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STAFF APPRAISAL REPORT

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

NOVEMBER 24, 1993

Energy and Infrastructure Operations Division
Country Department III
South Asia Region

CURRENCY EQUIVALENTS
As of December 1992

Currency Unit	=	Rupee (Rs)
Rs 1.00	=	US$0.036
US$ 1.00	=	Rs 27.69

MEASURES AND EQUIVALENTS

m	=	meter (3.28 feet)
km	=	kilometer (0.62 miles)
km2	=	1 square km (0.386 square miles)
ha	=	hectare (2.47 acres = 10,000 square meters)
G	=	Imperial gallon (Imperial gallon = 1.2 US gallons = 4.55 liters
mgd	=	million gallons per day (mgd = 4,545 m3/day)
cusec	=	cubic foot per second (1,000 cusecs = 28.3 m3/sec)

PRINCIPAL ABBREVIATIONS AND ACRONYMS

ADP	=	Annual Development Program
BOR	=	Board of Revenue
ECNEC	=	Executive Committee of the National Economic Council
EXPACO	=	Executive Policy Action and Coordination Organization
GDP	=	Gross Domestic Product
GNP	=	Gross National Product
GOP	=	Government of Pakistan
GOS	=	Government of Sindh
IDA	=	International Development Association
KDA	=	Karachi Development Authority
KMTA	=	Karachi Metropolitan Transport Authority
KMC	=	Karachi Metropolitan Corporation
KTC	=	Karachi Transport Corporation
KWSB	=	Karachi Water and Sewerage Board
LG&RD	=	Local Government and Rural Development
NFC	=	National Finance Commission
NGO	=	Non-Governmental Organization
P&D	=	Planning & Development
PPU	=	Project Planning Unit
SEPA	=	Sindh Environmental Protection Agency
SSDP	=	Sindh Special Development Project
ZMCs	=	Zonal Municipal Committees

FISCAL YEAR

July 1 - June 30

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This report is based on the findings of an appraisal mission to Pakistan in June 1991 and three subsequent post-appraisals. Mission members included Messrs. N. Boyle (Senior Financial Analyst and Task Manager), J. Yenny (Principal Transport Economist), and L. Holstein (Land Management Specialist) and A. Ghani (Resettlement Specialist) from the International Development Association, and consultants R. MacWilliam (Senior Sanitary Engineer), A. Armstrong-Wright (Senior Transport Advisor), E. Echeverria (Senior Physical Planner), E. Wegelin (Senior Urban Economist), A. Wight (Organization Development Specialist), R. Ahmad (Organization Development Specialist), S. Keith (Property Tax Specialist), R. Smith (Senior Fiscal Economist), W. Webster (Financial Economist), and A. Kumar (Urban Planner). The peer review team is comprised of Messrs. D. Williams (Principal Urban Planner) to focus on environmental issues; R. Scurfield (Principal Urban Transport Economist) to focus on urban transport; A. Bertaud (Principal Urban Planner) to focus on land policy and urban upgrading; W. Dillinger (Senior Municipal Finance Specialist) to focus his review on property tax administration; F. Ford (Senior Urban Management Specialist) to focus on urban management and organizational change; and P. Alba (Senior Economist) to focus on the linkages between urban development and the macroeconomic management of the country. The report has been endorsed by Messrs P. Isenman, Director, Country Department III, South Asia Region and P. Ljung, Chief, Energy and Infrastructure Operations Division. The report has been cleared by Mr. A. Hamid (Senior Counsel) and Mrs. B. Champion (Disbursement Officer).

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SINDH SPECIAL DEVELOPMENT PROJECT

Credit and Project Summary

Borrower: Islamic Republic of Pakistan

Beneficiaries: Province of Sindh (GOS)
Karachi Metropolitan Corporation (KMC)
Karachi Development Authority (KDA)
Three interior cities: Larkana, Nawabshah and Mirpurkhas

Amount: SDR 33.3 million (US$46.8 million equivalent)

Terms: Standard, with 35 years maturity

Relending Terms: From the Government of Pakistan (GOP) to the GOS on standard IDA terms. GOS will pass the proceeds of the credit to KDA, KMC, and three interior cities on the same terms as received from GOP.

Project Objectives: The objectives of the project are to support the first five years of GOS's policy reform program for the urban sector and municipal government by: (a) financing an immediate action plan to begin to deal with some of the most urgent environmental and infrastructure problems in Karachi and three interior cities; (b) supporting GOS's newly created policy-making machinery in implementing its program of fiscal and administrative reforms; (c) initiating institutional strengthening for two key urban services organizations in Karachi, namely KDA and KMC; and (d) preparing engineering studies for future transport improvements in Karachi.

Benefits and Risks: The benefits of the physical components of the proposed project will include: improved environmental and health conditions of the urban population, especially those living in the low-income Korangi area; increased land values in the upgraded areas; cost savings, such as reduced maintenance costs for various urban infrastructure components and lower vehicle operating costs for urban transport. The benefits of the policy reforms will be in terms of improvements in fiscal and financial efficiency and capacity of GOS to finance investment and cover recurrent costs of meeting the growing demand for urban infrastructure. There are serious law and order risks in Sindh and Karachi, but they are believed to be manageable and IDA's support fully justified given GOP and GOS's strong commitment to the project and Karachi's role in Pakistan's economy. Possibility of delays in implementation, particularly implementation of the policy and institutional reform measures will be mitigated through institutional strengthening of the executing agencies.

Estimated Project Costs: a/
(At December 1993 prices)

	Local	Foreign	Total	% Foreign Exchange	% Total Base Cost
	-----(US$ million)----				
A. Environmental Upgrading	7.4	5.6	13.0	42.9	27.1
B. Transport Improvements	9.8	6.9	16.8	41.4	34.9
C. Fiscal and Administrative Reform	2.8	3.3	6.1	53.5	12.7
D. Institutional Strengthening	1.4	0.9	2.3	38.2	4.7
E. Investment Program Preparation	3.6	2.4	5.9	40.0	12.3
F. Project Supervision	2.8	1.2	4.0	30.8	8.3
Total BASELINE COST	27.8	20.3	48.1	42.1	100.0
Physical Contingencies	2.2	1.8	4.0	44.1	8.3
Price Contingencies	5.1	1.4	6.5	21.3	13.5
Total PROJECT COST	35.2	23.4	58.6	40.0	121.8

a/ Includes taxes and duties of US$3.7 million equivalent.

Financing Plan

	Local	Foreign	Total	%
	-----(US$ million)----			
IDA	23.4	23.4	46.8	79.9
GOS/KMC	11.8	0.0	11.8	20.1
TOTAL	35.2	23.4	58.6	100.0

Estimated IDA Disbursements

	FY94	FY95	FY96	FY97	FY98
	-----------(US$ million)------------				
Annual	5.2	15.6	13.4	9.7	2.9
Cumulative	5.2	20.8	34.2	43.9	46.8

Economic Rate of Return: 43%

Poverty Category: Not Applicable

Maps: 1. IBRD No. 23367, Interior Cities
2. IBRD No. 23368, Infrastructure Improvements

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SINDH SPECIAL DEVELOPMENT PROJECT

I. INTRODUCTION

Background

1.1 Since the early 1980s, Pakistan has liberalized its economy and has adopted a more outward-oriented development strategy. As a result, real Gross Domestic Product (GDP) has increased by more than 6% per annum over the last decade. This growth has been associated with a shift in the structure of the economy away from agriculture and traditional small scale manufacturing toward a more urban-based industrial and service economy, thus fueling a rapid urbanization process where the population in Pakistan's towns and cities is growing at about 4.7% per year.

1.2 The Government of Pakistan (GOP) has found it difficult to mobilize sufficient resources to keep its fiscal and balance of payments deficits within acceptable ranges. Thus, public investments have been lagging behind the rapidly growing demand. As a consequence, the social and physical infrastructure of the country is inadequate, as reflected in poor social indicators[1/] and in shortages in water supply, sanitation, energy, transport, communications, and shelter. In the major cities, this is reflected in rapidly growing slum areas, worsening air and water pollution and increasing traffic congestion.

1.3 Although most cities and towns in Pakistan suffer from these problems, nowhere are these deficiencies as conspicuous as in Karachi, the country's largest city. With about ten million people today, its population has increased nine-fold since 1950, making Karachi one of the fastest growing "mega-cities" in the world. The city produces about 20% of Pakistan's GDP and the contribution of its small and large enterprises to overall economic growth is significantly greater than that of the whole agricultural sector. Shortages in infrastructure that reduce the productivity of urban enterprises, therefore, have a high economic cost to the country.

1.4 The urban crisis in Pakistan is largely a result of an outdated legal and institutional framework, and a system for resource mobilization and investment allocation that has not been adapted to the challenges faced by Pakistan's rapidly urbanizing centers. Legal and institutional weaknesses have introduced severe distortions on land and shelter markets. As a result, there are more than 250,000 developed plots lying unutilized in Karachi while, at the same time, about four million of its citizens live in unserviced katchi abadis or informal squatter settlements.

1.5 The fiscal system has been unable to recycle the considerable wealth that has been generated in the urban centers of the country. Poor public resource mobilization at all levels of government and overall budget constraints, combined with a fiscal system which is top heavy, has resulted in urban infrastructure investments declining in real terms. Although the award of the National Finance Commission has set up a system of automatic transfers to the provinces, little of these resources reaches the municipal governments who have to rely on meager and inelastic revenue sources. Indeed, municipal governments

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1/ Reflected in, inter alia, low literacy (35%), high population growth (3.1%), and infant mortality at 97 per 1000 live births.

collect only one-twentieth of all public revenues and account for an equally small percentage of expenditures.

