Project Administration Manual

Project Number: 46538-002
November 2016

Proposed Loan and Administration of Grant and Technical Assistance Grant
Islamic Republic of Pakistan: Supporting Public–Private Partnership Investments in Sindh Province
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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Sindh Finance Department (SFD) and the project management unit (PMU) in SFD are wholly responsible for the implementation of the project, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB’s policies and procedures. ADB staff is responsible to support implementation including compliance by the Sindh Planning and Development Department and PMU in the Finance Department of their obligations and responsibilities for project implementation in accordance with ADB’s policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan and Project Agreements. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan and Project Agreements, the provisions of the Loan and Project Agreements shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.
## Abbreviations

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<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ADF</td>
<td>Asian Development Fund</td>
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<td>AFS</td>
<td>audited financial statements</td>
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<td>CFO</td>
<td>chief financial officer</td>
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<td>CQS</td>
<td>consultant qualification selection</td>
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<td>CRO</td>
<td>chief risk officer</td>
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<td>DFID</td>
<td>Department for International Development of the Government of the United Kingdom</td>
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<td>DMF</td>
<td>design and monitoring framework</td>
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<td>EIA</td>
<td>environmental impact assessment</td>
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<td>EMP</td>
<td>environmental management plan</td>
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<td>GACAP</td>
<td>governance and anticorruption action plan</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>GoP</td>
<td>Government of Pakistan</td>
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<td>GoS</td>
<td>Government of Sindh</td>
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<td>ICB</td>
<td>international competitive bidding</td>
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<td>IEE</td>
<td>initial environmental examination</td>
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<td>IPP</td>
<td>indigenous people plan</td>
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<td>IPPF</td>
<td>indigenous people planning framework</td>
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<td>LAR</td>
<td>land acquisition and resettlement</td>
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<td>LIBOR</td>
<td>London interbank offered rate</td>
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<td>NGOs</td>
<td>nongovernment organizations</td>
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<td>PAI</td>
<td>project administration instructions</td>
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<td>PAM</td>
<td>project administration manual</td>
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<tr>
<td>P&amp;DD</td>
<td>Planning and Development Department, Government of Sindh</td>
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<td>PDF</td>
<td>project development facility</td>
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<td>PMU</td>
<td>project management unit</td>
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<td>PPP</td>
<td>public–private partnership</td>
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<td>PSF</td>
<td>Public Private Partnership Support Facility</td>
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<td>RRP</td>
<td>report and recommendation of the President to the Board</td>
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<td>SBD</td>
<td>standard bidding documents</td>
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<td>SFD</td>
<td>Sindh Finance Department</td>
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<td>SOE</td>
<td>statement of expenditure</td>
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<td>SPS</td>
<td>Safeguard Policy Statement</td>
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<td>SPRSS</td>
<td>summary poverty reduction and social strategy</td>
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<tr>
<td>TOR</td>
<td>terms of reference</td>
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<tr>
<td>VGF</td>
<td>viability gap fund</td>
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I. PROJECT DESCRIPTION

1. The Government of Sindh (GoS or government), through the government of Pakistan (GoP), has requested the Asian Development Bank’s (ADB) assistance to expand and improve public-private partnerships (PPPs) in Sindh. The proposed Supporting PPP Investments in Sindh Province project (project) is included in the draft Country Operations Business Plan for 2017–2019 as a firm project for 2016.¹ Under the project, ADB will support the GoS to develop a more financially sustainable and fiscally responsible PPP project portfolio.

2. After experiencing economic growth with a compound annual growth rate of 5.1% during 2001–2007, Pakistan has witnessed a significant decline during 2008–2015. During this period the compound annual growth rate was 3.8%, characterized by a challenging investment climate, political instability, a weak but recently improving fiscal discipline, weak public sector governance, and an unresolved energy crisis. Despite a modern banking system, Pakistan's financial service intermediation is low and deteriorating. The ratio of credit to the private sector to gross domestic product declined from 28% in 2007 to 15% in 2015, indicating the massive public sector borrowing that undermines private access to affordable credit. Financial inclusion remains very low and access to credit is worsening, with only 3% of the adult population having loan accounts and 30% having deposit accounts.²

3. With 44 million inhabitants (23% of Pakistan’s population) and a gross domestic product share of 32%, Sindh has large infrastructure and social service needs, and these exceed the provincial public resources available.³ With limited sources of revenue, federal transfers constituted 79% of Sindh’s budget in 2016. Only PRs225 billion or 25% of Sindh’s annual budget was allocated to the Annual Development Plan (ADP) in FY2017, which funds infrastructure investments. The World Bank estimates that Sindh’s annual infrastructure investments only represent up to 4% of the requirements in transport, electricity, water supply and sanitation, solid waste, telecommunication, and irrigation. In addition, Sindh requires investments in health and education. This also highlights the inability of the GoS to effectively utilize its budget for meeting its infrastructure needs via public procurements. To meet the needs of infrastructure in the province, such investments must be augmented by stronger private participation. In addition to bridging the funding gap for infrastructure investments, PPPs may also help accelerate completion and improve operating efficiency. However, PPPs carry significant fiscal risks that need to be managed and mitigated.

4. To reduce the infrastructure gap in the context of extremely limited fiscal resources, the GoS began facilitating PPP investments by promulgating the Sindh Public Private Partnerships Act 2010,⁴ along with legislation guidelines and procurement rules and public financing. The PPP Policy Board, led by the chief minister, was established to approve PPPs. A PPP unit within the Sindh Finance Department (SFD) helps line departments identify and develop suitable PPPs. A project development facility (PDF) to support the use of transaction advisory services and a viability gap fund (VGF) for the public financing portion of PPPs were also established in 2010. As of September 2016, Sindh had funded five PPP investments that

commenced operation in 2013–2015. A pipeline of projects has been identified by the GoS; 36 projects have passed concept approval, with an estimated cost of PRs240 billion.\(^5\)

5. However, initial experience demonstrates that considerable efforts are required to improve the leverage of public financing with private capital, improve governance and financing policies, and minimize fiscal risks related to PPPPs. As PPP investments and contingent liabilities grow, it is essential to better prioritize project selection, and follow this with proper structuring to minimize fiscal risks. As a first step, PPP project identification and selection has to initiate from the line department when it is evaluating the requirement for ADP funds. Government departments should carefully consider project revenue generation and identify potential risks and the corresponding mitigation actions.

6. Although the VGF is mandated to support affordability for infrastructure services while ensuring commercial viability of PPP investments, it has so far been used for different purposes by providing (i) funding to investments through government equity, subordinated loans, and loans to PPPs; and (ii) full cash collateral to back GoS revenue guarantees and annuity payments to bank debt and equity sponsors. While such purposes appeared to address Sindh’s low creditworthiness, the initial PPP projects were not properly structured and executed, which led to (i) high fiscal cost and contingent liabilities that undermined the benefits of PPPs; and (ii) private concessionaires and banks being favored, with PRs22 billion of public funding being used for only eight PPP projects signed between 2011 and 2016. The use of public resources for PPP projects must be limited to ensure appropriate separation of commercial risk to be borne by the private party from political and regulatory risks to be borne by the government. Government support through a VGF should only be deployed to provide sufficient funding for the commercial viability of the PPP and not be excessive and favor private participants and banks. Prudent management of fiscal risks and contingent liabilities must be put in place to limit fiscal risks within well-defined limits.

7. The structure of Sindh’s PPPs must be significantly improved through (i) robust policy that guides the selection of eligible viable PPP projects based on Sindh’s ADP, (ii) equitable risk participation from investors and lenders, (iii) rigorous risk management policies and supporting systems that address project and related fiscal risks, and (iv) sound policies that guide the use of public funding.

8. The project will support the development policies of the GoS for sustainable infrastructure provision through PPPs.\(^6\) It is aligned with ADB’s midterm review of Strategy 2020,\(^7\) in which PPPPs are a key driver of change, and ADB’s country partnership strategy, 2015–2019.\(^8\) The project builds on ADB’s partnership with the GoS to develop the PPP framework under a program cluster in 2009,\(^9\) using lessons learned from that program and ADB’s country assistance program evaluation for Pakistan.\(^10\)

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\(^5\) A detailed list of the PPP project pipeline is available at [http://www.pppunitsindh.gov.pk](http://www.pppunitsindh.gov.pk)


A. Impact and Outcome

9. The impact will be improved infrastructure investments and services in Sindh. The outcome is increased fiscally responsible private sector participation and investment in infrastructure in Sindh.

B. Outputs

10. The outputs are (i) GoS capacity to select and develop PPP projects strengthened; (ii) PPP project-related fiscal risk effectively managed by the Public–Private Partnership Support Facility (PSF); and (iii) PPP project selection and management capacity of line departments, finance, and planning and development department (P&DD) strengthened.

1. Output 1: Government of Sindh Capacity to Select and Develop Public–Private Partnership Projects Strengthened

11. This output will be pursued by improving project screening and selection criteria in line with the PPP policy, and to assess the bankability of projects across all relevant government departments. In this process, capacity of the PPP unit and PPP nodes in government departments will be improved so they are able to identify financially viable PPP projects and rigorously assess unsolicited proposals. This output will strengthen technical skills needed to select and develop PPP projects, financial management, transparent procurement, and sound regular financial reporting and external auditing. Well-qualified professional staff will be able to evaluate prefeasibility studies and structure transactions with the assistance of transaction advisers.

12. The PDF was established in 2010 and the Guidelines for PDF Utilization were issued in 2011. The PDF is a pool of funds available for engaging consulting services to assist in preparing and structuring target PPP projects. The PPP Policy Board approves the utilization and disbursements of the PDF at the request of line departments; such requests are routed through the PPP unit. Funds are managed by the Sindh Fund Management House, which is a unit of the SFD. The guidelines to identify and select viable PPP projects will be further refined to provide additional guidance to line departments, the P&DD, and the PPP unit in identifying and prioritizing PPP projects consistent with the ADP in forecasting demand for provincial PPP projects in electricity, transport, water supply, and sanitation infrastructure.

13. The financial and transaction advisors engaged by the PDF will undertake rigorous analyses to ensure value for money (VFM) for the GoS. They will provide advice to make target PPP projects commercially viable and bankable. VFM will include public sector comparators that estimate the life cycle cost of a project delivered by a public sector agency to properly benchmark PPPs. The VFM assessment compares the estimated project cost, including estimated operational efficiency gains provided by a private concessionaire.


14. Project selection criteria and monitoring will be rigorously applied as described in this project administration manual (PAM). Technical, financial, and economic analyses will be undertaken to ensure the viability of the proposed projects. For large PPP projects, transaction advisors will assist in drafting and managing requests for proposals to ensure responsive bidding. The PPP unit will assess the capability of private sponsors and lenders to provide financing and services, as well as establish an environmental and social management system (ESMS) to determine, mitigate, and manage environmental and social impacts of PPP projects as a basis for recommending projects for consideration by the PPP Policy Board.

2. **Output 2: Public–Private Partnership Fiscal Risk Effectively Managed by the Public–Private Partnership Support Facility**

15. This output will establish policies and procedures as well as systems for identifying the appropriate use and level of support by the VGF to avoid the excessive use of public funds, and effectively manage the contingent liabilities arising from PPP projects. The PSF will be established under Section 42 of the Companies Ordinance, 1984 as a not-for-profit company to manage the new VGF, thereby enhancing corporate governance and transparency of the new VGF. Loan and grant proceeds and government counterpart funding will be channeled through the PSF.

16. Under the project, the exposures of the existing VGF will be separated from the proposed new VGF. The PSF will ensure that the new VGF funded under this project will enhance service affordability and VFM as determined by policies and standard operating procedures that support socially and economically viable projects and improve their commercial viability within well-defined fiscal risk limits. The new VGF may provide upfront capital investment and guarantees to partially offset cost and risks during the construction period and reduce noncommercial risks for public service investments related to land acquisition. The new VGF may also be used to augment user fee revenue to be collected by a private concessionaire or to provide equity, quasi-equity, or subordinated debt and guarantees to a PPP.

17. The PSF will have strong corporate governance, including requirements for regular internal and external audits. The facility will have a board of directors composed of at least five members, of which at least three will be independent members not affiliated with the government and equipped with relevant professional experience. The board of directors will elect an independent director as its chair. The principal managers of the company will include the chief executive officer, chief financial officer, and chief risk officer. The principal manager will be an experienced professional with relevant private sector experience and will be recruited through a transparent and competitive process. The PSF will recruit staff with the skills and expertise needed to determine the appropriate level and use of VGF funding for proposed PPP projects, and to manage its execution by supervising and monitoring the performance of PPPs supported by the new VGF. PPPs approved for funding by the PSF will require ADB’s prior consent which will not be unreasonably withheld. Such consent may subsequently be replaced by a free limit when ADB is satisfied with successful execution of at least three approved projects by PSF.

18. The PSF will ensure the VFM of PPPs and effectively manage fiscal risks by (i) improving its selection of projects and risk management by recommending appropriate

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11 The GoS defines infrastructure projects of over $5 million as large projects.
12 For details, refer to Section III.
structures and risk participation, and (ii) minimizing cash collateralization practice. The PSF will also provide (i) early participation and feedback on PPP selection, (ii) possible funding that the VGF may support, and (iii) periodic reports on the contracted and contingent liabilities related to PPP projects funded by the new VGF.

19. The PSF will manage the utilization of the new VGF. The new VGF will be funded by government counterpart funds, a grant from the Government of the United Kingdom, and the ADB loan upon ADB’s satisfaction that policies and procedures and staffing of the PSF are in place and comply with the covenants set forth in the loan and project agreements and the PAM. The PSF will also report quarterly to the PPP Policy Board, ADB, and the project management unit (PMU) in the SFD, which will prepare quarterly consolidated project progress reports. The PSF will also assist the GoS in monitoring existing VGF and contingent liabilities.

3. **Output 3: Public–Private Partnership Project Selection and Subsequent Management Capacity of Line Departments, Finance, and Planning and Development Departments Strengthened**

20. This output will build capacities in the SFD, P&DD, PPP unit, and the PPP nodes of line departments to effectively perform their duties. The GoS is currently unable to manage the fiscal risk of PPP projects. The SFD will engage two risk management specialists who will assess the fiscal risks of PPP projects, measure contingent liabilities, propose appropriate allocations of risk between public and private partners, and provide effective independent risk advice until the PSF is formed. Once constituted, the PSF will apply similar effective and enhanced risk management practices in relation to the management of the new VGF. The specialists will assist the PPP unit and GoS to assess the risks associated with PPP projects and develop recommendations for managing those risks. They will monitor adherence to the budget allocation of the GoS and assist the government in formulating and embedding risk tolerance strategies into budgetary planning processes. To avoid duplication of efforts, the two risk management specialists will be transferred to the PSF after it is constituted, to carry out the same role in close coordination with the PPP unit.

21. The lack of experienced staff in the PPP nodes to process PPP transactions is a significant constraint on developing PPPs. Support will be required to build skills for (i) managing PPP contracts and environmental and social safeguards; (ii) understanding relevant legal issues, preparation of loan documentation, and requests for proposals and concession agreements; (iii) financial expertise to structure transactions; and (iv) assessing and managing the market and operational risks. Under the project, the SFD will implement a comprehensive PPP capacity building plan.

22. The project and the attached TA will support (i) on-the-job and modular training on alternative financing plans and credit enhancement products, including means of leveraging investment funds for PPPs from international, regional, and local syndicated banks; export credit agencies; and capital markets; and (ii) promotion of a culture of periodic, in-depth consultations with local commercial banks and international financial institutions and multilateral and bilateral development partners active in project financing.

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13 The PMU will facilitate VGF reimbursements from the project proceeds through the withdrawal application process. A detailed fund and document flow diagram is in Section IV.
## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

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<tr>
<th>Indicative Activities</th>
<th>2016</th>
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<th>2017</th>
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<th>Who responsible</th>
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<tr>
<td>Establish project implementation arrangements</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>GoS</td>
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<td>ADB Board approval</td>
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<td>ADB</td>
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<td>Loan, grant, and project agreement signing</td>
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<td>X</td>
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<td>GoP, GoS, ADB</td>
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<td>Government legal opinion provided</td>
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<td>X</td>
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<td>GoP, GoS</td>
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<td>Loan effectiveness</td>
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<td>X</td>
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<td>GoP, GoS</td>
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<td>Government budget inclusion</td>
<td>X</td>
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<td>GoP, GoS</td>
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ADB = Asian Development Bank; GoP = Government of Pakistan; GoS = Government of Sindh.
### B. Overall Project Implementation Plan

23. A Gantt chart recording outputs with key implementation activities that is updated annually and submitted to ADB with contract and disbursement projections for the following year.\(^\text{14}\)

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<tbody>
<tr>
<td><strong>A. DMF</strong></td>
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<tr>
<td><strong>Output 1. GoS capacity to select and develop PPP projects strengthened</strong></td>
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<tr>
<td>1.a Standardized project selection criteria for PDF in place by January 2017</td>
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<td>1.b At least one staff member of 4 PPP nodes trained in proper application of selection criteria by April 2017, 7 PPP nodes by December 2018</td>
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<td>1.c PDF replenished by $3 million upfront by January 2017</td>
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<td><strong>Output 2. PPP project-related fiscal risk effectively managed by PSF</strong></td>
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<td>2.a Set up PSF by December 2016</td>
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<td>2.b Established criteria for VGF utilization and management by PSF from June 2017 onwards</td>
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<td>2.c Risk management measures applied by PSF to all PPP transactions from September 2017 onwards</td>
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<td>2.d At least 6 PPP projects supported by PSF by March 2022</td>
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<td>2.5 Quarterly risk management reports submitted by PSF to the PPP Policy Board from July 2017 onwards</td>
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<td><strong>Output 3. PPP project management capacity of line departments strengthened</strong></td>
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<td>3.a Screening criteria adopted for all proposed development projects by July 2017 and utilized with respect to projects in all government departments by January 2018</td>
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<td>3.b 50% of PPP proposals to the PPP Policy Board contain standardized selection criteria by June 2017, 100% by June 2019</td>
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<td>3.c Annual status reports issued by the departments implementing PPP projects for 50% of projects by December 2017 and 100% by December 2018</td>
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<td>3.d All PPP node staff in the energy, planning and development, transport, works and services departments trained on contract and project management by December 2017, and in education, health departments by June 2018</td>
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| B. Management Activities                                                              |      |      |      |      |      |      |      |
| Communication strategy key activities                                                 |      |      |      |      |      |      |      |
| **Indicative Activities**                                                             |      |      |      |      |      |      |      |
| Annual/Mid-term review (MTR)                                                          |      |      |      |      |      |      |      |
| Project completion report                                                             |      |      |      |      |      |      |      |

DMF = design and monitoring framework, FD = Sindh Finance Department, GoS = Government of Sindh, M&E = monitoring and evaluation, P&D = Planning & Development Department, PDF = project development facility, PPP = public–private partnership, PSF = PPP Support Facility.

