

# Project Administration Manual

Project Number: 49128-002

Loan, Grant, and TA Numbers: LXXXX; GXXXX; TXXXX

November 2017

Islamic Republic of Pakistan: Enhancing Public-Private Partnerships in Punjab Project

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADP	–	annual development program
DFID	–	Department for International Development
ESMS	–	environment and social management system
DMF	–	design and monitoring framework
FD	–	Finance Department
GAP	–	gender action plan
GDP	–	gross domestic product
GOPb	–	Government of Punjab
PAM	–	Project Administration Manual
PDF	–	project development facility
P&DD	–	Planning & Development Department
PPP	–	public-private partnership
RMU	–	Risk Management Unit
RRP	–	report and recommendations of the President
SOE	–	statement of expenditures
SPS	–	Safeguard Policy Statement
TA	–	technical assistance
TOR	–	terms of reference
VFM	–	value-for-money
VGf	–	viability gap fund

## CONTENTS

	<b>Page</b>
I. PROJECT DESCRIPTION	1
II. IMPLEMENTATION PLANS	1
A. Project Readiness Activities	1
B. Overall Project Implementation Plan	2
III. PROJECT MANAGEMENT ARRANGEMENTS	3
A. Project Implementation Organizations: Roles and Responsibilities (Table 3)	3
B. Key Persons Involved in Implementation	4
C. Project Organization Structure	5
IV. COSTS AND FINANCING	6
A. Key Assumptions	6
B. Detailed Cost Estimates by Expenditure Category (Table 6)	7
C. Allocation and Withdrawal of Loan and Grant Proceeds	7
D. Detailed Cost Estimates by Financier (Table 9)	8
E. Detailed Cost Estimates by Year (Table 10)	8
F. Contract and Disbursement S-Curve	9
G. Fund Flow Diagram	11
V. FINANCIAL MANAGEMENT	12
A. Financial Management Assessment	12
B. Disbursement	17
C. Accounting	18
D. Auditing and Public Disclosure	19
VI. PROCUREMENT AND CONSULTING SERVICES	19
A. Advance Contracting and Retroactive Financing	20
B. Procurement of Goods, Works, and Consulting Services	20
VII. SAFEGUARDS	21
VIII. GENDER AND SOCIAL DIMENSIONS	21
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION	23
A. Project Design and Monitoring Framework (Table 20)	23
B. Monitoring	25
C. Evaluation	25
D. Reporting	25
E. Stakeholder Communication Strategy	26
X. ANTICORRUPTION POLICY	26
XI. ACCOUNTABILITY MECHANISM	26
XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL	27



### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Planning and Development Department, Punjab is wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by the Planning and Development Department, Punjab of its obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan, grant, and project agreements. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan, grant, and project agreements, the provisions of the loan, grant, and project agreements shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.



## I. PROJECT DESCRIPTION

1. The project will augment the financial resources for Project Development Facility (PDF) and Viability Gap Fund (VGF), and enhance the existing public-private partnership (PPP) framework in Punjab. The project impact is aligned with private sector investments and overall employment in Punjab increased. The project will have the following outcome: viable PPP projects that offer value for money (VFM) increased. The outputs are (i) PDF and VGF resources for PPP projects augmented, and (ii) PPP institutional capacity enhanced and strengthened.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

**Table 1: Planned Schedule of Project Readiness Activities**

Indicative Activities	2017							2018	Responsible Individual/Unit/Agency/ Government
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	
Government budget inclusion	X								Government of Pakistan, Government of Punjab
Establish project implementation arrangements				X	X	X	X	X	Government of Punjab
ADB Board approval							X		Asian Development Bank
Loan and grant signing								X	Asian Development Bank, Government of Pakistan, Government of Punjab
Government legal opinion provided								X	Government of Pakistan, Government of Punjab
Loan and grant effectiveness								X	Government of Pakistan, Government of Punjab

Source: Asian Development Bank, Government of Pakistan, Government of Punjab.

## B. Overall Project Implementation Plan

2. A Gantt chart recording outputs with key implementation activities (on a quarterly basis) that is updated annually and submitted to ADB with contract and disbursement projections for the following year is in Table 2.<sup>1</sup>

**Table 2: Planned Schedule of Key Implementation Activities**

Indicative Activities	2018 qtr				2019 qtr				2020 qtr				2021 qtr				2022 qtr				2023 qtr			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>A. DMF</b>																								
<b>Output 1. PDF and VGF resources for PPP projects augmented</b>																								
1.1. VGF Guidelines drafted and approved by March 2018.																								
1.2. PPP Cell identify at least 3 PPP projects in the pipeline which require PDF and VGF support by March 2018.																								
<b>Output 2. PPP institutional capacity enhanced and strengthened</b>																								
2.1. VGF resources administered and managed in accordance with VGF guidelines. Ongoing from March 2018 until 2022.																								
2.2. Establish ESMS with PPP Cell as focal point by March 2018.																								
2.3. PPP Cell provide capacity support (as required) to selected line departments in project identification and proposals development. On-going and as required until 2022.																								
2.4. Develop and implement PPP training plan for relevant government agencies by March 2018.																								
2.5. Develop and implement plan for investment conference events by June 2018.																								
2.6. Engage experts (including project finance and contract management specialists in the RMU, and procurement and safeguards experts in the PPPC) by March 2018.																								
2.7. In conjunction with 2.6, engage additional resources for safeguards implementation and compliance (social and environmental experts) at selected line departments by March 2018.																								
<b>B. Management Activities</b>																								
Semi-annual and midterm (M) review											M													
Project completion report (EA and ADB)																								

DMF = design and monitoring framework, EA = executing agency, ESMS = environment and social management system, P&DD = Planning & Development Department, PDF = project development facility, PPP = public-private partnership, qtr = quarter, VGF = viability gap fund.

Source: Asian Development Bank and Government of Punjab estimates

<sup>1</sup> Gantt chart available in e-handbook on project implementation at <http://www.adb.org/documents/handbooks/project-implementation/>



### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations: Roles and Responsibilities (Table 3)

Project Implementation Organizations	Management Roles and Responsibilities
Executing/implementing agency  Planning and Development Department, Punjab	<ul style="list-style-type: none"> <li>• Directly supervise project implementation</li> <li>• Measure and report progress towards objectives, including through quarterly progress reports</li> <li>• Monitor implementing agency's adherence to loan covenants and timely report any violation by the implementing agencies of any provision in the Loan and Project Agreements</li> <li>• Prepare and submit to ADB a consolidated project completion report within six months from the completion date of the project</li> <li>• Submit withdrawal applications to ADB for VGF and retain supporting documents</li> <li>• Submit annual audited report and financial statements to ADB for VGF</li> <li>• Conduct regular monitoring throughout project implementation based on the targets, indicators, assumptions and risks described in the DMF. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly</li> </ul>
Implementation unit  <ul style="list-style-type: none"> <li>• PPP Cell, Planning and Development Department</li> </ul>	<ul style="list-style-type: none"> <li>• Submit withdrawal applications to ADB for PDF and retain supporting documents</li> <li>• Project identification support to line departments with PPP portfolios</li> <li>• Quality control (review of PPP project proposals for completeness and viability)</li> <li>• Support PPP nodes during preparation of projects approved by the PPP Steering Committee. Manage the transaction advisors in coordination with the PPP nodes. Provide Secretariat support to the PPP Steering Committee</li> <li>• Review of justification and eligibility for government support of PPP projects</li> <li>• Review unsolicited proposals and make recommendations to the PPP nodes</li> <li>• PDF administration</li> <li>• Assist in finalizing TORs of TA consultants that will be engaged to support the selected PPP Nodes in accordance with ADB guidelines</li> <li>• Provide feedback to ADB on the performance and adherence to the TOR of TA consultants engaged to support the selected PPP Nodes</li> <li>• Monitor the work schedule, resource requirements, budget, and compliance with technical specifications and TOR</li> <li>• ESMS focal point under the project and will monitor safeguards implementation and adherence during PPP implementation</li> </ul>
Implementing unit support  <ul style="list-style-type: none"> <li>• Risk Management Unit, Finance Department</li> </ul>	<ul style="list-style-type: none"> <li>• Management and monitoring of risks, including current and contingent liabilities associated with PPP projects</li> <li>• Reviews PPP project proposals with VGF requirement (assesses VFM, fiscal risks and sustainability, and contingent liabilities emanating from PPP projects)</li> <li>• Assist in finalizing TORs of TA consultants that will be engaged to support the RMU in accordance with ADB guidelines</li> <li>• Provide feedback to ADB on the performance and adherence to the TOR of TA consultants engaged to support the RMU</li> </ul>

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> <li>• Monitor the work schedule, resource requirements, budget, and compliance with technical specifications and TOR</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• Conduct periodic reviews to track performance of the project and address any project implementation issues</li> <li>• Ensure compliance with all agreements, covenants, and reporting requirements</li> <li>• Process loan advances, liquidations, and disbursements in a timely manner</li> <li>• Coordinate with the executing agency and implementing agency on project implementation, monitoring, and reporting</li> <li>• Provide training and guidance to the executing and implementing agencies on ADB guidelines and procedures, and respond to their inquiries on a timely basis</li> <li>• Monitor the executing agency's compliance with conditions in the Loan and Project Agreements</li> <li>• In coordination with the executing agency, validate (i) implementing agency's compliance with conditions in the Loan, Grant and Project Agreements, and (ii) achievements of the Project's targets established in the DMF</li> <li>• Review oversight of compliance with ADB's Safeguard Policy Statement and Public Communications Policy, and ADB's PPP Policy</li> <li>• Validate progress reports and audit reports, including through off-site review of reports and other information provided from time to time by the executing and implementing agencies; at its option, conduct on-site inspections to confirm such compliance</li> <li>• Periodically update and revise the PAM as and when necessary during each review mission and following any changes in project scope, costs, and implementation arrangements</li> </ul>

ADB = Asian Development Bank, DMF = design and monitoring framework, ESMS = environmental and social management system, PAM = Project Administration Manual, PDF = project development facility, PPP = public-private partnership, RMU = Risk Management Unit, TA = technical assistance, TOR = terms of reference, VFM = value for money, VGF = viability gap fund.

## B. Key Persons Involved in Implementation

### Executing/Implementing Agency

Planning and Development Department, Punjab

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 Secretary, Planning and Development Department  
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 Planning and Development Department, Civil Secretariat,  
 Lahore

### Implementation Unit

- PPP Cell

Aga Waqar Javed  
 Member (PPP), Planning and Development Board  
 Telephone: +92-42-99214211  
 Email address [memberppp@pndpunjab.gov.pk](mailto:memberppp@pndpunjab.gov.pk)  
 Public-Private Partnership Cell, Planning and  
 Development Department  
 PASSCO House, 11-Kashmir Road, Lahore

### Implementing Unit Support

- Risk Management Unit,  
Finance Department

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Special Secretary Finance (Budget and Resources)  
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### Asian Development Bank Pakistan Resident Mission

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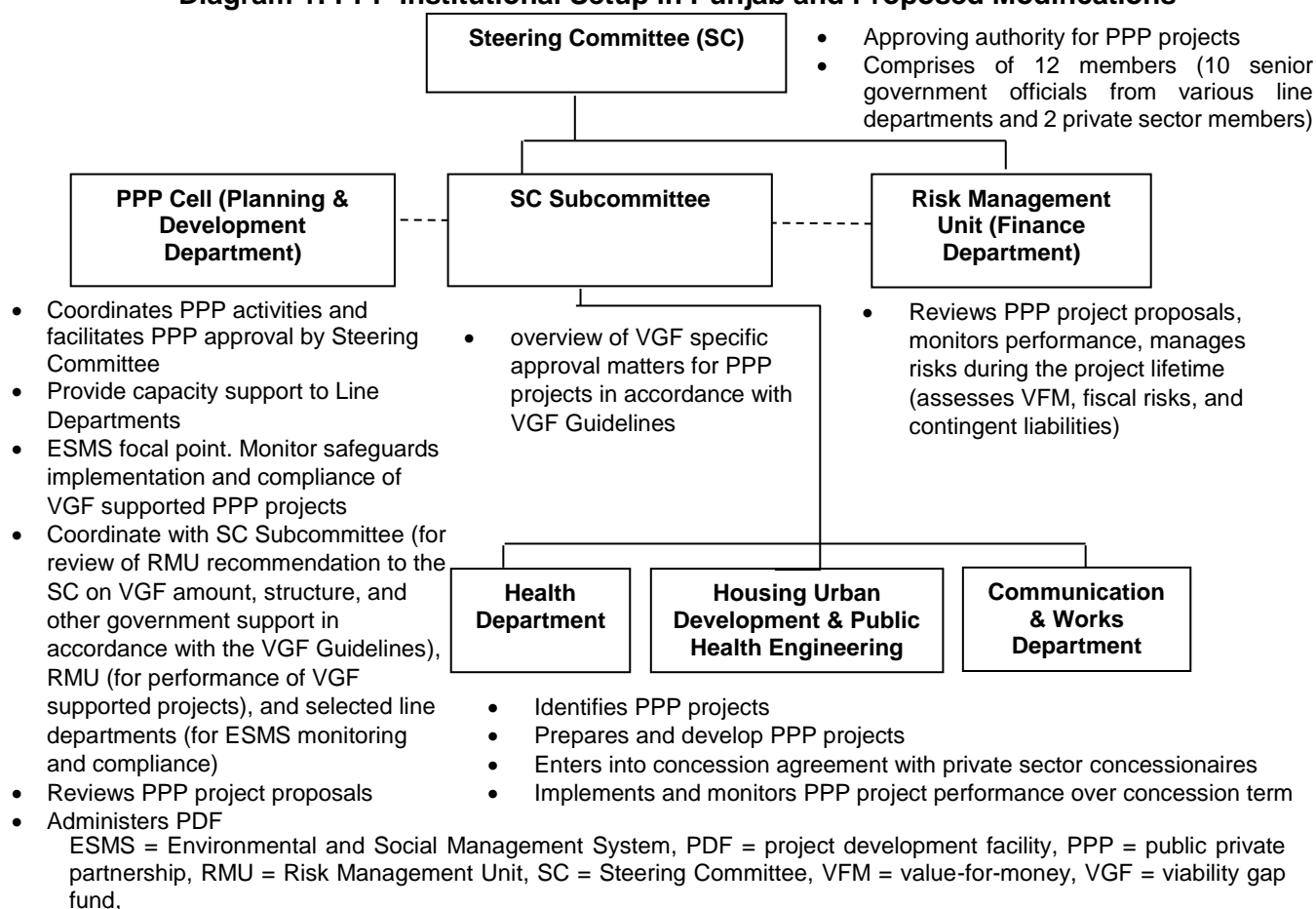
Mission Leader

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## C. Project Organization Structure

3. Diagram 1 below summarizes the institutional setup for PPPs in Punjab.

**Diagram 1: PPP Institutional Setup in Punjab and Proposed Modifications**



#### IV. COSTS AND FINANCING

4. The Government of the United Kingdom has allocated \$8.4 million to augment PDF resources for the engagement of external transaction advisors that will help prepare PPP projects. Majority of the project cost will go to VGF to support and improve commercial viability of eligible PPP projects.

**Table 4: Summary Cost Estimates**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Project Development Facility	8.4
2. Viability Gap Fund	201.3
<b>Subtotal (A)</b>	<b>209.8</b>
<b>B. Contingencies<sup>c</sup></b>	<b>2.9</b>
<b>C. Financing charges during implementation<sup>d</sup></b>	<b>6.9</b>
<b>Total (A+B+C)</b>	<b>219.6</b>

<sup>a</sup> Exclusive of taxes and duties imposed in the territory of the Borrower.

<sup>b</sup> In mid-2017 prices.

<sup>c</sup> Price contingencies computed at average of 15% to include provision for potential exchange rate fluctuation.

<sup>d</sup> Includes interest and commitment charges. Interest during implementation for the OCR loan has been computed at the 5-year US dollar fixed swap rate plus an effective contractual spread of 0.50%. Commitment charges for the OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates

5. The summary financing plan is in Table 5. ADB will finance the expenditures in relation to the VGF funding, as well as financing charges during implementation. The Government of United Kingdom through the Department for International Development (DFID) will provide grant cofinancing for the PDF and VGF equivalent to \$19.6 million including contingencies, to be administered by ADB. The Government will contribute \$100 million for VGF.

**Table 5: Summary Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	100.0	45.5
Government of the United Kingdom (grant) <sup>a</sup>	19.6	8.9
Government	100.0	45.5
<b>Total</b>	<b>219.6</b>	<b>100.0</b>

<sup>a</sup> Cofinancing is fully administered by the Asian Development Bank. This amount includes bank charges and a provision for foreign exchange fluctuations (if any), to the extent that these are not covered by the interest and investment income earned on this grant. The grant amount excludes administration fees and other charges as may be deducted pursuant to the cofinancing agreement. Estimated using exchange rate of £1 = \$1.2845 on 14 July 2017.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

#### A. Key Assumptions

6. The following key assumption underpin the cost estimates and financing plan: Exchange rate: £1 = \$1.2845 (as of 14 July 2017).

## B. Detailed Cost Estimates by Expenditure Category (Table 6)

Item	(PKR million)		Total Cost	% of Total Base Cost
	Foreign Exchange	Local Currency		
<b>A. Investment Costs</b>				
1. Project Development Facility	-	887.5	887.5	4.0%
2. Viability Gap Fund	-	21,178.6	21,178.6	96.0%
<b>Total Base Cost (A)</b>	-	<b>22,066.1</b>	<b>22,066.1</b>	<b>100.0%</b>
<b>B. Contingencies</b>	-	<b>309.5</b>	<b>309.5</b>	<b>1.4%</b>
<b>C. Financing charges during implementation</b>				
3. Interest during implementation	691.8	-	691.8	3.1%
4. Commitment charges	34.0	-	34.0	0.2%
<b>Subtotal (C)</b>	<b>725.8</b>	-	<b>725.8</b>	<b>3.3%</b>
<b>Total Project Cost (A+B+C)</b>	<b>725.8</b>	<b>22,375.6</b>	<b>23,101.4</b>	<b>104.7%</b>

Notes: (i) Estimated using exchange rate of PRs105.19 = \$1 on 14 July 2017; Numbers may not sum precisely because of rounding. (ii) Costs are for the Asian Development Bank and Government of the United Kingdom financing.

Source: Asian Development Bank estimates.

## C. Allocation and Withdrawal of Loan and Grant Proceeds

**Table 7: Allocation and Withdrawal of ADB Loan Proceeds**

Number	Item	Total Amount Allocated for	Basis for Withdrawal from the Loan Account
		ADB Financing (\$) Category	
1.	Viability Gap Fund	93,100,000	46.2% of total expenditure claimed <sup>a</sup>
2.	Interest and Commitment Charges	6,900,000	100% of amounts due
	<b>Total</b>	<b>100,000,000</b>	

<sup>a</sup> Exclusive of taxes and duties imposed in the territory of the Borrower.

**Table 8: Allocation and Withdrawal of the Government of the United Kingdom Grant Proceeds**

Number	Item	Total Amount Allocated for	Basis for Withdrawal from the Grant Account
		Government of the United Kingdom Financing (\$) Category	
1.	Project Development Facility	8,437,411	100% of total expenditure claimed <sup>a</sup>
2.	Viability Gap Fund	8,236,210	4.1% of total expenditure claimed <sup>a</sup>
3.	Unallocated <sup>b</sup>	2,942,404	
	<b>Total</b>	<b>19,616,025</b>	

<sup>a</sup> Exclusive of taxes and duties imposed in the territory of the Borrower.

<sup>b</sup> This amount also serves as a reserve for currency fluctuations and bank charges.

**D. Detailed Cost Estimates by Financier (Table 9)**

Item	Asian Development Bank		Government of the United Kingdom		Government of Punjab		Total Cost
	Amount (\$ million)	% of Cost Category	Amount (\$ million)	% of Cost Category	Amount (\$ million)	% of Cost Category	
<b>A. Investment Costs</b>							
1. Project Development Facility	-	-	8.44	100.0%	-	-	8.44
2. Viability Gap Fund	93.10	46.2%	8.24	4.1%	100.00	49.7%	201.34
<b>Total Base Cost (A)</b>	<b>93.10</b>	<b>44.4%</b>	<b>16.67</b>	<b>7.9%</b>	<b>100.00</b>	<b>47.7%</b>	<b>209.77</b>
<b>B. Contingencies</b>	-	-	<b>2.94</b>	<b>100.0%</b>	-	-	<b>2.94</b>
<b>C. Financing charges during implementation</b>	<b>6.90</b>	<b>100.0%</b>	-	-	-	-	<b>6.90</b>
<b>Total Project Cost (A+B)</b>	<b>100.00</b>	<b>45.5%</b>	<b>19.62</b>	<b>8.9%</b>	<b>100.00</b>	<b>45.5%</b>	<b>219.62</b>
<b>% Total Project Cost</b>		<b>46.0%</b>		<b>9.0%</b>		<b>46.0%</b>	<b>100.0%</b>

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**E. Detailed Cost Estimates by Year (Table 10)**

Item	Total Cost	(\$ million)				
		2018	2019	2020	2021	2022
<b>A. Investment Costs</b>						
1. Project Development Facility	8.44	1.69	1.69	1.69	1.69	1.69
2. Viability Gap Fund	201.34	40.74	40.38	39.39	48.04	32.78
<b>Total Base Cost (A)</b>	<b>209.77</b>	<b>42.43</b>	<b>42.07</b>	<b>41.08</b>	<b>49.73</b>	<b>34.47</b>
<b>B. Contingencies</b>	<b>2.94</b>	<b>0.37</b>	<b>0.44</b>	<b>0.44</b>	<b>1.39</b>	<b>0.30</b>
<b>C. Financing charges during implementation</b>	<b>6.90</b>	<b>0.35</b>	<b>0.90</b>	<b>1.40</b>	<b>1.90</b>	<b>2.35</b>
<b>Total Project Cost (A+B)</b>	<b>219.62</b>	<b>43.15</b>	<b>43.41</b>	<b>42.92</b>	<b>53.01</b>	<b>37.12</b>
<b>% Total Project Cost</b>	<b>100%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>24%</b>	<b>17%</b>

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

F. Contract and Disbursement S-Curve<sup>2</sup>

Figure 1. Projected Contract Awards and Disbursements S-Curve (ADB)

