**ATTACHMENT 2**

FOLLOW-UP ACTION PLAN

**TABLE A2.1: UPDATE ON TIME-BOUND ACTION PLAN OF INCEPTION MISSION**

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| **S#** | **Issue** | **Agreed Action** | **Responsibility** | **Deadline** | **Compliance Status** | **Current Status** |
| 1 | Contract Awards and Disbursements | Contract Award target for 2023: $184 million | PMU, CIUs | 15-Nov-23 | Not Complied | CA: US$ 20.6m |
| Disbursement target for 2023: $112 million | L4160-PAK: US$ 27.8m disbursed (of which $19.6m is advance)  G0816-PAK: $0.55m disbursed  Total: $28.35m |
| 2 | PMU/CIU Strengthening and Resourcing | Complete hiring of all existing and additional staff positions in PMU and CIUs at market-competitive rates. | PMU, CIUs, LGERDD | 31-Mar-23 | Not Complied | The hiring process is ongoing, and the PMU is still not offering market-competitive rates to candidates which is resulting in staff turnover and not attracting suitably qualified candidates. Only 11 ICs have been hired in 2023. There are currently 13 (35%) vacant positions in the PMU and 18 (22%) vacant positions in the CIUs. Hiring of incremental staff will not be advertised on CMS going forward. |
| 3 | Revise the PC-I of PMU/CIU establishment and PAM to reflect the organogram, terms of reference and salary structure agreed during the Mission and recorded in this Aide Memoire. | PMU, LGERDD | Q1 2023 | Not Complied | The PC-I still has not been submitted for revision to the GoKP by PMU. |
| 4 | ADB to assess the need for orientation and training sessions during the first loan review mission and deliver the identified sessions accordingly. | ADB | Q3 2023 | Complied. | Training sessions are being delivered frequently by ADB. |
| 5 | Hire Individual Consultants in two phases: | PMU, LGERDD |  | Not Complied | The PMU has hired 10 ICs of which most were in CIUs. 9 IC positions remain vacant. |
| -        Complete Phase 1 hiring | 15-Mar-23 | Partially Complied | The hiring of individuals and staff has not been completed for both phases. Refer to |
| -        Complete Phase 2 hiring | 01-May-23 | Not Complied |
| 6 | Repair works for KPCIP-PMU office to be finalized by PMCSC | PMU, PMCSC | 15-Mar-23 | Not Complied | Designs and BoQ prepared by the consultants, but procurement is yet to commence. EA proposed that Procurement to commence in December 2023 via RFQ method or VO in Green Spaces contract. |
| 7 | Award shopping contracts for additional vehicles and IT equipment for CIUs | PMU, CIUs | 01-May-23 | Not Complied | None of the procurement of vehicles, furniture and other equipment has been completed for the CIUs. Although CIUs have been established, to date, there have not been properly equipped. Revision of PC-I is yet to be initiated. Only $1.1 million out of $5.6 million worth institutional procurement packages have been awarded to date. The Mission emphasized that the EA should complete remaining institutional procurements by 31 March 2024. Any unspent amount shall be subject to descoping. |
| 8 | WSSC Strengthening/ Resourcing | Enterprise Resource Planning (ERP) of WSSCs: | PMU, WSSCs, LGERDD |  | Not Complied | The CEOs of WSSCs with their technical teams were sent to Karachi to see the ERP system in Sindh Solid Waste Management Board and Sindh Water Board and prepare a comprehensive report. To date no report has been developed. The Report for implementation of ERP in the WSSCs was supposed to be done by PMU ICT Specialist who is yet to be hired. WSSCs requested PMU to hire the ICT specialist to conduct the analysis and prepare the report. |
| -        Constitute a technical team; | 10-Feb-23 |
| -        Conclude the situation analysis report, ERP and implementation, terms of reference and budget |
| 9 | Revise Article of Association (AOA) of the WSSCs to resolve governance and compliance issues and get approvals from respective Boards. | PMU, WSSCs, LGERDD | 30-Jun-23 | Not Complied | Case submitted to LGE&RDD, and quick actions are required to complete BoDs composition and hiring of new CEOs before Dec 23. To date: (i) Mardan WSSC is operating without a BoD and CEO; Peshawar is operating without a BoD; (ii) Swat WSSC is operating with 9/14 BoD members and does not have a CEO; (iii) Abbottabad BoD is in place and functional; (iv) Kohat WSSC BoD and CEO’s tenures have ended and new appointment is pending. The AOA have not been revised to date. |
