



Concept Paper

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Proposed Multitranche Financing Facility Sri Lanka: Southern Highways Investment Program

CURRENCY EQUIVALENTS

(as of 28 November 2012)

Currency unit	–	Sri Lanka rupee/s (SLRe/SLRs)
SLRe1.00	=	\$0.0076834422
\$1.00	=	SLRs 130.150000

ABBREVIATIONS

ADB	–	Asian Development Bank
JICA	–	Japan International Cooperation Agency
km	–	kilometer
MFF	–	multitranches financing facility
MOPH	–	Ministry of Ports and Highways
OCR	–	ordinary capital resources
PPP	–	Public Private Partnership
RDA	–	Road Development Authority
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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I. THE INVESTMENT PROGRAM

A. Rationale

1. The proposed investment program will improve the efficiency of road network in the south region of Sri Lanka to handle the fast-growing travel demand incurred by the economic and social activities.¹ In order to address the bottlenecks of national road network in Southern Province and Western Province, the investment program will (i) rehabilitate about 35 kilometers (km) of national highways providing access to the Southern Expressway, (ii) extend the Southern Expressway by constructing about 40 km of elevated expressway towards the origins and destinations of traffic in Western Province, and (iii) improve the efficiency of the Ministry of Ports and Highways (MOPH) to operate the expressway network and the associated facilities. The proposed investment program, together with the earlier Southern Transport Development Project,² will lay the foundations for modernizing the country's transport sector.

2. **Strategic Context.** Western Province is the most densely populated province in Sri Lanka. It drives the performance of country economy with a contribution of over 45% of national gross domestic product in 2010. The economy of Southern Province is closely integrated with Western Province through the physical and economic connection improved in the last two decades. The government envisages the Western Province as a regional center hub of South Asia and the Southern Province as a strategic area complementary to the Western Province on the international trade corridor with its rich natural and human resources.³

3. The most significant accomplishment of transport sector in connecting the two provinces is the opening of Southern Expressway on 27th November 2011. The 96 km expressway is the first access-controlled high capacity road in Sri Lanka, which starts at Kottawa, a suburb 18 km away from Colombo, and ends at Galle, the capital of Southern Province. The construction of Southern Expressway was financed by Asian Development bank (ADB) and Japan International Cooperation Agency (JICA). After the road was opened to traffic, the travel time between Kottawa and Galle is reduced from 5 hours to 1.5 hour. It is expected by the government that the Southern Expressway will serve as the backbone of the road network in Southern and Western Provinces by providing facilities for both passenger and freight vehicles to run over 80 km per hour.

4. **Road Map.** The development and operation of Southern Expressway is re-defining the profile of Sri Lanka's road transport. Prior to the era of Southern Expressway, the road transport is characterized by low capacity road network, poor road conditions, and slow traffic speeds. With the opening of Southern Expressway, the government is on the way to establish a trunk road network comprising well-connected expressways and national roads, which can adequately support the movement of people and goods for economic development.⁴ An expressway operation, maintenance and management division is created within the Road

¹ A project preparatory technical assistance (PPTA) is proposed with details provided in Appendix 4.

² ADB. 1999. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Southern Transport Development Project*. Manila (Loan 1711-SRI[SF], approved on 25 November). ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grants to the Democratic Socialist Republic of Sri Lanka for the Southern Transport Development Project*. Manila (Supplementary Loan 2413-SRI, approved on 6 March).

³ Government of Sri Lanka, Ministry of Finance and Planning, Department of National Planning. 2010. *Sri Lanka: The Emerging Wonder of Asia: Mahinda Chintana – Vision for the Future*. Colombo.

⁴ Road Development Authority, Planning Division. 2007. *National Road Master Plan 2007-2017*. Colombo.

Development Authority (RDA) of MOPH to manage the expressway operation, but its capacity is severely handicapped by the weak business process and poor human resources.

5. Despite the success of Southern Expressway, its envisaged benefits have not been reached optimally due to (i) the relatively long distance to Colombo city, which is the main passenger and freight traffic origin and destination, (ii) the poor condition of feeder roads, and (iii) the limited capacity of expressway operation. The average daily traffic passing the eight interchanges of Southern Expressway is about 8,500 vehicles, with light passenger vehicles comprising about 96% of total volume. A large portion of freight transport between the two provinces still uses the coastal National Highway A2: Colombo-Galle-Matara mainly because it normally takes one to two hours to enter the expressway at Kottawa interchange. The proposed investment program will extend the Southern Expressway towards the traffic origins and destinations in Colombo city, so that the traffic, mainly the freight, can be shifted from a coastal route which is vulnerable to climate change, to a climate resilient expressway corridor.

6. The government is actively expanding the expressway network. Besides the Southern Expressway, a number of projects are in the pipeline, including (i) Outer Circular Highway, (ii) Colombo-Katunayaka Expressway, (iii) Pinnaduwa-Gagodama Expressway, and (iv) Colombo-Kandy Expressway. The development and operation models of Southern Expressway will be followed in these projects and future expansion of expressway network. To serve the purpose of a model project, the physical and nonphysical bottlenecks on Southern Expressway and the associated facilities needs to be addressed properly.