1.6 This has led IDA to conclude that the urban crisis in Pakistan cannot be resolved unless changes are made in the legal, institutional and fiscal frameworks.[2/] These reforms need to take place primarily at the provincial level. According to Pakistan's constitution, the provincial governments are mainly responsible for urban development.

1.7 With slightly over half of its 28.6 million people living in cities and towns, Sindh is more urbanized than the other provinces. Thus, the Government of Sindh (GOS) is leading the way in adopting new policies to deal with the urban problem. In spite of continued political turmoil, GOS has developed an agenda of policy and regulatory reforms over the last few years that focus on decentralization, deregulation, privatization and resource mobilization to improve urban public services in Sindh.

1.8 In order to effectively implement these reforms and to develop new policy options as the situation evolves and new experiences are gained, GOS has created a new framework for policy development and implementation. Three levels of policy analysis and review are involved: through ad-hoc working groups from concerned department at the technical level; a Secretaries Sub-Committee at the administrative level; and a Cabinet Committee at the political level. The newly created Executive Policy Action and Coordination Organization (EXPACO) serves as secretariat to the Cabinet Committee.

1.9 The proposed project would support these policy and institutional changes while at the same time finance an immediate action plan to begin to deal with (a) environmental degradation in Karachi and (b) traffic congestion in Karachi and three interior cities. It would also help prepare for the longer term through engineering studies for future urban transport and infrastructure improvements in Karachi and road and transport infrastructure improvements in the interior cities.

II. THE URBAN SECTOR IN PAKISTAN

A. Country Background

Economic Trends

2.1 Until 1980, Pakistan was a regulated economy with highly administered prices and credit, regulated investments, and protectionist trade policies. The Government was also a major owner of banks, other financial institutions, and manufacturing enterprises. Since then, however, Pakistan has moved steadily toward an outward oriented market economy. Over the last couple of years, the government has privatized public sector banks and enterprises, reformed exchange controls, improved taxation, and promoted exports.

2.2 Real GDP grew by more than 6% per annum during the 1980s, primarily led by the manufacturing sector and supported by good performance of the agricultural sector. This growth appears to be continuing. Nevertheless,

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2/ This is consistent with the Bank's global experience, as reflected in the Bank's policy paper on urbanization "Urban Policy and Economic Development--An Agenda for the 1990s."

Pakistan has found it difficult to keep fiscal and balance of payments deficits within stable ranges, and in 1990/91 the budget deficit reached 8.8% of GDP, a record that might be exceeded for 1992/93. The savings and investment rates of the country are exceptionally low for a country at Pakistan's income level. The relatively rapid economic growth has been associated with a shift in the structure of the economy away from agriculture and traditional small scale manufacturing towards increasingly urban based industrial and service activities. Thus, the demand for most infrastructure services has been growing much more rapidly than either population or GDP. As a consequence, the social and physical infrastructure of the country is inadequate, as reflected in shortages in water supply, sanitation, energy, transport, and communications.

Urbanization Trends

2.3 Table 2.1 shows the population of Pakistan in 1990 was 112 million, with 36 million or 32% living in urban areas. The population growth rate averaged about 3.1% per annum during the period 1965 to 1991. Overall growth is expected to continue albeit at a slightly moderate pace (2.7%), with the total population reaching about 146 million by the year 2000 ("Working Group on Urbanization for Eighth Five Year Plan, 1993-1998," Planning Commission, GOP), and the urban population expanding by about 22 million to around 58 million, or 40% of the total, owing to continued high birth rates, migration from rural areas, urbanization of rural villages, and the return of overseas workers.

Table 2.1: NATIONAL URBANIZATION TRENDS: POPULATION 1951-2000

----------million----------

	1951	1961	1971	1981	1990 WDR	2000 WGU
Rural	27.8	33.3	47.3	60.4	76.2	88.0
Urban	6.0	9.7	15.9	23.8	35.8	58.0
Total	33.8	43.0	63.2	84.2	112.0	146.0
% Urban	17.8	22.6	25.2	28.3	32.0	39.7

Source: World Development Report, 1990

2.4 As shown in Table 2.2, not only do urban areas constitute a sizeable share of Pakistan's total population, they also contribute disproportionately to Pakistan's Gross National Product (GNP). In 1991/1992, urban areas contributed about 48% of the GNP as compared to a population share of about 32%, while a decade earlier in 1981/82, 41% of GNP originated in urban areas. The GNP growth rate for urban areas averaged 6.8% for the period 1981/82 to 1991/92 as compared to 4.2% for rural areas and 5.3% for the country overall for the same period. According to recent estimates, it appears that over 80% of manufacturing, 58% of trade and 52% of services have an urban origin.

Table 2.2: TRENDS IN GROSS NATIONAL PRODUCT IN 1981-82 TO 1991-92 (Rs billion in 1959-60 prices)

Source	1981/82	1991/92	Annual Growth Rate (%)
Urban Product	120	231	6.8
Rural Product	170	253	4.2
Gross National Product	290	484	5.3
of which:			
Urban Per Capita Product (Rs)	4,813	6,048	2.3
Rural Per Capita Product (Rs)	2,738	3,160	1.4

Source: Economic Survey, 1991-92 (Table 2.7)

B. Urban Sector in Sindh

2.5 Sindh is the second largest and most urbanized of the four provinces, with a 1993 population of about 28.6 million, of whom 14.4 million or 50.3% live in cities and towns (Table 2.3). Up to 1980, Sindh's urban population was growing faster[3/] than the other provinces (in part because of the location of major state owned manufacturing enterprises in Karachi, the country's major port). The growth rate of the urban areas averaged about 4.7% per annum during 1981 to 1993. Like Pakistan, Sindh's growth is expected to continue but at a slower pace as fertility rates in Karachi decline. The population of Sindh by the year 2000 is projected to reach about 36 million or 25% of Pakistan's total population with its urban population growing to about 20 million or 56% of Sindh's total population. In terms of percent share of urbanization, Sindh is followed by Punjab, with Northwest Frontier, and Balochistan following in that order.

Table 2.3: URBANIZATION TRENDS OF FOUR PROVINCES

	1993 Population			Growth Rates 81-93		Urban 1993
	Rural	Urban	Total	Rural	Urban	Share
	(-----million-----)			(--% p.a.--)		(%)
Punjab	43.8	23.5	67.3	2.1	4.9	34.9
Sindh	14.2	14.4	28.6	2.3	4.7	50.3
NWFP	12.6	2.8	15.4	2.5	4.2	18.2
Balochistan	5.0	1.1	6.1	2.8	3.8	18.0
Pakistan	78.5	42.2	120.7	2.2	4.8	35.0

Source: Working Group on Urbanization for Eighth Five-Year Plan, Planning Commission (GOP).

2.6 **Karachi**. With about 9% of the national population, Karachi's economic weight exceeds that of any other city in Pakistan and dominates the economy of Sindh. The 1993 population is about 10 million and is projected to grow to 14.5 million (or about 10% of the national population) by the year 2000. Karachi accounts for about 20% of Pakistan's GDP and is the country's largest and most industrialized city. It also accounts for 42% of value added and 35% of employment in large scale manufacturing, 72% of capital issued and 40% of tax revenues nationally. GDP per capita for Karachi is estimated to be more than US$1,200. With only about 35% of the provincial population, it has over 73% of the average daily reported manufacturing employment in Sindh, and accounts for over 70% of value added in manufacturing and over 60% of Sindh's estimated Gross Regional Product (GRP).

2.7 Karachi's problems have, with few exceptions, worsened over the years. In 1988, 36% of the city's households lived below the poverty level. Recent estimates put the percentage of households below the poverty level, at about 40%. Recent estimates also indicate that water and sewerage service levels in Karachi have remained almost constant for the past decade. Average availability of water is about 35 gallons per capita per day, which is low for cities in developing countries with similar per capita incomes. Sixty percent of households have water connections, but receive water for only three to four hours a day. Intermittent water supply has raised the cost of delivered water to households and firms by requiring installation of individual storage facilities. About 40% of all households are connected to the sewerage system, but only a small fraction of biological waste is treated. There are serious deficiencies in Karachi's transportation system, with a gradual worsening of traffic congestion and incidence of personal injury. Katchi abadis (informal settlements) grew at twice the rate of urbanization nationally, and now more than 40% of the occupied land is outside the tax net. Somewhere between 3.5 and 4.0 million people live in

3/ During the 1980s, liberalization of the economy and political turmoil in Sindh have put the Province of Punjab slightly ahead of Sindh in terms of growth. Although Punjab has only about a 35% share of the total urban population for 1993, its average annual growth during the period 1981 to 1993 was 4.9% and is expected to continue as the interior cities in the province gain more dynamism.

these squatter or slum communities, where health and education services are inadequate.[4/]

2.8 The four primary problem areas in infrastructure are: water supply (per capita water production is projected to decline over the next two decades even after significant capital investment and water loss reduction effort); public transport (the mass transport system is heavily utilized and over-loaded, with an estimated shortfall of about 2,000 buses and minibuses); environmental upgrading (katchi abadi households and industrial wastes continue to pollute the environment); and shelter (katchi abadis in Pakistan reflect the absence of an enabling environment that is capable of dealing with the institutional constraints in the sub-sector).

