

# Project Administration Manual

Draft as of 26 July 2017

Project Number: 46526-002

Loan Number: LXXXX

July 2017

Islamic Republic of Pakistan: Punjab Intermediate  
Cities Improvement Investment Project

## ABBREVIATIONS

ADB	-	Asian Development Bank
AFPM	-	Audit & Finance and Performance Monitoring
CAP	-	Corrective Action Plan
CIUs	-	City Implementation Unit
DMF	-	Design and Monitoring Framework
DNI	-	Distribution Network Improvement
EA	-	Environmental Assessment
EARF	-	Environmental Assessment and Review Framework
EC	-	Environmental Checklist
EMP	-	Environmental Management Plan
EPA	-	[Punjab] Environmental Protection Agency
EPCM	-	Engineering, Procurement, and Construction Management
FPPM	-	Financial Policies and Procedures Manual
GAP	-	Gender Action Plan
GIS	-	Geographical Information System
GOP	-	Government of Pakistan
GoPb	-	Government of Punjab
GRM	-	Grievance Redressal Mechanism
HR	-	Human Resource
HSE	-	Health and Safety Equipment
IEE	-	Initial Environmental Examination
IPP	-	Indigenous Peoples Plan
IPPF	-	Indigenous Peoples Planning Framework
LARF	-	Land Acquisition and Resettlement Framework
LARP	-	Land Acquisition and Resettlement Plan
LC	-	Letter of Credit
LG&CD	-	Local Government and Community Development
MC	-	Municipal Corporation
M&E	-	Monitoring and Evaluation
MCUs	-	Motor Controlled Units
MIS	-	Management Information System
NRW	-	Non-Revenue Water
ODBM	-	Operational Design and Business Model
P&DD	-	[Punjab] Planning and Development Department
PAM	-	Project Administration Framework
Pb-EPA	-	Punjab Environmental Protection Agency
PMCPM	-	Project Management Coordination and Performance Monitoring
PMU	-	Project Management Unit

RRP	-	Report and Recommendations of the [ADB] President
SCADA	-	Supervisory Control and Data Acquisition
SPS	-	Safeguard Policy Statement [of ADB, 2009]
STP	-	Sewerage Treatment Plant
SWMC	-	Solid Waste Management Company
TOR	-	Terms of Reference
UU	-	Urban Unit [Urban Sector Planning and Management Service Unit (Pvt.) Ltd.]
WSC	-	Water and Sanitation Company

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**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 Punjab Local Government and Community Development Department (executing agency), and the Municipal Corporations in Sahiwal and Sialkot (implementing agencies) are 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 Punjab Local Government and Community Development Department, and the City Implementation Units and the Municipal Corporations of their 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 agreement. 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 agreement, the provisions of the loan agreement 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 Punjab Intermediate Cities Improvement Investment Project is aimed at improving the quality of life of the residents living in two intermediate cities of Sahiwal and Sialkot in Punjab, the most populous province in Pakistan. This will be achieved by improving urban infrastructure and services, and the operations and maintenance capacity for urban service delivery.
2. PICIIP builds on the policy reforms already undertaken by the Government of Punjab (GoPb) in the urban sector. It supports the selected cities in phased approach to urban development, focusing on broad urban sector reforms, followed by improvements in infrastructure, and capacity development.
3. The project is aligned with the following impact: improved living standards, health, and economy in Sialkot and Sahiwal. The project will have the following outcome: improved access to quality urban services by the residents of Sahiwal and Sialkot cities.
4. The project will have four outputs:
  - (i) **Output 1: Water supply systems improved.** This will be achieved through installation/rehabilitation of 114 boreholes and tube wells, 22 water reservoirs, 20 water pumping stations, approximately 350 kilometers (km) of water pipes, up to 15,000 metered customer connections, of which 1,400 will be prepaid meters on a pilot basis, and new supervisory control and data administration (SCADA) systems.
  - (ii) **Output 2: Sanitation systems improved.** This will be achieved through installation and rehabilitation of 18 sewage pumping stations, replacement of approximately 40 km of sewer pipes, provision of equipment for wastewater management, unblocking of local drains, and construction of a centralized wastewater treatment plant. Equipment will be procured for improved collection, disposal, segregation, and management of solid wastes.
  - (iii) **Output 3: Urban public spaces improved.** This will be achieved through rehabilitation of 11 parks, 7 km green belts, major streets, footpaths, river bank paths, and three bus terminals that are critical hubs for regional transport systems. Local shops, vendors, and companies will expand new business opportunities with the upgraded facilities.
  - (iv) **Output 4: Institutional support and capacity developed.** This will be achieved through support to institutional reforms such as the establishment of urban service standards, enhancement of the customer service function, and development of new tariff structures. Various capacity development programs—including O&M of key urban services, urban policy and planning, financial management, and tariff policy—will also be delivered to relevant staff in the government and urban service companies. This output will promote behavior changes in hygiene practice and environment through partnership with youth groups and civil society organizations. It will also organize targeted public awareness campaigns.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

**Table 1: Processing Schedule**

Indicative Activities	2017												Responsible Unit/Agency/ Government
	J	F	M	A	M	J	J	A	S	O	N	D	
Advance contracting actions													ADB and GoPb
Retroactive financing actions													ADB and GoPb
Establish project implementation arrangements													LG&CD Department
ADB Board approval													ADB
Loan signing													ADB, EAD and GoPb
Government legal opinion provided													GoPb
Government budget inclusion													P&DD and Punjab Finance Dept.
Loan effectiveness													ADB, EAD and GoPb

ADB = Asian Development Bank, EAD = Economic Affairs Division, GoPb = Government of Punjab, LG&CD = Local Government and Community Development; P&DD = [Punjab] Planning and Development Department.







Activities	2017				2018				2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
4.2. Establish PMU and CIUs (Q3 2017)																												
4.3. Issue request for proposal for the recruitment of PMCPM and EPCM packages (Q3 2017)																												
4.4. Implement program communication activities with youth groups, schools and civil society to promote awareness of project and life skills education (Q3 2017)																												
4.5. Support to improve operation and maintenance of key urban services, urban policies and planning, finance management and tariff policies (Q2 2018)																												
4.6. Develop project performance management system considering poverty, gender, environment and social development issues, MIS, GIS, complaint management and reporting (Q2 2018)																												
4.7. Support SMART city improvement (Q2 2018)																												
4.8. Provide various training and send key staff to external training (Q2 2018)																												

CIU = city implementation unit, DNI = distribution network improvement, EPCM = engineering, procurement, and construction management, GIS = geographic information system, km = kilometer, mgpd = million gallons per day, MIS = management information system, NRW = non-revenue water, O&M = operation and maintenance, OHRs = overhead reservoirs, PICIIP = Punjab Intermediate Cities Improvement Investment Project, PMCPM = project management coordination and performance monitoring, PMU = project management unit, Q = quarter, SCADA = supervisory control and data acquisition, STP = sewerage treatment plant.

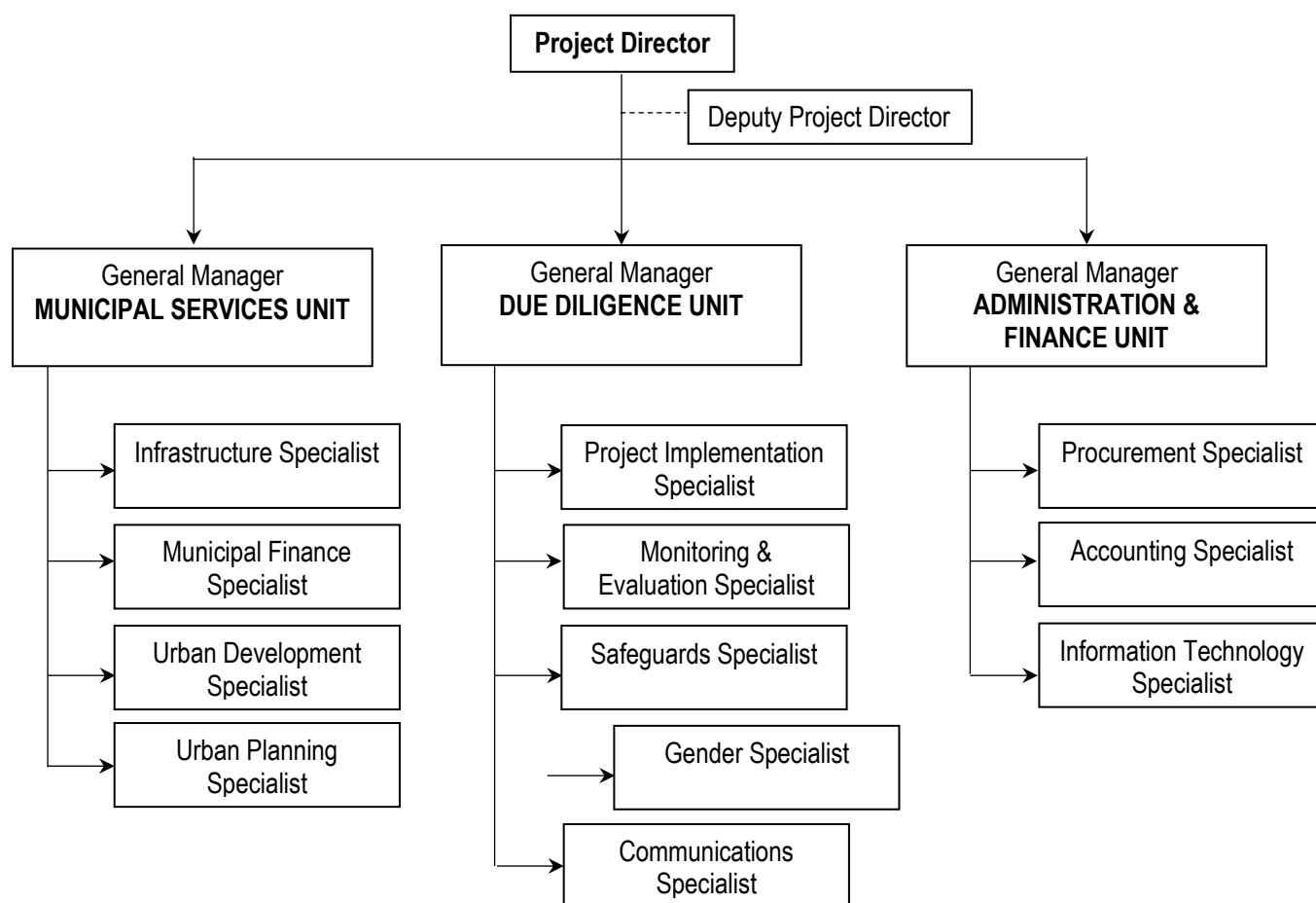
### **III. PROJECT MANAGEMENT ARRANGEMENTS**

#### **A. Project Implementation Organizations: Roles and Responsibilities**

6. The PICIIP will have a Project Steering Committee (PSC) to oversee and monitor the implementation of the project. The Chairman, Planning and Development (P&D) Board will be the Chair of the PSC; the Secretary of the Local Government and Community Development Department will be the Deputy Chair; and the Project Director of the Project Management Unit will be the Secretary. The PSC will provide policy direction and strategic oversight and serve as a focal point for interagency coordination on project-related matters. The PSC has been notified and includes representatives from the provincial government, district government, and participating Municipal Corporations (MC). The chairperson may invite other persons, as necessary, to attend PSC meetings. The PSC will meet at least quarterly. The PSC will, among other responsibilities, (i) advise on key sector reform milestones, (ii) review annual and quarterly performance reports on urban sector reform and implementation progress of the project, and (iii) advise on or make policy-level decisions required to facilitate timely project execution.

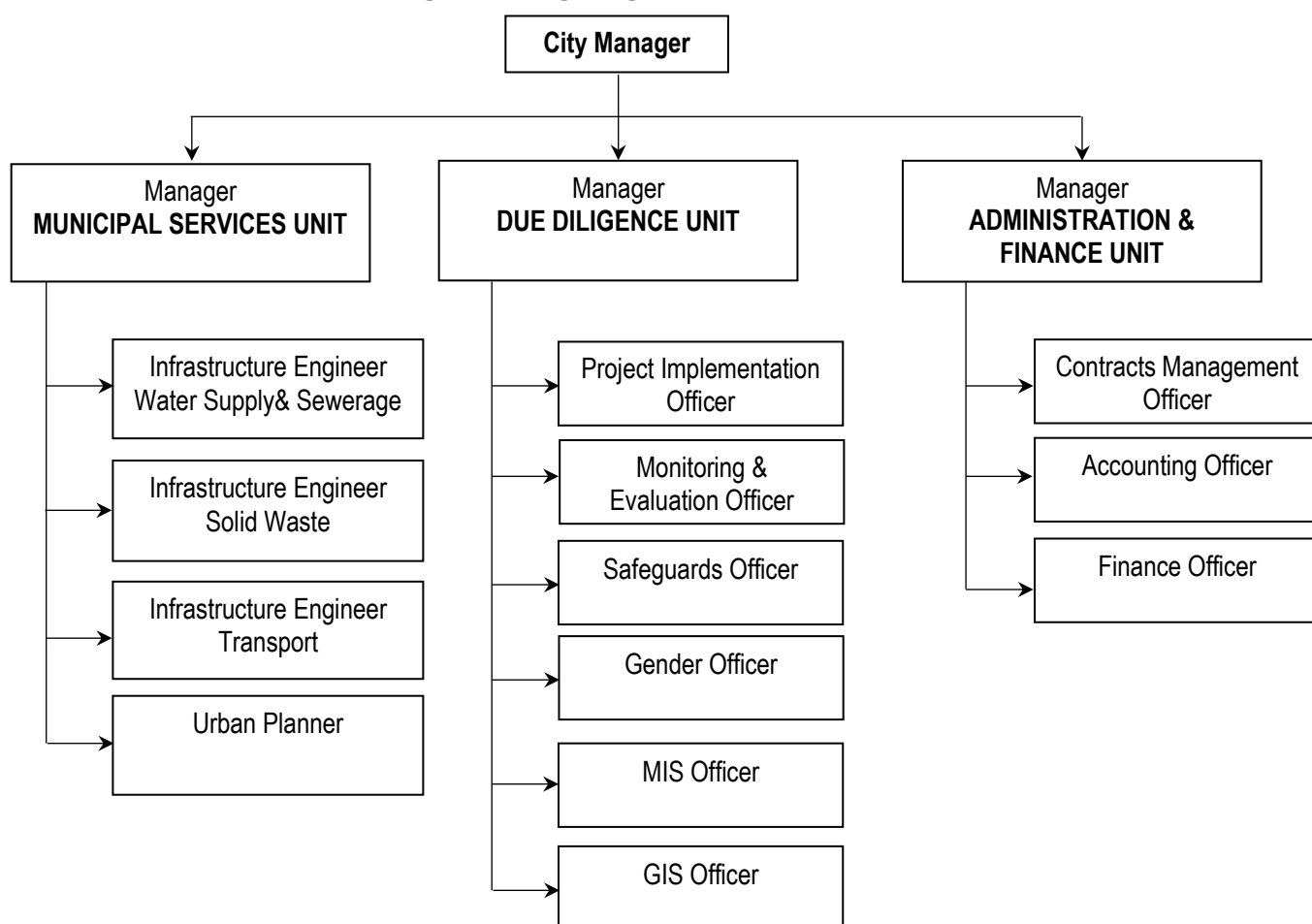
7. The Local Government and Community Development (LG&CD) Department of the Government of Punjab will be the executing agency (EA) of the project and the MC in Sahiwal and Sialkot (Municipal Corporations) will be the implementing agencies. The LG&CD Department has established a Project Management Unit (PMU) which will support the EA and two city implementation units (CIUs), which will support LG&CD Department, with the capacity development component of the project.

8. The key role of the PMU will be to support the EA in the implementation of the institutional support components of the project and to lead the procurement of civil works and consulting services contracts. The PMU will be headed by a Project Director and a Deputy Project Director, and General Managers for City Government Services, Due Diligence, and Account and Finance. The PMU will also have specialists in infrastructure engineering, municipal finance, urban planning, program implementation, procurement, safeguards, gender, accounting, monitoring and evaluation, urban development and information technology. The organogram of the PMU is shown in Figure 1. Where necessary, ADB will support the government to facilitate the recruitment of PMU staff. When justified, ADB will support the government to place an additional position (e.g., technical advisor). The Project Director will ensure that the Project's implementation is consistent with the environmental and social safeguards frameworks and plans of ADB as stipulated in the loan and project agreements.

**Figure 1. Organogram of PMU**

PD, DPD, and GMs will be assisted by Research Assistants

9. The EA has established CIU in each of the two participating cities. The key role of the CIUs will be to support the cities in the implementation of the civil works components of the project. The CIUs will be led by a city manager assisted by managers for municipal services, due diligence and administration/finance. The CIUs will have infrastructure engineers (for water supply & sewerage, solid waste, and transport), project implementation officer, monitoring and evaluation officer, contracts management officer, safeguard officer, gender officer, accounts and finance officers and MIS units with GIS and monitoring staff. The organogram of the CIUs is shown in Figure 2. Where necessary, ADB will support the government to facilitate the recruitment of CIU staff. The CIU will be supported by the project management coordination and performance monitoring (PMCPM) and engineering, procurement, and construction management (EPCM) consultants hired by the PMU.

