



Technical Assistance Report

Project Number: 49050-001
Policy and Advisory Technical Assistance (PATA)
November 2016

Islamic Republic of Pakistan: Provincial Strategy for Inclusive and Sustainable Urban Growth (Cofinanced by the Japan Fund for Poverty Reduction)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 30 September 2016)

Currency unit	–	Pakistan rupee/s (PRe/PRs)
PRe1.00	=	\$105.000000
\$1.00	=	PRs0.0095238095

ABBREVIATIONS

ADB	–	Asian Development Bank
PDD	–	Planning and Development Department
RDP	–	regional development plan
TA	–	technical assistance
UN-Habitat	–	United Nations Human Settlements Programme

NOTE

In this report, "\$" refers to US dollars.

GLOSSARY

<i>nazim</i>	–	A nazim is the elected head of a local government administrative unit
<i>tehsil</i>	–	The second-lowest tier of local government in Pakistan. Each <i>tehsil</i> is subdivided into a number of union councils and is part of a larger district.

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POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 49050-001	
Project Name	Provincial Strategy for Inclusive and Sustainable Urban Growth	Department /Division	CWRD/CWUW
Country	Pakistan	Executing Agency	Planning & Dev.Dept., Gov't of Khyber Pakhtunkhwa
2. Sector	Subsector(s)	Financing (\$ million)	
✓ Water and other urban infrastructure and services	Urban policy, institutional and capacity development		2.40
		Total	2.40
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Medium
Environmentally sustainable growth (ESG)	Urban environmental improvement		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Effective gender mainstreaming (EGM)	✓
Knowledge solutions (KNS)	Institutional development Application and use of new knowledge solutions in key operational areas Knowledge sharing activities Pilot-testing innovation and learning		
Partnerships (PAR)	Civil society organizations Official cofinancing Private Sector		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	Yes	Rural	Low
Household Targeting	No	Urban	High
SDG Targeting	Yes		
SDG Goals	SDG8		
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.40	
Policy and advisory technical assistance: Technical Assistance Special Fund		0.40	
Cofinancing		2.00	
Japan Fund for Poverty Reduction		2.00	
Counterpart		0.05	
Government		0.05	
Total		2.45	
9. Effective Development Cooperation			
Use of country procurement systems			No
Use of country public financial management systems			No

I. INTRODUCTION

1. Major cities in Pakistan have experienced rapid urbanization since 1951, with an average urban population growth of 4% per year. By 2030, about 60% of the country's population will be living in urban areas, of which 12 large cities will have a population of more than 1 million inhabitants. While economic activities in urban areas produce more than 75% of national income (gross domestic product), about 15% of the urban population lives in poverty. Urban infrastructure is aging and services are not adequate for enabling cities' potential for economic development and creation of jobs.

2. Against this backdrop, ADB's country partnership strategy, 2015–2019¹ for Pakistan states that ADB will support the government's priorities for urban renewal with improved infrastructure and institutions for water supply, sanitation, and other critical areas at national, provincial, and city-level. The country partnership strategy and country operations business plan, 2016–2018² also underscore the importance of greater equity, facilitation of inclusive jobs, and increased economic opportunities by supporting reforms that improve urban services and support the achievement of the Sustainable Development Goals. The proposed technical assistance (TA) is included in the country operations business plan, 2016–2018.

3. Under the proposed TA, ADB and the Government of Pakistan have agreed to focus on the Khyber Pakhtunkhwa province, primarily because of the province's strong political commitment. The government concurred with the TA's impact, outcome, outputs, geographic focus, implementation arrangements, cost, financing arrangements, and terms of reference during ADB missions fielded in March and July 2016.³

II. ISSUES

4. The Khyber Pakhtunkhwa province is strategically located at the cross road for Afghanistan and Central Asia. The total population of the province at the time of the 1998 population census (last population census in Pakistan) was 18 million. As of 2015, it is estimated that this population has reached over 30 million. There are two major agglomerations in the province: Greater Peshawar Region and Greater Abbottabad Region with a combined population accounting for 50% of the provincial population.⁴ Citizens in urban Khyber Pakhtunkhwa, particularly the poor and women, are faced with a number of challenges including access to land and housing, under serviced areas, employment opportunities, risk to climate change and natural disasters, and pollution. Key underlying issues include:

- (i) **Poor governance systems.** Overlapping organizational mandates and unclear division of responsibilities among different government agencies need to be further streamlined. Resource allocation for urban sector infrastructure could be optimized when clearer mandates and roles are established among the different local government bodies.
- (ii) **Weak capacities.** The government capacity is limited for strategic decision making in the urban sector. A comprehensive capacity development plan and human resource strategy are needed in order to plan and implement urban sector projects and meet the constantly evolving challenges in the urban sector.
- (iii) **Lack of data.** Key data required for effective urban sector planning is lacking. The government requires reliable and updated data for strategic decision making

¹ ADB. 2015. *Country Partnership Strategy: Pakistan, 2015–2019*. Manila.

² ADB. 2015. *Country Operations Business Plan: Pakistan, 2016–2018*. Manila.

