

Government of Sindh Planning and Development Department



PC- I

Municipal Services Delivery Program Sindh Province

Program Cost: Rs 6,668.55 million (US\$ 76.65 million)

**Prepared by:
Special Initiatives Unit (SIU)**

**Planning & Development Department
July, 2011**

Government of Pakistan Planning Commission

1. Name of Project Municipal Services Delivery Program

2. Location Sindh Province

i) Name of the District/Province Districts comprising divisions of Sukkur, Larkana, Mirpurkhas, other towns affected by 2010 floods, and any other municipal area/town/city as mutually agreed between GoS and USAID.

Towns Damaged by Flood 2010

Following towns were damaged in the Sindh Province were hit by flood during the 2010, and where the water supply and sanitation services were severely damaged:

DistrictTownArea flooded

1.	Kandhkot- Ghauspur	100%
	- Dari	100%
	- Karampur	50%
	- Tangwani	100%
2.	Shikarpur - Sultan Kot	70%
	- Humayoon	30%
3.	Jacobabad - GarhiKhairo	100%
	- Thull	25%
4.	Qamber- Shahdadkot	
	- Qubosaeed Khan	60%
	- GajiKhuhawar	100%
	- Kando	100%
	- GhaibiDero	100%
5.	Dadu - K.N Shah	100%
6.	Jamshoro - Manjhand	70%
7.	Thatta – Sujawal	100%
	-Jati	100%

Rehabilitation of these services has not yet been undertaken.

Source: Local Government Department, Sindh.

ii) Map of the area clearly indicating project location Attached as Annexure-A

3. Authorities responsible for:

i) Sponsoring	P&DD. Govt of Sindh (GOS) and USAID/Pakistan
ii) Execution	Planning & Development Department, Government of Sindh.
iii) Operation & Maintenance	Taluka Municipal Committees(TMAs)
iv) Concerned Federal Ministry	N/A

4. (a) Plan Provision

i) If the project included in the Medium Term/Five Year Plan, specify actual allocation.	The “New Framework for Economic Growth” which is a part of the Tenth Five Year Plan focuses on the development of urban centres as an important pillar of growth and development. The framework stresses that development of urban centres serves as an engine of growth, which in turn leads to poverty reduction. This Program is in line with the Government of Pakistan’s policy framework. Government of Sindh (GoS) is committed to include the program in the provincial PSDP 2011-12.
ii) If not included in current plan what warrants its inclusion and how is it now accommodated	Government of Sindh is committed to develop the municipal towns/secondary cities of Sindh into sustainable, healthy, and well managed engines of growth. The new growth strategy of the Government of Pakistan recognises urban centres as the fulcrum of development and argues that cities and their adjoining areas need to be developed. This entails infrastructure development, enhancing the capacities of governance, introducing policy changes and instituting long term development plans. The project is also in line with the National Sanitation Policy 2006 and the National Drinking Water Policy 2009. The increased pressure of population and deficient infrastructure facilities for service delivery in the municipal towns coupled with policy and planning issues necessitates an integrated approach to municipal service delivery development.
iii) If the project is proposed to be financed out of block provision indicate.	The program is proposed to be financed by USAID/Pakistan on grant basis not exceeding Rs 5,742 million (US\$66 million @US\$1=PKR87). GOS will contribute PKR 926.5 million (US\$ 10.65 million).
(b) Provision in current year PSDP/ADP	The Project is reflected in provincial PSDP/ADP 2011-12.

5. Program objective and its relationship with sectoral objectives

Program Goal

Sustained improvement in municipal service delivery to effectively address the basic needs of citizens located in small and medium towns in Sindh.

Objectives

1. Improve basic service delivery and provide it in a more transparent and accountable manner.
2. Upgrade provincial information systems for planning,

- operations and monitoring and evaluation (M&E).
3. Establish a collaborative partner relationship between USAID and Provincial Governments for urban sector policy, program design and implementation.

Relationship with Sectoral Objectives

MSDP is in line with the Sindh Cities Improvement Program (SCIP). SCIP aims to improve water supply, wastewater management, and solid waste management services in clusters of secondary cities in Sindh Province, thus enhancing the urban environment, public health, and extending economic opportunities for an estimated 4 million urban residents of participating secondary cities. Sector Investment Plan envisaged in the SCIP estimates that an investment of about US\$2,275 million will be required over 2008-2030 for service delivery to keep pace with the growing urbanization in Sindh. With financial assistance from the Asian Development Bank, SCIP plans to invest US\$400 over 2009-2018. MSDP will provide part of the investment envisaged by the SCIP.

6(a). Description and justification of the project

- i) Describe the project and indicate existing facilities in the area and justify the establishment of the Project.

Justification

Local government tiers, particularly municipalities, constitute important delivery vehicles for key public services. Despite their crucial role, however, local levels of government in Pakistan have long suffered from a lack of clarity regarding their role, lines of authority and division of responsibilities with the provinces and the federal government. The low quality of municipal service delivery contributes to Pakistan's poor social indicators and lack of citizen participation. Finally, most municipalities lack transparency and accountability in their operations, and rarely solicit citizen input into decision-making.

Improving municipal service delivery is one of the many challenges confronting local government institutions. Many municipalities are struggling to find ways to meet their obligation to deliver services, and are beginning to explore options to develop professional management and sustained levels of funding to undertake rehabilitation/up gradation of services and improve the service delivery. The existing antiquated and dysfunctional systems of water supply, sewerage and solid waste management require major interventions in terms of improved technologies and extended coverage.

To overcome the prevailing situation, Sindh Municipal Services Delivery Program has been designed to achieve improved municipal service delivery by encouraging ownership of local communities to address the basic needs in selected towns/secondary cities and in flood affected towns in the Sindh Province.