2.9 **The Interior Cities**. Besides Karachi, there are more than 100 cities and towns in Sindh, with a total population of about four million. The two largest (Hyderabad and Sukkur) have municipal corporations, 33 have municipal committees, and 113 have town committees. Hyderabad (estimated 1987 population 850,000), Sukkur (220,000), and Larkana (178,000), are Division Headquarters. Larkana, Mirpurkhas (167,000), Nawabshah (119,000), Shikarpur (101,000), and Jacobabad (just under 100,000) are District headquarters. There are nine other towns and cities with populations over 40,000 in 1987. There is substantial variation in economic potential and growth prospects among the interior cities of Sindh. Ten cities have growth rates of over 4% per year, while six cities grew at an average rate of less than 2%. Hyderabad and Sukkur have stagnated economically and subsist largely on a traditional economy of small commerce, artisans, and personal services.[5/] During the past three decades, the two cities grew at average rates of less than 3.0% per annum, whereas Karachi grew at more than 5% per year.

2.10 Basic services in the interior cities lag behind demand and urban expansion, and facilities are in poor repair. For example, in Mirpurkhas traffic congestion has become a major problem and the overall condition of sewerage drainage is unsatisfactory; almost 30% of dwellings have no access to either open drains or underground sewers. Underground sewers are poorly maintained and blocked at many locations with effluent constantly spilling onto public roads and walkways. Only 50% of the city's refuse gets collected. Uncollected refuse litters the streets and clogs the drains, causing serious health and environmental problems.

2.11 With few exceptions, the interior urban areas have virtually been ignored by the Sindh government. Present inter-governmental relations have not provided the proper incentives to strengthen municipal governments, mobilize resources, or make more efficient use of their resources.

4/ Infant mortality rates in poor urban areas are well above the national average of 97 deaths per 1000 live births and the same is true for maternal mortality. Nearly 50% of all (urban and rural) children under age five have some kind of nutritional deficiency. Diarrhea and parasitic infestations are by far the major causes of death among children (0-5 years) in selected Karachi squatter settlements. See Pakistan: A Profile of Poverty, World Bank; Report Number 8848-PAK, August 31, 1990.

5/ Municipal Finance in Four Intermediate Cities in Sindh Province, Applied Economics Research Center, Karachi, Pakistan, 1990.

C. Sector Organization

Federal Institutions

2.12 Responsibility for urban development policy is split between federal and provincial levels of government, while implementation is almost the exclusive responsibility of the provincial governments and, to a limited extent, the municipalities constituted under them. At the federal level, the responsibility for coordinating urban and regional policies is divided between the Ministry of Local Government and Rural Development (MLG&RD) and the Environment and Urban Affairs Division (E&UA) of the Ministry of Housing and Works. Both agencies play leading roles in developing urban sector plans for the five year development plans, and in setting and monitoring service targets and sectoral budgets. Their major strength is their role in facilitating funding proposals through the Federal Government bureaucracy, and in coordinating occasional policy studies. Their major weakness is their lack of leadership in formulating and implementing an overall vision and policy framework for the sector and which reflects broad acknowledgement of the urban crisis and general agreement on a strategy for dealing with it.

2.13 The Planning Commission and the Ministry of Finance have direct influence on urban affairs, as they impact provincial expenditure patterns through two major methods: preparation and supervision of five year development plans and budgets, and fiscal transfers and loans to the provinces. Five year plans and budgets constitute the overall framework for review and approval of all major public investments which are financed through loans and grants from the Federal Government, and as such influence investment priorities of the provinces. Intergovernmental fiscal authority is centralized at the center which generally limits the scope for managing provincial expenditures efficiently. Urban projects in excess of Rs 100 million are technically reviewed by the Planning Commission (after prior review by the provinces), and before final review and approval by the Executive Committee of the National Economic Council (ECNEC).[6/]

2.14 The Federal Government has a fragmented but pervasive influence on urban development in cities like Karachi. It is by far the dominant land owner; the Ministry of Defense has developed cantonment housing for active and retired military personnel. These cantonments, with 25% of the city's area and 5% of its population, function as enclaves, responsible for construction, operation and maintenance of much of the basic infrastructure such as water supply and sewerage disposal. Pakistan Railways and the federally owned and operated Karachi Port Trust are major land owners, as are public enterprises such as Pakistan Steel Corporation and National Refineries, Ltd. The Ministry of Transport also plays an active role in urban transport planning and investment in the four provincial capital cities of Karachi, Lahore, Quetta, and Peshawar. Major trunk roads that connect the Karachi Port with the major cities to the north are constructed by the National Highway Authority. Its predominantly national interest has seriously constrained municipal planning and coordination for road construction

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6/ ECNEC consists of the Minister of Finance as chairman and the Ministers of agriculture, water and power, science and technology, communications, information and broadcasting, the proponent ministry, and the Governors/Chief Secretaries of the four provincial governments. ECNEC is the executive committee for the National Economic Council, the highest authority to approve the Five Year Plan and Annual Development Program. NEC is chaired by the President of Pakistan. All federal ministers and provincial governors are members.

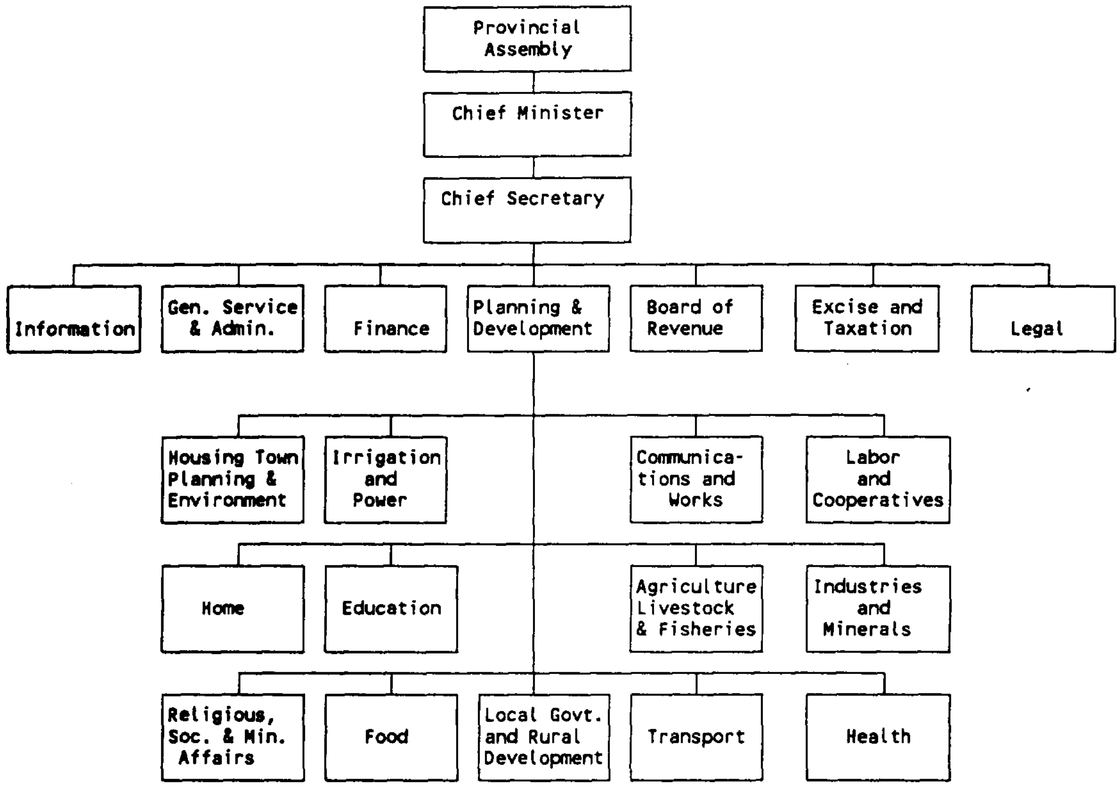
and maintenance. All survey and mapping for development planning purposes is undertaken by the Surveyor of Pakistan. Its limited capacity has meant that all maps are seriously out of date and virtually useless as planning tools. The operations of these federal agencies preclude efficient and comprehensive municipal management not only in Karachi but in all of the major cities of Pakistan.