³ Fact-finding mission was fielded on 1–7 March 2016, consultation mission was fielded on 18–29 July 2016. The TA first appeared in the business opportunities section of ADB's website on 23 September 2016.

⁴ The data is based on analysis by the Urbanization Research Program in Pakistan.

in the urban sector. Under this TA, once data collection methodologies are tested and baselines are established, the government will be in a position to monitor changes in the urban sector. These data includes key socio-economic indicators such as urban populations and growth rates.

- (iv) **Vulnerability to disasters.** Increasing vulnerability to disasters and climate change, including because of rapid and unplanned urbanization, puts additional pressure on the government's limited capacity. The government needs to undertake a comprehensive approach on mitigation and adaptation measures.

5. These issues have been exacerbated by: (i) a lack of urban data including lack of current demographic data which is the basis for designing data sets; (ii) a commensurate delay in revising the delineation of urban areas; (iii) the changing urban composition and morphology due to internal and external migration; (iv) frequent disasters triggered by natural hazards; (v) instability due to conflict and security; (vi) delays in local government elections (after a gap of nearly a decade, the most recent were held in 2015); and (vii) systemically poor gender indicators.

6. Under the 18th Amendment to the Constitution passed in 2010, urban functions have been fully delegated to the provincial governments as one of their major responsibilities. The government in Khyber Pakhtunkhwa realized the importance of the urban sector in economic development and the new opportunities brought about by investments in transport corridors including the China Pakistan Economic Corridor and Central Asia Regional Economic Cooperation Corridor 5 and 6. The province's growth strategy sets urban development as a major pillar for economic growth, enabling a broader discourse and interest in the urban sector and its role, particularly of the two major agglomerations, in the overall development strategy for the province.⁵ The new political party and government in Khyber Pakhtunkhwa are keen to demonstrate improved governance and services.

7. The proposed TA will assist the government in adopting an integrated urban sector development approach that entails policy reforms, investments, and capacity building in the urban sector. The TA will support the Khyber Pakhtunkhwa government in five main areas: (i) identifying cities potential to contribute to the economic development; (ii) developing a road map for sustainable urban development; (iii) preparing regional development plans (RDPs); (iv) developing capacity implementing agencies; and (v) mainstreaming lessons in the urban sector.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The impact is aligned with renewed focus on inclusive and sustainable urban development in provincial policies and allocations. The outcome will be improved urban inclusivity, sustainability, and resilience in investment programming in Khyber Pakhtunkhwa.

⁵ International Growth Centre. *Khyber Pakhtunkhwa Economic Strategy Report*. <http://www.theigc.org/project/khyber-pukhtunkhwa-economic-strategy-report/>

B. Methodology and Key Activities

9. The TA outputs include: (i) sector road map for inclusive and sustainable urban growth endorsed; (ii) RDPs prepared by provincial and local governments;⁶ (iii) institutional capacity for implementation agencies built; and (iv) lessons from pilots on accredited trainings and municipal business planning mainstreamed within the urban sector. The outputs will be implemented through a participatory process to ensure stakeholder consultations across the political spectrum and all income levels.

10. Four themes run across all TA outputs: poverty alleviation, gender inclusivity, enabling small and medium-sized enterprises, and building resilience to disasters and climate change.⁷ Gender mainstreaming will be ensured, in addition to disaggregation of data, through gender assessments undertaken as part of the sector road map and regional analysis. Recommendations will be made for gender inclusiveness in the sector road map, RDPs, and investment planning; increasing gender staffing in the urban sector; and providing training. A knowledge product will be produced on mainstreaming gender in the urban sector.

11. One of the government's primary concerns about undertaking development work in the province is a lack of population data. According to current estimates, the population of Khyber Pakhtunkhwa has increased by nearly 70% since the last official census. One of the first activities under the TA will be an analysis on population and demographics,⁸ which will enable delineation of urban areas and of the two regional agglomerations of Greater Peshawar Region and Greater Abbottabad, and propose new estimates for the urban population and describe its settlement pattern.

12. The sector road map also aims to build a case for increasing investments and improving services in urban areas. To do this, the road map will: (i) analyze public expenditure and infrastructure deficit; (ii) formulate a strategy for emerging economic opportunities based on the comparative advantage of urban centers; (iii) prioritize key institutional and organizational challenges; (iv) recommend a skills and competency strategy (learning from the pilot on training accreditation from established institutions); (v) present a plan for climate change and disaster risk mitigation and adaptation for the key urban centers in Khyber Pakhtunkhwa; and (vi) identify the list of success factors for better performance of urban sector operation. In addition to covering the above six issues, the sector roadmap will also recommend how an integrated urban sector development could be best adopted in this local context. Infrastructure investment alone cannot result in improved services, unless capacities, resources, and systems are in place to deliver services sustainably—future project designs will need to ensure that all project stakeholders share this view and are committed to it.