\(^{14}\) Gantt chart available in e-Handbook on Project Implementation at: http://www.adb.org/documents/handbooks/project-implementation/
III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

<table>
<thead>
<tr>
<th>Project implementation organizations</th>
<th>Management Roles and Responsibilities</th>
</tr>
</thead>
</table>
| • Federal Government of Pakistan     | ➢ Borrower of the loan  
  ➢ Party to the loan agreement       |
| • Executing agency                   | ➢ Directly supervise project implementation;  
  Finance Department (SFD)            |
|                                      | ➢ Measure and report progress towards objectives, including through quarterly progress reports;  
                                      | ➢ Monitor implementing agency’s adherence to loan covenants and timely report any violation by the implementing agency of any provision in the Loan and Project Agreements;  
                                      | ➢ Prepare and submit to ADB a consolidated project completion report within six months from the completion date of the Project. |
| • Implementing agency                | ➢ Submit withdrawal applications to ADB and retain supporting documents;  
  SFD and PPP Support Facility (PSF)  |
|                                      | ➢ Submit annual audited report and financial statements to ADB;  
  Project management unit (PMU) in the Finance Department with representatives from the PPP Unit, P&DD and key line departments |
|                                      | ➢ Assist in finalizing TORs of consultants in accordance with ADB guidelines;  
                                      | ➢ Provide feedback to ADB on consultants’ performance and adherence to the terms of reference;  
                                      | ➢ Monitor the work schedule, resource requirements, budget, and compliance with technical specifications and terms of reference. |
| • ADB                                | ➢ Ensure compliance with all agreements, covenants, and reporting requirements;  
                                      | ➢ Process loan advances, liquidations, and disbursements in a timely manner;  
                                      | ➢ Coordinate with the executing agency and implementing agency on project implementation, monitoring, and reporting;  
                                      | ➢ Provide training and guidance to the executing and implementing agencies on ADB guidelines and procedures, and respond to their inquiries on a timely basis;  
                                      | ➢ Monitor the executing agency’s compliance with conditions in the Loan and Project Agreements;  
<pre><code>                                  | ➢ In coordination with the executing agency, validate (i) implementing agency’s compliance with conditions in the Loan, Grant and Project Agreements, and (ii) achievements of the Project’s targets established in the DMF; |
</code></pre>
<table>
<thead>
<tr>
<th>Project implementation organizations</th>
<th>Management Roles and Responsibilities</th>
</tr>
</thead>
</table>
|                                    | ➢ Review oversight of compliance with ADB’s Safeguard Policy Statement and Public Communications Policy, and ADB’s PPP Policy;  
|                                    | ➢ Validate progress reports and audit reports, including through off-site review of reports and other information provided from time to time by the executing and implementing agencies; at its option, conduct on-site inspections to confirm such compliance;  
|                                    | ➢ Periodically update and revise the PAM as and when necessary during each review mission and following any changes in project scope, costs, and implementation arrangements. |

<table>
<thead>
<tr>
<th>Entity, Location</th>
<th>Project-Related Major Responsibilities</th>
</tr>
</thead>
</table>
| **PPP Policy Board**              | • Inter-departmental coordination  
| (Chief Minister House)            | • Approval/rejection of PPP project proposals, including requests by PPP Nodes in sector departments to utilize project development facility (PDF) funding to hire transaction advisors  
|                                   | • Approval/rejection of contract award recommendations  
|                                   | • Decision-making on major PPP policy and implementation issues |
| **PPP Unit**                      | • Project identification support to line departments with PPP portfolios  
| (Finance Department)              | • Quality control (review of PPP project proposals for completeness and viability)  
|                                   | • Support PPP nodes during preparation of projects approved by the PPP Policy Board Manage the transaction advisors in coordination with the PPP nodes  
|                                   | • Provide Secretariat support to the PPP Policy Board  
|                                   | • Review of justification and eligibility for government support of PPP projects  
|                                   | • Review of fiscal sustainability of proposed PPP projects  
|                                   | • Review unsolicited proposals and make recommendations to the PPP nodes  
|                                   | • Coordinate with PSF for VGF utilization and project structuring  
|                                   | • Coordinate with SFD and PSF for VGF budget allocations |
| **Sindh Fund Management House**   | • Manage the project development facility (PDF)  
|                                   | • Ensure that where PPP projects are awarded to investors, the investors repay PDF for any PDF funds previously utilized to prepare such projects ("clawback")  
|                                   | • Management of risks, including current and contingent liabilities associated with PPP projects |
| **Project Management Unit**       | • Oversee implementation of project and TA and report to the GoS and ADB  
| (Finance Department)              | • Manage the project accounts and disbursements under the project, including withdrawal applications  
|                                   | • Manage procurement and prepare periodic financial statements |
| **PPP Node in Planning & Development Department** | • Cross-sectoral and intra-provincial prioritization of PPP proposals  
<p>|                                   | • Make proposals to Provincial Development Working Party (PDWP) |</p>
<table>
<thead>
<tr>
<th>Entity, Location</th>
<th>Project-Related Major Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>on PPP and annual development plan (ADP) projects</td>
</tr>
<tr>
<td></td>
<td>• Review the project for suitability for inclusion in ADP or PPP</td>
</tr>
<tr>
<td>PPP Nodes in sector departments</td>
<td>• Project identification in consultation with the PPP Unit</td>
</tr>
<tr>
<td></td>
<td>• Project preparation (feasibility study), including hiring of transaction advisors</td>
</tr>
<tr>
<td></td>
<td>• Selection of private sector partners (tendering)</td>
</tr>
<tr>
<td></td>
<td>• Monitoring of implementation and operation</td>
</tr>
<tr>
<td>PPP Support Facility</td>
<td>• Management of risks, including current and contingent liabilities associated with PPP projects</td>
</tr>
<tr>
<td></td>
<td>• Assessment of risks for the project requests from PPP nodes and advice on use of the viability gap fund (VGF) for proposed PPP projects</td>
</tr>
<tr>
<td></td>
<td>• Ensure that where PPP projects have achieved specified financial targets, VGF funds are recouped which can include repayment by investors if contractually agreed. Please see below for details.</td>
</tr>
</tbody>
</table>

**PPP Support Facility (Company)**

24. **Purpose of the Company.** The Government of Sindh (government) is committed to supporting innovative public infrastructure and social service delivery projects, using the public–private partnership (PPP) model, that deliver maximum value for the population of Sindh, stimulate the economy, create jobs, and support long-term prosperity. To this end, the government will create a PPP Support Facility (company) to improve the delivery of public infrastructure and social services by achieving better value and improving risk management of the Viability Gap Fund (VGF). The VGF shall only support PPP projects with respect to which financial close occurs after the constitution of the company and will also consider PPP projects that have gone through technical review but have yet to be tendered. The company may begin making recommendations to the PPP Policy Board for VGF support for new PPP projects beginning three months after the constitution of the company.

25. **Legal Form and Board of Directors.** The company, which will be a not-for-profit company created under Section 42 of the Companies Ordinance, 1984, will have a board of directors (board) composed of five members appointed by the government for three-year terms. A majority of the members of the board will be independent directors and have significant experience with PPPs or matters closely related to PPPs, such as persons with project financing, legal, accounting, project management, risk management, or infrastructure development expertise. The board shall meet at least once each calendar quarter. Details of the remuneration of board members, together with a statement on the remuneration policy of the company, will be disclosed in the company’s annual report. The chief executive officer

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15 In accordance with article 3(5) of the Public Sector Companies (Corporate Governance) Rules, 2013 (“Rules”), casual vacancies are filled up by the remaining directors. Three-year terms are required by the Rules (article 5). Directors may only be removed for cause.

16 “Independent Director” is defined in Article 2(1)(d) of the Rules.

17 Article 3(7) of the Rules require directors to be “fit and proper” persons. Among other things, this requires them to be a “reputed businessman or recognized professional with relevant sectoral experience,” without any convictions or civil liabilities, or any conflict of interest. Political office holders in a legislative role are considered to have a conflict of interest.

18 Article 6(1) of the Rules. Article 15(1) requires the attendance of the CFO and the company secretary at all board meetings.

19 Article 17(3) of the Rules. Article 19(2) requires: “Levels of remuneration shall be sufficient to attract and retain the directors needed to run the company successfully.”
(CEO) of the company shall not act as chairman of the board. The board shall elect its chairman from among its independent directors. The Company shall fully comply with Public Sector Companies (Corporate Governance) Rules, 2013.

26. **Chief Executive Officer.** The board of directors will appoint the CEO of the company. “The chief executive is responsible for the management of the [company] and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the [Companies Ordinance, 1984]. His [or her] responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.”

27. **Chief Risk Officer.** Chief risk officer (CRO), who shall be responsible for preparing recommendations with respect to possible new Viability Gap Fund (VGF) commitments and for monitoring existing VGF risks. The CRO shall have at least 5 years of experience on PPP projects, project management, project finance, or structured finance.

28. **Chief Financial Officer (CFO).** CFO shall be responsible for (a) preparing the annual budget and periodic financial statements of the company, (b) administer its financial affairs, including the day-to-day management of its investments and (c) be responsible for human resources management and administration. Detailed job responsibilities will be finalized and submitted to the board of directors of PSF with in first 3 months of the incorporation of the company. CFO will be qualified professional with at least 5 years of relevant experience.

29. The company will be empowered to hire its own consultants and advisers, including independent external legal counsel and external auditor. CEO, CRO, and CFO will be full-time salaried positions.

30. **Principal Functions.** The principal functions of the company will include:
   (i) to manage all of assets of the VGF transferred to it and all liabilities of the VGF assumed by the VGF (as approved by the PPP Policy Board) after the company becomes operational;
   (ii) to recommend to the Finance Department and the PPP Unit, on an as needed basis, amendments to the VGF Guidelines (Guidelines), including eligibility

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20 Article 4(1) of the Rules.
21 Article 4(2) of the Rules.
22 Article 4(3) of the Rules.
23 Article 14(2) of the Rules further requires that a CFO be “(a) a member of a recognized body of professional accountants with at least five years relevant experience, in the case of [companies] having total assets of five billion rupees or more; or (b) a person holding a master degree in finance from a university recognized by the Higher Education Commission with at least ten years relevant experience, in the case of other [companies].”
24 Article 13(1) of the Rules require the board to appoint a company secretary and a chief internal auditor. Article 14(3) permits the role of company secretary to be combined with the CFO or any other member of senior management. Article 13(2) requires board approval for the appointment, remuneration, and terms and conditions of employment of the CFO, the company secretary, and the chief internal auditor.
25 Section 3.3 of ADB’s Loan Disbursement Handbook defines “eligible expenditures” as “project expenditures that can be financed under an ADB loan”. For purposes of this project, eligible expenditures need not be considered current or prepaid “expenses” under generally accepted accounting principles applicable to the company, but may be in the form of contingent rather than committed liabilities. The VGF is designed to support the affordability of projects that are technically and economically viable and environmentally sustainable. Thus, VGF funds may be used to provide the private sector partner with partial funding for construction costs or to provide it with periodic payments (subsidies) to supplement operating revenues received from users or beneficiaries.
criteria (such as value for money, affordability, and bankability) for PPP projects that can receive funding from the VGF;

(iii) to provide risk-related feedback to sector departments and the PPP Unit on PPP selection by PPP nodes before the appraisal of PPP concept proposals by the PPP Policy Board;

(iv) to assess the suitability of PPP projects for which VGF funding may be necessary and, where appropriate, to recommend to the PPP Unit and the PPP Policy Board the level and structure of VGF support for individual projects with the objects of:

(a) identifying any financial issues that have not previously been identified;
(b) ensuring that all potential financial risks and threats are fully understood and documented and mitigation strategies developed;
(c) strengthening project governance structures;
(d) taking into account whole-of-life cost consideration;
(e) optimizing risk allocation between public and private counterparts; and
(f) conducting a value for money analysis to determine if the use of the VGF is the best viable procurement option for a given project;

(v) with the purpose of providing the maximum value for the VGF's limited resources, prudently administer and disburse the monies in the VGF strictly in accordance with the Guidelines and, where appropriate and funding for all eligible projects is not available, recommending to the PPP Unit and the PPP Policy Board the allocation of the available funds to the projects that it considers to be those with respect to which the VGF provides the most value for money;

(vi) to make temporary investments of funds in the VGF pending disbursement, in accordance with the applicable laws and regulations for the investment of public monies in Sindh;

(vii) to negotiate, sign, and administer agreements related to usage of the VGF;

(viii) to follow and report to the PPP Unit and the PMU on the progress (through the various stages of procurement, into construction, operations, and maintenance) of projects that have received VGF support;

(ix) to monitor and report, not less frequently than quarterly (and no later than two months after the end of each calendar quarter), to the PPP Unit and the PMU on the current and contingent liabilities and contingent assets of the government with respect to approved PPPs ("risk monitoring reports"); and

(x) to provide the Finance Department and other relevant departments with the information that the Medium-Term Budget Framework requires in terms of potential shortfall and replenishment requirements for the VGF, as well as any other information that the government may from time to time require to fulfill its responsibilities.

(xi) Principal functions of the company can be expanded to include other functions on the recommendations of the board of the company and PPP policy board with consent of ADB.

31. Allocation of Responsibilities between Management and Board of Directors. Most of responsibilities of the company shall be exercised by its management under the ultimate supervision of the board, following the general guiding principles laid out by the Companies Ordinance, 1984; and Public Sector Companies (Corporate Governance) Rules, 2013. However, the board shall have the exclusive right to (among other things):
(i) recommend to the PPP Policy Board for their approval new obligations to be made by the company to private investors or financiers using VGF monies;

(ii) approve the annual budget of the company;

(iii) approve the annual financial statements of the company; and

(iv) appoint, fix and adjust the compensation of, and dismiss the CEO of the company;\textsuperscript{26}

(v) approve standard operating procedures and manuals for operations, human resources (staffing and outsourcing), internal audit, and procurement, among others; and

(vi) adopt standard operating procedures to govern the company’s operations.

32. **Website.** Not more than 3 months after its establishment, the company will establish and maintain a website that makes easily and continuously accessible to the public, among other things:

(i) its memorandum and articles of association, together with its by-laws;

(ii) the names of its board members and senior officers;

(iii) its annual reports including audited financial statements and half yearly financial statements;

(iv) the VGF Guidelines;

(v) any other set(s) of guidelines, rules, or similar documents that govern its operations;

(vi) a list of all outstanding commitments of the company with respect to the VGF;

(vii) a list of all disbursements made by the company from the VGF; and

(viii) the quarterly risk monitoring reports prepared by the company.

33. **Capital and Financial Statements.** The government will provide the company with capital and endowment of PRs500 million. Financial year of the company will commence on July 1 and end on June 30 of each year i.e. corresponding to the fiscal year of GoS. The company will follow International Financial Reporting Standards.\textsuperscript{27} The company will prepare quarterly unaudited financial statements within one month after the end of each calendar quarter and annual audited financial statements within six months after the end of each fiscal year.\textsuperscript{28} The audit will be conducted with International Standards on Auditing.\textsuperscript{29}

34. **Budget.** In consultation with the Finance Department, the management of the company will, at least 45 days prior to beginning of the financial year, get an annual budget approved by the board. Such budgets will include anticipated operating expenses, as well as anticipated disbursements from the VGF. During the fact-finding mission, the operating costs of the PSF were identified through and incremental cost analysis. It was estimated that the operating costs of the company would be about $5 million for the first five years (indexed for inflation). To ensure the independence and sustainability of the PSF, GoS has agreed to set up a $5 million endowment fund to be managed by PSF to finance its operating costs.

\textsuperscript{26} Article 5(2) of the Rules require the government’s concurrence: “The Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the [Securities and Exchange] Commission [of Pakistan] for appointment to the position of the chief executive, and recommend at least three individuals to the Government for appointment as chief executive of the [company]. On receiving the concurrence of the Government, the Board shall appoint the chief executive in accordance with the provisions of the [Companies Ordinance, 1984].”

\textsuperscript{27} Article 16 of the Rules.

\textsuperscript{28} Additional details on external audit requirements are contained in Article 23 of the Rules.