Provincial Institutions

2.15 The structure and function of government at the provincial level essentially reflects the federal level. As shown below, the Sindh government is organized into 7 administrative and 13 line departments and the Sindh Environmental Protection Agency (SEPA). Its administrative departments include a Planning and Development Department (P&D), which is responsible for coordination of development planning and budgeting, and for financing major urban infrastructure projects for all but the three larger Sindh municipalities of Karachi, Hyderabad and Sukkur; and Departments of Finance and Excise and Taxation, and Board of Revenue (BOR) which are responsible for the financial and fiscal management, resource mobilization, and land management functions of GOS, respectively. Along with P&D, these last three departments maintain GOS's core functions. The administrative departments of Information and Legal (affairs) are concerned with dissemination of information to the public and with preparation of new legislation and supervision of all legal matters pertaining to provincial government affairs in Sindh, respectively. The General Services and Administration Department is responsible for maintenance of GOS's plant and equipment as well as seeing that the administrative systems of GOS function properly and according to government rules of business. The line departments for the sector include the Department of Local Government and Rural Development (LG&RD) which oversees municipal government activity, including those of Karachi Metropolitan Corporation (KMC), and Karachi Water and Sewerage Board (KWSB). In parallel with GOS's renewed interest in strengthening provision of urban infrastructure in the interior cities, the Housing, Town Planning and Environment Department (HTP&E) has been recently separated from the LG&RD. HTP&E now serves municipal governments in their town planning requirements, oversees shelter and urban infrastructure including the Karachi and Hyderabad Development Authorities, and overseas the regulatory work of SEPA under the Federal Environmental Protection Act of 1987, and functions under the administrative and policy framework of the E&UA at the federal level. LG&RD is responsible for the structure, guidance and basic infrastructure development of municipal governments and functions under the overall policy framework that has been established by the MLG&RD. GOS's Department of Transport is involved through its function of coordination of overall provincial and municipal transport policies for urban and regional areas, and its overall oversight responsibilities of the Karachi Transport Corporation (KTC), and the Sindh Road Transport Corporation (a regional bus service), both loss-making public entities owned and operated by the GOS.

2.16 These functions are performed in five administrative divisions into which the province has been divided: (a) Karachi; (b) West Southern Sindh headquartered in Hyderabad; (c) East Southern Sindh in Mirpurkhas; (d) East Northern Sindh in Sukkur; and (e) West Northern Sindh in Larkana. The Karachi Division covers four Karachi districts (east, west, south and central) and the other four divisions cover eighteen districts. Divisional Commissioners and coordinating committees report to the Governor.

ORGANIZATION OF GOVERNMENT OF SINDH



2.17 The role of the provincial government in the provision of municipal services varies with city size. In the larger cities of Sindh (metropolitan and municipal corporations), the provincial government is supposed to be only partially involved in development and maintenance of urban infrastructure and services. In practice, GOS is involved in basic infrastructure generally through financing of projects executed by development authorities that have been set up in the larger cities. In medium sized cities and smaller towns, provincial government involvement is comprehensive in that they are involved more actively in personnel recruitment and direct administration.

2.18 Centralization of administration in GOS has had the effect of stifling the initiative of municipal governments in the province. GOS procedures for development administration suffer from a lack of long-term perspective premised on sound economic and financial policies, an effective program budgeting system, and qualified staff to manage the project cycle. Environmental issues in infrastructure development, operations and maintenance are not addressed by GOS in any systematic way. These will require attention and resources. SEPA operates with a limited staff and program, and has been very slow in establishing and carrying out its role, partly because of lack of regulations and standards for effective management of the environment, but also because of non-existent or weak enforcement policies and practices. Centralization of administration in GOS is also evident in the management of infrastructure and bus transportation in Karachi. Creation of the Karachi Development Authority (KDA) has had the effect of creating a public monopoly for land development to the detriment of the public interest in Karachi. While the demographic and socioeconomic character of the city has changed immensely during the past twenty five years, institutional and legal frameworks for the management of the city have remained unchanged. Consequently, planning and development functions in Karachi are distributed among a number of generally autonomous bodies that report either to the Federal Government (e.g., cantonments), Provincial Government (e.g., KDA), or municipal government.

2.19 **Karachi Development Authority**. KDA is a non-representative body which has been the primary instrument of public infrastructure and land development in Karachi for nearly 35 years. KDA was created by merger of the Karachi Improvement Trust and the Karachi Joint Water Board with the mandate of building and operating the Greater Bulk Water Supply System for Karachi (the first large conveyance system for bulk water supply coming from the Indus River). KDA has since turned over its responsibilities for bulk water supply to KWSB and expanded its responsibilities to include overall urban planning, land management of its public land, environmental control, transportation planning and traffic engineering functions, construction of major bridges and road links in the city, commercial development, and various other functions. Its main responsibility has been the creation of serviced land to meet the ever growing need for housing in Karachi. Since its beginning in 1957, KDA has developed and sold approximately 600,000 plots, and a much smaller number of completed houses. Although the goal was to provide home sites for all social classes, today as many as four million of Karachi's citizens or 40% of its total population are poorly housed and inadequately supplied with basic services. Off-site infrastructure, particularly for water supply and sanitation, could not be funded or developed at the rate at which new housing sites were prepared and put up for sale by KDA. Allocation of land was by lottery and reserved pricing. Because there was a premium on all developed land and through much of 1970s and 1980s interest rates on bank deposits were negative in real terms, much of KDA's allotted land fell into the hands of speculators. According to some estimates there are as many as 250,000 vacant plots in Karachi. The issue of land pricing and management was the topic of a recent study on urban land management financed by the International Development Association (IDA).[7/] KDA has also been the major executing agency for IDA financed works in Karachi after the KWSB through Credits 1374-PAK and 1652-PAK. Recently, KDA has experienced serious implementation delays in some of its ongoing contracts under Credit 1652-PAK and thus, its performance has been under close scrutiny and monitoring by IDA over the last two years.[8/] There has been considerable improvement in its project execution performance over the past six months.

2.20 Beginning in FY92, because of the inherent weakness of its revenue source, KDA began experiencing serious financial difficulties and has been forced to review its land development policies. In an effort to restore revenues and meet a monthly wage bill of about US$1.0 million (for 8,500 employees), KDA has prepared a corporate development plan and has begun to take action to restructure its role and operations. For example, KDA is now selling all land above 400 square yards at market prices through public auction.

Municipal Institutions

2.21 Provincial governments have delegated some of their functions and taxing authority to municipal governments by the promulgation of municipal ordinances. Such ordinances were introduced in Punjab, Sindh, and the Northwest

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7/ The study "Urban Land Management in Karachi" was prepared by a joint venture comprising Kinhill and Associates and NESPAK, for the Karachi Metropolitan Corporation in 1991 as part of the Karachi Special Development Project, IDA credit 1652-PAK.

8/ This is in contrast to KDA's satisfactory performance under Credit 1374-PAK where its original implementation schedule was achieved before the appraised completion date.

Frontier Province (NWFP) in 1979, and in Balochistan in 1980. Ordinances of municipal governments are generally out of date and reflect a time when the capacities, standards and responsibilities of municipal governments were lower and less complex than they are now.

2.22 **Karachi**. Responsibility for the critical functions in city management are fragmented and reside with several government and nongovernmental bodies in Karachi. The two major municipal bodies in Karachi responsible for provision of the bulk of urban services are KMC and KWSB. Both entities were created under various amendments to the Sindh Local Government Ordinance (SLGO).

2.23 **Karachi Metropolitan Corporation**. KMC is the largest city government in Pakistan and like the city of Lahore (the capital of the Province of Punjab), has the status of a metropolitan corporation, given this status in 1976. (It was given corporation status in 1933). KMC functions within the framework of the SLGO of 1979. KMC can prepare and execute its own budget, levy and collect taxes, and sanction its personnel roster. GOS has the authority to sanction KMC's budget, temporarily supersede KMC's Council, issue directives, and order an audit of its finances.

2.24 In 1987, based upon the recommendations of a National Commission of Inquiry into civil disturbances in Karachi, GOS amended the SLGO of 1979 to SLGO 1987 and created a two-tiered federated system by creation of Zonal Municipal Committees (ZMCs) in each district of Karachi. The ZMCs were created by delegation. Approximately 25,000 KMC employees were transferred to the ZMCs. The mayor of KMC and the Chairpersons of ZMCs each have administrative and executive powers delegated by the Council of KMC. Before the change to a two-tiered system, KMC provided municipal infrastructure and services for most of Karachi's population and over a large part of its built up area. After the change, responsibility for some services delivery and maintenance functions were transferred to the ZMCs that now spend most of what was the development budget of KMC. Each ZMC is responsible in its own area for environmental sanitation (e.g., cleaning of streets and public latrines), construction and maintenance of roads and streets, planning and development of parks and playgrounds, primary education, management of dispensaries, immunization, birth and death registration, control of dangerous and offensive trades and animal control. Roads and street lighting and parks and playgrounds are major sources of ZMCs development activities.

2.25 KMC retains overall policy control and responsibility for public health (control of infectious diseases), medical services, fire services, social welfare, physical and town planning, building control, regularization of katchi abadis, municipal police, civil defense management, and financial support to the KWSB (bulk water supply and distribution and sewerage collection and treatment). KMC is also beginning to acquire ownership of the housing development schemes of KDA once these developments have been completed and functioning. Roughly twelve schemes have been transferred to date; several more are near completion and almost ready for transfer.

2.26 KMC is governed by an elected council, with 232 members, headed by a mayor who is chosen by the members of the Council. Each ZMC sends one-third of its elected members to represent their interests in the KMC Council. Directly under the Mayor is a Municipal Commissioner, the highest ranked civil servant in KMC, a Financial Advisor, a Director General in charge of engineering and civil works, a Director of Octroi (responsible for collection of the octroi tax), and

Director Administration, all of whom are employed by the Provincial Government of Sindh and seconded to KMC. All department heads report to the Municipal Commissioner. Most of the other employees belong to the Sindh Council of Unified Grade (SCUG,) but are transferable between Local governments. KMC is organized into 15 departments, of which 5 are administrative and 10 are line departments.