7. To bring in investment from the private sector in terms of expressway project implementation, operations, and management, the government intends to avail the financial resource and the capacity of private sector to develop the Southern Expressway Extension through a public-private partnership model. This project will be the first of its kind in the country, and will serve as a catalyst to set in place a public-private partnership (PPP) framework for infrastructure projects in the transport sector. The exact mode of private sector participation (toll based build-operate-transfer, availability payments, shadow toll, or a combination of these) will be determined during the due diligence. However, it is proposed that ADB's financing will be used as gap viability fund for the project. If the due diligence indicates the need for further viability support, payment assurances from the government or cofinancing from development partners will be explored.

8. A multitranche financing facility (MFF) is proposed as the financing modality for the investment program. The matrix in Table 1 explains why the MFF is more suitable than other instruments and modalities.

Table 1: Comparison of Financing Modality for Southern Highways Investment Program

Issues	Comparison		Remark
	MFF	Project Loan	
1. The scale of the investment program is more than \$1 billion.	MFF enables ADB to offer financial resources to the client in a series of separate financing tranches.	The possible size of project loan is significantly less than the requirement.	MFF modality is preferred.
2. The improvement of road transport efficiency requires long-term partnership between the government and ADB.	MFF allows ADB to provide assistance programmatically and aligned with long-term needs of the client.	The needs of the client are mainly assessed in the country programming dialogue, which may be inefficient.	MFF modality is preferred.

3. The government plans to strengthen its institutional capacity for the development and operation of high-capacity road network.	MFF allows ADB to enter into a sustained partnership for supporting the institutional strengthening plan.	The support provided by a project loan is subject to the size and term of the loan.	MFF modality is preferred.
4. Significant financing resources outside ADB and the government are required.	MFF opens the possibility of engaging private sector or exploring cofinancing opportunities in subsequent tranches.	A final financing plan is required before the board consideration of a project loan.	MFF modality is preferred.

9. The investment program is in line with the government's sector objective: establishing a modern transport system that will enable acceleration of economic growth, with reduced travel time, cost, and improved safety. As agreed with the government, ADB will contribute to the sector outcome of improved nationwide connectivity for the movement of people and goods.⁵ The proposed investment program is originally included in the country operations business plan, 2012-2014, as Transport Sector Development Facility.⁶

B. Impact, Outcome, and Outputs

10. The impact of the investment program will be efficient road transport in south region. The outcome will be high capacity road network developed along the traffic corridors in south region.

11. The investment program will deliver two outputs: (i) expanded physical infrastructure by rehabilitating or upgrading about 35 km of national highways and extending the Southern Expressway with about 40 km of elevated highway towards Colombo, and (ii) improved capacity of road agencies for expressway operation by supporting the implementation of institutional strengthening action plan. It is envisaged that the investment program will comprise 4 tranches. The first tranche of investment program will focus on (i) the rehabilitation of about 35 km of national highways, (ii) the preconstruction activities, including land acquisition and resettlement, detail engineering, engagement of private sector, and others as required, of Southern Expressway Extension, and (iii) the first stage of capacity development for expressway operation. The following three tranches will focus on (i) the implementation of Southern Expressway Extension, and (ii) the capacity development for expressway operation.

C. Investment and Financing Plans

12. The investment program is preliminarily estimated to cost about \$1,080 million (Table 2). The cost estimate will be refined during the fact-finding mission. A tentative financing plan is in Table 3. The proposed size of the facility is \$500 million, comprising \$6 million of loans from Asian Development Fund and \$494 million of loans from ordinary capital resources (OCR). A loan of \$6 million from Asian Development Fund and a loan of \$44 million from OCR will finance the first tranche. The following three tranches will be financed by up to \$450 million of loans from ADB's OCR. The government is expected to provide \$180 million of counterpart funding, of which \$20 million will be for the first tranche. The private sector is expected to be engaged in a PPP format with a contribution of \$400 million.

⁵ ADB. 2011. *Country Partnership Strategy: Sri Lanka, 2012-2016*. Manila.

⁶ ADB. 2011. *Country Operations Business Plan: Sri Lanka, 2012-2014*. Manila.

Table 2: Indicative Investment Program
(\$ million)

Item	Amount
A. Base Cost^a	
1. Physical infrastructure expansion	880.00
2. Capacity development for expressway operation	10.00
Subtotal (A)	890.00
B. Contingencies	140.00
C. Financing Charges During Implementation^b	50.00
Total (A+B+C)	1,080.00

^a In mid-2012 prices.

^b Includes interest and commitment charges.

Source: Asian Development Bank estimates.

Table 3: Tentative Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	500.00	46.30
Government	180.00	16.67
Private Sector	400.00	37.03
Total	1,080.00	100.00

Source: Asian Development Bank.

D. Indicative Implementation Arrangements

13. The MOPH will be the executing agency, and the RDA will be the implementing agency. A project implementation unit will be established in RDA to prepare and implement the investment program. Civil works and equipment will be procured through international and national competitive bidding. Consulting services provided by individuals and firms will be required for detailed design, construction supervision, and procurement support. Advance contracting and retroactive financing will be considered to ensure implementation readiness. A series of consultations have been conducted with the government since 2010.

