

Pakistan : Karachi Water and Sewerage Services Improvement

1. Project Information

Project ID:	P000082	Instrument ID:	L0082A
Member:	Pakistan	Region:	Southern Asia
Sector:	Water	Sub-sector:	Water supply, sanitation, and wastewater treatment
Instrument type:	<input checked="" type="checkbox"/> Loan:40.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	World Bank
ES category:	B	Borrowing Entity:	Ministry of Finance, Pakistan
Implementing Entity:			
Project Team Leader:	Ghufran Shafi		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Liu Yang, Project Counsel; Rui Xiang, OSD - Financial Management Specialist; Zhixi Zhu, OSD - Environment Specialist; Jingrong He, OSD - Procurement Specialist; Yanyang Shi, Project admin		
Completed Site Visits by AIIB:	Oct, 2019 Mar, 2020 Sep, 2020 Virtual Mission Aug, 2021 Virtual Mission Mar, 2022 Virtual Mission Jun, 2022 Physical Mission was carried out to Karachi Mar, 2023 Physical Mission was carried out		
Planned Site Visits by AIIB:	Aug, 2023 Planned Mission		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/11		

2. Project Summary and Objectives

The project Objective is to improve access to safe water services in Karachi and increase Karachi Water and Sewerage Board (KWSB) financial and operational performance.

The Project is supporting infrastructure rehabilitation, capacity building of KWSB, and improvements to the enabling

environment for mobilizing private finance and enhancements in services delivery. It is helping to improve Karachi's water and sewerage services delivery through upgrading of critical infrastructure; build technical and managerial capacity of KWSB; and expand the water and sanitation services to impoverished areas of Karachi. The project is expected benefit two million residents of Karachi (50% of which are women) through provision of sustainable water and sewerage services. KWSB will benefit through institutional reforms and increased revenue. The Project activities are grouped in following three components:

- **Operational and Enabling Environment Reform:** This component will build KWSB technical and managerial capacity and improve operational performance. The component will also prepare and implement planned enabling environment reforms – including improved institutional performance and operational autonomy – by supporting various activities including: revenue management, customer care, non-revenue water reduction, institutional reforms, social sector policy and Katchi Abadi (informal settlements) program.
- **Infrastructure Investments:** This component will support investments in water and sewerage infrastructure, mostly rehabilitation of existing infrastructure. The activities will be implemented through a framework approach that guides the selection of capital investment according to an established criteria. This component will also support measures to improve energy efficiency in KWSB's pumping stations and treatment plants.
- **Project Management and Studies:** This component will support project management costs including contract management; as well as the preparation of subsequent phases, including the preparation of safeguards documents, feasibility studies and tender documents.

3. Key Dates

Approval:	Sep. 26, 2019	Signing:	Dec. 11, 2019
Effective:	Feb. 24, 2020	Restructured (if any):	
Orig. Closing:	Jun. 30, 2025	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	18.56	Most recent disbursement (amount/date):	2.46/Apr. 17, 2023
Undisbursed:	21.44	Disbursement Ratio (%) ¹ :	46.40

5. Project Implementation Update

The implementation of KWSSIP-1 under both reforms and capital works are underway. On the reforms side, a revised representative Board has been notified which is meeting regularly. The Provincial Assembly approved the new Karachi Water and Sewerage Corporation (KWSC) Bill, 2023, to transform the entity into a Corporation. Adoption of the new Act to strengthen corporate governance in KWSC and improve its operational and financial autonomy is a major result under the reforms component of the project. A new Chief Executive Officer and Chief Operation Officer have been appointed through a competitive process. While the selection process for Chief Financial Officer, Chief Information Technology Officer, Chief Internal Auditor, and Secretary of the Board is in process.

On capital works, procurement is advancing but the progress has been slow for non-emergency works. Internal approvals and processes (especially in procurement document preparation and evaluations) are long and causing delays. To improve the PIU's performance, the WB is organizing regular review meetings to improve the performance through timely problem-solving and providing support as needed. Additionally, some of KWSB's

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

critical infrastructure was affected by the intense summer rainfalls and needed immediate rehabilitation. About USD39 million has been redirected to rehabilitate some of the critical infrastructure damaged by floods including protection works for GK conduit, which supplies almost 50% of the bulk water to Karachi. USD12.5 million worth of emergency works to rehabilitate/repair critical water and sewerage infrastructure have also been contracted, while USD17 million of works relating to critical bulk water supply are under evaluation, with target contracts signing in July-August, 2022. In good contracts, two batches of sewer suction and jetting trucks (totaling USD11 million) have been contracted and first batch has been delivered.