**Figure 2. Organogram of CIU**

GIS = geographic information system; MIS = management information system.

10. The Urban Unit [Urban Sector Planning and Management Service Unit (Pvt.) Ltd.] will support the EA with the capacity component of the Project and will designate a Project Director and a Deputy Project Director. The Urban Unit will also have specialists in infrastructure engineering, municipal finance, urban planning, program implementation, procurement, safeguards, gender, accounting, monitoring and evaluation, urban development and information technology. ADB will support the Government, when necessary, to facilitate the recruitment of capacity building and integrated city development strategy implementation consultant.

## 1. Roles and Responsibilities

### a) Project Steering Committee (PSC)

11. The Project Steering Committee will:

- (i) Provide policy direction and strategic oversight for the PICIIP;
- (ii) Provide advice and make policy level decisions to facilitate timely execution of projects;
- (iii) Review quarterly and annual performance reports;
- (iv) Be the principal approval of the investments;

- (v) Ensure that the project is implemented in line with loan/project agreements;
  - (vi) Ensure provision of counterpart funding/budget approval for counterpart funding;
  - (vii) Approve annual operational and business plans of the utility companies and their annual operational allocation; and
  - (viii) Approve M&E reports.
12. The PSC will compose of the following:
- (i) Chairman, P&D Board – Chair;
  - (ii) Secretary LG&CD Department – Deputy Chair;
  - (iii) Secretary P&D;
  - (iv) Secretary Finance;
  - (v) Secretary Physical Planning & Housing;
  - (vi) CEO Water and Sanitation Companies (WSCs);
  - (vii) CEO Urban Unit
  - (viii) MC representative (respective cities);
  - (ix) Deputy Commissioner (respective cities);
  - (x) Executive Officer Cantonment Board (as per city requirement);
  - (xi) Project Director, PMU – Secretary; and
  - (xii) EAD representative.
13. The PSC will meet at least on a quarterly basis.
- b) Local Government and Community Development (LG&CD) Department, Government of Punjab (GoPb)**
14. The LG&CD Department, GoPb will:
- (i) Act as the project executing agency (EA) for PICIIP;
  - (ii) Establish a PMU, with adequate staff acceptable to ADB;
  - (iii) Liaise with ADB to address any issues during design and implementation;
  - (iv) Approve Procurement Plan of PICIIP;
  - (v) Sign all consulting service contracts (except the consulting service contract for Sahiwal sewerage treatment plant (STP);
  - (vi) Approve Annual Budget as per recommendation of PMU and CIU; and
  - (vii) Approve delegation of authorities to PMU and CIUs.
- c) Project Management Unit (PMU)**
15. The PMU will support LG&CD Department. The PMU will:
- (i) Develop procurement plans;
  - (ii) Lead and supervise the procurement of all consulting service contracts (except the consulting service contract for capacity development);
  - (iii) Lead and supervise the procurement of all works and supply contracts;
  - (iv) Administer all consulting services contracts (except the consulting service contracts for capacity development and for the Sahiwal STP);
  - (v) Submit withdrawal applications to ADB for direct payment to consultants and contractors;
  - (vi) Submit to ADB quarterly progress reports based on the information provided by CIU and consultants;
  - (vii) Ensure adequate and timely release of counterpart funds to CIUs, consultants and contractors;

- (viii) Maintain all financial/account records, provide to ADB and Finance Department disbursement-related documentation;
- (ix) Provide support to ADB missions;
- (x) Coordinate activities with all stakeholders, review consultants, proposals, and provide overall guidance during various stages of project preparation;
- (xi) Act as a Secretariat to PSC headed by Chairman P&D Board;
- (xii) Manage and ensure safeguard due diligence and disclosure requirements including resettlement and environmental safeguards in accordance with ADB's Safeguard Policy Statement (2009) and government requirements;
- (xiii) Manage and ensure effective implementation of the gender action plan;
- (xiv) Review business, and annual operational plans and budgets submitted by the WSC and submit for approval of the PSC;
- (xv) Review operational and financial performance of the WSC based on reports of the independent verifier and report to PSC and ADB;
- (xvi) Ensure submission of all IEE requirements as per law by responsible entities; and
- (xvii) Monitoring of activities in CIUs and the whole project.

**d) Municipal Corporation (MC)**

16. The MC will:
- (i) Participate in the investment planning and city reform and provide all approvals as per law;
  - (ii) Confirm and approve all City Investments;
  - (iii) Facilitate land acquisition;
  - (iv) Sign Services and Asset Management Agreements (SAMAs)<sup>1</sup> and other legal agreements as required;
  - (v) Act as members of procurement committees for hiring consultants and contractors related the cities they represent;
  - (vi) Sign all works and supply agreement and contracts;
  - (vii) Sahiwal Municipal Corporation will sign the consulting service contract for the Sahiwal STP;
  - (viii) Approve and implement all reforms related system, organizations, plans, and programs as required for the project including service delivery arrangements;
  - (ix) Transfer assets and completed civil works to WSCs/USCs, as required for the projects and agreements; and
  - (x) Fill all vacancies in the MC, as per approved organogram and facilities required for CIU and Staff.

**e) City Implementation Units (CIUs)**

17. The CIUs will support the Municipal Corporations of Sialkot and Sahiwal. In addition, the CIUs will:

- (i) Conduct city level progress monitoring and reporting;
- (ii) The CIU for the city government of Sahiwal will administer the consulting services contract for Sahiwal STP;

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<sup>1</sup> The Services and Asset Management Agreements (SAMAs) will be the legally binding and enforceable contracts by which each of the two City Governments transfer their water supply, sanitation, sewerage and secondary solid waste management assets and human resources to the Urban Services Companies established by the City Governments and Government of Punjab for efficient service delivery in these sectors. The terms and conditions of the SAMA will include provision for asset management, levels of service, and revenue generation and sharing.



- (iii) Administer all works and supply contracts;
- (iv) Verify and process all invoices for the payment as per certification of EPCM as an engineer of contractor (civil works and goods);
- (v) Assist PMU, as needed, in the procurement and administration of other consultants' contract;
- (vi) Facilitate all monitoring requirements and reporting of GoPb and ADB;
- (vii) Support consultants in all survey, data provision, studies and provide office space as required;
- (viii) Ensure safeguard compliance and reporting in line with loan agreements;
- (ix) Monitor and ensure effective implementation of the gender action plan;
- (x) Support the MC in establishing and maintaining the relationship with WSC according to the terms of the SAMAs; and
- (xi) Monitor city level activities for reporting and compliance.

**f) The Urban Unit**

18. The Urban Unit will:
- (i) Lead to facilitate capacity development component;
  - (ii) Lead and supervise the procurement and administration of the consulting service contract for capacity development;
  - (iii) Provide technical advice on project design and implementation; and
  - (iv) Support PMU and CIUs, as feasible.

**g) Asian Development Bank**

19. The Asian Development Bank will:
- (i) Support the coordination and administration of the project;
  - (ii) Provide guidance to LG&CD Department, PMU, MCs, and CIUs on implementation issues and project design;
  - (iii) Review and approve procurement actions;
  - (iv) Disclose all safeguards documents, and monitor safeguards implementation;
  - (v) Monitor and report project performance;
  - (vi) Conduct periodic review of the project; and
  - (vii) Update project performance records.

## B. Key Persons Involved in Implementation

### Executing Agency

Local Government and  
Community Development  
Department, Government of  
Punjab

Officer's Name: Muhammad Aslam Kamboh  
Position: Secretary  
Telephone No.: +92 (42) 992 12416  
Email address: [lgcd.dept@gmail.com](mailto:lgcd.dept@gmail.com)  
Office Address: Civil Secretariat, Punjab, Lahore, Pakistan

Project Management Unit

Officer's Name: Shahid Nasir Raja  
Position: Project Director / Secretary, Local Government  
Board  
Telephone No.: +92 (42) 992 130016  
Email address: [snr238@gmail.com](mailto:snr238@gmail.com)  
Office Address: 6th Floor, Local Government Complex,  
Sanda Road, Lahore, Pakistan

### Asian Development Bank

Urban Development and Water  
Division  
Central and West Asia  
Department

Staff Name: Yong Ye  
Position: Director, CWUW  
Telephone No.: +63 (2) 632 5663  
Email address: [yong@adb.org](mailto:yong@adb.org)

Mission Leader

Staff Name: Kiyoshi Oswin Nakamitsu  
Position: Principal Urban Development Specialist, CWUW  
Telephone No.: +63 (2) 632 5884  
Email address: [knakamitsu@adb.org](mailto:knakamitsu@adb.org)

Staff Name: Shaukat Shafi  
Position: Head, Urban Unit, Pakistan Resident Mission  
Telephone No.: +92 (51) 208 7300  
Email address: [mshafi@adb.org](mailto:mshafi@adb.org)

Staff Name: Jung-Ho Kim  
Position: Urban Development Specialist, CWUW  
Telephone No.: +63 (2) 632 5000  
Email address: [jhkim@adb.org](mailto:jhkim@adb.org)

Staff Name: Charles Felix S. Simbillo  
Position: Associate Project Analyst, CWUW  
Telephone No.: +63 (2) 632 6366  
Email address: [cfsimbillo@adb.org](mailto:cfsimbillo@adb.org)

## C. Consultants Support During Implementation

20. The project will finance six consulting packages, which will be hired by the EA, through its PMU and IA, through its CIU, based on quality- and cost-based selection under an output-based or hybrid input/output-based contract.

- (a) The project management coordination and performance monitoring (PMCPM) consultant team will provide the LG&CD Department with technical support in

project management, contract administration, and performance monitoring. It will review the business and annual operational plans of the utility companies, along with their budget and performance parameters to insure these are in line with services and asset management agreement signed with the cities, verify the operational expenditures of the utility company for compliance with approved annual operational and business plan targets and undertake periodic performance audit of the utility for compliance with performance parameters, and agreed service and efficiency benchmarks.

- (b) The engineering, procurement, and construction management (EPCM) consultant team will be hired by the PMU to conduct the detailed engineering design for Sahiwal and Sialkot, prepare bidding documents, provide general support to the EA during procurement process, and support the CIUs of the two cities in construction supervision and contract administration.
- (c) The operational design and business model (ODBM) consultant team will be hired to undertake all tasks related to the design of the utilities companies, their business processes and operational manual; and provide support for establishing performance and efficiency parameters, and tariff structuring according to level of services, asset management and enterprise resource planning for effective and efficient service, and develop outsourcing/public-private partnership options for service delivery.
- (d) The audit and finance consultant team will be hired by the EA to inspect the project accounts, records, and other documents relating to the bid submission and the performance of the contract, and to have them audited by the auditors.
- (e) The capacity building and integrated city development strategy implementation consultant team will be responsible for the Punjab local government capacity building system design, curriculum design, master planning of local government academy, and training the staff for the PICIIP from all cities at Lala Musa Academy. It will provide the technical support for the preparation and implementation of the integrated city development strategy for both cities.
- (f) The consultant for the operation of Sahiwal sewage treatment plant will be hired by the Sahiwal CIU to ensure regulatory compliance and effectively and efficiently manage the day to day operations of STP.

21. The planned consulting services are described in the Procurement Plan (Section VI).

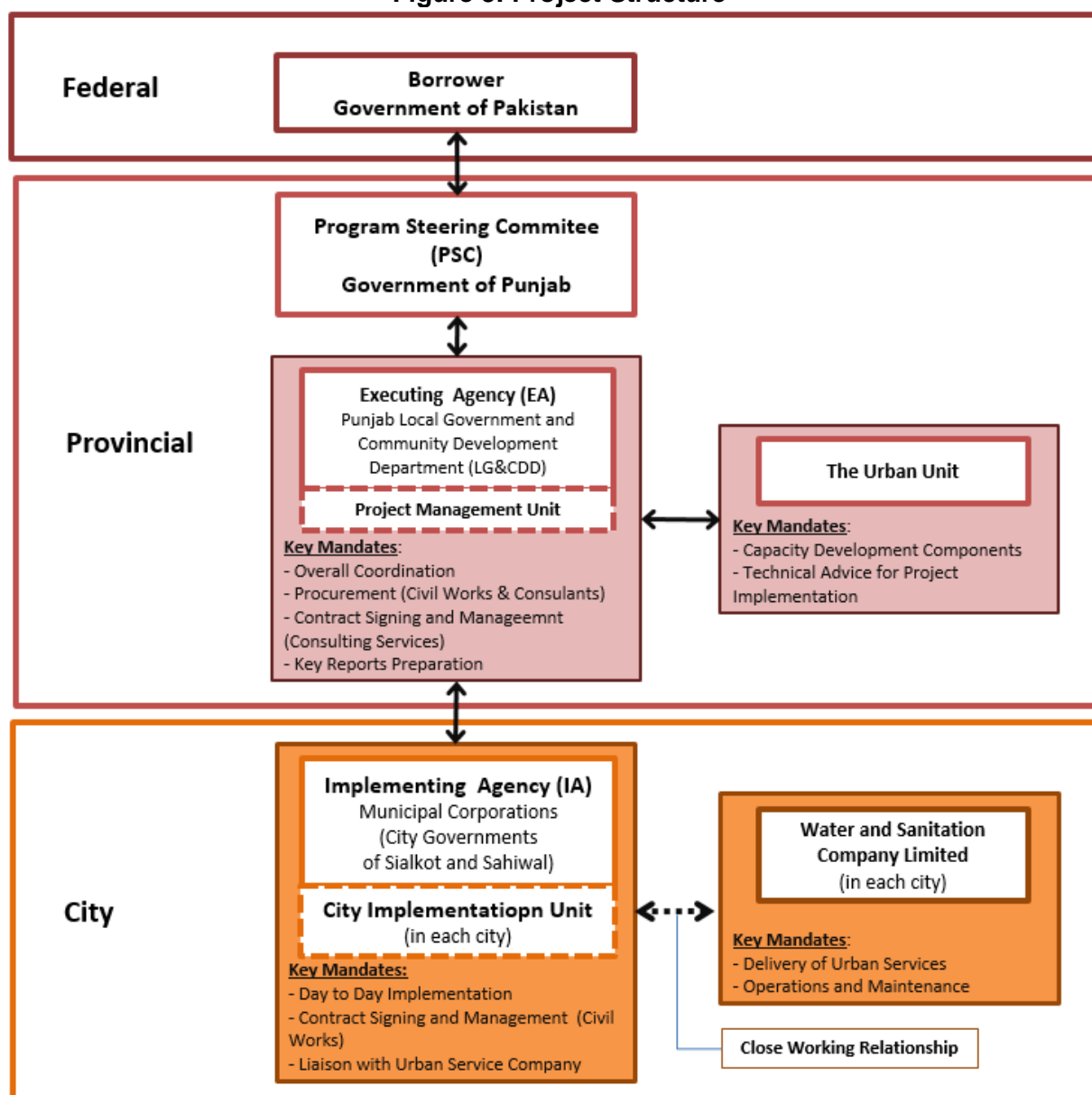
#### **D. Operations and Maintenance**

22. LG&CD Department and the Municipal Corporations of Sahiwal and Sialkot will cause the water and sanitation companies (urban services companies) in Sahiwal and Sialkot to operate and maintain all water supply systems and sanitation systems, including cleaning and maintenance services on streets, bus terminals, parks, and other facilities supported under the project. The urban service companies will:

- (i) Operate and maintain the civil works completed under the project and provide services in close collaboration with the Municipal Corporations and the CIUs;
- (ii) Prepare business plans, annual plans and budgets for submission to its board and to LG&CD Department;
- (iii) Develop guidelines, business and operational manual and policies related to its function and HR;
- (iv) Review investment design and scope of capital investment being made by the Project to ensure operational quality and efficiency requirement;

- (v) Facilitate final testing of equipment and works to ensure compliance with design parameters before taking over these investments;
- (vi) Collect and manage utility bills;
- (vii) Develop tariff structures based on service standards it provides;
- (viii) Undertake institutional procurement and operational procurement of supplies or small contracts related to water supply, sanitation, and solid waste management;
- (ix) Develop performance and operational efficiency benchmarks and targets for operational improvements; and
- (x) Report on performance against agreed service, quality, and performance standards agreed in SAMAs, annual operational and three-year business plans.

Figure 3: Project Structure



#### IV. COSTS AND FINANCING

23. ADB will finance the costs related to all four outputs: (i) improved water supply systems; (ii) improved sanitation and solid waste management systems; (iii) improved urban public spaces; and (iv) institutional support and capacity development, including applicable taxes. The government will finance the costs of land acquisition, resettlement and environmental management, and will also finance the financial charges during implementation. The government will seek ADB's prior concurrence in writing if costs for land acquisition, resettlement, and environmental management require financing from loan proceeds.