Major portion of the program funds will be utilized for upgradation of municipal infrastructure located in the 3 divisions mentioned above and also other towns of the Sindh Province which were affected by floods-2010. The criteria to select such towns under the Program is indicated as follows:

- i) The towns should fall in the districts comprising former divisions of Sukkur Larkana, MirpurKhas, and any other town/city as mutually agreed between GoS and USAID.
- ii) The towns which were affected by floods-2010 in the Sindh Province.
- iii) The towns already proposed under tranche one of ADB assisted SCIP (Sukkur, New Sukkur, Rohri, Shikarpur, Khairpur and Larkana) or its subsequent tranches shall not be considered. Likewise, those towns already covered under vertical programs shall be excluded from this Program.
- iv) The towns that have a lot of potential to become industrial zone/business centre will be given priority.
- v) Taluka head quarters will be given preference.

These selection criteria underpin broader policy of the Program. A detailed Need Assessment Framework will be developed by the P&DD in consultation with the participating TMASs and USAID and approved by the Steering Committee in order to ensure equitable and need based development works. A USAID-financed engineering firm will be able to assist with this activity, if desired by the P&DD. This engineering service will be provided as an in-kind contribution to the program by USAID, to assist the Government of Sind with the design and supervision of construction contractors hired by the PMU to implement, and other engineering-related tasks associated with the upgrade of facilities. The PMU has to ensure that the framework is effectively implemented and the subprojects are strictly carried out in the towns identified according of the framework principles.

Description of the Project

The following paragraphs provide an overview of the nature of the work to be accomplished under each of the program interventions in Sindh:

1. Improved basic service delivery in a transparent and accountable manner.

The majority of the project funds (approximately 60%) will be for the upgradation of municipal infrastructure. Project procedures will be designed to ensure that these construction activities are fully integrated into a public service improvement approach in each municipality. In order to achieve this systemic integration,

this project component is further divided into infrastructure, community engagement and management systems reform.

1a Infrastructure upgradation: Given the limited resources in the context of the needs on-the-ground, it is proposed that this activity focus on a few essential urban services safe water, sanitation, solid waste collection and disposal, markets, sewerage services, streets and street lighting. Initial surveys in the selected municipalities will generate a preliminary set of potential infrastructure upgrade schemes.

The PMU will work with the municipalities to facilitate citizen review of this list to prioritize implementation. A USAID-financed technical assistance firm is available to help the PMU with this task by enhancing public awareness, organizing focus groups and managing instruments such as household surveys in the municipalities where the project will be implemented. The Sindh Government, through the PMU, will utilize a USAID-financed engineering contractor to assist the Government of Sindh with the preparation of a master plan, engineering design, development of specifications and GOS tenders for the procurement of construction services and supervision of construction contractors hired by the PMU to implement these infrastructure upgrade schemes, as well as the development of operations and maintenance (O&M) systems for use by the municipalities. USAID plans to finance GOS construction contracts for the upgrade of municipal infrastructure through reimbursements, with details to be finalized in Program Implementation Letters. Within the scope of activities that have been approved for USAID funding, the specific details and procedures for implementation will be determined by the Government of Sindh, in consultation with USAID/Pakistan through the Steering Committee. Funds for activities will be released and specifications and standards to be followed will be documented by the partners on a quarterly or monthly basis.

Some of the indicative activities under this component include:

- a) Preparation of Master Plan including GIS Mapping, surveys and related technical studies suggesting feasible proposals through independent experts or in coordination with PHED/Local Govt.
- b) Repair/restoration of existing municipal facilities, services, and equipments.
- c) Extension of municipal services to un-covered towns.
- d) Rehabilitation/upgradation of water supply system (including pre sedimentation/storage reservoirs).
- e) Rehabilitation/upgradation of sewerage system (including the facility of sewerage treatment and final disposal).

- f) Purchase of equipment and land for water supply including pump houses/treatment works required for rehabilitation, upgradation and extension.
- g) Purchase of equipments & vehicles for cleaning sewerage pipe lines (such as winching machines, Suction and Jetting Machines) and Pumping Machinery for Sewerage Pump Houses as required for Rehabilitation / Upgradation.
- h) Solid waste management infrastructure to include machinery including loaders, dumpers, sweeping equipments to facilitate collection of domestic waste from community local areas to transfer stations, trucks/trolleys and further transport to the engineering landfill sites.
- i) Procurement of vehicles, machinery, equipment for Solid Waste collection from households/ Markets/ amenity places and transportation to garbage transfer stations/landfill sites.
- j) The Nallis in streets need to be changed to piped lateral sewers, which is a more hygienic collection system than open Nallis that are frequently blocked by garbage and flying plastic bags and over flow into streets/roads. The open drains will only carry rainwater whereas the underground sewers will take up the domestic sewage leading to collection tank and ultimately to treatment works/oxidation ponds. There is a need for proper design of such systems to cater for the requirement of at least 30 years. However; where ever possible provision will be kept in design discharge for storm water and channelizing the same to the storm water drain.

1b Citizen Engagement: Although the costs of the infrastructure upgrades will dominate the project funding cycle, a high degree of citizen involvement in the processes of infrastructure scheme identification, implementation and operation will be required for ensuring speed of scheme completion and equitable access to the resultant services. For this reason, active community participation in the prioritization of services and collaboration in service management will be supported by engaging partners for organization of communities. Open citizen access to municipal decision making processes and information sources will be provided to facilitate citizens' advocacy and oversight activities.

Public awareness campaigns shall also be included in the Program to encourage participatory approach including resources for encouraging public scrutiny in execution and O & M activities of the service provider TMAS. General complaints so offered from public and civil society/ community would also be addressed by PMU / TMAS through well organised/ computerized complaint centre. The improved services would also encourage communities to own the systems and hence share expenditures gradually through timely payment of the user charges to enable the TMASs to execute quantity and quality of

services provided. Internet, print & electric media would be mobilized to take the public into confidence about the program operations and physical progress as per provisions of Activity Agreement(**Annexure-B**)..

The performance indicators would be set along with bench marking to compare the progress achieved under this initiative. A Citizen Reporting Card (CRC) survey would also be launched after the improvement works are completed to assess the lapses/ faults in service enabling the TMAS to pay attention to the voices of consumers and address them to the satisfaction of the communities. Detailed SOPs and manuals for citizen engagement would be developed by PMU through reputed experts/institutions. PMU would also ensure that the infrastructure and service reforms are in line with the needs and expectations of public.

