



# Sindh Cities Improvement Program (SCIP)

Planning & Development Department, Sindh

Quarterly Progress Report August 2011 – December 2011



**Program Support Unit**

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## **Introduction**

Sindh Cities Improvement Investment Program (SCIP) is ADB assisted US\$ 400 million infrastructure and service delivery reform program which aims to improve water supply, wastewater management, and solid waste management (SWM) services in participating 20 secondary cities through establishment of government-owned , professionally managed Urban Services Corporations ; urban sector reforms and investment in water supply, wastewater and solid waste management infrastructure.

GoS through Program Support Unit (PSU), Planning and Development Department (P&DD) has initiated reforms and investment in Northern Sindh with a cluster of six participating TMAs (Sukkur, New Sukkur, Rohri, Khairpur, Shikarpur and Larkan). These six TMAs have joined together to establish the North Sindh Urban Service Cooperation (NSUSC) under the Pakistan Companies Ordinance 1984. GoS through PSU, P&D Department will roll out SCIP to cover the secondary cities through the establishment of two more urban services corporations in central and southern parts of the province for improvement in infrastructure and service delivery integrated with urban sector institutional reforms.

## **Basic data**

<b>ADB Loan Number:</b>	<b>2499-PAK (SF)</b>
<b>Project Title:</b>	<b>Sindh Cities Improvement Program (SCIP)</b>
<b>Borrower</b>	<b>Islamic Republic of Pakistan</b>
<b>Executing Agency</b>	<b>Planning and Development (P&amp;D) Department, Government of Sindh through Program Support Unit (PSU)</b>
<b>Implementing Agency</b>	<b>North Sindh Urban Service Corporation (NSUSC)</b>
<b>Date of Loan Signing</b>	<b>February 06, 2009</b>
<b>Date of Loan Effectiveness</b>	<b>March 06, 2009</b>
<b>Loan Closing Date</b>	<b>June 30, 2013, Tranche 1</b>
<b>Loan Closing Date</b>	<b>December 31, 2018 Program</b>
<b>Date of Last ADB Review Mission</b>	<b>September, 2011</b>

## **Executive Summary**

PSU and NSUSC moved ahead despite internal and external challenges. Most importantly , the operations support fund flow design / mechanism ( Financial loan Covenant) was , out of sudden, found inconsistent with Para XV of Revised Accounting Procedure 2010 in August 2011 and somehow put the NSUSC operations in limbo.

Midterm Review Mission ( Sept 21-26 , 2011) and GoS discussed and agreed upon the following actions to support PSU and NSUSC implement the program with much ease. PSU and NSUSC Management acted together to expedite contract awards , push SEPCO to ensure billing accurately , ensure funding in advance salaries of TMAs , to recruit MD NSUSC , and to finalize the operations support fund flow mechanism.

Moreover , PSU with the support of P&D Department mobilized SCIP-3 consultant to move central ward and the approval of identified towns for central cluster could be obtained anytime. Strengthening of technical arm of PSU with the induction of three young engineers and the selection of HR, M&E and Public Finance Specialists could help us achieve our objectives.

NSUSC on the other hand did not lag behind and kept moving to achieve the set objectives. Award of ICB-3 for the rehabilitation of water treatment plants etc was one of the achievements to be counted upon. Constructive engagement of NSUSC with SEPCO despite all odds would also bear fruit.

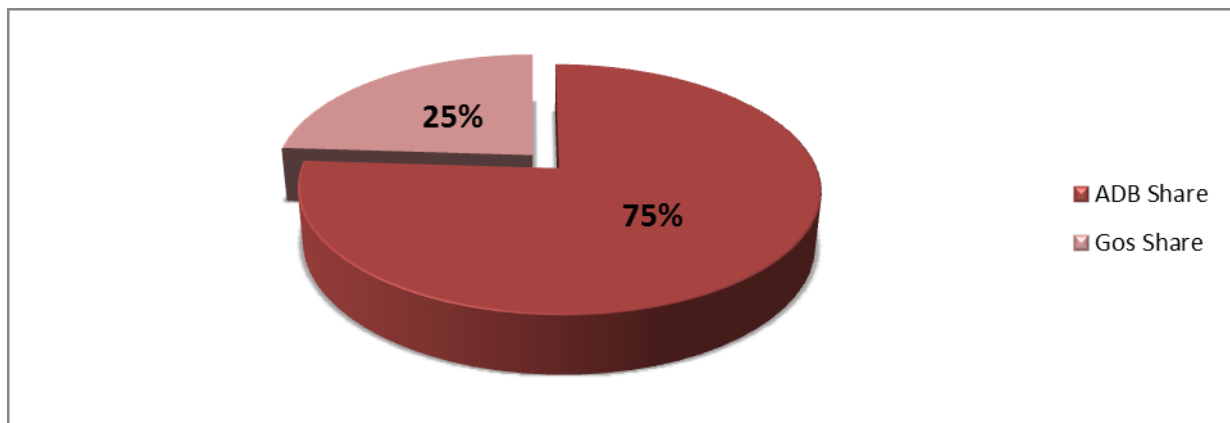
In short, PSU and NSUSC made efforts individually and collectively to meet the challenges in the best possible way.

**Table 1. Cost Estimate of the Program**

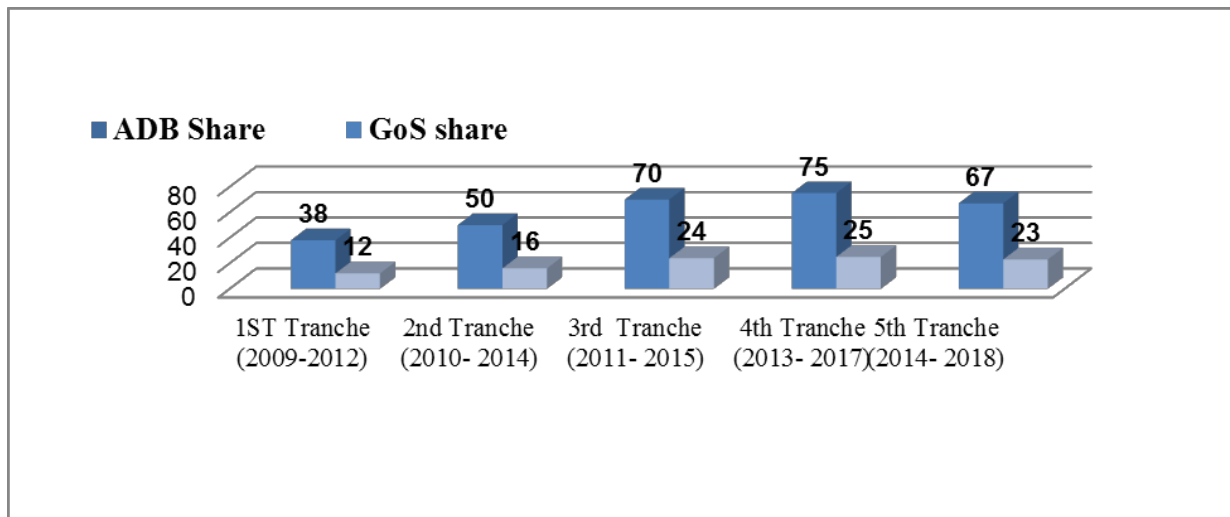
Source	Amount (\$ Million)	Rs (Billion)	Share
ADB Ordinary Capital Resources	262	19.912*	65.5%
ADB Fund	38	2.888*	9.5%
Government of Sindh	100	7.60*	25%
<b>Total</b>	<b>400</b>	<b>30.40</b>	<b>100%</b>