II. TECHNICAL ASSISTANCE

14. A piggyback capacity development technical assistance (TA) will be required in conjunction with the MFF to build the capacity of MOPH and RDA for expressway development and operation. A team of experts will be engaged to support efficiency improvement of MOPH and RDA for expressway operation and to facilitate the implementation of institution strengthening action plan. The total cost of the TA is estimated at \$1 million. It is proposed that the TA will be financed on a grant basis by ADB's Technical Assistance Special Fund.

III. DUE DILIGENCE REQUIRED

15. Due diligence required for project preparation will include the following:

- (i) **Technical issues.** The technical due diligence will include (a) engineering design for national highway rehabilitation, (b) alignment definition of Southern Expressway Extension, (c) preliminary engineering design of Southern Expressway Extension, (d) options of public-private partnership, (e) procurement

- plan and documents, (f) the adequacy of operation and maintenance, and (g) potential impact of climate change and options for mitigation and adaptation.
- (ii) **Legal, regulatory, and policy framework.** The due diligence will involve a diagnostic to the existing legal, regulatory, and policy framework to identify the gap and weakness, if any, related to a sustainable PPP. An action plan will be discussed and agreed with the government to strengthen the framework.
 - (iii) **Commercial, financial, and economic issues.** Due diligence on commercial perspectives of Southern Expressway Extension will be conducted to balance the requirements of the government and the private sector. The economic and financial viability and sustainability of national highway rehabilitation and Southern Expressway Extension will also be reviewed.
 - (iv) **Institutional issues and governance.** Due diligence will be undertaken to assess the institutional issues and mechanisms of executing agency and implementing agency for financial management, procurement, anticorruption, policy and legal frameworks, and to formulate remedial measures.
 - (v) **Poverty and social.** Due diligence will be undertaken to assess the investment program's impacts on poverty reduction and social aspects, including HIV/AIDS, human trafficking, and labor. Gender-related benefits will be also explored.
 - (vi) **Safeguards.** Safeguard due diligence will be conducted according to ADB's Safeguard Policy Statement (2009). Environment impact will be assessed for each component of the investment program. Land acquisition and resettlement impacts will be assessed and a resettlement framework for the investment program and resettlement plan(s) for contract packages will be prepared. The project is not expected to involve any impact on indigenous peoples.

16. The project team will lead the due diligence required for MFF processing, with a three-pronged approach. First, the Road Project Preparatory Facility⁷ is being used to prepare (i) the feasibility study and detailed design, including technical, economic, poverty and social, and safeguard aspects, for rehabilitating about 35 km of national highways, and (ii) the feasibility study and preliminary design, including technical, commercial, financial, economic, PPP, and safeguard aspects, of Southern Expressway Extension. Second, the project preparatory TA will be used for due diligence on the institutional issues, and will provide supplementary support to the technical issues. Third, the TA for Development Partnership Program for South Asia will assist in undertaking the due diligence on legal, regulatory, and policy framework.⁸ The second prong, the project preparatory TA, is described in Appendix 4, and the outline terms of reference for the other two prongs are available upon request.

17. The major risks are (i) engagement of private sector in a PPP format, and (ii) the land acquisition and resettlement. To engage private sector, extensive preparation would be required, and for this purpose international and national experts will be engaged in the first tranche of MFF. Since this is the first project of this type in the country, extensive stakeholder consultations will be held. Discussions will also be continued with other cofinanciers, to enhance the viability. To manage the risk of slow land acquisition and resettlement, the first tranche will focus on the preconstruction activities of Southern Expressway Extension, and the following tranches will finance the implementation of civil works.

⁷ ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Technical Assistance Loan to the Democratic Socialist Republic of Sri Lanka for the Road Project Preparatory Facility*. Manila (Loan 2080-SRI).

⁸ ADB. 2006. *Technical Assistance Report: Proposed Technical Assistance for the Development Partnership Program for South Asia*. Manila (TA 6337-REG).

IV. PROCESSING PLAN

A. Risk Categorization

18. The investment program is *complex* because the total amount of investment program is above \$200 million. In addition, it is likely that the safeguard categorizations will be A for involuntary resettlement in the first tranche and/or environment in the following tranches.

B. Resource Requirements

19. It is estimated that about 12 person-months of staff resources, including mission leader, transport specialist, public-private partnership specialist, environment specialist, social development specialist, procurement specialist, financial management specialist, and counsel, will be required to process the investment program. A project preparatory TA will be required to support the processing. The project preparatory TA is described in Appendix 4.

C. Processing Schedule

20. The processing schedule is in Table 4.

Table 4: Proposed Processing Schedule

Milestones	Expected Completion Date
MFF fact-finding mission	May 2013
Management review meeting	June 2013
Loan negotiations	July 2013
Board consideration	September 2013
Loan effectiveness	December 2013

Source: Asian Development Bank.

