

## PROJECT PREPARATORY TECHNICAL ASSISTANCE

### A. Justification

1. The project preparatory technical assistance (PPTA) is required to prepare the Punjab Intermediate Cities Improvement Investment Program (the investment program) and feasibility study for Tranche 1 for possible funding by the Asian Development Bank (ADB) to support urban development and municipal services in the selected intermediate cities in Punjab province of Pakistan.<sup>1</sup> There is a need for specific expertise from the competent international consulting firm to prepare the investment program considering its institutional, financial and technical complexity. The PPTA will also assist the Government of Punjab (GoPb) to proceed with pre-implementation activities such as advance procurement. The PPTA will be implemented over 16 months from November 2014 to February 2016.

### B. Major Outputs and Activities

2. The proposed investment program will be prepared based on the works undertaken under the technical assistance (TA) 7321-PAK: Punjab Cities Improvement Investment Program.<sup>2</sup> The GoPb indicated that one or two of the intermediate cities maybe selected (indicatively Sialkot and/or Sargodha) for a proposed initial investment support, to use as a pilot city demonstrating the positive impact from implementing an integrated package of planned urban reforms, improved service delivery and sustainable investments. Therefore, the core components of the feasibility study assessments and undertaken studies that are mostly focused on Sialkot city remain relevant. However, this work will be reassessed, and will incorporate recent floods, changing climate patterns, and investments made in the last few years. Similarly, the investment plan for the other candidate cities need to be reviewed, considering the recent works and plans developed for these cities, through World Bank and other development partners financed projects and the GoPb annual development funding. The cities will be selected based on the selection criteria prepared under the PPTA that will include performance parameters.

3. The PPTA will have the following main activities: (i) review and update macroeconomic and urban sector context assessment including policy reform framework, sector road map, and investment plan; (ii) review and update urban services and public utilities assessment; (iii) undertake due diligence; (iv) formulate the investment program with detailed physical and nonphysical investments for the selected subsectors and cities, activities supporting ongoing urban institutional and organizational development, and midterm investment plan for all tranches; (v) prepare detailed feasibility study for Tranche 1; and (vi) undertake advance actions with detailed procurement plan and sample bidding documents. These activities will be supported by required surveys and studies.

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

**Table A4.1: Summary of Major Outputs and Activities**

Major Activities	Major Outputs	Expected Completion Date
Macroeconomic and Urban Sector Assessment	Macroeconomic and Sector Assessment Report; Policy Reform Framework; Sector Road Map and Investment Plan	August 2015
Urban Services and Public Utilities Assessment	Business Plan Framework for Sustainable Utilities; Capacity Development Report; and PPP report	August 2015
Due Diligence	Economic Analysis Report; Financial Analysis Report; Fund Flow Analysis Report; Financial Management	August 2015

<sup>1</sup> The selection criteria for the proposed investment program will be applied to identify priority sub-sectors and cities to be financed under the investment program.

<sup>2</sup> ADB provided project preparatory technical assistance 7321-PAK: *Punjab Cities Improvement Investment Program* in 2009-2012.

Major Activities	Major Outputs	Expected Completion Date
	Assessment Report; Financial Sustainability Plan; Key Stakeholders Capacity Assessment Report; Environmental Assessment and Review Framework and Initial Environmental Examination (Tranche 1); Summary Poverty Reduction and Social Strategy Report Poverty Analysis and Social Development Plan; Gender Analysis and Action Plan; Land Acquisition and Resettlement Framework and Land Acquisition and Resettlement Plan (Tranche1); Indigenous Peoples Plan (Tranche1); Risk Assessment and Risk Mitigation Plan; Procurement Capacity Assessment Report; Development Coordination Report; Climate Risk, Vulnerability and Adaptation Assessment Report	
Formulate Investment Program	Investment Program Report with detailed physical and nonphysical investment plan; FFA; DMF; and FAM	September 2015
Feasibility Study for Tranche 1	Engineering Design with Alternative Analysis Report; Least Cost Analysis and Demand Forecast Report; Project Costs and Benefits Report; Project Sustainability Assessment Report Sensitivity and Risk Analyses; PFR for Tranche 1	October 2015
Advance Action	Contracts on program management consulting services; detailed design and equipment contracts are ready to award	March 2016

DMF = design and monitoring framework; FFA = framework financing agreement; FAM = facility administration manual; PFR = periodic financing request; PPP= public-private partnership.  
Source: Asian Development Bank estimates.

### C. Cost Estimate and Proposed Financing Arrangement

5. The TA is estimated to cost \$900,000 equivalent, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of counterpart staff inputs, data and information provision, office space, furniture, equipment and communication facilities and other in-kind contribution. External financing is not pursued because of the urgent need for consulting services to prepare the investment program. The detailed cost estimate is presented in Table A4.2.

