

TERMS OF REFERENCE

FIRM

FOR

**ANNUAL PERFORMANCE ASSESSMENT OF
LOCAL COUNCILS OF KARACHI**

UNDER

**COMPETITIVE AND LIVABLE CITY OF KARACHI
(CLICK)**

Project Implementation Unit (PIU CLICK) LGD.

Introduction and Background to the Assignment

1. The overall objective of the Competitive and Livable City of Karachi (CLICK) Project, implemented by and under the auspices of the Government of Sindh with the financial support of the World Bank, is to improve the performance of Karachi Local Councils and agencies in urban management, financing, and service delivery; improve the provision of municipal infrastructure, and improve the business environment for private sector development in Karachi.
2. To achieve these objectives, the CLICK project, was initially foreseen for a period of 5 years starting FY 2019/20. has four distinct components:
 1. Performance-based grants (USD 130M) and capacity development (USD 30 million) for Local Councils
 2. Modernization of the urban property tax administration and system (USD 40 million)
 3. Improvement of city competitiveness and business environment (USD 20 million)
 4. Technical assistance for solid waste management (USD 10 million)

These Terms of Reference pertain to Component I, which provides performance-based grants (PBGs) to Karachi local councils upon achievement of specified measures, meant to incentivize LCs to improve their management capacity and enhance city competitiveness. LCs will use the grants to implement infrastructure subprojects and improve services under their mandate, in line with the needs of citizens and the business community.¹

3. In the original design, the investment grant (USD 130M) was further subdivided into two sub-components:
 - A Minimum conditions (MC) infrastructure grant (USD 40 million), to be allocated annually to those local councils that would have met a set of minimum performance standards. The grant was meant to entice the local councils under the program (i.e., Town Municipal Corporation [TMCS], all six and later seven District Municipal Corporations [the DMCs], and Karachi District Council), to establish a basic level of functional systems in the areas of planning & budgeting, inclusiveness, financial management, procurement, and social and environmental management. Councils had to meet all stipulated minimum conditions to access the grant.
 - A Performance Measures (PM) infrastructure grant (USD 90 million), to be allocated equally annually based on given scores against a set of performance indicators. This grant aimed to incentivize LCs to further advance their performance in areas of institutional governance beyond the absolute minimum.

In total, there were 13 minimum conditions divided over 8 themes and 18 performance measures divided over 9 themes. In total, starting Oct/Nov 2020, three full annual performance Assessments (APAs) were foreseen to determine the size of the grants for FY21/22; FY 22/23, and FY 23/24, respectively.

4. During the mid-term review of the project (in May 2022), it was noted regards Component-I that, for a variety of reasons, disbursement was low, whilst the delayed first APA (conducted in early 2022 for grants FY 2022/23) had, equally for various reasons, returned an unsatisfactory outcome in the sense that none of the Local Councils met the minimum conditions, hence resulted in zero grant allocations.

Moreover, with the Local Government Law Amendment (passed on 26 November 2021) and the subsequent notification of the creation of 25 Town Municipal Councils (TMCs) to replace the (7) District Municipal Councils and the (1) Rural council, the institutional and organization set-up at this tier of local government is to be

¹ The Project Appraisal Document (PAD), and notably it's Annex 2 has a more detailed description of the original project design. See: <https://projects.worldbank.org/en/projects-operations/document-detail/P161402?type=projects> under documents.

completely overhauled, as new entities are being established whose performance is to be assessed as part of the PBG-model underpinning Component-I.

For these reasons, several changes are being brought to the project design which will be formalized through a restructuring process which is ongoing. Most of these changes however relate to the TMCs. The TMCs will be subject to an assessment of (revised) minimum grant access conditions (40%) of the annually available amount in FY2024/25. Under the revised set of grant access conditions, both the minimum conditions and the performance indicators are defined as binary – i.e., they are either ‘met or fulfilled’ or ‘not met / not fulfilled’, which is expected to make the assessment easier and more straightforward.

A summary of resource envelopes for Local Councils is provided in the table below.

ALLOCATION OF RESOURCE ENVELOPS				
Grant type	Resource envelop/ Allocation (USD Million)		Disbursed amounts (USD Million)	Status
Capacity Building Grant	2.5 (TMCs) and 0.25 (KMC)			Cycle I completed
Emergency Works	27.00			Completed.
Minimum Condition Grant	TMCs	KMC	0.00	Under preparation, not yet awarded
	32.26	6.50		
Performance Condition grant: (a.	32.25	26		

Source: Finance Section, PIU CLICK LGD.