2.27 **Karachi Water and Sewerage Board**. KWSB is a semi-autonomous body and subsidiary of KMC and is responsible for providing water and sewerage infrastructure and services to the Karachi metropolitan area. IDA has been continuously involved with KWSB since 1983 when KWSB was created and the first IDA financed water supply operation for Karachi was begun. Prior to 1983, bulk water supply, water treatment and distribution, and sewage collection and treatment were handled under separate state and municipal government charters. The merging of these functions into KWSB was a slow and complicated process. Thus, basic administrative systems such as record keeping, accounting, retirement plans, and financial reporting were consolidated as recently as 1990. Since 1986, substantial progress has been made in improving KWSB's accounting and administrative systems. Accounting and financial reporting systems are almost completely computerized and are based on double-entry procedures.

2.28 During the past decade, KWSB has undertaken a very large capital works program to bring increased water supply into Karachi (from the Indus River about 100 miles away) and to improve waste water collection and treatment facilities. KWSB has also managed to increase its tariffs more than four fold over the past six years. KWSB has managed over the past three years to more than cover its operating costs (for the water and sewerage services). Because KWSB has progressively improved its internal operation, it has served as somewhat of a showcase for the GOS with respect to other water authorities in the country. It has also served to establish a credible technical underpinning for the institutional work already initiated under the proposed project.

2.29 **Interior Cities**. Most of the smaller secondary cities in the interior of the Sindh Province have neither the managerial capacity nor the requisite authority to satisfactorily perform the functional requirements of city government. They are nominally governed by municipal committees. Because the municipal committees have fledgling councils with little capacity, they rely heavily on provincial staff from the Sindh Local Council Service which is a sub-unit of the Sindh Provincial Civil Service for routine administrative and technical tasks. Generally, under these circumstances, municipal staff have little incentive to improve performance. The population in intermediate cities is 23% of the total urban population for Sindh, but their share of development expenditures is only 11% of total provincial expenditures for development.

2.30 With the exception of Hyderabad and Sukkur, none of the interior cities of Sindh have the legal, financial, administrative, or logistical experience necessary to implement infrastructure projects, and Hyderabad and Sukkur are weak in this regard. Municipal government institutions, therefore will need considerable capacity building.

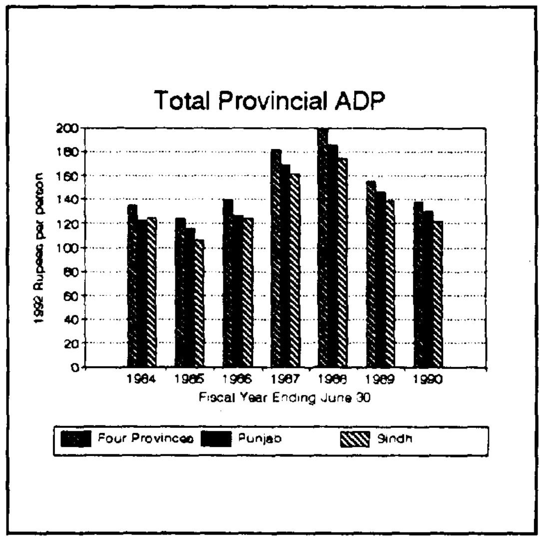
D. Overview of Sector Finance

2.31 The total size of the national public sector development expenditure (PSDE) for FY93/94 is estimated to be Rs 136 billion.[9/] Of this, Rs 27 billion or roughly 20% is allocated for financing provincial Annual Development Programs (PADP). The federal Annual Development Program (ADP) is allocated to each province on the basis of population, with the largest allocation to Punjab (about a 40% share), followed by Sindh (22%), NWFP (23%) and Balochistan (15%).[10/] Shares for NWFP and Balochistan are disproportionately higher than their populations because they receive favored treatment from the Federal Government as undeveloped areas.

Urban Investments

2.32 Total real per capita investment in the urban sector has declined over the last six years. Although total ADP investment fared reasonably well in nominal terms in the 1980s, it remained stagnant in real per capita terms. Figure 1[11/] shows that real per capita investments under provincial ADPs were basically at the same real per capita level in 1990 that they were in 1984. Real per capita investment under ADP was lower in Sindh than in Punjab for every year after 1984, and was lower in the Punjab than in the average of the smaller provinces for every year.

Figure 1



2.33 As shown in Figure 2 below, approximately 10% of the federal ADP went toward expenditures for urban physical infrastructure in 1990 and the same level is expected for the years since 1990. Of this, about 40% is earmarked for government servants housing, government offices and buildings, and grants to local councils (which function on behalf of rural areas) leaving about 6% for urban physical infrastructure (including low income housing, water supply and sewerage, environmental protection, and other urban development). Provincial ADP's are typically allocated in the manner described

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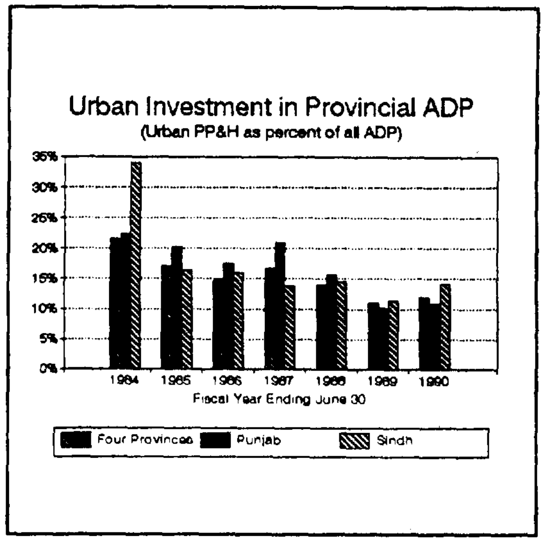
9/ Public Sector Development Expenditure Review: FY93/94, World Bank Mission report, April 20, 1993. GOP's estimate based on public sector projects amounts to Rs 148.8 billion (the narrow definition), Rs 12 billion or 9.4% more than the estimate of the Bank mission.

10/ The percentage share numbers are based on 1981 census data as they have not been updated with more recent figures.

11/ The ADP data reported in Figures 1 through 4 were reported by Ms. Shamshad Akhtar, in "A Study of Provincial Finances," December 1991, Tables V-7, V-8, and V-9. The population figures used in Figures 1, 3, and 4 were extrapolated from 1981 provincial total and urban populations, using 1972-1981 growth rates. These populations and growth rates were reported in Pakistan Statistical Yearbook 1991. The inflation rate used to translate nominal expenditures into constant-rupee expenditures was the consumer price index for Pakistan, as reported in the IMF's International Financial Statistics for 1992.

above, but the percentages have changed from one year to the next as indicated below. Figure 2 shows that the share of urban investment in overall ADP investments declined steadily through the second half of the 1980s, and despite a small increase in the share for the urban sector in 1990, the levels for all provinces are much lower in 1990 than they were in 1984. In 1984, all provinces spent at least 20% of their ADPs on urban investments. In 1990 no province spent more than 15% of its ADP on urban investment.

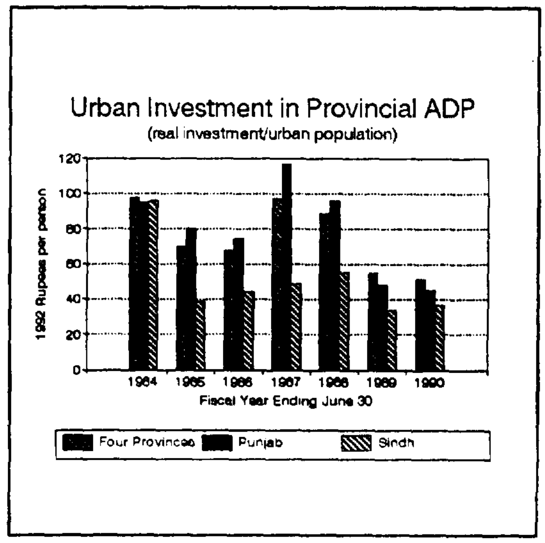
Figure 2



2.34 Real urban investments per urban inhabitant declined from 1984 to 1990 as can be seen in Figure 3. It also shows that real urban investments per urban inhabitant in Sindh have been consistently below the national average and the average for Punjab since 1984.

2.35 Future levels of investment will depend on the Federal Government's decision on the size of the overall ADP, the share allocated to the provinces, and the provinces' contribution from their own resources (which on average has been about 25% for the last three years). Factors that bear on this include (given a limit on the overall federal deficit) revenue performance of both federal and provincial governments and the level of current expenditures. Given the weak administrative capacity of provincial governments, they will probably fail to sufficiently control current spending, which is likely to absorb a growing share of the additional resources allocated by the National Finance Commission (NFC) award. Provincial governments are now fully responsible for financing their recurrent expenditures, owing to the NFC award.

Figure 3



Provincial Finances

2.36 **Overview of GOS's Finances**. Table 2.4 shows the following disturbing trends in GOS's financial position: (a) federal transfers have increased from 51% of current revenues in 1973/77 to 82% in 1988/92; (b) interest payments have increased from 10% of current expenditures in 1973/77 to 24% in 1988/92; (c) current account deficits have increased from 8% of current revenues in 1973/77 to 23% in 1988/92; and (d) debt retirement expenses in 1988/92 were only about half their level of 1973/77, despite ever increasing debt, as shown by increasing interest expenses. Real development expenditures, (para 2.40), reflect a decline in investment in real per capita terms. If these trends continue, future investments in the province will not be sustainable. The combination of high federal transfers and high interest payments has reduced the control of GOS over its own current budget. The increasing current deficits have increased GOS's indebtedness and interest payments, slowed the growth of development expenditures, and cast doubt on GOS's ability to sustain growth in the sector (Annex 10).