13. In parallel to the road map, the TA will prepare RDPs that provide a broad land use plan and include prioritized investments for the two regions, taking into account the comparative advantages of major cities and their vulnerabilities to natural hazards and climate change. The TA will build synergy and coordinate with ongoing initiatives on multi hazard vulnerability and risks, including those under ADB's proposed National Disaster Risk Management Fund Project, and with the Ministry of Climate Change. To establish the groundwork for smoother

⁶ The regional development plans will be further complemented by city development plans, climate risk and vulnerability assessments, and project prefeasibility through parallel financing of \$1.20 million from the Cities Development Initiative for Asia and the Urban Climate Change Resilience Trust Fund.

⁷ ADB. 2015. *Country Partnership Strategy: Pakistan, 2015–2019*. Manila.

⁸ This will be undertaken as a sub-activity under the sector road map and RDP.

implementation of ensuing urban investments, the TA will work with key project implementing agencies to strengthen their institutional mandate and enhance their organizational efficacy.

14. In order to improve urban project readiness, the TA includes two pilots: (i) a skills-enhancement pilot for an accreditation system; and (ii) reforms for improving municipal business planning. Several interventions have been undertaken in the past to build staff capacity in the urban sector, but limited work has been done on instituting an accreditation training system or enhancing business planning in municipalities. The skill-enhancement pilot builds on the road map's analysis of skills, competencies, and organizational and institutional challenges at the provincial, regional, and city levels. The second pilot aims to test the scope for improving the municipal business planning process, particularly the revenue stream. Under this pilot, a city's business plan will be assessed in detail, the scope for improving the revenue stream will be identified and tested, and lessons learned from this process will be documented. In addition, recommendations on policy and procedural changes in rates, fees, and tariffs will be made, and staff will be trained on regulating and reviewing tariff, tax, and fee increases.

15. Risks under the TA primarily stem from the fact that the institutional structures for regional and city-level planning are weak, which may affect the quality, viability, and pace of urban investment. Moreover, with general elections planned for 2018, the elected government's priorities may change during implementation due to political pressures. To address this: (i) wide-scale consultations are being conducted with a range of stakeholders, including different political parties; (ii) a provincial steering committee and two working groups have been notified by the provincial government to facilitate coordination at the provincial and regional levels; and (iii) a road map for building competency in the public sector, pilots, and accreditation training is included in the TA.

C. Cost and Financing

16. The TA is estimated to cost \$2.40 million, of which \$2.00 million will be financed on a grant basis by the Japan Fund for Poverty Reduction and administered by ADB, and \$0.40 million will be financed by ADB's Technical Assistance Special Fund (TASF-Others). In parallel, the Cities Development Initiative for Asia and the Urban Climate Change Resilience Trust Fund have allocated parallel financing of \$1.2 million. The government will provide counterpart support in the form of counterpart staff, office space, space for workshops, and other in-kind contributions. The value of the government's contribution is estimated to account for 2% of the total TA cost.⁹

D. Implementation Arrangements

17. The TA will be administered by ADB, with its Urban Development and Water Division of the Central and West Asia Department as the focal point. The executing agency will be the government's Planning and Development Department (PDD). The implementing agencies will include the PDD's Urban Policy Unit, the PDD's Economic Section, and the Local Government, Elections and Rural Development.¹⁰ The TA funds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The TA will be monitored closely through regular missions by ADB's Urban Development and Water Division and Pakistan Resident Mission, quarterly reports from consultants, and regular follow-

⁹ ADB will administer cofinancing from the Japan Fund for Poverty Reduction under a joint financing arrangement.

¹⁰ The Local Government, Elections and Rural Development Department is the line department for administrative reporting by district governments and *tehsil* municipal administrations.

ups by the executing agency. TA effectiveness is targeted on December 2016 and will be implemented over a 2-year period.

18. ADB will engage consultants in accordance with its *Guidelines on the Use of Consultants* (2013, as amended from time to time). The draft terms of reference for consultants are in Appendix 3. Detailed terms of reference with defined outputs and budgets will be made available upon request. Four types of recruitment will be undertaken.

- (i) One consulting firm will be recruited using quality- and cost-based selection (90:10) and will be required to submit a full technical proposal. The package will include (a) a sector road map, (b) RDPs, and (c) training and knowledge products from output 4.
- (ii) United Nations Human Settlements Programme (UN-Habitat) Pakistan will be hired using single-source selection method through a lump-sum, output-based contract to pilot the municipal business plan, a component of output 4. This is because the pilot is a natural extension of UN-Habitat's previous work. Moreover, the presence of UN-Habitat established in the country will help to mitigate the disruptions to TA, as it is more likely for UN-Habitat to continue its services than a private firm in case of security events in the pilot city.
- (iii) Four resource persons from a technical institute in Japan will be financed to help build capacity on geographic information systems (a component of output 4). Current discussions are ongoing with the Center for Spatial Information Science at the University of Tokyo. Travel, accommodation, and per diem will be paid for the resource persons, in keeping with ADB rules.
- (iv) Four individual national consultants will be hired for output 3.