\*1US \$ is equal to Pak Rs 76/ as per PC-I of the Program

**Figure 1. SCIP – ADB and GoS share**



**Figure 2. Tranches Schedule**



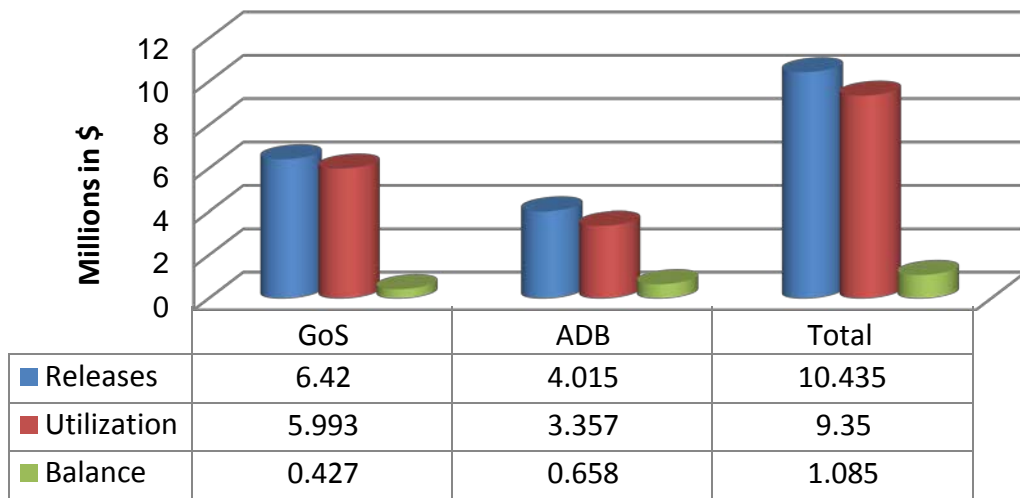
**Table 2. Cost Estimates Tranche 1**

Source	Amount (\$ Million)	Rs (Billion)	Share
ADB	38.00	3.078*	76%
Government of Sindh	12.00	0.972*	24%
<b>Total</b>	<b>50.00</b>	<b>4.050*</b>	<b>100%</b>

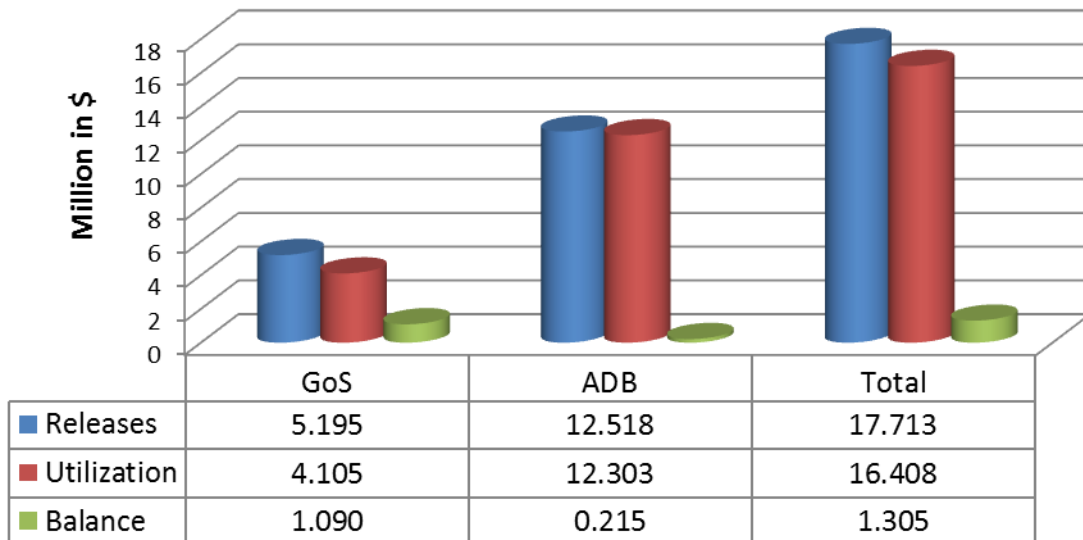
\*1US \$ is equal to Pak Rs 81 as per PC-I of Tranche 1