## A. Cost Estimates Preparation and Revision

24. The cost estimates were prepared by the consultants under a project preparatory technical assistance, reviewed by ADB staff and the executing agency. Cost estimates will be reviewed prior to sending invitations to bid to confirm that they remain valid, and revised as required.

## B. Key Assumptions

25. The following key assumptions underpin the cost estimates and financing plan:
- (i) Exchange rate: PRs104.25 = \$1.00 (as of 7 Jan 2017).
  - (ii) Price contingencies based on expected cumulative inflation over the implementation period are given in Table 4.

**Table 3: Escalation Rates for Price Contingency Calculation**

Item	2018	2019	2020	2021	Average
Foreign rate of price inflation	1.4%	1.4%	1.4%	1.4%	1.4%
Domestic rate of price inflation	5.0%	5.2%	5.5%	5.5%	5.3%

Source: Asian Development Bank.

## C. Detailed Cost Estimates by Expenditure Category

**Table 4: Detailed Cost Estimates by Expenditure Category**

Item	Foreign exchange	Local Currency	Total	% of Total Base Cost
<b>A. Investment Cost</b>				
Land Acquisition and Resettlement	-	1.15	1.15	0.6%
Environment	-	0.03	0.03	0.0%
Equipment	72.41	11.59	84.00	41.0%
Civil Works	-	97.60	97.60	47.6%
Consulting Services - Project Implementation	-	9.57	9.57	4.7%
Consulting Services - Capacity Development	-	9.62	9.62	4.7%
<b>Subtotal (A)</b>	<b>72.41</b>	<b>129.56</b>	<b>201.97</b>	<b>98.5%</b>
<b>B. Recurrent Costs</b>				
Project Management	-	3.00	3.00	1.5%
<b>Subtotal (B)</b>	<b>-</b>	<b>3.00</b>	<b>3.00</b>	<b>1.5%</b>
<b>Total Base Cost<sup>5</sup></b>	<b>72.41</b>	<b>132.56</b>	<b>204.97</b>	<b>100.0%</b>
<b>C. Contingencies</b>				
Physical	7.23	13.50	20.73	10.1%
Price	3.84	5.22	9.06	4.4%
<b>Subtotal (C)</b>	<b>11.07</b>	<b>18.72</b>	<b>29.79</b>	<b>14.5%</b>
<b>D. Financial Charges During Implementation</b>	<b>15.24</b>	<b>-</b>	<b>15.24</b>	<b>7.4%</b>
<b>Total Project Cost (A + B + C + D)</b>	<b>98.72</b>	<b>151.28</b>	<b>250.00</b>	<b>122.0%</b>

Source: Asian Development Bank and Local Government and Community Development Department estimates.

Notes:

- Numbers may not sum precisely because of rounding.
- Taxes and duties are financed by ADB and the government depending upon the percentage of financing for respective cost category.
- Land cost comprise of treatment plant and landfill site at Sahiwal.
- Physical Contingencies 10%, price contingencies based on projected inflation rates.
- Base cost includes taxes and duties of \$24.29 million.
- An international and national consultant will be recruited under item on "consulting services". Local currency will be covered using applicable foreign exchange.

**D. Allocation and Withdrawal of Loan Proceeds****Table 5: Allocation and Withdrawal of Loan Proceeds**

Category	Amount	Basis
1 Equipment, Civil Works, Consulting Services - Project Implementation, Project Management	194.17	100% of total expenditure claimed
2 Consulting Services - Capacity Development	5.83	60.6% of total expenditure claimed
3 Unallocated	-	
<b>Total</b>	<b>200.00</b>	

\*Subject to the conditions for withdrawal described in paragraph 6 of Schedule 3 of the Loan Agreement

**E. Detailed Cost Estimates by Financer****Table 6: Detailed Cost Estimates by Financer**

Item	ADB		Govt.		Total
	Amount	% of Cost Category	Amount	% of Cost Category	
<b>A. Investment Costs</b>					
Land Acquisition and Resettlement	-	0.0%	1.15	100.0%	1.15
Environment	-	0.0%	0.03	100.0%	0.03
Equipment	84.00	100.0%	-	0.0%	84.00
Civil Works	97.60	100.0%	-	0.0%	97.60
Consulting Services - Project Implementation	9.57	100.0%	-	0.0%	9.57
Consulting Services - Capacity Development	5.83	60.6%	3.79	39.4%	9.62
<b>Subtotal(A)</b>	<b>197.00</b>		<b>4.97</b>		<b>201.97</b>
<b>B. Recurrent Costs</b>					
Project Management	3.00	100.0%	-	0.0%	3.00
<b>Subtotal(B)</b>	<b>3.00</b>		<b>-</b>		<b>3.00</b>
<b>Total Base Cost</b>	<b>200.00</b>	<b>97.6%</b>	<b>4.97</b>	<b>2.4%</b>	<b>204.97</b>
<b>C. Contingencies</b>					
Physical	-	0.0%	20.73	100.0%	20.73
Price	-	0.0%	9.06	100.0%	9.06
<b>Subtotal(C)</b>	<b>-</b>	<b>0.0%</b>	<b>29.79</b>	<b>14.5%</b>	<b>29.79</b>
<b>D. Financial Charges During Implementation</b>	<b>-</b>	<b>0.0%</b>	<b>15.24</b>	<b>100.0%</b>	<b>15.24</b>
<b>Total Project Cost (A + B + C + D)</b>	<b>200.00</b>	<b>80.0%</b>	<b>50.00</b>	<b>20.0%</b>	<b>250.00</b>
<b>% of Total Project Cost</b>		<b>80.0%</b>		<b>20.0%</b>	

ADB = Asian Development Bank; GoPb = Government of Punjab.

Note:

1. Project Management includes Office Accommodation Renovation, PMU/CIU Salary, Office Equipment, and Supplies.

3. Subject to the conditions for withdrawal described in paragraph 6 of Schedule 3 of the Loan Agreement.

Numbers may not sum precisely because of rounding.

Sources: Asian Development Bank and Local Government and Community Development Department estimates.

# F. Detailed Cost Estimates by Outputs and/or Components

**Table 7: Detailed Cost Estimates by Outputs (\$ million)**

Item	Output 1			Output 2		Output 3		Output 4	
	Total Cost	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
<b>A. Investment Cost</b>									
Land Acquisition and Resettlement	1.15		0.0%	1.15	100.0%		0.0%		0.0%
Environment	0.03		0.0%		0.0%	0.03	100.0%		0.0%
Equipment	84.01	14.72	17.5%	39.42	46.9%	29.87	35.6%		0.0%
Civil Works	97.60	11.24	11.5%	8.57	8.8%	74.02	75.8%	3.77	3.9%
Consulting Services - Project Implementation	9.57		0.0%		0.0%		0.0%	9.57	100.0%
Consulting Services- Capacity Development	9.62		0.0%		0.0%		0.0%	9.62	100.0%
<b>Subtotal (A)</b>	<b>201.98</b>	<b>25.96</b>	<b>12.9%</b>	<b>49.14</b>	<b>24.3%</b>	<b>103.92</b>	<b>51.5%</b>	<b>22.96</b>	<b>11.4%</b>
<b>B. Recurrent Costs</b>									
Project Management	3.00		0.0%		0.0%		0.0%	3.00	100.0%
<b>Subtotal (B)</b>	<b>3.00</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>3.00</b>	<b>100.0%</b>
<b>Total Base Cost with Taxes</b>	<b>204.98</b>	<b>25.96</b>	<b>12.7%</b>	<b>49.14</b>	<b>24.0%</b>	<b>103.92</b>	<b>50.7%</b>	<b>25.96</b>	<b>12.7%</b>
<b>C. Contingencies</b>									
Physical	20.72	2.62	12.6%	4.97	24.0%	10.51	50.7%	2.62	12.6%
Price	9.06	1.15	12.7%	2.17	24.0%	4.59	50.7%	1.15	12.7%
<b>Subtotal (C)</b>	<b>29.78</b>	<b>3.77</b>	<b>12.7%</b>	<b>7.14</b>	<b>24.0%</b>	<b>15.10</b>	<b>50.7%</b>	<b>3.77</b>	<b>12.7%</b>
<b>D. Financial Charges During Implementation</b>	<b>15.24</b>	<b>1.93</b>	<b>12.7%</b>	<b>3.65</b>	<b>24.0%</b>	<b>7.73</b>	<b>50.7%</b>	<b>1.93</b>	<b>12.7%</b>
<b>Total Project Cost (A + B + C + D)</b>	<b>250.00</b>	<b>31.66</b>	<b>12.7%</b>	<b>59.93</b>	<b>24.0%</b>	<b>126.75</b>	<b>50.7%</b>	<b>31.66</b>	<b>12.7%</b>

Note: Numbers may not sum precisely because of rounding.

Sources: Asian Development Bank and Local Government and Community Development Department.



## G. Detailed Cost Estimates by Year

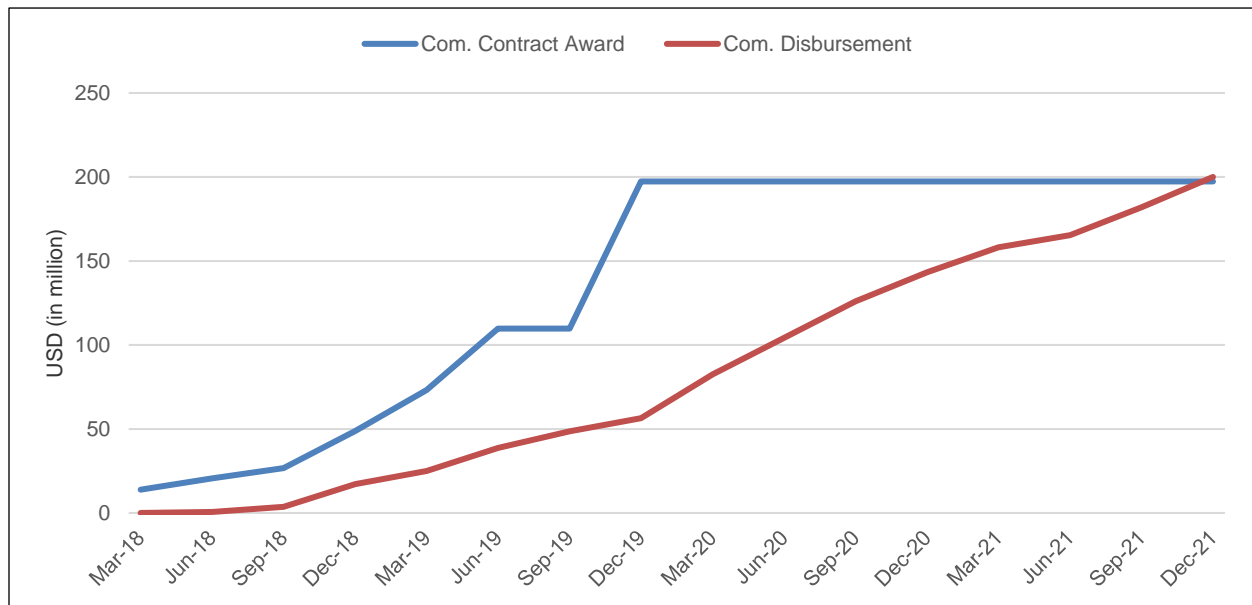
**Table 8: Detailed Cost Estimates by Year (\$ million)**

Item	Total	2018	2019	2020	2021
<b>A. Investment Costs</b>					
Land Acquisition and Resettlement	1.15	1.15	-	-	-
Environment	0.03	0.01	0.01	0.01	0.01
Equipment	84.00	8.40	16.80	42.00	16.80
Civil Works	97.60	9.76	19.52	39.04	29.28
Consulting Services - Project Implementation	9.57	0.96	1.91	3.83	2.87
Consulting Services- Capacity Development	9.62	1.07	2.05	3.70	2.80
<b>Subtotal (A)</b>	<b>201.97</b>	<b>21.35</b>	<b>40.29</b>	<b>88.58</b>	<b>51.76</b>
<b>B. Recurrent Costs</b>					
Project Management	3.00	0.75	0.75	0.75	0.75
<b>Subtotal (B)</b>	<b>3.00</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
<b>Total Base Cost</b>	<b>204.97</b>	<b>22.10</b>	<b>41.04</b>	<b>89.33</b>	<b>52.51</b>
<b>C. Contingencies</b>					
Physical	20.74	2.28	4.26	8.92	5.27
Price	9.06				9.06
<b>Total Contingency</b>	<b>29.80</b>	<b>2.28</b>	<b>4.26</b>	<b>8.92</b>	<b>14.33</b>
<b>D. Financial Charges During Implementation</b>	<b>15.23</b>	<b>1.64</b>	<b>3.05</b>	<b>6.65</b>	<b>3.89</b>
<b>Total Project Cost (A + B + C + D)</b>	<b>250.00</b>	<b>26.02</b>	<b>48.35</b>	<b>104.90</b>	<b>70.74</b>
<b>% Total Project Cost</b>	<b>100.0%</b>	<b>10.4%</b>	<b>19.3%</b>	<b>42.0%</b>	<b>28.3%</b>

Sources: Asian Development Bank and Local Government and Community Development Department estimates.

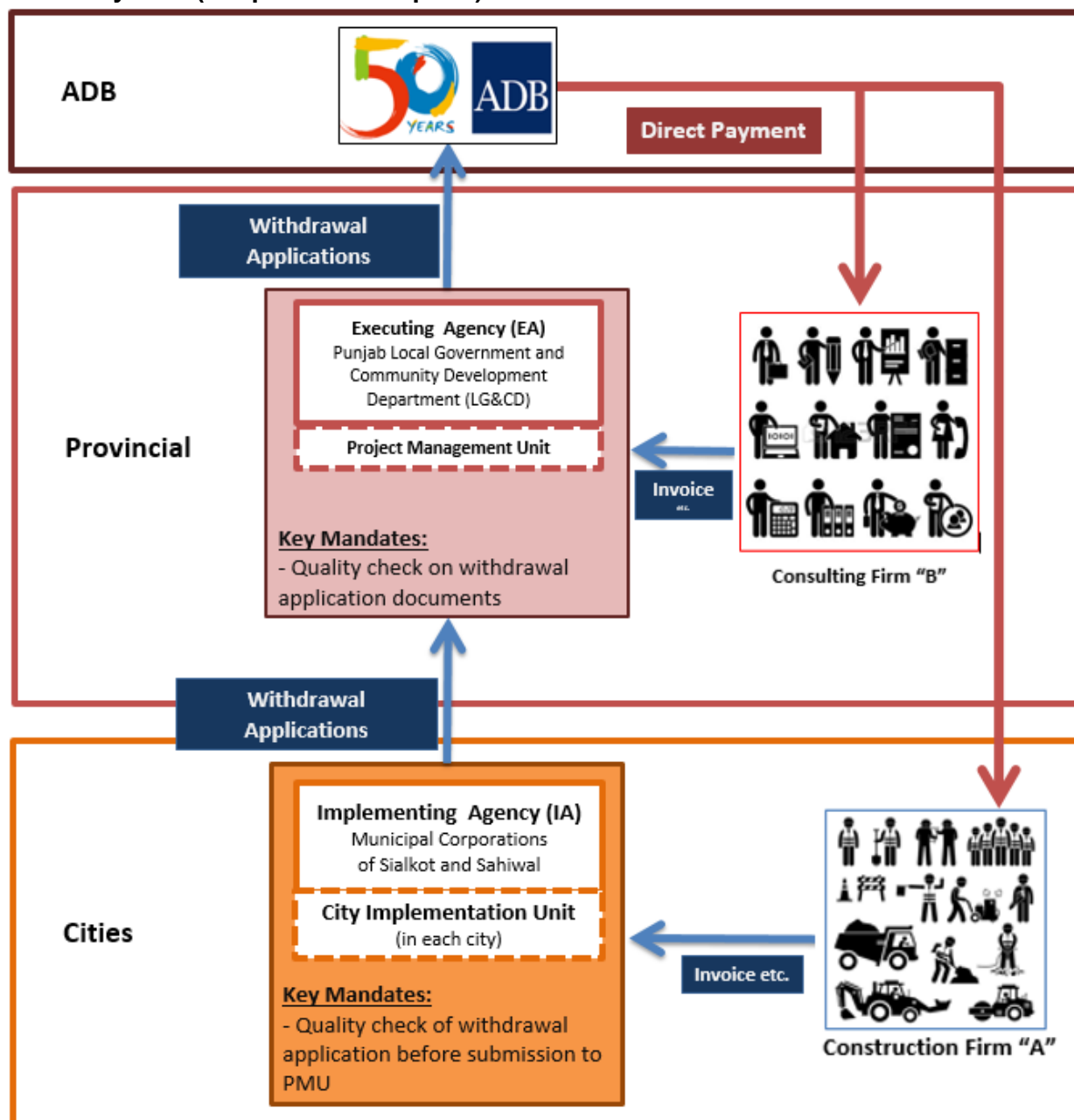
## H. Contract Awards and Disbursement S-Curve

