

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	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; Yangzom Yangzom, OSD - Procurement Specialist; Yanyang Shi, Project admin		
Completed Site Visits by AIIB:	Oct, 2019 Mar, 2020 Sep, 2020 Virtual Mission Aug, 2021 Virtual Mission Jun, 2022 Physical Mission was carried out to Karachi Mar, 2022 Virtual Mission		
Planned Site Visits by AIIB:	Jun, 2023 Mission will be planned in 2023		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/04		

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:

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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.

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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.

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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:	3.09	Most recent disbursement (amount/date):	2.00/Feb. 16, 2021
Undisbursed:	36.92	Disbursement Ratio (%) ¹ :	7.71

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. Two other key actions relate to (i) KWSB Act, and (ii) Senior Management at KWSB. The new Act aims to strengthen corporate governance at KWSB and improve its operational and financial autonomy. The government through the assistance of WB has drafted the new Act which is presently reviewed internally by various government departments (including Local Government and Law departments). The Government is trying to build consensus among major political parties to be able to legislate the new Act when it is tabled in the provincial Assembly. The tentative timeline for the approval remains 2022. Key management positions of KWSB including Chief Executive Officer (CEO), Chief Operating Officer (COO), and Chief Internal Auditor (CIA) are to be recruited competitively from market. The CEO and COO positions have been recruited through a headhunting firm. On capital works, procurement is advancing but the progress has been slow. Internal approvals and processes (especially in procurement and evaluations) are long and causing administrative

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.

delays. To improve the PIU's performance, the WB has agreed to organize bi-weekly review meetings to improve the performance. Additionally, some of KWSB's critical infrastructure was affected by the intense summer rainfalls and require immediate rehabilitation. PMU has revised the investment plan to include emergency flood activities to rehabilitate critical water and sewerage infrastructure (thereby affecting the tendering of other regular investment packages). USD12.5 million worth of emergency works to rehabilitate/repair critical water and sewerage infrastructure are being procured with target contracts signing in December, 2022. A second batch of sewer suction and jetting trucks (about USD5million) has also been recently contracted. Disbursement has been slow due to these changes, but a Withdrawal Application (about USD13million) is under process which will significantly improve disbursement ratio.

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), and Update of KWSB Master Plan.	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.	Procurement is generally slow because of long internal approvals and evaluation. WB is organizing bi-weekly review meetings to expedite the performance.
Component 2: Infrastructure Investments	A second batch of sewer suction and jetting trucks (about USD5million) was recently contracted in addition to the first batch of machinery which has been delivered. USD12.5 million of emergency works to repair the critical water and sewerage infrastructure will be procured in December, 2022. Another large contract for provision of bulk flow meters (USD10 million) has been tendered out.	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.	Procurement is generally slow because of long internal approvals and evaluation. WB is organizing bi-weekly review meetings to expedite the performance.
Component 3: Project Management and Studies	Project Management Firm has been engaged and providing services.	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-	PMCF has been procured

projects as per the EMF and SMF.

Financial Management:

The FM review concluded that FM rating is retained at Moderately Satisfactory. The suggestion on the internal audit and cash forecast were made to implementing entity to improve PMU budget utilization and record keeping. The KWSSIP Statutory Audit for the FY 2020-21 (financial year ended June 30) was conducted by the Director General of Audit and deemed to be acceptable to the Bank and WB. The next audited financial statement for FY 2021-22 will be due Dec 31, 2022. The Interim Financial Reports (IUFR) ended June 30, 2022 for the AIIB component has been reviewed by the Bank, it was observed that the utilization rates of WB and AIIB funds are not the same as per the agreed co-financing shares 50:50 in project agreement. The actual expenditure for the year shows a mismatch of 328 million PKR less spent from AIIB funds. This is mainly due to the emergency works for the flood response activities using WB funds, FM staff were guided to minimize the gaps and committed to matching expenditure from both sources before the end of the year once the flood response activities are finalized.

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

NA

Project Objective Indicators #1

Persons (of which females) provided with access to drinking water uncontaminated by fecal coliforms under the project

Year	Target	Actual	Comments, if any
Jun. 30, 2025	2000000	NA	

Project Objective Indicators #2

Coverage of Operation & Maintenance Costs (Percent)

Year	Target	Actual	Comments, if any
Jun. 30, 2025	100 %	NA	

Project Objective Indicators #3

KWSB Act amended to increase KWSB's financial and operational autonomy

Year	Target	Actual	Comments, if any
Jun. 30, 2025	Yes	NA	

Intermediate Result Indicators #1

New customer service centers opened that are adequately staffed including a separate desk for women

Year	Target	Actual	Comments, if any
Jun. 30, 2025	6	NA	

Intermediate Result Indicators #2

Informal settlements provided with improved water and sewer services by KWSB under the project

Year	Target	Actual	Comments, if any
Jun. 30, 2025	3	NA	

Intermediate Result Indicators #3

Piped household water connections affected by rehabilitation works undertaken under the project

Year	Target	Actual	Comments, if any
Jun. 30, 2025	400000	NA	

Intermediate Result Indicators #4

Kilometers of sewerage network rehabilitated

Year	Target	Actual	Comments, if any
Jun. 30, 2025	160	NA	

Intermediate Result Indicators #5

Non Revenue Water Reduction (cubic meters/year)

Year	Target	Actual	Comments, if any
Jun. 30, 2025	32000000	NA	

Remarks: