



Project Design Advance

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Islamic Republic of Pakistan: Jalalpur Irrigation Project

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Asian Development Bank

CURRENCY EQUIVALENTS
(as of 31 December 2015)

Currency unit	–	Pakistan rupee (PRs)
PRs1.00	=	\$0.0095
\$1.00	=	PRs104.88

ABBREVIATIONS

ADB	–	Asian Development Bank
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars and "PRs" Refers to Pakistan rupee.

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I. THE PROPOSED PROJECT

1. The proposed Jalalpur Irrigation Project is located in Punjab, Pakistan. The project will provide irrigation from summer floods to 65,000 hectares and will increase agricultural production of rainfed areas in Jhelum and Khushab districts. The project will (i) construct over 200 kilometers of new irrigation canals, (ii) introduce a farmers-based irrigation management, and (iii) train farmers in good farming practices. It will directly benefit over 200,000 rural people, mostly poor, through creation of new jobs and improving livelihood, food security, and economic growth. The project design advance (PDA) and the ensuing project are listed in the country operations business plan for 2016–2018. The project is estimated to cost \$190 million, including taxes, duties, physical and price contingencies, and interest and other charges on the loan during implementation. ADB financing of \$150 million from ordinary capital resources (OCR) is proposed. The project follows the priorities set in the country partnership strategy, 2015–2019. The Province of Punjab, acting through the Punjab Irrigation Department, will be the executing agency (EA).

2. In relation to the PDA, the consultant selection has been substantially completed. The technical and financial proposals have been evaluated and the consultancy contract is being prepared and will be ready for signing upon the effectiveness of the PDA agreement.

II. ACTIVITIES TO BE FINANCED BY THE PROJECT DESIGN ADVANCE

3. ADB approved a project preparatory technical assistance (TA) of \$800,000 on 18 July 2013 for preparation of the feasibility study for the project under TA 8404.¹ The PDA will (i) carry out detailed topographic and geotechnical surveys; (ii) undertake detailed engineering design, drawings, and cost estimates; (iii) update environmental and social safeguards planning documents; (iv) prepare bidding documents and support the bidding process; (v) develop irrigation management structure; and (vi) help in processing of the ensuing loan. The PDA will result in a procurement-ready project, and will enable the project to award contracts and start disbursements on or shortly after loan effectiveness. The PDA will save around 2 years from the time of loan effectiveness to contractor mobilization during the initial phase of implementation.

III. COST ESTIMATES AND FINANCING ARRANGEMENTS

4. The estimated total cost of the design and associated activities is \$6.5 million. The government has requested a PDA of \$5 million from ADB's OCR to help finance the PDA project. The loan will have a 7-year term, including a grace period of 2 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, and such other terms and conditions set forth in the draft PDA agreement. The Government of Punjab will contribute \$1.5 million, including all taxes and duties, and incremental PDA management cost. The refinancing date of the PDA is 15 December 2017 or the actual date of effectiveness of the ensuing loan as may be agreed between ADB and the Borrower. The estimated interest charge is \$250,000.

¹ ADB. 2013. *Technical Assistance to Pakistan for Jalalpur Irrigation Project*. Manila.

Table 1: PDA Project Investment and Financing Plan^a
(\$ million)

Item	Total Cost ^b	ADB		Government ^e	
		Cost	Percentage	Cost	Percentage
A. Base Cost^c					
1. Survey and Design	4.00	3.20	80%	0.80	20%
2. Safeguards Plans	0.40	0.32	80%	0.08	20%
3. Reports, Training and Maps	0.20	0.16	80%	0.04	20%
4. Institutional Arrangements	0.24	0.19	80%	0.05	20%
5. Design Quality Assurance	0.61	0.49	80%	0.12	20%
Subtotal (A)	5.45	4.36	80%	1.09	20%
B. PDA Management Incremental Cost	0.25	0.00	0%	0.25	100%
C. Contingencies^d	0.80	0.64	80%	0.16	20%
Total (A+B)	6.50	5.00	77%	1.50	23%

^a A PDA loan carries interest and commitment charges where applicable, and these charges are deferred until the PDA is repaid from the ensuing financing or other repayment terms take effect. Commitment charges are waived for a period of 2 years from PDA signing. If the ensuing financing does not become effective within that period, commitment charges accrue thereafter.

^b Includes taxes and duties of \$1.25 million to be financed from government resources.

^c In mid-2015 prices.

^d Physical contingencies calculated at 5% for consulting services. Price contingencies calculated at 1.5% on foreign exchange costs and 5.5% on local costs incurred during first year, and 5.8% on local costs incurred during second year. The price contingency also includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate. The estimated foreign exchange cost was \$100,000.

^e The government financing includes financing for taxes and duties related to PDA project expenditures.

Source: Asian Development Bank.

IV. IMPLEMENTATION ARRANGEMENTS

5. The implementation arrangements are summarized in Table 2 and described in detail in the PDA project administration manual.

Table 2: Implementation Arrangements

Aspects	Arrangements		
PDA Implementation Period	March 2016–December 2017		
Estimated PDA completion date	15 December 2017		
Management			
(i) Oversight body	Project steering committee Chair: Punjab Planning and Development Board Members: Member Infrastructure, Punjab Planning and Development Board, and secretaries of the departments of irrigation, agriculture, environment, and finance		
(ii) Executing agency	Province of Punjab, through the Punjab Irrigation Department		
(iii) Implementation unit	Project Implementation Unit (PMU–LBDCIP), Canal Bank, Mustafa Abad, Lahore		
Consulting services	Design and supervision consultants (quality- and cost-based selection 90:10)	135 person-months of key staff and 654 person-months of other staff	\$4,660,000
	Institutional Mechanism Consultant (the recruitment method will be determined later)	4 person-months of international expert and 18 person-months of national experts	\$240,000

Aspects	Arrangements		
	Design Review and Quality Assurance	12 person-months of 3 individual consultants	\$620,000
Advance contracting	Consultant recruitment		
Disbursement	Disbursement under the PDA will be made in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time).		

LBDCIP = Lower Bari Doab Canal Improvement Project.

Source: Asian Development Bank.

V. SAFEGUARDS

6. The project is expected to be category A for environment and involuntary resettlement, and category C for indigenous people. Environmental impact assessment, resettlement plan and climate change and vulnerability assessment were carried out under the TA, which will be updated under the PDA following the changes due to detailed design.

VI. DECISION

7. Management has approved the provision of a loan not exceeding \$5,000,000 to the Islamic Republic of Pakistan from ADB's ordinary capital resources, in the form of a project design advance (PDA) for the Jalalpur Irrigation Project, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, for a term of 7 years, including a grace period of 2 years; and the President hereby reports this action to the Board.