\textsuperscript{29} See Article 23(3) of the Rules.
35. **Reporting and monitoring.** The company will be registered with the Securities and Exchange Commission of Pakistan (SECP) and comply with all SECP-mandated reporting and accounting requirements. The company will have a robust system of internal financial controls. The company will submit quarterly reports to ADB and the PPP Policy Board, and work closely with the PPP Unit.

36. **Payment Guarantee.** The government shall guarantee payment of all of the company's liabilities. This may need to be included in an amendment to the PPP Act, 2010.

37. **Project Flow.** Any potential PPP project will originate from the line department, which will be responsible for project preparation, with the assistance from PPP Unit. The preparation will consist of feasibility study, initial environment examination, environment impact assessment, risk analysis, preparation of bidding documents including a draft PPP agreement. Funds from PDF may be utilized for project preparation subject to the approval from PPP Policy Board. The PPP Unit shall prioritize the projects for approval, and also exercise quality control in terms of viability of proposals and completeness of documentation, before forwarding the proposals to PSF with requests for VGF.

38. The PSF shall evaluate the projects in line with its mandate (given the principal functions above), based on the proposed base case PPP structure submitted to it by the PPP Unit. PPPs approved for funding by PSF will require prior consent from ADB. ADB consent may subsequently be replaced by a free limit when ADB is satisfied with PSF’s performance. Subject to approval of PSF, the PPP Unit shall make a recommendation to the PPP Policy Board for approval. Subject to the approval of the PPP Policy Board, the line department shall select the private party or concessionaire through open competitive bidding. Following the bid submission, if the bids from the private sector deviate from the proposed base case structure then PPP Unit will need to request for another approval from PSF. If PSF does not agree then the VGF will not be used for the proposed PPP.

39. PSF shall review and provide input during the negotiations related to the structuring and usage of VGF with the selected private party, before final approval by the PPP Policy Board of the concession documents.

40. **Closure of Existing VGF.** The Existing VGF may only be used to support PPP projects approved prior to 1 January 2022 and the only new funding provided by GoS to the Existing VGF shall be to satisfy any liabilities that may arise under the portfolio of PPP projects approved by Sindh prior to 1 January 2022. However, all the new projects will be first submitted to PSF for its approval and VGF support. In case the project is declined by PSF in which specific reasons are assigned. PPP unit and line department will submit the project to PPP Policy Board with a request to seek funds from Existing VGF while clearly articulating (i) why the project has been declined by PSF, (ii) why PPP unit still believes that project is required to be supported by the Existing VGF, and (iii) how the risks and concerns identified by PSF will be addressed or mitigated.

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30 Article 5(5) of the Rules provide: “The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the [company], to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders...."
B. Key Persons Involved in Implementation

**Borrower**  
Federal Government of Pakistan  
Tariq Bajwa  
Secretary Economic Affairs Division  
Phone: + (92-51) 9212769  
E-mail: secretary@ead.gov.pk  
C Block Pak Secretariat,  
Islamabad, Pakistan

**Executing and Implementing Agency**  
Finance Department  
Syed Hasan Naqvi  
Secretary, Finance  
Telephone No.: + (92-21) 99222101  
Email address: fs@pppunitsindh.gov.pk  
AK Lodhi Complex, Sindh Secretariat No. 6  
Shahrah-e Kemal Ata Turk, 1st Floor  
Karachi, Pakistan

**ADB**  
Public Management, Financial Sector and Trade Division; Central and West Asia Department  
Rainer Hartel  
Director  
Telephone No.: +632 632 4664  
Email address: rhartel@adb.org

Project Team Leader  
Shauzab Ali  
Senior Project Officer  
Telephone No.: +92 51 208 7300  
Email address: sali@adb.org
C. **Project Organization Structure**

- **Federal Government of Pakistan**
- **Sindh Government**

**Planning and Development Department**
- PPP Node

**Finance Department (Executing and Implementing Agency)**
- Project Management Unit
- PPP Unit
- Sindh Fund Management House
- Project Development Facility

**Energy department**
- PPP Node

**Transport department**
- PPP Node

**Works & services department**
- PPP Node

**Health department**
- PPP Node

**Education department**
- PPP Node

**Food department**
- PPP Node

**Agriculture department**
- PPP Node

**PPP Support Facility**
- Viability Gap Fund

**Agriculture department**
- PPP Node

**Food department**
- PPP Node

**Education department**
- PPP Node

**Transport department**
- PPP Node

**Energy department**
- PPP Node

**Finance Department (Executing and Implementing Agency)**
- Project Management Unit
- PPP Unit
- Sindh Fund Management House
- Project Development Facility

**Planning and Development Department**
- PPP Node
IV. COSTS AND FINANCING

41. The project is estimated at $184.23 million equivalent. ADB will provide a loan of $100 million from its Ordinary Capital Resources (Table 2). In addition to the project, a technical assistance grant of $4.75 million will be provided by the Government of the United Kingdom. The funds provided by the Government of the United Kingdom will be administered by ADB. The counterpart funding by the government of $65 million equivalent will be injected as equity in PSF.

Table 1: Project Investment Plan

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount ($ million) $</th>
<th>Share of Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Project Development Facility (PDF)</td>
<td>7.94</td>
<td>4.31</td>
</tr>
<tr>
<td>B. PPP Support Facility (PSF)</td>
<td>5.00</td>
<td>2.71</td>
</tr>
<tr>
<td>C. New Viability Gap Fund managed by PSF</td>
<td>163.23</td>
<td>88.60</td>
</tr>
<tr>
<td>D. Project Management Unit</td>
<td>0.65</td>
<td>0.35</td>
</tr>
<tr>
<td>E. Contingencies</td>
<td>2.89</td>
<td>1.57</td>
</tr>
<tr>
<td>F. Financing Charges During Implementation a</td>
<td>4.53</td>
<td>2.46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>184.23</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.
Source: Asian Development Bank estimates.

a Exclusive of taxes and duties imposed in the territory of the Borrower. These will be financed by the government through its funds or exemptions. Costs in 2015 prices.

b Includes interest and commitment charges. Interest for the ADB loan has been computed at the 6-month London interbank offered rate (5-year swap rate) plus a spread of 0.50%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Table 2: Financing Plan

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount ($ million)</th>
<th>Share of Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian Development Bank (ordinary capital resources)</td>
<td>100.00</td>
<td>54.28</td>
</tr>
<tr>
<td>Government of the United Kingdom a</td>
<td>19.23</td>
<td>10.44</td>
</tr>
<tr>
<td>Government</td>
<td>65.00</td>
<td>35.28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>184.23</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.
Source: Asian Development Bank estimates.

a Administered by the Asian Development Bank. The Government of the United Kingdom has committed to provide £14,749,410 to jointly finance the project, converted to USD using the prevailing exchange rate on 11 August 2016, i.e., £1=$1.3041. The estimated USD equivalent of $19,234,706 includes a provision for foreign exchange fluctuations (if any), to the extent that these are not covered by the interest and investment income earned on this grant. The Government of the United Kingdom has no obligation to contribute additional funds should the total funding requirement fall below the estimated USD equivalent as a result of adverse foreign currency fluctuations. The Government has agreed to finance any shortfall in financing plan in this regard.
### A. Detailed Cost Estimates by Expenditure Category (Table 3)

(PKR million)\(^{a}\)

<table>
<thead>
<tr>
<th>Item</th>
<th>Item Description</th>
<th>Foreign Exchange</th>
<th>Local Currency</th>
<th>Total Cost</th>
<th>% of Total Base Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Investment Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Project Development Facility</td>
<td>0.00</td>
<td>794.24</td>
<td>794.24</td>
<td>4.5%</td>
<td></td>
</tr>
<tr>
<td>2. Viability Gap Fund</td>
<td>0.00</td>
<td>16,322.89</td>
<td>16,322.89</td>
<td>92.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal (A)</strong></td>
<td></td>
<td>0.00</td>
<td>17,117.13</td>
<td>96.8%</td>
<td></td>
</tr>
<tr>
<td><strong>B. Recurrent Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. PPP Support Facility</td>
<td>0.00</td>
<td>500.00</td>
<td>500.00</td>
<td>2.8%</td>
<td></td>
</tr>
<tr>
<td>2. Project Management Unit</td>
<td>0.00</td>
<td>65.00</td>
<td>65.00</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal (B)</strong></td>
<td></td>
<td>0.00</td>
<td>565.00</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Base Cost (A+B)</strong></td>
<td></td>
<td>0.00</td>
<td>17,682.13</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td><strong>C. Contingencies</strong></td>
<td></td>
<td>288.52</td>
<td>0.00</td>
<td>1.6%</td>
<td></td>
</tr>
<tr>
<td><strong>D. Financing Charges During Implementation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Interest During Implementation</td>
<td>415.57</td>
<td>0.00</td>
<td>415.57</td>
<td>2.4%</td>
<td></td>
</tr>
<tr>
<td>2. Commitment Charges</td>
<td>37.25</td>
<td>0.00</td>
<td>37.25</td>
<td>0.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal (D)</strong></td>
<td></td>
<td>452.82</td>
<td>0.00</td>
<td>2.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Cost (A+B+C+D)</strong></td>
<td></td>
<td>741.34</td>
<td>17,682.13</td>
<td>104.2%</td>
<td></td>
</tr>
</tbody>
</table>

Notes: (i) PKR100=USD1; (ii) Numbers may not sum precisely because of rounding.

\(^{a}\) Exclusive of taxes and duties imposed in the territory of the Borrower, which will be financed by the government. Costs in 2015 prices.
### Table 4: Allocation and Withdrawal of ADB Loan Proceeds

<table>
<thead>
<tr>
<th>Number</th>
<th>Item</th>
<th>Total Amount Allocated for ADB Financing ($€) Category</th>
<th>Basis for Withdrawal from the Loan Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Viability Gap Fund</td>
<td>95,471,813</td>
<td>100% of total expenditure claimed&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>2.</td>
<td>Interest and Commitment</td>
<td>4,528,187</td>
<td>100% of amount due</td>
</tr>
<tr>
<td></td>
<td>Charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>100,000,000</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Exclusive of taxes and duties imposed in the territory of the Borrower.

### Table 5: Allocation and Withdrawal of the Government of the United Kingdom Grant Proceeds

<table>
<thead>
<tr>
<th>Number</th>
<th>Item</th>
<th>Total Amount Allocated for Government of the United Kingdom Financing ($€) Category</th>
<th>Basis for Withdrawal from the Loan Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Project Development Facility</td>
<td>4,942,412</td>
<td>100% of total expenditure claimed&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>2.</td>
<td>Viability Gap Fund</td>
<td>11,407,088</td>
<td>100% of total expenditure claimed&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>3.</td>
<td>Contingencies</td>
<td>2,885,206</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>19,234,706</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Exclusive of taxes and duties imposed in the territory of the Borrower.
### C. Detailed Cost Estimates by Financier (Table 6)\(^a\)

<table>
<thead>
<tr>
<th>Item</th>
<th>ADB</th>
<th>Government of the United Kingdom(^b)</th>
<th>Government of Sindh</th>
<th>Total Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (million)</td>
<td>% of cost category</td>
<td>Amount (million)</td>
<td>% of cost category</td>
</tr>
<tr>
<td>A. Investment Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Project Development Facility</td>
<td>-</td>
<td>-</td>
<td>4.94</td>
<td>62.2%</td>
</tr>
<tr>
<td>2. Viability Gap Fund</td>
<td>95.47</td>
<td>58.5%</td>
<td>11.41</td>
<td>7.0%</td>
</tr>
<tr>
<td>B. Recurrent Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. PPP Support Facility</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Project Management Unit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Base Cost</strong></td>
<td>95.47</td>
<td>54.0%</td>
<td>16.35</td>
<td>9.2%</td>
</tr>
<tr>
<td>C. Contingencies</td>
<td>-</td>
<td>-</td>
<td>2.89</td>
<td>100.0%</td>
</tr>
<tr>
<td>D. Financing Charges During Implementation</td>
<td>4.53</td>
<td>100.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.00</td>
<td>54.3%</td>
<td>19.23</td>
<td>10.4%</td>
</tr>
<tr>
<td><strong>% Total Project Cost</strong></td>
<td>54%</td>
<td>10%</td>
<td>35%</td>
<td>100%</td>
</tr>
</tbody>
</table>

\(\text{ADB} = \text{Asian Development Bank, PPP = public–private partnership.}\)

*Note: Numbers may not sum precisely because of rounding.*

\(\text{a} \quad \text{Exclusive of taxes and duties imposed in the territory of the Borrower.}\)

\(\text{b} \quad \text{Administered by the Asian Development Bank. The Government of the United Kingdom has committed to provide £14,749,410 to jointly finance the project, converted to USD using the prevailing exchange rate on 11 August 2016, i.e., £1=$1.3041. The estimated USD equivalent of $19,234,706 includes a provision for foreign exchange fluctuations (if any), to the extent that these are not covered by the interest and investment income earned on this grant. The Government of the United Kingdom has no obligation to contribute additional funds should the total funding requirement fall below the estimated USD equivalent as a result of adverse foreign currency fluctuations. The Government has agreed to finance any shortfall in financing plan in this regard.}\)
### Detailed Cost Estimates by Year (Table 7)

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Costa</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Investment Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Project Development Facility</td>
<td>4.94</td>
<td>-</td>
<td>1.31</td>
<td>2.01</td>
<td>1.31</td>
<td>0.31</td>
<td>-</td>
</tr>
<tr>
<td>2 Viability Gap Fund</td>
<td>106.88</td>
<td>8.00</td>
<td>29.37</td>
<td>46.50</td>
<td>13.47</td>
<td>9.54</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal (A)</td>
<td>111.82</td>
<td>8.00</td>
<td>30.68</td>
<td>48.51</td>
<td>14.78</td>
<td>9.85</td>
<td>-</td>
</tr>
<tr>
<td><strong>B. Contingencies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.89</td>
<td>-</td>
<td>0.47</td>
<td>0.44</td>
<td>0.23</td>
<td>1.74</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>C. Financing Charges During Implementation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.53</td>
<td>0.08</td>
<td>0.22</td>
<td>0.63</td>
<td>1.34</td>
<td>1.79</td>
<td>0.48</td>
<td></td>
</tr>
<tr>
<td>Total Project Cost (A+B+C)</td>
<td>119.23</td>
<td>8.08</td>
<td>31.37</td>
<td>49.58</td>
<td>16.35</td>
<td>13.38</td>
<td>0.48</td>
</tr>
<tr>
<td><strong>% Total Project Cost</strong></td>
<td>100%</td>
<td>6.8%</td>
<td>26.3%</td>
<td>41.6%</td>
<td>13.7%</td>
<td>11.2%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

*a* Exclusive of taxes and duties imposed in the territory of the Borrower.
E. Contract and Disbursement S-curve

42. The projected disbursements were based on the projected demands for funding.

Table 8: Projections for Contract Award (ADB) ($ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.00</td>
<td>0.00</td>
<td>4.00</td>
<td>4.00</td>
<td>8.00</td>
</tr>
<tr>
<td>2018</td>
<td>4.00</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
<td>28.00</td>
</tr>
<tr>
<td>2019</td>
<td>10.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>46.00</td>
</tr>
<tr>
<td>2020</td>
<td>12.00</td>
<td>1.47</td>
<td>0.00</td>
<td>0.00</td>
<td>13.47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>95.47</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

Table 9: Projections for Disbursements (ADB) ($ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.00</td>
<td>0.00</td>
<td>4.08</td>
<td>4.00</td>
<td>8.08</td>
</tr>
<tr>
<td>2018</td>
<td>4.08</td>
<td>8.00</td>
<td>8.14</td>
<td>8.00</td>
<td>28.22</td>
</tr>
<tr>
<td>2019</td>
<td>10.24</td>
<td>12.00</td>
<td>12.38</td>
<td>12.00</td>
<td>46.63</td>
</tr>
<tr>
<td>2020</td>
<td>12.57</td>
<td>1.47</td>
<td>0.77</td>
<td>0.00</td>
<td>14.81</td>
</tr>
<tr>
<td>2021</td>
<td>0.89</td>
<td>0.00</td>
<td>0.90</td>
<td>0.00</td>
<td>1.79</td>
</tr>
<tr>
<td>2022</td>
<td>0.48</td>
<td></td>
<td></td>
<td></td>
<td>0.48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

Table 10: Projections for Contract Award (Government of the United Kingdom) ($ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>2.38</td>
<td>0.00</td>
<td>0.77</td>
<td>3.25</td>
</tr>
<tr>
<td>2019</td>
<td>0.59</td>
<td>1.18</td>
<td>0.00</td>
<td>1.18</td>
<td>2.95</td>
</tr>
<tr>
<td>2020</td>
<td>0.00</td>
<td>0.77</td>
<td>0.00</td>
<td>0.77</td>
<td>1.54</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>11.41</td>
<td>0.18</td>
<td>0.00</td>
<td>11.59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>19.23</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

Table 11: Projections for Disbursements (Government of the United Kingdom) ($ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>2.38</td>
<td>0.00</td>
<td>0.77</td>
<td>3.25</td>
</tr>
<tr>
<td>2019</td>
<td>0.59</td>
<td>1.18</td>
<td>0.00</td>
<td>1.18</td>
<td>2.95</td>
</tr>
<tr>
<td>2020</td>
<td>0.00</td>
<td>0.77</td>
<td>0.00</td>
<td>0.77</td>
<td>1.54</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>11.41</td>
<td>0.18</td>
<td>0.00</td>
<td>11.59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>19.23</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.
F. Projected Contract Awards and Disbursements S-Curve

Figure 1: Projected Contract Awards and Disbursements S-Curve (ADB)