A Mid-Term Review (MTR) was carried out in March 2023, which concluded that the first outcome (access to safe drinking water) is on track and can be achieved provided there is no more slippages in capital works. However, the second outcome (Operations and Maintenance, O&M, cost recovery) is off-track because of delays in implementing revenue enhancement investments. Therefore, it was agreed to revise the target from 100% to 80%. Revisions in the targets for intermediate output indicators were also done during the MTR.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Operational and Enabling Environment Reforms	Critical activities that are under procurement include: Institutional Reform Studies (including HR reforms, Billing/Collection System, FM Best Practices and Asset Management). Evaluation is complete and contract will be signed after WB's approval. Update of KWSB Master Plan. The Technical Evaluation Report is pending WB's approval	An Environmental Management Framework (EMF) and a Social Management Framework (SMF) which also includes a Resettlement Policy Framework (RPF) have been prepared. The consultant is carrying out ES screening of sub-projects and preparing ES documents for sub-projects as per the EMF and SMF. Environmental and Social Screening is being conducted for each subproject. The Environmental and Social Management Plans for some of the subprojects are being prepared while some have been completed and approved by the WB.	Procurement is generally slow because of long internal approvals and evaluation. WB is organizing bi-weekly review meetings to expedite the performance. An action plan with time-bound actions was agreed.
Component 2: Infrastructure Investments	USD11 million of goods and USD12.5million of civil works have been procured and are under implementation. USD17 million of capital works will be contracted in Q3, 2023. The bids for another large contract for provision of bulk flow meters (USD10 million) have been found technically non-responsive. The package is expected to be re-tendered.	An Environmental Management Framework (EMF) and a Social Management Framework (SMF) which also includes a Resettlement Policy Framework (RPF) have been prepared. The consultant is carrying out ES screening of sub-projects and preparing ES documents for sub-projects as per the EMF and SMF. Environmental and Social Screening is being conducted for each subproject. The Environmental and Social Management Plans for some of the subprojects are being prepared while some have been completed and approved by the WB.	Procurement is generally slow because of long internal approvals and evaluation. WB is organizing bi-weekly review meetings to expedite the performance. An action plan with time-bound actions was agreed.
Component 3: Project	Project Management Firm has been engaged	An Environmental Management Framework (EMF) and a Social	PPP Node Legal Specialist, Financial Specialist and CSO

Management and Studies	and providing services. Some of the contracting for PIU staff is ongoing.	Management Framework (SMF) which also includes a Resettlement Policy Framework (RPF) have been prepared. The consultant is carrying out ES screening of sub-projects and preparing ES documents for sub-projects as per the EMF and SMF. Environmental and Social Screening is being conducted for each subproject. The Environmental and Social Management Plans for some of the subprojects are being prepared while some have been completed and approved by the WB.	hired by end June.
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Financial Management:

The FM review concluded that FM rating is retained at Moderately Satisfactory. Adequate financial management arrangements are in place.

The annual audit report for the financial year ended June 30, 2022, was submitted and deemed to be acceptable by the Bank and WB. The Auditors issued an unqualified (clean) opinion on the financial statements. However, a few findings and observations were noted by the auditors, highlighting the need for improving internal controls, cost controls, and operational efficiencies. The Project has acknowledged these recommendations and is working towards implementing necessary changes. The next audit report for the financial year ended June 30, 2023, will become due by December 31, 2023.

6. Status of the Grievance Redress Mechanism (GRM)

The PMU has established the Grievance Redress Committee (GRC) with PMU staff and a representative from an NGO as members. Information about this GRC has been publicized. KWSB's existing GRM system is applicable for this Project. Grievances associated with this Project but received through the existing GRM system will be diverted to the GRC.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

NA

Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments		
			Baseline		2019		2020		2021		2022		2023		2024		2025		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year				Target	Actual
Persons (of which females) provided with access to drinking water uncontaminated by fecal coliforms under the project	Project	Number (Females)	2019	0	0		0		50,000 (25,000)		150,000 (75,000)		500,000 (250,000)		1,000,000 (500,000)		2,000,000 (1,000,000)		2,000,000 (1,000,000)		Annually	KWSB		
Coverage of Operation & Maintenance Costs	Project	Percent	2019	59.0	59.0		59.0		62.0		68.0	69	74.0		80		80		80		Annually	KWSB/Auditor		
KWSB Act amended to increase KWSB's financial and operational autonomy	Project	Yes/No	2019	No	No		No		No		Yes	yes	Yes	yes	Yes	yes	Yes		Yes		Annually	KWSB		

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments		
			Baseline		2019		2020		2021		2022		2023		2024		2025		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year				Target	Actual
New customer service centers opened that are adequately staffed including a separate desk for women	Project	Number	2019	0	0		0		2		3		4		5		6		6		Annually	KWSB		
Informal settlements provided with improved water and sewer services by KWSB under the project	Project	Number	2019	0	0		0		0		0		0		0		1		1		Annually	KWSB		

Piped household water connections affected by rehabilitation works undertaken under the project	Project	Number	2019	0	0											400,000			400,000	Annually	KWSB	
Kilometers of sewerage network rehabilitated	Project	Kilometers	2019	0	0		0		0		0		10		30		35		35	Annually	KWSB	
Non Revenue Water Reduction	Project	Cubic meters/year	2019	0	0											32,000,000.00			32,000,000.00	Annually	KWSB	