19. A TA steering committee established for oversight, coordination, and guidance is chaired by the PDD additional chief secretary, and comprises members from relevant departments, the private sector, and local governments. Regional working groups chaired by the relevant commissioners have also been established for the two urban agglomerations.¹¹ For every milestone, formal consultative workshops with a range of stakeholders will be organized to ensure feedback and seek recommendations. Three knowledge products produced under the TA on lessons learned and good practices will be presented by the Urban Policy Unit at the annual National Urban Forum held in Pakistan. The PDD's Urban Policy Unit will include the TA activities and outputs on its current website.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$2,000,000 to be financed on a grant basis by the Japan Fund for Poverty Reduction, and (ii) ADB providing the balance not exceeding the equivalent of \$400,000 on a grant basis, to the Islamic Republic of Pakistan for the Provincial Strategy for Inclusive and Sustainable Urban Growth, and hereby reports this action to the Board.

¹¹ Steering committee and regional working groups for Peshawar and Abbottabad were notified on 5 September 2016 as per Notification No. C/FA/P&D/ADB/2016.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with			
Renewed focus on inclusive and sustainable urban development in provincial policies and allocations ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome Improved urban inclusivity, sustainability, and resilience in investment programming in Khyber Pakhtunkhwa</p>	<p>GOKP endorsed investments for urban areas increased by Q1 2019 (2017 baseline: to be established)¹</p>	<p>Annual development plans and local government budgets in Khyber Pakhtunkhwa</p>	<p>Conflict and security risks limit provincial and local governments' ability to apply tools</p>
<p>Outputs 1. Sector road map for inclusive and sustainable urban growth endorsed 2. RDPs prepared by provincial and local governments</p>	<p>1a. A new sector road map for inclusive and sustainable urban growth that is gender-inclusive and focuses on small and medium-sized enterprises, the poor, and climate change endorsed by Q3 2017 (2016 baseline: NA)</p> <p>1b. At least 200 citizens and decision makers, of whom 30% will be women and poor persons, participated in consultations on the sector road map by Q2 2017 (2016 baseline: NA)</p> <p>2a. Two new RDPs, including a 10–15-year urban investment plan that is gender-inclusive and focuses on small and medium-sized enterprises, the urban poor, and climate change, endorsed by Q3 2017 (2016 baseline: NA)</p> <p>2b. Fifty professionals from the region, of whom 20% will be women, trained on the job on the process and principles of formulating RDPs by Q3 2017 (2016 baseline: NA)</p>	<p>1a. Letter from the PDD endorsing a provincial sector road map for inclusive and sustainable urban growth</p> <p>1b. Minutes of the expert panel meeting (Urban Policy Unit), and feedback on decisions that incorporate recommendations from the sector road map</p> <p>2a. TA progress report and confirmation letters of RDPs issued by provincial governments</p> <p>2b. Training report and evaluation submitted by consultants</p>	<p>Adverse climate and security risks change provincial governments' priorities in the short and medium term</p>

¹ There is no baseline data available for most indicators. Baselines will be established under the PATA.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>3. Institutional capacity for implementation agencies built</p> <p>4. Lessons from pilots on accredited trainings and municipal business planning mainstreamed within the urban sector</p>	<p>2c. RDP guidelines and manuals with a focus on the participation of small and medium-sized enterprises, the poor, women, and climate change issued by the provincial government by Q3 2017 (2016 baseline: NA)</p> <p>3a. Organizational improvement plan developed including legal set-up and allocation of human resources (with an increased number of women employees), and financial resources endorsed by the provincial government by Q2 2017 (2016 baseline: NA)</p> <p>4a. More than 100 people (25% women) trained, and at least 50% of the total participants received certificates for trainings on planning, implementation or maintenance by Q4 2017 (2016 baseline: NA)</p> <p>4b. A new municipal business plan with targets for increasing female staffing prepared based on a financial management and life cycle cost pilot by Q4 2017 (2016 baseline: NA)</p> <p>4c. Urban sector professions, at least 10 women, from Khyber Pakhtunkhwa participated in the urban forum in Q4 2017 (2016 baseline: 12 persons)</p> <p>4d. Three new knowledge products produced, with at least one on integrating urban climate change resilience principles into urban planning and one on gender mainstreaming by Q1 2018 (2016 baseline: NA)</p>	<p>2c. The provincial government's guidelines on RDPs issued by the PDD</p> <p>3a. Organizational plan with the gender road map and performance indicators endorsed by GoKP</p> <p>4a. Training completion reports and test results as reported by the consultants</p> <p>4b. Pilot evaluation report and lessons learned as reported by consultants for select cities indicating improved financial sustainability</p> <p>4c. Conference proceedings of the National Urban Forum, Urban Unit, Punjab</p> <p>4d. Knowledge products posted on the PDD website</p>	