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| 10 | Re-appoint independent directors of all WSSCs | PMU, WSSCs, LGERDD | 31-Dec-23 | Not Complied |
| 11 | Designing de-scoped work | The PMU, in close coordination with the CIU and PMCSC will prepare the de-scope work for CW-01 Lot-3 and submit variation to ADB for consideration and approval. | PMU, CIU, PMCSC | 15-Mar-23 | Complied with delay. | Since the package was being significantly descoped, and the envisioned impact cannot be achieved with the revised scope, the Employer and Contractor have agreed on Termination by Convenience of the contract. Case submitted to ADB for approval and comments by ADB are being incorporated. |
| 12 | Social Safeguards | Conclude hiring of all CIU safeguards staff | PMU, LGERDD | 28-Feb-23 | Complied with delay. | All the SS staff of CIUs were hired, however, two positions of are now vacant as the consultants have resigned and need to be rehired. It was advised to use the consultants in other cities to perform tasks of the vacant positions to avoid the delays due to the lengthy rehiring process. Variation order requests to be shared with ADB by 30 Nov 2023. |
| 13 | Submit the first external monitoring report (EMR), followed by regular quarterly submissions. | PMU | Starting | Complied. | The reports are being submitted on time. |
| 15-Jan-23 |
| 14 | **Preparation of LARPS** |  |  |  |  |
| Abbottabad LFS |  |  | Complied with delay. | LARP has been submitted to ADB on 30 Oct 2023 and is under review. |
| Abbottabad Intake, Main transmission acquisition |  |  | It is still under Preparation and expected to be submitted by 30 November 2023. The revised site for intake has been finalized at Jandar Bari. |
| Kohat LFS |  |  | Submitted to ADB. Approval given by ADB on 13 November 2023. |
| Approach Road to Mingora WTP |  |  | Received by ADB and Approved. |
| Charbagh Pipeline |  |  | Charbagh Tehsil of GGWS Mingora LARP is remaining, where section 5 of LAA 1984 has notified and PMU will submit the draft LARP by the first quarter of December 2023. |
| 15 | Environmental Safeguards | PMU to submit IEE for Women Development Complex, Kohat to ADB for approval | PMU | 15-Feb-23 | Complied with delay. | Achieved |
| 16 | PMU, CIUs, PMCSC, and contractors to hire individuals for vacant positions of Environment Specialist, Health and Safety Specialist, and Traffic Management Specialist | PMU, CIUs, PMCSC, contractors | 28-Feb-23 | Partially Complied. | There are still many vacancies in the staffing of PMU, CIUs and PMCSC consultants which are yet to be filled. For vacant positions it was agreed that Vos will be given in contracts of existing individuals. |
| 17 | PMU to share the bidding documents for construction works with ADB environmental safeguards team for review and comments | PMU | 28-Feb-23 | Complied with delay. | Submitted in April/May 2023. |
| 18 | CIUs and PMCSC to expedite the preparation of Contractors’ SSEMP with subplans | PMU, CIUs, | 28-Feb-23 | Complied with delay. | The SSEMPs have been received and approved by ADB. |
| PMCSC, |
| contractors |
| 19 | Contractors to carry out pre-construction instrumental monitoring of environmental parameters through independent EPA-certified laboratories | PMU, CIUs, | 28-Feb-23 | Complied. | Achieved |
| PMCSC, |
| contractors |
| 20 | CIUs and PMCSC to conduct training sessions for project management teams on EMP, health, and safety | PMU, CIUs, PMCSC | 28-Feb-23 | Complied. | Achieved |
| 21 | PMU to establish a mechanism to raise awareness of the project’s GRM among public and stakeholders | PMU | 28-Feb-23 | Complied with delay. | Achieved |
| 22 | Gender Mainstreaming | PMU to submit to ADB the design review of WBDC from a gender perspective | PMU | 28-Feb-23 | Complied with delay. | Achieved |
| 23 | PMU to ensure that reporting on gender mainstreaming in all future QPRs is in accordance with the activities and targets mentioned in the GAP. | PMU, CIUs | Starting | Complied. | Achieved |
| Jan-23 |