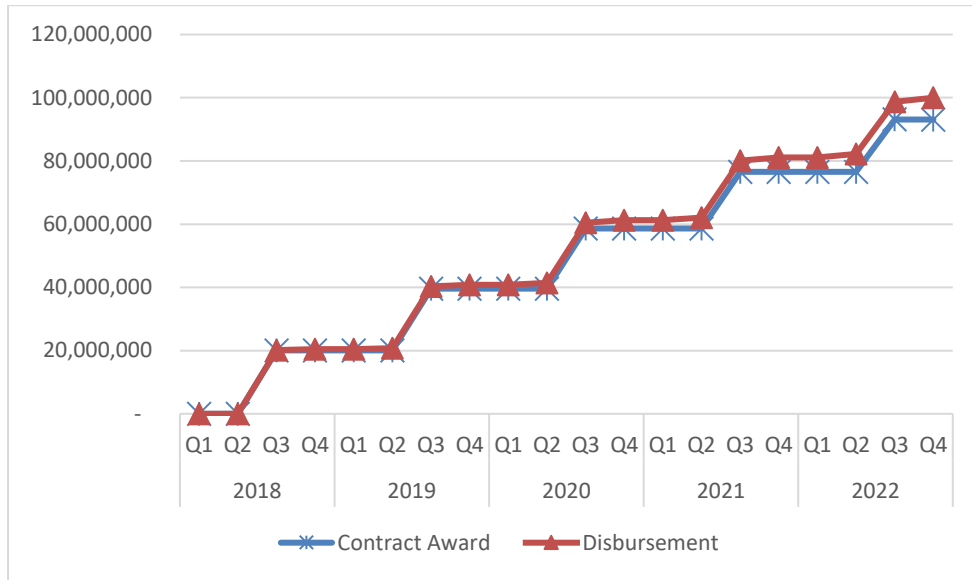
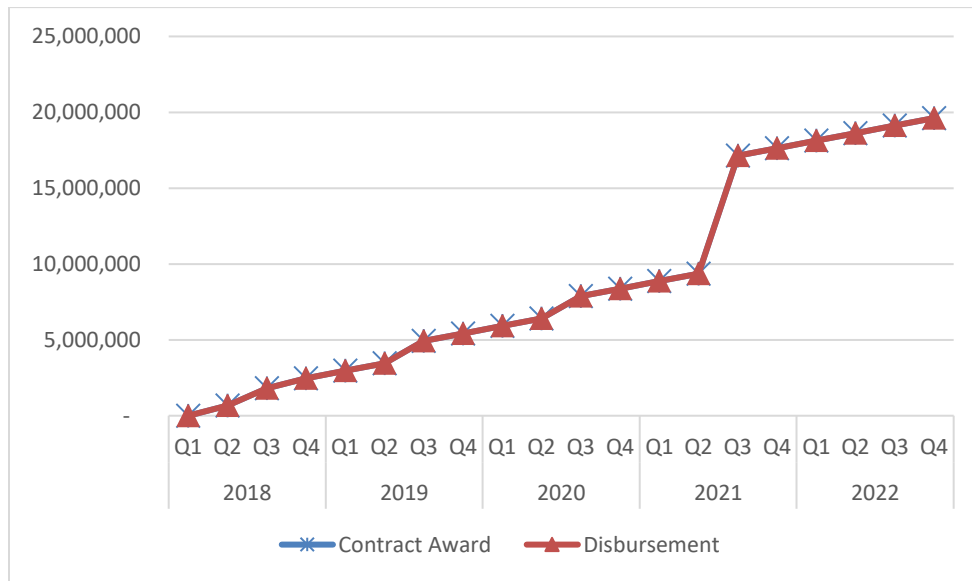


Figure 2. Projected Awards and Disbursements S-Curve (Government of the United Kingdom)



<sup>2</sup> The S-curve is only for ADB financing and ADB-administered cofinancing. Counterpart funds are excluded. The projection for contract awards excludes financing charges during implementation.

**Table 11: Projections for Contract Award (ADB)**  
(\$ million)

Year	Q1	Q2	Q3	Q4	Total
2018	0.00	0.00	20.10	0.00	20.10
2019	0.00	0.00	19.50	0.00	19.50
2020	0.00	0.00	19.00	0.00	19.00
2021	0.00	0.00	18.00	0.00	18.00
2022	0.00	0.00	16.50	0.00	16.50
<b>Total</b>					<b>93.10</b>

**Table 12: Projections for Disbursements (ADB)**  
(\$ million)

Year	Q1	Q2	Q3	Q4	Total
2018	0.00	0.03	20.10	0.32	20.45
2019	0.00	0.33	19.50	0.57	20.40
2020	0.00	0.58	19.00	0.82	20.40
2021	0.00	0.83	18.00	1.06	19.90
2022	0.00	1.08	16.50	1.28	18.85
<b>Total</b>					<b>100.00</b>

**Table 13: Projections for Contract Award  
(Government of the United Kingdom)**  
(\$ million)

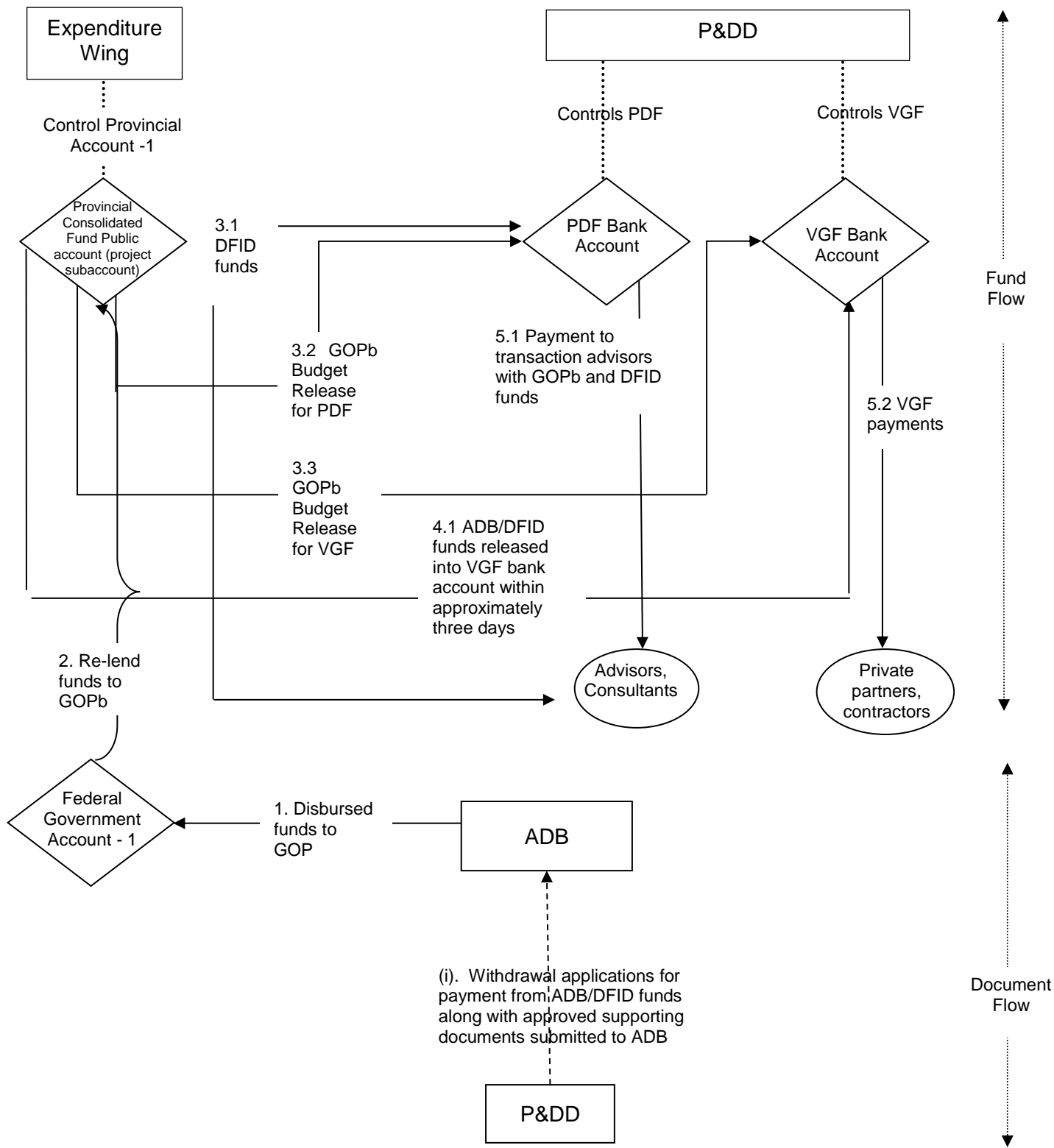
Year	Q1	Q2	Q3	Q4	Total
2018	0.00	0.66	1.14	0.66	2.46
2019	0.50	0.50	1.47	0.50	2.96
2020	0.50	0.50	1.47	0.50	2.96
2021	0.50	0.50	7.77	0.50	9.26
2022	0.50	0.50	0.50	0.50	1.99
<b>Total</b>					<b>19.62</b>

**Table 14: Projections for Disbursement  
(Government of the United Kingdom)**  
(\$ million)

Year	Q1	Q2	Q3	Q4	Total
2018	0.00	0.66	1.14	0.66	2.46
2019	0.50	0.50	1.47	0.50	2.96
2020	0.50	0.50	1.47	0.50	2.96
2021	0.50	0.50	7.77	0.50	9.26
2022	0.50	0.50	0.50	0.50	1.99
<b>Total</b>					<b>19.62</b>



**G. Fund Flow Diagram**



ADB = Asian Development Bank, DFID – Department for International Development, GoP = Government of Pakistan, GOPb = Government of Punjab, P&DD = Planning & Development Department, PDF = project development facility, SC = PPP Steering Committee, VGF = Viability Gap Fund.