Key Activities with Milestones

1. Sector road map for inclusive and sustainable urban growth endorsed
 - 1.1. Agree on survey methodology for primary data collection with the provincial government, Q1 2017
 - 1.2. Identify priority issues and solutions in consultations with stakeholders, Q2 2017
2. RDPs prepared by provincial and local governments
 - 2.1. Carry out a complete survey (review, focus group, survey, geographic information system, interviews, expert panel, and on-site observation) for two RDPs, Q2 2017
 - 2.2. Formulate two RDPs with the participation of the stakeholders, and train staff on the relevant principles and process, Q1 2018
 - 2.3. Prepare and test RDP guidelines with a checklist for incorporating measures to improve poverty and gender mainstreaming, Q1 2017
3. Institutional capacity for key sector implementing agencies built
 - 3.1. Prioritize implementing agencies, Q2 2017
 - 3.2. Engage four national consultants to build the capacity of prioritized implementing agencies, Q2 2017
 - 3.3. Train key staff in selected implementing agencies, Q2 2017
4. Lessons from pilots on accredited trainings and municipal business planning mainstreamed within the urban sector
 - 4.1. Complete detailed municipal financial assessment for the selected cities, Q1 2017
 - 4.2. Conduct training and testing, Q4 2017
 - 4.3. Discuss policy and procedural changes in rates, fees, and tariffs with the provincial government, Q4 2017
 - 4.4. Write, edit, and post or print knowledge products, Q1 2018

Inputs

Japan Fund for Poverty Reduction: \$2.0 million (for outputs 1, 2, and 4)

ADB Technical Assistance Special Fund (TASF-Others): \$0.4 million grant will finance individual consultants under output 3.

The government will provide counterpart support in the form of counterpart staff, office space, space for workshops, and other in-kind contributions.

Assumptions for Partner Financing

UCCRTF-financed cluster regional capacity development TA for Promoting Urban Climate Change Resilience in Selected Asian Cities is financing the Climate Risk and Vulnerability Assessment (\$0.30 million).

A UCCRTF direct charge application (\$0.15 million) and the Cities Development Initiative for Asia (\$0.75 million) are financing the three city development plans and three project prefeasibility studies.

ADB = Asian Development Bank, GOKP = Government of Khyber Pakhtunkhwa, NA = not applicable, PDD = Planning and Development Department, Q = quarter, RDP = regional development plan, TA = technical assistance, UCCRTF = Urban Climate Change Resilience Trust Fund.

^a International Growth Centre. *Khyber Pakhtunkhwa Economic Strategy Report*. <http://www.theigc.org/project/khyber-pukhtunkhwa-economic-strategy-report/>. This is also articulated in the Government of Pakistan's Vision 2025.

Source: ADB.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. National consultant	248.00
b. Local travel	45.00
c. Reports and communications	15.00
2. Surveys	20.00
3. Miscellaneous administration and support costs ^b	25.60
4. Contingencies	46.40
Subtotal (A)	400.00
B. Japan Fund for Poverty Reduction^c	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	619.60
ii. National consultants	615.94
b. International and local travel	296.40
c. Reports and communications	30.00
2. Equipment ^d	54.00
3. Training, seminars, and conferences	
a. Facilitators	5.00
b. Training program	20.70
c. Certification test	10.00
d. Japanese experts	102.80
e. Daily subsistence allowance for trainees	27.95
4. Surveys	30.00
5. Miscellaneous administration and support costs ^b	90.62
6. Contingencies	97.00
Subtotal (B)	2,000.00
Total	2,400.00

Note: The technical assistance is estimated to cost \$2.40 million, of which contributions from the Asian Development Bank (ADB) and the Japan Fund for Poverty Reduction are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office space, space for workshops, and other in-kind contributions. The value of the government's contribution is estimated to account for 2% of the total technical assistance cost. Numbers may not sum precisely because of rounding.

^a Financed by ADB's Technical Assistance Special Fund (TASF-Others).

^b Includes secretarial, administrative and technical support.

^c Administered by ADB. The Japan Fund for Poverty Reduction's proposal was submitted as part of the second batch for 2016 on 17 May 2016 and was approved by the Government of Japan on 28 June 2016.

^d Includes computers, networking, complaint registration, monitors and data displays, printers and scanners, and additional gadgets, e.g., global positioning system and software. Other equipment will be procured subject to prior agreement with ADB. The equipment will be used primarily for the city financial management and life cycle pilot under output 4. The equipment will be handed over to the implementing agency.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Package A: Outputs 1 and 2, and Part of Output 4 (Quality- and Cost-Based Selection and an Output-Based, Full Technical Proposal)

1. **Sector road map for inclusive and sustainable urban growth.** Recommendations for improving the performance of the urban sector will be made. Six background papers will be prepared on the following:

