

## Project Implementation Monitoring Report (#5)

Reporting Period From 2024/05 To 2024/11

## 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:	Wenjing Pu		
Responsible DG:	Konstantin Limitovskiy		
Responsible Department:	PSC2		
Project Team Members:	Jingxiang Li, Team Member; Bernardita Saez, Project Counsel; Liu Yang, Alternate Counsel; Shonell Robinson, SFD - Financial Management Specialist; Mudassar Hassan, SFD - Environment Specialist; Jingrong He, SFD - Procurement Specialist; Sabah Iqbal, SFD - Environment Specialist; Mohamed Sameh, Co-PTL; Xiaojun Zhou, SFD - Social Development Specialist; Mohamed Sameh, Back-up PTL; 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) Aug, 2024 AIIB and ADB Joint Mission (August 5-8, 2024)		
Planned Site Visits by AIIB:	Nov, 2025 Planned		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2024/04		

## 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. The Project will support the Government of Khyber Pakhtunkhwa (GoKP) to construct, rehabilitate and revitalize core urban infrastructure, including water supply, sewerage, solid waste management (SWM), and green

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urban spaces in five provincial cities namely Peshawar, Abbottabad, Kohat, Mardan, and Mingora. This 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. The Project includes five components: A) Water Supply and Sanitation; B) Integrated Solid Waste Management; C) Green Urban Infrastructure; D) Institutional Strengthening and Capacity Building; and E) Women's Participation in Urban Development. AIIB's financing covers Components A, B, C, and D.

**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:	50.27	Latest disbursement (amount/date):	11.24/Nov. 06, 2024
Undisbursed:	121.43	Disbursement Ratio (%) <sup>1</sup> :	29.28

**5. Project Implementation Update**

The Khyber Pakhtunkhwa Cities Improvement Project (KPCIP) started disbursement in September 2022, four months after its effectiveness in May 2022. A Project Management Unit (PMU) has been established at the Khyber Pakhtunkhwa (KP) provincial level, and each of the five cities (Peshawar, Abbottabad, Kohat, Mardan, and Mingora) also established its respective City Implementation Unit (CIU).

The Project has made solid progress in physical infrastructure construction in Component A (Water Supply and Sanitation) and Component C (Green Urban Infrastructure), although facing moderate delays in some of the subprojects, mostly due to land acquisitions. Catch-up plans have been developed and being implemented.

Component B (Integrated Solid Waste Management or ISWM, total cost is USD 168.5 million, AIIB finances USD 59 million, and ADB finances 109.6 million) has been inordinately delayed with a risk of cancellation by the client due to the challenge in identifying sustainable funding sources for the Operations and Maintenance (O&M) of the ISWM. Both ADB and AIIB recognize that the ISWM is a critical feature of this Project and an upstream investment that will secure sustainability and quality of the downstream investments in water and sanitation, work on which is already ongoing. Due to the critical upstream role of SWM, the Project may not be able to meet its intended objectives and deliver its planned outcomes, unless this component is successfully executed.

AIIB's financing in Component D (Institutional Strengthening and Capacity Building) focuses on project management, and a Project Management and Construction Supervision Consultant (PMSCS) has been hired and mobilized.

<sup>1</sup> 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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Components	Physical Progress	Environmental & Social Compliance	Procurement
<p>Component A. Water Supply and Sanitation</p>	<p>This component is being implemented through eight contracts (subprojects). Most of the subprojects progressed in line with schedule, except moderate delays in the water supply system construction in Kohat and Peshawar, mostly due to land acquisition issues. Catch up plans have been developed and are being implemented.</p> <p>Four subprojects focus on the improvement and construction of water supply systems: two in Abbottabad, one in Kohat, and one in Peshawar. The physical progress of these four subprojects range from 10% to 30%. The two subprojects in Abbottabad are almost in line with the planned progress, while the ones in Kohat (actual progress 28% vs. planned progress 65%) and Peshawar (actual progress 30% vs. planned progress 92%) are behind schedule, mostly due to land acquisition issues. Catch up plans have been developed and are being implemented.</p> <p>Two subprojects are about the construction of sewerage system including a new sewage treatment plant in</p>	<p>E&amp;S documents for each subproject have been prepared and disclosed on ADB and AIIB 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 contracts under this component are prepared and cleared by PMU. The implementation of these site-specific plans is ongoing and supervised by the Environment, Health, and Safety (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 the Implementation Agency, ADB and AIIB websites.</p>	<p>All eight contracts have been awarded and contractors have been mobilized.</p>