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

Item	Total Cost
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (12 person-months)	365.0
ii. National consultants (52 person-months)	290.0
b. International and local travel <sup>b</sup>	30.0
c. Reports and communications	5.0
2. Workshops, training, and conferences <sup>c</sup>	5.0
3. Surveys <sup>d</sup>	60.0
4. Miscellaneous administration and support costs	5.0
5. Contingencies	40.0
<b>Total</b>	<b>800.0<sup>e</sup></b>

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

<sup>b</sup> Including the vehicles to be rented for site visits and commuting between the different institutions.

<sup>c</sup> Workshops, training, and conferences for stakeholder consultations, and trainings for the capacity development stockholders

<sup>d</sup> This include baseline, socio-economical, willingness to pay, topographical/engineering and other surveys and studies Actual cost of surveys including daily rates of surveyors, equipment rentals and cost of printing will be charged as actuals.

<sup>e</sup> GoPb will provide counterpart support in the form of in-kind contribution estimated at 11.8% as a share of the total PPTA cost.

Source: Asian Development Bank estimates.

## D. Consulting Services

6. A consulting firm will be hired to provide four international experts for 12 person-months and 14 national experts for 52 person-months to undertake the PPTA activities. The consulting firm will be recruited using quality and cost-based selection method (80:20) with simplified technical proposal in accordance with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time).

### A4.3: Summary of Consulting Services Requirement and Terms of Reference

Positions/ Person-months (pm)	Terms of Reference
Urban Development Specialist /international/team leader, 6 pm	(i) responsible for the PPTA work in accordance with the TOR; (ii) supervise all field investigations and desk studies; (iii) provide overall guidance to other team members review each expert's written report for quality assurance and incorporates it into the TA reports, and prepare detailed project proposal for ADB appraisal.
Municipal Utility Specialist/ international, 2 pm	responsible for organizational structure of utilities, staffing requirements of utilities, grades within utilities, reporting lines for operational processes.
Institutional Development Specialist/ international, 3 pm	(i) analyze existing institutional setting and capacities of public utilities; (ii) suggest resources for public utilities reforms including out-sourcing, developing sustainable operations, community engagement and capacities to operate new infrastructure; (iii) identify resources required for detail design and supervision of the project; (iv) review policies on anti-corruption and disclosure and suggest implementation option under the project; and (v) suggest inputs for UPU to implement business plan, consultation, and develop an urban strategy/legislation
Environmental Specialist/ international, 1 pm; national, 3 pm	(i) prepare EARF for the MFF; (ii) IEE/EIA, studies, as required, for all proposed subprojects which could include IEE or EIAs for the water and wastewater treatment plant sub-projects, and landfills construction and rehabilitation; (iii) contribute to the relevant sections of the RRP and linked documents; and (iv) Climate Risk, Vulnerability and Adaptation Assessment Report.
Water Supply and Sanitation Specialist/Deputy Team Leader/ national, 10 pm	(i) support the Team Leader; (ii) review water and sanitation master plans (or sector data); (iii) develop prioritization criteria; (iv) rank subprojects and propose technically viable options for prefeasibility and detailed design; (v) outline prefeasibility work, technical, financial and social safeguard work, and allocate and manage consultancy resources accordingly; (vi) guide and supervise inputs of individual team members and quality control of their outputs
Sewerage and Drainage Specialist/ national, 4 pm	(i) review the sewerage and drainage network mapping, data and master plans for Sialkot; (ii) prioritize subproject in both sectors related to networks, storage, production, treatment and disposal; and (iii) prepare technical feasibility with outline design and cost estimates, design standards, cost comparison between options; (iv) provide inputs for financial and social viability of subproject to other experts.
Solid Waste Management Specialist/ national, 4 pm	(i) review the solid waste mapping, data and master plans for Sialkot; (ii) prioritize subproject related to primary, secondary collection, disposal, recycling and reuse, according to agreed criteria; (iii) prepare technical feasibility reports with outline design cost estimates, design standards, and cost comparison between options; (iv) guide the team to undertake financial and social viability of subproject.
Asset Management Specialist/ national, 2 pm	(i) review existing asset management of water, solid waste and sewerage assets; (ii) recommend appropriate asset management tools; (iii) devise methodology for asset management inventory and plan, and prepare a manual with (a) framework, (b) property information, (c) methodology for assessing asset conditions; (d) a system for updating data on maintenance and replacement; and (iv) assist in trial runs.
Financial Analyst/ national, 6 pm	(i) perform financial management assessment including risk assessment of the EA and potential IAs in accordance with ADB's guidelines, (ii) undertake affordability and willingness to pay surveys; (iii) calculate viable tariff structures; (iv) prepare 10 years financial model of public utilities for cost recovery of operations; (v) estimate financial viability of priority subprojects; (vi) assess public utilities financial management capacity, and identify capacity needs; (vii) design fund flow, disbursement mechanism and financial reporting and auditing arrangement, (viii) prepare detailed cost tables of all components; (ix) compute contingencies and financial charges, and (x) consolidate project cost by financier, by component, and by year.
Project Economist/ national, 4 pm	(i) update macroeconomic context assessment; (ii) conduct rigorous demand analysis; (iii) reconfirm economic rationale; (iv) conduct least-cost analysis and/or comparison of project alternatives, and identification of the optimal alternative; (v) identify project costs and benefits, and conduct of cost-benefit analysis; (vi) assess project sustainability; (vii) conduct of sensitivity and risk analyses and distribution analysis, and (iv) estimate EIRR of Tranche 1.