Year	Contract Awards (in USD million)					Disbursements (in USD million)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2018	13.87	6.67	6.21	22.11	48.86	4.69	4.69	2.81	6.57	18.76
2019	24.36	36.47	0.00	90.31	151.14	9.69	9.69	5.81	13.56	38.75
2020	0.00	0.00	0.00	0.00	0.00	2.08	22.08	3.25	0.91	88.32
2021	0.00	0.00	0.00	0.00	0.00	3.55	13.55	8.13	18.96	54.19
<b>Total Contract Awards</b>					<b>200.00</b>	<b>Total Disbursements</b>				<b>200.00</b>



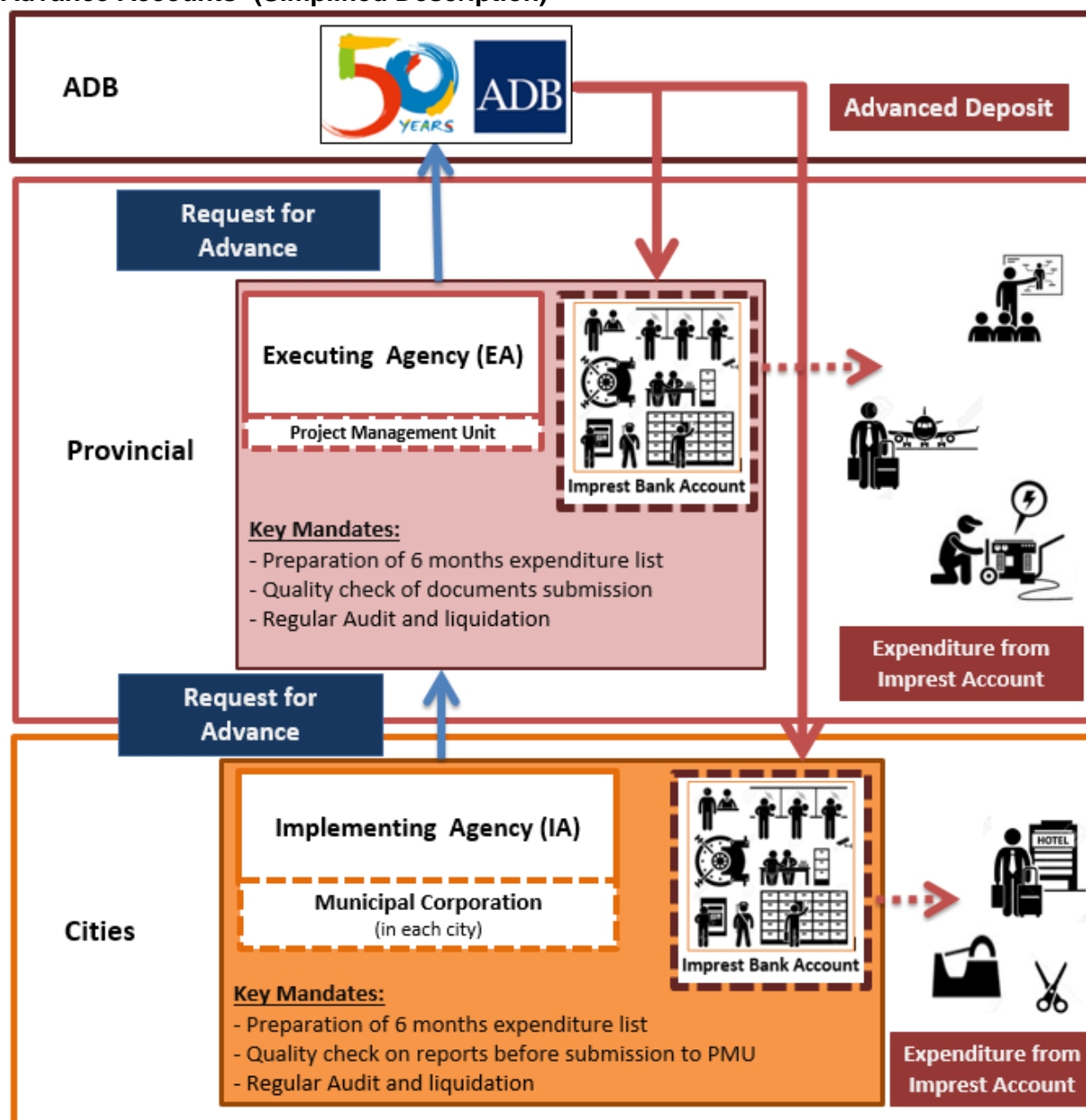
## I. Fund Flow Diagram

### Direct Payment (Simplified Description)



ADB = Asian Development Bank, PMU = Project Management Unit.

### Advance Accounts<sup>2</sup> (Simplified Description)



ADB = Asian Development Bank, PMU = Project Management Unit.

<sup>2</sup> Formerly called the imprest fund procedure or imprest account.

## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

26. The financial management assessment (FMA) was conducted between April and March 2017 in accordance with ADB's Guidelines.<sup>3</sup> The FMA considered the capacity of the Punjab Local Government and Community Development Department (LG&CD Department) (executing agency) acting through its Project Management Unit (PMU), and the Municipal Corporations (MC) of Sialkot and Sahiwal acting through the respective City Implementation Units (CIUs) (implementing agencies), including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. The PMU and CIUs have been established and staff appointed by Q2 2017. The current assessment is based on the expected structure and takes into consideration the current capacity of the MCs of the two cities. The project expenditure will be undertaken by both the CIUs and PMU. Based on the assessment, the key financial management risks in both the MCs are the following:

- (i) The MCs follow a single-entry system of accounting, and use manual ledgers and registers in place of IT-based financial management and reporting systems. Consequently, availability of data is a challenge. Available data is in the form of registers, notifications, and files. Data is sometimes not reliable. There is poor monitoring and supervision of the financial management and reporting function.
- (ii) The chart of accounts needs improvement. Same account codes are used to account for more than one source of revenue in some cases, and memorandum records are used for analysis.
- (iii) Lack of documented business processes.
- (iv) Internal audit function is not effective.
- (v) Comprehensive fixed asset registers are not maintained. MC does not have an integrated development and asset management plan using GIS based inventory of assets.
- (vi) Inventories are not taken on regular basis.
- (vii) Weak budgeting practices – multiyear budgeting is not done, nor is the budget integrated with an updated urban development plan. Expenditures are budgeted by following last year's amounts without forecasting the requirements based on operational efficiencies.
- (viii) Tariff is not reviewed regularly, and many tariffs have been in force for 3 to 4 years before being revised. Tariff revisions are affected significantly by political considerations. Cost recovery is not an explicit objective. Even rents are not fixed and revised in a timely manner, resulting in very low growth of this source of revenue despite the MC possessing prime property in Sialkot.

27. It is concluded that the overall pre-mitigation financial management risk of the Punjab LG&CD Department and the MCs is substantial. The Government of Pakistan (borrower), Punjab LG&CD Department, and the MCs have agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan is provided in Table 9.

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<sup>3</sup> ADB. 2005. *Financial Management and Analysis of Projects*. Manila; ADB. 2015. *Financial Management Technical Guidance Note for Financial Management Assessment*. Manila; and ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

**Table 9: Financial Management Action Plan**

<b>Risks</b>	<b>Actions</b>	<b>Responsibility</b>	<b>Timing</b>
Staffing Risk – Adequate financial management staff need to be approved, recruited, and fielded in the PMU and CIUs.	Key financial management personnel (comprised of [i] Finance Officer for the PMU and [ii] Budget and Finance Manager for both CIUs), an Accountant, and a Cashier in each of the PMU and CIUs, should be recruited and fielded.  Additional support staff in PMU and CIUs to be recruited based upon workload. As needed, project implementation consultants will also provide additional support when the government delays its recruitment processes.	PMU and CIUs	Q4 2017, to be continued for project duration
Compliance Risk – Project financial management policies and procedures/financial covenants of the legal agreement are not fully followed.	Budget and Finance Manager to be responsible for preparation of project financial statements, disbursements, budget and expenditure monitoring, among others, and would ensure that policies and procedures are adhered to.  Financial Policies and Procedures Manual (FPPM), based on earlier work by PIFRA, to be used for project financial management requirements. This document to be issued for use in all 3 units as a condition precedent to disbursement.	AGP LG&CD Department PMU, CIUs in both cities	Q4 2017, to be continued for project duration
No internal audit arrangements. Only pre-audit is conducted by the Accountant General's office while processing payments.	Internal audit function to be outsourced to a firm of chartered accountants for effective internal audit of PMU and CIUs. This is a condition precedent to disbursement.	AGP LG&CD Department Punjab Finance Department	Q4 2017, to be continued for project duration
Financial and Operational Risk – PMU setup under LG&CD Department and CIUs in both MCs are new, with fully competent staff under recruitment. There may be operational issues and they would need guidance.	PMU and CIUs staff will be recruited early and trained.	LG&CD Department PMU	Q4 2017
PMU and CIU staff do not have sufficient understanding of ADB's financial management requirements and disbursement procedures to manage the project fund flows which may contribute to delays in project implementation.	ADB to provide financial management training to clarify ADB's requirements including disbursement, financial reporting, and audit requirements.	ADB PMU	Q4 2017

<b>Risks</b>	<b>Actions</b>	<b>Responsibility</b>	<b>Timing</b>
Not a major risk as budgetary controls currently in use are effective	The computerized financial management system developed by PIFRA can augment budgetary control.	AGP	Q1 2018
Budget Execution Risk - delay in receiving funds from the government and actual expenditure deviating from budget estimates.	CIUs prepare and submit budget plan to MC, PMU, and Finance Department for approval and release of funds.  PMU monitors the expenditures against budget on a monthly basis. Any deviations from approved budget require justification and approval by LG&CD Department.  The Government of Punjab ensures adequate budget to be released to the project in one installment each year.	LG&CD Department Punjab Finance Department PMU CIUs	2017-2023
Financing Risk –Counterpart funds are not provided timely and adequately.	PMU prepares 3 years' project budget and update on annual basis. The government allocates sufficient budget for counterpart funds and release these on a timely basis.	LG&CD Department Punjab Finance Department PMU	2018-2023
Incomplete and inaccurate financial reporting – Manual accounting processes increase likelihood of errors and omissions.	Computerized accounting and asset management system developed under PIFRA to be used for the project.	PMU	Q1 2018
Compliance Risk – Audit requirements are not fully complied with due to external auditor's limited understanding of ADB's requirements.	AGP and ADB will jointly review audit requirements to ensure that the audit scope includes required opinion and assurances.	AGP ADB	Q1 2018
Delayed submission of financial reports undermines ADB's ability to assess capacity to implement, maintain, and operate the project.	Design financial reports in consultation with PIFRA so that the required reports are available online.	AGP LG&CD Department Punjab Finance Department PMU, CIUs	Q1 2018

ADB = Asian Development Bank, AGP = Auditor General of Pakistan, CIUs = City Implementation Unit, LG&CD = [Punjab] Local Government and Community Development, MC = Municipal Corporation, PIFRA = Project for Improvement of Financial Reporting and Auditing, PMU = Project Management Unit.

28. The time-bound action plan to ensure project sustainability is provided in Table 10.

**Table 10: Financial Sustainability Action Plan**

<b>#</b>	<b>Key Actions</b>	<b>Responsibility</b>	<b>Timeframe</b>	<b>Remarks</b>
1	Based on "Willingness to Pay Survey" completed in 2016, conduct another consumer survey in both cities, to	Municipal Corporation Municipal	November 2017	Project preparatory technical

	identify illegal connections and convert them to legal connections	Corporations of Sahiwal and Sialkot		assistance <sup>4</sup> will finance this survey.
2	Undertake water tariff and wastewater tariff workshop(s) and public consultations.	PMU, CIUs, and ODBM consultants – see below (3)	February 2018	PICIIP Con_03 (Procurement Plan)
3	Draft tariff policy and guidelines, which will focus on full recovery of <u>operations and maintenance cost</u> of urban services companies in the two cities.	ODBM consultants	April 2018	PICIIP Con_03 (Procurement Plan)
4	Establish a customer service and accounting units in urban service companies	CIUs and ODBM consultants	July 2018	PICIIP Con_03 (Procurement Plan)
5	Endorse the tariff policy and guidelines.	Municipal Corporation Municipal Corporations with CIUs support	September 2018	
6	Start water meters installation (Output 1 of the design and monitoring framework)	CIUs with PMU support	Start June 2018	PICIIP-03-WATER (Procurement Plan - goods)
7	Improve collection efficiency of water tariff and wastewater tariff collections in both cities, by 3% per annum, starting from FY2018.	Municipal Corporation of Sahiwal and Sialkot, and Utility Service Companies of both cities	From FY2019	
8	Introduce a policy for annual inflation-linked increase in water and wastewater tariffs (plot area and usage type).	Municipal Corporation Municipal Corporations with CIUs and ODBM consultants	April 2019	
9	Implement volumetric water and wastewater tariff, for all prepaid and post-paid meter connections.	Municipal Corporations with CIUs and ODBM consultants	June 2019  Progressively for all users of pre- and post-paid meters	

<sup>4</sup> ADB. 2014. *Technical Assistance to Pakistan for Punjab Intermediate Cities Improvement Investment Program*. Manila.



10	Expand coverage of meters (pre- and post-paid) along with volumetric tariff among the population of both cities	Municipal Corporations with CIUs and ODBM consultants	Q1 2020	Progressively, expand at the rate of 15% of consumers each year
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CIU = City Implementation Unit, FY = fiscal year, ODBM = operational design and business model, PICIIP = Punjab Intermediate Cities Improvement Investment Project, PMU = Project Management Unit.

## B. Disbursement

### 1. Disbursement Arrangements for ADB Funds

29. The loan proceeds under PICIIP will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time), and detailed arrangements agreed upon between the government and ADB including Government of Pakistan's (Finance Division) instructions for Revolving Fund Accounts (Foreign Aid Assignment Accounts). Online training for project staff on disbursement policies and procedures is available.<sup>5</sup> Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

30. Roles and responsibilities of the implementing agencies in respect of operation of advance accounts, approval of city investment plan/annual budget/procurement plan, signatories, internal audit and submission of Withdrawal Applications and financial reports are described in Table 11.

31. In line with the financial management assessment that has rated the financial management risk to be substantial, PICIIP will use the following disbursement methods:

- (i) Advance Account for contractors' bills and suppliers' invoices in local currency, numerous items of operating expenses, and other relatively small eligible expenditures. ADB may advance loan proceeds into a designated bank account of the implementing agencies to finance eligible expenditures and for full supporting documents will be provided at the time of liquidation and replenishment.
- (ii) Direct Payment generally for payments exceeding \$200,000 (e.g. large civil works, progress payments, consultant's fees, procurement of goods). ADB may make payments, at the implementing agency's request, directly to a third party (e.g., supplier, contractor, and consultant) for eligible expenditures.
- (iii) Commitment Procedure for payments made or to be made to a supplier against a letter of credit (LC) and include generally all Importation Costs. ADB, at the implementing agency's request, irrevocably agrees to reimburse a commercial bank for payments made or to be made to a supplier against a letter of credit (LC).
- (iv) PICIIP may also use Reimbursement Procedures where ADB pays from the loan account to the borrower's account for eligible expenditures which have been incurred and paid for by the project out of its budget allocation or its own resources. Full supporting documents will be submitted to support the reimbursement withdrawal applications.

### 2. Disbursement Procedures

32. **Advance fund procedure.** Separate advance accounts will be established and maintained by PMU and the CIUs for the ADB loan. ADB will provide the advance to be

<sup>5</sup> Disbursement eLearning. [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning)

denominated in US dollars, which may be converted into Pakistani Rupees for the internal administrative purposes of the government. The advance account(s) is to be used exclusively for ADB's share of eligible expenditures. As the government policy does not allow creation of sub-accounts, individual advance accounts will be provided for the LG&CD Department PMU and the CIUs in both MCs. All three units will be accountable and responsible for proper use of advances to the advance account. The Government of Punjab will recruit dedicated municipal finance staff in PMU and CIUs and these staff will complete the ADB financial capacity development activities.

33. The total outstanding advance to the advance accounts should not exceed the estimate of ADB's share of expenditures to be paid through the advance accounts, equivalent to estimated 6-month expenditure or 10% of the loan amount in aggregate, whichever is lower. The LG&CD Department and CIUs may request for initial and additional advances to the advance accounts based on an Estimate of Expenditure Sheet<sup>6</sup> setting out the estimated expenditures to be financed through the account(s) for the forthcoming 6 months. Full supporting documents should be submitted to ADB or retained by the borrower (LG&CD Department and CIUs) in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) when liquidating or replenishing the advance accounts, 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.