V. KEY ISSUES

21. Key issues facing the investment program include the following:

- (i) **Financing resource.** The estimated cost of the investment program is significantly beyond the available resource of the government and ADB. The formulation of public-private partnership model should commence early. Alternative financing plan needs to be prepared after consultation with development partners on potential cofinancing arrangements.
- (ii) **Land acquisition and resettlement.** The land acquisition and resettlement in Western Province will be money- and time-consuming due to the high density of population. The alignment for Southern Expressway Extension should be finalized first to allow adequate time for properly obtaining the required land.
- (iii) **Coordination with other development partners.** JICA is providing assistance to undertake a study of the urban public transport system for Metro Colombo area. Since part of the investment program area will overlap with the study, coordination with JICA is required to harmonize the impacts of two interventions.

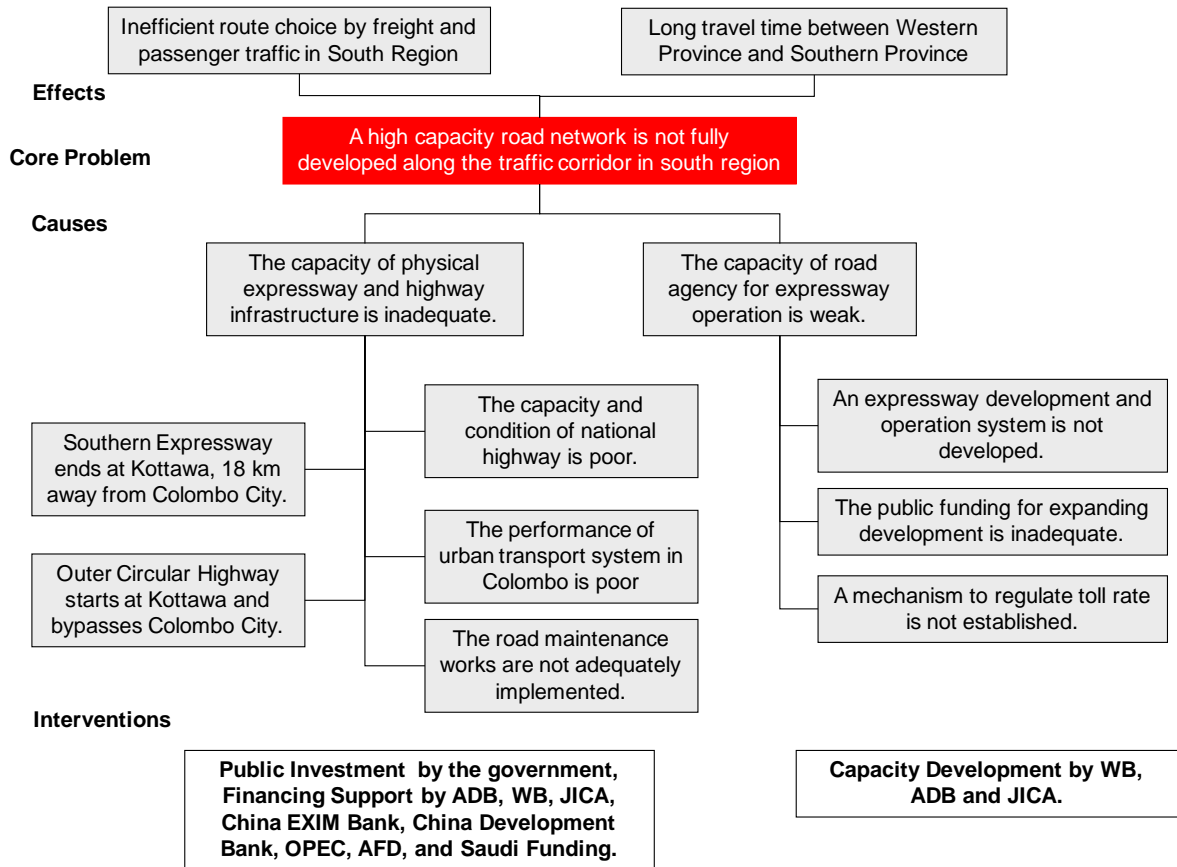
22. These issues will be addressed through the project preparatory TA, other preparatory works by the government and ADB, and the regular coordination meetings with development partners.

BASIC PROJECT INFORMATION

Aspects	Arrangements
Modality	MFF
Financing	<p>The indicative size of the overall MFF is \$500 million, which possibly will be financed by \$6 million of ADF loan and \$494 million of OCR loan.</p> <p>The indicative size of first tranche is \$50 million, which possibly will be financed by \$6 million of ADF loan and \$44 million of OCR loan.</p>
COBP/ RCOBP	<p>ADB. 2011. <i>Country Operations Business Plan: Sri Lanka, 2012-2014</i>. Manila.</p> <p>The project was included in the COBP as Transport Development Facility. The title is changed to Southern Highways Investment Program to clarify the project scopes.</p>
Classification	<p>Sector (subsectors): Transport, and information and communication technology (road transport)</p> <p>Themes (subthemes): Economic growth (promoting economic efficiency and enabling business environment, widening access to markets and economic opportunities); private sector development (public-private partnerships)</p> <p>Targeting classification: General intervention</p> <p>Gender mainstreaming category: Some gender elements</p> <p>Location impact: Rural (medium), urban (high), and national (medium)</p> <p>Safeguards (Tranche 1): Environment (B), involuntary resettlement (A), indigenous peoples (C)</p>
Risk categorization	Complex
Partnership(s)	Consultation with JICA, China EXIM Bank, and the World Bank
Use of a PBA	No
Parallel PIU	No
Department and division	South Asia Department, Transport and Communication Division
Mission leader and members	<p>C. Chen, Transport Specialist, SARD/Mission Leader</p> <p>S. Muthugala, Senior Procurement Officer, Sri Lanka Resident Mission, SARD</p> <p>A. Nanayakkara, Senior Project Officer (Road and Transport), Sri Lanka Resident Mission, SARD</p> <p>Y. Seo, Counsel, Office of the General Counsel</p> <p>W. Tawisook, Transport Specialist, SARD</p> <p>K.M. Tilakaratne, Senior Project Officer, Sri Lanka Resident Mission, SARD</p> <p>R.V. Peri, Principal Public-Private Partnership Specialist, SARD</p> <p>K. Yangzom, Environment Specialist, SARD</p> <p>S. Zhao, Social Development Specialist, SARD</p>