| 24 | PMU to share with ADB gender team the implementation progress of ADF grant on monthly basis. | PMU | Starting | Complied. | Monthly updates from PMU are being received. |
| Jan-23 |
| 25 | PMU and WSSCs to share their HR policies and procedures with ADB for review and feedback to make them gender inclusive. | PMU, WSSCs | Feb-23 | Complied. | Achieved. |
| 26 | PMU to share with ADB the preliminary situation analysis for developing a gender-sensitive behavior change campaign (BCC) strategy. | PMU | 28-Feb-23 | Complied with delay. | Achieved |
| 27 | PMU to share with ADB the tools used for the capacity assessment of stakeholders for preparation of BCC strategy. | PMU | 15-Feb-23 | Complied with delay. | Achieved |
| 28 | PMU to share with ADB the need assessment and areas of capacity building in the five project cities. | PMU | 28-Feb-23 | Complied with delay. | Achieved |
| 29 | PMU to share with ADB outline of the situation analysis report on internship program for female graduates, in higher skills technical positions. | PMU | 15-Feb-23 | Complied with delay. | Achieved |
| 30 | Financial Management | PMU to conclude hiring of all accounts and finance department staff and share the letter of acceptance of respective employees with ADB. | PMU | 28-Feb-23 | Partially complied. | The key position of director admin and finance remains vacant to date. The position of FMS was filled in October 2023. Other critical positions such as Manager Finance &  Accounting, Manager Admin & HR, Internal  Auditor remain vacant to date. |
| 31 | PMU to share with ADB notifications SOPs implemented at the project level for (i) accounting and financial reporting at subproject and consolidated levels; (ii) budget monitoring at sub-project and consolidated levels; (iii) segregation of duties in the payment authorization, accounting and financial reporting activities; (iv) review of contractors’/ suppliers’ invoices in relation with project implementation activities; and (v) recording, tagging, movement and reporting of the project assets. | PMU | 15 Feb 2023, | Complied with delay. | Completed on 29 August 2023. |
| 32 | PMU to share with ADB the notification of mechanism for independent validation of contractors’/suppliers’ invoices related to project implementation activities. Such mechanism shall be duly notified as per Governmental procedures and formally endorsed by the respective managements of implementing partners. | PMU | 15-Feb-23 | Complied with delay. | Completed on 29 August 2023. |
| 33 | PMU to share the ToRs of the internal auditor / internal audit charter and notified thereof by the LGE&RDD | PMU, LGE&RDD | 15-Feb-23 | Complied with delay. | Completed on 29 August 2023. |
| 34 | PMU to confirm that the complete Internal Audit team has been appointed and is on board, including the Internal Auditor and two audit officers. PMU shall also share ToRs of the internal auditors and the audit officers with ADB by the same date. | PMU | 28-Feb-23 | Not complied. | The hiring has not been initiated by the EA citing need for revision of PC-I. The PC-I still has not been submitted for revision to the GoKP by PMU. The Internal Auditor’s position was filled but is currently vacant. |
| 35 | -        Procure and deploy an accounting software, | PMU | 15-Jan-23 | Not complied. | Contract with the supplier has been signed but they deployment of the software is still pending. Currently it is in development phase. The EA has committed to deploy and make functional the software by 28 February 2023. |
| Start recording all financial transactions (previous as well as future) on the accounting software. | 20 Feb 2023. |
| 36 | GoKP to prepare: | GoKP, PMU, WSSCs | 30-Jun-23 | Not complied. | A generic subsidy transfer mechanism exists; however, a formula-based transfer policy is yet to be notified. The IRCB consultant is yet to deliver this output. An updated status of the IRCB consultant’s progress is provided in **Attachment X.** The fiscal transfer and fund flow mechanism following a rule-based mechanism is already in place but is limited to Local Government Department level, as prescribed in the Provincial Finance Commission (PFC) award. Till date 10 PFC awards have been issued, and the latest award in FY2020-21 is attached.  