Positions/ Person-months (pm)	Terms of Reference
Private Sector Participation Specialist/ national, 3 pm	(i) evaluate the potential for outsourcing functions of public utilities to private sector; (ii) assess suitable PPP modalities; (iii) assess legal, regulatory, institutional, financial, and staffing requirements (in public utilities) for PPP subprojects and develop measures to address them; and (iv) design PPP or community outsourcing packages and prepare related documents
Communication Specialist/ national, 2 pm	(i) assess internal and external communication needs of public utilities; (ii) prepare resource requirements to develop and implement a communication strategy including TORs; and (iii) develop and implement communication plan for TA activities including consultations with stakeholder.
Social Development Specialist/ national, 2 pm	(i) prepare social-economic survey and analysis; (ii) due diligence report on social development, including poverty analysis; and (iii) prepare a social development plan and monitoring procedures.
Resettlement Specialist/ national, 3 pm	(i) prepare involuntary resettlement categorization checklist; (ii) due diligence report on land acquisition and resettlement; (iii) for subprojects involving land acquisition and resettlement, prepare a LARP, and monitoring, disclosure and grievance procedures; (iv) coordinate with project team to ensure that mitigation measures are integrated into the project design features of Tranche 1 and subsequent tranches, (v) ensure that resettlement-related information are well considered and included in the program communication plan, (vi) assess the capacity of EA to screen impacts, prepare and implement resettlement plans, and (vii) recommend appropriate capacity development activities to develop or enhance safeguards knowledge and skills of EA.
Gender Specialist/ national, 2 pm	(i) carry out gender analysis; (ii) propose and recommend gender strategies for project planning, implementation and operational stage; and (iii) prepare a Gender Action Plan.
Urban Planner/ national, 4 pm	(i) review public utilities and planning capacities, and available data on urban plans; (ii) identify resource requirements of both agencies to undertake planning activities according to their mandates; and (iii) review base maps, sector master plans, land use and zoning plans of Sialkot to ensure consistency of project investments with these plans.
Procurement Specialist/ national, 3 pm	(i) undertake the procurement capacity assessment, identify risks and mitigations, and prepare a procurement capacity development plan for public utilities; (ii) provide on-the-job trainings; and (iii) prepare procurement plan and draft bidding documents

ADB = Asian Development Bank; EA = executing agency; EIA = environment impact assessment; EARF = environmental assessment and review framework ; EIRR = economic internal rate of return, IA = implementing agency IEE = initial environmental examination; LARP = land acquisition and resettlement plan; O&M = operations and maintenance; PPP = public-private partnership; PPTA = project preparatory technical assistance; RFP = request for proposal; RRP = report and recommendation to the president; TA = technical assistance; TOR = terms of reference; UPU = urban policy unit.

Source: Asian Development Bank estimates.

## E. Implementation Arrangements

7. It will be a non-delegated PPTA.<sup>3</sup> The executing agency is the Local Government and Community Development Department (LGCDD) of GoPb. The LGCDD will coordinate the PPTA activities and report on the progress. The program steering committee (PSC) overseeing PPTA work will be chaired by the Planning and Development Department (P&DD), with representation from key donors and other relevant departments.

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

**Table A4.4: Technical Assistance Processing and Implementation Schedule**

Major Milestones	Completion Date
Commencement	November 2014 <sup>a</sup>
Inception report	February 2015
Interim report	June 2015
Draft final report	September 2015
Final report	November 2015
Financial closing	March 2016

<sup>a</sup> Commencement of work by PPTA consultants to be recruited within 4 months after PPTA approval.

Source: Asian Development Bank estimates.

<sup>3</sup> Disbursements under the TA will be made in accordance with the ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).