LCs (TMCs/KMC) will use the infrastructure grant funds to implement subprojects (works) for infrastructure and services in their mandate, as per screening criteria and other procedures described in the Project Implementation Manual (PIM) and other project documents. PIU in collaboration with LCs will be responsible for the design and implementation of subprojects in compliance with the World Bank’s policies on procurement, financial management, anti-corruption, and social and environmental safeguards. Selection, design, and implementation of each subproject will be based on a set of screening criteria as part of a “Project Risk Reduction Procedure” (PRRP), a multi-level screening process that has been built into project design to avoid project-related risks, especially associated with the ongoing anti-encroachment drive (AED), and ensure compliance with the World Bank’s social safeguards policies, specifically the policy on Involuntary Resettlement (OP 4.12). The screening criteria and other aspects of PRRP are provided in this PIM and are also included in the project’s Social Management Framework (SMF) / Resettlement Policy Framework (RPF), and the Environmental Management Framework (EMF).

Consultancy services of a firm will be required for component I of the CLICK project to assess the performance of Karachi Metropolitan Corporation (KMC) and Town Municipal Corporations (TMCs) against the revised Minimum Conditions (MCs) and Performance Measurements (PMs).

Objective

- PIU LGD is seeking the services of a firm for the Annual Performance Assessment (APA) of KMC and TMCs against the revised Minimum Conditions and Performance Measurements for two fiscal years, with the APA to be conducted at the beginning of each calendar year.
- APA firm shall serve as an independent Third Party for assessing the performance of KMC and TMCs against the specified assessment indicators –the MCs and PMs for the respective year. This independent third-party assessment ensures objective assessments, accountability, and quality assurance aspects which are inevitable for the effective and efficient implementation of the project.
- APA results will be the key determining factor in the award of performance-based grants' entitlements to KMC and TMCs under the CLICK project. The APA results of KMC and TMCs will provide the required information and data to the PIU management for determining eligibility and allocation of infrastructure grants (MCs & PMs) in the subsequent year.
- The APA cycle will assess the performance of KMC and TMCs at the end of the previous FY or at the time of assessment for each MC/PM as per the approach and schedule described in the PIM. The APA cycle shall be synchronized with the annual budget cycle to ensure that allocations are reflected in the annual budgets of KMC and TMCs subsequently.

Scope of Services

The scope of work for the present assignment shall comprise but not be limited to the following:

1. Conduct consultative meetings/workshops with PIU Officials. The agenda of these meetings/workshops will comprise introductions, objectives of the APA, methodology, Minimum Conditions and Performance Measures achievement status, etc.
2. The APA firm would conduct a desk review of the existing documents, reports, and Means of Verification (MOV) reflecting requisite compliance against MCs. PIU CLICK LGD would be responsible for furnishing the required documents to the firm for their review.
3. The firm will conduct field visits for data collection/validation to ascertain compliance with Minimum Conditions and Performance Measurements; and the extent of their achievement as per the prescribed results reporting guidelines and templates provided in the PIM.
4. Obtain and assess any documentary evidence submitted by KMC and TMCs intended to provide proof of compliance against MCs and PMs. The APA Firm, where required may request clarifications or further documentation for substantiating the means of verification from KMC, TMCs, and PIU-CLICK LGD.
5. Analyse and validate documentary evidence (MOVs) collected/received from KMC and TMCs/PIU CLICK and gauge compliance against conditions. Meeting all MCs is a pre-requisite for eligibility to PBGs (entitlements). In case the Local Council does not meet all the MCs, which is a pre-condition, they will not be eligible for MCs and PMs Infrastructure grant in that year.
6. Produce and submit a draft APA report of KMC and TMCs as per the agreed schedule containing the following:
 - Compliance or noncompliance with MCs and PMs for the given APA cycle.

- Determination of the extent to which MCs/PMs have been met by the KMC and TMCs for that APA cycle.
 - Documentary evidence to support the results and determination of the assessment.
7. Share the draft final APA report of KMC and TMCs to PIU and the World Bank for initial comments, clarifications, and disagreements (if any) and respond to queries, substantiate findings, if required, conduct rectification, re-verification, and removal of shortcomings or omissions in the assessment if required and requested by the PIU CLICK LGD.
 8. Prepare and submit a final APA report reflecting the performance status of KMC and TMCs against MCs and PMs as per formats and templates prescribed in Annexes of these TOR for the following:
 - Compliance or noncompliance against given years MCs and PMs and determination of eligibility of KMC and TMCs for grant allocations for that APA cycle.
 - All associated documentary pieces of evidence.
 9. Be available to respond to the Client on any complaint or disagreement with the APA assessment results.
 10. Suggestions/recommendations to meet sustainability requirements of institutional strengthening of TMCS.

Schedule of APA

As an example, the following table contains the required details of TMCs 1st APA Cycle.