Note: FD will establish separate sub-accounts for funding received from ADB, DFID, and GOPb on account of VGF payments. DFID funding will be administered by ADB and will follow the same fund flow.

## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

7. The financial management assessment was conducted in May 2017 considering the capacity of Planning & Development Department (including the PPP Cell), including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Financial Management Assessment has been carried out in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and Financial Due Diligence: a Methodology Note.

8. The assessment identified substantial financial management risks unless mitigated. Major risks that need to be addressed are:

- (i) The governance, risk management, and operational policies and procedures in the existing PPP framework for VGF are inadequate, due to the absence of VGF guidelines in the framework. This will be addressed by development of VGF guidelines and review of risk management guidelines.
- (ii) An integrated fiscal monitoring system with consolidated direct and contingent liabilities relating to PPP projects is missing. This required establishing a framework such that contingent liabilities related to PPP contracts are adequately reflected in the GOPb financial statements.
- (iii) There are currently no dedicated non-lapsable reserve fund accounts for PDF and VGF are yet to be established, along with accounting and reporting systems for the PDF and VGF. Currently, both VGF and PDF are line allocations under the annual development plan. This will necessitate an accounting mechanism to be in place for the proposed arrangement for transparent and reliable financial reporting.

9. Moreover, the risk rating also incorporates that PEFA assessment of 2012 rates the budget credibility of the province as low. Controller General Accounts has major responsibilities of accounting, pre-audits and payments. While GOPb is initiating the process to form an internal audit authority for the province; currently the only internal audit mechanism available is the pre-audit of transactions by the provincial accountant general office.

10. The Borrower has agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan is provided in Table 11 below. Financial management risks and risk-mitigation measures will be reviewed and updated throughout the life of the project.

**Table 15. Financial Management Assessment Action Plan**

Activity	Performance Targets/ Indicators	Responsibility	Timeframe
1. Training of relevant EA/IA staff especially on matters relating to ADB's Loan Disbursement Handbook	• Training to be undertaken	ADB	January 2018
2. Non-lapsable reserve fund accounts for PDF and VGF to be established	• Establishment of dedicated accounts and sub-accounts for ADB, DFID, and GOPb funding.	FD, P&DD	February 2018

Activity	Performance Targets/ Indicators	Responsibility	Timeframe
3. Accounting and reporting systems for the PDF and VGF must be confirmed satisfactory to ADB	<ul style="list-style-type: none"> <li>Head of accounts and standard operating procedures in place</li> </ul>	PPP Cell, P&DD, and FD	March 2018
4. Guidelines and framework to be developed for recording, reporting, and monitoring consolidated fiscal risk that emanates from PPP transactions	<ul style="list-style-type: none"> <li>Draft of VGF guidelines</li> </ul>	ADB; PPP Cell, P&DD, and RMU, FD	February 2018
5. RMU has established a system to monitor direct and contingent liabilities related to PPP contracts	<ul style="list-style-type: none"> <li>Review of risk management guidelines</li> <li>Standard operating procedures in place</li> </ul>	RMU, FD	March 2018
6. VGF guidelines (in form and substance acceptable to ADB and the Government of Punjab) to be adopted for PPPs in Punjab	<ul style="list-style-type: none"> <li>Notification of VGF Guidelines</li> </ul>	PPP Cell, P&DD; RMU, FD; and PPP Steering Committee	March 2018
7. Contingent liabilities related to PPP contracts must be adequately reflected in the GOPb financial statements	<ul style="list-style-type: none"> <li>RMU contingent liability updates</li> <li>GOPb financial statements</li> </ul>	FD	December 2019
8. Project financial statements to be prepared in accordance with international accounting standards acceptable to ADB and audited annually	<ul style="list-style-type: none"> <li>Project financial statements</li> </ul>	P&DD, FD	Annual

ADB = Asian Development Bank, GOPb = Government of Punjab, FD = Finance Department, P&DD = Planning and Development Department, PPP = public-private partnership, RMU = Risk Management Unit, VGF = viability gap fund

**Table 16: Financial Management Risk Mitigation Plan for the Project: Inherent Risk<sup>3</sup>**

Risk Type	Risk Description	Risk Mitigation Measures
1. Country/ Province Specific Risks	<p>(i) Policy and institutional arrangements not adopted and/or implemented accordingly. Currently there are no guidelines on the utilization of VGF, the guidelines for PDF are not effective, and the risk management guidelines are not completely implemented</p> <p>(ii) There is no consolidated view available for direct and contingent</p>	<p>i) The project will include conditions precedent to loan withdrawal that include (a) the VGF Guidelines in form and substance acceptable to ADB and the Government of Punjab, shall have been formally adopted and notified by Punjab and incorporated into the standard operating procedures of the RMU, (b) the RMU shall have adequate staffing for VGF monitoring, (c) Punjab shall have</p>

<sup>3</sup> Inherent Risk is the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and the entity's working environment (assuming absence of any counter checks or internal controls).

Risk Type	Risk Description	Risk Mitigation Measures
	<p>liabilities (including guarantees) relating to PPP projects. The consolidated view is required for assessing the affordability of fiscal commitments under a PPP project in relation to provincial government's overall liability and fiscal risk management. This information will enable the debt department at FD to assess how the size of overall PPP commitments contributes to the government existing liability portfolio. Keeping in view the growing size of PPP transactions, the absence of integrated fiscal monitoring mechanism may increase the systemic risk.</p> <p>(iii) Budget credibility of the province is low due to higher deviations between budgeted and actual expenditures.</p>	<p>established the ESMS and there shall be adequate staffing for implementation and monitoring of the ESMS for PPP projects, and (d) dedicated VGF and PDF accounts shall have been established in a manner acceptable to ADB (ringfenced from other accounts used by Punjab in relation to its infrastructure-related expenditures)</p> <p>(ii) Guidelines and framework to be developed for recording, reporting and monitoring consolidated fiscal risk that emanates from PPP transactions</p> <p>(iii) Written agreement with GoPb that the counterpart fund should be available timely for the project.</p>
2. Entity-Specific Risks	<p>(i) High staff turnover in PPP Cell and RMU. PPP Cell does not have a permanent institutional structure.</p> <p>(ii) PPP Steering Committee meetings have a quorum of 6, and may take place without the representation of FD and/or private sector members.</p>	<p>(i) (a) P&amp;DD may convert PPP Cell into a permanent institution. (b) Development of HR policy that ensures incentive based career progression.</p> <p>(ii) PPP Steering Committee should have pre-determined meeting schedule preferably at least once a month. Moreover, the project team is also discussing the possibility of amending the quorum to include the Finance Secretary (or his/her nominee), at least for the projects that require VGF support.</p>
3. Project-Specific Risks	<p>(i) Slow development of PPP projects (due to limited capacity to identify and structure PPP projects).</p> <p>(ii) Political influence in approving PPP projects (which may not offer value-for-money).</p>	<p>(i) The project will increase PDF resources which will support selected line departments to engaged capable and experienced consultants and transaction advisors to prepare and execute PPP projects. Improvements in the guidelines will assist line departments develop PPP projects that offer value-for-money.</p> <p>(ii) The PPP Steering Committee, which acts as the approving authority in Punjab for PPP projects, will be guided by recommendations based on a thorough assessment by an improved RMU (with the addition of a project finance expert and a project finance lawyer) and PPP Cell. Further, a subcommittee for VGF review within the PPP Steering Committee will be established.</p>

