I. Introduction

Pakistan is one of the world’s highly populous countries with a total population of 207 million people. As a lower-middle income country, with a Gross Domestic Product (GDP) of USD1,629 per capita, the country’s macroeconomic situation has shown a steady improvement. This is demonstrated by an accelerating GDP growth that started since 2010 and reached a rate of 5.3 percent in FY16-17. Growth in Pakistan has generally been pro-poor over the past 15 years which has somewhat helped in reducing the country’s poverty level. Despite this, signification population of the country is still marginalized and vulnerable.

Urbanization rate in Pakistan is high. Nearly two-fifths of population are presently living in urban centers and it is expected that urbanization will reach 50 percent in the next 15 years. However, rapid and unplanned urbanization is a major challenge for the country since provision of urban services and development of urban infrastructure are unable to keep pace with urbanization and population growth. Inadequate urban services increase business costs, discourage potential investment, damage the urban environment and eventually hinder economic growth. The Government of Pakistan has outlined its commitment in addressing these challenges in its vision – Pakistan Vision 2025 – by focusing on achieving sustained, indigenous and inclusive growth to spawn development of smart cities with comprehensive and reliable urban amenities.

Karachi, the capital of Sindh province, is the largest city and the economic center of Pakistan. Relying on manufacturing, trade and services, Karachi is central in the national economy, contributing 15 percent to the country’s GDP. Its economy has steadily grown and per capita income is the highest in the country. Yet, the city is characterized by informal settlements and there is a proliferation of informal service providers. It is continuously urbanizing at the expense of green and open spaces but the city’s infrastructure and basic municipal services, including water and sanitation, are unable to keep up with the rapid growth of the city.

Achieving water security and improving basic municipal services require appropriate investment in infrastructure, institutional capacities and project management. New management approaches are needed to deliver well defined and predictable urban services for the citizens’ needs. The challenge is to put the development of urban sectors at the forefront to improve the services delivery in large urban centers by not only investing in new infrastructure but also rehabilitation of the existing one. At the same time, modernization of the management techniques and institutional reforms have to be initiated to provide a platform to develop resilient, reliable and sustainable delivery of municipal services.

II. Project Objectives and Expected Results

The Project Objectives are: (i) raising KWSB’s operational capacity to deliver safe and reliable water service on a sustainable and predictable basis to all its customers; (ii) restoring KWSB’s operations to financial stability; and (iii) establishing an enabling environment for future private sector investments in water supply and wastewater treatment.
III. Project Description

The Project will concentrate on improving water and wastewater service delivery; building technical and managerial capacity; upgrading infrastructure; enhancing level of service; and expanding the services to the residents of Karachi. The Project has three components:

1. Reforms
   This component will support reforms within KWSB such as design and implementation of a communication program; an inclusive customer services and relations regime; regional customer service centers; a stakeholder identification and engagement program; an institutional reform program for improved service delivery, accountability and possible outsourcing options; and customer identification surveys. To increase revenue generation and efficiency, the Project will support new billing and collection system prioritizing large customers; a tariff study; a new Human Resource system; Non-Revenue Water (NRW) control program including meter maintenance program; and an asset management program. Sustainability of reforms will be ensured by complementary support in technical matter. The Project will also assist in devising a strategy to improve services to areas which are currently not served or underserved by KWSB.

2. Securing Sustainable Water Supply and Sanitation
   This component will assist KWSB to improve the water supply and sewerage services in Karachi.
   - **Wastewater.** This sub-component will support increasing the capacity of the sewage system by constructing 180 million gallons per day wastewater collection and treatment infrastructure in the Malir river basin as part of Greater Karachi Sewerage Project, S-III. This involves construction of interceptors that run along Malir river, trunk sewers and a new sewerage treatment plant. This sub-component will also support rehabilitation of priority sewerage networks for safe disposal of sewage and reduction of energy consumption at sewage pumping stations.
   - **Water Supply.** This sub-component will improve the distribution system in targeted low-income communities for improved service delivery; and support rehabilitation of the existing and construction of new water treatment plants for potable use through providing gap financing. The Project will also assist KWSB to reduce NRW through installation of bulk meters for large customers; pilot District Metering Areas in target localities where domestic metering would be introduced; and rehabilitate priority water supply networks.

3. Project Management and Studies
   The component will mainly support the technical studies, engineering designs, preparation of tender documents and implementation support for component 1 and 2. Water resource and water balance studies for Karachi will look into potential for alternative water sources such as reclaimed wastewater, in particular for industrial use, and seawater, via desalination. The component will also support the KWSB to enhance institutional capacity through staff training and other capacity building tools.

IV. Environmental and Social Category

The Project will be co-financed with the World Bank (WB) who will be the lead financier of the Project. The WB’s Environmental and Social Safeguard Policies (Safeguard Policies) will be applied to the Project since (i) they are consistent with the Bank’s Articles of Agreement and materially consistent with the provisions of the Bank’s Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that the WB has in place to ascertain compliance with its Safeguard Policies are appropriate for the Project. Under the WB’s Safeguard Policies, the Project has been assigned Category A. A full Environmental and Social Impact Assessment (ESIA) and corresponding management plans will be prepared for physical civil works under Component 2. For those sub-projects to be identified and confirmed during the implementation phase, the Environmental and Social Management Framework (ESMF) will be prepared to detail the processes and procedures to be followed.

V. Project Cost and Financing Source (in USD million)

The Project is estimated to cost USD400 million. The financing sources are as follows:
### Implementation

As the lead financier of the Project, WB will administer the Bank’s loan on behalf of the Bank, including procurement, disbursements, environmental and social compliance, and project monitoring and reporting.

Project Implementation Period: July 2019 – June 2024.

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