

Project Implementation Monitoring Report (#7)

Reporting Period From 2024/01 To 2024/06

Pakistan : Karachi Bus Rapid Transit Red Line Project

1. Project Information

Project ID:	P000162	Instrument ID:	L0162A
Member:	Pakistan	Region:	Southern Asia
Sector:	Transport	Sub-sector:	Urban transport
Instrument type:	<input checked="" type="checkbox"/> Loan:71.80 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	Asian Development Bank
ES category:	A	Borrowing Entity:	Ministry of Finance, Pakistan
Implementing Entity:	TransKarachi; Sindh Mass Transit Authority		
Project Team Leader:	Wenjing Pu		
Responsible DG:	Konstantin Limitovski		
Responsible Department:	PSC2		
Project Team Members:	Liu Yang, Project Counsel; Yogesh Malla, SFD - Financial Management Specialist; Guoping Yu, SFD - Procurement Specialist; Sabah Iqbal, SFD - Environment Specialist; Muzaffar Ahmad, SFD - Environment & Social Development Specialist; Manuel Benard, Back-up PTL; Jiaming Yu, Project admin		
Completed Site Visits by AIIB:	Jun, 2022 June 17-21, 2022 (Ghufran Shafi and Ibad ur Rehman). Note: As the focal point of INF2 Pakistan portfolio, Ghufran visited Karachi for loan review missions of a few projects, including Karachi Bus Rapid Transit Red Line Project. Sep, 2022 September 19-20, 2022 (Yaxin Yan, Manuel Benard, Tahir Sheikh), Loan Review Mission May, 2023 May 11-12, 2023 (Tahir), Loan Review Mission Jun, 2023 June 7-9, 2023 (Tahir Sheikh, Mudassar Hassan, Ansar Abbas) Operational Health and Safety review mission. Dec, 2023 Dec. 11-15, 2023 (Yaxin, Manuel, Tahir, Guoping, Muzaffar and Sabah), Mid-term Review Mission		
Planned Site Visits by AIIB:	None		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2023/12		
Brief justifications for assigned red flags:	The project faces significant delays, occupational health and safety (OHS) issues, contract variations, and institutional challenges, thus needs to closely monitor these issues and		

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	promptly resolve them.
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2. Project Summary and Objectives

The objective of the Project is to provide an efficient and sustainable public transport system in Karachi by delivering the city's Red Line Bus Rapid Transit (BRT) corridor.

The Project will improve the public transport system in Karachi through efficient and safe connectivity and reduced journey times, and will provide high quality, accessible and affordable mass transit. The planned activities under the project are (1) delivering (i) the 24.2-kilometer (km) Red Line main corridor, (ii) a 2.4-km section of the common corridor along with all BRT lines merged in the city center and (iii) off-corridor direct and feeder service routes connecting the corridor to communities; and (2) establishment of BRT operations, including procurement of compressed natural gas-hybrid fleet and systems.

Total Project cost is USD503.2 million and co-financed by ADB (USD235 million), AFD (USD71.8 million), GCF (USD49 million), GoS (USD75.6 million) and AIIB (USD71.8 million).

3. Key Dates

Approval:	Nov. 11, 2019	Signing:	Feb. 24, 2021
Effective:	Apr. 13, 2021	Restructured (if any):	
Orig. Closing:	Jun. 30, 2024	Rev. Closing (if any):	Jun. 30, 2026

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	8.22	Latest disbursement (amount/date):	0.72/Jun. 12, 2024
Undisbursed:	63.58	Disbursement Ratio (%) ¹ :	11.44

5. Project Implementation Update

Physical Progress. The progress of Lot 1 and Lot 2 civil works for the project has been significantly slower than planned, with only 9.46% and 15.3% physical progress achieved compared to the target of 55% and 51% respectively by June 2024. Delays in resolving land issues, finalizing designs, relocating utilities, processing cost escalations, safety issues have led to the slow pace.

Occupational Health and Safety (OHS). The project sites were temporarily closed since December 2023 and regular works were on hold to focus on OHS improvements only. An OHS audit led by ADB took place in January 2024 and a follow-up audit in April 2024. Based on the audit, selective sites have been partially opened for contractors to work on. As of early June, four sites for Lot-1 and Lot-2 contractors, respectively have been opened.

Contract Variation. The supplementary contract agreements with the contractors have been signed with both Lot-1 and Lot-2 contractors in May, 2024. The contractors have agreed to the 7.5% advance payment and 70:30 cost escalation ratio. The supplementary agreement introduces penalties of up to 3% off the Interim Payment Certificate (IPC) for OHS non-compliance, which is a significant milestone. Separately, the design for the relocated depot is in process, the cost changes due to design shall be processed as variation orders.

Institutional. Staffing wise, a third party (ENI) is conducting pre-screening for CEO shortlist and the report will be submitted to TransKarachi BOD. TransKarachi BOD HR Committee will decide in upcoming meeting for

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.

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readvertising the CFO position.

Project Cost. Given significant cost escalation, the project is likely to require additional funding. The quantum of additional funding required is being determined. The lenders have indicated the need to see better performance in terms of completion rates with the existing scope as well as better disbursement performance before considering additional financing.