**Table 17: Financial Management Risk Mitigation Plan for the Project: Control Risk<sup>4</sup>**

<b>Risk Type</b>	<b>Risk Description</b>	<b>Risk Mitigation Measures</b>
1. Executing and Implementing Agencies	(i) PPP Cell has not implemented ADB or externally financed projects before  (ii) The PPP risk management framework is weak. Existing PPP guidelines include risk management guidelines, which need to be reviewed in line of the evolved framework. There is need to strengthen the risk management capacity to ensure that risks are efficiently distributed.	(i) Training of relevant staff especially on matters relating to ADB's Loan Disbursement Handbook will be undertaken.  (ii) VGF guidelines to be developed before the loan is effective will also lay out risk management framework.
2. Staffing	(i) The RMU is currently staffed with only one risk analyst. (ii) The FM capacity at PPP Cell and line agencies is weak. In the PPP project cycle, line agencies have the increasing role in identification of the project, in feasibility preparation and contract management.	Capacity building and strengthening of RMU, as well as the PPP Cell line agencies, will be undertaken as part of the transaction related technical assistance administered by ADB.
3. Planning and Budgeting	There is no formal financial planning mechanism to prepare annual budget estimates for VGF and PDF requirements. Currently budget estimates are prepared on project-by-project basis, but no systematic budgeting process is in place to develop budgets for the overall medium-term program. During FY 2014-15 and 2015-16 PKR 2 billion and PKR 12 billion were allocated in the ADP for VGF but no payments were made from the VGF since no new PPP projects were launched during the years, and the allocations then lapsed. PKR 2 billion were allocated in 2016-17, but PKR 4.25 billion were utilized instead required re-appropriation from other accounts. Appropriate budgeting for PPP fiscal commitments is important for the reputation of a PPP program. Inadequate planning process not only results in weak budget credibility, undermining allocation efficiency at the provincial level, but may also be perceived as risky by the private party that payments may not be made when due at the project level.	Establishment of financial planning and budgeting process that include developing cash flows projections with estimated timelines for the whole program.
4. Accounting Policies and	As part of project design, both VGF and PDF will require dedicated non-	(i) The project financial statement should disclose the contingent liabilities. For that

<sup>4</sup> Control Risk is the risk that the project's accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported.

Risk Type	Risk Description	Risk Mitigation Measures
Procedures; Reporting and Monitoring	lapsable reserve fund accounts to be set up in which government funds will be transferred as block releases. This will necessitate accounting mechanism that would cause transparent and reliable financial reporting. Moreover, annual financial statements including management reports will also need to be prepared for both VGF and PDF.	purpose accounting procedures should be developed to record contingent liabilities. (ii) The project financial statement should be prepared annually.
5. Internal and External Audit	Weak system for corruption control.	<p>The Punjab PPP Act and the various PPP guidelines have established a system that promotes transparency and accountability to approving and implementing PPP projects in Punjab. The project will further enhance the system and institution employed by Punjab in approving and delivering PPP projects.</p> <p>Nonetheless, ADB will reserve the right to investigate, directly or through its agents, any violations of ADB's Anticorruption Policy (1998, as amended to date) relating to the project.</p> <p>Further, ADB loan agreement will include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency, contractors, suppliers and other service providers.</p> <p>GOPb shall also be required to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and use of the proceeds of the ADB Loan and the UK Grant, respectively, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the</p>

Risk Type	Risk Description	Risk Mitigation Measures
		close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

## B. Disbursement

### 1. Disbursement Arrangements for ADB and ADB-administered cofinancier Funds

11. The loan proceeds, including ADB-administered cofinancier grant funds, will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),<sup>5</sup> and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.<sup>6</sup> Project staff are encouraged to avail this training to help ensure efficient disbursement and fiduciary control.

12. The PPP Steering Committee will be the approving authority for PPP projects in Punjab and the relevant allocations of VGF and PDF support to an approved PPP project. A subcommittee within the Steering Committee comprising of representatives from P&DD, FD and private sector members of the Steering Committee will be established to review RMU recommendation to the Steering Committee on VGF amount, structure, and other government support in accordance with the VGF Guidelines (to be drafted, approved and adopted as part of the project). Prior to PPP Steering Committee approval, PPP projects earmarked for VGF support from this project will require ADB's prior consent which will not be unreasonably withheld. Such consent may subsequently be replaced by a free limit when ADB is satisfied with the processing of at least three PPP projects. Similarly, the PPP Cell will provide a recommendation to the Steering Committee on the proposal's suitability and qualification for a PDF support in accordance with the PDF Guidelines. The P&DD will be responsible for (i) collecting and retaining supporting documents, and (ii) preparing and sending withdrawal applications to ADB.

13. The disbursements will be through reimbursement procedure. The reimbursement procedure is a disbursement procedure where ADB pays from the loan account to the borrower's account for eligible expenditures which have been incurred and paid for by the borrower out of its budget allocation or its own resources. Under this procedure, ADB's payments are made only to the borrower and not to a third party (e.g., supplier or contractor). A signed withdrawal application must be submitted to ADB together with a summary sheet and the required supporting documents.<sup>7</sup> The expenditures should have been incurred and paid for by the borrower out of its own fund sources. Where full documentation is impractical, burdensome, voluminous, or costly, Statement of Expenditures (SOE) procedure may be used as simplified documentation. Supporting documents for VGF financing may include among others: (i) approval from PPP Steering Committee for VGF support for the project, (ii) signed concession agreement, and

<sup>5</sup> The handbook is available electronically from the ADB website (<http://www.adb.org/documents/loan-disbursement-handbook>).

<sup>6</sup> Disbursement eLearning. [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning)

<sup>7</sup> Formats of withdrawal applications and summary sheets are available in Appendix 7A and 7B of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

(iii) proof of payment to the private sector concessionaire. Supporting document for PDF financing may include among others: (i) proof of payment to the service providers and (ii) copies of relevant service provider contracts. Separate sub-accounts for VGF and PDF will be established and maintained by P&DD (for VGF) and PPP Cell (for PDF). Government funding contribution will be placed in the VGF sub-account. Government counterpart will be disbursed in accordance with the following cost sharing arrangement for VGF financing: ADB – 46.2%, Government of the United Kingdom – 4.1%, and Government of Punjab – 49.7%.

14. **Statement of expenditure procedure.**<sup>8</sup> The SOE procedure may be used for reimbursement of eligible expenditures. The ceiling of the SOE procedure is the equivalent of \$100,000 per individual payment. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

15. Before the submission of the first withdrawal application, the borrower should submit to ADB evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below this amount should be paid by the implementing agency and subsequently claimed to ADB through reimbursement, unless otherwise accepted by ADB. The borrower should ensure sufficient category and contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements (CPD)<sup>9</sup> system is encouraged for submission of withdrawal applications to ADB. The staff in P&DD/PPP Cell have adequate capacity to administer this procedure, and will also benefit from the online training mentioned in para. 11. above.

16. No withdrawals shall be made from the Loan Account for the Viability Gap Fund expense item until: (a) VGF Guidelines, in form and substance acceptable to ADB and the Government of Punjab, shall have been formally adopted and notified by Punjab and incorporated into the standard operating procedures of the RMU; (b) the RMU shall have adequate staffing for VGF monitoring; (c) Punjab shall have established the ESMS and there shall be adequate staffing for implementation and monitoring of the ESMS for PPP Projects; and (d) dedicated VGF and PDF accounts shall have been established in a manner acceptable to ADB (ringfenced from others accounts used by Punjab in relation to its infrastructure-related expenditures).

### C. Accounting

17. The P&DD will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following cash-based accounting system following the government's financial regulations. The P&DD will prepare project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

<sup>8</sup> SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

<sup>9</sup> The CPD facilitates online submission of WA to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.



## D. Auditing and Public Disclosure

18. The P&DD will cause the detailed project financial statements to be audited in accordance with International Standards on Auditing by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by the P&DD.

19. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan and grant were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

20. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

21. The P&DD has been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>10</sup> ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

22. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.<sup>11</sup> After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>12</sup>

## VI. PROCUREMENT AND CONSULTING SERVICES

23. The EA/IA will not be directly involved in implementing the physical delivery of approved PPP projects. The relevant line departments will procure the PPP projects and will legally enter into the respective concession agreements with the selected private sector concessionaires.

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<sup>10</sup> ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

<sup>11</sup> Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

<sup>12</sup> This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

## A. Advance Contracting and Retroactive Financing

24. All advance contracting and retroactive financing of eligible expenditures for up to 20%, where eligible, will be done in accordance with ADB Procurement Guidelines (April 2015, as amended from time to time) that are applicable to this project (follow financial intermediary (FI) mode thereof) and ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time). The issuance of invitation to bids under advance contracting and retroactive financing will be subject to ADB's prior review and approval. The EA has been advised that approval of advance contracting and retroactive financing will not constitute a commitment by ADB to finance the Project.

## B. Procurement of Goods, Works, and Consulting Services

25. Under the proposed project, the P&DD and FD will use ADB Procurement Guidelines (April 2015, as amended from time to time) for all institutional procurement. They will ensure that procedures acceptable to ADB are followed when (i) private entities are selected through competitive bidding procedures; (ii) private entities apply their own procedures for procurement of goods, works and consulting services; and (iii) the line departments engage consulting services financed from the PDF acceptable to ADB. As the project will be cofinanced by the Government of the United Kingdom and administered by ADB, universal procurement will be applied.<sup>13</sup> Bidding documents will indicate that universal procurement will apply.

26. One ADB-appointed procurement consultant under the associated technical assistance (TA)<sup>14</sup> will be engaged upfront to (i) prepare a project specific procurement procedures manual in consultation with the EA/IA and the line departments to ensure efficiency, transparency, competition and accountability; (ii) review the procurement practices of private entities with a view to ensure that those are acceptable to ADB; identify the inconsistencies, if any; (iii) develop a training module on procurement and contract management for the EA/IA and line departments; (iv) conduct training on procurement and contract management for procurement staff of the implementing units; (v) support the EA/IA and line departments during procurement activities; and (vi) provide inputs to the other consultants on possible agenda items for their awareness and/or capacity building workshops. The procurement risk is therefore low as the main procurements will be done by the private entities engaged as project concessionaires with oversight provided by the TA procurement consultant and periodic review by the PRM procurement team (when needed). Since the EA plans to follow financial intermediary (FI) mode under ADB Procurement Guidelines (April 2015), it does not envisage any procurement of goods, works and services activity under the loan now. The EA will amend and update the procurement plan when any procurement activity/package is required to be procured under the loan.

**Table 18. Procurement Plan**

### Basic Data

<b>Project Name:</b> Enhancing Public-Private Partnerships in Punjab	
<b>Project Number:</b> 49128-002	<b>Approval Number:</b>
<b>Country:</b> Pakistan (Federal)	<b>Executing Agency:</b> Planning and Development Department, Punjab
<b>Project Procurement Classification:</b> B	<b>Implementing Agency:</b> Planning and Development Department, Punjab
<b>Procurement Risk:</b> Low	

<sup>13</sup> ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila.

<sup>14</sup> Attached Technical Assistance (accessible from the list of linked documents in Appendix 2).

<b>Project Financing Amount:</b> \$219.6 million <b>ADB Financing:</b> \$100 million <b>Cofinancing (ADB Administered):</b> \$100 million <b>Non-ADB Financing:</b> \$19.6 million	<b>Project Closing Date:</b> 30 June 2023
<b>Date of First Procurement Plan {loan/grant approval date):</b>	<b>Date of this Procurement Plan:</b> 1 August 2017

## VII. SAFEGUARDS

27. In compliance with ADB's Safeguard Policy Statement (SPS), the project is categorized as *financial intermediary* for environment, involuntary resettlement, and indigenous peoples (IPs).<sup>15</sup> The projects requiring VGF support may include projects that are category A for environment and resettlement but C for indigenous peoples, as no IPs or tribal peoples live in or around the project areas. The P&DD will need to establish an environment and social management system (ESMS) with the PPP Cell as the ESMS focal for the project, acceptable to ADB, that fully incorporates the Safeguard Requirements (SR) (SR 1–3) including information disclosure and consultation) of ADB's SPS.<sup>16</sup> The ESMS must be in place before ADB's first disbursement for the financing of subprojects.

28. **Prohibited investment activities.** Pursuant to ADB's SPS (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement (SPS), 2009.

## VIII. GENDER AND SOCIAL DIMENSIONS

29. The project is categorized as effective gender mainstreaming, as it will address social and gender issues through PPP projects. As a financial intermediation project, social and gender design elements are focused on the guidelines, tools, and criteria to determine PPP projects that will be awarded. Line departments are expected to submit PPP proposals that have done a social and gender assessment to demonstrate how these proposed projects could benefit the people of Punjab, especially the vulnerable groups such as the poor, women, children, elderly, and people with disabilities. Of the five projects that are expected to be approved during project life, at least one of these will be a social sector project, most likely a health project. The project executing and implementing units, specifically the PPP Cell of the P&DD, will be trained on the social and gender assessment of PPP proposals. The project's gender action plan (GAP) details the government commitments to ensure that PPP proposals and awarded projects are social and gender-inclusive. Progress towards the achievement of GAP targets will be included in the project's periodic reports.

<sup>15</sup> ADB. Safeguard Categories. <https://www.adb.org/site/safeguards/safeguard-categories>.

<sup>16</sup> ADB. 2009. Safeguard Policy Statement. *Operations Manual*. OM F1. Manila.

**Table 19. Gender Action Plan**

<b>Activity</b>	<b>Performance Targets/ Indicators</b>	<b>Responsibility</b>	<b>Timeframe</b>
<b>Output 1: PDF and VGF resources for PPP projects augmented</b>			
1.1 Ensure that the call for proposals explicitly requires the line departments to demonstrate how their proposed projects would benefit the people of Punjab, especially the vulnerable groups	Memos and guidelines on drafting the project proposal explicitly requires the proponents to demonstrate how the project will benefit the poor, women, children, elderly, and persons with disabilities	PPP Cell	At project effectivity / 2018
1.2 Require a social impact assessment for project proposals, which would include an assessment of how the project would benefit women and girls	Project proposals accepted include social impact assessments with a section on gender impact	PPP Cell	Throughout project life/ 2018–2022
1.3 Encourage line departments to design high impact social projects that demonstrate how they will directly address social and gender issues	At least 1 social sector project approved, <sup>a</sup> with direct benefits to vulnerable groups such as the poor, women, girls, elderly, and persons with disabilities	PPP Cell	Throughout project life/ 2018–2022
<b>Output 2. PPP institutional capacity enhanced and strengthened</b>			
2.1 Engage the services of a social and gender specialist	Social and gender specialist hired	PPP Cell / Selected Line Departments	At project effectivity / 2018
2.2 Develop the “Guidelines on Reviewing Proposals” with a social and gender lens	Guidelines developed, reviewed by the PPP Cell and approved by the Steering Committee	Social and gender specialist, with approval of PPP Cell	2018
2.3 Incorporate social and gender criteria into the screening tools for assessing proposals	Screening tools for assessing proposals, with social and gender criteria, utilized		2018
2.4 Conduct gender training to the staff of PPP Cell, RMU, and to the relevant staff of the line departments preparing proposals	At least 60% of staff of RMU and PPP Cell have undergone gender trainings  At least 2 staff from each line department submitting proposals have undergone gender trainings	Social and gender specialist	2018–2022
2.5 Hire women staff in the PPP Cell and RMU	At least 20% women staff in the RMU and PPP Cell (Baseline: 15% of GoPb staff are women)	PPP Cell and RMU	2018–2022
2.6 Ensure that the project ESMS include social and gender indicators	Project ESMS with social and gender indicators, established	PPP Cell	Quarter 1 2018

<b>Activity</b>	<b>Performance Targets/ Indicators</b>	<b>Responsibility</b>	<b>Timeframe</b>
2.7 Ensure women's participation in all PPP trainings conducted for line departments	At least 20% women's participation from at least one department in PPP trainings	PPP Cell, RMU and selected Line Departments	2018, 2020, and 2022

ESMS=environmental and social management system; GOPb=Government of Punjab; PDF=project development facility; PPP=public-private partnership; VGF= viability gap fund; RMU= Risk Management Unit.