The formula is based on various demographic factors for each district such as the prevalence of poverty, population numbers and infrastructure availability. Although this system allows for a pro-rata share transfers of funds from provincial government treasury to various departments operating in districts, these funds for the purpose of municipal services flow only up to the TMA level. Further allocation in terms of grant income transferred to WSSCs from the TMA budget is on a quarterly basis in accordance with the SAMA agreement.  In addition, the PFC award mechanism is ineffective as evidenced from the fact that the last award for FY2020-21 was not fully disbursed due to slow progress and no award has been issued since then due to political instability and pending approval with the Cabinet (KP releases 22pc of PFC Award with fiscal year ending, Pakistan Today. May 2021). Hence, a more comprehensive fund transfer mechanism, specifically for the WSSCs, is yet to be notified which should be fire-walled from political interventions and made part of recurring government budget operations to ensure continuity of municipal services by the WSSCs. |
| -        Intergovernmental Fiscal Transfers Policy and Strategy: a formula-based mechanism for flow of funds from GoKP to WSSCs with built in performance incentives; and |
| -        Financial Management Plan and guidelines for bringing financial efficiency and discipline in WSSCs leading to gradual reliance on own-source revenue |
| 37 | Audit | Share with ADB the written consent of the Registrar SECP, granting extension in deadline for submission of audited financial statements. | WSSCs, PMU | 28-Feb-23 | Not complied. | For FY2022, 2 WSSCs (Kohat and Abbottabad) have submitted approved AEFS. Remaining WSSCs have prepared draft financial statements and audit field work has also been conducted. However, due to absence of the BoDs, the AEFS approval is pending. |
| 38 | Submit all future AEFS on time | WSSCs, PMU | 31 Dec of each year | Not complied. | The AEFS of 3 out of 5 WSSCs are pending approval as mentioned above. Once the BoDs are in place, SECP will be intimated to ang of approve the holding of AGM, wherein, due AEFS will be approved and going forward these will be submitted on time. |
| 39 | Loan Covenants | Ensure full compliance of all loan covenants | PMU | 30-Jun-23 | Not complied. | Ongoing in each progress report. |
| 40 | Minor Change in the Project | PMU to submit to ADB (through EAD), request for change in disbursement percentage and category reallocation of recurrent costs under ADB loan | PMU | 28-Feb-23 | Complied with delay. | Completed. Minor change requested by EA on 18 May 2023 and was processed by ADB on 9 August 2023. |
| 41 | Reporting | PMU to submit to ADB first quarterly progress report for the quarter ending 31 December 2022. Followed by regular quarterly submission. | PMU | Starting | Complied. | Ongoing process, submitted within due time |
| 15-Jan-23 |
| 42 | PRF Savings | PMU to share with ADB a proposal for utilization of $0.2 million savings under PRF | PMU | 28-Feb-23 | Complied. | Capacity Building of LGE&RDD conducted. |

**TABLE A2.2: TIME-BOUND ACTION PLAN**

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| **S#** | **Issue** | **Agreed Action** | **Responsibility** | **Deadline** |
| 1 | Contract Awards and Disbursements | Contract Award target for 2023: $58 million | PMU, CIUs | 15-Dec-23 |
| Disbursement target for 2023: $57.4 million |
| Contract Award target for 2024: $68.17 million | 30-Nov-24 |
| Disbursement target for 2024: $89.65 million |
| 2 | Civil works design issues | The PMCSC will resolve design and contractual issues of ongoing civil works projects and PMU will conduct fortnightly progress review meetings. | PMCSC | 31-Dec-23 |
| PMU will constitute Design Review Committee and Site Possession Committee with well-defined TORs to remove bottlenecks associated with design adjustments and site possession. | PMU | 30-Nov-23 |
| 3 | Delegation to cities and involvement of Committees as per PAM | Changing of Employer’s representative in contracts to WSSCs/CIUs | PMU via LGE&RDD | 15-Dec-23 |
| Ensure proper functioning of KPCIP’s Committees as per PAM | PMU | 1-Jan-24 |
| 4 | Resolution of design challenges | Implement required variations | PMU | 31-Jan-24 |