ADB = Asian Development Bank, ADF = Asian Development Fund, COBP = country operations business plan, JICA = Japan International Cooperation Agency, MFF = multitranchise financing facility, OCR = ordinary capital resources, PBA = programmatic based approach, PIU = project implementation unit, RCOBP = regional cooperation operations business plan.

PROBLEM TREE



DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Efficient road transport in south region</p>	<p>Travel time from Colombo to Matara is reduced from 6 hours (2012) to 3 hours by 2022.</p> <p>90% of the total traffic between Colombo and Matara using Southern Expressway by 2024 (XX% in 2012).</p>	<p>Annual report of Ministry of Finance and Planning</p> <p>Survey of RDA</p> <p>Survey of RDA</p>	<p>Assumptions The government's development strategy is effectively coordinated with road sector investment.</p> <p>Development partners provide adequate financial and technical support to transport sector.</p>
<p>Outcome High capacity road network developed along the traffic corridor in south region.</p>	<p>By 2020 The travel time from the city center of Colombo to Kottawa is reduced from 1 hour (2012) to 15 minutes.</p> <p>The average traffic speed of project national roads is increased by 30%.</p> <p>The accident rate (fatalities by vehicle-km) on project roads reduced by 20% from 2012 rate.</p>	<p>Project performance monitoring system.</p> <p>Survey of RDA</p> <p>Project performance monitoring system.</p> <p>Survey of RDA</p> <p>Report of traffic police</p>	<p>Assumptions Urban transport system in Metro Colombo area is improved adequately by the government and relevant development partners</p>
<p>Outputs 1. Expanded physical infrastructure (expressway and national highways)</p>	<p>About 40 km of Southern Expressway Extension towards Colombo completed by 2020, with private sector participation.</p> <p>About 35 km of national roads rehabilitated or upgraded by 2018.</p>	<p>Project performance monitoring system.</p> <p>Project performance monitoring system.</p>	<p>Assumptions The government timely provides funds for the investment program on infrastructure development and road maintenance.</p> <p>Risks Private sector is not engaged in the investment program.</p> <p>Implementation is delayed by the progress of resettlement.</p>
<p>2. Improved capacity of road agencies (MOPH and RDA) for expressway operation</p>	<p>Institutional strengthening action plan for expressway development and operation implemented by 2020.</p>	<p>Project performance monitoring system.</p> <p>Report of MOPH and RDA</p>	<p>Assumptions Government commitment to institutional strengthening.</p>

Activities with Milestones	Inputs
1. Expanded physical infrastructure (expressway and national highways)	ADB Loans: \$500 million
1.1 Detail design for national roads rehabilitation or upgrading by 2013	Item Amount (\$ million)
1.2 Feasibility study and preliminary design for Southern Expressway Extension by 2013	Civil works and equipment 420
1.3 Contract award for national roads rehabilitation by 2015	Consultancy 28
1.4 Preconstruction activities, such as land acquisition and resettlement for national roads and Southern Expressway Extension by 2015.	Project management 2
1.5 Engagement of private sector partner for Southern Expressway Extension by 2015	Contingency 50
1.6 Civil works for national roads rehabilitation completed by 2018	Government: \$180 million
1.7 Civil works for Southern Expressway Extension completed by 2020	Item Amount (\$ million)
2. Improved efficiency of MOPH and RDA for operating the expressway network and the associated facilities	Civil works 150
2.1 Institutional strengthening action plan approved by MOPH by 2013	Contingency 30
2.2 Institutional strengthening action plan implemented by 2020	Private Sector: \$400 million
2.3 Training for expressway development and operation implemented by 2020	Technical Assistant Grant
	ADB: \$1 million

MOPH = Ministry of Ports and Highways, RDA = Road Development Authority.