Figure 2: Projected Contract Awards and Disbursements S-Curve (Government of the United Kingdom)
Table 12: Projected Disbursements by Cost ($ million)

### Table 12.1: VGF Disbursement Projections
(Asian Development Bank)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.00</td>
<td>0.00</td>
<td>4.00</td>
<td>4.00</td>
<td>8.00</td>
</tr>
<tr>
<td>2018</td>
<td>4.00</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
<td>28.00</td>
</tr>
<tr>
<td>2019</td>
<td>10.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>46.00</td>
</tr>
<tr>
<td>2020</td>
<td>12.00</td>
<td>1.47</td>
<td>0.00</td>
<td>0.00</td>
<td>13.47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>95.47</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

### Table 12.2: VGF Disbursement Projections
(Government of the United Kingdom)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>1.37</td>
<td>0.00</td>
<td>0.00</td>
<td>1.37</td>
</tr>
<tr>
<td>2019</td>
<td>0.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.50</td>
</tr>
<tr>
<td>2020</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>9.54</td>
<td>0.00</td>
<td>0.00</td>
<td>9.54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>11.41</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

### Table 12.3: PDF Disbursement Projections
(Government of the United Kingdom)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>0.66</td>
<td>0.00</td>
<td>0.66</td>
<td>1.31</td>
</tr>
<tr>
<td>2019</td>
<td>0.00</td>
<td>1.01</td>
<td>0.00</td>
<td>1.01</td>
<td>2.01</td>
</tr>
<tr>
<td>2020</td>
<td>0.00</td>
<td>0.66</td>
<td>0.00</td>
<td>0.66</td>
<td>1.31</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>0.16</td>
<td>0.16</td>
<td>0.00</td>
<td>0.31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>4.94</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

### Table 12.4: Contingencies
Disbursement Projections
(Government of the United Kingdom)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>0.36</td>
<td>0.00</td>
<td>0.12</td>
<td>0.47</td>
</tr>
<tr>
<td>2019</td>
<td>0.09</td>
<td>0.18</td>
<td>0.00</td>
<td>0.18</td>
<td>0.44</td>
</tr>
<tr>
<td>2020</td>
<td>0.00</td>
<td>0.12</td>
<td>0.00</td>
<td>0.12</td>
<td>0.23</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>1.71</td>
<td>0.03</td>
<td>0.00</td>
<td>1.74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>2.89</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.
Table 12.5: Finance Charges
Disbursement Projections
(Asian Development Bank)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.00</td>
<td>0.00</td>
<td>0.08</td>
<td>0.00</td>
<td>0.08</td>
</tr>
<tr>
<td>2018</td>
<td>0.08</td>
<td>0.00</td>
<td>0.14</td>
<td>0.00</td>
<td>0.22</td>
</tr>
<tr>
<td>2019</td>
<td>0.24</td>
<td>0.00</td>
<td>0.38</td>
<td>0.00</td>
<td>0.63</td>
</tr>
<tr>
<td>2020</td>
<td>0.57</td>
<td>0.00</td>
<td>0.77</td>
<td>0.00</td>
<td>1.34</td>
</tr>
<tr>
<td>2021</td>
<td>0.89</td>
<td>0.00</td>
<td>0.90</td>
<td>0.00</td>
<td>1.79</td>
</tr>
<tr>
<td>2022</td>
<td>0.49</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.48</td>
</tr>
<tr>
<td>Total</td>
<td>4.53</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

Table 13: Projected Awards by Cost
($ million)

Table 13.1: VGF Awards Projections
(Asian Development Bank)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.00</td>
<td>0.00</td>
<td>4.00</td>
<td>4.00</td>
<td>8.00</td>
</tr>
<tr>
<td>2018</td>
<td>4.00</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
<td>28.00</td>
</tr>
<tr>
<td>2019</td>
<td>10.0</td>
<td>12.0</td>
<td>12.0</td>
<td>12.0</td>
<td>46.00</td>
</tr>
<tr>
<td>2020</td>
<td>12.00</td>
<td>1.47</td>
<td>0.00</td>
<td>0.00</td>
<td>13.47</td>
</tr>
<tr>
<td>Total</td>
<td>95.47</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

Table 13.2: VGF Award Projections
(Government of the United Kingdom)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>1.37</td>
<td>0.00</td>
<td>0.00</td>
<td>1.37</td>
</tr>
<tr>
<td>2019</td>
<td>0.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.50</td>
</tr>
<tr>
<td>2020</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>9.54</td>
<td>0.00</td>
<td>0.00</td>
<td>9.54</td>
</tr>
<tr>
<td>Total</td>
<td>11.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.

Table 13.3: PDF Awards Projections
(Government of the United Kingdom)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>0.66</td>
<td>0.00</td>
<td>0.66</td>
<td>1.31</td>
</tr>
<tr>
<td>2019</td>
<td>0.00</td>
<td>1.01</td>
<td>0.00</td>
<td>1.01</td>
<td>2.01</td>
</tr>
<tr>
<td>2020</td>
<td>0.00</td>
<td>0.66</td>
<td>0.00</td>
<td>0.66</td>
<td>1.31</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>0.16</td>
<td>0.16</td>
<td>0.00</td>
<td>0.31</td>
</tr>
<tr>
<td>Total</td>
<td>4.94</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.
Table 13.4: Contingencies Award Projections  
(Government of the United Kingdom)  

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
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<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>0.36</td>
<td>0.00</td>
<td>0.12</td>
<td>0.47</td>
</tr>
<tr>
<td>2019</td>
<td>0.09</td>
<td>0.18</td>
<td>0.00</td>
<td>0.18</td>
<td>0.44</td>
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<tr>
<td>2020</td>
<td>0.00</td>
<td>0.12</td>
<td>0.00</td>
<td>0.12</td>
<td>0.23</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>1.71</td>
<td>0.03</td>
<td>0.00</td>
<td>1.74</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>2.89</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum precisely because of rounding.
G. Fund Flow Diagram

Finance Department Government of Sindh

Expenditure Wing
Control Provincial Account -1

Provincial Consolidated Fund (project subaccount)

3.1 DFID funds

3.2 GoS Budget Release for PDF

3.3 GoS Budget Release for VGF

2. Re-lend funds to GoS

Federal Government Account -1

1. Disbursed funds to GOP

(1). Request for payment from ADB funds along with approved bills submitted to PMU

SFHM

(2). Withdrawal applications

(2). Request for payment from ADB funds along with approved bills submitted to PMU

PMU

ADB

Private partners, contractors

PSF Bank Account

VGF payments

5.1 Payment to transaction advisors with GoS and DFID funds

4.1 ADB/DFID funds released into PSF bank account within three days

5.2 VGF payments

Advisors, Consultants

PSF


PSF will establish separate sub-accounts for funding received from ADB, DFID, and GoS on account of VGF payments for PSF. DFID funding will be administered by ADB and will follow the same fund flow.
V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

43. ADB conducted a Financial Management Assessment (FMA) of the proposed Program financial management arrangements in accordance with ADB’s Guidelines for the Financial Management and Analysis of Projects. The FMA was carried from August to November 2014. The FMA considered SFD’s proposed roles as the proposed project executing agency (EA) and implementing agency (IA).

44. Overall financial management risks for the Project are assessed as Substantial. The key risks, as identified in the Financial Management Assessment completed in November 2014, stemmed from the lack of an accounting and reporting system for the VGF, and the limited risk management capacity at the Sindh Fund Management House. The risk rating has also factored in gaps in financial planning process and non-recording of contingent liabilities related to PPP contracts in the GoS’ financial statements; these issues may increase systemic risks associated with PPPs. In 2014 and 2015, GoS has taken measures with ADB support to start addressing these risks. Firstly, an accounting and reporting system for the PDF and VGF have been agreed with the government. Since their inception in 2010, both accounts have been subject to periodic internal audits and independent external audits, as well as being audited by the Auditor General of Sindh every three year. Sindh Fund Management House, as agreed with GoS during the fact-finding mission, will continue to prepare financial statements for the PDF, have the PDF audited annually and share the audited financial statements with ADB. Secondly, the government has started to set-up an independent PPP Support Facility (PSF) that will manage the VGF. PSF is subject to all the auditing reporting, oversight and internal control requirements of the Securities and Exchange Commission of Pakistan, as set forth in the Corporate Governance Code. Detailed information of the PSF governance structure is provided in detail in paras. 24-39 of this PAM. The PMU that will be established in the Sindh Finance Department (SFD) to help implement the project shall prepare a consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices. The PMU will have a full-time qualified accountant from January 2017.

45. SFD—which has led the PPP framework implementation in Sindh—has adequate financial management arrangements to implement the project and the mitigating measures as set forth in the RRP, project DMF and the RAMP, and manage the above mentioned risks. The SFD will however need to further strengthen its financial management systems for PPP transactions in line with the GoS’s objective to use PPP as a preferred mode for supporting its development agenda. In particular, the SFD will (i) establish a new accounting and reporting framework for PPP transactions in provincial accounts, including disclosure of contingent liabilities in provincial budgets and financial statements, and an off-the-shelf accounting software with a built-in chart of accounts and standard financial management reporting pack for the PDF by FY2019; and (ii) by April 2017, develop and implement an internal control manual and financial rules for the VGF and PDF. The financial rules will be notified by the PPP Policy Board, for use from 1H-FY2018 (December 30, 2017). The Finance Department of Government of Sindh has notified the VGF Guidelines, in addition to the Guidelines for the Project

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31 For detailed information on country, entity, project risks and planned mitigating measures, please refer to the Risk Assessment and Risk management Plan (accessible from the list of linked documents in Appendix 2 of the RRP).
Development Facility for PPP projects in Sindh. Some of the risks will also be mitigated with the establishment of a separate company with an independent governance structure to effectively and efficiently manage the VGF and strengthen the medium term planning and monitoring mechanism for fiscal risks under PPP transactions, optimizing the distribution of risks under PPP contracts. By project negotiations, SFD will prepare and agree with ADB, the financial management-staffing plan for the new company to be incorporated and hire key financial management staff. Within 6 months of project signing, SFD will hire a firm of chartered accountants to conduct periodic audit of the project and the company. TORs of the firm will be agreed with ADB.

B. Disbursement

46. The loan proceeds will be disbursed in accordance with the ADB’s Loan Disbursement Handbook (2015, as amended from time to time), and detailed arrangements agreed upon between the Government of Pakistan and ADB in the Loan Agreement. Online training for project staff on disbursement policies and procedures is available at: http://wpqr4.adb.org/disbursement_elearning. Project staff is encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

47. A combination of reimbursements and direct payments to transaction advisors (to the extent of PDF allocation) will be used for disbursement of loan and grant proceeds. ADB may make payments directly to contractors or suppliers under the direct payment procedure. ADB and DFID funds will be disbursed, passing through the Federal Government Account-1 and the provincial consolidated funds of GoS. From the project account, funds will be allocated i) PDF bank account, to pay for transaction advisory fees; and (iii) PSF bank account to reimburse VGF commitments. Government counterpart funding from the provincial budget will also fund these accounts as set forth earlier in the PAM.

48. As shown in the Fund Flow Diagram (page 27 of this document), project proceeds will be passed through the Federal Government Account-1 and the Sindh Provincial Government consolidated account to a dedicated project subaccount under the provincial account. SFD, as the executing agency, will be the approving authority for all payments related to the project. Funds from the provincial account will be released to the PDF account in local currency (#3.1 in the Fund Flow Diagram). Government will replenish the PDF by January 2017 from government counterpart contributions (#3.2 in the Fund Flow Diagram). Government counterpart financing will also be used for VGF expenditures managed by the PSF which will then be reimbursed from project proceeds (#4.1 in the Fund Flow Diagram), i.e., ADB OCR funds and the Government of the United Kingdom co-financing. PMU will prepare and submit the withdrawal applications for ADB and the Government of the United Kingdom to be used for payments to consultants, and suppliers of goods and services.

32 Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf
33 Once prefeasibility studies on individual projects that will be supported by VGF are completed, these documents will be shared with ADB and DFID-Pakistan, to ensure that project selection and VGF usage criteria set forth in the project and associated documents have been followed for VGF and the Government of the United Kingdom internal review may start. ADB project team and the DFID counterpart team for the project will work closely with the PPP Unit and the PSF to facilitate timely confirmation and release of VGF funds in line with the respective concession agreements for PPP projects. Should the review process by the Government of the United Kingdom take longer than the time the funds are required, then ADB funds will be used to fund the project and pro rata adjustments to ADB and Government of the United Kingdom contributions will be made once the necessary approvals by the Government of the United Kingdom will be issued.
49. The statement of expenditures (SOE) procedure will be used for reimbursement of eligible project expenditures. The ceiling of the SOE procedure is the equivalent of $100,000 per individual payment. SOE records and supporting documents should be maintained and made readily available for review by ADB’s disbursement and review mission or upon ADB’s request and for independent audit.

50. For reimbursement of individual payments in excess of the SOE ceiling, the PMU should submit together with the withdrawal application: (i) evidence or receipt of payment (showing the amount paid, the date of receipt, and the payee); and (ii) bills of the payees (private partners in PPP contracts), duly certified by the auditors.

51. For PDF, the GoS counterpart funding of $3 million will be utilized before DFID grant funds for PDF are made available.

52. Before the submission of the first withdrawal application, the PMU shall submit to ADB sufficient evidence of the authority of the person/s who will sign withdrawal applications on their behalf, together with the authenticated specimen signature of each authorized person (Appendix 1). The minimum value per withdrawal application is set in accordance with the Loan Disbursement Handbook. Individual payments below this amount should be paid by the executing agencies and subsequently claimed to ADB through reimbursement, unless otherwise accepted by ADB.

53. The PMU will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) following ADB procedures for submitting withdrawal applications and liquidation forms, and for (iv) collecting supporting documents.

C. Accounting

54. The SFD will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the Project. The SFD will prepare consolidated project financial statements in accordance with the government’s accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing and Public Disclosure

55. The SFD will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing and with the government’s audit regulations, by the Auditor General of Pakistan. These audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the SFD.

56. The government will establish a company as per the Pakistan’s corporate and financial management requirements. For that end, Public Sector Companies Corporate Governance

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34 SOE procedure is a simplified procedure where the ADB pays from the loan account to the borrower’s account for eligible expenditures which have been incurred and paid for by the borrower out of its budget allocation or its own resources. The SOE procedure does not require submission of supporting documentation of expenditures below the approved ceiling. See Loan Disbursement Handbook, Chapter 9. The evidence of authority to sign withdrawal applications is provided in Appendix 1.

35 Any subsequent change in the list of authorized representatives must be reported immediately and authenticated specimen signatures of new representatives must also be provided.
Rules 2013 would be applicable, which are compliant with international standards. Detailed and complete financial management information system including staffing for the company, acceptable to ADB, will be procured and implemented before the first disbursement of VGF component. The proposed financial management arrangements for the project have been reviewed and are acceptable to ADB.

57. The PPP Support Facility (new company) will also cause the entity-level financial statements to be prepared in accordance with the International Financial Reporting Standard and audited by an independent chartered accountancy firm acceptable to ADB. The audited entity-level financial statements, together with the auditors’ report and management letter, will be submitted in the English language to ADB within one month after their approval by the competent authority (or, if there is not such approving authority, within six months of the end of the relevant fiscal year).

58. The annual audit report for the project financial statements will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; and (iv) the use of the SOE procedure certifying the eligibility of those expenditures claimed under SOE procedures, and proper use of the SOE and imprest procedures in accordance with ADB’s Loan Disbursement Handbook and the project documents.

59. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

60. The Government of Sindh and the SFD have been made aware of ADB’s approach on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project’s financial accounts to confirm that the share of ADB’s financing is used in accordance with ADB’s policies and procedures.

36 ADB approach on delayed submission of audited project financial statements:
• When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed;
• When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB’s actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
• When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.
Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose the annual audited financial statements for the project and the opinion of the auditors on the financial statements within 14 days of the date of ADB’s confirmation of their acceptability by posting them on ADB’s website. The Audit Management Letter and the entity financial statements will not be disclosed.

VI. SAFEGUARDS

The Project is categorized as financial intermediation (FI) for environment and involuntary resettlement, and FI treated as C for indigenous peoples. Due diligence and review show that the fund will support infrastructure initiatives that have resettlement and environmental impacts. Civil works will include new construction, as well as rehabilitating of existing infrastructure in sectors such as transport and renewable energy. No impacts on indigenous peoples are anticipated.

A draft Environmental and Social Management Systems (ESMS) has been developed for PSF. The ESMS clarifies PSF’s environmental and social policies; and safeguard screening, categorization, and review procedures. The ESMS document also sets out a plan to strengthen the environment and social organization structure and staffing; and sets out performance monitoring and reporting procedures both at PSF and at the PPP Unit. The ESMS includes further development of institutional capacity within the two to manage environmental and social issues. The CRO will be the ESMS focal point for PSF.

A Director Environment and Social Development Specialist will be hired at the PSF to perform the following functions:

(i) Maintain and update the ESMS;
(ii) Ensure all subprojects financed by PSF are screened, categorized, and reviewed in accordance with the ESMS;
(iii) During screening provide advice to the PPP Unit and PPP nodes to ensure that safeguard (environment, involuntary resettlement, and indigenous peoples) impacts are avoided or minimized;
(iv) In accordance with the ESMS ensure that safeguard documents (environmental assessment reports, environmental management plans, LARPs, and IPPs) as required are prepared;
(v) Set conditions for subprojects and ensure all safeguards requirements as required by SPS 2009 are fulfilled including but not limited to award of civil works contracts only after compensation where involuntary resettlement occurs;
(vi) Monitor subprojects to ensure safeguards compliance in accordance with safeguards documents prepared for subprojects;
(vii) Conduct outreach on the safeguards requirements and processes under the ESMS and provide training and capacity-building to PSF;
(viii) Manage the grievance redress mechanism within PSF ensure the establishment and operations of similar mechanisms in the PPP Unit and PPP nodes and facilitate/follow-up on the resolution of complaints related to the PSF operations and supported projects;

(ix) Provide assistance and required information to external ESMS auditors for the conduct of annual audits; and

(x) Ensure monitoring and reporting requirements are undertaken in accordance with the ESMS.

