



Pakistan: KP Cities Improvement Project (KPCIP) - Project Readiness Financing

CENTRAL AND WEST ASIA DEPARTMENT

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Background and Rationale

■ Background:

- ADB has approved 19 urban water projects in Pakistan. One of the key lessons learned is the importance of high project readiness before approval of ensuing projects. Low project readiness will often result:
 - extension of project completion
 - less accurate cost estimates that cause cost overrun
 - less accurate safeguard documents

■ The Pakistan PRF:

- The PRF will finance the preparation and engineering design of future pipeline of urban projects in KP Province in Pakistan. The PRF will ensure high project readiness of the ensuing projects thereby facilitating the timely and cost-effective achievement of the project outcomes.

KPCIP-Project Readiness Financing

Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	7.00	70
Urban Climate Change Resilience Trust Fund	2.00	20
Government ^a	1.00	10
Total	10.00	100

^a The government contribution includes taxes and duties.

Source: Asian Development Bank.

Table 4: Implementation Arrangements

Aspects	Arrangements		
PRF implementation period	January 2019–December 2023		
Estimated PRF completion date	December 2023		
Management			
(i) Oversight body	Project Steering Committee ^a		
(ii) Executing agency	Planning and Development Department of the Government of Khyber Pakhtunkhwa		
(iii) Key implementing agencies	City governments of Abbottabad, Kohat, Mardan, and Peshawar. Additional city governments may be added as implementing agencies		
(iv) Implementation unit	City implementation units (Water and Sanitation Services Companies)		
Consulting services			
Selection methods	QCBS 90:10 (EDCM) ^b	591 person-months minimum	\$4.0 million
	QCBS 90:10 (IRCB)	55 person-months minimum	\$2.5 million
	ICS (Due diligence)	275 person-months minimum	\$2.5 million
Advance contracting	All consulting service packages are proposed for advance contracting.		
Disbursement	Disbursements under PRF will be made in accordance with ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and arrangements agreed between the government and ADB.		

ADB = Asian Development Bank, EDCM = engineering design and construction management, ICS = individual consultant selection, IRCB = institutional review and capacity building, PRF = Project Readiness Financing, QCBS = quality- and cost-based selection.

KPCIP - Project Readiness Financing



- **Good financing instrument to conduct advanced preparatory activities for complex projects, notably urban sector, to ensure project readiness head of loan approval.**
- The PRF for KPCIP will support:
 - Establishment of Project Management Unit (PMU);
 - Detailed Engineering Design, due diligence assessments, geological, hydrological and other surveys and **accurate costing**;
 - Advance procurement activities (bidding documents);
 - Finalization of safeguards documents **based on DED**;
 - Social impact mitigation;
 - stakeholders consultations and project communication;
 - Reflection of innovation and new technologies into DED; and,
 - Preparation of **government internal approval document (PC-I) (for ensuing project)** based on DED and accurate costing

PRF: Possible Improvement



■ Business Processes

- Check if additional business process requirements are really necessary.

For Instance:

- PRF paper and concept paper preparation for ensuing projects appear redundancy
- No-objection basis quality assurance procedures
- Multiple government requests are required for PRF approval (e.g. AM confirmation, request letter, minutes of loan negotiations and others)
- Application of SPS are inconsistent

■ Procurement

- Consider further streamlining of EPCM firm recruitment under PRF.
 - It is ideal if one firm takes responsibility for both (i) engineering design and (ii) construction supervision.



Thank you very much