- (i) **Population and demographic analysis.** Using triangulation-based methodologies, this paper will analyze population and demographic settlement patterns in Khyber Pakhtunkhwa. Using the 1998 census as the base year, the paper will use satellite imagery, luminosity images, secondary data sets, and qualitative and quantitative surveys and analysis to (a) present a considered case for the estimated and projected urban population, as well as its morphology and settlement patterns; (b) delineate agglomerations and cities; and (c) highlight key demographic characteristics. This information will also be useful for other sectors. This paper will advocate increasing investments in urban areas, based on population projections.
- (ii) **Public expenditure review and infrastructure deficit.** This paper will undertake a 20-year review of major urban investments in the province to (a) prepare a baseline, (b) identify trends based on secondary sources, (c) compile information on service coverage from secondary sources, (d) undertake spot surveys and focus groups for corroboration, and (e) identify household and community investments. This will provide an estimate of the current infrastructure and service deficit. The paper will present different scenarios correlating the infrastructure deficit to improvements in service coverage over a 10–15-year period.
- (iii) **Strategy for emerging economic opportunities based on the comparative advantage of urban centers.** This paper will (a) estimate the current economic potential of urban areas and their contribution to the provincial economy, (b) identify key subsectors with a comparative advantage at the agglomeration and city levels, and (c) prioritize urban subsectors based on the multiplier effect on the economy. This will be undertaken through secondary data analysis, and qualitative and quantitative surveys. Based on the economic case, this paper will make recommendations as to the principles and criteria to be used for provincial allocations, and projections as to (a) the estimated impact of investment on socioeconomic growth, (b) the multiplier effect of investments, and (c) the potential for greater participation of small and medium-sized enterprises. It will also advocate increasing investments in urban areas, improving governance in urban areas, and prioritizing the urban sector to pave the way for the proposed Khyber Pakhtunkhwa Intermediate Cities Investment Program.
- (iv) **Institutional and organizational reforms for the urban sector.** This paper will describe urban institutional arrangements and organizations for the following urban functions: policy, regulation, sector planning, municipal delivery, and utility. Special attention will be given to cross cutting themes i.e. poverty alleviation, gender inclusivity, enabling small and medium-sized enterprises, and building resilience to disasters and climate change. The assessment will examine key areas of weakness and provide a business plan (including implementation costs) for future investments including the proposed Khyber Pakhtunkhwa Intermediate Cities Investment Program.

- (v) **Skills and competency assessment and strategy.** This paper will be based on a provincial survey of current skills and competencies of public employees in the urban sector, the ambit and purpose of different service cadres (provincial, local, and relevant federal governments), and will qualitatively assess supply-side actors, such as contractors. The analysis will gender-disaggregate across roles and cadres, facilitating a structured discussion of a long-term plan to build the capacity of mid-level professionals for urban management and services while prioritizing women's participation. The long-term goal is to build a case for an urban service cadre.
- (vi) **Climate change and disaster risk mitigation and adaptation for the urban sector.** This paper will use secondary data on climate change and disaster risk in Khyber Pakhtunkhwa and qualitative data collected as part of the regional planning and city planning exercise (outputs 2 and 3) to present the risks posed by climate change and natural hazards to people, economic activities, and infrastructure. It will also present key mitigation and adaptation measures for the two major agglomerations.

2. **Knowledge products.** Three knowledge products that document the innovative aspects of this technical assistance (TA), particularly gender mainstreaming and urban climate change resilience, will be presented at the annual national conference on the urban sector. The tasks under this package include (i) the collation of secondary data; (ii) a survey and data analysis, including income and gender disaggregation; (iii) discussions and presentations of the six background papers; (iv) recommendations for the provincial government on increasing allocation efficiency; and (v) recommendations for reforms, including urban climate change resilience and gender mainstreaming in the sector under the ensuing loan. The consultation and participation of stakeholders will be an integral part of building ownership of the findings and the capacity to understand their implications for the urban sector. Themes covered in the papers will include poverty, gender, inequality, and the participation of small and medium-sized enterprises. During the execution of the package, the consultant's team, particularly the team leader, will ensure that policy makers in provincial and local governments are involved in the discussions, and made aware of the findings and implications for resource allocation. Formal presentations will be held with representatives of the provincial and local governments.

3. **Two regional development plans (RDPs) for Greater Peshawar and Greater Abbottabad.** The regional development plans aim to provide a strategic multi sector plan that identifies the comparative advantages of a particular region and a 10–15-year investment plan for the cities. The RDPs will prioritize key subsectors, including tourism and cultural heritage, shelter and internally displaced persons, commodity markets and logistics, climate change and disaster risk management, municipal services, and regional connectivity. The RDPs may also explore interventions that will benefit from economies of scale or interconnectivity. The RDPs may prioritize crosscutting areas such as corporate or business planning, data and indicators, human resources, procurement, safeguards, and anticorruption. Special attention will be paid to the urban poor, women's participation, and measures to address income and gender inequity. The RDPs will be responsible for assessing spatial and demographic land use, and identifying investments for urban areas within the region. The 10–15-year investment plans at the regional level will help identify the appropriate loan modality and the nature of investments under the loan.

4. **Accreditation training pilot.** This will help identify the capacity-building gaps for ensuing urban investments across the province including the proposed Khyber Pakhtunkhwa Intermediate Cities Investment Program, improve project preparedness, and test the scope for

reforms. The pilot will (i) identify key training gaps based on the skills and competency assessments undertaken as part of the sector road map, (ii) enter into a memorandum of understanding with an established institution or recognized university, (iii) conduct the training, and (iv) examine and certify participants through an accredited institution.