Source: Asian Development Bank.

<sup>a</sup> The project commits to 5 PPP projects approved during project life. As the Health Department is one of the key line departments involved, it is expected that the high impact social sector PPP project that will most likely be approved, is a health sector project. The other line departments include the (i) Communications and Works Department; and (ii) Housing Urban Development and Public Health Engineering Department, which is expected to submit a proposal that would have direct social and gender benefits.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework (Table 20)

<b>Impact the Project is Aligned with</b> Private sector investments and overall employment in Punjab increased (Punjab Growth Strategy, 2018) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Viable PPP projects that offer value for money increased	a. By 2023: Private investment through PPPs for the provision of provincial infrastructure and service projects increased to 10% of the annual development program (2015–2016 Baseline: percentage of PPP projects in annual development program 6.3%)	a. Finance Department reports; PPPC status reports; PPP projects awarded as disclosed in PPPC website	Unexpected deterioration of security situation
<b>Outputs</b> 1. PDF and VGF resources for PPP projects augmented	1a. Twelve PPP project proposals with PDF support submitted and reviewed by the RMU and the PPPC by 2022, with at least one social project approved with direct benefits to vulnerable groups such as the poor, women, girls, elderly, and persons with disabilities (2017 baseline: 0)  1b. Five PPP projects awarded with VGF support by 2022 (2017 baseline: 1)	1a.–b. PPPC reports; ADB review mission reports; updates as disclosed in PPPC website	Unfavorable political influence over the approval of PPP projects that may not offer VFM
2. PPP institutional capacity enhanced and strengthened	2a. VGF guidelines approved by steering committee and adopted and made operational by March 2018 (2016 baseline: Not applicable)	2a. PPPC reports; relevant Government of Punjab notification; ADB review mission reports	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>2b. ESMS, with social and gender indicators, established and adopted by March 2018 and prior to first disbursement. (2016 baseline: No ESMS)</p> <p>2c. At least three PPP training programs delivered to relevant government agencies, with women accounting for 20% of participants from at least one department, by 2022. (2017 baseline: No PPP training arrangements in place)</p> <p>2d. At least three locally held PPP investment conferences delivered to increase awareness from prospective private investors by 2022 (2017 baseline: No local conference held in Punjab)</p>	<p>2b. PPPC reports; ADB review mission reports</p> <p>2c. Training calendar and reports</p> <p>2d. Investment conference reports and coverage</p>	
<p><b>Key Activities with Milestones</b></p> <p><b>1. PDF and VGF resources for PPP projects augmented</b></p> <p>1.1 Draft and approve VGF guidelines by March 2018.</p> <p>1.2 PPPC to identify at least three PPP projects in the pipeline that require PDF and VGF support by March 2018.</p> <p><b>2. PPP institutional capacity enhanced and strengthened</b></p> <p>2.1 Administer and manage VGF resources in accordance with VGF guidelines (ongoing from March 2018 until 2022).</p> <p>2.2 Establish ESMS with PPPC as focal point by March 2018.</p> <p>2.3 PPPC to provide capacity support (as required) to selected line departments in project identification and proposal development (ongoing and as required until 2022).</p> <p>2.4 Develop and implement PPP training plan for relevant government agencies by March 2018.</p> <p>2.5 Develop and implement plan for investment conference events by June 2018.</p> <p>2.6 Engage experts (including project finance and contract management specialists in the RMU, and procurement and safeguards experts in the PPPC) by March 2018.</p> <p>2.7 In conjunction with 2.6, engage additional resources for safeguards implementation and compliance (social and environmental experts) at selected line departments by March 2018.</p>			
<p><b>Inputs</b></p> <p>ADB: \$100 million (regular ordinary capital resources loan)  Government of Pakistan: \$100 million (equivalent)  Government of the United Kingdom (grant): \$19,616,025 (equivalent); and (technical assistance) \$4,008,724 (equivalent)</p>			
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable</p>			

ADB = Asian Development Bank, ESMS = environmental and social management system, PDF = project development facility, PPP = public-private partnership, PPPC = Public-Private Partnership Cell, RMU = Risk Management Unit, VFM = value-for-money, VGF = viability gap fund.

<sup>a</sup> Government of Punjab. 2015. *Punjab Growth Strategy 2018: Accelerating Economic Growth and Improving Social Outcomes*. Lahore.

Source: Asian Development Bank.

## B. Monitoring

30. **Project performance monitoring.** The P&DD will conduct regular monitoring throughout project implementation based on the targets, indicators, assumptions and risks described in the Design and Monitoring Framework. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly through the P&DD's quarterly progress reports and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system.

31. **Compliance monitoring.** Compliance with covenants will be monitored through regular ADB review missions and on quarterly basis through the quarterly progress report.

32. **Safeguards, gender, and social dimensions monitoring.** The executing agency's current skills and staff resources need to be strengthened by engaging the environment and resettlement specialists at the PPP Cell and PPP nodes through TA. The TA specialists will provide PPP training in ESMS implementation and monitoring, and will assist/enable PPP Cell and nodes in managing ESMS, operational guidelines on environment and social policies, safeguards screening, categorization and review procedures, and oversight during subproject implementation. The ESMS will be periodically audited and reviewed by external, independent, certified auditors, and semi-annual environmental monitoring reports including environmental impact assessments and land acquisition resettlement plans and ESMS will be disclosed in line with ESMS and SPS's disclosure requirements. The PPP Cell will be responsible for monitoring the progress towards the achievements of the targets outlined in the gender action plan (GAP). The social and gender specialist will provide the needed support in gathering data and information on the GAP's progress. The project's periodic reports will include progress of GAP implementation.

## C. Evaluation

33. The midterm review exercise, scheduled for 2020, will assess the progress of project activities, outputs and outcome, and inform possible reallocation of funds during the second part of the project. Within 6 months of physical completion of the project, P&DD will submit a project completion report to ADB.<sup>17</sup>

## D. Reporting

34. The P&DD will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; (iii) semi-annual environmental monitoring reports, and (iv) a project completion report within 6 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

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<sup>17</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

## E. Stakeholder Communication Strategy

**Table 21: Communication Strategy Matrix for Project Implementation Stage**

Stakeholder Strategic Elements						Work plan Elements		Evaluation
Communication Objectives	Risks	Audiences/ Stakeholders	Desired Behavior	Messages/ Information	Activity/ Channels	Timeline	Responsibility	Expected Outcome
Increased understanding of stakeholders and public of the benefits and risks of PPPs	Lack of understanding and awareness of benefits and risks may cause challenges to the PPP program and/or lack of perception of the fiscal liabilities related to PPP contracts	Asian Development Bank Government agencies with direct interest in PPPs Private partners in PPP contracts Media and opinion makers General public	Open dialogue among stakeholders Transparent and accountable PPP processes to ensure better governance	Economic rationale, project information and its desired outcome tailored to different audiences' concerns	Consultation, meetings and round table discussions with stakeholders Public information campaign and regular outreach to media and opinion makers	2017–2022	Planning and Development Department, Punjab Asian Development Bank	Improved PPP program

PPP= public-private partnership  
Source: Asian Development Bank

## X. ANTICORRUPTION POLICY

35. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>18</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.<sup>19</sup>

36. To support these efforts, relevant provisions are included in the loan agreement/regulations and grant agreement/regulations and the bidding documents for the project.

## XI. ACCOUNTABILITY MECHANISM

37. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working

<sup>18</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>19</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>



with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>20</sup>

## **XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

38. (All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.)

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<sup>20</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.