Source: Asian Development Bank

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. A multitranche financing facility (MFF) is proposed as the financing modality for the investment program because it allows the government to focus on institutional strengthening and project implementation, and to provide an optimal amount of timely financing by arranging contract packages in specialized components and/or a larger size. While the government is utilizing the Road Project Preparatory Facility to prepare (i) the feasibility study and preliminary design of Southern Expressway Extension, and (ii) the detailed design of national highway rehabilitations, technical support is required to assist the government in improving the policy framework for expressway development and operation, and in identifying appropriate construction technology that is environment-friendly and responsive to the climate change.
2. In addition, the design and pre-construction activities of Southern Expressway Extension is complicated due to its location in densely populated area, its nature of elevated expressway, and its significant impacts to the countrywide expressway network expansion. An independent peer review is needed to help the government and Asian Development Bank (ADB) to ensure the quality of project design, and manage the potential risks.

B. Major Outputs and Activities

3. The proposed technical assistance (TA) will (i) prepare an action plan to strengthen the institution and policy framework plan for expressway development and operation, (ii) recommend appropriate construction technologies for Sri Lanka's road sector, and (iii) provide technical support for project preparation to review the feasibility study and preliminary design of Southern Expressway Extension, and to improve the implementation readiness.
4. **Output 1: Institutional and Policy Framework Strengthening Action Plan.** In accordance with the requirements for implementing the national roads master plan, the TA will prepare an action plan for the institutional and policy framework strengthening of Ministry of Ports and Highways (MOPH) and Road Development Authority (RDA) in expressway development and management, and will support with the early stage implementation. The key activities will involve (i) assessing the capacity of MOPH and RDA for expressway development and management, including but not limited to the following aspects: project financing, intelligent transport system, road pricing, performance-based maintenance and road safety, (ii) identifying issues relating to the existing capacity of the MOPH and RDA for implementing the national road master plan and managing the expressway network, (iii) preparing an institutional and policy framework strengthening action plan, focusing on expressway development and operation, and (iv) helping the MOPH and RDA to initiate the implementation of the action plan, and (v) helping to arrange for MOPH and RDA staff to participate in relevant training programs.
5. **Output 2: Construction Technology.** The TA will assist the MOPH and RDA in investigating construction technologies that are environmental friendly and appropriate to address the material availability issue in Sri Lanka. The key activity will involve: (i) assessing the state-of-the-practice of construction technology used in the road sector of Sri Lanka, (ii) estimate the demands of construction materials, and compare the demands with the supply of construction materials, (iii) assess the impact of road sector development to the environment and the climate change, (iv) recommend alternative construction technologies and/or measures responsive to the environmental impact and the climate change, (v) assist MOPH and RDA to adopt the recommended technologies.

6. **Output 3: Technical Support for Project Preparation.** The TA will assist the MOPH and RDA in undertaking expert review of the feasibility study and preliminary design of Southern Expressway Extension. In addition, the TA will undertake studies as needed to support the processing of the proposed investment program, and ensure the implementation readiness.

7. The major outputs and activities are summarized in Table A4.1.

Table A4.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
1. Institutional and policy framework strengthening	June 2014	(i) Report on Institutional and Policy Strengthening	April 2013
		(ii) Implementation of the Action Plan	June 2014
2. Construction technology	September 2013	(i) Report on proposed construction technologies	April 2013
3. Technical Support	June 2014	(ii) Training programs	September 2013
		(i) Peer review of Southern Expressway Extension	December 2013
		(ii) Project preparation support	June 2014

Source: Asian Development Bank

C. Cost Estimate and Proposed Financing Arrangement

8. The TA is estimated to cost \$1,000,000 equivalent, which will be financed on a grant basis by ADB's Technical Assistance Special. External financing will not be pursued for the TA, but will be pursued for the proposed investment program during the processing. The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, and provision of all relevant and available documents, data, statistics, information, and maps. The detailed cost estimate is presented in Table A4.2.

Table A4.2: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (24 person-months)	552.0
ii. National consultants (24 person-months)	96.0
b. International and local travel	40.0
c. Reports and communications	5.0
2. Equipment (computer, printer, etc.) ^b	10.0
3. Workshops, training, seminars, and conferences ^c	86.0
4. Vehicle ^d	6.0
5. Surveys	12.0
6. Miscellaneous administration and support costs	5.0
7. Representative for contract negotiations	8.0
8. Contingencies ^e	180.0
Total	1,000.0

^a Financed by the TASF-IV.

^b Equipment

Type	Quantity	Cost
Camera	1	\$1,000.0
Computer	4	\$8,000.0
Printer	1	\$1,000.0

^c Workshops, training, seminars, and conferences

Purpose	Venue
Institutional Strengthening Consultation	To be determined during TA implementation.
Institutional Strengthening Presentation	To be determined during TA implementation.
Construction Technology Training	To be determined during TA implementation.
Expressway Development and Operation	To be determined during TA implementation.

^d Vehicle

Justify the use of and the need to purchase or lease a vehicle	Expected length of use
To allow the consultants to undertake surveys outside Colombo.	3 months

^d The high contingency amount is proposed to provide supports as needed for extensive due diligence required for project preparation, such as technical issues; legal, regulatory and policy framework; public-private partnership; and commercial, financial, and economic issues.