**Financial Progress**

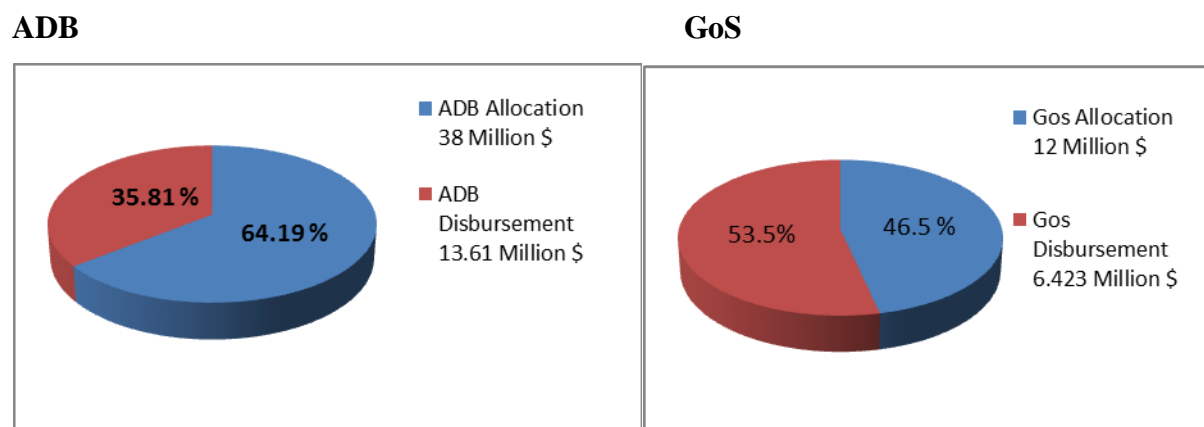
**Figure 3. PSU– Dec, 2011**



**Figure 4. NSUSC – Dec, 2011**



**Figure: 5 ADB Disbursements against 1st Tranche – Dec, 2011**



**Table 3. Operation & Transition Support Fund**

PSU			NSUSC		
	In Million			In Million	
	PKR	US \$		PKR	US \$
Funds Deposited in ESCROW A/c	248.192	2.638	Funds Received from PSU	619.596	3.172
TMA Salaries Deposited in ESCROW A/C	371.592	0.902	Utilized	805.352	3.410
NSUSC claimed	619.596	3.172			
<b>Balance</b>	<b>0.188</b>	<b>0.368</b>	<b>Balance</b>	<b>-185.756 *</b>	<b>-0.238</b>

\*90.70 Million Counterpart funds of GoS were utilized to meet salary shortfall of TMA deputed staff

\*95.0 Million Counterpart funds of GoS were utilized to meet the operation shortfall expenses.



**Update on consultancies, cost and disbursements is as under:**

Subproject (s)	Cost US\$ in million	Disbursement US\$ in million	Status
<p><b><u>SCIP-01</u></b> Independent Verifier, Support for P&amp;D Department</p>	<p><b>0.299</b></p>	<p><b>0.066</b></p>	<p>M/s Anjum Asim Shahid Rahman (Grant Thornton) Chartered Accountants, Pakistan, firm was mobilized in March, 2010. The firm has however been unable to mobilize its international consultants in accordance with the provision of contract agreement till to date and has confirmed that it would not mobilize international consultant in the series of meeting held on 16-08-2011, 23-11-2011. PSU has nonetheless continued to engage firm to improve its performance. During the reported period the firm has <i>inter-alia</i> shared performance Audit Report and verified vouchers of NSUSC till October, 2011. Overall the performance of firm has still remained poor.</p>
<p><b><u>SCIP-02</u></b> Program Management and Implementation Support, Support for North Sindh Urban Services Corporation (NSUSC)</p>	<p><b>1.794</b></p>	<p><b>0.409</b></p>	<p>M/s. GHK has reviewed 09 Working Papers on Water, Sanitation and Environmental Assessments drafted by MMP (SCIP-4).</p>
<p><b><u>SCIP-03</u></b> Program Management and Implementation Support, Support for Planning &amp; Development Department.</p>	<p><b>2.193</b></p>	<p><b>0.240</b></p>	<p>M/s Brisbane City Enterprises Pvt Ltd: in association with SMEC and EGC, Pakistan was remobilized on October 26, 2011.</p> <p>Team Leader, Deputy Team Leader and M&amp;E Specialist were mobilized on October 26, Nov. 15 and October, 26, 2011 respectively. CEO of BCE also visited PSU from Nov 03-04, 2011 to <i>inter-alia</i> discuss the possibilities of</p> <p>Revised Inception Report (final draft) was 03-12-2011. Monitoring and Evaluation strategy has also been drafted and shared with PSU for review</p>

			Moreover the EOIs for Mapping and Baseline studies were prepared and published for hiring firms.
<p><b><u>SCIP-04</u></b>                  Consulting service for Mapping, Planning, Feasibility Studies, Detailed Design and Construction Supervision for North Sindh Urban Service Corporation</p>	2.658	0.965	<p>MMP has now been mobilized and has drafted 09 Concept Papers on Water, Sanitation and Environmental Assessment.</p> <p>MMP also reviewed ICB-03 design and cost estimates as well as participated in the negotiation meetings.</p> <p>Besides MMP has started preparing Base Maps for 06 participating towns of the northern cluster.</p>
<p><b><u>SCIP-05</u></b>  <b>Component A:</b>                  Technical Assistance on Improving Efficiency and Accountability of NSUSC- Technical, Operational, and Organizational Support to NSUSC</p>	From TA Grant		<p>M/s. Sureca assisted NSUSC in negotiating ICB-03 contract in December, 2011.</p> <p>Conducted Technical Review of the Sukkur Mega Sewerage for identification of work to be completed by Public Health Engineering Department before handing over to NSUSC.</p> <p>Prepared technical report on the viability of UF and RSGF water treatment plants to help GoS set its investment priorities.</p>
<p><b><u>SCIP-06</u></b>  <b>Component B:</b>                  Technical Assistance on Improving Efficiency and Accountability of NSUSC- Public Awareness and Outreach, Public Monitoring and Customer Relations</p>	From TA Grant  0.506		<p>M/s. Bearing Point could not move ahead on Citizen Report Record (CRC) since July 2011 despite PSU support.</p> <p>Similarly its efforts to support NSUSC in raising public awareness and outreach and strengthen customer care center were not appreciative.</p> <p>Overall the performance of Bearing Point has been dismal during the reported period.</p>

### **Contract Awards of works, Equipment and studies**

A number of international and national contracts for works and studies are either completed or in the advanced stage of completion. Some of the major international contracts have been delayed due to termination of SCIP-4 consultancy. Most of these projects were identified at the PPTA stage and are reflected in the Procurement plan of the program. The detailed status of these projects is as under.