Table 2.4: GOS FINANCIAL AGGREGATES
(five-year totals in millions of 1991/92 rupees)

	1973-77	1978-82	1983-87	1988-92
CURRENT ACCOUNT				
CURRENT REVENUES				
Federal Transfers	7,668.9	17,062.4	35,278.2	52,372.6
GOS Taxes & Receipts	7,492.0	6,983.2	22,326.6	11,247.0
TOTAL	15,160.9	24,045.7	57,604.8	63,619.6
CURRENT EXPENSES				
Education	5,685.5	7,826.4	11,479.1	19,991.4
Health	1,067.9	1,485.3	2,324.2	5,395.0
Other Services	8,149.6	11,709.1	21,102.7	31,854.9
Interest	1,616.9	4,250.4	11,911.6	18,725.9
Subsidies	0.0	1,584.4	3,225.8	2,499.8
TOTAL	16,519.9	26,855.5	50,043.3	78,467.0
CAPITAL ACCOUNT				
SOURCES OF FUND				
Current Surplus	-1,359.0	-2,809.9	7,561.4	-14,847.4
Cash Development Loans	7,116.5	5,530.7	10,233.0	13,134.2
Other Loans & Receipts	26,144.1	42,913.6	20,975.9	17,678.6
Development Grants	365.8	3,838.0	6,865.1	18,003.6
TOTAL	32,267.4	49,472.6	45,635.4	33,869.0
USES OF FUNDS				
Development	9,965.7	11,089.9	15,506.5	26,288.6
Debt Retirement	20,044.8	35,473.7	24,273.6	11,854.4
Other Capital Expenses	1,564.0	1,308.6	2,178.6	3,951.2
TOTAL	31,574.6	47,872.2	41,958.7	42,094.2
CASH BALANCE CHANGE	692.8	1,600.3	3,676.7	-8,225.3

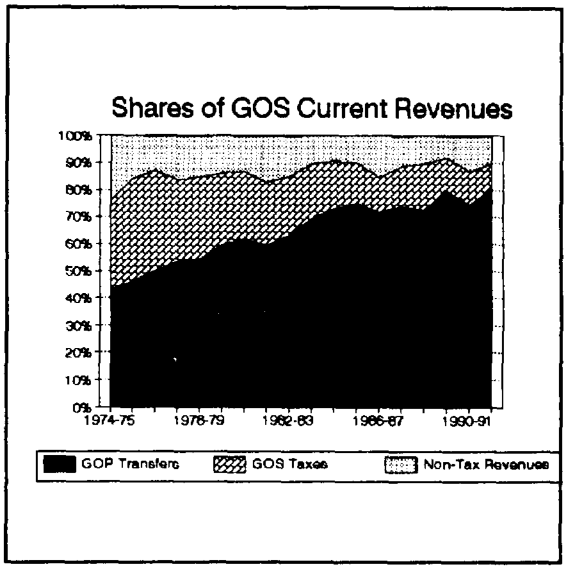
Source: Resource Generation Study of Metropolitan Karachi, PE Inbucon, Ltd. 1992

2.37 **GOS Revenues**. As shown in Figure 4, in 1982/83 GOS's own revenues from provincial taxes and other non-tax revenue sources accounted for 42% of total current revenues, but in 1991/92 this share is estimated to be only 13.6%. This declining trend in GOS's own-source revenues conflicts with the rule laid down by the NFC award (and applied in GOS's 1991/92 and 1992/93 budgets) that henceforth provincial governments will finance their own recurrent expenditures and debt servicing, and that they will have to rely on using recurrent surpluses for enlarging the size of provincial development programs.[12/] In other words, GOS can no longer look forward to having its fiscal deficits financed automatically by the Federal Government.

12/ The purpose of the NFC was to make recommendations on the distribution of financial resources between the federal and provincial governments to ensure appropriate correspondence between expenditure needs and revenue sources of the four provinces. For the Province of Sindh, divisible pool transfers have increased from Rs 8.5 billion in 1989/90 to about Rs 15.0 billion in 1991/92, due to the inclusion of the surcharge on gas and royalty on crude oil and to a special non-matching non-selective grant of varying amounts to each of the provinces, all beginning July 1, 1991. (For Sindh, the grant amounts to Rs 700 million per annum for five years and then terminates.)

2.38 The NFC award will put added pressure on GOS, because of the growth of public debt in GOS's finances. Total outstanding debt grew from about 6.9% of gross regional product in 1981/82 to about 7.7% in 1991/92. Real interest payments grew at an average annual rate of about 10.0%, from about 16.9% of total current revenues in 1981/82 to about 22.2% of total current revenues in 1991/92. Debt service has steadily eroded the province's ability to invest and spend on current social needs.

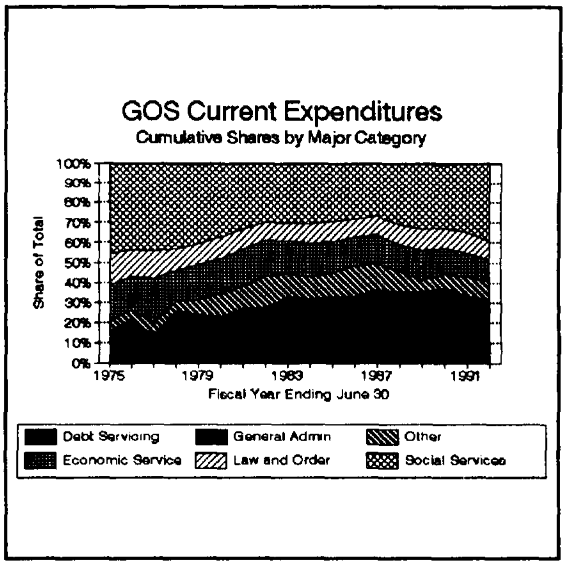
Figure 4



2.39 **GOS Current Expenditures**. Figure 5 shows the share of spending of six major current expenditure categories from 1975 to 1991. The share of social services (health, education, water supply, sewerage, solid waste collection and disposal) declined steadily in Sindh from 1975 to 1987, but then began to increase again after 1987. The shares spent on law and order and on economic services (agriculture and food, land management, land reclamation, irrigation, rural development and industries and minerals) have declined more slowly but more steadily than the share of social services. The recent increase in the share of social services has been partly at the expense of the share of community services (other expenditures including works and public health and subsidies), whose share increased up to 1987 but has declined since.

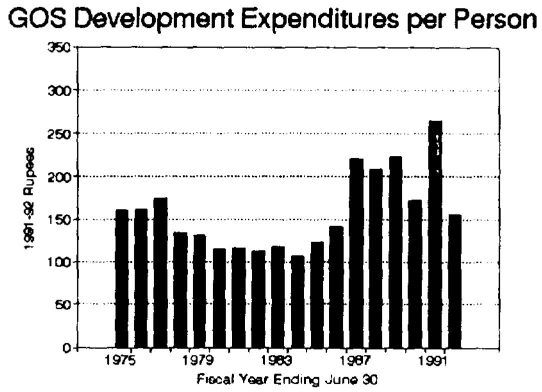
2.40 **GOS Development Expenditures**. Despite heavy usages of cash balances, the real per capita level of development expenditures has declined from an average of Rs 207 (in 1991-92 prices) per person in 1986-91 to about Rs 164 per person last year. Figure 6 shows the course of real development expenditures since 1975. The most recent level is higher than the low-investment years of the early 1980s, but lower than the levels attained in the mid-1970s. The low levels of investment ten years ago increase the urgency of improving public investment performance.

Figure 5



2.41 Although the province has been able to finance increasing current expenditures, it has done so at the cost of increasing dependence on Federal transfers and high cost debt. Interest rates for funds GOS borrows from the GOP for most of its ADP expenditures have been high in real terms, reaching 5.75% above the inflation rate in 1991-92. The ADP loans allow for modest annual expenditure on infrastructure, which is a clear need in Sindh, but investments are plagued by implementation delays, cost overruns, fragmentation across thousands of projects, and low cost recovery. At the same time, public investments have probably not raised the standard of service delivery as much as they might have. Social indicators show uneven improvements in the standard of living in Sindh. Most of GOS's debt is incurred for capital investment, and poor record-keeping makes it difficult to judge whether these funds are spent wisely. It is generally felt, however, that they are not and that there is significant potential for improvement. The Sindh ADP finances about 5,000 projects in all sectors, of which about 3,500 are ongoing and 1,500 are added every year. About 1,500 of the on-going projects are small road construction and/or maintenance projects which have questionable economic or financial value. The cost (in current prices) to complete all on-going projects as originally designed is now estimated to exceed Rs 20 billion.

Figure 6



Municipal Finances

2.42 Table 2.5 below shows the variations in financial operation at various levels of municipal government for FY89/90, including: KMC's access to buoyant municipal taxes, especially octroi (an import tax that is levied by municipal governments on all imports into their jurisdictions); the interior cities' inexperience with borrowing and investment and hence dependence on the GOS for both financial and technical support; and the noticeable difference in discretionary transfers among the four interior cities, especially Larkana's dependence on transfers as its primary source of revenue, and, relative to the other three interior cities, its poor performance in mobilizing municipal taxes. In 1989/90, KMC's resource mobilization was about US$10 per capita, while Larkana raised about US$5 per inhabitant. The above pattern of resource mobilization is basically the same among the four provinces.