VII. GENDER AND SOCIAL DIMENSIONS

65. The project will aid private sector participation in infrastructure development and public service provision, and benefit both men and women indirectly by increasing economic connectivity and economic opportunities for the population. The project does not have any gender elements. The project will further support, through technical assistance and training, the implementation of the revised PC-1 to be used for all projects including those carried out through the PPP modality, on gender-responsive project selection criteria, i.e., impact on women beneficiaries, mitigation measures for any adverse impact on women, employment opportunities that will be created for women through the project, and capture of sex-disaggregated project data.
### VIII. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

#### A. Project Design and Monitoring Framework

<table>
<thead>
<tr>
<th>Results Chain</th>
<th>Performance Indicators with Targets and Baselines</th>
<th>Data Sources and Reporting Mechanisms</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome</strong></td>
<td>By FY2022:</td>
<td>a. Government of Sindh Bureau of Statistics, SFD reports</td>
<td>Agreed policy and institutional arrangements for PPPs are not used uniformly by all PPP nodes.</td>
</tr>
<tr>
<td>Fiscally responsible private sector participation and investment in infrastructure increased in Sindh</td>
<td>a. Private investment in provincial infrastructure and service projects increased to 10% (FY2016 baseline: Percentage of PPP projects in ADP 6%)</td>
<td>b.–c. PPP unit status reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. A contingent liability assessment and risk management plan included in 100% of project proposals submitted to the PPP Policy Board (2014 baseline: 0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Weighted average of VGF utilization with respect to project cost for PPP project portfolio decreased to 75% (2014 baseline: 96%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td>1a. Standardized project selection criteria for PDF in place by January 2017 (2014 baseline: Different sets of criteria used for each project)</td>
<td>1a.–b. Reports of key sector departments, PPP unit</td>
<td>Critical mass of trained staff not retained in the PPP nodes for at least 2 years</td>
</tr>
<tr>
<td>1. Government of Sindh capacity to select and develop PPP projects strengthened</td>
<td>1b. At least one staff member of four PPP nodes trained in proper application of selection criteria by April 2017, seven PPP nodes by December 2018 (2014 baseline: no standardized criteria)</td>
<td>1a.–b. PMU status reports</td>
<td>Delays in timely release of the Government of the United Kingdom funds for the project and the attached TA</td>
</tr>
<tr>
<td></td>
<td>1c. PDF replenished by $3 million upfront by January 2017 (2014 baseline: no PDF replenishment plan)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. PPP project-related fiscal risk effectively managed by PSF</td>
<td>2a. Set up PSF by December 2016</td>
<td>1c. Provincial budget reports</td>
<td></td>
</tr>
</tbody>
</table>
### Results Chain

<table>
<thead>
<tr>
<th>Key Activities with Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Government of Sindh capacity to select and develop PPP projects strengthened</strong></td>
</tr>
<tr>
<td>1.1. Approve environmental guidelines for PPP projects for use by June 2017; hire an environmental safeguards specialist to the PPP unit by December 2016.</td>
</tr>
<tr>
<td>1.2. Prepare and adopt criteria to identify projects eligible for support from the PDF by January 2017.</td>
</tr>
</tbody>
</table>

### Performance Indicators with Targets and Baselines

| 2c. Risk management measures applied by PSF to all PPP transactions from September 2017 onwards (2014 baseline: no criteria) |
| 2d. At least six PPP projects supported by PSF by March 2022 (2014 baseline: 0) |
| 2e. Quarterly risk management reports submitted by PSF to the PPP Policy Board from July 2017 onwards (2014 baseline: PPP policy and project decisions not linked with contingent liability management) |

#### Data Sources and Reporting Mechanisms

- 2b.–d. Asian Development Bank review mission reports
- 2d. PMU status reports
- 3a. Government of Sindh staff notifications, Planning Commission form 1 (investment project proposal), provincial budget reports, SFD contingent liability updates
- 3b. PPP Unit status reports
- 3c.–d. PMU status reports
- 3c. Line departments’ websites

#### Risks

- Delay in implementation in line government departments
1.3. Develop and implement a system to ensure that such identification criteria are used by January 2017.
1.4. Develop training modules and conduct training for staff of PPP unit and PPP nodes in SFD, P&DD, and user departments with PPP portfolios by April 2017 up to June 2022.
1.5. Replenish the PDF by $3 million through government counterpart contributions by January 2017.

2. PPP project-related fiscal risk effectively managed by PSF
2.2. Set up and fund the PSF by December 2016.
2.3. Recruit two risk management staff to SFD by December 2016.
2.4. Adopt an operational and organizational plan by PSF for risk management by March 2017.
2.5. Establish a monitoring and evaluation system by PSF to manage the direct and contingent liabilities of PPP projects by June 2017.
2.6. Develop and implement an outreach and training program by PSF for all PPP nodes regarding risk management, VGF management, and other relevant PSF operations by December 2017 up to June 2022.
2.7. Develop and present to the government a conceptual plan by PSF for an infrastructure guarantee fund and alternate financing sources by December 2018.

3. PPP project selection and subsequent management capacity of line departments, finance, and P&DDs strengthened
3.1. Adopt screening criteria by the Government of Sindh to identify the optimal structuring models for all proposed development projects by July 2017.
3.2. Utilize screening criteria with respect to projects in all government departments by January 2018 and incorporate PPP project identification by P&DD in the ADP development process by June 2018.
3.3. Deploy PPP advisors and specialists in three PPP nodes to support project selection, project development, and project and contract management by December 2016.
3.4. Develop training modules for staff in PPP nodes by June 2017 and utilize modules to train key PPP node staff by December 2017 up to June 2022.

Inputs
Asian Development Bank: $100,000,000 (ordinary capital resources)
Government of the United Kingdom: $4,750,530 (technical assistance grant)
Government of the United Kingdom: $19,234,706
Government of Sindh: $65,000,000 (for PDF, PSF, staff, and logistical support)

Assumptions for Partner Financing
Not applicable

ADP = Annual Development Plan, P&DD = planning and development department, PDF = project development facility, PMU = project management unit, PPP = public–private partnership, PSF = Public–Private Partnership Support Facility, SFD = Sindh Finance Department, VGF = viability gap fund.

Government of Sindh, Bureau of Statistics, Finance Department (project implementing agency), and PPP unit status reports.

B. Monitoring

66. **Project performance monitoring**: The PMU will conduct regular monitoring throughout project implementation based on the targets, indicators, assumptions and risks described in the Design and Monitoring Framework. The PMU will collect data for output and outcome indicators and report quarterly through the Finance Department quarterly progress reports and for each ADB review mission. These quarterly reports will provide information necessary to update ADB’s project performance reporting system. ADB will conduct a mid-term review mission in 2020.

67. **Compliance monitoring**: Compliance with covenants will be monitored through regular ADB review missions and on quarterly basis through the quarterly progress report.

68. **Safeguards monitoring**: The overall framework for safeguards for the Project is the ESMS. Safeguard assessments will be undertaken by the PSF and environmental management plans, social safeguard plans and resettlement plans will be developed in line with ESMS requirements for all projects that are financed by the PSF and requires such plans. The related activities to be performed for safeguard compliance and their targets and indicators will be defined in each of these plans. The PSF will provide bi-annual update on the status of implementation of these plans and the ESMS requirements.

69. **Gender and social dimensions monitoring**: The PMU will monitor, and report through the quarterly reports, employment and unemployment statistics in Sindh. ADB review missions will review progress in this area.

C. Evaluation

70. The midterm review exercise, scheduled for 2020, will assess the progress of project activities, outputs and outcome, and inform possible reallocation of funds during the second part of the project. Within 6 months of physical completion of the Project, the Finance Department will submit a project completion report to ADB.\(^{38}\)

D. Reporting

71. The Finance Department will provide ADB with (i) quarterly progress reports in a format consistent with the Design and Monitoring Framework; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure the project continues to be viable and sustainable, project financial statements, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

72. **Context.** The Project requires a strong communication strategy to improve transparency and stakeholder’s perception of the benefits and risks involved in PPPs. The communications

\(^{38}\) Project completion report format is available at: [http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar](http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar)
matrices summarize all concerned stakeholders, objectives of consultations with each of them, risks, and needed actions.

### Communications Strategy Matrix for Project Design Stage

<table>
<thead>
<tr>
<th>Stakeholder Strategic Elements</th>
<th>Work plan Elements</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Communication Objectives</strong></td>
<td><strong>Work plan Elements</strong></td>
<td><strong>Evaluation</strong></td>
</tr>
<tr>
<td>Risks</td>
<td>Desired Behavior</td>
<td>Messages/ Information</td>
</tr>
<tr>
<td>Insufficient information may result in poor design</td>
<td>Open dialogue among stakeholders</td>
<td>Economic rationale, project information and its desired outcome tailored to different audiences' concerns</td>
</tr>
<tr>
<td>Stakeholders may not perceive benefits of PPPs and disrupt design of the project</td>
<td></td>
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</tr>
<tr>
<td>ADB</td>
<td>Proposed PPPs andPPP contracts</td>
<td>Media and opinion makers</td>
</tr>
</tbody>
</table>

### Communication Strategy Matrix for Project Implementation Stage

<table>
<thead>
<tr>
<th>Stakeholder Strategic Elements</th>
<th>Work plan Elements</th>
<th>Evaluation</th>
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</thead>
<tbody>
<tr>
<td><strong>Communication Objectives</strong></td>
<td><strong>Work plan Elements</strong></td>
<td><strong>Evaluation</strong></td>
</tr>
<tr>
<td>Risks</td>
<td>Desired Behavior</td>
<td>Messages/ Information</td>
</tr>
<tr>
<td>Lack of understanding and awareness of benefits and risks may cause challenges to the PPP program and/or lack of perception of the fiscal liabilities related to PPP contracts</td>
<td>Open dialogue among stakeholders</td>
<td>Economic rationale, project information and its desired outcome tailored to different audiences' concerns</td>
</tr>
<tr>
<td>ADB</td>
<td>Proposed PPPs andPPP contracts</td>
<td>Media and opinion makers</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank; GoS = Government of the Philippines; PPP = Public Private Partnership.
IX. ANTICORRUPTION POLICY

73. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project. All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB’s anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.

74. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the Project.

X. ACCOUNTABILITY MECHANISM

75. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB’s Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB’s operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.

XI. RECORD OF PAM CHANGES
(During Project Implementation)

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40 A list of individuals and corporate entities debarred by ADB can be found on the website of ADB’s Office of Anticorruption and Integrity ([https://lnadbg4.adb.org/oga0009p.nsf](https://lnadbg4.adb.org/oga0009p.nsf), accessible via [www.adb.org/integrity](http://www.adb.org/integrity). A password should be requested through the linked website in order to have access to the full sanctions list.)

41 For further information see: [http://www.adb.org/Accountability-Mechanism/default.asp](http://www.adb.org/Accountability-Mechanism/default.asp).
REFERENCE DOCUMENTS

WITHDRAWAL APPLICATION FORM FOR IMPREST FUND

Date: ____________________________

To: Asian Development Bank

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines

Attention: Loan Administration Division, Controller’s Department (CTLA)

Sir/Madam:

1. In connection with the Loan Agreement dated ______________ between the Asian Development Bank and the

   (Borrower) ______________, please pay from the loan account for the

   purpose of establishing/replenishing the Imprest Fund.

   Currency | Amount to be Paid (in figures) | Amount to be Paid (in words)

2. The borrower certifies and agrees as follows:

   a. The said amount is required for payment of eligible expenditures as described in the attached estimate of expenditures sheet(s) from

      ____________________________ (date/month/year) to

      ____________________________ (date/month/year).

   b. Any advances by the Asian Development Bank (ADB) to the Imprest account may be limited to a sum equal to or smaller than the amount requested

      for advances or replenishment.

   c. The undersigned has not previously withdrawn or applied for withdrawal of any amounts from said loan account nor obtained or will

      obtain any loan, credit, or grant for the purpose of fully or partially meeting the expenditures described in the estimate of expenditures

      sheet(s), Summary Sheet(s), and/or statement of expenditures (SOE).

   d. The goods or services have been procured in accordance with the Loan Agreement and the cost and terms of the purchase thereof are reasonable

      and in accordance with the relevant contract(s).

   e. The goods or services were or will be produced in and supplied by a member country of ADB as specified in the attached summary sheet(s) or SOE.

   f. The expenditures described in the attached estimate of expenditures sheet(s), Summary Sheet(s), and/or SOE are to be made for the purposes

      specified in the Loan Agreement and in accordance with its terms and conditions.

   g. The undersigned will furnish supporting documents satisfactory to ADB to liquidate the advance, or will refund any unliquidated advance.

   h. For expenditures to be liquidated on the basis of an SOE, all authenticating documents will be retained in the appropriate location (e.g.,

      executing/implementing agency’s office) and will be made available for examination by auditors and ADB representatives upon request.

   i. As of the date of this application, there is no existing default under the Loan Agreement, the Project Agreement, or the Guarantee

      Agreement, if any.

   j. If any funds withdrawn pursuant to this application are returned, the current value of such funds will be applied as credit to the loan

      account or, if the amount is small, applied to the next loan service payment due.

3. Payment Instructions (*Not required in the case of liquidation only):

   A. Payee’s Name and Address

      Payee’s Name

      Payee’s Address

   B. Name and Address of Payee’s Bank and Account No.

      Bank Name

      Bank Address

      Payee’s Account No.

      SWIFT Code

   C. Correspondent Bank (if payee’s bank is not located in the country whose currency is claimed, enter the name

      and address of their bank’s correspondent in the country whose currency is to be paid.)

      Bank Name

      Bank Address

      Account No. of

      Payee’s Bank

      SWIFT Code

   D. Special Payment Instructions and Other References

4. This application consists of ____ pages including ____ pages of Summary Sheets or SOE.

   From:

   ____________________________

   Signature of Authorized Representative(s)

   Printed Name/Position/Title of Authorized Representative(s)

ADB Form No. ADB-FFP
Instructions for preparing the Withdrawal Application Form for Imprést Fund
(ADB Form No. ADB-IFP)

General Instructions
1. Submit original withdrawal application (WA) form to the Asian Development Bank (ADB) (or to its resident/regional mission, if instructed).
2. Number WAs consecutively, not exceeding five digits or characters.
3. For replenishment of advances, consolidate claims until the amount being withdrawn is at least US$100,000 equivalent or an amount advised by ADB.
4. When the application is completed, verify completeness of supporting documentation and accuracy of details before passing to the authorized representative(s) for signature. Mistakes and omissions result in delayed payment.

Withdrawal References
5. Date: Enter the date WA is signed by authorized representative(s), not the date it was prepared.
6. Loan Number: Show ADB loan number clearly.
    i. Application Number: Number WAs consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA, e.g., A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.
8. Type of Disbursement: Indicate in the appropriate box the type of WA claim, whether for initial advance, additional advance, liquidation and replenishment, or liquidation only.

Estimate of Expenditures Sheet (ADB Form No. ADB-IFP-EES)

For Initial Advance and Additional Advance:
9. Provide all details as required in form ADB-IFP-EES. Estimated expenditures should normally be based on the amount of contracts awarded and to be awarded.
10. For expenditures related to operational costs, the amount should be linked to the project's annual budget provision.

For Liquidation and Replenishment:
11. In addition to 1 and 2 above, before submitting the WA, obtain appropriate procurement contract summary sheet (PCSS) numbers from ADB's sector division/resident mission concerned.
12. Where the statement of expenditures (SOE) is not allowed, submit full supporting documents required under section 10.35 of the handbook.

Payment Instructions
13. Payee's Name and Address: Indicate full name and address of payee for identification of payment.
14. Name and Address of Payee's Bank and Account No.: Indicate full name and address of the payee's bank, which may include a banker and/or branch designation. Account number is important. Give SWIFT code if payee's bank is a member of SWIFT.
15. Correspondent Bank: Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.
16. Special Payment Instructions: Indicate any particulars, special instructions, or references to facilitate payment or identification of payment.
17. Name of Borrower: Fill in the name as it appears in the Loan Agreement.
18. Authorized Representative(s): Pass this application to authorized representative(s) for signature. Verify if the list of authorized representative(s) has been changed.
ESTIMATE OF EXPENDITURES  
TO BE FINANCED FROM THE IMPREST ACCOUNT

ADB Loan No.: ______________________________ Withdrawal Application No: ______________________ Date: ________________
Category No.: ______________________________ Estimate Sheet No.: ________________

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</tbody>
</table>

Total this page: ____________________________
ADB's disbursement percentage for the cost category: ____________
Amount eligible for ADB financing: ____________________________
From previous page: ____________________________
Total estimated expenditures to be financed from the imprest account: ____________________________
Account balance: ____________________________
Amount requested: ____________________________

By: ____________________________
(Representative Name and Signature) ________________
(Position / Title of Representative) ________________

Notes:
A Estimate of expenditures should normally be for the forthcoming 6-month period.
B A separate estimate of expenditure should be used for each cost category. The borrower, executing agency, or implementing agency, as appropriate, should not request advances for the cost categories, components, or expenditures subject to conditions for withdrawal (or disbursement conditions) which have not been met.
C Refer to terms of payment for each contract and indicate the amount needed in the currency of expenditure. The amount in this column should not exceed the corresponding amount in the column "Contract Amount."
D Representative of executing agency or implementing agency which prepared the estimate.