Name of the Project	Cost US\$ mn	Status
<b><u>ICB-1</u></b> Solid Waste Collection Equipment (40 units side loading trucks vehicles and 520 skip containers)	2.41	M/s Automobile corporation & M/s. CHIL-Hinopak (JV) completed delivery of solid waste collection equipment in November, 2011.
<b><u>ICB-02</u></b> Priority Equipment of Solid Waste Management for participating TMAs of NSUSC  Tractor with Tripping Trolley (7) Wheel Excavator (3) Dumper Truck (3) Dumper Mounted Back Crane (3) Sucker Machine 4000 liters (3) Jetting Machine 4000 liters (3)	1.327	M/s Automobile corporation has delivered 18 out of 22 priority equipment to NSUSC in Nov. 2011.
<b><u>ICB-03</u></b> Bunder Road & Numaish Water Treatment Plants Sukkur, Khaki Shah Slow Sand Filter Treatment plant Khairpur and 13 Disposal Stations at Shikarpur	10	ICB-3 Contract was expected to be awarded to the firm in September 2011. NSUSC finally signed contract with M/s Haji Sirajuddin Soomro on December 30, 2011 for the Rehabilitation of Buder Road Numaish Water Treatment Plants Sukkur; Khaki Shah Slow Sand Filter Treatment Plant Khairpur and 13 Disposal Stations at Shikarpur @ the total cost of Rs.845,080,000/-
<b><u>ICB-04</u></b> Construction of Water Supply Infrastructure including Distribution Network Improvements at Sukkur, New	Estimated 8.0	Due to cost over runs most of the projects slipped into Tranche -02 and Distribution Network Improvement Projects for Water Supply in Sukkur, New Sukkur,

Sukkur, Rohri and Khairpur and Waste water management at Rohri and Khairpur		Rohri and Khairpur are intact for Tranche 01 funding. The DNI zones are selected after a complete review of MMP and in consultation with Municipal Committees. The projects are under design.
<b><u>ICB-05</u></b> Construction of Landfill Site in Rohri, Khairpur, Larkana, and Shikarpur: Design and Procurement of Landfill sites	Estimated 10.0	The Geotechnical and Geo-hydrological surveys are under progress. MMP has prepared Landfill Design Criteria and submitted preliminary assessment report on Rohri (Regional Site for Sukkur, New Sukkur and Rohri), Khairpur, Shikarpur and Larkana.
<b><u>NCB-04</u></b> Priority works of waste water management Larkana including improvement of 13 disposal stations, rising mains and provision of diesel generators at 13 disposal stations	3.153	Work awarded to M/s KSB. The firm mobilized and executed the work in March 2011. So far 85% work has been completed on 10 out of 13 disposal stations. Though the expected completion date of project is January 2012, the project might not be completed before April 2012 due to land acquisition issues at 03 Pumping Stations (Nazar Mohallah, Sarghani and Rehmatpur).
<b><u>NCB-05</u></b> Construction of SKIP platform for all six TMAs	0.53	The contract for construction of SKIP platform in all six participating TMAs / Towns was awarded to Ms. Haji Siraj on June 28, 2011. 300 platforms are completed have been installed.
Consultancy services for optimal approaches, review and feasibility study on water availability at Sukkur intake	0.175 (Khalid)	Work awarded to M/s. RCC Consultant. The Consultant has commenced the services from 15 June. 2011 and submitted Draft Inception Report. The study will lead to project Design and Bid Document for Intake & Delivery system for Sukkur water supply upto

		year 2050. The Project is expected to be completed by April 2012. It will be a good support for tranche 2 projects funding.
<b><u>Provisional sum- SCIP-4</u></b> Site investigations of SWM Landfill Sites NCB	0.30	The Project Site Investigation for SWM LFS was also finalized during this quarter following termination of SCIP-04 Consultant, as it was under the provisional sum of the Consultant. The project has been awarded to M/s. GEOENGINEER, the ADB post-review and PCSS number has been received and contractor has been mobilized as well. The contractor has completed LFS investigation for Khairpur and now working on other LFS and ICB-3 locations for engineering survey.

**Table 4:** TMA’s entrustment of services, deputation of employees and salary released by Finance department Government of Sindh. Finance Department now releases salary of deputed TMA staff at least 20 days in advance with 10% arrears per month. Thus the arrears accumulated on account of non- release of salary funds are being reduced substantially. FD has again been requested to pay arrears in three equal installments and being followed regularly.

TMA	Services Takeover	TMA staff deputed with NSUSC	Salary / month (Rs in m)	Salary Released by FD	Arrears to be paid by FD
Khairpur	May 18, 2010	482	5.152	81.398	6.287
Shikarpur	August 24, 2010	321	3.306	49.522	1.041
Larkana	September 23, 2010	505	6.687	84.184	9.832
Rohri	October 23, 2010	315	3.478	41.79	4.893
Sukkur	January 01, 2011	1016	12.863	79.524	65.509
New Sukkur	January 01, 2011	382	3.159	35.542	2.371
<b>Total</b>		<b>3021</b>	<b>34.645</b>	<b>371.96</b>	<b>89.933</b>

Chief Secretary Sindh convened meeting on 12-12-2011 to interalia discuss the issues delaying the acquisition of land for the establishment of landfill sites (the copy of minutes attached). PSU also followed up with the concerned agencies regularly. The details of progress of landfill sites are given in following table.

**Table 5. Detail of landfill sites for solid waste management by NSUSC**

Landfill site location	Area	Progress in the reported period
<b>Landfill Site at Khairpur</b>	28.8 acres	<ul style="list-style-type: none"> <li>Measure of land was completed on 25<sup>th</sup> May 2011. As per LARF/LARP GRC has been notified. Survey Superintendent has issued “B” Form on 01-06-2011 to the Director Settlement, Survey and Land records Hyderabad &amp; same was approved / issued by the Director on 09-07-2011. Section 12 was awaited.</li> <li>Committee notified to monitor and ensure transparent process for the disbursement of compensation to the affected persons on November 28, 2011. Furthermore, a meeting held b/w NSUSC team &amp; Deputy Commissioner Khairpur on Dec 30, 2011 and it was mutually sorted out that land acquisition process would be completed by Feb 2012.</li> </ul>
<b>Landfill site Larkana</b>	89.44 acres	<ul style="list-style-type: none"> <li>It has been informed by the Revenue Department after issuance of section IV that the land pertains to the Ministry of Defense, GoP (Government Land). An amount of PRs. 6,260,625.00 has however ben already released to Revenue authority. As per LARF/LARP Grievance Redress Committee has been notified. Section 6 is awaited.</li> <li>Land Utilization Department has written to and follows up with Ministry of Defense-Response awaited</li> </ul>
<b>Landfill site Shikarpur</b>	63.65 acres	<ul style="list-style-type: none"> <li>Land Acquisition Process for acquiring 63.65 acres land at the rate of Rs.80,500/ acre in Shikarpur was fairly swift and only Section 6 was to be issued. Meantime, the Land Acquisition Officer on the request of landowner re-evaluated and proposed Rs. 350,000 to 400,000/- per acre in November 2011. NSUSC then referred the matter to PSU for support and settlement.</li> </ul>

		<p>PSU has now been pursuing the matter with District and Tehsil Administration for amicable settlement of the issue.</p>
<b>Landfill site Rohri</b>	100 acres	<ul style="list-style-type: none"> <li>• The matter of change of Title of land in the name of TMA Rohri from Mines and Mineral Department was placed with Scrutiny Committee of Sindh. Scrutiny Committee cleared and the Summary for Chief Minister Sindh has been moved for approval. As per LARF/LARP. Grievance Redress Committee has also been notified.</li> <li>• Secretary, land Revenue Department has been pursuing the matter with the Secretary to Chief Minister for approval of summary.</li> </ul>

## **Compliance with Covenants**

As per the loan covenants, the borrower has appointed P&DD as the Project Executing Agency, which has assumed the overall responsibility of the project. NSUSC has also been established in compliance with the covenants for implementation of the specific project components. Furthermore, an independent verifier has also been appointed.