Source: Asian Development Bank

D. Consulting Services

9. ADB will engage a team of international and national consultants through a consulting firm for outputs 1 and 2, and individual consultants for output 3 in accordance with its Guidelines on the Use of Consultants (2010, as amended from time to time). The TA will require 48 person-months of consulting services (24 international and 24 national). The consultants for outputs 1 and 2 will be engaged following the quality- and cost-based selection method, using a quality-cost ratio of 90:10 and full technical proposals. For outputs 1 and 2, five international and four national consultants will be needed with expertise in (i) institutional strengthening for expressway development and operation, (ii) road pricing, (iii) Intelligent Transport System, (iv) performance-based road maintenance, and (v) road construction technology. For output 3, one international and one national consultants with general knowledge on expressway development and management will be selected. expressway Disbursement under the TA will be carried out in accordance with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time). Procurement of equipment will follow ADB's Procurement Guidelines (2010, as amended from time to time). The equipment will be handed over to the government upon TA completion.

Table A4.3: Summary of Consulting Services Requirement

Positions	Person-Months Required
International	
Institutional Strengthening Specialist (Mission Leader)	9
Road Pricing Specialist	3
Intelligent Transport System Specialist	2
Road Maintenance Specialist	2
Construction Technology Specialist	6
Expressway Project Advisors	2
National	
Institutional Strengthening Specialist	9
Transport Engineers	8
Construction Technology Specialist	6
Expressway Project Advisor	1

Source: Asian Development Bank

10. The outline terms of reference for the project preparatory TA consultants are described in paras. 11 to 17.

11. **Institutional Strengthening Specialists** (international, 9 person-months; national, 9 person-months). The institutional strengthening specialist has preferably a bachelor degree of civil engineering, 20 years experience on expressway development and operation for international consultant, and 10 years experience on expressway or highway development and operation for national consultant. The main tasks under the TA include capacity assessment of MOPH and RDA, preparation of action plan, team management of coordination with other specialists for timely submission of reports, and implementation of the action plan.

12. **Road Pricing Specialist** (international, 3 person-months). The road pricing specialist has preferably a bachelor degree of transport engineering, 20 years experience on expressway pricing and toll strategy. The main tasks under the TA include undertaking data collection and survey on the reasonableness of pricing on Southern Expressway, assessment of the reasonableness of road pricing in Sri Lanka, proposing a road pricing mechanism, drafting a policy paper on road pricing, and recommending institutional strengthening actions for road pricing and toll collection.

13. **Intelligent Transport System Specialists** (international, 2 person-months). The Intelligent Transport System Specialist has preferably a bachelor degree of transport engineering or information technology, 15 years experience on the application of intelligent transport system on expressway and highway network. The main tasks under the TA include assessing the needs of intelligent transport system for expressway operation, undertaking related baseline data collection, drafting a technical specification of the intelligent transport system, and preparing a strategy to deploy intelligent transport system, and recommending institutional strengthening actions for expressway operation using intelligent transport system.

14. **Road Maintenance Specialist** (international, 2 person-months). The Road Maintenance Specialist has preferably a bachelor degree of civil engineering or related area, 20 years experience on the road maintenance planning, the implementation of performance-based maintenance, and the related procurement. The main tasks under the TA include assessing the needs of institutional strengthening for tendering and managing performance-based maintenance contract, assessing the performance of ongoing maintenance contracts of RDA, and recommending institutional strengthening actions for managing performance-based maintenance contracts.

15. **Construction Technology Specialist** (international, 6 person-months; national, 6 person-months). The Road Maintenance Specialist has preferably a bachelor degree of civil engineering or related area, 20 years experience on the road construction and the construction technology for international consultant, and 10 years experience on the road construction for national consultant. The main tasks under the TA include assessing the construction technology used in Sri Lanka, analyzing the supply and demand of construction materials, assessing the impact of road construction in Sri Lanka to the environment and the climate change, and recommending alternative construction technologies friendly to environment and addressing the climate change issues.

16. **Transport Engineers** (national, 8 person-months). The Transport Engineers have preferably a bachelor degree of civil engineering or related area, at least 5 years experience on the expressway, or highway development. Two Transport Engineers will be required. The main tasks under the TA include assisting the international consultants in undertaking consultation

with the government, development partners, private sectors, and road users, and conducting surveys.

17. **Expressway Project Advisors** (international, 2 person-months; national, 1 person-month). The Expressway Project Advisors should have a bachelor degree of highway engineering or related area, at least 20 years experience on the expressway project design and implementation. The main tasks under the TA include peer reviewing the feasibility study and preliminary design of Southern Expressway Extension.

E. Implementation Arrangements

18. The MOPH will be the executing agency to supervise and coordinate TA activities through RDA. A TA steering committee will be established to supervise and monitor TA activities within 1 month of the consultants' mobilization. The TA steering committee will be chaired by the secretary of MOPH, and joined by the key personnel of MOPH and RDA. The government will provide (i) all relevant and available documents, data, statistics, information, and maps; (ii) a TA coordinator from the RDA, to be assigned before the consultants are mobilized; (iii) counterpart staff from MOPH and RDA, to be assigned before the consultants are mobilized; (iv) office accommodation, office equipment, including desks and chairs, and local communication in Colombo, and utility costs, covering electricity and water; and (v) logistical assistance for the workshops and seminars, including the venue, and identifying and inviting the participants.

