

## 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:	Yaxin Yan		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Liu Yang, Project Counsel; Yogesh Malla, OSD - Financial Management Specialist; Guoping Yu, OSD - Procurement Specialist; Muzaffar Ahmad, OSD - Environment & Social Development Specialist; Sabah Iqbal, OSD - Environment 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:	0		
Previous Red Flags Assigned Date:	2023/06		

### 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:	6.61	Latest disbursement (amount/date):	0.51/Dec. 07, 2023
Undisbursed:	65.19	Disbursement Ratio (%) <sup>1</sup> :	9.20

### 5. Project Implementation Update

The progress of Lot 1 and Lot 2 civil works for the project has been significantly slower than planned, with only 5.46% and 8.30% physical progress achieved compared to the target of 64.5% and 81.21% respectively by December 2023. Delays in resolving land issues, finalizing designs, relocating utilities, and processing cost escalations have contributed to the slow pace. The availability of depot sites for construction has been a challenge, with only partial handover completed. TK confirmed that utilities relocation issues have now been largely resolved, allowing for progress in construction. TK has proposed a recovery plan to accelerate construction, but additional mobilization advance and cost escalations are required for the contractors to work at an enhanced pace. Contractors were urged to speed up construction while the pending issues are being resolved by TK. TK has put forward a possible revised works completion on June 30, 2027, this would lead to an extension of the loan. International financing institutions will engage a dialogue to take a decision based on the implementation of Occupational Health and Safety (OHS) measures and situation of works in January 2024.

Environmental and social aspects have been adequately managed, but improvements are needed in tree plantation activities, safety measures, and gender inclusivity. Serious concerns have been raised regarding OHS on the project, leading to the instruction to stop regular work to focus on safety improvements only. Request on safety action plan and appointment of a specialized OHS resource have been made to TK. Procurement updates and strengthening of procurement capacity have been recommended to ensure efficient project management. Revised cost estimates and disbursement schedules is under formulation, with an expected disbursement of USD21.5 million in 2024 for civil works and mobilization advance. Staffing and organogram issues at TK need to be addressed to enhance project coordination and meet critical milestones.

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

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component A. Construction of Karachi Red Line BRT Corridor and Associated Facilities	<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, and relocating utilities.</p> <p>Currently, Lot 1's physical progress is at approximately 5.5%, while Lot 2 has reached around 8.3%. During the Mid-term Review, Contractors were urged to speed up construction while the pending issues are being resolved by TK. Contractors has communicated the aim to go back to 5% per month once their requested additional advance and price adjustment is in place.</p> <p>TK Board has approved additional funding for the relocation of utilities. ADB has allocated USD18 million for the additional utility relocation work. TK committed significant progress in finishing utility relocation works within next three month.</p>	<ul style="list-style-type: none"> <li>• ES documents for both Lot 1 and Lot 2 have been prepared and disclosed.</li> <li>• 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 these documents and should be completed prior to advertising of bidding documents.</li> <li>• Contractors' SSESMPs for Lot 1 and 2 have been prepared.</li> <li>• Tree plantations have a low survival rate of 28% as compared to target rate of 65%.</li> <li>• A third fatality has been reported on the project due to sub-par occupational health and safety considerations. The project presents a high fatality risk. Regular works are stopped, and contractors are requested to focus only on safety improvements.</li> <li>• An audit on labor and working conditions has been requested.</li> <li>• Out of 697 displaced persons, 567 are absent and have left the project area without claiming compensation. The client has demonstrated that they have tried to reach out and contact all missing DP's in good faith by advertising, phone calls, announcements etc.</li> <li>• 5th Semi-annual External Environmental and Social Monitoring Reports (Jan-Jun 2023) were submitted and received.</li> </ul> <p>A detailed summary on ES review is provided in Section 11 'Others'.</p>	<p>Procurement for PMCS and Civil Works (Lot 1 &amp; Lot 2) completed. The PMCS is providing project management and construction supervision services to the project. The two works contracts are under implementation and there have been claims processed, and variations/amendments pending for processing, such as increasing advance payment, revising the Price Adjustment Formula, change of designs etc. There are also proposed variations pending for the PMCS, such as extending the contract term, adding addental staff, months, etc.</p>
Component B. Establishment of BRT Operations	<p>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</p>	<p>Same as above. (ES documentation and monitoring covers both construction phase and BRT operations)</p>	<p>No contracts have been awarded under this component. Procurement for system control company, vehicle operating company and Biogas plant to be undertaken in Year 2024. TransKarachi shall complete tender</p>

	in H1 2024 by TK.		documents for the system control company. ADB shall provide the technical experts to assist TransKarachi in completing the bid documents for the biogas DBO and vehicle operating company tender.
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**Financial Management:**

TransKarachi confirmed that the audit for FY2023 financial statement has been concluded as of Dec 4, 2023. The complete set of audited APFS along with audit report and management letter will be submitted by DG audit Islamabad to Asian Development Bank (PRM) through Economic Affairs Division, and subsequently shared with AIIB.

AIIB is in discussion with ADB on audit observations in the previous round, as well as reviewing reasons for low disbursement rate.

**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. Displaced people GRM facilitation desks are established on both Lots (Lot1 and Lot 2). Compliant registers and boxes have been provided at different locations in addition to the regular phone or email channels. Out of total 179 grievances, 149 have been resolved. The remaining 30 pending complaints are related to discrepancies in DP's names on cheques.

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

The BRT lines are in planning and construction phase. TK has indicated a possible 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 get finalized. The current works completion date is December 31, 2025 as the loan completion date is June 30, 2026. TK has put forward a possible revised works completion on June 30, 2027 and a possible request for loan extension. All lenders will engage a dialogue with stakeholders to take a decision based on the implementation of OHS measures and situation of works in January 2024.

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				
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				