## **Environmental Covenants**

<b>Project-Specific Covenants</b>	<b>Remarks / Issues</b>
<p>1. The Borrower shall, and shall cause Sindh to, ensure that the design construction, operation, and implementation of all subproject facilities are carried out in accordance with ADB's Environment Policy (2002), and the Borrower's Environmental Protection Act, 1997. Any adverse environmental impacts arising from the construction, operation, and implementation of subproject facilities shall be minimized by implementing the environmental mitigation and management measures and other recommendations specified in the EARF and IEE or EIA, as applicable. The subproject assessment shall be conducted in accordance with the EARF, which has been prepared based on the Borrower's environmental requirements and ADB's Environment Policy.</p> <p>2. (LA, Schedule 5, para. 5)</p>	<ul style="list-style-type: none"> <li>• Resource and policy structures being put in place.</li> <li>• Appropriate mechanisms put in place by safeguards team</li> <li>• IEE was applied and received before start of any Capital Works. <u>EIA for ICB-3 has been given by SEPA on October 06, 2011.</u></li> </ul>
<p>2. Sindh and NSUSC shall ensure that the environmental management and monitoring plan prepared under the Project shall be strictly implemented. Sindh, NSUSC and ADB shall review the progress in the implementation of the environmental management and monitoring plan covering the subprojects financed under the Loan prior to processing the follow-up loans under the Investment Program. Sindh and NSUSC shall submit to ADB annual monitoring reports on subprojects' environmental performance in accordance with the EARF. Sindh and NSUSC shall also ensure that prior to the issuance of the bidding documents, ADB shall have reviewed and cleared, as applicable, the initial environmental examinations or environmental impact assessments of the subproject including the environmental management plan or their revised versions, and receipt of the Borrower's clearances, approvals or permits for such documents.</p> <p>(PA, Schedule Execution of Project; Financial Matters, para. 21)</p>	<ul style="list-style-type: none"> <li>• Ongoing. Safeguards team formed.</li> <li>• NSUSC has environmental Policy, HSE Policy and a mechanism to incorporate environmental compliance in the contracts through EMP and other agreed measures of SEPA and ADB</li> </ul>



**Financial Covenants**

Project-Specific Covenants	Remarks / Issues
<p>1. The Borrower shall establish immediately, after the Effective Date, two (2) imprest accounts at the National Bank of Pakistan. The first imprest account shall be for P&amp;DD to cover the eligible expenditures for Parts A(i) and D and the second imprest account shall be for NSUSC to cover the eligible expenditures under Parts A(ii), B, and C. The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest accounts shall be Dollars. The initial amount to be deposited into the imprest accounts shall not, in aggregate, exceed the lower of (i) the estimated expenditure for the first six (6) months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount. [LA, Schedule 3, paras. 6(a)]</p> <p>The SOE procedure may be used for reimbursement of eligible expenditures. Any individual payment to be reimbursed or liquidated under SOE procedure shall not exceed the equivalent of one hundred thousand Dollars (\$100,000). [LA, Schedule 3, para. 6(b)]</p>	<ul style="list-style-type: none"> <li>• Complied. Imprest account No. 1 (PSU) opened on 2 June 2009.</li> <li>• Imprest account No. 2 (NSUSC) opened on 12 Dec 2009</li> <li>• Complied</li> </ul>
<p>2. Conditions of Withdrawals from Loan Account No withdrawals shall be made from the Loan Account until:</p> <ul style="list-style-type: none"> <li>• The TMA in each of Sukkur, New Sukkur, Rohri, Shikarpur, and Larkana shall have entered into a Service and Asset Management Agreement with NSUSC, in the form and substance acceptable to ADB;</li> <li>• Sindh, NSUSC and the TMA in each of Sukkur, New Sukkur, Rohri, Shikarpur, and Larkana shall have entered into a Tripartite Operational Support and Capital Investment Grant Agreement, in the form and substance acceptable to ADB;</li> <li>• The independent directors of NSUSC shall have been appointed in accordance with the criteria specified in paragraph 12 of the Schedule to the Project Agreement; and</li> <li>• The managing director of NSUSC shall have been appointed in accordance with the criteria and process specified in paragraph 11 of the Schedule to the Project Agreement. (LA, Schedule 3, para. 8)</li> </ul>	<ul style="list-style-type: none"> <li>• All Conditions have been complied Withdrawal applications are being submitted by PSU and NSUSC. 1st WA submitted on 9th Dec: 2009</li> </ul>

<p>3. Within three (3) months of the Effective Date, Sindh shall have appointed an escrow agent, acceptable to ADB, to manage the escrow account to be established at the National Bank of Pakistan, for the deposit and disbursement of the Operational Support Funding Proceeds to NSUSC. (PA, Schedule: Execution of Project; Financial Matters, para. 15.)</p>	<p>Escrow Account Agent in place. Independent Verifier clears all claims of reimbursement of NSUSC after necessary verification.</p> <p><i>State Bank, Govt. of Pakistan observed that the operation of escrow account is not in tandem with para XV of Revised Accounting Procedure 2010. This covenant therefore needed revision and to be brought in line with the provision of Revised Accounting Procedure 2010. It was thoroughly discussed during Midterm Review Mission in September 2011; however no agreement reached between GoS and ADB in the reporting period. This caused liquidity crunch for NSUSC and rendered its operations to</i></p>
<p>4. Sindh shall ensure that (a) the necessary budgetary resources to fund the TMA staff deputed to NSUSC and other budgetary requirements pursuant to the Service and Asset Management Agreement shall be fulfilled; and (b) these funds shall be channeled into the escrow account referred to in para. 15 of this Schedule. (PA, Schedule: Execution of Project; Financial Matters, para. 18)</p>	<p>Being implemented. <i>This also needed revision following change in fund flow mechanism having no escrow account.</i></p>
<p>5. Counterpart Funding. Sindh shall ensure the availability and timely release of counterpart funding for the timely implementation of the subprojects under the Project. The counterpart funds to be provided by Sindh include, but not limited to, in-kind contributions of land, counterpart staff, office space, and vehicles. (PA, Schedule: Execution of Project; Financial Matters, para. 20)</p>	<p>Being implemented.</p>

