

Project Implementation Monitoring Report (#4)

Reporting Period From 2024/01 To 2024/04

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:	Local Government of Khyber Pakhtunkhwa Province		
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; Mudassar Hassan, OSD - Environment Specialist; Jingrong He, OSD - Procurement Specialist; Sabah Iqbal, OSD - Environment Specialist; Susrutha Goonasekera, OSD - Social Development 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) Nov, 2023 Virtual Mission (13-23 Nov, 2023)		
Planned Site Visits by AIIB:	Jul, 2024 Planned		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/12		

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 Khyber Pakhtunkhwa (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

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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:	28.47	Latest disbursement (amount/date):	4.44/Apr. 29, 2024
Undisbursed:	143.23	Disbursement Ratio (%) ¹ :	16.58

5. Project Implementation Update

The Project made reasonable start after the loan effectiveness by exceeding the contract awards and disbursements target in the first year of implementation (2022-23). However, the momentum has slowed down. A total of 13 civil works contracts have been awarded. 12 are under implementation, and 1 was terminated with ADB's approval for termination for convenience. These contracts relate to water supply (Peshawar, Kohat, Mingora, and Abbottabad), wastewater collection and treatment (Kohat and Mardan) and development of green urban spaces (Peshawar, Kohat, Mingora, and Abbottabad). Additionally, six other civil works contracts are in the planning stage. Major contracts for Integrated Solid Waste Management (ISWM) Component, representing about 30% of the total physical works, have not been made yet. Procurement documents were sent to ADB for review and clearance with expected contract award in Q3 of 2024. A workshop on the selected Design-Build-Operate model for SWM implementation was held and received significant interest from bidders. A summary of the proposed DBO methodology for procurement of works have been sent to Local Government Department for approval. It is expected that the tendering for the SWM will commence after the approval of procurement methodology by the provincial authorities. The project has also awarded twenty-one individual consultancy contracts under implementation.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component A. Water Supply and Sanitation Infrastructure	The water supply works involve: Increased supply of 400,000 m3 daily in four Project cities (Abbottabad, Kohat, Mingora and Peshawar), and Installation of 1,200 km of new water distribution network and rehabilitation of 550 km of existing	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 Site Specific Environmental Management Plans (SSEMPs) and Health and Safety Management Plans (SSHSMPS) of awarded	All the contracts have been awarded. The last outstanding contract for Mingora water treatment plan was executed in December, 2023 and mobilization advance is under process.

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.

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	<p>network in these four Project cities. These works are implemented under six contracts. The wastewater works involve: cumulative sewage treatment capacity of 30,000 cubic meters daily with construction of two new sewage treatment plants in two Project cities (Kohat and Mardan), and installation of 156 km of new sewerage pipes in these two Project cities. These works are implemented under two contracts. Works are underway on seven contracts, however they are behind schedule. The eighth contract has been recently executed (after re-bidding) and the contractor is in mobilization phase.</p>	<p>contracts under this component are prepared and cleared by PMU. The implementation of these site-specific plans is ongoing and supervised by the EHS team of supervision consultants. The Land Acquisition and Resettlement Plan (LARP) of Mingora Water Supply Scheme has been approved and disclosed. Now all LAR impacts subproject documents have been approved and disclosed on both IA and ADB websites.</p>	
Component B: Integrated Solid Waste Management	<p>The ISWM component in all cities is delayed as no contract has been awarded yet. Initial delays were caused by delay in preparation of operational business and financial plans for the ISWM systems. Subsequently, agreement has not been made yet on the methodology for procurement of goods and works for ISWM packages. Interest has been shown by prospective bidders for DBO procurement methodology, which has been submitted to Local Government department for approval.</p>	<p>E&S safeguards documents for each subproject have been prepared and disclosed on ADB website. Corrective Action Plan (CAP) for ISWM Peshawar has been approved by ADB. All LAR impacts subproject documents have also been approved and disclosed.</p>	<p>Procurement documents were sent to ADB for review and clearance with expected contract award in Q3 of 2024.</p>
Component C: Green Urban Infrastructure	<p>The establishment of 1.6 square kilometers of gender-friendly and</p>	<p>E&S documents for each subproject have been prepared and disclosed on ADB website. The requirement</p>	<p>All the civil works for the Green Infrastructure component has been</p>

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	climate-resilient urban spaces and parks in five cities is progressing, with four out of five subprojects underway. Specific progress updates indicate varying levels of achievement against planned targets, including ongoing work, and highlighting the need for corrective measures and adjustments in project timelines. One of the sub-project (Mardan) has been deleted from Project scope.	of clearance from Environmental Protection Agency (EPA) of KP province for the awarded contracts under this component has been fulfilled by the project. The SSEMPs and SSHSMPs of awarded contracts under this component are have been prepared and approved. The implementation of these site-specific plans is ongoing and supervised by the EHS team of supervision consultants.	procured, while one has been de-scoped from Project
Project Management	See updates in procurement section	Environmental and social safeguard staff positions including Environmental Specialist of CIU Abbottabad, two social mobilizer positions, one each in CIU Swat and Mardan and in PMCSC, Mardan HSE Manager position and Environmental Associate positions of Kohat and Abbottabad are vacant. The CIU and PMCSC management are working to fill the vacant positions.	Project Management and Construction Supervision Consultants (PMCSC) have been engaged under this component and PMCSC has mobilized.

Financial Management:

Due to low competition, the hiring process for key staff positions, including Directors and individual consultants, has been delayed. This delay affects the positions of Director of Finance and Administration, along with two other Finance and Accounts posts that were advertised and expected to be filled next quarter. The Internal Auditor position remains vacant; however, CVs are currently being shortlisted and evaluated.

Additionally, there are five outstanding WSSC Audited Entity Financial Statements (AEFS) for FY 2022 and FY 2023. Specifically, the reports for Mardan and Mingora for FY 2022, and Mardan, Mingora, and Peshawar for FY 2023, are overdue. On March 27th, 2024, the Bank issued a notice letter to the government, requesting immediate attention and action to address the non-compliance status under the Project.

6. Status of the Grievance Redress Mechanism (GRM)

A 3-tiered project GRM is established and functional at the field, city, and PMU levels. ADB mission noted that the GRM is easily accessible, gender inclusive, culturally appropriate, widely publicized, and well-integrated in the project's management system. A total of 43 complaints were received by CIU Swat and all were resolved. These

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were mostly related to the size of the affected land, type of land and different land parcels / Khasras, and some mutation issues. A total of 6 complaints were received in Peshawar out of which 4 were resolved and two are unresolved. The remaining 2 are related to land disputes. A total of 21 complaints were received in Mardan out of which 20 were resolved and one is unresolved. Two complaints were received by CIU Kohat and were resolved. Whereas 10 complaints were received in Abbottabad out of which 8 were resolved and two are unresolved. One complaint was registered on 16th May 2024 in AIIB complaint portal by the resident of Mingora, Swat. The Complainant alleges delayed project progress, poor quality of construction and workmanship and as a result the local people's lives were badly affected. The complainant also registered a complaint in ADB's CRP. CEIU approached the complainant requesting permission to refer his complaint to ADB to which he responded by stating that there is no need as he has been working with ADB for a month and ADB was doing well. CEIU closed the matter and encouraged the complainant to continue working with ADB.

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

As the civil works have just started, results are not yet available. However, monitoring is carried out by the PMCS along with the CIUs. Results will be reported when measurable progress has been achieved on ground.

Remarks:

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	