34. Advance accounts would be governed by Accounting Procedure for Revolving Fund Accounts (Foreign Aid Assignment Accounts) issued by the Finance Division on 2 August 2013. Salient features of the prescribed procedures include:

- (i) Separate account for the loan to be opened in National Bank of Pakistan (NBP);
- (ii) Would be lapsable at the end of each financial year, however, the lapsed balance would be protected through budgetary allocation in the following financial year;
- (iii) State Bank of Pakistan (SBP) will transfer funds received for foreign funded projects to the Provincial Government Account;
- (iv) Cheques/authorization would be signed jointly by at least two officials;
- (v) Statement of receipts and expenditure would be prepared for ADB and the auditors;
- (vi) Withdrawal applications signed by authorized officials will have to be submitted to ADB for initial advance and subsequent funding; and
- (vii) Advance account will have to be reconciled with SBP at the end of the project.

35. Under advance account procedures, the designated bank account (denominated in Pakistan Rupees for their internal administrative purposes) will be maintained by the PMU and the CIUs at the NBP under terms and conditions acceptable to ADB and the Government of Punjab. However, the ADB advance will be denominated in US dollars, and the exchange risk will be borne by the Borrower.

36. Before the submission of the first withdrawal application, the LG&CD Department would submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications, prepared by the Implementing Agencies, on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is prescribed in the ADB Loan Disbursement. Individual payments below this amount should be paid (i) by the executing agency and/or implementing agency from own

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<sup>6</sup> ADB. 2017. *Loan Disbursement Handbook*. 10B. Manila.

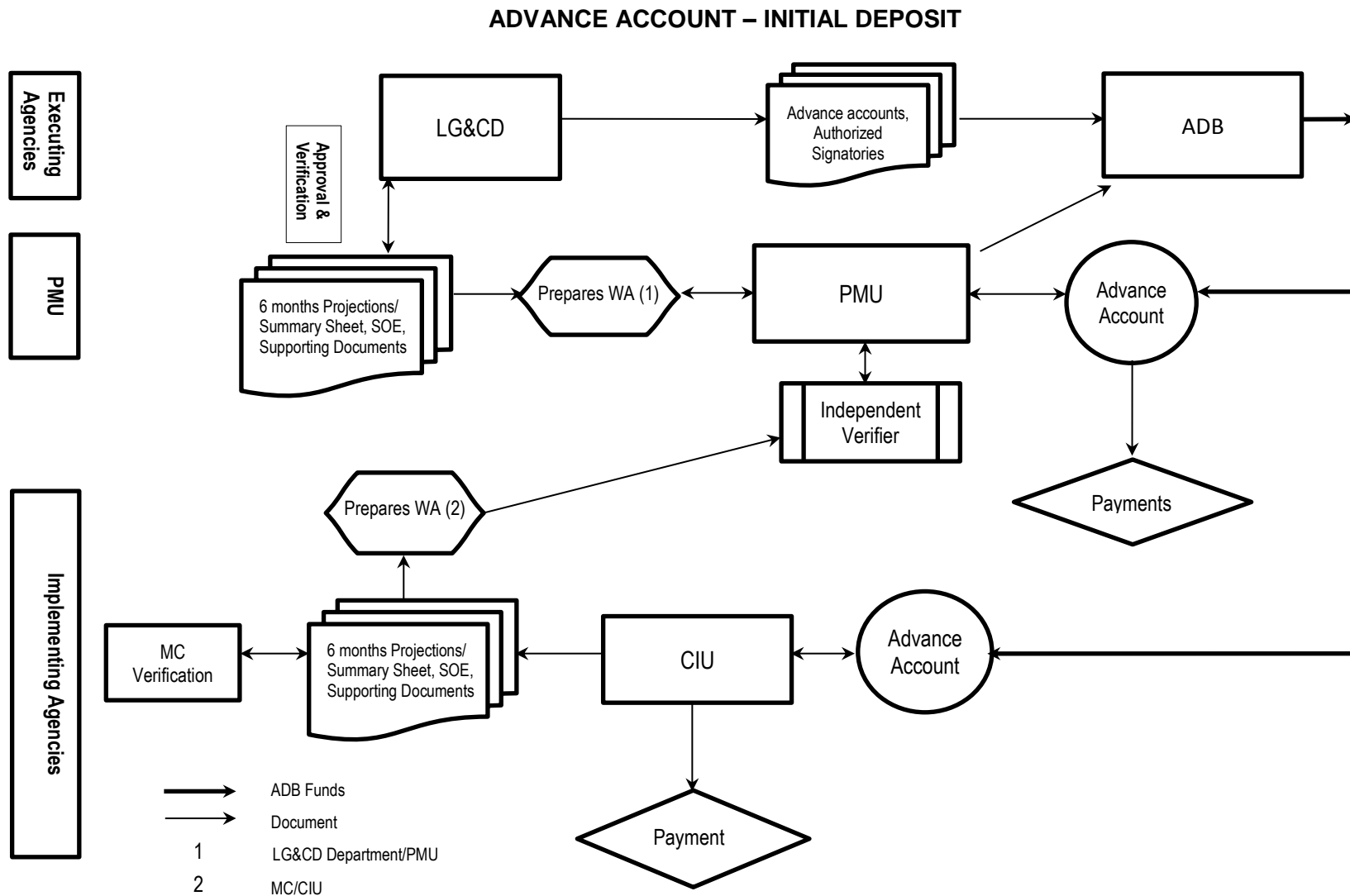
sources and subsequently claimed from ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB.

**a) Advance Account - Initial Deposit and Replenishment**

37. The following will be the process for initial advance payment made by the ADB to the designated implementing agencies' advance accounts and subsequent replenishments based on projections (Figure 3):

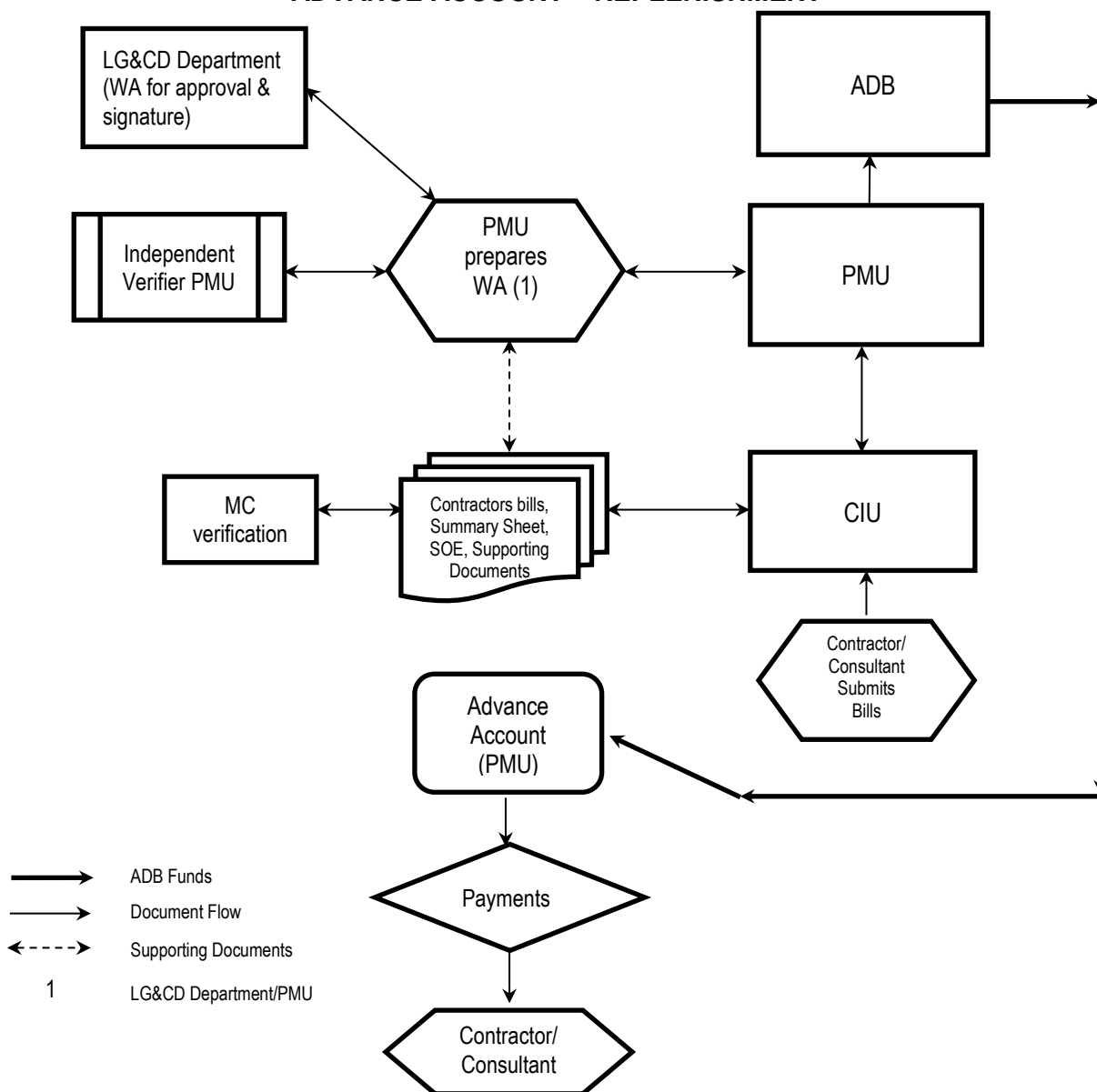
- (i) LG&CD Department will provide ADB with two authorized signatories of withdrawal applications (WA), one from LG&CD Department and one from PMU for PMU transactions. CIUs will have PMU as co-signatory.
- (ii) PMU, and CIUs will open their respective advance accounts at NBP and prepare their work plan for the first 6 months and get it approved from their respective approval authorities.
- (iii) PMU will prepare its WA and send to LG&CD Department for co-signature.
- (iv) CIUs will prepare WAs and send for co-signature according to their respective designated authorities.
- (v) PMU will be responsible for submission of all approved and verified WAs to the ADB.
- (vi) For Initial deposit in the Advance Account, ADB will advance funds based on first 6 months of approved projected expenditure.
- (vii) For Replenishment of Advance Accounts, 6 months' projections, Summary Sheet and Supporting Documents will be submitted for Independent Verification/Internal Audit before submission to the ADB.
- (viii) Upon submission of a WA, ADB will replenish funds based on 6 months of projected expenditure and actual expenditure incurred from advance account based on summary sheets and supporting documents, as appropriate, to PMU and CIUs bank advance accounts at NBP.
- (ix) The funds will be used for consulting activities, project implementation, capacity building and project management incremental costs by PMU and CIUs.

**Figure 3: Process for Initial Deposit and Replenishment of Advance Account**



ADB = Asian Development Bank, CIU = City Implementation Unit, LG&CD = [Punjab] Local Government and Community Development, MC = Municipal Corporation, PMU = Project Management Unit, WA = withdrawal application.

### ADVANCE ACCOUNT – REPLENISHMENT



ADB = Asian Development Bank, CIU = City Implementation Unit, LG&CD = [Punjab] Local Government and Community Development, MC = Municipal Corporation, PMU = Project Management Unit, WA = withdrawal application.

### **b) Statement of Expenditure (SOE)<sup>7</sup>**

38. The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance account. 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 and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB. ADB disbursement unit at Pakistan Resident Mission (PRM) will conduct frequent SOE checking or spot checking of supporting documents until it becomes satisfied with the capacity of the IAs. The Financial Management Specialist at PRM will also provide training to the PMU and CIUs on ADB's financial management requirements.

39. The PMU and CIUs will be responsible for: (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting and retaining supporting documents, and (iv) preparing and sending withdrawal applications to ADB.

40. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient 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 in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below this amount should be paid (i) by LG&CD Department and subsequently claimed to ADB through reimbursement; or (ii) through the advance fund procedure, unless otherwise accepted by ADB.

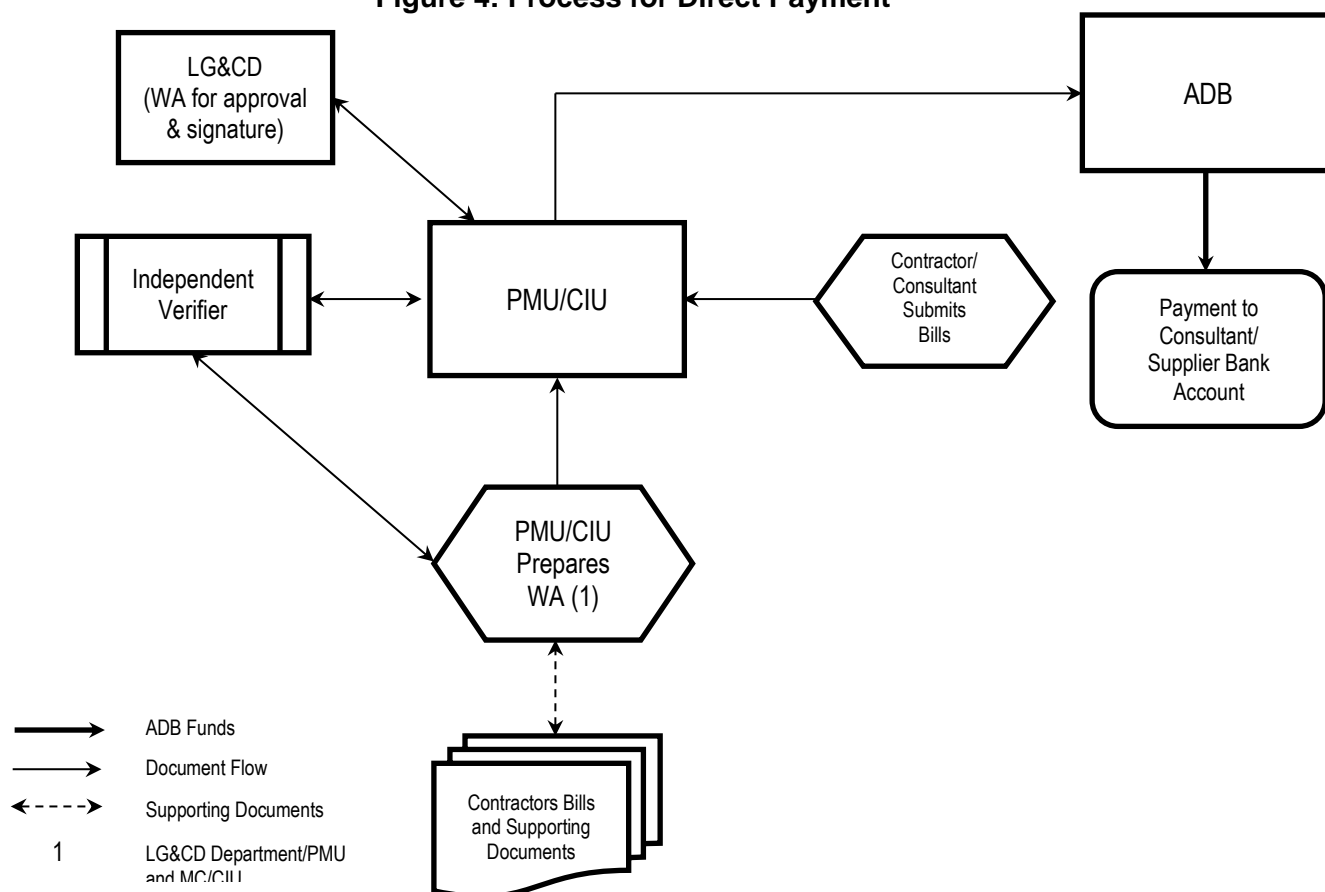
### **c) Direct Payment**

41. The following process applies to Implementing Agency's request for direct payment to the consultants/contractors under PICIIP which mainly covers large civil works, progress payments, consultant's fees, procurement of goods. (Figure 4).

- (i) Consultants/Contractors submit their bills to the PMU or CIUs.
- (ii) PMU and CIUs prepares WA for direct payment.
- (iii) PMU and CIUs submit bills with supporting documents to the independent verifier for verification.
- (iv) Independent verifier verifies the bill and supporting documents and sends them back to PMU and CIUs.
- (v) PMU and CIUs submits bills and supporting documents to LG&CD Department for approval and co-signature for direct payment.
- (vi) PMU submits WA with supporting documents to ADB for payment.
- (vii) ADB after review makes payment directly into consultant's/contractor's bank account.

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

**Figure 4: Process for Direct Payment**

ADB = Asian Development Bank, CIU = City Implementation Unit, LG&CD = [Punjab] Local Government and Community Development, MC = Municipal Corporation, PMU = Project Management Unit, WA = withdrawal application.