Description	
Carried out by:	APA Firm
Assessment of:	MCs of TMCs over the period March 2024 to May 2024.
Determines grant allocation for:	2023/24 (MCs Infrastructure Grant only)

Deliverables of the Firm

- Inception Report, outlining detailed work plan and timelines for APA (KMC/TMCs) detailing day-wise activity-specific plan within two weeks.
- Submit a draft APA report of TMCs/KMC for each assessment / grant cycle based on timeline agreed with PIU.
- Submit a final APA report for each grant cycle after incorporating feedback from key stakeholders i-e PIU LGD/WB within four weeks of receiving comments on draft APA report.
- Submit a final consolidated report at completion which would include any addendums to the final report for each grant cycle

In line with the process outlined above. The firm will be responsible for specific deliverables in the following sequence:

1. KMC's APA of MCs and PMs to determine grant allocation for the year 2024-25.
2. TMCs 1st APA of MCs to determine grant allocation for the year 2023-24
3. TMCs 2nd APA of MCs and PMs to determine grant allocation for the year 2024-25.

If any mandatory conditions (MCs/PMs) are found to be unmet during the initial APA assessment, the firm shall reassess those specific unmet MCs/PMs one additional time in coordination with the PIU. This reassessment shall be done within a reasonable timeframe to be mutually agreed upon between the APA firm and PIU. The purpose is to provide an opportunity to meet the initial unmet MCs/PMs before the APA's final determination. Any reassessment shall be documented clearly by the APA firm as an addendum to the final APA report.

Payment Schedule and Terms

The payment terms for the APA cycle are outlined in the table below. Payment to the Firm shall be made on a lump sum basis, inclusive of all expenses, upon submission of required deliverable(s), and as per the indicative schedule as follows (Note: this schedule is indicative, and the final schedule shall be included in the contract between the Client and Firm):

Sr.	Output / Deliverable	Indicative Payment
1	Inception Report	10%
2	Draft APA report of MCs only for TMCs 2023-24	10%
3	Final APA report of TMCs (2023-24) after resolving queries, incorporating feedback and additional assessment, etc.	10%
4	Draft APA report of KMC for the year 2024-25	10%
5	Final APA report of KMC (2024-25) after resolving queries, incorporating feedback and additional assessment, etc.	20%
6	Draft APA report of TMCs for the year 2024-25	10%
7	Final APA report of TMCs (2024-25) after resolving queries, incorporating feedback and additional assessment, etc.	20%
8	Final consolidated APA report incorporating results of additional rounds of PM assessment including addendums (if needed) for a given cycle.	10%

Duration of the Consultancy Assignment

The consultant's services will be required from February 2024 to September 2025 to evaluate the previous year's performance, but their constant, year-round presence is not necessary. This focused engagement will continue until the deliverables of the APA assessment are deemed completed.

Team Composition, Qualification, and Experience

To ensure that APA is conducted in a fair, transparent, impartial, and accountable manner. It is indispensable to form a team that is qualified, experienced, and adept at conducting objective assessments and preparing quality analysis and reports. The firm must consider that the proposed staff is well acquainted with local government planning and budgeting; local Government financial management, and procurement; gender issues and sexual harassment in the workplace; environment and social management/safeguards; competitiveness and a facilitating business environment; citizen and business consultation and engagement; public access to information; and grievances redress mechanisms.

The APA firm must mobilize a team that would comprise of:

- Team Leader (1), preferably a partner in the firm, who will lead the team in the field
- Quality Assurance Specialist, she/he will be responsible for data analysis, description of findings, tabulation, monitoring, and overall quality assurance of the APA process.
- Monitoring and Evaluation Specialist
- Appropriate staff members, including at least two who are full-time employed by the consultant.

Evaluation Criteria

Evaluation criteria are tabulated as under.

Sr. No	Areas of Expertise
1	Experience in Conducting Monitoring and Evaluation of Development Projects as an Independent Third Party. The Firms with relevant experience in institutional capacity building, financial assessment, and compliance of local governments would get prioritized.
2	Track Record
3	Key professional staff dedicated to the project – its qualifications, relevant experience, and competence (CVs will not be evaluated at this stage)

Qualification of the Firm

- The firm must have 10 years of experience in the field of institutional assessments, monitoring, evaluation, impact assessments, budgeting, and financial management,
- The firm must have a proven track record (minimum 2 projects in last 5 years) of conducting independent assessments/evaluations in a development context, focusing on sub-projects on infrastructure and institutional capacity building.
- Experience in capacity building and supporting nascent organizations (government) in project management implementation units in the development context.
- The firm must have in-depth understanding of local government laws, rules regulations, acts, systems, and budgetary processes. Understanding World Bank policies, regulations, and procedures in financial management, procurement, and monitoring and evaluation would be an added advantage.
- The firm must have a dedicated, qualified, and experienced management team with hands-on experience in overseeing financial management, assessment, and evaluations.