2.43 The dialogue with GOS is aimed at improving resource mobilization in KMC and the three interior cities. GOS (in association with KMC for Karachi) intends to expand its property tax net through improved service delivery of area and slum upgrading by establishing a positive relationship between cost recovery and service provision, a relationship which is not perceived to exist at the present time. GOS generally has been receptive to the concept of decentralization of property tax administration from GOS to municipal government, and sees the obvious benefits in such a move. However, GOS feels that the process of decentralization should be a gradual one based on further strengthening of local capacity, and thus considers decentralization as an ultimate goal of the proposed project, when municipal governments have the capability of taking on this responsibility.

Table 2.5: ESTIMATED DISTRIBUTION OF TOTAL RECEIPTS IN FY 1989-90 (Percentages)

	KMC	Lar-kana	Nawab-shah	Mirpur-khas
User Charges	4.9	19.8	10.6	19.7
Local Taxes	76.9	37.4	74.5	80.3
Transfer	0.8	42.8	0.1	0.0
Debt Financing	12.0	0.0	0.0	0.0
Other	5.4	0.0	14.8	0.0
Total	100.0	100.0	100.0	100.0
Total Receipts Rs	2.4 (bn.)	28.3 (mn.)	16.1 (mn.)	19.7 (mn.)

Sources: GOS, Annual Budget Statement, 1991-92 (June 1991).
KMC, Metropolitan Management and Budgeting Study (March 1991).
Cities, Municipal budgets and calculations by IDA mission and by international consultants.

2.44 **Karachi**. The finances of the urban sector in Karachi are linked to the operations of KMC and KWSB which are the two principal specialized municipal agencies responsible for providing urban infrastructure and services in the city. The city of Karachi does not pay the full cost of its infrastructure or services, yet the per capita income of the city (estimated to be about three times the GDP per capita or about US$1,200) is sufficiently high (para 2.6). In fact, income is sufficiently high that significant improvements in service levels for the city could be achieved if this wealth were recycled effectively.[13/]

2.45 **Karachi Metropolitan Corporation**.[14/] The tables below show actual receipts and expenditures for KMC in the three most recent years for which final data are available.

2.46 **Current Revenues**. Table 2.6 shows KMC's dependence on taxes, in particular octroi (75%), and shows that current revenues grew at an average rate of 11% per year from 1988 to 1992, well below the nominal growth of the Karachi

13/ This conclusion was reached in a recently completed Asian Development Bank (ADB) financed study on resource mobilization for the metropolitan area of Karachi, "Metropolitan Resource Generation Study," PE Inbucon Ltd., and Applied Economics Research Centre, University of Karachi, 1992.

14/ The city council and the position of mayor of Karachi were dissolved by the GOS in June 1992 and replaced by a GOS administrator to oversee day to day management of city government. A newly elected council and mayor are expected to return to power during 1994 provided local elections are held as planned.

economy. Tax revenue accounted for about 81.5% of KMC's current revenue in 1989, and the growth in tax revenue was the main source of overall revenue growth. Since the majority of octroi revenues are collected at the port, on an ad valorem basis, revenues rise automatically with increasing prices and volume of trade. Given the distortionary effects of octroi on economic activity, the proposed project will encourage KMC to gradually reduce its dependence on this revenue source.

Table 2.6: CURRENT REVENUES

	1988	1989	1992	1992 Share	1988-92 Annual Growth Rate
Octroi	1602.5	1852.1	2114.6	75.1%	8.0%
Property Tax	84.9	276.7	203.2	7.2%	34.8%
Other Taxes	18.8	67.7	95.4	3.4%	101.9%
Non-Tax	230.4	285.5	400.9	14.2%	18.5%
TOTAL	1936.6	2482.0	2814.1	100.0%	11.3%

Source: Metropolitan Resource Generation Study, Interim Report, Volume III AERC, University of Karachi.

2.47 Property taxes accounted for an estimated 7.2% of KMC's current revenues in FY92 but potentially could be a major source of revenue. A recent study has indicated that, with a combination of revaluation, removal of exemptions, reassessments, increased coverage, and improved billing and collections, current yields potentially could be increased tenfold over a period of four years, i.e., from about Rs 200 million in 1991/92 to Rs 2.0 billion in 1995/96. Although the property tax is collected for KMC by the GOS, there is little incentive for GOS to improve the yield of this tax. Because it would be in the interest of municipal governments to improve administration of property tax, incentives to do so could be strengthened if full administration of the tax were devolved to municipal governments, starting with KMC, which is the most advanced of the municipal councils in the province. Because the property tax is potentially a major source of revenue, **assurances were obtained at negotiations that GOS will revalue all properties in Karachi and update its property list to the satisfaction of IDA** (para 6.1(a)).

2.48 **Recurrent Expenditures**. Table 2.7 reflects KMC's recent change over to a two-tier system of municipal government. In 1987, KMC created four Zonal Municipal Committees (ZMCs), one each in the South, West, East, and Central portions of metropolitan Karachi which, though autonomous, report to the KMC by virtue of their minority status in the KMC Council. Responsibility for recurrent expenditures in its functional areas (para 2.24) and related administrative areas (municipal secretariat) was delegated to the four ZMCs along with fiscal transfers of about a third of KMCs total revenues that were available before the change in 1987. KMC's recurrent expenditures increased by an average of 10% over the period 1988 to 1992. The major levels of recurring expenditure for the four ZMCs are education (20%), public health (40%), and engineering (20%). KMC's surplus on current revenues has been growing at an average annual rate of 12%.

Table 2.7: RECURRENT EXPENDITURES
(Rs million)

	1988	1989	1992	1992 Share	1988-92 Annual Growth Rate
Municipal Secretariat	51.6	53.4	56.4	5.0%	1.8%
ZMCs	435.2	558.0	613.4	54.9%	10.2%
Health	132.2	153.4	181.2	16.2%	9.3%
Education	2.5	3.3	3.5	0.3%	10.0%
Water & Sewerage	20.8	210.0	0.0	0.0%	-25.0%
Works	72.8	87.4	93.2	8.3%	7.0%
Other	83.5	129.2	170.6	15.3%	26.1%
TOTAL	799.6	1194.7	1118.3	100.0%	10.0%
Recurrent Surplus	1137.0	1287.3	1695.8		12.3%

2.49 **Development Expenditures**. Table 2.8 shows that total capital expenditure has been growing at an average annual growth rate of 17%. The most dramatic growth is observed for development schemes and water and sewerage areas.

Table 2.8: DEVELOPMENT EXPENDITURES (Rs million)

	1988	1989	1992	1992 Share	1988-92 Annual Growth Rate
ZMCs	658.4	837.0	920.1	47.1%	9.9%
Water/Sewerage/ Drainage	227.2	319.2	418.2	21.4%	21.0%
Development Sch/Works	161.9	68.6	378.2	19.4%	33.4%
Roads & Lights	86.7	169.9	133.2	6.8%	13.4%
Other	22.9	155.8	103.4	5.3%	87.9%
TOTAL	1157.1	1550.5	1953.1	100.0%	17.2%

2.50 Although KMC has demonstrated its ability to operate within the limits of its own resources, its financial performance is deceiving since service levels in Karachi are sub-standard. Improvements in service levels are needed, not only for basic urban infrastructure, but also for functions which KMC must finance from recurrent revenues (e.g., solid waste management, primary education, preventive health, road maintenance, and maintenance of storm water drainage infrastructure). Operation of public sector enterprises, such as the slaughter house (abattoir), have a small but negative impact on KMC's budgetary priorities through subsidization.

2.51 The quality of financial information from KMC is weak for a number of reasons: accounting procedures are based on single entry cash accounting and are structured in accordance with a chart of accounts, which itself is inadequate to reveal performance information; capital and recurrent expenditures are inadequately separated and there is only a rudimentary attempt at service costing; financial control over money owed is weak; the concept of budgetary control exists only in so far as comparisons are made between detailed budgets and actual spending; budgets are not used as planning documents; land records are not properly maintained and hinder collection of land lease charges; and there seems to be little relationship between income raising decisions and the proposed levels of expenditure. KMC has taken action to address some of these issues under the Karachi Special Development Project, Credit 1652-PAK, through updating its financial records, introduction of double entry accounting and financial reporting systems, and computerization. After a slow start, progress has been satisfactory and the updating of KMC's records is underway. Introduction of double entry accounting and financial reporting and computerization systems is expected to take two to three years to complete.

2.52 Proper accountability in financial planning and management can be improved by strengthening municipal government personnel and institutions through long-term training and technical assistance programs, improving the accounting and financial reporting procedures, introducing a chart of accounts which focuses on improved service costing, providing an analysis of expenditure between capital and revenue, properly identifying assets and liabilities, and introducing basic accounting routines which analyze income and expenditures and prepare management reports for higher level managers and staff. Under the proposed project, KMC will implement a program to strengthen its financial operation (See Annex 4 for outline terms of reference.)

2.53 **Interior Cities**. The financial condition of the three interior cities that will participate initially in the program is reasonably satisfactory, and they have shown the ability to hold their expenditures within available revenues. Two of these cities recorded a small surplus in their current account. Octroi is their principal revenue source. Larkana recorded a small deficit of Rs 107,000 on total revenues of about Rs 16 million, or a deficit to total income ratio of less than one percent. Capital expenditures for the three cities have been financed either from their small current account surpluses or from grants from GOS. None of the cities have utilized debt financing for capital development projects.