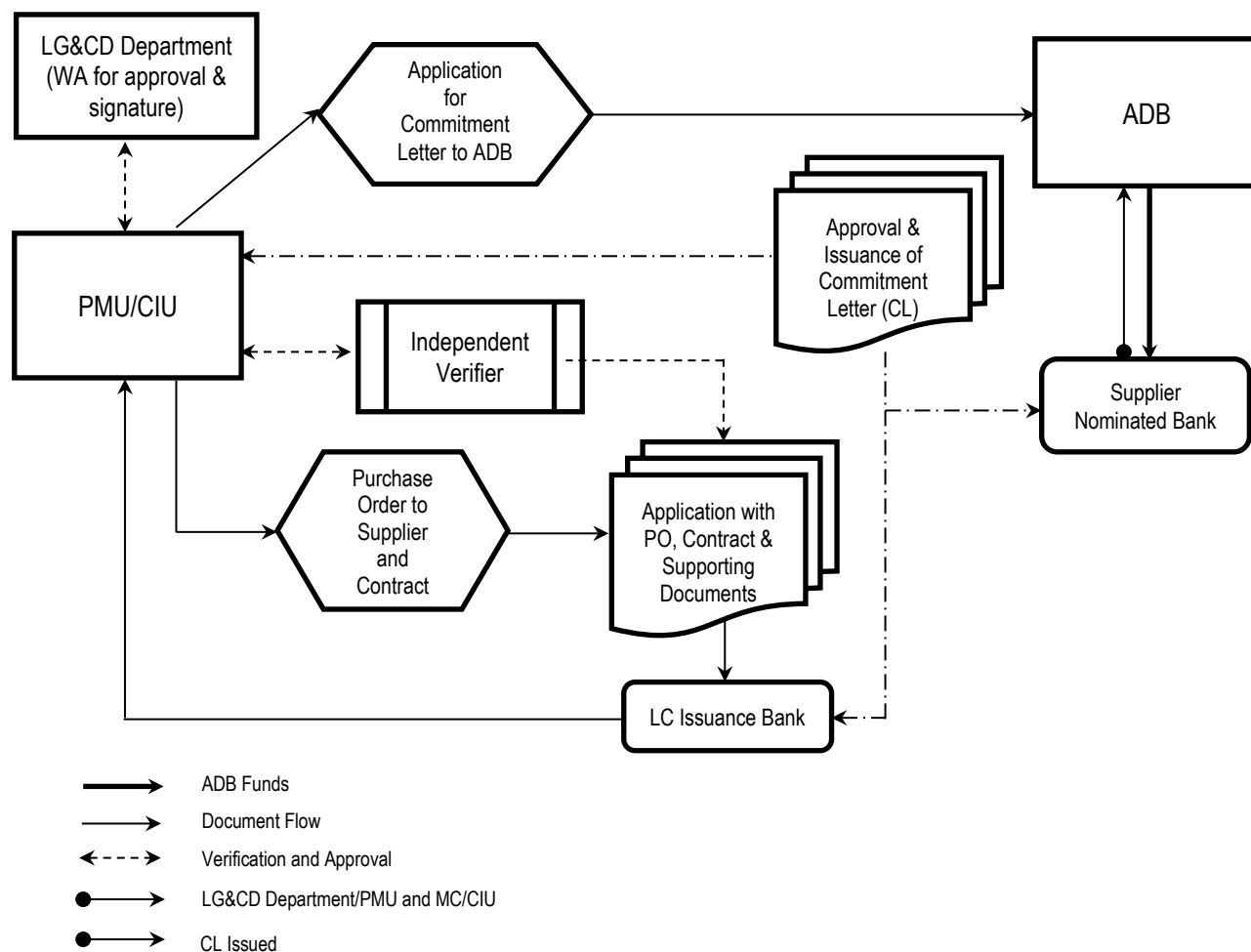
#### **d) Commitment Procedure**

42. The following process applies to PMU's request to ADB for issuance of Commitment Letter in favor of supplier's nominated Bank and payment by ADB according to the terms of Letter of Credit (LC). Under this procedure, the LC issued by the PMU's bank (LC issuing bank) becomes operative only if and when ADB issues its commitment letter to the supplier's nominated bank (Figure 5).

- The implementing agency issues purchase order to supplier and negotiates contract for import of goods against LC.
- The implementing agency applies to the NBP, before importation, to open a LC in favor of the supplier in accordance with the terms of the contract.
- The implementing agency completes an application for the Commitment Letter (CL) using ADB format.
- The implementing agency submits application along with summary sheet and supporting documents including contract and copy of LC, after verification by the Independent Verifier to the ADB.
- Upon approval of the borrower's application for a CL, ADB issues a CL to the designated commercial bank and sends a copy to the PMU and the issuing bank.

- f) After confirming that it has paid or agrees to pay for the transaction under the LC terms, the nominated commercial bank submits a request for payment of claim in the prescribed format to ADB.

**Figure 5: Process for Commitment Payment**



ADB = Asian Development Bank, CIU = City Implementation Unit, LC = Letter of Credit, LG&CD = [Punjab] Local Government and Community Development, PO = Purchase Order, PMU = Project Management Unit, WA = withdrawal application.

### 3. Disbursement Arrangements for Counterpart Fund

43. The CIUs will prepare annual budgets and submit them to the PMU in LG&CD Department for consolidation with its own budget and submission to the Finance Department of the Government of Punjab. The Government of Punjab will ensure timely release of the entire government counterpart allocation to the PMU and the CIUs in one installment.



## C. Accounting

44. The LG&CD Department will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following International Public Sector Accounting Standard for cash-based accounting. The LG&CD Department will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

## D. Auditing and Public Disclosure

45. The LG&CD Department will cause the detailed and consolidated project financial statements to be audited in accordance with the International Standards for Supreme Audit Institutions and the Audit Regulations of the Auditor General of Pakistan, by the office of the Auditor General of Pakistan, or another 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 LG&CD Department.

46. The audited entity financial statements, together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the relevant authority.

47. 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 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).

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

49. The Government of Pakistan, the LG&CD Department (executing agency), and the CIUs and MCs (implementing agencies) have 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>8</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

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<sup>8</sup> ADB's approach and procedures regarding delayed submission of audited project financial statements:

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 new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.

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 new replenishment of advance accounts, 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.

When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

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.

50. 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>9</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>10</sup>

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

51. All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time). The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The borrower, LG&CD Department (executing agency), and the CIUS and MCs (implementing agencies) have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the project.

52. **Advance contracting and retroactive financing.** It is envisaged to undertake advance actions and retroactive financing for eligible expenditures up to 20% of the total ADB loan amount, for the procurement of (i) project management coordination and performance monitoring consulting services; (ii) engineering, procurement, and construction management consulting services; (iii) operational design and business model consulting services; and (iv) a firm chartered accountants for the internal audit function of the PMU and CIUs, incurred before loan effectiveness, but not more than 12 months before signing of the loan agreement. This will include: (i) the preparation of a request for proposal documents and advertisement through the consulting services recruitment notices for ADB's prior review and approval; (iii) evaluation of proposals; and (iv) recruitment of consultants. This will also include the costs required for the establishment of the PMU and CIUs.

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

53. A project procurement risk assessment of LG&CD Department and MCs was undertaken and acknowledged that the executing and implementing agencies have not implemented an international financial institution-funded project and do not have a dedicated procurement section with a permanent team of procurement specialists. The procurement officials are not familiar with conducting procurement activity under ADB Procurement Guidelines (2015, as amended from time to time). However, they are familiar with applying the provincial procurement rules only. The assessment further concluded the project procurement risk as High. However, in order to mitigate the risk, a PMU fully staffed with experts will be established for the project and all contracts under

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<sup>9</sup> Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

<sup>10</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). Manila.

international competitive bidding (ICB) and national competitive bidding (NCB) procurement methods will be subject to prior review by ADB. In addition, ADB will engage upfront one individual consultant (procurement) to support the executing and implementing agencies in the advance contracting of consulting services.

54. ICB procedures will be used for civil works contracts estimated to cost \$15,000,000 or more, and supply contracts valued at \$2,000,000 or higher. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000. NCB procedures will be used for civil works and supply contracts estimated to cost between \$ 100,001 and US\$ 14,999,999. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000.

55. Before the start of any procurement, ADB and the government will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Guidelines (2015, as amended from time to time).

56. ADB standard bidding documents for procurement of works (large contracts), dated December 2016 shall be used for the procurement of works costing more than \$15,000,000, for works costing less than \$15,000,000, ADB standard bidding documents for works (small contracts), dated December 2016 shall be used. For the procurement of goods, the ADB standard bidding documents for the procurement of goods dated December 2016 or later edition shall be used.

57. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

58. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time).<sup>11</sup> The terms of reference for all consulting services are detailed in Section D.

59. International consultant will be recruited to (i) facilitate project management and implementation, (ii) strengthen the institutional and operational capacity of the executing agency, and (iii) conduct audit and monitor finance management. Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality–cost ratio of 90:10.

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<sup>11</sup> Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

## C. Procurement Plan

### Basic Data

<b>Project Name:</b> Punjab Intermediate Cities Improvement Investment Project	
<b>Project Number:</b> P46526	<b>Approval Number:</b> TBD
<b>Country:</b> PAKISTAN (Punjab)	<b>Executing Agency:</b> Local Government & Community Development (LG&CD) Department
<b>Project Procurement Classification:</b> A	<b>Implementing Agency:</b> Municipal Corporations of Sahiwal and Sialkot
<b>Procurement Risk:</b> High	
<b>Project Financing Amount:</b> \$ 250 million <b>ADB Financing:</b> \$ 200 million <b>Cofinancing (ADB Administered):</b> None <b>Non-ADB Financing:</b> \$ 50 million	<b>Project Closing Date:</b> December 2023
<b>Date of First Procurement Plan:</b> January 2017	<b>Date of this Procurement Plan:</b> 26 July 2017

### 1. Methods, Thresholds, Review and 18-Month Procurement Plan

#### a) Procurement and Consulting Methods and Thresholds

60. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Works	\$15,000,000 <sup>1</sup>	Prior. ADB standard bidding document; Post-qualification.
International Competitive Bidding for Goods	\$2,000,000	Prior.
National Competitive Bidding (NCB) for Works <sup>2</sup>	Beneath that stated for ICB, Works	Prior. First bidding document for each type of contract (works, goods, plant) will be reviewed by ADB, and will be used for all subsequent NCB procurements.
National Competitive Bidding for Goods <sup>2</sup>	Beneath that stated for ICB, Goods	Prior. First bidding document will be reviewed by ADB, and will be used for all subsequent NCB procurement packages.
Shopping for Works	Below \$100,000	Prior
Shopping for Goods	Below \$100,000	Prior

<sup>1</sup> Refer to PAI 3.03 Appendix 2 for International Competitive Bidding

<sup>2</sup> Refer to Para. 3 of PAI 3.05 for National Competitive Bidding

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	90:10 weightage. Prior. ADB standard request for proposal.

Quality Based Selection	Prior. ADB standard request for proposal.
<b>Method</b>	<b>Comments</b>
Consultants' Qualifications Selection <sup>1</sup>	Prior. ADB standard request for proposal.
Least-Cost Selection <sup>2</sup>	Prior. ADB standard request for proposal.
Fixed Budget Selection	TBD
Individual Consultants Selection for Individual Consultant	Prior. Posted in the consultant management system

<sup>1</sup> Refer to Para. 29 of PAI 2.02 for Consultants' Qualification Selection

<sup>2</sup> Refer to Para. 26 of PAI 2.02 for Least-Cost Selection

### **b) Goods and Works Contracts Estimated to Cost \$1 Million or More**

61. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number <sup>1</sup>	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Procurement Method	Review	Bidding Procedure <sup>2</sup>	Advertisement Date (quarter/year)	Comments <sup>3</sup>
PICIIP-01-PUBLICSPACES	Lot 1: Works for Sahiwal Upgrading 6 parks and 2 greenbelts (fencing and development of jogging tracks, riverbank paths, parking areas, sports grounds, cafeteria, theatre, toilets)	3.41	3.96	NCB	Prior	1S1E	Q2 / 2018	SBD Small Works
	Lot 2: Works for Sialkot Upgrading 5 parks, and 1 greenbelt (fencing and development of jogging tracks, riverbank paths, parking areas, sports grounds, cafeteria, theatre, toilets)	2.54	2.95	NCB	Prior	1S1E	Q2 / 2018	SBD Small Works
PICIIP-03-SWL-WATER	Procurement of Water Treatment Facility (i) Construction of 12 new OHRs, training room, lab, yard for meters, service center (ii) 8 new bores with pump sets, motors, pump houses (iii) Rehabilitation of 12 old OHRs and 19 tube wells (iv) Replacement of about 54 km defective water supply pipelines by PE pipes	7.61	8.83	ICB	Prior	1S2E	Q2 / 2018	SBD Small Works
PICIIP-04-ROAD UPGRADATION	Lot 1: Sahiwal Upgradation of Railway Road (3 km)	1.50	1.74	NCB	Prior	1S1E	Q3 / 2018	SBD Small Works
	Lot 2: Sialkot Upgradation of city streets (3 km)	1.50	1.74	NCB	Prior	1S1E	Q3 / 2018	SBD Small Works

Package Number <sup>1</sup>	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Procurement Method	Review	Bidding Procedure <sup>2</sup>	Advertisement Date (quarter/year)	Comments <sup>3</sup>
PICIIP-05-SCADA	Lot 1: For Sahiwal DNI Zone, installation of SCADA system	1.00	1.16	ICB	Prior	1S1E	Q2 / 2018	SBD Goods
	Lot 2: For Sialkot DNI Zone, installation of SCADA system	1.00	1.16	ICB	Prior	1S1E	Q2 / 2018	SBD Goods
PICIIP-06-WATER METERS	Lot 1: For Sahiwal Supply of 6,400 postpaid, 600 prepaid meters	1.00	1.16	ICB	Prior	1S1E	Q2 / 2018	SBD Goods
	Lot 2: For Sialkot Supply of 8,800 postpaid and 800 prepaid meters	1.00	1.16	ICB	Prior	1S1E	Q2 / 2018	SBD Goods
PICIIP-07-PIPES	Lot 1: For Sahiwal Replacement of pipes	0.54	0.63	ICB	Prior	1S1E	Q2 / 2018	SBD Goods
	Lot 2: For Sialkot Replacement of pipes	0.54	0.63	ICB	Prior	1S1E	Q2 / 2018	SBD Goods
PICIIP-08-SWL-STP, WASTEWATER & SANITATION	Centralized Sewage Treatment Plant (i) Laying of trunk mains and gravity lines (ii) Rehabilitation of 10 pumping stations (iii) Replacement of 12.5 km sewer	23.86	27.67	ICB	Prior	1S2E	Q3 / 2018	SBD Plant
PICIIP-09-BUS TERMINAL	Lot 1: For Sahiwal Bus Terminal Facilities, Establishment of Control Centre and installation of traffic signals	2.45	2.84	NCB	Prior	1S2E	Q3 / 2018	SBD Goods
	Lot 2: For Sialkot Bus Terminal Facilities, Establishment of Control Centre and installation of traffic signals	3.30	3.86	NCB	Prior	1S2E	Q3 / 2018	SBD Goods
PICIIP-10-BUS TERMINAL	Lot 1: For Sahiwal Construction of 2 city bus terminal	10.00	11.60	NCB	Prior	1S2E	Q3 / 2018	SBD Small Works
	Lot 2: For Sialkot Construction of bus terminal	10.00	11.60	NCB	Prior	1S2E	Q3 / 2018	SBD Small Works
PICIIP-11-SKT-WATER SUPPLY	Procurement of Works (i) Rehabilitation of 10 OHRs and 95 tubewells (ii) Rehabilitation of Fateh Garh Water Distribution System (400 hh) (iii) Replacement of 312 km damaged & asbestos pipes	9.69	11.24	NCB	Prior	1S1E	Q3 / 2018	SBD Large Works

Package Number <sup>1</sup>	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Procurement Method	Review	Bidding Procedure <sup>2</sup>	Advertisement Date (quarter/year)	Comments <sup>3</sup>
PICIIP-12-SKT-WASTEWATER PUMP SUPPLY	Procurement of Goods (i) Replacement of 12 turbine pumps & motor (ii) Rehabilitation of 8 disposal/pumping stations	6.00	6.96	NCB	Prior	1S1E	Q2 / 2018	SBD Goods
PICIIP-13-SKT-WASTEWATER PUMP STATION	Procurement of Works Replacement of 30 km sewer	1.39	1.61	NCB	Prior	1S1E	Q2 / 2018	SBD Small Works
PICIIP-14-PLGA	Lot 1: Procurement of Works (i) Upgradation of Punjab Local Government Academy (PLGA) campus at Lala Musa	1.25	1.45	NCB	Prior	1S1E	Q2 / 2018	SBD Small Works
	Lot 2: Procurement of Works (i) Construction of Punjab Local Government (PLGA) Academy at Lahore	2.00	2.32	NCB	Prior	1S1E	Q2 / 2018	SBD Small Works
		<b>91.58</b>	<b>106.27</b>					

<sup>1</sup> If the package contains multiple lots, please provide the following information for each lot – lot number, lot description and lot estimated value.

<sup>2</sup> Type of Bidding Procedures: 1S1E / 1S2E / 2S / 2S2E.

