

Ex-Ante Evaluation

1. Name of the Project

Country : The Democratic Socialist Republic of Sri Lanka

Project : Bandaranaike International Airport Development Project Phase 2

Loan Agreement: March 28, 2012

Loan Amount: 28,969 million yen

Borrower : Airport and Aviation Services (Sri Lanka) Limited

2. Background and Necessity of the Project

(1) Current State and Issues of the Air Transportation Sector in Sri Lanka

As Sri Lanka is an island country, airways and seaways are the only modes of international passenger transportation. Bandaranaike International Airport (Colombo International Airport) is currently the sole international airport in Sri Lanka. The airport has flights to and from thirty-one major cities worldwide (as of 2011) and has become the center of logistics and passenger transportation. Driven by the economic growth since internal conflict ceased in 2009, passenger transportation volume exceeded the capacity of the existing terminal (6 million passengers per year) in 2011 (6.1 million). This has caused inconvenience and safety issues such as forcing passengers to take a bus instead of using passenger boarding bridges. Thus, expanding the passenger terminal is now considered a critical issue.

(2) Development Policies for the Air Transportation Sector in Sri Lanka and the Priority of the Project

Following the post-conflict stabilization since 2009, the current President Mahinda Rajapakse has announced “Mahinda Chintana – Vision for the Future,” which is aimed at accelerating economic growth and economic structural reforms. In the aviation sector, the Vision sets the goal of becoming the transportation hub of the South Asian region by expanding international air routes. Bandaranaike International Airport is positioned as the gateway of the capital and the Vision stipulates that the airport will be developed as a hub airport that meets high safety requirements and various international standards.

(3) Japan and JICA’s Policy and Operations in the Air Transportation Sector

Japan’s Country Assistance Program for Sri Lanka (April, 2004) states Japan’s aid policy is directed towards “institutional reform and assistance for the establishment of economic infrastructure”. In its Rolling Plan, JICA highlights the building of traffic and transportation infrastructure as a critical development agenda to promote infrastructural development essential to expanding investment in the private sector. This project is therefore consistent with the above policy.

JICA provided aid to Bandaranaike International Airport through Colombo International Airport Development Project (SL-P6) in 1983 and produced tangible results. In addition, “the Detailed Design Study on Bandaranaike International Airport Development Project in Sri Lanka,” a development study supported by JICA, was conducted in 1997. Subsequently, a new terminal with passenger boarding

bridges was built under Colombo International Airport Development Project (SL-P62).

(4) Other Donors' Activities

Bandaranaike International Airport began international flight operations in 1959. In 1981, a Master Plan was developed with support from the Netherlands. Aided by Japan, the United Kingdom and France, the airport implemented a large-scale development project between 1984 and 1988, which included the construction and expansion of runways and passenger terminal buildings.

Assisted by China, the second international airport is now under construction in Hambantota, a city in southern Sri Lanka. This new airport is scheduled to open in 2012 to complement the capacity of Bandaranaike International Airport.

(5) Necessity of the Project

As the annual passenger volume has already exceeded the existing passenger terminal's capacity (6 million passengers per year) in 2011, extension and improvement of the capacity of the passenger terminal has become a critical issue to respond to growing passenger demand. As this project clearly accords with the Sri Lankan Government's Vision and Japan's and JICA's assistance policy and is expected to greatly contribute to Sri Lanka's economic development, it is necessary and relevant for JICA to support this project.

3. Project Description

(1) Project Objectives:

This project is intended to respond to the sharp rise in air passenger demand and enhance convenience and safety by expanding and improving passenger terminal buildings and the aircraft parking apron, etc. of Bandaranaike International Airport. The project will contribute to the promotion of Sri Lanka's economic growth.