ADB Form No.: ADB-PP-EES
# IMPREST ACCOUNT RECONCILIATION STATEMENT

**Loan No. —PAK.: Public Sector Enterprise Reform**

<table>
<thead>
<tr>
<th>Application Number</th>
<th>With (Bank):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Account Number:</td>
<td>Bank Address:</td>
</tr>
</tbody>
</table>

1. **PRESENT OUTSTANDING AMOUNT ADVANCED**
   - TO THE IMPREST ACCOUNT NOT YET RECOVERED: US$ XXX, XXX.XX

2. **BALANCE** of imprest account as of per bank statement (copy attached): US$ XXX, XXX.XX

3. **ADD:** Amount of eligible expenditures claimed in attached application (WA no. ) US$ XXX, XXX.XX

4. **ADD:** Amount claimed in previous applications not yet credited at date of bank statement US$ XXX, XXX.XX

<table>
<thead>
<tr>
<th>Withdrawal Application No.</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXXX</td>
<td>US$ XXX, XXX.XX</td>
</tr>
<tr>
<td>XXXX</td>
<td>US$ XXX, XXX.XX</td>
</tr>
<tr>
<td>XXXX</td>
<td>US$ XXX, XXX.XX</td>
</tr>
</tbody>
</table>

5. **TOTAL expenditures withdrawn from Imprest account but not yet claimed for replenishment**
   - a. **Sub-accounts**
     - a.1 Total sub-account balance accounted for IA#1 US$ XXX, XXX.XX
     - a.2 Total sub-account balance accounted for IA#2 US$ XXX, XXX.XX
     - a.3 Total sub-account balance accounted for IA #3 US$ XXX, XXX.XX
     - Total sub-account balances accounted for US$ XXX, XXX.XX
   - b. **Transfer in transit** US$ XXX, XXX.XX
   - c. ** Petty cash balance** US$ XXX, XXX.XX
   - d. **Unliquidated expenses** (itemize expenses) US$ XXX, XXX.XX
   - e. **Others** (please specify) US$ XXX, XXX.XX

6. **TOTAL ADVANCE ACCOUNTED FOR** US$ XXX, XXX.XX

**Explanation of any discrepancy between totals appearing in lines 1 and 6 above (e.g., earned interest credited to the account, bank charges, etc.):**

7. **IMPREST ACCOUNT TURNOVER RATIO, estimate** (see attachment to IARS) US$ XXX, XXX.XX

8. **APPROPRIATE LEVEL OF IMPREST ACCOUNT ADVANCE** US$ XXX, XXX.XX

9. **REQUESTED LEVEL OF IMPREST ACCOUNT ADVANCE** US$ XXX, XXX.XX

**NOTES:**
1. List all existing sub-accounts with corresponding amount advanced. Reconciliation statements and bank statements for sub-accounts

**Signature, name, and title of representative of the entity which hold the title of the imprest account**
Attachment to Imprest Account Reconciliation Statement (IARS)

ESTIMATION OF IMPREST ACCOUNT TURNOVER RATIO

LOAN/GRANT/NO.__________
Application Number ____________ With (Bank) __________________________
Account Number ____________ Bank Address __________________________

10 CALCULATION OF AVERAGE OF ADVANCE
Outstanding Advance as of the latest month-end [e.g., Sep-11] $ 4,000,000
Outstanding Advance as of every month-end in the past 1 year
   Aug-11 $ 4,000,000
   Jul-11 $ 4,000,000
   Jun-11 $ 2,000,000
   May-11 $ 2,000,000
   Apr-11 $ 2,000,000
   Mar-11 $ 2,000,000
   Feb-11 $ 2,000,000
   Jan-11 $ 2,000,000
   Dec-10 $ 2,000,000
   Nov-10 $ 2,000,000
   Oct-10 $ 2,000,000
   TOTAL $ 30,000,000
NUMBER OF MONTHS 12
AVERAGE OF ADVANCE IN THE PAST 1-YEAR (A) $ 2,500,000

11 CALCULATION OF CUMULATIVE AMOUNT OF LIQUIDATION

<table>
<thead>
<tr>
<th>Date of</th>
<th>Amount of Liquidation (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WA No.</td>
<td>(Note 1)</td>
</tr>
<tr>
<td>A0066</td>
<td>9-Sep-11 $ 1,507,890</td>
</tr>
<tr>
<td>A0055</td>
<td>8-Aug-11 $ 1,234,567</td>
</tr>
<tr>
<td>A0044</td>
<td>5-May-11 $ 780,012</td>
</tr>
<tr>
<td>A0033</td>
<td>2-Feb-11 $ 345,678</td>
</tr>
<tr>
<td>A0022</td>
<td>11-Nov-10 $ 123,456</td>
</tr>
</tbody>
</table>

AMOUNT OF CUMULATIVE LIQUIDATION IN THE PAST 1-YEAR (B) $ 4,000,603

12 IMPREST ACCOUNT TURNOVER RATIO = amounts (B)/(A) (to be stated in Item 7 of IARS)

This estimate is for the purpose of the borrower/EA's monitoring of the turnover ratio.

NOTES:
1. All amounts and date of liquidation should be based on data available at the LFIS/GFIS.
2. All figures are indicated only for illustration purposes. Other free format may be acceptable, if calculation of turnover ratio is substantially the same as the ADB's information system (e.g., LFIS) or the above.
EVIDENCE OF AUTHORITY TO SIGN WITHDRAWAL APPLICATIONS
[Letterhead of the representative of the Borrower/Recipient]

[DATE]

[Street address]
[City] [Country]
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Attention: Controller’s Department, Loan Administration Division (CTL/CTLA)

Dear Sir/Madam:

Subject: Loan No. ____-___ Enhancing Public-Private Partnerships in Pakistan
(Provincial Support)

I refer to the Loan Agreement (the “Agreement”) between the Asian Development Bank (“ADB”) and the Ministry of Finance (the “borrower”, dated _______, providing the above Loan. For the purposes of Article [put appropriate Article number] as defined in the Agreement, the person(s) whose authentic ted specimen signature(s) appear below is authorized on behalf of the borrower to sign withdrawal applications and applications under this Loan:

[Name], [position] Specimen Signature: ___________ _____________ _____________
[Name], [position] Specimen Signature: ___________ _____________ _____________
[Name], [position] Specimen Signature: ___________ _____________ _____________

(Stipulate if more than one person needs to sign withdrawal applications, and how many or which positions, and if any thresholds apply.)

Sincerely,
/ signed /
____________________________________
Signed by:
[Title of the Borrower’s
Designated Representative,
as provided in the Loan Agreement]
ATTACHED TECHNICAL ASSISTANCE

A. Introduction

1. The Government of Sindh (government) requested the Asian Development Bank (ADB) to extend capacity development technical assistance (TA) for Enhancing Public–Private Partnerships in Pakistan (Provincial Support). A fact-finding mission visited Karachi on 6–18 November 2014 and reached an understanding with the government on the objectives, scope, cost, financing, and implementation arrangements for the TA.¹

2. The TA will help (i) develop the capacity to manage public–private partnerships (PPPs) of the PPP Unit and PPP nodes; (ii) ensure effective project implementation and results monitoring; (iii) provide necessary support to PPP Support Facility (PSF) for the implementation of the project; and (iv) support awareness and capacity building workshops, training, and consultations with project stakeholders from the public and private sectors.

3. Because the strengthening of the government’s capacity to select, develop, and manage PPP projects is a key project output, the TA will include the preparation of training modules for the selection of viable, bankable PPPs on PPP project management, and on PPP procurement and contract management. The TA will help prepare screening criteria for PPP project structuring modalities and an internal monitoring system to ensure that the selection criteria are used. Training will also be provided on PPP project structuring, bid evaluation, negotiations, and risk management. TA-supported activities will include 10 awareness and/or capacity building workshops.

4. Another key project output is the establishment and commencement of operations of a PPP support facility (PSF). The TA will support the achievement of this output by helping design PSF standard operating procedures and a PSF risk management plan.

B. Outputs and Key Activities

5. The TA is expected to deliver the following outputs: (i) government’s capacity to identify, select, develop, and structure PPP projects improved; (ii) PPP project management and monitoring capacity of line departments strengthened; and (iii) PSF supported in implementation of the project. To deliver the first output, the TA will help the PPP Unit (i) develop and implement an internal monitoring system to ensure the selection criteria are used, (ii) help strengthen screening criteria for appropriately advising on project structuring modalities, (iii) further develop and implement environmental guidelines for PPP projects, and (iv) develop and conduct training modules for PPP Unit and PPP nodes staff in the finance, planning, and sector departments with proposed or active PPP projects. To achieve the second output, the TA will (i) develop training modules for staff in PPP nodes and deliver the training program; (ii) build the capacity of senior management in each line department in making important decisions throughout the PPP process, (iii) prepare standard operating procedures for the PSF; and (vi) review the accounting system and methods used by concerned government agencies in preparing PPP projects, and recommend and help implement a revised methodology. For achieving the third output, TA will provide capacity building support for risk management function, institutional governance, financial management and legal functions and activities related to environment and safeguards.

¹ The TA first appeared in the business opportunities section of ADB’s website on 20 November 2014.
C. Cost and Financing

6. The TA is estimated to cost $4,819,860, of which $4,750,530 (£3,642,765 equivalent), will be financed on a grant basis by the Government of the United Kingdom. The government will provide counterpart support in the form of staff, office accommodation, interdepartmental coordination, and other in-kind contributions. The funds provided by the Government of the United Kingdom will be administered by ADB.

Table 1: Cost Estimates and Financing Plan

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<th>Item</th>
<th>Amount</th>
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<tr>
<td><strong>A. Government of the United Kingdom</strong>&lt; sup&gt;a&lt;/sup&gt;</td>
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<tr>
<td>1. Consultants</td>
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<td>a. Remuneration and per diem</td>
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<tr>
<td>i. International consultants</td>
<td>530.0</td>
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<tr>
<td>ii. National consultants</td>
<td>2,952.8</td>
</tr>
<tr>
<td>b. International and local travel</td>
<td>74.0</td>
</tr>
<tr>
<td>2. Training, conferences, and workshops</td>
<td>481.1</td>
</tr>
<tr>
<td>3. Contingencies</td>
<td>712.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,750.5</strong></td>
</tr>
</tbody>
</table>

<sup>a</sup> Administered by the Asian Development Bank. This amount (i) is inclusive of bank charges and foreign exchange fluctuation for conversion of the Government of the United Kingdom funds from pounds sterling to US dollars from time to time, and (ii) was estimated using the prevailing exchange rate, i.e., £1=$1.3041 at 11 August 2016.

Notes:
1. The technical assistance is estimated to cost $4,819,860, with a contribution from the Government of the United Kingdom as presented in the table above.
2. The government will provide support in the form of counterpart staff, office accommodation, interdepartmental coordination, and other in-kind contributions. The value of government contribution is estimated to account for 1.4% of the total technical assistance cost.
3. Numbers may not sum precisely because of rounding.
Source: Asian Development Bank estimates.

D. Implementation Arrangements

7. Sindh Finance Department (SFD) will be the executing agency. SFD and PSF will be the implementing agencies for TA activities. Project management unit (PMU) with representatives from the PPP Unit, Planning and Development Department, and line departments with PPP portfolios will be established in SFD for coordinating TA activities. ADB will recruit and coordinate the consultants and supervise their outputs, in consultation with the government. ADB, the executing and implementing agencies will ensure the timeliness and quality of the consultant outputs. The consultants will work with counterpart government staff in the relevant implementing agency offices to ensure responsiveness to client needs and to enable them to support program deliverables. The TA will be implemented from TA effectiveness, expected to be in November 2016, until June 2022. The TA’s expected financial closing date is 20 September 2022. The Public Management, Financial Sector, and Trade Division, Central and West Asia Department, will work closely with the executing and implementing agencies during TA implementation for effective oversight of activities and results monitoring. The disbursements under the TA will be done in accordance with ADB’s Technical Assistance Disbursement Handbook (2010, as amended from time to time).

8. An overview of the required consulting services is summarized in Table 2. The TA will require 20 person-months of international and 590 person-months of national consulting services for technical, advisory, and capacity development support through short-term and full-
time engagement with the project counterparts and stakeholders. Lump-sum payments and output-based contracts will be considered for consulting services under the TA. The consultants will prepare regular progress reports during implementation, and will report to the executing and implementing agencies and ADB.

Table 2: Summary of Consulting Services

<table>
<thead>
<tr>
<th>Area of Expertise</th>
<th>Duration (person-months)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. International</strong></td>
<td></td>
</tr>
<tr>
<td>1. PPP Specialist (Project and structured finance)</td>
<td>7</td>
</tr>
<tr>
<td>2. Structured Finance and Risk Management Specialist</td>
<td>10</td>
</tr>
<tr>
<td>3. Procurement and Contract Management Specialist</td>
<td>3</td>
</tr>
<tr>
<td><strong>Subtotal (A)</strong></td>
<td><strong>20</strong></td>
</tr>
<tr>
<td><strong>B. National</strong></td>
<td></td>
</tr>
<tr>
<td>1. PPP, Structured Finance, and Contract Management Specialist</td>
<td>16</td>
</tr>
<tr>
<td>2. PPP Analyst</td>
<td>53</td>
</tr>
<tr>
<td>3. PPP Specialists</td>
<td>315</td>
</tr>
<tr>
<td>4. PPP Advisor</td>
<td>20</td>
</tr>
<tr>
<td>5. PPP Legal Advisor</td>
<td>20</td>
</tr>
<tr>
<td>6. Financial Management Specialists</td>
<td>30</td>
</tr>
<tr>
<td>7. Environmental Specialist</td>
<td>24</td>
</tr>
<tr>
<td>8. Social Safeguards Specialist</td>
<td>20</td>
</tr>
<tr>
<td>9. Economist</td>
<td>20</td>
</tr>
<tr>
<td>10. Senior Monitoring and Evaluation Specialist</td>
<td>30</td>
</tr>
<tr>
<td>11. Risk Management Specialists</td>
<td>30</td>
</tr>
<tr>
<td><strong>Subtotal (B)</strong></td>
<td><strong>590</strong></td>
</tr>
<tr>
<td><strong>Total (A+B)</strong></td>
<td><strong>610</strong></td>
</tr>
</tbody>
</table>

PPP = public–private partnership.

9. National and international consultants will be hired using individual consultant selection. National and international consultants will work closely as a team with the head of the PMU that will oversee the consultants’ deliverables consistent with the design and monitoring framework. The individual consultants will be recruited in accordance with ADB’s Guidelines on the Use of Consultants (2013, as amended from time to time).

10. Training modules and workshop materials will be made available to counterpart staff and trainees. They will also be made available to ADB’s PPP Thematic Group, as the knowledge repository for ADB support for PPPs in the Asia-Pacific region. Standard operating procedures for the PSF will be placed on its website, the maintenance of which will be funded by funds provided to the PSF by the government. The PMU will ensure that (i) bid documents (request for qualification and request for proposal); (ii) bidder qualification and bid evaluation criteria; (iii) monitoring and evaluation frameworks; and (iv) due diligence documents (e.g., those covering demand analysis, engineering analysis, and social and environmental safeguards issues such as resettlement plans and environmental management plans), including those developed with TA support, will also be provided to ADB in a timely manner.
E. Consultants’ Terms of Reference

11. Twenty-four consultants will be hired. Their indicative terms of reference are given below:

a. PPP Specialists (9, national, 35 person-months each, intermittent)

12. The consultants should have a higher education degree in a relevant field, at least 5 years of experience in working on PPP projects, and excellent computer skills (word processing and spreadsheet and presentation programs). The consultants' main activities are to work with the PPP Unit, the PPP Support Facility, and PPP nodes in line departments with PPP portfolios to properly complete all steps of the project cycle for PPP projects: (i) selecting projects (either proposed by PPP nodes or received from third parties on an unsolicited basis) for preparation as a project to be implemented using a PPP modality; (ii) structuring and bidding out selected PPP projects, including hiring independent advisors to prepare bid documents, bidder qualification and bid evaluation criteria, monitoring and evaluation frameworks, and due diligence documents; (iii) negotiating concession agreements with successful bidders; (iv) preparing documents to justify obtaining viability gap funding from the PPP Support Facility; and (v) monitoring PPP projects under implementation or in operation.

b. PPP Advisor (1 national, 20 person-months, intermittent)

13. One PPP Advisor will be assigned to the line departments with a PPP pipeline. The consultant should have a higher education degree in a relevant field, at least 10 years of experience in working on PPP projects. The consultant’s main activities are to advise the senior management of each line department on important decisions to be made in the PPP process, including (i) identifying the best projects (among those suggested by the department and those received on an unsolicited basis) for preparation as a project to be implemented using a PPP modality; (ii) structuring selected PPP projects and selecting independent advisors to prepare bid documents, bidder qualification and bid evaluation criteria, monitoring and evaluation frameworks, and due diligence documents; (iii) negotiating concession agreements with successful bidders; (iv) preparing documents to justify obtaining viability gap funding from the PPP Support Facility; and (v) supervising and monitoring PPP projects under implementation or in operation.

c. PPP Legal Advisor (1, national, 32 person-months, intermittent)

14. The consultant should have a higher education degree in law and at least 10 years of experience in corporate and securities law (including the creation of companies under Section 42 of the Companies Ordinance, 1984) and project finance. The consultant's main activities include advising the government on legal and related business issues for individual projects that are being considered for inclusion in the PPP pipeline, that are the subject of negotiations with independent transaction advisors, lenders, guarantors, or concessionaires, or that are being structured, negotiated, implemented, or in operation.

d. Environment Specialist (1, national, 24 person-months, intermittent)

15. The Environmental Safeguards Specialist will support the Sindh PPP Unit in implementation of the Environmental Guidelines for PPP projects. The national consultant will help the PPP Unit in categorization of the projects, drafting TOR for environmental assessments, reviewing the environmental assessment reports, liaising with the environment
related regulatory agencies, building environmental safeguards capacity in the PPP Nodes, and monitoring and reporting of the PPP projects according to the Country Safeguards System as well as the donor requirements.