1c Management system improvement:The Program Management Unit (PMU) headed by its chairman with other relevant stakeholders as members will oversee the overall program implementation and facilitate citizen review in respect of infrastructure development and related reforms. The PMU will manage governance related improvements vis-a-vis service delivery at the TMAS level. GOS, through the PMU will be assisted by a USAID-financed engineering firm in the design and implementation of these infrastructure upgrade schemes. PMU/Director General MSDP, assisted by the USAID-financed engineering firm will be responsible for the design and implementation of these activities under overall guidance of the Program Steering Committee (PSC). Within the scope of activities that have been approved for USAID/Pakistan funding, the specific details and procedures for implementation will be determined by the Steering Committee. Representative of USAID would be sit on the Steering Committee as an “observer”. The implementation of MSDP will augment the efforts of provincial government to ensure that consistent advice is offered to the provincial partners. In addition, tools developed and tested under various urban sector programs, including governance assessments, financial management and accounting software, service billing and collecting systems, transparent budget reviews, citizen advocacy campaigns and capacity building of TMAss will be implemented under the MSDP through USAID/Pakistan partners such as Assessment and Strengthening Program and Lahore University of Management Sciences as well as provincial training facilities such as the Training Academy Tando Jam and Municipal Training Institute, Karachi..

Institutional reforms will be introduced in TMAss including capacity building of staff along with training of trainers to sensitize them about quality of works, public awareness, community & private sector participation, consumer survey, MIS, billing & recovery, operation & maintenance for better and sustainable services.

1d Deepen the capacities of local government administration

Municipal administrative staff requires substantial technical/administrative and accounts training on priority to be able to improve the efficiency of their service to meet citizen's expectations. Professional training will be imparted to the relevant functionaries throughout the life of the program in reputed Training Institutes. Capacity issue of Public Training Institutes will also be addressed. Institutional strengthening would form a part of organizational reforms in TMASs & government to overcome administrative, financial and technical gaps USAID/Pakistan will assist the Government to develop standard training material through partners like ASP and LUMS. This may include training on the maintenance of services/provision of equipment, training of trainers, and curriculum design, as part of the program. MSDP will also provide assistance for the establishment of professional networks designed to disseminate knowledge and experience among a wide range of municipalities in the province throughout the life of the program with an eye on sustainability. Provincial training facilities such as; Training Academy of Tando Jam and Municipal Training Institute of Karachi would be associated with such training program(s) to prepare the Master Trainers.

2. Upgrade provincial information systems for planning, operations and monitoring and evaluation.

Although this project will focus on public service upgrades in specific municipalities, increasing the capacity of the provinces to share lessons learnt with other municipalities will receive attention. The use of digital information databases for government service management has expanded rapidly in Pakistan over the past decade. At the same time, the rapid growth in the population and infrastructure has made it difficult for provinces to maintain an accurate picture of who is being served; where are the services in disrepair, and what are the overall costs of infrastructure upgrades. The project, through the PMU, will assist the Government of Sindh to upgrade its nascent Provincial Spatial Data Infrastructure (PSDI) to enable it to cover all extant municipal services and relevant aspects of demographics in the three selected divisions of Sindh. This information system is also expected to be gradually expanded to cover rural conditions and assets as well. This information system is expected to evolve into a decision support system as the information database approaches completion and becomes of value to ongoing functions of government.

The stakeholders will undertake rigorous monitoring and evaluation of the Activity. GOS will be responsible for monitoring and evaluation actions according to processes and procedures agreed upon. However, additional staff and resources may be

required to implement a robust M&E framework. As a consequence, USAID/Pakistan may also support monitoring and evaluation aspects of the Program. The GOS shall ensure reasonable access to USAID/Pakistan or its designee to all necessary sites, documentation, individuals and information to monitor, evaluate and verify the Program and their funding under MSDP Activity Agreement, and will require a provision to this effect in all sub-awards or contracts financed by funds under the Activity Agreement.

3. Establish a collaborative partner relationship between USAID and Provincial Governments for program design and implementation of an urban sector policy.

This project represents one of the few USAID funded projects to be implemented directly by the Government of Sindh. The rules and procedures of USAID, the Government of Pakistan and the Government of Sindh will need to be clearly articulated and followed. USAID will advise the Governments of Pakistan and Sindh of its engineering and other procedures in Program Implementation Letters. A Steering Committee will be officially notified by the Government of Sindh to provide high-level direction to all aspects of the project and ensure the availability of counter-part funding. One staff member of USAID will serve as an ex officio member of the Steering Committee. The Government of Sindh will establish and staff a (or expand an existing PCU of CDP) PMU to serve as the secretariat of the Steering Committee. The PMU will be responsible for the full range of activities anticipated under this program and will provide technical assistance to municipalities.

A set of criteria, mutually agreeable to USAID and the GOS, will be established for the selection of districts. Until the establishment of full-fledged PMU of SMSDP the existing strength of CDP shall be utilized for MSDP and the individual and alternate approved by Chief Minister Sindh and already notified by SGA&CD shall continue to work as Head and Deputy Head of MSDP. municipalities located within the Divisions agreed for assistance by USAID/Pakistan. The PMU will establish, for Steering Committee approval, the procedures required to institute necessary policies and regulations, carry out the essential surveys, facilitate citizen prioritization, introduce new management processes, tender construction contracts and arrange internal monitoring.

With assistance of the USAID-financed engineering firm, the PMU will work with municipalities to identify, tender, construct and operate individual infrastructure schemes that will be implemented through provincial agencies in collaboration with municipalities until an agreed mechanism for fund transfers from the provinces to the municipalities can be prepared. The grant from USAID/Pakistan will fund the operations of the PMU and other Government of Sindh costs directly associated with project

implementation. However, managerial, technical and administrative positions in the PMU funded by USAID/Pakistan will be filled only by individuals who are not officials on active duty with any civil service in Pakistan. In case of appointment of a Civil Servant against any post in Sindh MSDP the officer shall cease to work on any active position. Further the Civil Servant shall be appointed in Sindh MSDP on deputation basis. However, in case of his posting through SGA&CD it is mandatory that before making his post in Sindh MSDP the individual Civil Servant or panel of Civil Servant shall duly be interviewed and cleared by both the PMU and USAID. Only thence the SGA&CD shall make his/her posting in SMSDP. All the costs on account of Pay, Package and Privileges shall be catered from the USAID grant.