Components	Physical Progress	Environmental & Social Compliance	Procurement
<p>Component A. Construction of Karachi Red Line BRT Corridor and Associated Facilities</p>	<p>Construction progress by Lot 1 and Lot 2 contractors has been significantly delayed. The contractors have been affected by the devaluation of the Pakistan rupee and the resulting national inflation, the delay in resolving land issues, finalizing designs, relocating utilities, and Occupational Health and Safety issues.</p> <p>Currently, Lot 1's physical progress is at approximately 9.46%, while Lot 2 has reached around 15.3%. During the Mid-term Review, Contractors were urged to speed up construction while the pending issues are being resolved by TK. Revised completion date for both Lots have been scheduled for March 2026.</p>	<ul style="list-style-type: none"> • ES documents for both Lot 1 and Lot 2 have been prepared and disclosed. • Draft RP and ESIA for Common Corridor is developed based on preliminary design and needs to be updated once final design is completed. The environmental clearance from local provincial government is still pending for • Contractors' Site-specific ESMPs (SSESMPs) for Lot 1 and 2 have been prepared. • Tree plantations have a low survival rate of 30% as compared to target rate of 65%. • Works have now resumed in selected sub-sections where safety performance has improved. These include hard barriers at site, improved Traffic Management Plan and signage, Safe Work Method Statement, Permit to Work templates and basic OHS Training Needs Analysis. • Out of 697 displaced persons, 567 are absent and have left the project area without claiming compensation. Multiple strategies are being employed to trace and compensate the absent DPs, including advertisements in newspapers, collaboration with local authorities, public announcements, and the involvement of the Displaced Persons Committee (DPC). The client has demonstrated that they have tried to reach out and contact all missing DPs in good faith. • Trans-Karachi has initiated the process to secure the unused 	<p>Procurement for Project Management and Construction Supervision Consultant (PMCSC) and Civil Works (Lot 1 & Lot 2) completed.</p> <p>The progress of Lot 1 and Lot 2 civil works for the project has been significantly slower than planned. The supplementary contract agreements with the contractors have been signed with both Lot-1 and Lot-2 contractors in May. The contractors have agreed to the 7.5% advance payment and 70:30 cost escalation ratio. Separately, the design for the relocated depot is in process, the cost changes due to design shall be processed as variation orders.</p>

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		<p>compensation budget by opening an escrow account. This ensures that funds are reserved and available when the DPs are located and verified. If the DPs remain untraceable despite these efforts, the funds in the escrow account will remain until all feasible options to locate and compensate the DPs are exhausted.</p> <p>A detailed summary on ES review is provided in Section 11 'Others'.</p>	
Component B. Establishment of BRT Operations	Component B is under planning stage, it involves operation of BRTs, including procurement of fleet and operating systems. The tendering documents for system control is to be finalized in 2024 by TransKarachi.	Same as above. (ES documentation and monitoring covers both construction phase and BRT operations)	No contracts have been awarded under this component. Procurement for biogas plant, system control company, vehicle operating company are planned to be undertaken in June 2024, March 2025 and December 2025 respectively.

Financial Management:

The audited project financial statements (APFS) FY2023 was received on 28/12/2023. The APFS was reviewed and found acceptable including unqualified audit opinion. AIIB has suggested ADB/TransKarachi to provide consolidated APFS for next year onwards instead of individual Donor basis. ADB noted that the cost categories in the APFS do not align with the cost categories specified in the Project Administration Manual. This discrepancy poses challenges in accurately reconciling the actual project costs with the estimated costs. In addition to the APFS, the auditor also issued Management Letters with several key internal control issues. ADB has requested TransKarachi to provide Action Plan aimed to resolve the raised issues with estimated resolution dates by FY 2024. The disbursement is substantially low compared to plan/target. As informed, the volatile exchange rate variations/fluctuations have highly impacted on input costs.

6. Status of the Grievance Redress Mechanism (GRM)

An integrated GRM for environment and social was established and functional at the project level to facilitate amicable and timely resolution of complaints and grievances, including local communities regarding the social, environmental, and resettlement aspects of the project. A Grievance Redress Committee has been established. During the reporting period, a total of 44 complaints were received. Out of these 11 complaints were received from Lot I and Lot II workers. These complaints are about delays in salaries, poor sanitation facilities, unsafe drinking

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water, and unhygienic food conditions. To date, all of the workers' complaints have been resolved by the contractor. The remaining 33 complaints were received from PAPs. These complaints included missing names in the PAPs list (14), correction of compensation cheques (3), enhancement of compensation amount (7), and disturbance to business due to construction work debris outside their shops (8), and two complaints from affected communities regarding a damaged water pipeline during construction work by the contractor. All of these complaints have been resolved except for three cases in which DP verification is required.

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

The BRT lines are still in planning and construction phase. TK has indicated a request to further extend the project timeline. AIIB is working with the lead co-financier ADB team to update the result monitoring framework in alignment with revised project completion timeline as it gets finalized. The current works completion date is December 31, 2025 as the loan completion date is June 30, 2026. The co-financiers have requested TK to provide a revised work completion schedule and put forward a request for loan extension as needed.

Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																			Frequency	Responsibility	Comments										
			Baseline		2019		2020		2021		2022		2023		2024		2025		2026		End Target													
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year				Target	Actual								
Number of passengers carried, as measured by the average daily ridership, of whom at least 15% are women.	Project	People, million	2019	0	0																	2026	0.32											The BRT lines are still in planning and construction phase.
Increased average bus commercial speeds on the BRT corridor.	Project	km/hr	2019	12.2	12.2																			2026	25.0									
Reduced GHG (Green House Gas) emissions by using CNG (Compressed Natural Gas)-hybrid buses.	Project	Metric ton of CO2eq	2019	0	0																			2026	77,979.0									

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values													Frequency	Responsibility	Comments																
			Baseline	2019	2020	2021	2022	2023	2024	2025	2026	End Target																						

			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Construction of 22-km main corridor and 2.4-km common corridor.	Project	km	2019	0	0																2026	26.6				