

Pakistan : Khyber Pakhtunkhwa Intermediate Cities Improvement Project

1. Project Information

Project ID:	P000214	Instrument ID:	L0214A
Member:	Pakistan	Region:	Southern Asia
Sector:	Urban	Sub-sector:	Urban integrated development
Instrument type:	<input checked="" type="checkbox"/> Loan:171.70 Euro million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	Asian Development Bank
ES category:	A	Borrowing Entity:	Ministry of Finance, Pakistan
Implementing Entity:	Government of Pakistan		
Project Team Leader:	Ghufran Shafi		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Bernardita Saez, Project Counsel; Liu Yang, Alternate Counsel; Shonell Robinson, OSD - Financial Management Specialist; Zhixi Zhu, OSD - Environment Specialist; Yangzom Yangzom, OSD - Procurement Specialist; Yanyang Shi, Project admin		
Completed Site Visits by AIIB:	Aug, 2022 July 31 - August 3, 2022 Nov, 2022 Inception Mission by ADB (24 Nov - 20 Dec)		
Planned Site Visits by AIIB:	Jun, 2023 Planned mission in Q2, 2023		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/09		

2. Project Summary and Objectives

The Project objectives are to improve access to reliable and resilient urban services and strengthen institutional capacities of urban service providers, and local governments in selected cities of the KP province. These objectives will be achieved through three interlinked outputs: (i) climate resilient and gender friendly urban infrastructure and services improved; (ii) institutional capacity and gender inclusiveness of urban service providers, provincial government, and city governments strengthened; and (iii) women's participation in urban governance and access to economic opportunities increased.

3. Key Dates

Approval:	Dec. 16, 2021	Signing:	Apr. 11, 2022
Effective:	May. 11, 2022	Restructured (if any):	
Orig. Closing:	Jun. 30, 2028	Rev. Closing (if any):	

4. Disbursement Summary (EUR million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	10.76	Most recent disbursement (amount/date):	8.71/Jan. 06, 2023
Undisbursed:	160.94	Disbursement Ratio (%) ¹ :	6.27

5. Project Implementation Update

AIIB loan was made effective in May 2022, after which, key actions have been taken for smooth project start-up. Designated Accounts for loans' proceeds have been opened. Project Management Unit (PMU) has been established and a full time Project Director has been appointed in the PMU. Hiring of staff for City Implementation Units (CIU) established within each participating Water and Sanitation Services Company (WSSC) is in progress. The condition for withdrawal from loan and grant accounts has been satisfied. The project has made reasonable start after the loan effectiveness by exceeding the contract awards and disbursements target for CY23. A total of 13 contracts (totaling about USD234 million) have been awarded so far.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component A. Water Supply and Sanitation Infrastructure	Procurement has started. See updates in Procurement Section	E&S documents for each subproject have been prepared and disclosed on ADB website. The requirement of clearance from Environmental Protection Agency (EPA) of KP province for the awarded contracts under this component has been fulfilled by the project. The preparation of Site Specific Environmental Management Plans (SSEMPs) and Health and Safety Management Plans (SSHSMPs) of awarded contracts under this component is in progress.	The project has initiated procurement under advance contracting of eight civil work contracts to improve implementation readiness. Six contracts for civil works (including four contracts for water supply and two contracts for sewerage system) have been awarded. The lowest evaluated contractors were unable to submit Performance Security for the other two contracts. These contracts will have to be re-tendered or negotiated with the second lowest bidder.
Component B. Integrated Solid Waste Management	The implementation of Solid Waste Management (SWM) Systems in all cities with	E&S safeguards documents for each subproject have been prepared and disclosed on ADB website.	Procurement has not started yet. Tendering would commence after business plans for SWM

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

	associated SWM fleet and equipment will commence after the submission and approval of the Business Plans that are presently being drafted for each city by the institutional reforms and capacity building (IRCB) consultants. These Business Plans will also provide options for Operations and Maintenance (O&M) of the SWM facilities in the specific context of each city.		facilities for each city have been approved
Component C: Green Urban Infrastructure	See updates in procurement section	E&S documents for each subproject have been prepared and disclosed on ADB website. The requirement of clearance from Environmental Protection Agency (EPA) of KP province for the awarded contracts under this component has been fulfilled by the project. The preparation of Site Specific Environmental Management Plans (SSEMPs) and Health and Safety Management Plans (SSHSMPS) of awarded contracts under this component is in progress.	The procurement of civil works contracts for development of urban green spaces and parks (five lots) was initiated under advance contracting. Contracts have been awarded and activities have commenced.
Project Management	See updates in procurement section	NA	Project Management and Construction Supervision Consultants (PMCS) have been engaged under this component and PMCS has mobilized.