The quality of the partnership is expected to build over time, resulting in faster disbursement after the first year of the project. In addition, the role of the PMU should reduce over the project life as policies and systems are used more routinely and the municipal governments build their capacity to appropriately manage external funds for the improvement of service delivery.

ii) Provide technical parameters and discuss technology aspect of the Project.

Technical Parameters

The technical parameters kept in view to prepare MSDP are outlined below:

- Safe drinking water supply at source, filtration & distribution network up to door step of consumer/household.
- Sewerage collection from households through piped sewers to collection tanks, treatment and safe disposal.
- Solid waste collection from households, streets, amenity plots, recycle/treatment & safe disposal in landfill sites.

iii) Provide details of civil works, equipment, machinery and other physical facilities required for the project.

Technical Works:

Indicative individual sub-projects on the agreed activities, to be conceived, include:

- Preparation of Master Plan including GIS Mapping, surveys and related technical studies for formulating feasible proposals.
- Repair/ Restoration of existing municipal facilities, services, equipments etc.
- Extension of municipal services to un-covered towns.
- Rehabilitation/Upgradation of water supply system (including pre sedimentation/storage reservoirs).
- Rehabilitation/Upgradation of Sewerage system (including the facility of sewerage treatment and final disposal).
- Purchase of equipment and Land for Water Supply including pump houses/treatment works required for rehabilitation, upgradation and extension.
- Purchase of equipment & vehicles for cleaning sewerage pipe lines (such as winching machines, Suction and Jetting

- Machines) and Pumping Machinery for Sewerage Pump Houses as required for Rehabilitation / Upgradation.
- Establishment of engineering landfill sites for solid waste along with purchase of land for garbage transfer stations. The procurement of vehicles, machinery, equipment for solid waste collection from households/markets/ amenity places and transportation to garbage transfer stations/landfill sites.

iv) Indicate governance issues of the sector relevant to the project and strategy to resolve them.

Governance Issues

As noted in sections 6 (a) (1c) and 6 (a) (2) above, governance and institutional capacity is at the centre stage of service delivery at the local level. The 2001 Local Government Ordinance provided for elaborate structures and devolution of administrative and financial powers to the district and tehesil levels. However, municipal service delivery systems have many systemic issues of governance. The major governance challenges affecting municipal services delivery may be categorised as follows :

- a) Human Resource: Deficient and inadequately qualified staff:,Absence of engineers, and financial managers
- b) Accountability and Transparency: Though the LGO 2001 provided elaborate mechanisms and structures for ensuring accountability, those could not be implemented effectively. Although there exist auditing systems but these are not generally being followed
- c) Community Involvement: There is almost no community involvement right from identification of any development work carried out by TMAS to the maintenance of services.
- d) Tariff Regime: The lack of planned tariff, cost recovery/ user charges, proper consumer database, generation of monthly bills etc. creates serious sustainability issues.

No Sustained Funding Flow: Not to speak of Government support to finance O&M costs, the municipal staff does not get their salaries for months.

Municipal Infrastructure Sub-grants

a) Overview

The opportunity to provide sub-grants directly to municipal governments may be available in the second year of the Program. For the award of sub-grants, preference will be given to those municipalities, which show significant improvement in terms of financial management, transparent procurement, and openness to citizen in terms of access to information. The specific mechanism, terms and conditions for these municipal sub-grants will be set forth in a subsequent Program Implementation Letter, following detailed discussions between GOS and USAID/Pakistan. In addition, the level of funding available for such sub-awards will be set by the two parties at the beginning of each of the Grantee's fiscal year, subject to

available USAID funds.

(b) Incentive based Approach

The municipal infrastructure sub-grants will be an incentive to facilitate the speedy and effective introduction of measures needed to reform the provision and production of public goods and services by the provincial and municipal governments. The opportunity to apply for municipal infrastructure sub-grants will only be made available to municipalities designated as “modern municipalities”, which have successfully executed agreed upon reform measures and have attained measurable performance improvements.

(c) Modern Municipalities

The municipal infrastructure sub-grants will be limited to municipalities designated as “modern municipalities.” Verifiable criteria will be established related to the use of modern public management tools and techniques, restructuring of administrative and service delivery units and citizens’ open access to information and decision making processes. The details of such criteria will be determined through consultation between USAID and the GOS. No approval will be authorized with respect to municipal capital sub-project plans that have not been selected through an open and participatory assessment and planning process involving all relevant stakeholders of the concerned municipality.

6(b). Water supply, Sewerage, and Solid Waste Management

i) Present and projected population and water availability/ demand.

According to proposed Sindh Sanitation Strategy the following categorization of areas has been adopted in the Sindh Province:

- a) Big Cities (Mega City Karachi and Hyderabad)
- b) Municipal Towns/Secondary Cities
- c) Small towns/ Villages

The scope of proposed MSDP is mainly confined to the Category (a) &(b) above, which targets municipal towns/secondary cities and towns affected by the July 2010 floods, and any other town/city as mutually agreed between GoS and USAID. Under the local government laws, the services of water supply, sewerage/drainage and solid waste management of the towns and other areas under their jurisdiction are looked after by TMASs.

The following paragraphs spell out the need for priority intervention in these areas:

Water & Sanitation Coverage

The coverage of water & sanitation services in Sindh (except Karachi & Hyderabad) as of 2007 is given in the following table:

		Water	Sanitation
- Population of >5000	2.366 (M)	41%	34%
- " " 1000 – 3000	6.828 (M)	25%	19%
- " "Less than 1000	10.306 (M)	12%	04%
	<u>17.459 (M)</u>	<u>20%</u>	<u>13%</u>

Source: Local Government Department Sindh

Solid Waste Management Coverage

Coverage of the solid waste management is almost negligible. The waste is mostly burnt in violation of the environmental policies causing severe health hazards. Some waste is thrown into vacant plots/ditches exposed to atmosphere with no proper collection and disposal systems. Available means of transportation are a limited number of tractor trolleys operated by TMASs which lift the waste and fill the open low lying areas in and around the towns.

