

Project Implementation Monitoring Report (#8)

Reporting Period From 2023/07 To 2024/03

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:	Ministry of Finance, Pakistan
Implementing Entity:	Karachi Water and Sewerage Corporation		
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; Jingrong He, OSD - Procurement Specialist; Mudassar Hassan, OSD - Environment & Social Development Specialist; Sabah Iqbal, OSD - Environment 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		
Planned Site Visits by AIIB:	Jul, 2024 Physical Mission Planned		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/06		

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.

Project Implementation Monitoring Report (#8)

Reporting Period From 2023/07 To 2024/03

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:

- **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 criteria. 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:	18.56	Latest disbursement (amount/date):	2.46/Apr. 17, 2023
Undisbursed:	21.44	Disbursement Ratio (%) ¹ :	46.40

5. Project Implementation Update

The implementation of KWSSIP-1 under both reforms and capital works are underway. Despite delays, the Project is on track to achieve the Project Objectives by achieving the targets for all three Objective Indicators. Indicator 3, (Adoption of the Karachi Water and Sewerage Corporation [KWSC] Act) was achieved in June 2023. This is a major result under the reforms component of the Project. Works are ongoing for construction of intermittent chlorination stations that would provide an estimated 2.2 million people with drinking water uncontaminated by fecal coliforms (Objective Indicator 1). 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.

The performance of the procurement has improved, with commitments almost doubling from 34% since last reporting to 62%. A roadmap has been agreed to reach more than 90% by June 2024. The pace of

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.

Project Implementation Monitoring Report (#8)

Reporting Period From 2023/07 To 2024/03

implementation/disbursement is, however, slow and has to be improved for successful and timely closure of loan. The procurement of bulk and consumer flow meters is especially proving challenging and has been unsuccessful in past tendering. PIU has taken additional efforts in market assessment and learning lessons from elsewhere before re-launching the modified tenders for supply of meters with expected signing date in June 2024. With following of the agreed timeline, the packages can be successfully delivered.

Some of the key reform measures have also been unsuccessful till now. The recruitment of the Chief Financial Officer, Chief Information Technology Officer, and Chief Internal Auditor was readvertised due to failed recruitment, apparently because of the unattractive package. The salary package has to be revised and made more competitive. Lastly, completion of commercial audits of KWSC is also delayed from Dec. 31, 2023 to June 30, 2024.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Operational and Enabling Environment Reforms	Critical activities that are under procurement include: update of KWSC Master Plan, which is ready for signing and Improvement of GIS, whose signing date has been moved to June-2025. The consultancy services for institutional reform studies of KWSC was procured in December 2023.	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 overall procurement performance rating is “Moderately Unsatisfactory”, as explained in next section
Component 2: Infrastructure Investments	The implementation progress has been rated as moderately unsatisfactory due to delays in procurement of physical works and their implementation progress. The pace of progress has however increased since last reporting, with commitments reaching more than 60% from 34% in September 2023. Procurement of supply and installation of bulk and consumer flow meters and SCADA systems, if successfully achieved by June 2025, will be a major milestone.	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 project has awarded contracts for five sub projects. The construction work on three subprojects is in progress and CESMPs of these subprojects are cleared. Whereas the work on remaining subprojects is at very initial stages and actual construction did not start yet. The CESMPs of these subprojects will be reviewed and approved by the PIU before start of actual construction work.	The overall procurement performance rating is “Moderately Unsatisfactory”. This is due to several unsuccessful procurement attempts for bidding meters contracts; delayed signing of the master plan contract; and the required modification of GIS bid documents before procurement starts. The project team is providing support to the client with market research and new procurement strategy preparation for fit-for-purpose procurement meeting the live market conditions. The client was requested to strengthen the procurement capacity by recruiting additional procurement staff and

Project Implementation Monitoring Report (#8)

Reporting Period From 2023/07 To 2024/03

			keeping the total staff number sufficient for project implementation. Additionally, coordination among different functions, i.e. technical, FM, E&S and procurement is needed.
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.	Explained in previous section

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, will become due by December 31, 2024.

6. Status of the Grievance Redress Mechanism (GRM)

The GRM system established for the project is functioning well. The PIU is receiving and managing all the complaints. During July 2023 to March 2024, the project received 106 complaints in the GRM, and all the complaints were resolved within the reporting period.

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

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

Remarks:

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	50,000 (25,000)	0	150,000 (75,000)	0	500,000 (250,000)		1,000,000 (500,000)		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			59.0		62.0		68.0	69	74.0	72	80		80		80		Annually	KWSB/Auditor	
KWSB Act amended to increase KWSB's financial and operational autonomy	Project	Yes/No	2019	No	No			No		No		Yes	yes	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	0	2	0	3	0	4	0	5		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		1		1		Annually	KWSB	

Piped household water connections affected by rehabilitation works undertaken under the project	Project	Number	2019	0	0					0		453539		453539			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	15	35			35		Annually	KWSB	
Non Revenue Water Reduction	Project	Cubic meters/year	2019	0	0												32,000,000.00			32,000,000.00		Annually	KWSB	