5. The team leader of this package will be an economist or urban planner. The team will comprise planners; land use specialists; demographers; economists; sociologists; public management and finance specialists; gender specialists; public and infrastructure finance experts; legal and human resource experts; a training specialist; a climate change specialist; environment specialists; resettlement specialists; communication specialists; information and communication technology, geographic information system, and management information system specialists; and a survey and data entry team. Additional inputs from subsector specialists will also be required in the areas of urban transport, municipal services, tourism, commerce and commodity markets, and shelter. The team will comprise 11 international consultants (19 person-months) and 19 national consultants (45 person-months).

B. Package B: Output 4 (Municipal Business Plan Sub-Output)—Single Sourcing of the United Nations Human Settlements Programme under an Output-Based Contract

6. This package includes the municipal business plan based on a financial management and lifecycle cost pilot from output 4. The output is a financial model for the municipality based on a business plan. The key components are (i) a financial management assessment; (ii) an analysis of revenues and expenditures; (iii) a pilot to improve the revenue base, including own source revenues; and (iv) a business plan. The team will include geographic information system or management information system specialists, chartered accountants, municipal finance and taxation specialists, and change management specialists. The team will comprise one international consultant (2 person-months) and nine national consultants (27 person-months).

C. Package C: Output 3 (Capacity Building)—Four Individual Consultants (National)

7. The key tasks of the individual consultants will be to build the capacity of the Urban Policy Unit, district governments, tehsil governments, and subsector implementing agencies (e.g., water and sanitation companies). The consultants will do the following:

- (i) help the Urban Policy Unit, district governments, and *tehsil* governments review the outputs of the TA consultants;
- (ii) help the water and sanitation company (and other potential implementing agencies for the proposed multitranche financing facility) identify key capacity gaps and set performance targets;
- (iii) prepare detailed organizational enhancement plans including legal, human and financial resources, and change management/transition strategies;
- (iv) help the Pakistan Resident Mission maintain a dialogue with the provincial government on key policy and sector issues;
- (v) raise policy-level decisions, including those on gender mainstreaming, as they emerge from TA findings and discuss the benefits and drawbacks;
- (vi) enrich the dialogue around the findings of the TA;
- (vii) ensure that coordination between the four packages (three under the TA and one under the Cities Development Initiative for Asia) is efficient and seamless;
- (viii) help the TA teams coordinate with government departments to minimize overlap and facilitate coordination between the Asian Development Bank, the executing

- agency, implementing agencies under the TA, and the Cities Development Initiative for Asia teams; and
- (ix) follow up on key questions that must be addressed before project preparation.

8. For the duration of the TA, each consultant's input will be 80 days. Each consultant will have a master's degree in development or a related field, and 15 years of experience working in the urban sector in Pakistan.

D. Four Resource Persons—Center for Spatial Information Science at the University of Tokyo (Linked to Package A)

9. Japanese experts will conduct a 15–20-day accredited training session for government officials (provincial and local) from Khyber Pakhtunkhwa on geographical information systems (it is currently understood that the experts will be from the Center for Spatial Information Science). The session will assess and evaluate trainees, including an evaluation 6 months after the training and another after 1 year.

OUTLINE OF THE FINAL REPORT

I. PACKAGE A: SECTOR ROAD MAP, REGIONAL INTEGRATED URBAN PLANS, TRAINING PILOT, AND KNOWLEDGE PRODUCTS

- A. Sector Road Map for Urban Inclusive and Sustainable Growth (executive summary of the six background papers)
 - 1. Population and Demographic Analysis
 - a. Khyber Pakhtunkhwa Provincial Population
 - b. Urban Hierarchies
 - c. Changes in Growth
 - d. Estimation Anomalies
 - e. Comparison of the 1998 Census with Satellite Imagery
 - f. Estimated Urban Population
 - g. Estimated Regional Population
 - 2. Public Expenditure Review and Infrastructure Deficit
 - a. Trends Over 2 Decades
 - b. Service Coverage and Infrastructure Investments
 - c. Household and/or Community Investments
 - d. Key Actors in the Supply Chain of Urban Services
 - e. Current Infrastructure Deficit and Relation to Service Levels
 - f. Infrastructure Deficit, Service Levels, and Household Contributions
 - 3. Strategy for Emerging Economic Opportunities Based on the Comparative Advantage of Urban Centers
 - a. Estimates of Urban Areas' Contribution to the Provincial and Regional Economy
 - b. Survey Findings: Enterprise Listings and Qualitative Surveys
 - c. Subsectors with Key Comparative Advantages
 - d. Multiplier Effects by Sector
 - e. Current Potential of Urban Areas in the Provincial Economy
 - f. Recommendations as to Principles and Criteria for Investments
 - 4. Institutional and Organizational Reforms for the Urban Sector
 - a. Current Key Sectors and Agencies
 - b. Institutional Arrangements
 - c. Organizational Assessments for Key Functions: Policy, Regulation, Sector Planning, Municipal Delivery, and Utility
 - d. Strengths, Weaknesses, Opportunities, and Threats Analysis
 - e. Road Map for Organizational Effectiveness
 - f. Business Plan and Budget
 - 5. Skills and Competency Assessment and Strategy
 - a. Service Cadres and Their Roles and Functions
 - b. Findings of Skills and Competency Assessments, Including Gender Disaggregation
 - c. Comparative Analysis with Best Practices in Urban Sector Service Cadres
 - d. Supply-Side Chain (e.g., Contractors)