Existing water supply system

Drinking water quality is extremely unsafe, as sedimentation process is not working. Filtration plants, where these exist, are also choked and non-operational. Chlorine use is almost non-existing. Pipe lines network is corroded and causes water pollution. There is no organised system of sample testing and rectification of pollution, if traced. Rusted pipelines tend to convey reduced supply hence population experiences severe shortages. Most of the major areas of Sindh have brackish underground water hence there is only canal source for fresh water. During annual closure of more than a month, there is no proper storage to meet the water supply shortages and people are compelled to use the polluted/brackish water exposing them to fatal illness.

The physical infrastructure for drinking water was laid almost four decades back and by now it has outlived its useful life. Pumping stations of intake/water distribution have become obsolete and unserviceable over time causing frequent breakdowns. There is almost no substitute arrangement viz: diesel engines of available capacity with the result that people encounter great difficulties due to frequent electric breakdowns. The situation becomes worse during rains. The treatment/filtration plants remain dysfunctional due to lack of maintenance.

Existing Sewerage System

Sewers have also exceeded design life and pipes tend to collapse due to corrosion and excessive load due to influx of

population as well as the increase in high rise buildings..Conversion of agriculture land into residential and the emergence of satellite areas of towns causes additional burden on an already weak and faulty sewerage infrastructure.

The sewage is passed through non-functional sewerage treatment works and disposed mostly into irrigation systems in raw conditions.As a result people living in the towns situated downstream are compelled to consume polluted water.

Existing Solid Waste Management System

Solid Waste Management was not given proper attention in the past.As a result, the unchecked spread of garbage/solid waste dumping into streets, amenity plots, open drains/nallis and even open sewer manholes create serious health hazards for the dwellers. The sewers are almost choked by the plastic bags having air ballooning action inside pipe lines.

ii) Indicate source and water availability (mgd) during next 5,10,20 years.

N/A

iii) For waste water/sewerage, provide present and future disposal requirements, gaps if any and proposed treatment methods and capacity.

Please see 6 (b) (i) above for details

iv) Indicate present and proposed per capita water supply in the project area, comparison be made with water supply in similar localities.

Please see 6 (b) (i) above for details

v) Indicate whether the proposed project is a part of the master plan. If so, provide details.

MSDP is in line with the Sindh Cities Improvement Program (SCIP). SCIP aims to improve water supply, wastewater management, and solid waste management services in clusters of secondary cities in Sindh Province, thus enhancing the urban environment, public health, and economic opportunities for an estimated 4 million urban residents of participating secondary cities.

7. Capital Cost Estimates

Total Cost: Rs 6,668.55 million (USD 76.65 million)

- a) USAID/PAKISTAN Grant: Rs 5,016 million (US\$ 66 million)
- b) GoS Share: Rs 926.55 million (US\$ 10.65 million)

(i) Indicate date of estimation of project cost.

June, 2011

(ii) Basis of Estimates This is primarily a Municipal Services Delivery Program and the implementation would be on the basis of detailed work plans to be developed on the basis of actual requirements/development activities to be approved by MSDP. The PSC will engage Consultants to prepare cost estimates after preparation of Master Plan, Surveys and detailed engineering design. For all the procurements including; goods and services, the MSDP Sindh activities shall be undertaken in accordance with SPPRA - 2010 and provisions of the Articles of the Activity Agreement signed between USAID/Pakistan and GOS.

(iii) Provide year wise estimates of physical activities by main components

See at Annexure-C

(iv) Phasing of Capital cost (Figures in million)

	2011-12 PKR (USD)	2012-13 PKR (USD)	2013-14 PKR (USD)	2014-15 PKR (USD)	2015-16 PKR (USD)	Total Cost PKR (USD)
Municipal Infrastructure upgrade	696.00 (8.00)	651.00 (08.00)	1070.00 (12.30)	1244.00 (14.298)	644.00 (7.402)	4305.00 (50.00)
Program management	43.50 (0.50)	43.50 (0.50)	43.50 (0.50)	87.00 (1.00)	43.50 (0.50)	261.00 (3.00)
Management reform and information system	43.50 (0.50)	87.00 (1.00)	87.00 (1.00)	130.50 (1.50)	87.00 (1.00)	435.00 (5.00)
Enhancing citizen participation	43.50 (0.50)	30.00 (0.344)	23.50 (0.264)	35.00 (0.237)	13.50 (0.155)	145.50 (1.50)
Government capacity building	43.50 (0.50)	174.00 (2.00)	174.00 (2.00)	117.00 (1.00)	87.00 (1.00)	595.50 (6.50)
Total USAID/Pakistan Allocation	870.00 (10.00)	985.50 (11.844)	1398.00 (16.064)	1613.5 (18.05)	875.00 (10.057)	5742.00 (66.00)
Counterpart Contribution (GOS Share)	186.26 (2.14)	165.54 (1.90)	161.90 (1.86)	165.69 (1.90)	247.16 (2.84)	926.55 (10.65)
Total Program	1070.00 (12.29)	1181.05 (13.575)	1573.00 (18.080)	1774.50 (20.40)	1070.00 (12.29)	6668.55 (76.65)

Note: exchange rate: \$1 = PKR 87

8. Annual operating and maintenance cost after completion of the project

O& M cost of the completed sub projects during program period will be utilized from program funding and thereafter sustained through SNEs. GOS/Finance Department would allocate

sufficient funds in regular budget of TMASs for the sake of sustainability after completion of Program.

The following arrangements are envisaged:

- The shortfall in the revenue and O&M expenditure will be met by GoS through supplementary grant to the TMASs over and above their regular budget after the completion of the project as the recovery of gradual user charges will take some time to supplement the O&M expenditures.
- The initiatives under MSDP Sindh shall have to be implemented in such a way that they are in consonance with the existing laws. The assets so created shall also rest with concerned TMAs. Sustainability after completion of the program will be ensured through proper/sufficient funds to be allocated in the regular non-development budgets under Local Government Department for further releasing to concerned TMASs. All the staff of Program would be continued through Schedule of New Expenditure (SNE) and later on absorbed along with assets in P&DD & Sindh Local Government Board TMAS or TMAS concerned. Likewise PMU would be renamed as Urban Unit in P&DD and shall work as project complex where the initial conceptualization, designing and working of each project shall be done under Urban Unit and then shall be handover to the PMUs and all the PMUs shall work under the Urban Unit in P&DD. The Urban Unit created through MSDP shall be converted into a permanent body of P&D Department which shall work as the specialized wing for Projects. The Urban Unit already established under Sindh Cities Improvement Program shall also be merged in the Urban Unit created through SMSDP.

