

## Project Implementation Monitoring Report (#9)

Reporting Period From 2024/04 To 2024/11

## 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:	Economic Affairs Division, Pakistan
Implementing Entity:	Government of Sindh, Pakistan		
Project Team Leader:	Shakeel Khan		
Responsible DG:	Konstantin Limitovskiy		
Responsible Department:	PSC2		
Project Team Members:	Liu Yang, Project Counsel; Rui Xiang, SFD - Financial Management Specialist; Jingrong He, SFD - Procurement Specialist; Sabah Iqbal, SFD - Environment Specialist; Jingxiang Li, Team Member; Mudassar Hassan, SFD - Environment Specialist; Monyrath Nuth, SFD - Social Development 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 Mar, 2024 Virtual Mission Jul, 2024 Physical Mission was carried out		
Planned Site Visits by AIIB:	Feb, 2025 Physical Mission Planned		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags	2024/03		

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Assigned Date:

**2. Project Summary and Objectives**

The Project Objective is to improve access to safe water services in Karachi and improve 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 to 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 criterion. 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:	26.35	Latest disbursement (amount/date):	0.15/Oct. 09, 2024
Undisbursed:	13.65	Disbursement Ratio (%) <sup>1</sup> :	65.87

**5. Project Implementation Update**

The implementation of the Project under both reforms and capital works is underway. Under the reform component, a major milestone was achieved in June 2023, which was relating to the "Adoption of the Karachi Water and Sewerage Corporation [KWSC] Act)" covered under Project Objector Indicator 3. Works are ongoing for construction of intermittent chlorination stations that would provide an estimated 2.2 million people with drinking

<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.

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water uncontaminated by fecal coliforms (Objective Indicator 1) by the existing loan closing date. Lastly, the coverage of the Operations & Maintenance costs of KWSC has risen from 69% to 78% (against a revised target of 80%) on account of collection of arrears from Government agencies. With regard to contract awards, a roadmap has been agreed to reach about 93% by February 2025.

The pace of implementation/disbursement is, however, slow and has to be improved for successful and timely closure of loan. The Project faces two major challenges, including:

(1) Procurement of bulk and consumer flow meters: The procurement had been unsuccessful in past tendering in view of lack of interest by competent suppliers. PIU made exceptional efforts in market assessment and learning lessons from elsewhere before re-launching the modified tenders and achieved success in the procurement process. Following the contract signing expected by March 2025, the installation of water meters will commence in Q3, 2025.

(2) Completion of master planning study and recruitment of some key professional for KWSC. The Consultancy for the update of KWSC Master Plan has been awarded and work is under progress. In view of numerous data collection and extensive analysis involving various departments, this task is unlikely to be completed by 30 June 2025. Furthermore, positions for recruitment of some key professionals including the Chief Financial Officer, Chief Information Technology Officer, and Chief Internal Auditor was readvertised due to failed recruitment, apparently because of the unattractive packages. GoS is in the process to consider the revision of salary packages to make it more competitive.

PIU has recently discussed the matter with the project teams WB and AIB separately. Considering the above constraints, the WB, as lead co-financier, has conveyed to AIB Team about its willingness to extend the loan closing date by one year, until June 2026. However, official request from the Government of Pakistan (GoP) has yet to be submitted.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Operational and Enabling Environment Reforms	Critical activities under Component 1 have been procured successfully. All deliverables under the institutional reform studies of KWSC have been submitted. The Consultancy for the update of KWSC Master Plan has been awarded and work is under progress. In view of numerous data collection and extensive analysis involving various departments, the master planning mater planning work is unlikely to be completed by 30 June 2025. Under the communication sector, the work for the establishment of customer facilitation centers is underway. PIU is making efforts to complete this	An Environmental Management Framework (EMF) and a Social Management Framework (SMF) which also includes a Resettlement Policy Framework (RPF) have been prepared. The ES documents for subprojects as per EMF and SMF have been prepared by the consultant and approved by PIU and WB and are under implementation.	Procurement of all the activities under Component 1 has been completed.