<sup>3</sup> Indicate whether prequalification of bidders and domestic preference is applicable. Specify the type of bidding documents to be used: Small Works / Large Works / Plant / Goods.

### c) Consulting Services Contracts Estimated to Cost \$100,000 or More

62. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Recruitment Method	Review	Advertisement Date (quarter/year)	Type of Proposal <sup>1</sup>	Comments <sup>2</sup>
PICIIP-Cons_01	Project management coordination, and performance monitoring (PMCPM) consultant	3.75	4.35	QCBS	Prior	Q4 / 2017	FTP	Assignment: International <i>Advance contracting</i>
PICIIP-Cons_02	Engineering, procurement, and construction management (EPCM) consultant	3.00	3.48	QCBS	Prior	Q4 / 2017	FTP	Assignment: International <i>Advance contracting</i>
PICIIP-Cons_03	Operational design and business model (OBDM) consultant	2.00	2.32	QCBS	Prior	Q4 / 2017	FTP	Assignment: International <i>Advance contracting</i>
PICIIP-Cons_05	Capacity building and integrated city development strategy implementation consultant	6.00	6.96	QCBS	Prior	Q1 / 2018	FTP	Assignment: International

Package Number	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Recruitment Method	Review	Advertisement Date (quarter/year)	Type of Proposal <sup>1</sup>	Comments <sup>2</sup>
		14.75	17.11					

<sup>1</sup> See PAI 2.02G: full, simplified or bio data technical proposal.

<sup>2</sup> Indicate the type of assignment: International or National. Specify the Quality-Cost Ratio for QCBS method. Indicate the type of expertise for Individual Consultant Selection.

**d) Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)**

63. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
None								

Consulting Services									
Package Number	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Number of Contracts	Recruitment Method	Review	Advertisement Date (quarter/year)	Type of Proposal	Comments
PICIIP-Cons_04	Audit and finance consultant	0.75	0.87	Multiple	LCS	Prior	Q2 / 2018	STP	Assignment: International
		0.75	0.87						

## 2. Indicative List of Packages Required Under the Project

64. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works								
Package Number	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Estimated Number of Contracts	Procurement Method	Review	Bidding Procedure	Comments
PICIIP-02-SWM EQUIPMENT	Lot 1: Procurement of equipment for solid waste management facility for Sahiwal (municipal solid waste recycling system; primary double shaft shredder; containers; community bins; tractors waste sorting machines; trash collectors and recycling vehicles; and communication equipment)	3.00	3.48	Multiple	Shopping/NCB	Prior	1S1E	TBD



Goods and Works								
Package Number	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Estimated Number of Contracts	Procurement Method	Review	Bidding Procedure	Comments
	Lot 2: Procurement of equipment for solid waste management facility for Sialkot (municipal solid waste recycling system; primary double shaft shredder; containers; community bins; tractors waste sorting machines; trash collectors and recycling vehicles; and communication equipment)	3.00	3.48	Multiple	Shopping/NCB	Prior	1S1E	TBD
PICIIP-15-SEWERAGE EQUIPMENT	Lot 1: For Sahiwal Provision of sewerage management equipment	2.06	2.39	Multiple	TBD	Prior	1S1E	TBD
	Lot 2: For Sialkot Provision of sewerage management equipment	2.06	2.39	Multiple	TBD	Prior	1S1E	TBD
PICIIP-16-SWL-REST ROADS	Procurement of Works Upgradation of the remaining city streets including City Control center and MIS systems of SMART City	25.90	30.04	Multiple	NCB	Prior	1S1E	SBD Large Works without prequalification and with FIDIC conditions
PICIIP-17-SKT- REST ROADS	Procurement of Works Upgradation of the remaining city streets including City Control Center and MIS systems of SMART City	28.96	33.59	Multiple	NCB	Prior	1S1E	SBD Large Works without prequalification and with FIDIC conditions
		<b>54.86</b>	<b>63.63</b>					

Consulting Services								
Package Number	General Description	Estimated Value (million \$)	Inclusive Tax Value (million \$)	Estimated Number of Contracts	Recruitment Method	Review	Type of Proposal	Comments
PICIIP-Cons_06	Consultancy for operation of Sahiwal Sewerage Treatment Plant (STP)	2.50	2.90	One	QCBS	Prior	FTP	Assignment: International Quality-Cost Ratio: 80:20
		<b>2.50</b>	<b>2.90</b>					

### 3. List of Awarded and On-going, and Completed Contracts

65. The following tables list the awarded and on-going contracts, and completed contracts.

**a) Awarded and On-going Contracts**

Goods and Works							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award <sup>1</sup>	Comments <sup>2</sup>
None							

<sup>1</sup> Date of ADB Approval of Contract Award is the date of No-Objection letter to the EA/IA.

<sup>2</sup> Indicate the Contractor's name and the contract signing date.

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award <sup>1</sup>	Comments <sup>2</sup>
None							

<sup>1</sup> Date of ADB Approval of Contract Award is the date of No-Objection letter to the EA/IA.

<sup>2</sup> Indicate the Consulting Firm's name and the contract signing date.

**b) Completed Contracts**

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award <sup>1</sup>	Date of Completion <sup>2</sup>	Comments
None								

<sup>1</sup> Date of ADB Approval of Contract Award is the date of No-Objection letter to the EA/IA.

<sup>2</sup> The Date of Completion is the physical completion date of the contract.

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award <sup>1</sup>	Date of Completion <sup>2</sup>	Comments

<sup>1</sup> Date of ADB Approval of Contract Award is the date of No-Objection letter to the EA/IA.

<sup>2</sup> The Date of Completion is the physical completion date of the contract.

**4. Non-ADB Financing**

66. The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments

None				

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments
None				

## 5. National Competitive Bidding

### General

67. The procedures to be followed for national competitive bidding shall be those set forth in the Punjab Procurement Regulatory Authority and Punjab Procurement Rules No. ADMIN(PPRA)10-2/2013 issued on 13 January 2014 by the Punjab Procurement Regulatory Authority Ordinance Act, 2009 (VIII of 2009) of the Government of Punjab with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines (2015, as amended from time to time).

68. Registration.

- (i) Bidding shall not be restricted to pre-registered firms and such registration shall not be a condition for participation in the bidding process.
- (ii) Where registration is required prior to award of contract, bidders: (a) shall be allowed a reasonable time to complete the registration process; and (b) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

### Prequalification

69. Normally, post-qualification shall be used unless prequalification is explicitly provided for in the loan agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

### Bidding Period

70. The minimum bidding period is twenty-eight (28) days prior to the deadline for the submission of bids.

### Bidding Documents

71. Procuring entities shall use the applicable standard bidding documents for the procurement of goods, works and services acceptable to ADB.

### **Preferences**

72. No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

### **Advertising**

73. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids. NCB contracts estimated to cost \$500,000 or more for goods and related services, and \$1,000,000 or more for civil works will be advertised on ADB's website via the posting of the Procurement Plan.

### **Bid Security**

74. Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

### **Bid Opening and Bid Evaluation**

- (i) Bids shall be opened in public.
- (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.
- (iii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (iv) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the ADB's prior concurrence.
- (v) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.

### **Rejection of all Bids and Rebidding**

75. Bids shall not be rejected and new bids solicited without the ADB's prior concurrence.

### **Participation by Government-owned enterprises**

76. Government-owned enterprises in the Islamic Republic of Pakistan shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

### **ADB Member Country Restrictions**

77. Bidders must be nationals of member countries of ADB, and offered goods and services must be produced in and supplied from member countries of ADB.

## D. Consultant's Terms of Reference

78. Seven consulting support packages will be provided under the project, as detailed in Appendix 1.

## VII. SAFEGUARDS

79. Following ADB Safeguard Policy Statement (2009), the investment project has been categorized as B for environment, A for involuntary resettlement, and C for indigenous peoples safeguards.

80. **Prohibited investment activities.** Pursuant to ADB Safeguard Policy Statement (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 (2009).

81. **Accessing safeguards documents.** Safeguards documents i.e. land acquisition and resettlement plans (LARPs), initial environmental examinations (IEEs), corrective actions, and safeguards monitoring reports shall be available at the PMU and CIU offices and disclosed both at the LG&CD Department project website and ADB website for general public disclosure. Brochures on relevant information related to the LARPs, IEEs, and grievance redress will be distributed to displaced persons and key stakeholders in the local language (Urdu).

### A. Land Acquisition and Resettlement

82. The project is classified category A for involuntary resettlement. For output 1, due diligence report (DDR) prepared as part of project due diligence shows limited involuntary resettlement impacts are expected as project imprints fall largely within the right-of-way. Impacts will be reassessed based on detailed designs, however, and additional LARPs will be prepared as needed. For output 2, a LARP has been prepared and disclosed<sup>12</sup> for the Sahiwal STP and its conveyance system. Land acquisition for STP and conveyance system will affect about 23 land owners losing about 5.6 hectares of arable land, about 50 mobile vendors, and 143 displaced persons operating commercial structures. Additional assessments will be required for some components under this subproject based on detailed designs. For output 3, the due diligence report shows limited involuntary resettlement impacts are expected for parks and green belts, but impacts will be reassessed based on detailed designs and LARPs will be developed as needed. Two LARPs have been prepared under this subproject for rehabilitation of three bus terminals (one in Sialkot and two in Sahiwal). Output 4 has no involuntary resettlement impacts. All draft LARPs will be updated based on detailed designs, approved by ADB and disclosed prior to implementation. A land acquisition and resettlement framework has been prepared and disclosed<sup>13</sup> to guide the planning and implementation of social safeguards, as some of alignments are not yet known and additional assessment will be required. Institutional capacity building will be required to support Punjab PMU and two CIUs in safeguards implementation, to be provided through the project management consultant. Notice to proceed shall not be given to any contractors until LARPs have been fully implemented for each subproject.

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<sup>12</sup> The LARP for Sahiwal Centralized Sewerage Treatment Plant with Trunk Mains and Conveyance System was disclosed on ADB website on 18 April 2017.

<sup>13</sup> The project land acquisition resettlement framework was disclosed on ADB website on 18 April 2017.

## 83. LG&amp;CD Department will ensure that:

- (i) LARPs for each contract package in the selected cities are updated and submitted to ADB for review following the detailed design. Such updated LARPs will be uploaded to the project and ADB website for disclosure. These LARPs will be summarized in a brochure in Urdu which will be disseminated to the displaced persons;
- (ii) For components and contract packages without involuntary resettlement impacts, a social due diligence review will again be conducted following detailed design to confirm the earlier assessment. In case impacts are identified, a resettlement plan will be prepared to address such impacts prior to commencing civil works;
- (iii) No Works contract will be awarded for a subproject involving involuntary resettlement impacts until LG&CD Department has prepared and submitted to ADB the final resettlement plan for such subproject based on the detailed design of such subproject, and obtained ADB's clearance of such resettlement plan;
- (iv) In case of "design and build" or "turnkey" type under which the design of the subproject must be completed before the resettlement plan is finalized, Works contract may be awarded provided that the installation and construction phase is strictly conditional upon: (a) the final LARP based on the detailed design of the subproject having been submitted to and approved by ADB; and (ii) LG&CD Department having notified the contractor and ADB in writing that due consultation, compensation payments and other entitlements have been provided to affected people fully in accordance with the resettlement plan;
- (v) Semi-annual internal monitoring reports will be submitted by the supervision consultant to LG&CD Department, and then to ADB. ADB shall post the monitoring reports to its website for disclosure. ADB no-objection to the commencement of civil works for components and packages with IR impacts is conditional to ADB's review of the LARP monitoring reports confirming completion of the compensation activities;
- (vi) Any unanticipated involuntary resettlement impacts encountered during implementation of the project will be dealt in accordance with the ADB approved land acquisition and resettlement framework or LARP and ADB SPS (2009) requirements. Any new involuntary resettlement related impacts will require a new LARP which should be submitted to ADB for its approval. No construction activities shall commence in the sections with new/additional LAR impacts before full implementation of ADB approved LARP is confirmed by External Monitor and approved by ADB;
- (vii) An External Monitor will be engaged and an external monitoring and compliance reports will be submitted to LG&CD Department, and then to ADB;
- (viii) Efficient Grievance Redress Mechanisms are in place and functional prior to starting resettlement plan implementation and contractor's mobilization to assist affected persons resolve queries and complaints, if any, in a timely manner; all complaints are registered, investigated and resolved in a manner consistent with the provisions of Grievance Redress Mechanism as agreed in ADB approved resettlement plans, (the complainants/aggrieved persons are kept informed about status of their grievances and remedies available to them); and adequate staff and resources are available for supervising and monitoring the implementation progress of the resettlement plan; and
- (ix) No acquisition under the emergency acquisition provision of the Pakistan's Land Acquisition Act (LAA) (1894) as follows: Without limiting the application of the involuntary resettlement safeguards or the LARP, the government [LG&CD Department, PMU, MC Sialkot, MC Sahiwal] shall ensure that no land shall be

acquired for the purposes of the Project, under the emergency acquisition provisions of Pakistan's Land Acquisition Act (1894), as amended from time to time.

## **B. Environment**

84. Following ADB SPS (2009), IEE has been prepared by the executing agency, LG&CD Department, through the Urban Unit (UU), which meets the requirements of SPS (2009) pertaining to the environment policy and the principles, objectives and implementation procedures, and the Punjab Environmental Protection Act 1997 as well as the Pakistan Environmental Protection Act 1997 Review of EIA/IEE Rules 2000.

- (i) To ensure compliance with the ADB's SPS 2009 and the country environmental legislation, LG&CD Department, through the PMU, will follow the IEE and environmental management plan (EMP). The PMU will ensure that:
- (ii) Updated IEE reports and EMPs are prepared for the detailed design as required under the ADB SPS (2009), the Punjab Environmental Protection Act 1997, and the provincial environmental rules and regulations;
- (iii) The IEE reports are submitted to the Punjab Environmental Protection Agency and environmental approval is sought before contract award;
- (iv) Updated IEE reports are submitted to ADB for review and disclosure;
- (v) EMPs are included in bidding documents for all contracts;
- (vi) All contractors prepare and submit to PMU, for approval at least 10 days before taking possession of any work site and implement, site-specific EMPs;
- (vii) No access to the site will be allowed until the site specific EMPs is approved by the PMU;
- (viii) Implementation of the site-specific EMPs is regularly monitored through PMU, CIUs, and ADB consultants;
- (ix) Non-compliance notice will be issued to the contractor if the PMU requires action to be taken. The contractor is required to prepare a corrective action plan which is to be implemented by a date agreed with the PMU;
- (x) Environment-related documents, specifically IEE, EMP and environmental monitoring reports, are disclosed in the relevant city implementation units and on the project website;
- (xi) In case of unpredicted environmental impacts occurring during project implementation, corrective action plans are prepared and implemented; and
- (xii) Semi-annual safeguard monitoring reports are submitted to ADB within 1 month after the reporting period.

85. ADB will ensure that:

- (i) monitoring and supervision activities are carried out on an ongoing basis until a project completion report is issued;
- (ii) project review missions visit project sites to ascertain the status of implementing the EMP with detailed review by ADB's safeguard specialists, officers and/or consultants
- (iii) updated initial environmental examination reports are timely reviewed and disclosed on the ADB website;
- (iv) semi-annual safeguard monitoring reports are timely reviewed to disclosed on the ADB website.

### **C. Indigenous Peoples**

86. The screening of subprojects during pre-feasibility studies for Sialkot and Sahiwal cities has confirmed that no indigenous peoples (IP) groups exist in the project areas in Punjab; hence, the Indigenous Peoples Safeguards of the ADB SPS (2009) are not triggered and there is no need for preparation of indigenous peoples plan for PICIIP.

87. Nevertheless, if subsequent screening of subprojects indicates presence of IP, the LG&CD Department will engage qualified and experienced experts to carry out a full culturally appropriate and gender-sensitive social impact assessment, and if impacts on IP are identified, an indigenous peoples plan will be prepared in accordance with ADB SPS 2009. The LG&CD Department will explore all possible project design options to avoid or minimize the physical and economic displacement of IP. In cases where avoidance of impacts is not possible, the executing and implementing agencies will prepare an indigenous peoples plan or a combined LARP to address both involuntary resettlement and IP impacts. Special attention will also be given to identifying and addressing the needs of disadvantaged displaced persons especially those below the poverty line, the landless, the elderly, women and children and the disabled, indigenous peoples, and those without legal title to land, through measures included in the LARP to improve the standard of living of the displaced poor and other vulnerable groups.