- e. Recommendations for Professionals
- 6. Climate Change and Disaster Risk Mitigation and Adaptation for the Urban Sector
 - a. Summary of Relevant National Information
 - b. Risks to People, Economic Activities, and Infrastructure
 - c. Economic and Financial Costs of Risks
 - d. Summary of Climate Change and Disaster Risk Mitigation and Adaptation for the Two Regions
 - e. Key Resilience, Mitigation, and Adaptation Measures
- 7. Proposed Integrated Urban Sector Development
 - a. Analysis on Relevant Urban Regulations and Policies
 - b. Required Reforms on Urban Regulations and Policies
 - c. Integration Between Investment and Reform
 - d. Steps required to Implement the Reforms
 - e. Developing Partners Opportunities to Support the Reforms
- B. Regional Development Plan
 - 1. Regional Characteristics
 - 2. Regional Comparative Advantage
 - 3. Potential for Economies of Scale, Intercity Connectivity, and Shared Public Goods
 - 4. Spatial Land Use Features
 - 5. Disaster and Climate Change Risk Management
 - 6. Investment Priorities, 2018–2028 (urban subsectors that can be incrementally added upon)
 - 7. Implementation Options
 - 8. Financial and Economic Investments
 - 9. Vision and a Business Case for the Regions
- C. Pilot Testing Training Accreditation
 - 1. Selection of Training and/or Criteria
 - 2. Training Arrangements
 - 3. Accreditation Options
 - 4. Training Content
 - 5. Training Evaluation
 - 6. Lessons Learned
- D. Knowledge Products
 - 1. Guidelines on Regional Development Plans
 - 2. Gender and Inclusiveness in Urban Areas
 - 3. Urban Climate Change Resilience in Urban Planning and Project Preparation

II. PACKAGE B: MUNICIPAL BUSINESS PILOT—SINGLE SOURCE UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME

- A. Executive Summary
- B. Introduction and Background
- C. Overview

1. Business Plan of the Municipality
 - a. Process for Preparing the Budgets
 - b. Medium-Term Plan
 - c. Short- and Medium-Term Outputs and Targets
 - d. Indicators for Measuring Performance
 - e. Prioritization of Payments
 2. Financial Management Assessment of the Municipality
 - a. Budget and Accounts System
 - b. Comparison of Budgeted with Actual Revenues and Expenditures
 - c. Monitoring, Audit, and Public Information
 - d. Cost Recovery
 - e. Actual and Planned Revenue and Expenditure
 - f. Arrears and Recovery of Arrears
 - g. Debt and Debt Servicing
 - h. Assets and Liabilities
 3. Assessment of the Financial Health of the Municipality, Including Recommendations as to Improvements in Business Planning, Financial Management, and Financial Health
- D. City-Specific Assessment and Modeling of the Revenue Stream
1. Capital
 - a. Capital Grants for Development Work, Including the Public Finance Commission and Predictability of the Transfers
 - b. Capital Receipts from the Sale of Land, Fixed Assets, Loans, and Infrastructure Investments (generally nil)
 2. Own Source Revenues: Taxes
 - a. Urban Immoveable Property Tax Assessment
 - b. Lessons from Piloting Improvements
 3. Own Source Revenues: User Charges for Water Supply, Drainage, and Sewerage
 4. Own Source Revenues (Enterprises): Income from Markets and Fairs, Rent of Municipal Properties, Rent of Transport Stands, and Any Additional Sources
 5. Own Source Revenues (Fees and Fines): Approval of Building Plans, Fees for Different Occupations, License Fees for Different Means of Transport, Fees for Encroachment, and Any Additional Sources
 6. Own Source Revenues (Miscellaneous): Sale of Stocks, Last Years' Arrears, Development Charges, and Any Additional Sources
 7. Pilot: Implementation of the Revenue Model
 8. Documentation of the Process and Lessons Learned
- E. City-Specific Assessment and Modeling of Expenditure Streams
1. Recurrent Expenditure
 - a. Establishment: Salaries, Allowances, and Other Staff Expenses
 - b. Contingencies: Administrative Expenses such as Stationary, Entertainment, Telephones, Newspapers, Conveyance, and Electricity
 - c. Repair and Maintenance
 - d. Charged Expenditure

2. Capital Expenditure
 - a. Debt Servicing
 3. Recurrent Expenditure
 4. Expenditure on Water Supply
 - a. Expenditure on Drainage
 - b. Expenditure on Sanitation
 - c. Other Municipal Services Expenditures
- F. Recommendations
1. Appropriate Expense Levels of Tariffs for Water and Sanitation
 2. Changes in Rules, Regulations, and Procedures, in Particular the Presentation of Different Options for Calculating Taxes and Fees
 3. Capacity Building for Staff and the Introduction of Improved Systems

APPENDIXES

1. Detailed Methodology, Milestones, and Detailed Activities
2. Digitized Copy of Municipal Budgets (10 Years)