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	challenging task before the existing loan closing date.		
Component 2: Infrastructure Investments	The implementation progress has improved as all critical activities under Component 2 have been successfully procured with Commitment level reaching more than 83% and likely to reach 93% by March 2025. The procurement of contracts for the supply of bulk/customer flow meters and their corresponding civil works and installation contracts including SCADA systems has been completed after two unsuccessful attempts. Following the signing of contract by March 2025, installation of water meters is expected to commence in Q3, 2025. Work on all other major contracts is progressing in full swing and expected to be completed by the existing loan closing date.	An Environmental Management Framework (EMF) and a Social Management Framework (SMF) which also includes a Resettlement Policy Framework (RPF) have been prepared. The ES documents for subprojects as per EMF and SMF have been prepared by the consultant and approved by PIU and WB.  The construction work on all subprojects is in progress and CESMPs of these subprojects are cleared and under implementation.	The overall procurement performance has significantly improved as 28 out of 30 contracts have been awarded. After the successful procurement of the critical activities, the commitment level has reached at 83% and expected to be 93% by March 2025.  An additional procurement staff has been appointed for PIU which resulted in improving procurement performance.
Component 3: Project Management and Studies	Project consultants to provide design & construction supervision services for the works, identified under Component 2, have been engaged and delivering the respective consultancy services.	The ES documents for Component 2 subprojects as per EMF and SMF, prepared by the consultant, have been approved by the WB. Implementation is being supervised by the Project Management Consultants.	Explained above under Component 2.

**Financial Management:**

The FM review concluded that FM rating is retained at Moderately Satisfactory. Adequate financial management arrangements are in place. The hiring of an internal audit firm to conduct the internal audit of the Project is underway. Government has been advised that the equivalent ratio of funds utilization between AIB and WB fund shall be maintained as stipulated in the project agreement.

The annual audit report for the financial year ended June 30, 2023, was submitted and deemed to be acceptable by the Bank and WB. The Auditors issued an unqualified (clean) opinion on the financial statements. The next audit report for the financial year ended June 30, 2024, has been submitted within the deadline, on 22 November 2024.

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**6. Status of the Grievance Redress Mechanism (GRM)**

GRM system established for the Project is functioning well. The PIU is receiving and managing all the complaints. During April 2024 to November 2024, 38 complaints related to environmental and social performance were received. The complaints were mainly related to labor and working conditions/occupational health and safety, as well as minor impacts on community and their safety caused by construction activities. Recurring grievances are related, for example, unavailability of personal protective equipment for construction workers, community disturbance from dust, noise, damaged village roads, blocked access to their residence, damaged sewerage/water pipes, etc. All complaints were resolved within the reporting period. No complaint related to gender-based violence was reported.

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

The Project has overcome the difficulty of collecting data in a systematic manner after the induction of a new M&E specialist on full time basis. Coordination with KWSC and other relevant stakeholders is being done by the M&E team and necessary liaising is also established among different PIU sections to acquire the required data and latest information for reporting against the result framework indicators. The proposed RMF targets are under revision and will be incorporated in the revised RMF once approved.

The Project is struggling with systematic data collection and reporting despite the fact that a full time M&E specialist has been engaged. Tracking of project results needs to be improved whereas results for utility-wide performance need to be coordinated with KWSC. The PIU and KWSC have committed to improve M&E by implementing agreed actions. The Results presented below are preliminary and subject to verification.

The Project closure, initially set for June 30, 2025, posed delays in meeting RMF targets due to several reasons, some of them are related to: (i) COVID 19 epidemic that halted the project implementation for more than an year; (ii) restructuring of the project after the 2022 urban flooding in Karachi; (iii) delayed approval of the high profile KWSC 2023 Act which had to follow several approval channels; and (iii) procurement delays, especially for bulk and commercial meters contracts. In view of the above, potential extension of the loan closing date will be processed after the formal submission request by the GoP to AIB. Following this, the PTs of both AIB and WB, PIU, and KWSC will finalize the revised targets, expedite the incorporation of all pending indicator values, and verify data quality.

**Remarks:**

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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	0	0	0	50,000 (25,000)	0	150,000 (75,000)	0	500,000 (250,000)	0	1,000,000 (500,000)	0	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	59.0	59	62.0	62	68.0	69	74.0	72	80	49	80			80	Annually	KWSB/Auditor		
KWSB Act amended to increase KWSB's financial and operational autonomy	Project	Yes/No	2019	No	No	No	No	No	No	No	No	Yes	Ye	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	0	0	2	0	3	0	4	0	5		CERRI = 8.5% Other 3 buildings = 4%	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	0	0	0	0	0		Soba Nagar = 40.5% Essa Nagri = 8.09%	1			1	Annually	KWSB	

Piped household water connections affected by rehabilitation works undertaken under the project	Project	Number	2019	0	0	0	0	0	0	0	453,539	453,539	453,531	400,000			400,000	Annually	KWSB		
Kilometers of sewerage network rehabilitated	Project	Kilometers	2019	0	0	0	0	0	0	0	0	10	10	30	21.12	35		35	Annually	KWSB	
Non Revenue Water Reduction	Project	Cubic meters/year	2019	0	0	0	0	0	0	0	0	0		16,529,833	32,000,000.00			32,000,000.00	Annually	KWSB	