9. Demand and supply

i) Existing capacity of services and its supply

Population in Sindh's secondary cities is growing at a very high rate mainly due to high birth rate, and influx from rural areas to adjoining urban towns. This rapid increase in population growth has put basic urban and municipal services under huge pressure. The provision of services are not keeping pace with increased demand. These urban towns which are already suffering from inadequate resources and urban management including low recovery of user charges have come under severe stress, resulting in insufficient and inadequate coverage of urban services, environmental degradation, decrease in attractiveness of these towns/cities resulting in diminishing quality of life.

It is estimated that only 55% of urban population in these cities have access to piped water which too is of poor quality. Its supply is intermittent being limited to 2-4 hours a day and average per capita per day demand of water in urban area needs 40 gpcd but presently the supply is not more than 15-20 gallons per capita per day. The situation is becoming very

alarming as the quality of water is extremely poor and people are compelled to use contaminated water. Due to old pipe lines sewerage and other factors, foul water penetrates in water lines during non-supply hours. Similarly access to sewerage and drainage is low, averaging around 63%. Sanitary drainage is extremely limited with sewer lines blocked, choked, overflowing and much below the set targets under MDGs. Solid waste management in these towns is also limited with only 37% of population served with garbage collection system.

Demand for these basic urban services will definitely increase with growing urbanization and migration of people in next ten years. Existing supply of service provision is not commensurate with the present demand due to deteriorating systems, old & out lived pipe net work and Pump Houses. There is a huge gap between the two and the same is bound to grow in future unless some drastic interventions take place not only to bridge the present gap but cater for future projections of at least next 30 years.

The program has the capacity to respond to these issues. It will meet the demand of people by providing uninterrupted water supply with better quality at rate of 30 gpcd. MSDP also aims at rehabilitating/upgrading the sewerage system in a planned manner including its extension to uncovered towns in accordance with a Master Plan to be prepared under this programme. The treatment works of Water and Sewerage would also be re-designed and upgraded to ensure the quality standards as fixed by EPA Sindh/ Pakistan.

One of the important inputs of the program is to develop engineering landfill sites along with garbage transfer stations in the towns. Under this project landfill sites will be established in each participating town except those TMASs which are covered under similar interventions viz: SCIP. Besides, the project aims to collect solid waste at community and household levels, and ensure its transportation to proper sites of garbage transfer stations and further to landfill sites.

ii) Projected demand for ten years

See section 9 (i) above for details

iii) Capacity of projects being implemented both in the public & private sector

Other than MSDP, Sindh Cities Improvement Program (SCIP) is being implemented in towns similar to the ones indicated for implementation of the MSDP. SCIP aims to improve water supply, wastewater management, and solid waste management services in clusters of secondary cities of the Sindh Province, enhancing the urban environment, public health, and extending economic opportunities for an estimated 4 million urban residents of the participating cities. Sector Investment Plan envisaged in the SCIP estimates that an investment of about US\$2,275 million will be required over 2008-2030 for service

delivery to keep pace with the growing urbanization trend in Sindh. With financial assistance from the Asian Development Bank, SCIP plans to invest US\$400 over 2009-2018.

iv) Supply – demand gap

No major rehabilitation project has been implemented in the Sindh Province over the last 30 years. Urban infrastructure has outlived its economic life. Population is growing fast in the secondary cities. As noted in the previous section, 4 million residents of secondary towns will need an investment of about Rs 197.9 billion (US\$2,275 million) till 1930. Present population of main towns of district & Taluka head quarters in Sindh ranges from 50,000 to 500,000. With projected average population of a town at 150,000, it is estimated that around 1.8 million people would benefit from MSDP in terms of improved or new water supply, sewerage, solid waste management services with implementation of MSPD in about 12 TMASs. The Program will implement subprojects to meet demand arising from population growth up to 30 years from now.

v) Designed capacity & output of the proposed project

As a preliminary estimate, about 70 schemes/subprojects would be implemented in around 12 towns. Population of about 1.8 million is likely to benefit from the Program.

10. Financial plan and mode of financing

The program is proposed to be financed by USAID/Pakistan on grant basis not exceeding Rs 5,742 million (US\$66 million @US\$1=PKR87). GOS will contribute PKR 926.5 million (US\$ 10.65 million).

11 (a). Project benefits and analysis

i) Financial

The expected benefits of Sindh Municipal Service Delivery Program (MSDP) are an enhanced and sustained contribution to municipal towns/secondary cities as well as flood affected towns. The program will substantially improve municipal service delivery with resultant effect on the quality of life of its residents. The population of selected towns will enjoy sustainable benefits from the program through:

- a) Enhanced capacity of municipal service delivery through quality municipal infrastructure
- b) Assured safe water supply, better wastewater disposal/treatment and scientific solid waste management
- c) Increased level of financial, procurement and M&E systems through development of frameworks and periodic reporting

The financial benefits of the program are given as under:

- d) Improved user charges through active participation of the communities and on basis of good quality service delivery under this program
- e) The saving of expenditures through transparent and accountable management systems would be utilized by TMAS staff for execution & maintenance of the services.

Indirect Financial benefits:

- f) The expenditure incurred upon treatments due to water related diseases would be saved by having quality municipal services.