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	<p>Kohat and Mardan. They have achieved 38-45% physical progress, only slightly behind the schedule.</p> <p>The last two subprojects are Mingora Greater Water Supply Scheme Including New Water Treatment Plant (WTP), Intake Structure, Transmission, and Distribution Systems. One subproject progressed 1% and the other 40%, both are in line with the schedule.</p>		
<p>Component B. Integrated Solid Waste Management</p>	<p>This ISWM component has been inordinately delayed with a risk of cancellation by the client due to the challenge in identifying sustainable funding sources for the Operations and Maintenance (O&amp;M) of the ISWM. After the efforts of almost two years with all stakeholders, the customized bidding documents for the Design, Build, and Operate (DBO) of ISWM were developed using FIDIC Gold Book 2008 and the invitation for bids (IFB) was published in May 2024 with the latest (revised) bid submission deadline of 2 December 2024. ADB has requested the deadline to be extended by another 30 days (to January 1, 2025) and also hold a meeting among ADB, AIIB, GoKP, and the Ministry of Economic Affairs, Economic Affairs Division (EAD) in the first week of December 2024 to discuss this procurement. Both ADB</p>	<p>E&amp;S safeguards documents for each subproject have been prepared and disclosed on ADB and AIIB website. Corrective Action Plan (CAP) for ISWM Peshawar has been approved by ADB. All LAR impacts subprojects documents have also been approved and disclosed.</p>	<p>The invitation for bids (IFB) was published in May 2024 with the latest revised bid submission deadline of 2 December 2024. ADB has asked for a 30-day extension of this deadline (to January 1, 2025), pending confirmation from the client.</p>

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	<p>and AIB recognize that the ISWM is a critical feature of this Project and an upstream investment that will secure sustainability and quality of the downstream investments in water and sanitation, work on which is already ongoing. Due to the critical upstream role of ISWM, the Project may not be able to meet its intended objectives and deliver its planned outcomes, unless this component is successfully executed.</p>		
<p>Component C: Green Urban Infrastructure</p>	<p>This component is being implemented through five contracts (subprojects), four of which (Abbottabad, Kohat, Mingora, and Peshawar) progressed well with only slight delays, and one (Mardan) is awaiting physical works commencement.</p> <p>The actual progresses versus planned progresses in the four cities are: 45% vs. 53% in Abbottabad, 70% vs. 97% in Kohat, 99% vs. 100% in Mingora, and 80% vs. 89% in Peshawar.</p>	<p>E&amp;S documents for each subproject have been prepared and disclosed on ADB and AIB 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 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.</p>	<p>All the civil works for the Green Infrastructure component has been procured, while one has been de-scoped from Project.</p>
<p>Component D: Institutional Strengthening and Capacity Building</p>	<p>Project Management and Construction Supervision Consultants (PMSCS) have been engaged under this component and PMSCS has mobilized. For institutional reforms, Terms of References (TORs) for hiring consultants have been developed and circulated; the Institutional Reform</p>	<p>All environmental and social safeguard staff positions have been filled and mobilized, with the exception of the Environmental Specialist positions for CIU Mingora and CIU Mardan. The previous Environmental Specialist, who was covering both locations, recently resigned. These positions have been advertised, and the recruitment process is currently underway. During the vacancy of this position, the consultants from the two CIUs, along with the environmental</p>	<p>Project Management and Construction Supervision Consultants (PMSCS) have been engaged under this component and PMSCS has mobilized. Procurement for the consulting firms for institutional reforms are ongoing.</p>

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	<p>Roadmap (IRR) has completed the second round of consultative meetings, pending final approval.</p>	<p>specialists from the Project Management Unit (PMU) and the Project Management and Construction Supervision Consultants (PMSCS), have taken the corresponding responsibilities. This arrangement makes that the Project's timeline and ability to fulfill its environmental commitments and actions remain unaffected. The interview process for this position has been completed, and the position is expected to be filled by the end of December 2024.</p>	
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**Financial Management:**

The FY 2023 audit report for the WSSC Peshawar was submitted on October 24, 2024, and the FY 2022 audit report for the WSSC Mardan was submitted on November 27, 2024, in both of which the auditors issued an unqualified (clean) opinion on the financial statements. Therefore, as at the date (November 30, 2024) of the PIMR there are a total of two WSSCs' audit reports overdue: FY 2023 for both Mardan and Mingora. Furthermore, the WSSCs' audit reports for the financial year that ended June 30, 2024 will become due on December 31, 2024.

**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. As of November 2024, a total of 13 complaints have received by ADB Office of the Special Project Facilitator, resulting from the limited capacity of PMU and CIUs. In response, discussions are ongoing regarding the recruitment of qualified experts to enhance the capacity of these units. A total of 170 grievances were received in the GRCs to date. There are currently 7 unresolved complaints, which pertain to issues related to water consumption, land disputes, and labor and working conditions.

Throughout the recruitment process, candidates' technical expertise and professional experience will be thoroughly evaluated. Furthermore, the structure of the Grievance Redress Committees (GRCs) has been enhanced in December 2024. The current framework now includes a Resettlement Associate serving as the GRC focal point within the Project Management Unit (PMU), five Monitoring and Evaluation Officers designated as GRC focal points at each City Implementation Unit (CIU), as well as the Community Liaison Officer from the contractor team.

**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 started not long ago, results are not yet available. However, monitoring is carried out by the PMSCS 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)	0	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		