16. The consultant will: (i) proactively integrate environmental policies and safeguards into the PPP process; (ii) support the PPP Unit in implementing the environmental guidelines for PPP projects; (iii) provide technical advice to the PPP Nodes on environmental assessment process and categorizing the project idea based on its nature and anticipated environmental effects; (iv) review the PDF request for adequacy of environmental assessment costs; (v) help developing terms of reference for environmental assessment according to the category assigned to the project idea; (vi) provide support to the PPP Nodes during the environmental assessment and review process; (vii) provide necessary advice to the PPP Unit on the environmental risks and the relevant cost items in the proposal before submission of the proposal to the PPP Policy Board; (viii) review the environmental aspects of bid evaluation before submission before the PPP Policy Board; (ix) formally disclose safeguard documents to the project affected people and other relevant stakeholders; (x) coordinate monitoring of the compliance of agreed mitigation measures by the relevant Government Agency and the concessionaire; (xi) track record of development and disclosure of periodic (normally biannual) Environmental Monitoring Reports as well as Corrective Action Plan(s), and submission of the same to the relevant authorities, including Sindh EPA, PPP Unit and the donors/financiers; (xii) report any violations of the environmental safeguards to the PPP Policy Board for necessary action; (xiii) serve as the focal point for the Grievance Redressal Mechanism set up at the PPP Unit; (xiv) contribute on environmental aspects of the PPP Unit to the periodic report to the donors; and (xv) liaise with the environmental related regulatory agencies on behalf of the PPP Unit.

17. The consultant is expected to have a Master's degree in environmental science, environmental engineering, or related field. The expert will have 15 years of experience in the environment sector. The consultant must be familiar with environmental issues across the country, especially Sindh with specific experience in environmental safeguards. The consultant must possess good writing and communications skills. Specific experience in environmental mainstreaming and capacity building will be an advantage.

e. PPP Specialist (Project and structured finance) (international, 7 person-months, intermittent)

18. The consultant should have a master's degree or equivalent in a relevant field and at least 10 years of experience in structuring and managing PPP projects and in training government staff to select, structure, and manage PPPs. Previous experience in working in the region is desirable. The consultant's main activities will include the following:

   (i) assisting the PPP Unit and PPP nodes in line departments to develop a pipeline of viable, bankable PPP projects;

   (ii) assisting the PPP Unit to prepare screening criteria for appropriately advising on project structuring modalities;

   (iii) assisting the PPP Unit to prepare a format for a project monitoring plan to capture direct and indirect costs and inform PPP pipeline decisions (with usage of such plan to begin no later than March 2017);

   (iv) assisting the PPP Unit, the PPP Support Facility, and PPP nodes in line departments to develop report templates for PPP projects under consideration,
PPP projects on which preparatory work is ongoing, and for PPP projects that are being implemented;
(v) developing, training modules on PPP project management (including the effective enforcement of contract terms) for staff in PPP Unit;
(vi) developing, training modules on PPP project management (including the effective enforcement of contract terms) for staff in PPP nodes in line departments;
(vii) conducting training (at least 3 days for the PPP Unit and at least 4 days for each PPP node) on PPP project management for staff of the PPP Unit and PPP nodes in line departments with PPP projects;
(viii) assisting the PPP Unit to develop and implement, by September 2017, an internal monitoring system to ensure that the PPP screening criteria are used;
(ix) reviewing the accounting system and methods used by concerned government agencies in preparing PPP projects and recommending a revised methodology by March 2017;
(x) developing training modules (including suggested guidelines and procedures) for the PPP Unit and staff of PPP nodes in finance, planning, and line departments with PPP portfolios on the selection (among unsolicited PPP proposals and all PPP projects under consideration by line departments) of PPP projects, based on such factors as commercial viability and access to appropriate financing schemes;
(xi) by December 2017, conducting training (at least four days) for staff of the PPP Unit and PPP nodes in finance, planning, and line departments with PPP portfolios on the selection (among unsolicited PPP proposals and all PPP projects under consideration by line departments) of PPP projects, based on such factors as commercial viability and access to appropriate financing schemes;
(xii) starting in 2017, annually providing hands-on training (at least 1 day per group) to new staff in the PPP Unit and PPP nodes in line departments with PPP portfolios on the selection (among unsolicited PPP proposals and all PPP projects under consideration by line departments) of PPP projects, based on such factors as commercial viability and access to appropriate financing schemes;
(xiii) designing and preparing the agenda for 10 awareness and/or capacity building workshops
(xiv) providing training at capacity building workshops (para. [xiii]); and
(xv) preparing standard operating procedures for the PPP Support Facility.

f. Structured Finance and Risk Management Specialist (international, 10 person-months, intermittent)

19. The consultant should have a master’s degree or equivalent in a relevant field and at least 10 years of experience in structuring and assessing and managing the risks of PPP projects. Previous experience in working in the region is desirable. The consultant’s main activities will include the following:
(i) developing guidelines on how to select (e.g., by competitive bidding) and contract transaction advisors (who will be paid using Project Development Facility funds);

(ii) providing hands-on training to the Finance Department/government of Sindh to hire transaction advisors to prepare (or assist the PPP Unit and PPP nodes in line departments to prepare), for potential investors and debt providers:

   a. bid documents (request for qualification and request for proposal),
   b. bidder qualification and bid evaluation criteria,
   c. monitoring and evaluation frameworks, and
   d. due diligence documents (including those covering demand analysis, engineering analysis, and social and environmental safeguards issues [such as resettlement plans and environmental management plans]);

(iii) providing guidance to staff of the PPP Unit and PPP nodes in line departments on active negotiations with transaction advisors that have been selected;

(iv) working with the PPP Unit and PPP nodes in line departments to review and assure the quality of all documents that will be shared with prospective investors and financiers, whether prepared by the PPP Unit, the PPP nodes, or the transaction advisors;

(v) preparing templates, guidelines, and hands-on training to the PPP Unit and the PPP nodes in line departments on how to structure PPPs, including appropriate debt-to-equity ratios, loan tenors, cost, and term sheet requirements for project viability (such as fee payment mechanisms, preconditions for a private operator to fulfill in meeting service obligations, default and risk clauses, and step-in rights of government);

(vi) supporting and providing training to the PPP Unit and the PPP nodes in line departments on value-for-money analysis in comparison with alternative options, project economic analysis, and economic cost-benefit analysis;

(vii) providing hands-on training to the PPP Unit and the PPP nodes in line departments on preparing requests to the PSF for Viability Gap Fund (VGF) funding of proposed PPPs;

(viii) working with the PPP Unit to prepare a revised version of the VGF Guidelines, 2012, to reflect, among other things, the transfer of the evaluation of the proposed use of the VGF from the PPP Unit to the management of the PSF and the transfer of the approval of the use of the VGF from the PPP Policy Board to the board of directors of the PSF;

(ix) preparing checklists to be used by staff of the PPP Unit and PPP nodes in line departments with PPP portfolios to evaluate bids received;

(x) providing hands-on training to staff of the PPP Unit and PPP nodes in line departments with PPP portfolios to evaluate bids received;

(xi) providing hands-on training to staff of the PPP Unit and PPP nodes in line departments with PPP portfolios on how to conduct negotiations with investors and financiers;
(xii) providing guidance to staff of the PPP Unit and PPP nodes in line departments on active negotiations with investors and financiers;
(xiii) providing training to the staff of the PSF on how to evaluate the fiscal exposure (including direct fiscal and economic support and contingent liabilities) to the government of proposed PPPs;
(xiv) providing guidance to staff of the PSF on ongoing monitoring of the fiscal exposure to the government for PPPs that are under implementation during the project implementation period;
(xv) assisting the PPP Unit, the PPP nodes in line departments with PPP portfolios, and the PSF with risk analysis of proposed PPPs, with suitable mitigation strategies, and provide relevant training to the PPP Unit, the PPP nodes in line departments, and the PSF;
(xvi) assisting the Finance Department to prepare an operational and organizational plan for risk management by the PSF by March 2017;
(xvii) providing inputs to the PPP Specialist on possible agenda items for the awareness and/or capacity building workshops (para. [e][xiii]); and
(xviii) providing training at capacity building workshops.

g. **Procurement and Contract Management Specialist (international, 3 person-months, intermittent)**

20. The consultant should have a master’s degree or equivalent in a relevant field and at least 10 years of experience in procurement and contract management issues in PPP projects. Previous experience in working in the region is desirable. The consultant’s main activities will include the following:
   (i) developing training modules on procurement and contract management;
   (ii) conducting training (at least four days) on procurement and contract management for staff of the PPP Unit and PPP nodes in line departments with PPP portfolios (energy, planning and development, transport, and works and services by December 2017; education and health by June 2018); and
   (iii) providing inputs to the PPP Specialist on possible agenda items for the awareness and/or capacity building workshops (para. [e][xiii])

h. **PPP, Structured Finance and Contract Management Specialist (national, 16 person-months, intermittent)**

21. The consultant should have a higher education in a relevant field, at least 5 years of experience in working on PPP projects and excellent computer skills (word processing and spreadsheet and presentation programs). The consultant’s main activities will include the following:
   (i) working with the PPP Unit, the PPP Support Facility, and the PPP nodes in line departments with PPP portfolios to properly complete all steps of the project cycle for PPP projects;
   (ii) working with the PPP Unit, PPP nodes in line departments with selected PPP projects, and the PPP Support Facility to evaluate PPP projects for which VGF funding may be necessary;
(iii) summarizing and reviewing the activities of PPP nodes in each line department with a PPP portfolio;
(iv) starting in 2017, annually conducting training (at least four days) on procurement and contract management for new staff of the PPP Unit and PPP nodes in line departments with PPP portfolios;
(v) providing inputs to the PPP Specialist on possible agenda items for the awareness and/or capacity building workshops (para. [e][xiii])
(vi) working with the PPP Analyst to identify and arrange for the participation of workshop speakers and workshop attendees; and
(vii) assisting the international consultants in completing their tasks.

i. PPP Analyst (national, 53 person-months, full time)

22. The consultant should have a higher education in a relevant field, at least 2 years of experience in providing administrative support, and excellent computer skills (word processing and spreadsheet and presentation programs). Prior experience in organizing workshops or conferences would be desirable. The consultant's main activities will include the following:
   (i) assisting and supporting the activities of the other consultants;
   (ii) organizing 10 awareness and/or capacity building workshops (2 per year) to be held in Karachi, to be attended by the TA consultants (who will be among the workshop facilitators) and various PPP stakeholders, including legal experts, prospective sponsors and investors, prospective financiers, and government officials; and
   (iii) working with the PPP, Structured Finance, and Procurement and Contract Management Specialist to identify and arrange for the participation of workshop speakers and attendees.

j. Economist (national, 20 person-months, full time)

23. The expert will collaborate with the regional economist, P&DD, PPP Unit, and other line departments, focusing on broader economic aspects of infrastructure development, to:
   (i) Conduct field visits, gather and analyze relevant data, information, and reports, to draw lessons from success and failures in PPPs, globally and in Pakistan;
   (ii) Prepare reports on forecasted demand for electricity, transportation, water, sanitation, and other infrastructure areas over the next 5–15 years,
   (iii) Identify potential PPP projects that may attract private investors
   (iv) Provide timely and high-quality draft reports and other inputs;
   (v) Other relevant duties as necessary.

k. Senior Financial Management Specialist (2 positions, national consultants)

24. The consultant will have master degree in accounting, business administration or commerce or equivalent and at least 8 years' experience in financial management. The consultant will work with PPP Unit and PSF to design and develop financial management,
accounting and reporting and internal auditing system for the project and PSF. He/she will develop financial and internal control manuals. He/she will assist PPP unit and PSF in procuring off the shelf automated financial system. He/she will assist in implementation of the system for expediting the loan effectiveness. He/she will do periodic review of accounting records of the field offices and to ensure that ADB’s disbursement procedures and requirements are met. Prepare formats for project financial statements in line with ADB requirements. He/she will also undertake risk assessment of financial management and accounting and financial management systems.

I. Social Safeguards Specialist (1 position, national consultant)

25. The consultant will have a Master’s degree in social sciences with 5-10 years of full time or consultancy work experience as resettlement specialist and/or resettlement monitoring specialist. The specialist will support SFD in developing the capacity for screening of PPP projects for safeguards. He/she will help the government to develop social safeguards policy. He/she will also develop formats and checklist for reviewing safeguards data and documents. He/she will develop framework for undertaking meaningful consultations with effected people and stakeholders. He/she will develop a system to monitor safeguards implementation in PPP projects. He/she will review the existing applicable resettlement rules in Sindh and recommend changes with respect to international standards.

m. Senior Monitoring and Evaluation Specialist (1 position, national consultant)

26. The consultant will have a master degree in business administration, management or equivalent degree with 5-8 years of experience. Build a strong liaison between ADB, consultants and Sindh Government implementation teams with regard to progress sharing and information dissemination. Support the periodic reporting requirement by the consultants and SFD. Setting up an efficient and effective reporting system based on the project timelines and deliverables. Coordinate with the SFD, PMU and PPP unit for disbursement and procurement projections, financial reporting and forecasting. Identify risks which can hamper program delivery (time & cost wise) and alert both ADB and SFD for any potential risk to escalate. Develop comprehensive reporting formats for consultants’ outputs monitoring and synchronize with project.

n. Risk Management Specialists (2 positions, national consultants)

27. The PPP risk management specialists will have strong risk management background with a focus on project and infrastructure financing, public finance, and good understanding of the concept and requirements of PPP projects. He/she will also have expertise in the areas of risk management, financial risk management and enterprise risk management.

28. The expert will be proficient in English and will have a degree in management, finance, economics, accounting or a related field and at least 8 years of experience working with governments and the private sector in these areas. The national specialist will work in close co-ordination with SFD, PPP Unit, PSF, as well as the international specialist on the tasks assigned to the international specialist.
PPP REFERENCE DOCUMENTS
DRAFT PPP PROJECT INCEPTION CHECKLIST

This checklist includes the steps required in a PPP project identification and screening.

The checklist for Project Concept Paper requires the following steps to be taken:

1. Understand guiding principle of project identification and preparation as provided under The Sindh PPP Act (2010), Policy for PPP projects (2011) and Guidelines for PDF for PPP Projects (2011).