- g) Expenditures incurred by GOS on hospitals would also be reduced.
- h) The mortality ratio of children/young and old people would also be decreased.
- i) The private expenditures of the users upon boiling the water for domestic use along with cost sustained for alum and chlorine tablets used in HHs would also be saved.
- ii) Social
- a) Efforts would be made to minimize displacement of population and if the need arises to resettle the affectees, the required land would be acquired using GoS funds.
- b) Different job opportunities would become available due to program activities in construction industry, project management, water, sewerage and related fields which will contribute towards socio-economic growth and supplement Government's efforts to generate employment and reduce poverty.
- iii) Environment
- a) MSDP is designed to improve environmental quality and living conditions of municipal towns through provision of basic municipal services. The net outcome of sewerage & solid waste management components will show positive environmental impact.
- b) The clean and safe drinking water would have better impact on health conditions of beneficiary population due to reduction in water borne diseases.
- c) During selection of towns for the program activities, it would be ensured that there are no significant negative environmental impacts.
- (b) Project analysis
- i) Quantifiable output of the project
- Infrastructure schemes at the TMAS level will be identified through Needs Assessment surveys by the PMU. Detailed project formulation by the PMU will be approved through the Project Steering Committee. The Steering Committee will adhere to PC-1 format while approving detailed project formulation. Unit cost analysis will also be undertaken as part of the detailed project formulation.
- As a preliminary estimate, about 70 schemes/subprojects would be implemented in around 12 towns. The water supply and sewerage subprojects would be designed on UC basis whereas solid waste management subprojects would be designed to cover whole town.
- Description of the key outputs is as follows:
- Safe, purified, and contamination free drinking water to the citizens of about 12 towns (projected population of 150,000 per town on average).
 - Safe collection of domestic sewerage from households and its proper disposal after treatment.
 - Litter free environment of towns.

ii) Unit cost analysis Present population of main towns of district & Taluka head quarters in Sindh ranges from 50,000 to 500,000. With projected average population of a town at 150,000 persons, it is estimated that a population of around 1,800,000 would benefit from MSDP in terms of improved or new water supply, sewerage, solid waste management services. Program will be implementing subprojects to meet demand arising from population growth up to 30 years from now. Through this program Rs. 4,836 million will be invested in physical works of the program hence cost per person works out to be Rs. 2,686.

Please see section 11 (b) (i) above for further details on unit costs at subproject level.

iii) Employment generation (direct and indirect) Apart from the direct program staff to be hired for MSDP, an estimated 1,500 skilled and unskilled people will be employed by contractors and consultants for each of the 12 towns.

iv) Impact of delays on project cost and viability Current inflation rate in the country is around 15% per annum. At this inflation rate, project cost will escalate significantly with delays. Contingency escalation of only 5% in cost is built in the cost estimates. However, as a significant part of the project financing is denominated in foreign exchange (dollars), risk of inflation will be moderate in terms of financing.

Some possible causes of delay in the implementation of the Program are forecasted as under:

- Natural calamities
- Paucity of funds/delayed release of funds
- Delays in procurement of supplies due to shortage or other factors
- Litigation by stakeholders, especially on land acquisition

12 (a). Implementation of the Project

i) Indicate starting and completion date of the project July , 2011 to June, 2016

ii) Item-wise/year-wise implementation schedule in line chart co- related with the phasing of physical activities. Bar chart is attached at annexure-C.

b)Result Based Monitoring (RBM) Indicators

Indicate Result Based Monitoring (RBM) Covered under 13 (a) below.

framework indicators in quantifiable terms in the following table.

13. Management Structure & Manpower requirements

i) Administrative arrangements for implementation of the project.

The MSDP will be implemented by a separate Program Management Unit under the P&DD. The P&DD will be the administrative department for overall supervision and policy guidelines of the program.

In order to provide an institutional connect between the P&DD and the PMU, a Program Steering Committee has been notified to be chaired by the Advisor Planning and Development Department, to provide oversight.

Program Steering Committee (PSC)

The GOS has established a PSC to provide oversight, guidance and approvals required for smooth and timely implementation of the program as per Activity Agreement (copy attached). The PSC is comprised of representatives of all stakeholders involved in the planning, implementation and/or oversight of the project. Representative of USAID/Pakistan will attend all meetings of the PSC as an observer, and may contribute to the discussions.

Responsibility of PSC

The PSC will be responsible for developing its own monitoring, evaluation and reporting plan and will meet at least quarterly. The PSC will review implementation progress, provide necessary approvals within the scope of its authority and resolve coordination issues. Organogram of the Program is given at annexure-D. **(Notification of PSC is attached as annexure-E)**

Establishment of Program Management Unit (PMU):

A PMU for the project will be established in P&D Department. After considering various options the composition and structure of PMU has been developed whereby PMU will serve as the Secretariat of the PSC. The PMU will be responsible for effective and efficient implementation of the program and will be responsible for the full range of activities provided under this program. The PMU will implement the program with emphasis on sustainable municipal services. The Government of Sindh will establish and staff a (or expand an existing PCU of CDP) PMU to serve as the secretariat of the Steering Committee. The PMU will be responsible for the full range of activities anticipated under this program and will provide direct technical assistance to municipalities. Until the establishment of full-fledged PMU of SMSDP the existing strength of Community Development Program, P&DD shall be utilized for MSDP and the individual and alternate approved by Chief Minister Sindh and already notified by SGA&CD shall continue to work as Head and Deputy

Head of MSDP. However, their services may be taken for the project period by the Government through a separate notification whose immediate issuance may be required for the activation of the agreement.

A set of criteria, mutually agreeable by USAID/PAKISTAN and the Govt. Of Sindh will be developed for the selection of the sites and other flood affected towns designated for assistance by USAID/Pakistan. The PMU will work out the procedures, frame necessary policies, regulations etc to be approved by PSC. The PMU will carry out the essential surveys, facilitate citizen prioritization, introduce new management processes, procure Civil and E&M services and arrange internal monitoring. The PMU will also work with TMAs to identify, execute and operate individual infrastructure schemes.

The managerial, technical and administrative positions in Executing Arm viz; PSU as well as the PMU will be filled in only by individuals on merit as per agreed arrangement reflected in the Attachment-I of the Activity Agreement signed between USAID/Pakistan and GOS).

The strength of a TMA is proposed to comprise one Town Officer, one Assistant Executive Engineer (Sanitation), one Assistant Executive Engineer (Water), two Sub Engineers (Civil) and two Sub Engineers (E&M). This establishment is duly budgeted for. Under MSDP, the duties will be performed by such sanctioned staff and they will be eligible for project allowance out of GoS funds at rates already provided in the cost estimates. However, where ever such staff is not posted /available, PMU in consultation with TMAs/Local Govt. Dept. will appoint the staff on contract basis for the program period.