19. The proposed TA processing and implementation schedule is listed in Table A4.4.

Table A4.4: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Reconnaissance Mission	October 2012
Commencement	February 2013
Physical Completion	June 2014
Financial Closure	December 2014

Source: Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Sri Lanka	Project Title:	South Highways Investment Program
Lending/Financing Modality:	Multitranches Financing Facility	Department/ Division:	South Asia Department/ Transport and Communications Division

I. POVERTY ISSUES

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The investment program is in line with the Government of Sri Lanka’s overall development strategy *Mahinda Chintana* 2010–2016 and sector objective: establishing a modern transport system that will enable acceleration of economic growth, with reduced travel time, cost, and improved safety.¹ As agreed between the government and the Asian Development Bank (ADB) in ADB’s country partnership strategy, 2012–2016, ADB will contribute to the sector outcome of improved nationwide connectivity for the movement of people and goods.² The proposed investment program is originally included in the country operations business plan, 2012–2014, as Transport Sector Development Facility.³

B. Targeting Classification

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2)

The proposed investment program will improve infrastructure supporting the economic development of communities in the project area. Economic activity (mainly private business, government and private sector employment, and tourism), public health, and education will benefit. The purpose of the proposed investment program is to: (i) rehabilitate about 35 km of national highways providing access to the Southern Expressway, (ii) extend the Southern Expressway towards the origins and destinations of traffic in Western Province, and (iii) improve the capacity of the Ministry of Ports and Highways (MOPH) to develop and operate the expressway network and the associated facilities.

The poverty headcount index in the areas influenced by the project in Western and Southern provinces is lower than the national figures. However, poverty in Southern Province is significantly more prevalent than in Western Province. According to the Household Income and Expenditure Survey, conducted from December 2009 to June 2010 by the Department of Census and Statistics of the Ministry of Finance and Planning, the poverty headcount index in Colombo was 3.6% and 6.0% in Kalutara District, both below the national poverty headcount index of 8.9%. In Southern Province, the poverty headcount index in Galle District is 10.3% and in 11.2% in Matara District.⁴

C. Poverty Analysis

1. What resources are allocated in the PPTA/due diligence?

The poverty analysis for the rehabilitation of 35 km of national highways providing access to the Southern Expressway has already been undertaken under the Sri Lanka: Road Project Preparatory Facility. For the extension of the Southern Expressway towards the origins and destinations of the traffic in Western Province, the feasibility study will be funded by the Road Project Preparatory Facility and the detailed design by Tranche 1 of the investment program. Resources for the poverty analysis will be allocated accordingly to ensure comprehensive analysis.⁵

2. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

The Project will be designed to support the Government’s poverty reduction strategy by: (i) providing equal job opportunities for men and women during project construction; and (ii) disseminating information and preparing local communities to take advantage of the enhanced accessibility of various markets, jobs, government policies and initiatives that will become available to them after the construction phase.

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

The potential primary beneficiaries of the project are the road user, transport operators, commercial entities that rely on the Southern Expressway, communities in the vicinity of the project influence area, local government, EA/IA, tourists, and other development partners active in Sri Lanka’s transport sector development. The poor and the socially excluded benefit by having improved access to transport infrastructure which further helps them to have improved access to markets and services.

Yes No

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS			
Issue	Nature of Social Issue	Significant/Limited/ No Impact/ Not Known	Plan or Other Action Required
Involuntary Resettlement	Resettlement will be avoided to the extent possible. The project may potentially cause significant IR impacts on a linear basis to mostly commercial vendors. All resettlement planning documents will be prepared in accordance to ADB's SPS and national regulation. Significant IR will be experienced as part of the tranche(s) implementing the Southern Highway extension.	Significant	<input checked="" type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> Resettlement Plan
Indigenous Peoples	Impact on indigenous peoples is not envisaged at this stage. However an Indigenous Peoples Planning Framework will be prepared in case any impact is identified in subsequent tranches.	No Impact	<input checked="" type="checkbox"/> Indigenous Peoples Planning Framework
Labor <input checked="" type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input checked="" type="checkbox"/> Core Labor Standards	Construction is expected to generate employment opportunities for the local communities during the construction phase thereby offering opportunities for employment. Men and women will be paid equally for equal work. The EA will ensure that all civil works will comply with core labor standards.	No Impact	<input checked="" type="checkbox"/> No Action
Affordability	There is no anticipated impact.	No Impact	<input checked="" type="checkbox"/> No Action
Other Risks and/or Vulnerabilities <input checked="" type="checkbox"/> HIV/AIDS <input checked="" type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	The Project will develop mechanisms to address the social issues identified during the social and poverty assessment. No significant negative impacts are anticipated. Land port subproject may have potential positive impact on spread of HIV/AIDS due to increased efficiency of land port and reducing truck driver and passenger waiting time.	No Impact	<input checked="" type="checkbox"/> No Action
IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT			
<p>1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Appropriate resources will be allocated under the Road Project Preparatory Facility or by Tranche 1 of the investment program.</p>			

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- ADB. 2004. RRP: Proposed Technical Assistance Loan to the Democratic Socialist Republic of Sri Lanka for the Road Project Preparatory Facility. Manila (Loan 2080-SRI)