2. Understand the main steps during the Project Life Cycle

3. Project Identification

4. Project Screening
DRAFT PROJECT IDENTIFICATION FORM

Project Title: __________________________

General Objective:
What outputs (Quantity [eg km, MW or metric tons] and Quality) are being provided
______________________________________________________________________
______________________________________________________________________
Who are the end-users
______________________________________________________________________

Project Location: __________________________

Estimated Cost (assuming under Traditional public procurement modality):
______________

Is project derived from Annual Development Plan or Ministry’s master plan?
☑ YES ☐ NO

Has any preliminary needs analysis in the sector been conducted?
☑ YES ☐ NO

Specific Objective(s) the project aims to address (tick appropriate box(es)):
☑ improve the efficiency and effectiveness of the public sector in the delivery of public goods and services;
☑ leverage limited public sector funds;
☑ provide opportunities for the application of innovative technologies and methods that are best provided by private sector companies;
☑ allocate some of the development, construction and operational risks in public service projects to private sponsors who are better placed to manage those risks;
☑ apply rigorous feasibility and procurement techniques in preparation and execution to obtain best value for the public

PPP approach is being considered because
☑ Department lacks the financial resources to develop and implement the project on its own
☑ Department lacks the technical expertise to manage and operate the project, and provide service at an acceptable level
☑ other reasons (please state:  )
DRAFT PROJECT SELECTION CRITERIA

**Sector Eligibility** (Refer to Schedule I of The Sindh PPP Act 2010 for eligible Infrastructure Sectors)

- Transport and logistics including provincial and municipal roads, rail, airports, as well as warehousing, wholesale markets, slaughter houses and cold storage
- Mass urban public transport including integrated bus systems as well as intra and inter-city rail systems
- Local government services including water supply and sanitation, solid waste-management; low cost housing, and education and health facilities
- Energy projects including hydro and thermal power generation projects other than those being undertaken at the federal level
- Tourism projects including cultural centers, entertainment and recreational facilities and other tourism-related infrastructure
- Industrial projects including industrial parks and special economic zones

**PPP Applicability:**

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Public</th>
<th>Private</th>
<th>Public &amp; Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>Public</td>
<td>Private</td>
<td>Public &amp; Private</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>Public</td>
<td>Private</td>
<td>Public &amp; Private</td>
</tr>
<tr>
<td>Commercial Risk</td>
<td>Public</td>
<td>Private</td>
<td>Public &amp; Private</td>
</tr>
<tr>
<td>Duration</td>
<td>1-3 years</td>
<td>2-5 years</td>
<td>10-15 years</td>
</tr>
<tr>
<td>Proposed PPP Mode</td>
<td>Service Contract</td>
<td>Management Contract</td>
<td>Lease Contract</td>
</tr>
</tbody>
</table>

**Technical Suitability --- comparing with public procurement, proposed project under PPP provides:**

- advanced design and state-of-the-art technology of equipment and processes
- faster construction of the project
- improved quality of services
- enhanced management of O&M
- not sure

---

1 The project identification and preparation procedures, and the project selection criteria have been vetted by Finance Department (the implementing agency for this project) and the PPP Unit, and submitted to the PPP Policy Board for approval during their next meeting in June 2015.
Ability and willingness of customers to pay
Will the likely charges for the service be affordable for the majority of customers?
☐ Yes  ☐ No  ☐ Not sure
Will the majority if customers be willing to pay a higher charge for improved services?
☐ Yes  ☐ No  ☐ Not sure
Would Viability Gap Fund be required to bridge affordability concern?
☐ Yes  ☐ No  ☐ Not sure

Financial Viability
☐ provide simple cash flow calculation showing indicative revenues over concession period, investment costings, O&M expenses, financial internal rate of return and return-on-equity.
☐ unable to provide because:

Economic Viability
☐ provide simple cash flow calculation generating economic internal rate of return (showing economic benefits such as savings in travel time and vehicle operating costs or displaced fuel costs) and/or value for money calculation
☐ unable to provide because:

Environment and Social Impact (tick ✓ all areas for screening under appropriate impact column):

<table>
<thead>
<tr>
<th>Areas for screening</th>
<th>Impact assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Potentially significant impact</td>
</tr>
<tr>
<td></td>
<td>Potentially significant impact unless mitigation measures are taken</td>
</tr>
<tr>
<td></td>
<td>Less than significant impact</td>
</tr>
<tr>
<td></td>
<td>No impact at all</td>
</tr>
</tbody>
</table>

Air and water pollution
Community health, safety and security
Land acquisition and involuntary resettlement
Labor and working conditions
Biodiversity conservation and natural resource sustainability
Indigenous peoples
Cultural heritage

Need for and Availability of Government Support
What are the main types of administrative support needed for the project?
- provision of permits and clearances
- land acquisition and rights-of-way
- resettlement of population
- provision of access facilities
- provision of basic infrastructure at the construction site including water and power supply
- others – please state: ____________________
- not sure

What are the main types of asset-based support needed for the project?
- leasing land or infrastructure facilities owned by Government to the private party
- others – please state: ____________________
- not sure

What are the main types of direct financial support (viability gap funding) needed for the project?
- cash contribution to the investment cost
- cash subsidy during operation
- rights for income from other sources
- others – please state: ____________________
- not sure

What are the main types of risks likely to have to be borne by the Government?

<table>
<thead>
<tr>
<th>Yes/No</th>
<th>Risk Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>✗ YES</td>
<td>✗ NO construction/ completion</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO supply of raw materials/ feedstocks</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO operation/ production</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO market and revenue</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO financial/ cashflow</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO environment</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO regulatory risk (tariff-setting)</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO force majeure</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO country/ political</td>
<td></td>
</tr>
<tr>
<td>✗ YES</td>
<td>✗ NO others</td>
<td></td>
</tr>
</tbody>
</table>

Comparison with other potential projects in the same Ministry
Is/Are there any other potential project(s) in the same sector and/or geographical area being considered?  ✗ YES ✗ NO
If YES, specify which is the best candidate for the PPP mode. ___________________

Submitted By [Government Agency]
Signature 1: _____________________ Signature 2: _____________________
Name : __________________________ Name: __________________________
Title: __________________________ Title: __________________________
Email: __________________________ Email: __________________________
Phone: __________________________ Phone: __________________________

Received By PPP Unit
Signature: _______________________
Name : __________________________
Title: __________________________
Email: __________________________
Phone: __________________________
DRAFT PPP PROJECT PREPARATION CHECKLIST

The indicative checklist for Project Proposal requires the following steps to be taken:

1. Understand guiding principle of project identification and preparation as provided under The Sindh PPP Act 2010 and the Policy for PPP.
2. Understand the main steps during the Project Life Cycle and responsible units for each step.
3. Needs Analysis (to be assessed in the Feasibility Study)
4. Options Analysis (to be assessed in the Feasibility Study)
5. Project Design and Cost (to be assessed in the Feasibility Study)
6. Environmental and Social Assessment (to be assessed in the Feasibility Study)
7. Financial Analysis (to be assessed in the Feasibility Study)
8. Economic Analysis (to be assessed in the Feasibility Study)
9. Project Management Plan (to be assessed in the Feasibility Study)
10. Draft Tender Documents (to be assessed in the Feasibility Study)

1. NEEDS ANALYSIS

Sector Diagnostic
- Technical
  - System/network efficiency
  - Responsiveness to customers
  - Investment planning
  - Maintenance
  - Management
  - Technical standards
  - Operational expertise
- Legal, regulatory and policy frameworks
  - PPP Act 2010
  - Sector institutions and government entities related to the sector
  - Relevant environmental and health regulations
  - Limitations on foreign ownership/sector participation
  - Restrictions in foreign exchange convertibility
  - Limitations on repatriation of profits
- Institutional issues
  - Readiness of the relevant levels of government to relinquish or revise their roles
  - Readiness of the relevant levels of government to delegate some control to private partners within defined policy and regulatory parameters
  - Availability in the concerned GA of the funding, staffing, training and equipment required to discharge their revised functions
- Commercial and Financial
  - Required business orientation and financial position of the infrastructure service provider
  - Adequacy of the current pricing system in terms of pricing levels and structure

Commitment of the Government and Agency
- Adherence to its reform strategy and PPP policy
- Extent of stakeholder consultations and transparency of the process
• Provision of adequate funding and support for the process
• Appointment of driver for the process (PPP Cell)

**Available Budget of the Government Agency**
• Discuss assumptions about future budgetary commitments required from the Government for the proposed project
• Prepare a long-term projection of such commitments
• Discuss any possible budget consolidation by drawing funds from various budgets, which would be ring-fenced for the project,
• List cost items in the Government agency’s current budget which may no longer be incurred as a result of the project.
• Capacity of the Government Agency

**Capacity of the Government Agency**
• How is the institutional capacity of the Government Agency
• Provide information on the proposed project team (PPP Nodes)
• Provide information on key institutional stakeholders, their attitude towards the project, their relationship with each other, and the project's impact on each of them
• Developing a plan for incorporating the views and contributions of these key stakeholders

**Demand-supply Analysis**
• Whether current supply is appropriate to meet the actual demand and determine if there is any suppressed demand
• Prepare long-term supply forecasts without the project, taking into account aging of the existing facilities, new facilities to be constructed, and potential imports.
• Prepare long-term demand forecasts, analysing historical trends, using micro or macro analysis, and taking into account all relevant factors such as population, income, activities in other sectors, likely development of prices for the services
• Income and price elasticity of demand
• Based on above long-term supply and demand forecasts, determine the incremental demand for the services to be provided by the project
• Each of the key assumptions for the above forecasts must be explained in detail (because this analysis provide the basis for estimating revenues and benefits in the financial and economic evaluations of the project)

**Specification of Project Outputs**
• Describe the service that the GA needs to deliver
• Specify the outputs required to deliver this service
• Specify the minimum performance standards for the outputs to ensure that the service delivered by the project meet the GA’s expectations
• Assess whether the output specifications can meet the GA’s ongoing service needs
• Specify key indicators that will measure performance to allow accurate costing of the output specifications
• Identify interfaces between the project and the GA’s other services
• List the socio-economic targets that the GA wishes to achieve through the project.
Scope of the Project
- Identify all factors determining the scope such as the market, growth rates and other service providers, and analyse their likely future development
- Identify all limiting factors and constraints such as affordability and risks
- Based on an analysis of the above factors and distinguishing between inputs and outputs, determine the scope of the project in terms of physical facilities and their capacity (inputs) and service to be provided (outputs)
- Determine project phasing, if needed

2. OPTIONS ANALYSIS

PPP Options
- List all reasonable options available
- Evaluate the advantages and disadvantages of each option, together with its risks, benefits and potential impacts
- Assess which options are likely to attract private sector investment, and
- Recommend the preferred option

Choice of Technology
- Provide an overview of technological options, which are available in Pakistan and abroad, and describe them briefly, including the main technical parameters and basic charts of the technological processes involved
- Assess the advantages and disadvantages of each technological option, taking into account the relevant factors such as its track record, appropriateness for the local conditions, O&M requirements, economics, and environmental impact, as well as Sindh’s legal and technical standards and norms, the location, size and required capacity of the project facilities, and technology transfer
- Select the most suitable technological option for the project

Choice of Location
- Provide an overview of location/alignment options and describe briefly their natural, administrative, economic and social conditions
- Assess the advantages and disadvantages of each location option in terms of proximity to the market and customers; availability of new materials and fuel supply; availability of labour; availability of supporting infrastructure for transport, power and water supply; land use and construction planning, environmental and social impacts, and topographic and geotechnical conditions
- Determine whether there are any constraints, which would pose problems for the implementation of the project or of its possible extension in the future
- Select the most suitable location option for the project

3. PROJECT DESIGN AND COST

Preliminary Design
- Prepare preliminary design including the main technical specifications, which would be documented in the bid documents.
- Confirm that the preliminary design meet good engineering design and construction practices and standards as specified by the Government of Pakistan or other standards and best practices accepted in the country, and that the preliminary design is in accordance with the relevant laws and regulations of the Government.
Cost Estimates
Main cost categories are:
- Capital costs
- Maintenance costs
- Operating costs

4. ENVIRONMENTAL AND SOCIAL ASSESSMENT

Environmental Assessment (refer Pakistan Environmental Protection Act XXXIV of 1997)
- Describe key environmental issues and the area of influence of the project on natural environment (air, water and land), and human health and safety
- Identify and assess all significant negative environmental impacts
- Indicate environmental criteria and standard to be used for the design of the project in terms of technology, processes and construction
- Prepare an environmental management plan specifying mitigating measures to be taken in order to meet the environmental requirements throughout the project life cycle
- Assess the institutional capacity to handle implementation of the environmental management plan
- Estimate the cost of the recommended mitigation measures
- Develop a system with explicit indicators for monitoring and evaluation of environmental impacts during project implementation and operation.

Social Impact Assessment
- Identify and assess the positive effects of the project in terms of satisfying basic needs, alleviating poverty, generating employment, and reaching large population segments
- Recommend measures to ensure sustainability of such positive effects
- Identify and assess negative social effects such as physical displacement, changes in access to resources, disruption to livelihoods, changes in social or economic standing, inequitable distribution of benefits and costs among stakeholders, and changes to patterns of behaviour that would not be consistent with prevailing gender perceptions, social norms, and religious or cultural values
- Determine whether the project has negative effects on particular categories of stakeholders such as women and ethnic minorities
- Determine whether there are any risks regarding the participation and acceptance by stakeholders that are essential for the sustainability of the project
- Recommend mitigation measures such as special institutional arrangements and modifications in project design
- Estimate the cost of the recommend mitigation measures
- Develop a system with explicit indicators for monitoring and evaluation of social impacts during project implementation and operation

Land Acquisition and Resettlement Plans
- Prepare a detailed land acquisition plan including the scope of land acquisition; description of land ownership and availability; discussion of legal issues (if any); implementation schedule and procedure for land acquisition, and cost estimates
- Prepare a detailed resettlement plan including a list of affected people; entitlement policy and compensation policies, institutional arrangements, public participation, consultation, and grievance mechanisms, implementation schedule, cost estimate, and a monitoring and evaluation system.
Stakeholder Consultations
- Identify key stakeholders in the PPP project
- Depending on the project type and location, design a communication program consisting of opinion research, direct stakeholder consultations, public awareness efforts and/or public education
- Implement the program during the feasibility study phase
- Document the program implementation with regard to the type of activity completed, its date of location, and stakeholders involved
- Recommend mechanisms for continued involvement of key stakeholders in the monitoring and evaluation of project impacts during implementation and operation

5. FINANCIAL ANALYSIS

Financial Modeling
- To be constructed in a standard spreadsheet program such as Excel, consisting of the following worksheets:
  - Inputs and assumptions including
    - Economic data such as inflation, discount rate and tax rates
    - Construction data such as initial capital expenditures over period
    - Future capital expenditures, both maintenance and growth-related
    - Residual value of capital assets at the end of concession period, constituting a revenue of the project
    - Funding levels and types such as equity, loans, bonds and subsidies or types of Islamic financing if applicable
    - Financial data such as the terms of the various financing instruments
    - Recurrent operating and maintenance costs
    - Operating revenues with the underlying data such as demand forecasts and user charges
  - Sheets with cash flow statement, profit and loss account, and balance sheet of the project company
  - Results and summary sheets demonstrating the impact of different assumptions on the project’s cash flow. The results should be presented in the form of the following financial indicators:
    - Financial internal rate of return (FIRR) which measures the return on investment over its life regardless of the financing structure and equals to the discount rate at which the net present value of the project is zero
    - Return on equity, which shows the return to shareholders and equals to the discount rate at which the present value of dividends minus investments by the shareholders is zero
    - Annual debt service cover ratio, which shows the project company’s ability to repay debt from its annual cash flow and is calculated as net operating cash flow from the project divided by debt service consisting of principal and interest during the year
    - Loan life cover ratio, which shows the project company’s ability to accommodate an occasional shortfall of cash and is calculated over the whole term of the loan by dividing the net present value of operating cash flow from that year to the end of the debt repayment period by the total of debt outstanding at that year
    - For projects that do not generate any revenues, the cost per unit of output over the life of the project, calculated in present value terms.
  - The consultants should prepare a manual so that the model can be used throughout the PPP process to continually assess the impact of different pricing, financing, and service scenarios;
update or confirm decisions about project structure; evaluate proposals made by the private party during the transaction execution stage, and monitor financial performance once the project is in operation.

**Sensitivity Analysis**
To determine how the Financial Internal rate of return reacts to changes in key assumptions and parameters, a sensitivity analysis should be carried for the following scenarios:
- Increase in investment cost by 10% to 30%
- Increase in operating cost by 10% to 30%
- Increase in both investment and operating costs by 10% to 30%
- Reduction in revenues by 10% to 30%, and
- Increase in investment and operating costs and reduction in revenues by 10% to 30% (the worst case scenario)

**Risk Assessment**

<table>
<thead>
<tr>
<th>Risk category</th>
<th>Government</th>
<th>Private party</th>
<th>Commercial lenders</th>
<th>Potential mitigation measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction (delay, cost overrun)</td>
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<td></td>
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<tr>
<td>Operating (management, technical performance, damage and theft)</td>
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<tr>
<td>Commercial (price, demand, payment)</td>
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<tr>
<td>Financial (total debt amount, interest rate, exchange rate, maturity)</td>
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<tr>
<td>Political (expropriation)</td>
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<tr>
<td>Environment (land acquisition)</td>
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<tr>
<td>Legal (deficiencies in regulatory procedures, arbitration)</td>
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<tr>
<td>Force majeure (natural and political)</td>
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</table>

**Need for Government Support**
Explain the rationale and form of viability gap funding (if any)

**Tariff Design**
- Based on the financial modelling, the consultants should determine in the feasibility study the appropriate tariff levels and structure for the project. The tariff design should balance the following objectives and factors against each other:
Appendix 3

- Stipulated service standards and associated costs
- Customers' willingness and ability to pay
- Fairness and equity
- Incentives for efficiency
- Cost recovery and return on investment for the private party
- Need for and availability of subsidies
- Simplicity and comprehensibility

- Tariff structure may change over the life of the PPP project. The consultant should define practical rules for adjustments. This requires defining:
  - The triggers or drivers for a price adjustment, such as changes in raw materials prices, inflation and exchange rate fluctuations
  - The mechanisms by which the adjustment will be made for utilities, such as cost plus and price cap regulation
  - Other adjustment mechanisms, such as cost pass-through, tariff indexation, and tariff resets, including the frequency of their application.

6. ECONOMIC ANALYSIS

Least-Cost Analysis
Demonstrate that the project is the least-cost solution for meeting the incremental demand.

Economic Internal Rate of Return

Value for Money
Measure the savings in net present value terms achieved by undertaking the project in the PPP mode rather than through the traditional public procurement.

7. PROJECT MANAGEMENT PLAN

PMP should include, but not be limited to, the following:
- Detailed schedule highlighting the key milestones and approvals from transaction execution to implementation to operation
- Description of the governance processes to be used by the GA in the management of the project, especially regarding decision making
- Description of project stakeholders, the extent of their involvement in the project, and the necessary coordination mechanisms
- Composition of the project team with its functions, job descriptions, and qualification and experience requirements, including a capacity building program required to successfully undertake the project
- Contingency plans for dealing with deviations from the timetable and budget

8. DRAFT TENDER DOCUMENT

If preceding activities proved the PPP project is viable, then the consultants should draft render documents for the Pre-Q and bidding exercise that will be undertaken during the transaction execution phase. GA should confirm that the following documents would be produced:
- Pre-qualification document
- Instructions to bidders
- Minimum design and performance standards and specifications
• Bid form, specifying the information required to evaluate the bid
• Bid security form and performance bond form
• Draft PPP agreement

Submitted By [Government Agency]
Signature 1: _____________________ Signature 2: _____________________
Name : _____________________ Name: _____________________
Title: _____________________ Title: _____________________
Email: _____________________ Email: _____________________
Phone: _____________________ Phone: _____________________

Received By PPP Unit
Signature: _____________________
Name : _____________________
Title: _____________________
Email: _____________________
Phone: _____________________