Consultancy Services for Technical Assistance

About 4% of the Program cost would be spent on consulting services. This includes Rs 130 million consultancy charges for feasibility, surveys, planning, designing and detailed supervision of the construction works. Consultancy for government capacity building under Reforms component would amount to Rs 95.7 million. Another Rs 44.6 million will be spent on MIS and Monitoring & Evaluation. The consultancy provision of 4% upon total program cost comes to Rs. 270.4 million (USD 3.1 million).

Financial, Procurement, and Human Resource Management Systems

Government rules regarding Assignment 1 and PIFRA will be strictly adhered to in relation to financial and procurement

management. The PMU shall ensure that the observations

raised in pre-award assessment by USAID are adequately addressed in systems, procedures, and practices adopted for MSDP. The Auditor General of Pakistan will audit the accounts of the Program and its use in accordance with US Government auditing standards, or other internationally accepted standards.

All procurement actions undertaken by the MSDP must be consistent with Government of Pakistan and Government of Sindh laws, regulation, rules, policies, and procedures. The Program will adhere to the applicable procurement rules, regulation, policy guidelines and related pronouncements issued by the Sindh Public Procurement Regulatory Authority. The Auditor General of Pakistan will audit the accounts of the Program and its use in accordance with US Government auditing standards, or other internationally accepted standards.

Financial and Compliance Section has been provided for in the management structure of the PMU, with adequate staff. Finance and Compliance Section will be responsible to look after the financial, procurement, and HR management related to the Program.

PC-I ensures that proper human resources will be made available with appropriate description of duties, lines of reporting, market based salary, appropriate qualification, and segregation of duties, etc. HR Manager has been provided for in the management structure of the PMU.

PMU will engage Procurement and Financial Management experts as short-term consultants to formulate the Financial Management, Procurement and Human Resource Management Frameworks. Procurement and Financial Management consultants will be responsible for proposing Procurement and Financial Management Frameworks, respectively. Financial Management expert will also prepare the Human Resource Framework. These frameworks will be an essential part of PC-I. The frameworks will be the basis for development of manuals, rules, and financial software, etc. Procurement Framework will specify guidelines for Annual Procurement Plan, and will list best practices for the procurement process.

Monitoring & Evaluation and Need Assessment Frameworks

Monitoring & Evaluation Framework and Need Assessment Framework will be developed for the MSDP by a consultant. These frameworks will be an essential part of the PC-1. The frameworks will not only describe the aims and objectives of the subject area but will also guide the decision making while ensuring compliance with the legal and policy obligations. A consultant will be hired by the PMU to assist in operationalization of Need Assessment and M&E Frameworks. The following table will be populated by the M&E expert in consultation with all the stakeholders:

No	Input	Output	Outcome		Targeted Impact
			Baseline Indicator	Targets after Completion of Project	
1					
2					
3					
4					

Quarterly Progress Report (QPR) will be prepared using the PC-III proforma. It will include both program (physical) and financial progress indicators. However, the indicators included in the PC-III will also conform to the Performance Management Plan guidelines of the USAID.

Draft QPR will be reviewed by the PMU in a joint meeting with all stakeholders. Final QPR incorporating the comments of the stakeholders will be shared with GOS, Planning Commission and USAID.

A simple format will be developed to record the findings and decisions of a field visit by all the officers of the PMU and the TMASs. The format may contain a narrative of the visit and list of key issues for decisions, course correction or follow-up. Based on the field visit reports, a Quarterly Monitoring Report (QMR) will be prepared. Key findings of the QMR may be reflected in the QPR.

Mid-Term Assessment of the program will be administered by the PMU through a consultant. Mid-Term Assessment will be discussed by the PSC as part of the Mid-Term Review of the Program.

Project completion report of the program will be administered by the PMU through a consultant in accordance with the PC-IV format. This will ensure further processing of SNEs.

Baseline survey of the Program will be administered by the PMU through a consultant in line with the USAID and Planning Commission's guidelines for evaluation of projects and programs. Endline evaluation survey will also be conducted through a consultant. The endline survey will follow up with the

same households as in the baseline survey. Monitoring & evaluation budget will be included as a separate sub-head in the Annual Work Plan and Budget of the PMU.

A full-fledged M&E section has been proposed under the PMU to be able to meet monitoring and reporting requirements of the USAID and the GOS. Detailed M&E structure and terms of reference of the staff will be developed as part of the M&E Framework. Besides a director, one manager each for Monitoring and Evaluation and for MIS and Media has been provided for.

ii) Manpower requirements during execution and operation of the project be provided by skills/profession.

Detailed manpower requirements by skill/profession will be prepared by experts at the start of the Program.

iii) Job description, qualification, experience, age and salary of each job be provided.

Job descriptions and other details will be prepared by experts at the start of the Program.

14. Additional projects/ decisions required to optimize the investment being undertaken in the project.

N/A

15. Certified that the program proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of PC-I for Social Sector projects.

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Secretary (Planning), P&DD

ANNEXURES

S#	Annexure	No.
1	Map of Sindh showing Proposed Areas for the Program	Annexure-A
2	Activity Agreement (signed by USAID/Pakistan and GOS) along with its attachment-I	Annexure-B
3	Year wise and Component-wise Estimates of Physical Activities	Annexure-C
4	Organogram of the Program(Sindh MSDP)	Annexure-D
5	Notification of Program Steering Committee	Annexure-E
6	Post-wise Details of Pay and Allowance	Annexure-F
7	Details of PMU-Larkana	Annexure-G
8	Details of PMU-Sukkur	Annexure-H
9	Details of PMU-Mirpurkhas	Annexure-I
10	Details of Transport Assets	Annexure-J
11	Details of Furniture & Fixture	Annexure-K
12	Component-wise bifurcation of USAID Grant and Govt. Of Sindh Contribution	Annexure-L
13	Notification issued with the approval of Chief Minister Sindh by SGA&CD in respect of Individual and Alternate for MSDP	Annexure-M