| 5 | Work program | Finalization of realistic revised work program of contractors | PMCSC | 31-Dec-23 |
| 6 | Implementation of robust M&E system | Deployment and implementation of PPMS system in the PMU and CIUs | PMU | 31-Dec-23 |
| 7 | Finalization of internal controls of PMCSC | Re-hire the project team lead and deputy team lead | PMU | 28-Feb-24 |
| Empower Resident Engineers for quicker decision-making immediately | PMCSC | 30-Nov-23 |
| Adjust team composition and appoint design coordinators across all five sites by | PMCSC | 15-Dec-2024 |
| Procedure for processing variations, IPCs, design issues etc. | PMU | 15-Dec-23 |
| Coordination mechanism with CIUs | PMU | 15-Dec-23 |
| Performance review system for key-staff of PMCSC | PMU | 15-Dec-23 |
| 8 | Dispute Boards | Appointment of all dispute boards of ongoing civil works contracts | PMU | 31-Dec-23 |
| 9 | Social and Environmental Safeguards | Completing land acquisition at all sites especially in Abbottabad and Swat (Charbagh pipeline) | PMU | 31-Jan-24 |
| Implementation of LARPs, CAPs, SSEMPs and SSHSMPs | PMU | Continuous |
| Site-Possession Committee in place with clear TOR and functioning mechanism | PMU | 31-Dec-23 |
| Charbagh Tehsil of GGWS Mingora LARP submission | PMU | 10-Dec-23 |
| Complete all site possession | PMU | 31-Jan-24 |
| 10 | ISWM Component | Conduct a roadshow of the BDs for Peshawar and Kohat | PMU | 12-Dec-23 |
| Finalize the BDs in line with the findings/feedback of the roadshow and submit final BDs to ADB | PMU | 31-Jan-24 |
| Award the contracts of ISWM Peshawar and Kohat | PMU | Q3-2024 |
| 11 | PMU/CIU Strengthening | P&D to approve revised PC-I (if required) with enhanced compensation structure for PMU/CIUs positions on priority basis | P&D, GoKP | 31-Jan-24 |
| PMU to continue in parallel and conclude PMU and CIU staff hiring as per revised organogram. | PMU | 31-Jan-24 |
| The hiring/termination of key incremental staff (**Attachment X**) shall be subject to ADB’s prior approval | PMU | Continuous |
| 12 | Financial Management | PMU to hire internal auditor | PMU | 31-Jan-24 |
| Appointment of BODs of all WSSCs to be ensured by the EA | LGE&RDD | 31-Dec-23 |
| Ensure timely submission of approved AEFS and APFS and compliance with other financial covenants | WSSCs and PMU | Within deadline |
| 13 | Adjustment in team of PMCSC | The PMCSC will adjust its team composition, in consultation with CIUs and PMU to appropriately undertake supervision activities as per project implementation arrangement. | PMCSC | 31-Dec-23 |
| A no-cost variation order to be submitted to ADB by 31 December 2023. | PMU | 31-Dec-23 |
| 14 | Gender Mainstreaming/ADF Grant | Expedite hiring of vacant positions and roll out of internship program | PMU | Q1-2024 |
| Expedite hiring of vacant positions and roll out of Scholarship program | PMU | Q2-2024 |
| Adherence to the approved work plan of the gender component for 2024. | PMU | Continuous |
| 15 | Procurement | The Mission emphasized that the EA should complete remaining institutional procurements. | PMU | 31-Mar-24 |
| 16 | KPCIP PRF-1 | PMU to submit a request for time extension of IRCB contract up to 30 November 2024 | PMU | 31-Jan-24 |
| PMU to submit a request for 1-year extension of loan/grant closing date | PMU | 31-Jan-24 |
| PMU to prepare plan for utilization of savings for ADB approval | PMU | 15-Jan-24 |
| Finalize of Terms of Reference (TOR) for the $13 million consultancy assignments to facilitate implementation of the reforms prioritized by the LGE&RDD | PMU and LGE&RDD | 31-Jan-24 |
| Consensus on urban governance framework by Q1-2024 | PMU and LGE&RDD | Q1-2024 |
| 17 | KPCIP PRF-2 | PMU to coordinate with UPU and identify any duplication / scope adjustments in PFDDCB consultant’s outputs/deliverables | PMU | 31-Jan-24 |
| PMU to ensure compliance with timelines agreed in the inception report of PFDDCB consultants. | PMU | Continuous |
| 18 | Peshawar BRT Complaint | The EA will process the variation for repair works of Hashtnagri and Firdos underpass leakages. | PMU and LGE&RDD | 31-Dec-2023 |
| The EA will complete the works of Hashtnagri and Firdos underpass leakages. | PMU and LGE&RDD | 31-Mar-2024 |