Financial Management:

Partial Compliance of Financial Management Action Plan (FMAP) The project commenced the hiring of finance, accounts, and internal audit staff. However, the positions of (i) Director Finance, (ii) Accounts Officer – (Accounts) and (iii) One Accounts Assistant are still vacant. The Accounts Officer – Finance, has been given additional charge of Finance Director. The development standard operating procedures for finance and accounts related matters; and terms of reference of internal auditors have been completed, however the notifications have not been shared with ADB/AIIB. In addition, the project continues to use an Excel-based accounting system, as the accounting software is not yet deployed. Recommendations were made to address these matters and will be closely followed by ADB and AIIB Team. **Audit Status** The first Audited Project Financial Statements (APFS) for the period ended June 30, 2022, would have become due on December 31, 2022. However, considering that there were no disbursements until August 2022, a deferment of the first APFS was processed by ADB. Therefore, the APFS will be for the period ending June 30, 2023, covering from project effectiveness. The final report should be submitted to the ADB by December 31, 2023. In respect to the Audited Entity Financial Statements (AEFS) of the WSSCs, a general non-compliance is observed. The last available AEFS for four out of the five WSSCs is for the FY2020 – only Peshawar WSSC has the

AEFS for FY2021. It is understood that the delay is due to non-availability of Board members of the WSSCs. In the Inception Mission of ADB, it was proposed that the matter be escalated to the Secretary Local Government to ensure timely compliance and follow-up with the WSSCs. The mission agreed that all WSSCs shall seek a one-time extension for the submission of the audited financial statements, but all future AEFS would need to be submitted within the due date of December 31, of each year. **Fiscal Transfer Policy of WSSCs** The WSSCs expressed concern over the fiscal flow process since they are dependent on Tehsil Municipal Administration (TMAs) for their share which has proved a major bottleneck in financial discipline and planning at WSSC level. The Mission recommended that the GoKP prepare an Inter-Governmental Fiscal Transfer Policy and Strategy and Financial Management Plan and Guidelines for bringing financial efficiency and discipline in WSSCs.

6. Status of the Grievance Redress Mechanism (GRM)

The GRM is in place and Grievance Redress Committees (GRCs) have been notified in all five cities. Information regarding the GRM has been provided to the communities and in addition banners have been affixed at various places (especially at project sites where construction works have started) containing information regarding the GRM along with the contact information of the GRC focal persons. Complaints are being recorded and addressed as per the approved GRM procedures provided in LARP/CAP/RP and the status is being reported as part of internal monitoring reports.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

N.A

Remarks:

The targets are end of project targets. Annual targets will be populated when the result monitoring has commenced.

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																				Frequency	Responsibility	Comments		
			Baseline		2021		2022		2023		2024		2025		2026		2027		2028		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual	
Population provided with access to improved safely managed water supply from sources meeting national water quality standards	Project	Number (Females)	2021	247,000 (124,000)	247,000 (124,000)		247,000		247,000		300,000		385,000		525,000		650,000		800,000 (400,000)					800,000 (400,000)	Semi-annual	Project progress reports, WSSC and city government records, and project monitoring reports	
Population served by sewerage network connected to new wastewater treatment plant	Project	Number (Females)	2021	19,880	19,880		19,880		19,880		19,880		60,000		120,000		180,000		180,000 (90,000)					180,000 (90,000)	Semi-annual	Project progress reports, WSSC and city government records, and project monitoring reports	
Households provided with access to improved SWM services	Project	Number	2021	0	0		0		0		0		80,000		160,000		250,000		250,000					250,000	Semi-annual	Project progress reports, WSSC and city government records, and project monitoring reports	

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values																				Frequency	Responsibility	Comments		
			Baseline		2021		2022		2023		2024		2025		2026		2027		2028		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual	
Supply Capacity: Potable water storage and supply capacity increased	Project	cubic meters/day	2021	238,443	238,443		238,443		238,443		250,000		280,000		320,000		360,000		400,000					400,000	Semi-annual	Project progress reports, WSSC	