<p>6. Sindh shall ensure that the PSU (including its regional offices), Urban Unit, and NSUSC shall maintain separate records and accounts adequate to identify financing resources received and expenditures made under the Loan. (PA, Schedule: Execution of Project; Financial Matters, para. 30)</p>	<p>Being Complied for PSU and NSUSC. Separate Accounts for Urban Unit opened.</p>
<p>7. Each - P&amp;DD and NSUSC - shall (i) maintain separate accounts for the Project; (ii) have such accounts and related financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent external auditors acceptable to ADB; and (iii) furnish to ADB, promptly after their preparation but in any event not later than six (6) months after the close of the fiscal year to which they relate, certified copies of such audited accounts and financial statements and the report of auditors relating thereto (including the auditor's opinion on the use of the proceeds of the Loan and compliance with the financial covenants of the Loan Agreement as well as the use of procedures for the imprest account and SOEs), all in English language. Each of Sindh and NSUSC shall furnish ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.</p> <p>(PA, Article II, Section 2.09)</p>	<p>Being implemented</p>

**Sector Covenants**

<p><b>Project-Specific Covenants</b></p>	<p><b>Remarks</b></p>
<p><b>1. <u>Project Executing Agency</u></b></p> <p>The Borrower shall appoint the P&amp;DD as the Project Executing Agency, which shall assume overall responsibility of the Project. The Borrower shall ensure that</p> <ul style="list-style-type: none"> <li>(a) P&amp;DD shall be responsible for the implementation of Parts A (i) and D, and</li> <li>(b) NSUSC shall be responsible for the implementation of Parts A (ii), B, and C.</li> </ul> <p>The Borrower shall, and shall cause Sindh to, ensure timely implementation of the agreed reforms set forth in the action plan for reform and investment, which is part of the urban sector roadmap. (LA, Schedule 5, paras. 1 &amp; 2)</p>	<p>Completed</p> <p>NSUSC incorporated and operating.</p>

<p><b>1. <u>Project Steering Committee (PSC)</u></b></p> <p>Sindh shall establish a PSC to provide policy direction and strategic oversight and service as a focal point for inter-agency coordination, chaired by the Additional Chief Secretary, P&amp;DD with the Program Director being the member-secretary. The members will comprise (a) secretary, Local Government Department; (b) additional chief secretary/secretary, Finance Department; (c) secretary, PH&amp;ED; (d) district coordination officers of the participating talukas; (e) one of the taluka nazims of the participating TMAs; (f) head of the urban unit; (g) Program director; (h) managing director, NSUSC; and (i) 3 representatives from civil society, acceptable to ADB. The chair of the PSC may invite other persons as necessary either to become a member of the PSC or to attend its meetings. The PSC shall meet at least on a quarterly basis.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, para. 2)</p>	<p>PSC established in 2008. Five meetings held so far.</p> <p>Civil society members nominated and notified.</p>
<p><b>2. <u>Urban Unit</u></b></p> <p>Sindh, through P&amp;DD, shall establish an Urban Unit, within six (6) months of the Effective Date, to provide strategic urban planning and policy support for urban development in Sindh. Urban Unit shall collaborate with PSU as a "change manager," supporting roll-out of the USC model to new town clusters. The head of the Urban Unit shall be recruited through competitive processes acceptable to ADB and shall be supported by competitively recruited professional and support staff, including specialists in urban policy and economics, regional and urban planning, statistics and mapping, and information technology.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, para. 5)</p>	<p>Formal Notification issued by SGA&amp;C Department on September 23, 2009</p> <p><i>During Midterm Review (Sept 21-26, 2011), ADB appreciated the idea of Urban Planning Directorate and ADB / GoS agreed that the Directorate would start functioning by March 2012.</i></p>
<p><b>3. <u>North Sindh Urban Services Corporation (NSUSC)</u></b></p> <p>Sindh shall allow NSUSC to operate as a limited liability company in accordance with</p> <ul style="list-style-type: none"> <li>(a) The prevailing laws and regulations of the Borrower, including the Companies Ordinance; and</li> <li>(b) Its constitutional documents. Sindh shall provide the necessary resources needed to ensure that</li> </ul>	<p>Incorporated on 11 Nov. 2008.</p> <p>Ongoing. SAMAs signed.</p>

<ul style="list-style-type: none"> <li>• NSUSC shall be an effective and sustainable vehicle for the delivery of water supply, wastewater and solid waste management services; and</li> <li>• The Project facilities shall continue to be in good condition during and after the completion of the Project and Investment Program.</li> </ul>	<p>Deputation of the relevant staff of participating TMAs too time and has been finally completed in Jan 2011.</p>
<p>Within six (6) months of the Effective Date, Sindh shall ensure that the participating TMAs shall have deputed their relevant staff members to NSUSC, in a manner acceptable to ADB.</p>	<p>Complied.</p>
<p>NSUSC shall ensure that its managing director of NSUSC shall (a) be recruited from the open market and on a competitive basis in a manner acceptable to ADB; and (b) have a minimum of ten (10) years of work experience in managing service delivery and other relevant qualifications to be agreed upon between ADB and Sindh.</p>	<p>Complied.</p>
<p>NSUSC shall be responsible for (a) the procurement process, including the award and implementation of contracts related to subprojects under Parts B and C; (b) the preparation of annual plans and budgets for submission to its board; (c) the provision of immediate oversight for environmental and social safeguards related to subprojects under Parts B and C; and (d) the preparation of the periodic financing requests with respect to the subprojects under Parts B and C.</p>	<p>Being Complied Annual plan and budgets are regularly prepared and Approved by NSUSC Board</p>
<p>Within one (1) month of the Effective Date, NSUSC shall have appointed its director of finance and director of operation and services, in a manner acceptable to ADB.</p>	<p>Complied</p>
<p>Within three (3) months of the Effective Date, NSUSC shall have established its safeguards and capital works units, to the satisfaction of ADB.</p>	<p>Complied</p>
<p>Within three (months) of the Effective Date, Sindh shall have appointed an escrow agent, acceptable to ADB, to manage the escrow account to be established at the National Bank of Pakistan, for deposit and disbursement of the Operational Support Funding proceeds to NSUSC.</p>	<p>Complied</p>
<p>Within six (6) months of the Effective Date, NSUSC shall have appointed its technical managers and assistant managers for finance in accordance with the staffing requirement set out in the organogram in Appendix 8 of the RRP.</p>	<p>Complied</p>
<p>Within twelve (12) months of the Effective Date, NSUSC shall ensure that it has been fully staffed in accordance with the staffing requirement set out in the organogram in Appendix 8 of the RRP. (PA, Schedule: Execution of Project; Financial Matters, paras. 6 to 16)</p>	<p>Complied</p>