(2) Project Site/Target Area : Katunayake, Gampaha District, Western Province (30 km north of Colombo)

(3) Project Components:

- ① Passenger terminal building, elevated roadway and road works, public utility works
- ② Remote apron and taxiway works, solid waste disposal system
- ③ Consultant service (assistance in coordinating tender evaluation, construction management)

(4) Estimated Project Cost (Loan Amount):

36,016 million yen (Loan Amount : 28,969 million yen)

(5) Schedule:

March 2012 – December 2016; the project will be completed when the facilities begin operation

(6) Project Implementation Structure:

Borrower : Airport and Aviation Services (Sri Lanka) Ltd. (AASL)

Guarantor : The Government of the Democratic Socialist Republic of Sri Lanka

Executing Agency : Airport and Aviation Services (Sri Lanka) Ltd. (AASL)

Operation and Maintenance System: AASL)

(7) Environmental and Social Considerations/Poverty Reduction/Social Development:

1) Environmental and Social Considerations

Category: B

Reason for Categorization : This project does not correspond to the large-scale aviation sector specified in the “JICA Guidelines for Environmental and Social Considerations” (established in April, 2010) and will not have any significant adverse effect on the environment. The project does not include any of the attributes specified in the Guidelines that tend to cause harmful impact nor regions that are easily affected.

Environmental Permit : Environmental Impact Assessment (EIA) for this project is not required under the law of the Democratic Socialist Republic of Sri Lanka.

Anti-Pollution Measures: Regarding the polluted water from the airport facilities, the environmental standards will be met by sanitizing the water at the sewage treatment facility located within the airport premises.

Natural Environment : The project site is not located in vulnerable areas(i.e. national parks). The adverse impact on the natural environment is therefore considered to be minimal.

Social Environment : Since this project will be implemented within premises owned by the executing agency, it will not involve any land acquisition or resident relocation.

Other/Monitoring : The executing agency will monitor and report to JICA the level of noise and dust during construction, as well as polluted gas emissions from the incinerator and the quality of sewage water once in operation.

2) Promotion of Poverty Reduction : None in particular

3) Promotion of Social Development : The executing agency will take necessary preventive measures of HIV/AIDS infection for construction workers.

(8) Collaboration with Other Donors : None in particular

(9) Other Important Issues: This project applies Japanese technology, as the concept of “Eco-Airport” promoted by Japanese Government will be introduced. The concept includes such ideas as energy-saving air conditioning systems and departure and arrival information systems.

4. Targeted Outcomes

(1) Quantitative Effects

1) Operation and Effect Indicators

Indicator	Baseline (Actual Value in 2010)	Target (2017) (Expected value 2 years after project completion)
Annual international flights movement (per year)	34,088	60,290
Annual passenger movement (million/year)	526.0	907.0
Sri Lankan (million/year)	326.7	563.7
	130.8	225.7
	68.5	118.0

Foreigners (million/year) Transit (million/year)		
Ratio of the use of the fixed boarding bridges per all flights except LCC (%) (Use of the fixed boarding bridges per all flight /annual passenger movement)	85.91% (2011:79.7%)	Over 80%

2) Internal rate of return :

【FIRR】 7.06%

Cost : Project cost, Operating and Maintenance Cost (including airport personnel and utility costs)

Benefit: Airport revenue (Landing fee, Passenger Boarding Bridge charge, Departure tax, Tenant fee, etc.)

Project life : 25 years

【EIRR】 11.81%

Cost: Project cost (excluding tax), Operating and Maintenance Cost (including airport personnel and utility costs)

Benefit: Airport revenue, Revenue from tourists

Project Life : 25 years

(2) Qualitative Effect

Contribution to economic growth in Sri Lanka

5. External Factors and Risk Control

Domestic security must be controlled and maintained.

6. Lessons Learned from Findings of Similar Projects Undertaken in the Past

(1) Evaluation of similar projects

As the ex-post evaluation of Colombo International Development Project points out, although the total cost turned out to be lower than estimated, procurement through small contract packages caused delays in the construction process.

(2) Lessons for the Project

This project plans to design appropriate contract packages to maintain both the construction schedule and fair competitiveness, while taking account of the capability of the executing agency.

7. Plan for Future Evaluations

Indicators to be used

Annual international flights movement (per year)

Annual international passenger movement (million/year)
Annual of Sri Lankan passenger movement (million/year)
Annual of foreign passenger movement (million/year)
Annual of transit passengers movement ((million/year)
Ratio of the use of the fixed boarding bridges per all flights except LCC (%)
Timing of Next Evaluation: Two years after project completion