page.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

Original components:

It was agreed with NBRO that the actual values for the indicators will be updated only after the total completion of each package. As above-mentioned, as of mid-July 2024, 9 packages were completed (1, 2, 3, 4A, 4B, 4C, 5B, 7 (Lot 4) and 9). This has significantly contributed towards achieving most of the targets linked to Component 1 (e.g., almost 50 percent of the number of final targeted project beneficiaries (including females) has been almost achieved, and the final target for the area of road protected by the implementation of mitigation measures has been almost achieved (20,935 m² vis-à-vis 23,000 m² {91 percent})). The progress of other indicators linked to the

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Component 1 (e.g., length of railway protected by implementation of mitigation measures) or those linked to the Component 2 will be only measured when the respective works will be finalized. For further details, see the Results Monitoring Framework provided at the end of this document.

Emergency health component:

The number of health institutions/hospitals benefitting from AIIB's support is 386. This number is lower than in the previous PIMR as during the mission, the Bank noticed that there were duplications in counting the number of health institutions/hospitals.

Remarks:

As of mid-July 2024

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2020		2021		2022		2023		2024		2025		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year			
Number of project beneficiaries	Project	Number	2020	0	0	0	900	800	1600	1337	2600	2482	6000	4588	10000		2025	10000		Bi-annual	PMU (NBRO)	
Number of female project beneficiaries	Project	Number	2020	0	0	0	450	458	800	1113	1300	1743	3000	2678	5000		2025	5000		Bi-annual	PMU (NBRO)	
Area of road protected by implementation of mitigation measures	Project	square meters	2020	0	0	0	3500	3801	7500	7161	12500	11065	18000	20935	23000		2025	23000		Bi-annual	PMU (NBRO)	
Length of railway protected by implementation of mitigation measures	Project	meters	2020	0	0	0	0	0	0	0	0	0	500	0	2280		2025	2280		Bi-annual	PMU (NBRO)	
Adopted Climate resilience standards and specifications related to landslide mitigation	Project	Y/N	2020	N	N	N	N	N	Draft design standards partially adopted	Draft design standards partially adopted	Draft design standards partially adopted	Draft design standards partially adopted	Draft design standards partially adopted	Draft design standards partially adopted	Y		2025	Y		Bi-annual	PMU (NBRO)	
Land use guidelines in landslide prone area has been reviewed and recommendations have been submitted by the Steering Committee to the government for	Project	Y/N	2020	N	N	N	N	N	N	N	N	N	N	N	Y		2025	Y		Bi-annual	PMU (NBRO)	