<p><b>4. <u>Taluka Municipal Administration</u></b></p> <p>Sindh shall ensure that the participating TMAs shall be adequately staffed.</p> <p>Sindh shall ensure that (a) the necessary budgetary resources to fund the TMA staff deputed to NSUSC and other budgetary requirements pursuant to the Service and Asset Management Agreement shall be fulfilled; and (b) these funds shall be channeled into the escrow account referred to in paragraph 15 of this Schedule.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, paras. 17-18)</p>	<p>P&amp;DD requested action by Local Government Dept. on staffing 6 TMAs.</p> <p>Being implemented</p>
<p><b>5. <u>Subproject Selection Process</u></b></p> <p>Sindh and NSUSC shall ensure that all subprojects are selected in accordance with the agreed criteria set out in Schedule 4 to the FFA and other applicable requirements and guidelines for subproject implementation. Both Sindh and NSUSC shall monitor the implementation of subprojects until their completion.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, para. 19)</p>	<p>Being complied.</p>

**Social Covenants**

Project-Specific Covenants	Remarks / Issues
<p><b>1. <u>Land Acquisition and Resettlement.</u></b></p> <p>The Borrower shall, and shall cause Sindh to, ensure that (a) all land and rights-of-way required for any subproject under the Project are made available in a timely manner, including the requirement for allocation in the annual budget for the financing of land acquisition and related resettlement costs under the Project; (b) upon completion of the detailed design and detailed measurement survey, the resettlement plans under the Project will be prepared in full consultation with the affected people and in accordance with the Land Acquisition and Resettlement Framework (LARF) agreed upon between Sindh and ADB and will be promptly disclosed to the affected people; (c) reports on the implementation of the resettlement plan shall be submitted to ADB on a periodic basis; and (d) the entire involuntary resettlement activities under the Project shall be carried out in accordance with the LARF and resettlement plans agreed upon between Sindh and ADB, the relevant national and local policies on resettlement and rehabilitation, and ADB's Involuntary Resettlement Policy (1995).</p> <p>(LA, Schedule 5, para. 4)</p>	<p>Ongoing.</p> <p>Funds for acquisition of land for landfill sites released to NSUSC.</p>
<p><b>2.</b> Prior to issuance of notice for mobilization for civil works activities under a subproject, Sindh shall ensure that (a) the Land Acquisition and Resettlement Plan (LARP) has been disclosed to the affected people and submitted to ADB for review and approval; (b) the negotiations on the resettlements with the affected people have been completed; and (c) the affected people have been</p>	<p>Being complied</p>

<p>satisfactorily compensated for their loss through cash payment or land replacement or other forms of agreed entitlement.</p> <p>In the event of any changes to the agreed LARPs, including on the agreed compensation to the affected people, Sindh shall inform ADB and update the LARPs accordingly, and submit the updated resettlement plans to ADB for review and approval.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, paras. 22 and 23)</p>	<p>Being complied</p>
<p><b>3. Gender and Child Labor</b></p> <p>The Borrower shall, and shall cause Sindh to, implement the Gender Action Plan prepared under the Investment Program to encourage gender-balanced consultation and participation in the Project planning and implementation, including the representation of qualified women in the board of directors of NSUSC.</p> <p>(LA, Schedule 5, para. 6)</p>	<p>Being Complied.</p> <p>BoD, NSUSC has female representation.</p>
<p><b>4.</b> Sindh and NSUSC shall monitor the impact of the subproject on women during implementation of each subproject, including where relevant, with gender-disaggregated data collected pursuant to the monitoring and evaluation system referred to in the IPPMS and the Gender Action Plan.</p> <p>Sindh and NSUSC shall ensure that (a) there is no differential payment between men and women for work of equal value; and (b) civil works contractors do not employ child labor in the construction and maintenance activities in accordance with the relevant laws and regulations of the Borrower.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, paras. 24 and 25)</p>	<p><u>Shall be complied with.</u></p> <p><u>IPPMS is in the process of being framed by SCIP-3 consultants.</u></p>

**Other Covenants**

Project-Specific Covenants	Remarks / Issues
<p><b>1. <u>Established, Staffed, and Operating PMU / PIU</u></b></p> <p>Program Support Unit (PSU).</p> <p>Sindh shall establish a PSU to support the implementation of the Project, headed by the Program Director, to be recruited by P&amp;DD through competitive process acceptable to ADB. He shall be supported by competitively recruited professional and support staff, including specialists in municipal services engineering, municipal finance, program implementation, monitoring and evaluation, finance and accounting, urban development and information technology. The Program Director shall ensure that the Project implementation is consistent with its environmental and social safeguard frameworks. (PA, Schedule: Execution of Project; Financial Matters, paras. 3-4)</p> <p>Sindh shall submit a Project completion report to ADB within three (3) months of the completion of the Project, containing detailed evaluation of the Project covering design, costs, contractors' and consultants' performance, social, environmental and economic impact, economic rate of return and other details as may be requested by ADB.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, para. 29)</p> <p>Program Performance Monitoring System.</p> <p>Sindh shall cause the PSU to establish, within three (3) months of the Effective Date, the IPPMS in form and substance acceptable to ADB, which shall incorporate a set of performance monitoring indicators relating to outputs and outcomes, including service delivery performance, physical implementation, institutional reform and capacity-development milestones. The PSU shall establish baseline data for each of the selected indicators and conduct annual surveys with the assistance of consultants, and update ADB on the progress against each indicator.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, para. 32)</p> <p>Sindh shall cause the PSU to prepare quarterly progress reports based on information provided by NSUSC, including progress against reform and service delivery objectives, and implementation progress of the subprojects, and submitted to ADB within thirty (30) days after the close of each quarter. The reports shall discuss progress made during the period of review, changes if any on implementation schedule, problems or difficulties encountered and remedial</p>	<p>Complied.</p> <p>PSU established in May 2008.</p> <p>Not yet due.</p> <p><i>Program Support Unit consultants (SCIP-3) has drafted Monitoring and Evaluation (IPPMS) framework.</i></p> <p>Being complied</p>