Additional Considerations

1. In case of any revisions to the PIM such as modifications to the PM scoring scheme/reporting results, APAs will be conducted under the PIM version applicable at the time of the assessment.
2. Please note the timelines for tasks etc mentioned are contingent upon approval of project re-structuring which is currently under review at the Planning Commission of Pakistan.
3. The APA firm will adhere to the schedule provided by PIU and changes made thereunder depending upon the given situation.

Responsibilities of the Client (PIU)

The Client will provide relevant documents (listed below) to the firms and will facilitate meetings with stakeholders including concerned LCs including an arrangement of kick-off meetings. The Client will organize and finance any stakeholder workshops. The Client will ensure that the TMCs are properly briefed on the annual performance assessment, its purpose, content, and the collaboration expected from TMCs.

Responsibilities of the Firm

- The APA firm shall determine how best to report on each TMC assessment results considering the given MCs, PMs, and scoring guidelines. The use of the provided conditions, as prescribed in the Annexes of these TORs (and may be updated in PIM, upon which the latest PIM version conditions would be applicable), is mandatory.
- The APA Firm will arrange its own logistics and other facilities outside the office for this assignment, including travel/transport and ICT equipment, and the Client will not reimburse the firms for expenses related to any travel undertaken or equipment purchased for the purposes of carrying out the assignment.
- The Firm will be responsible for payment of all applicable taxes or excise duties, and the Client will not be responsible for any such liability. The bid submitted by the Firm shall be inclusive of all costs, overheads, fees, applicable taxes, and duties.

Documents to be provided by the Client

1. Project Appraisal Document (PAD) of World Bank
2. Up-to-date and current Project Implementation Manual (PIM) (relevant sections), as well as any applicable and updated versions of PIM during project implementation, as and when available
3. Environmental Management Framework (EMF) of the Project
4. Social Management Framework (SMF) of the Project, including Resettlement Policy Framework (RPF)
5. Any other material considered relevant during the conduct of this assignment

MCs And PMs

- For KMC

MCs	Details of MCs
1.	The KMC has signed the CLICK participation agreement
2.	Designated focal person for Environment and Social Safeguards management in place
3.	The KMC has opened a dedicated CLICK account (at a commercial bank)-to receive CB grant
4.	The TMC has two designated CLICK focal point officers (one for engineering and one for finance/procurement).
5.	The KMC council has approved a prioritized investment list for CLICK projects for next FY.
Total Score	40 Points

Thematic area	Performance Measurements (Indicators)			Points Allocated
I. Financial Management	1.	1.1	The KMC has submitted its annual statements of accounts to the councils by 15th September.	6.0
	2.	1.2	Asset Inventory developed for all movable and immovable assets of KMC, and update yearly.	8.0
	3.	1.3	The KMC has an officially authorized approved annual procurement plan for current FY.	8.0
	4.	1.4	The KMC has prepared an OSR improvement plan that is updated regularly.	8.0
II. Citizen engagement and private sector consultative for a	5.	2.1	The KMC has prepared its Click investment project list for the FY 24/25 following a number of (planning) steps, yet to be specified by PIU, including consultations with citizens.	10.0
	6.	2.2	Schedule 6, Clause 139 of the SLGA 2013 is implemented and inspectors are appointed.	10.0
	7.	2.3	The KMC has established a Local Business Consultation forum, for which at least one meeting was held as part of the CLICK planning /budgeting process for next FY.	10.0

PMs					60.0
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For TMCs

MCs Capital Grant for TMCs (40% allocation in second cycle)	
MC-1	The TMC signed the participation agreement upon resolution of its Council
MC-2	The TMC has a dedicated office, office address, phone number(s) and website
MC-3	The TMC has two designated CLICK focal point officers (one for engineering and one for finance/procurement)
MC-4	The TMC council has approved a prioritized investment list for CLICK projects for FY 24/25
MC-5	Workplace harassment Inquiry Committee appointed and functional according to legal provisions

Theme	Performance indicators			% of allocation against PMs (60% allocation)	
I. Financial Management	1	1.1	The TMC had closed its cashbook for the previous FY by the 31st of July (incl. bank reconciliations)	5.0%	30%
	2	1.2	A simplified asset register, following the format to be provided, is available	5.0%	
	3	1.3	The TMC has an officially authorized annual procurement plan for the current FY	5.0%	
	4	1.4	The TMC annual budget for this FY 2023/24 uses the Standard Chart of Accounts	15.0%	
II Citizen engagement and private sector consultative fora	5	2.1	The TMC has prepared its CLICK capital investment project list for the FY 24/25 following a number of (planning) steps, yet to be specified by PIU, including consultations with citizens	10%	30%
	6	2.2	The TMC's website is accessible and has been regularly updated	10%	
	7	2.3	The TMC has established a Local Business Consultation forum, for which at least one meeting was held as part of the CLICK planning / budgeting process for FY 2024/25	10%	