## **VIII. GENDER AND SOCIAL DIMENSIONS**

88. Given the scope and nature of the project, it has been classified as “General Intervention” which indirectly contributes towards the poverty reduction. The project offers significant social benefits which includes: (i) improved water supply and sanitation facilities which will contribute to reduced waterborne diseases and health expenses of the households (including low-income households) in selected districts; (ii) upgrading of road infrastructure including well-lit pedestrian walkways, pedestrian crosswalks, and traffic signals will largely benefit the poor and low-income groups; (iii) upgrading and increased functionality of public spaces (such as parks) will provide economic opportunities for small vendors and will increase the usage of outdoor spaces for healthy activities like sports, play, leisure and communication; (iv) affirmative actions like quotas for vulnerable populations such as “shanties” for providing municipal water connections will be established; (v) communication strategy developed under the project will create public awareness on social issues such as waterborne diseases, safe drinking water, and appropriate waste disposal practices; and (vi) the project will also offer significant employment opportunities for the local labor hired for the construction and other related services.

89. The project offers significant direct gender benefits and opportunities for women to participate as change agents. As per ADB's gender mainstreaming guidelines, the project qualifies for the category of “Effective Gender Mainstreaming” (EGM). Key actions of gender action plan (GAP) will include; (i) social and gender specialists recruited at each CIU who will assist in the implementation and monitoring of GAP and gender focal persons at each implementing agency will be identified to provide support to the social and gender specialists; (ii) capacity of IAs will be developed in gender-inclusive planning and implementation of urban development projects; (iii) at least one outdoor space will be upgraded in each city to promote women/girls sports; (iv) selection of routes identified for roads upgrade will have gender benefits as one of the criteria i.e. will prioritize the needs of women commuters and passersby; (v) increase women's participation in consultation at all levels of project i.e. planning, implementation and monitoring; and (vi) targets and indicators identified in the GAP will be part of the project's overall performance monitoring and reporting systems.



### GENDER ACTION PLAN

Activities/Measures	Indicators/Targets	Responsibility	Timeframe
<b>Outcome: Access to quality urban services by the residents of Sahiwal and Sialkot cities improved</b>			
<b>Outputs 1 and 2: Water supply and sanitation systems improved</b>			
1/2.1 Ensure the installation of water meters to households in Sahiwal and Sialkot	<ul style="list-style-type: none"> <li>15,000 metered water connections in Sahiwal and Sialkot.</li> </ul>	PMU CIUs	Year 2-4
1/2.2 Ensure participation of women in project consultations	<ul style="list-style-type: none"> <li>Conduct focus group discussions with at least 50% women participation before finalizing water and sanitation schemes in Sahiwal and Sialkot.</li> </ul>	PMU CIUs	Year 1
1/2.3 Ensure women's participation as WASH focal persons	<ul style="list-style-type: none"> <li>At least 15% of trained WASH behavior change and health and hygiene focal persons are women.</li> <li>WASH related training provided to household members in all project communities, with 30% women participation.</li> </ul>	PMU CIUs Urban Services Companies	Year 1-6 On-going basis
1/2.4 Establish a gender-inclusive grievance redress mechanism	<ul style="list-style-type: none"> <li>Gender-inclusive grievance system for water supply and sanitation concerns, include widely advertised cell phone and toll-free numbers, and trained responders/telephone operators (10% female).</li> <li>At least 25% female participants in grievance redress meetings/consultations.</li> </ul>	PMU CIUs Urban Services Companies	Year 1-6
<b>Output 3: Urban public spaces improved</b>			
3.1 Promote women's and girls' safe access to urban public spaces	<ul style="list-style-type: none"> <li>At least 8 of 11 (or 70%) city parks rehabilitated/constructed, have allocated a safe "women's space" for sports, recreational, or other activities participated in by majority women.</li> <li>At least one outdoor space for women's sports.</li> </ul>	PMU CIUs	As per implementation schedule
3.2 Install gender-inclusive facilities in bus terminals	<p>All three bus terminals upgraded to include:</p> <ul style="list-style-type: none"> <li>Separate female and male toilets, with provisions for diaper changing stations.</li> <li>Visible anti-sexual harassment messages on posters on the walls and in television monitors.</li> <li>Well-lit comfortable waiting areas with an exclusive (cordoned off) waiting area for females.</li> <li>Allocation of at least 1 commercial space for women vendors in (or surrounding) bus terminals.</li> </ul>	PMU CIUs	Year 3 or as per implementation schedule
3.3 Ensure ease of access to, and safety of women, children, elderly, and persons with disabilities on	<ul style="list-style-type: none"> <li>Pedestrian footpaths include sufficient lighting, appropriate directional signs in local language, and access ramps for wheelchairs and prams.</li> </ul>	PMU CIUs	Year 4 or as per implementation schedule

the pedestrian footpaths to be constructed/ rehabilitated			
<b>Output 4: Institutional support and capacity developed</b>			
4.1 Incorporate gender concerns in newly developed capacity development program for PMU, PIU, and Urban Units	<ul style="list-style-type: none"> <li>Capacity development program includes how to identify and address gender-related concerns in the provision of water supply and sanitation services, as well as in the management of public urban spaces.</li> <li>At least 80% of staff of PMU, CIUs, and Urban Units underwent capacity development training with integrated gender concerns.</li> <li>At least 80% of existing relevant female staff in each city participated in the newly designed capacity development program.</li> </ul>	PMU CIUs	Year 1 onwards
4.2 Ensure participation of female technical and financial management staff in trainings	<ul style="list-style-type: none"> <li>At least 10% female participants in technical and financial management trainings conducted for staff of PMU, CIUs, and Urban Services Companies.</li> </ul>	PMU CIUs	Year 1 onwards
4.3 Ensure the regular collection of sex-disaggregated data and reporting of GAP implementation results	<ul style="list-style-type: none"> <li>Project management information system includes gender indicators and regularly populated with sex-disaggregated data.</li> <li>Project progress reports include a section on GAP implementation.</li> </ul>	PMU CIUs	Year 1 onwards
4.4 Ensure significant women's participation in customer satisfaction surveys	<ul style="list-style-type: none"> <li>50% women respondents in customer satisfaction surveys.</li> <li>Report on customer satisfaction is sex-disaggregated.</li> </ul>	PMU Urban Units Urban Services Companies	Year 1-6
4.5 Hire a social and gender specialist in the PMU	<ul style="list-style-type: none"> <li>GAP implementation carefully monitored and gender results are reported in progress reports and project completion report.</li> <li>Qualitative information on how the project has positively impacted women's lives, gathered and recorded.</li> </ul>	PMU	Year 1-6 (Starts within 6 months of setting up the PMU)

CIU = city implementation unit, GAP = gender action plan, PMU = project management unit, WASH = water, sanitation, and hygiene.

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

### A. Project Design and Monitoring Framework

#### Impact the Project is Aligned with

Living standards, health, and economy in Sahiwal and Sialkot improved (Punjab Growth Strategy 2018)<sup>a</sup>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<b>Outcome</b> Access to quality urban services by the residents of Sahiwal and Sialkot cities improved	By 2024: a. Percentage of total population in two cities consuming improved water supplies <sup>b</sup> increased to at least 70% (2016 baseline: Sahiwal= 36%; Sialkot = 50%) b. Volume of wastewater treatment increased to at least 80,000 cubic meters per day in Sahiwal (2016 baseline: 0) c. Percentage of intercity travelers using bus terminals increased to 30% (2016 baseline: Sahiwal = 25%; Sialkot = 24%)	a-c. ADB Project Completion Report	Capacity development and institutional strengthening do not take place at the desired pace.
<b>Outputs</b> 1. Water supply systems improved	By 2023: 1a. 22 water reservoirs, 114 boreholes and tube wells, 20 pumping stations built, and 350 km of water pipes installed; new SCADA system established (2016 baseline: 0) 1b. Percentage of water supply connections that are metered increased (2016 baseline: both cities 1%–70% in pilot zone) 1c. 600 prepaid water meters installed in Sahiwal and 800 in Sialkot (2016 baseline: 0)	1a-c. Annual report of the project	Approvals and endorsements are delayed beyond the stipulated time frame for project implementation.
2. Sanitation systems improved	By 2023: 2a. 18 wastewater pumping stations installed or	2a-c. Annual report of the project	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	rehabilitated; 40 km of sewer pipes replaced. (2016 baseline: 0) 2b. Centralized wastewater treatment plant constructed in Sahiwal (2016 baseline: 0) 2c. Untreated wastewater for irrigation not used (2016 baseline: used)		
3. Urban public spaces improved	By 2023: 3a. 11 parks and 7 km of greenbelts rehabilitated, with at least one outdoor space for women's sports (2016 baseline: 0) 3b. Three bus terminals upgraded in Sahiwal and Sialkot, with separate waiting areas and toilets for women (2016 baseline: 0) 3c. 8 km (4 km in each city) of pedestrian footpaths (2016 baseline: 0)	3a-c. Annual report of the project	
4. Institutional support and capacity development	By 2023: 4a. At least 160 staff (80 in each city) completed the newly developed capacity development program (2016 baseline: 0) 4b. Six program communication c (three in each city) organized (2016 baseline: 0) 4c. All (75) technical and financial management staff (at least 20% women) of the project management unit, city implementation units, and Water and Sanitation Company trained (2016 baseline: 0)	4a-c. Annual report of the project	
<b>Key Activities with Milestones</b>			
<b>1. Water supply systems improved</b> 1.1 Complete detailed engineering design for water supply and distribution systems (Q1 2018) 1.2 Replace turbine pumps and motors in Sialkot (Q2 2019)			

1.3	Develop distribution network improvement zones and nonrevenue water program in selected zones, including installation of SCADA system, bulk meters, pressure gauges, and prepaid meters (Q2 2019)
1.4	Construct new OHRs and new pumping stations with disinfection units (Q4 2019)
1.5	Rehabilitate existing tube wells and existing OHRs (Q4 2019)
1.6	Replace water supply pipelines with polyethylene pipes, and asbestos cement pipe (Q4 2019)
1.7	Hand over complete set of assets to urban service companies (Q2 2023)
<b>2.</b>	<b>Sanitation systems improved</b>
2.1	Complete detailed engineering design for wastewater treatment system improvement (Q2 2018)
2.2	Procure solid waste management equipment (Q2 2018)
2.3	Provide missing equipment for wastewater management (Q4 2018)
2.4	Rehabilitate disposal stations (Q2 2019)
2.5	Replace sewer pipes (Q4 2019)
2.6	Rehabilitate disposal and pumping stations (Q1 2020)
2.7	Construct centralized wastewater treatment plant with trunk mains and conveyance system in Sahiwal (Q2 2020)
2.8	Provide missing equipment for wastewater management in Sialkot (Q1 2020)
2.9	Hand over complete set of assets to urban service companies (Q2 2023)
<b>3.</b>	<b>Urban public spaces improved</b>
3.1.	Complete detailed engineering design for public space upgrading (Q2 2018)
3.2.	Rehabilitate six parks and two greenbelts in Sahiwal (Q4 2018)
3.3.	Improve city public transport routes and footpaths with traffic signals at road crossings, with adaptive traffic control and two bus terminals in Sahiwal and Sialkot (Q2 2021)
3.4.	Rehabilitate five parks and one greenbelt in Sialkot (Q4 2019)
3.5.	Hand over complete set of assets to urban service companies (Q2 2023)
<b>4.</b>	<b>Institutional support and capacity developed</b>
4.1.	Build capacity of urban services institutions to implement the project effectively (during implementation)
4.2.	Establish project management unit and city implementation units (Q3 2017)
4.3.	Issue request for proposal for the recruitment of project management and coordination; and engineering, procurement, and construction packages (Q3 2017)
4.4.	Implement program communication activities with youth groups, schools, and civil society to promote awareness of project and life skills education (Q4 2017)
4.5.	Support improvement of operation and maintenance of key urban services, urban policies and planning, finance management, and tariff policies (Q1-Q4 2018)
4.6.	Develop project performance management system considering poverty, gender, environment and social development issues, management information system, geographic information system, and complaint management and reporting (Q2 2018)
4.7.	Support the SMART city improvement (Q3 2018)
4.8.	Provide training and send key staff to external training (Q2 2018)
<b>Inputs</b>	
Asian Development Bank: \$200 million (regular OCR loan)	
Government of Punjab: \$50 million	
<b>Assumptions for Partner Financing</b>	
Not applicable	

km = kilometer, OCR = ordinary capital resources, OHR = overhead reservoir, Q = quarter, SCADA = supervisory control and data acquisition.

<sup>a</sup> Government of Punjab, Planning and Development Department. 2015. *Punjab Growth Strategy 2018: Accelerating Economic Growth and Improving Social Outcomes*. Chandigarh.

<sup>b</sup> According to drinking water standards of the World Health Organization.

Source: Asian Development Bank.

## B. Monitoring

90. **Project performance monitoring.** The PMU at the LG&CD Department, with the help of ADB consultants, will be directly responsible for monitoring the implementation and achievement of results using the targets, indicators, assumptions, and risks in the design and monitoring framework. The project beneficiaries will be involved in process monitoring through periodic user satisfaction surveys and an effective grievance redress mechanism from field to PMU level. The implementing agencies will develop quarterly physical and financial report to the PMU through CIUs, which will be shared with ADB through LG&CD Department. These disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly through the LG&CD Department'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.

91. **Compliance monitoring.** The abovementioned periodic progress reports and the reports of the ADB review missions will be the main tool for monitoring compliance towards covenants. Any discrepancy will be highlighted to ADB, the Government of Pakistan, and the Government of Punjab at the appropriate level.

92. **Safeguards monitoring.** In addition to monitoring and reporting by the implementing agencies and the contractors on environmental management and resettlement plans, the PMU will have dedicated in-house expertise for compliance monitoring of environmental and IR safeguards. Their reports will be shared with ADB for review and recommendations towards any corrective actions.

93. **Gender and social dimensions monitoring.** The actions pertaining to gender and social dimensions, described in Section VIII will be monitored and reported same as compliance monitoring.

## C. Evaluation

94. There will also be an independent review and reporting of the investment project implementation on annual basis. ADB will also commission an independent midterm review in 2020 and the project completion report in 2023 engaging the third-party consultants on behalf of the executing agency, i.e., LG&CD Department. The project completion report will be submitted to ADB and disclosed on its website.<sup>14</sup>

## D. Reporting

95. The LG&CD Department 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; and (iii) 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>14</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

## E. Stakeholder Communication Strategy

96. Project information will be strategically disseminated through media at main milestones including loan signing, contract awards and project completion. A grievance redress mechanism will be established on site for each subproject.

97. The project will promote active partnership with civil society organization, women and youth groups to promote behavioral changes and life-skills. Adequate communication activities will be developed and implemented during project implementation as needed.

98. The project will follow a policy of pro-active disclosure of information to all stakeholders in line with the policies, manuals and guidelines of ADB and the Government of Punjab. The ADB Public Communications Policy recognizes that transparency and accountability are essential to development effectiveness. It establishes the disclosure requirements for documents and information ADB produces or requires to be produced.

99. The project will facilitate dialogue with affected people and other important stakeholders, including women, the poor, and other vulnerable groups and information regarding environmental and social issues will be made available to them in Urdu through consultation and seminars, brochures, news media, radio programs, website and social media.

100. In compliance with the minimum requirements of ADB's *Public Communications Policy* (2011), LG&CD Department will be responsible for (i) designating a focal point for regular contact with project-affected people and other stakeholders; (ii) identifying mechanisms for feedback during design and implementation; (iii) identifying details of types of information to be disclosed, and mechanisms for public notice including language and timing; and (iv) implementing and monitoring disclosure and dissemination.

101. Project documents will be disclosed on the ADB website. Table 10 outlines the framework communication strategy to be implemented by ADB.

**Table 10: Disclosure of Project Documents**

Project Document	Disclosure	Audience
Design and Monitoring Framework	Included in report and recommendations of the President	Project-affected people
Environmental Impact Assessment / Initial Environmental Examination reports	Post fact-finding mission, and as updated during project implementation	General public, project- affected people in particular
Resettlement planning documents	Post fact-finding mission, and as updated during project implementation	General public, project- affected people in particular
Report and recommendations of the President	Within 2 weeks of approval of the loan	General public
Legal agreements	No later than 14 days of approval of the project	General public
Project administration manual	After loan negotiations	General public, project-affected people in particular
Social and environmental monitoring reports	Routinely disclosed, no specific requirements	General public

<b>Project Document</b>	<b>Disclosure</b>	<b>Audience</b>
Major change in scope	Within 2 weeks of approval of the change	General public
Progress reports	Within 2 weeks of circulation to Board or management approval	General public
Project completion report	Within 2 weeks of circulation to Board for information	General public
Evaluation reports	Routinely disclosed, no specific requirements	General public

## **X. ANTICORRUPTION POLICY**

102. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>15</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>16</sup>

103. To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the project.

## **XI. ACCOUNTABILITY MECHANISM**

104. 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 with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>17</sup>

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

105. All revisions of PAM as required during project implementation will be discussed and agreed between ADB and the Government of Punjab. ADB will reflect such changes through internal approval procedures.

106. All revisions and/or updates during the course of implementation will 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.

<sup>15</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>16</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

<sup>17</sup> Accountability Mechanism: <http://www.adb.org/Accountability-Mechanism/default.asp>.