<p>actions taken, and work to be undertaken in the coming quarter. NSUSC shall also be responsible for providing information as required to the independent verifier. (PA, Schedule: Execution of Project; Financial Matters, para. 33)</p>	
<p><b>2. <u>Fielding of Consultants</u></b></p> <p>Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the following methods of procurement: (a) International Competitive Bidding, (b) National Competitive Bidding, and (c) Shopping. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.  (LA, Schedule 4, para. 3)</p>	<p>Being complied</p>
<p><b>3. <u>National Competitive Bidding.</u></b></p> <p>The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines.  (LA, Schedule 4, para. 5)</p>	<p>Being complied</p>
<p><b>4.</b> The Borrower shall not award any Works contracts under the Loan in the amount of one million Dollars (\$1,000,000) or above until: (i) the board of directors of NSUSC shall have approved the business plan of NSUSC; (ii) the independent verifier, which will assess NSUSC and TMA compliance with the Service and Asset Management Agreements, and the Tripartite Operational Support and Capital Investment Grant Agreement, shall have been recruited; and (iii) an escrow account shall have been established and funded. [LA, Schedule 4, para. 6 (a)]</p>	<p>Being complied</p>
<p><b>5.</b> The Borrower shall not award any Works contracts in Khairpur until the TMA in Khairpur shall have become a shareholder in NSUSC. [LA, Schedule 4, para. 6(b)]</p>	<p>Complied. Khairpur is shareholder as of Qtr 2, 2009</p>

<p>6. The Borrower shall not award any Works contracts in Khairpur in the amount of one million Dollars (\$1,000,000) or above until the TMA in Khairpur shall have (i) entered into a Service and Asset Management Agreement with NSUSC, in the form and substance acceptable to ADB; and (ii) entered into the Tripartite Operational Support and Capital Investment Grant Agreement, in the form and substances acceptable to ADB.</p> <p>[LA, Schedule 4, para. 6(c)]</p>	<p>Complied</p>
<p>7. Except as ADB may otherwise agree, the Borrower shall apply quality-and cost-based selection for selecting and engaging consulting services. (LA, Schedule 4, para. 7)</p>	<p>Complied</p>
<p>8. The Borrower shall apply the following methods for selecting and engaging the specified consulting services, in accordance with the procedures set forth in the Procurement Plan: Consultants' Qualifications Selection for studies and training in (a) urban service provision monitoring, (b) urban planning, (c) urban sector reforms, (d) utility operations, (e) services planning, (f) utility reforms, and (g) corporate governance.</p> <p>(LA, Schedule 4, para. 8)</p>	<p>Being complied</p>
<p>9. The Borrower shall recruit the individual consultants for (a) urban development, (b) municipal planning and services engineering, (c) public finance, (d) information technology, (e) local government liaising, (f) urban policy and economics, (g) monitoring and evaluation, and (h) mapping and geographic information system, in accordance with procedures acceptable to ADB for recruiting individual consultants.</p> <p>LA, Schedule 4, para. 9)</p>	<p>Complied for PSU. <i>For Urban Unit / Directorate by March 2012.</i></p>
<p><b>10. <u>Industrial and Intellectual Property Right</u></b></p> <p>(a) the Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party. (b) the Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.</p>	<p>Being complied</p>

<p>(LA, Schedule 4, para. 10)</p> <p>The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.</p> <p>(LA, Schedule 4, para. 11)</p>	<p>Being complied</p>
<p><b>11.</b> All contracts procured under international competitive bidding procedure and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.</p> <p>(LA, Schedule 4, para. 12)</p>	<p>Being complied</p>
<p><b>12. <u>Anti-Corruption</u></b></p> <p>The Borrower shall, and shall cause Sindh to, comply with ADB's Anticorruption Policy (1998, as amended to date). The Borrower shall, and shall cause Sindh to, agree (a) that relevant provisions of ADB's Anticorruption Policy are included in all bidding documents for the Project; (b) that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (c) to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, the Borrower shall, and shall cause Sindh to, (a) conduct periodic inspection on the contractors' activities related to fund withdrawals and settlements; and (b) ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of Sindh, all contractors, suppliers, consultants and other service providers as they relate to the Project.</p> <p>(LA, Schedule 5, para. 7)</p>	<p>Being complied</p>
<p><b>13. <u>Governance</u></b></p> <p>Sindh shall disclose basic information concerning activities and progress of the Project, as appropriate, including procurement-related information, financial statements, and physical progress and that the disclosure shall be done through websites and the bulletin boards at the offices of the participating TMAs, the regional office(s) of the PSU and NSUSC customer service units at town-level.</p>	<p>Ongoing.</p> <p>Website launched and operational.</p>

<p>Sindh shall ensure that the procurement-related information to be disclosed shall include the lists of participating bidders, names of winning bidders, basic details of the bidding procedures adopted, contract values, and lists of goods and services to be procured.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, paras. 26 &amp; 27)</p>	<p><i>Being complied</i></p>
<p><b>14. <u>Project Review, Accounts and Audits.</u></b></p> <p>ADB, Sindh and NSUSC shall conduct a quarterly review of the implementation of the Project to discuss progress and any key changes to implementation arrangements or remedial measures required to be undertaken.</p> <p>Within eighteen (18) months of the Effective Date, ADB, Sindh and NSUSC shall conduct mid-term review to examine the summary of contracts awards and disbursement, implementation progress against service delivery performance, reform, institutional development and capacity building milestones. The mid-term review shall also identify problems or weaknesses in implementation arrangements, and agree on any changes needed.</p> <p>(PA, Schedule: Execution of Project; Financial Matters, para. 28)</p>	<p>NSUSC has been advised to send periodic progress reports on time. PSU provides regular consultation to NSUSC in smooth operationalization of Corporation.</p> <p>That could be undertaken as and when required.</p>

**Issues and Challenges:**

- a) Operations Support fund flow design
- b) Lack of support from line departments - in execution of various water supply subprojects
- c) Land acquisition delays owing to fixation of compensation, title of land and mortgage issues
- d) Strong support for SCIP and NSUSC from political leadership in politically polarized areas
- e) Delayed completion of PHED projects still haunt
- f) Reconciliation of electricity charges with SEPCO – Energy Audit.