2.54 Significant revenue-raising potential exists. User charges and property taxes could expand significantly the financial capacity of municipal governments without adversely affecting the budgetary positions of the federal and provincial governments. Development expenditures (mostly for rehabilitation works) make up only a small portion of municipal budgets, with larger municipal committees (population >100,000) devoting 16% to development and smaller ones only 6%. Most of the municipal finances go toward salaries. The three cities in the proposed project have concentrated their development activity primarily in three sectors: transport improvements; water supply and drainage; and solid waste management, collectively accounting for about 90% of their development expenditures.

E. GOS Policy Initiatives

2.55 Despite rapid economic growth, Pakistan has faced two related problems. First, it has failed to mobilize sufficient resources to finance its rapidly growing development needs and to keep its fiscal and balance of payments deficits within acceptable ranges. Second, Pakistan lacks infrastructural and institutional support for urban growth. By the turn of the century, almost half of all workers are projected to be employed in urban areas. Employing and housing this labor force will require enormous additions to urban infrastructure and services and strain the already weakened urban institutions.

2.56 These two central problems account for the five most important constraints to urban productivity in Pakistan: underinvestment in infrastructure; poor resource mobilization; ineffective markets for land, finance, shelter and information; absence of an environmental regulatory regime; and poor public sector management, especially as it applies to provincial and municipal government activities in the urban sector. The proposed project will begin to address these constraints, with a mixture of needed infrastructure investment and policy and regulatory reform.

2.57 Because of policy dialogue with IDA during preparation of the proposed project, GOS has made significant progress toward dealing with some of the root causes of these problems and constraints, and has prepared a **Statement of Policies on Fiscal and Administrative Reform** (Annex 1). The Statement sets out the broad direction of reform in the following areas: (a) fiscal and financial; (b) administrative; (c) land management; (d) urban transport; (e) urban environment; (f) water services; and (g) local government. Because the policy statement covers a substantial area of public policy and governance in Sindh, the proposed project plans to support implementation of the first five years of the policy reform program (PRP). **Confirmation of the Statement of Policies on Fiscal and Administrative Reform has been obtained from GOS**.

2.58 GOS has prepared a series of action programs that set out the concrete steps that need to be taken to implement its policy agenda. The action programs cover the following areas:

(a) Revalue all properties located in Karachi, update property tax list, reduce exemptions, and improve collection performance.

(b) Terminate low-return or poor performing infrastructure projects in the current portfolio, including projects which have been approved by P&D.

(c) Amend procedures to shift to three-year investment planning, programming, and budgeting in GOS as part of the investment planning and budgeting sub-component to overhaul the way public investments are identified, appraised, budgeted, monitored and supervised.

(d) Prepare a policy paper on environmental regulations for Sindh. At the present time, there is no overall policy framework for urban environment in Sindh. This policy white paper would begin the process of developing such a framework.

(e) Amend the Sindh Local Government Ordinance (para 2.22) to modernize it. This measure aims at improving efficiency of provincial government relations with municipal and district governments.

(f) Amend the Sindh Disposal of Plots Ordinance governing disposal of public lands in Karachi to allow market pricing for all plots above 120 square yards. KDA now holds public auctions for all plots exceeding 400 square yards. Amendment of this legislation is part of a broader corporate development plan to: (a) restructure and streamline KDA requiring termination of its monopolistic hold on land development in Karachi (public as well as private); and (b) enable the private sector more active involvement in land development for the middle and upper income in Karachi, leaving KDA to concentrate on the low-income.

(g) Establish a training center for municipal government in Karachi that would serve the needs of the entire province.

(h) Establish a permanent policy formulation and project supervision capability within the GOS (para 2.61).

2.59 GOS's FY94 budget, which now has been officially gazetted, represents an important turning point in GOS' budget policy. For the first time in several years, GOS presented a realistic budget depicting its true financial condition to the Provincial Assembly, and was able to pass a modest finance bill containing a number of the fiscal and administrative policy measures from the Statement of Policies, including measures to increase local tax and non-tax revenues. In addition, the Sindh Cabinet voted to take some important steps toward containing the growth of recurrent expenditures, and down-sizing its portfolio of investments. Most prominent among the immediate revenue measures are:

(a) increased property taxes via a surcharge for all residential and commercial properties by 30% for properties assessed between 1968 and 1979, 15% for properties assessed between 1980 and 1992, and 30% for all industrial properties; and

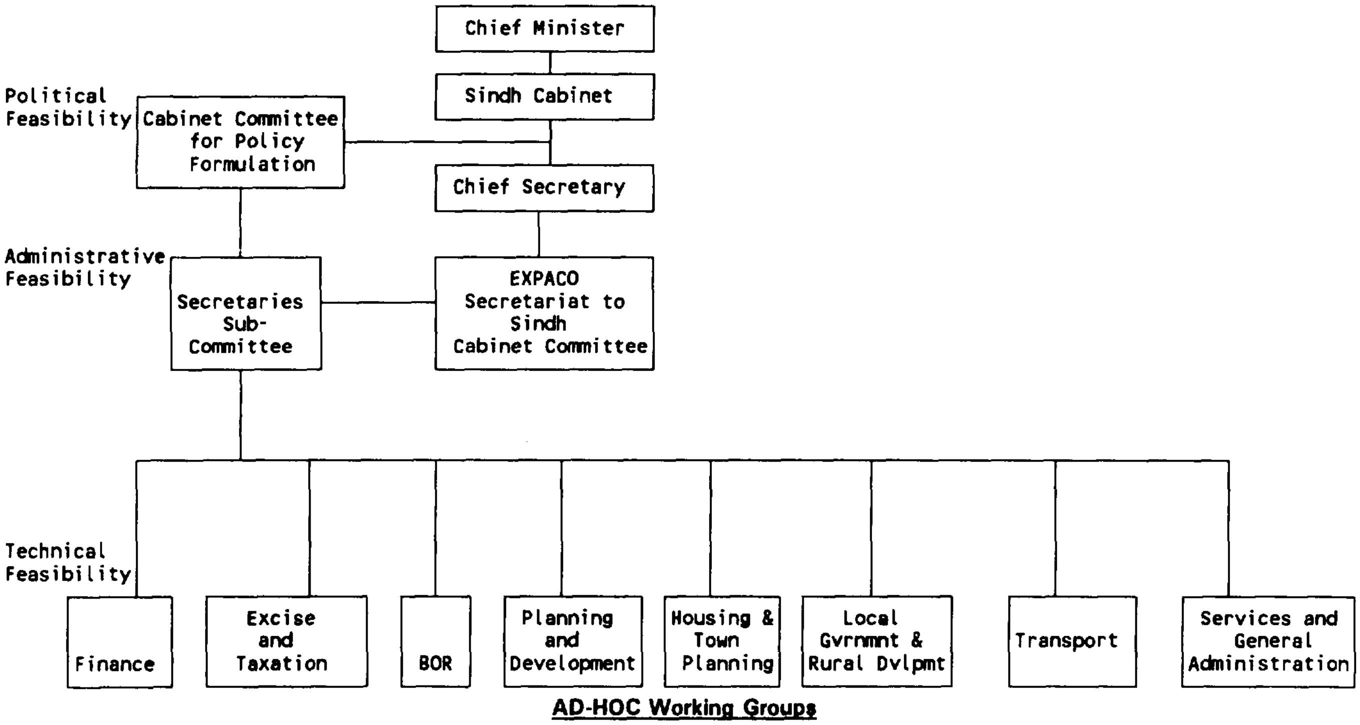
(b) increased motor vehicle taxes by 10% for all vehicles starting with the fiscal year, July 1, 1993.

2.60 Because of its desire to keep its budget under control, GOS has requested assistance through the proposed project in monitoring of its FY94 budget performance. GOS brought to negotiations the action plans (para 2.59) and a budget monitoring plan for discussion.[15/] **Assurances were obtained during negotiations that IDA and GOS would annually review progress in implementing the action programs and in reducing and eliminating the budget deficit to the satisfaction of IDA** (para 6.1(b) and 3.8 (c)).

15/ The plan included such monitoring indicators as original budget estimates against revised estimates of recurrent account deficits, overdraft debits with the State Bank of Pakistan, recurrent and development expenditures, revenue collections, and down-sizing of the existing development portfolio.

2.61 Little attention has been given to policy formulation in GOS in the past, and for the most part what has been accomplished has been on an informal and ad-hoc basis. To provide a more systematic and effective process, and because policy reform and institutional strengthening require inputs from both the political and administrative branches of government, a separate institutional arrangement consisting of two high level policy committees (The Sindh Cabinet Committee and the Secretaries Sub-Committee) has been established by GOS (see para 3.18). A coordinating unit, the Executive Policy Action and Coordination Organization (EXPACO), has been formed for policy formulation, and the Director General EXPACO has been appointed. Within EXPACO, GOS will have a unit responsible for managing the policy analysis process, the Policy Analysis Coordination Unit (PACU), and two other units, the Project Planning Unit (PPU) and an Institutional Strengthening Coordination Unit (ISCU). The PPU will be responsible for administrative support, supervision, and monitoring of the project, particularly the physical investments. The ISCU will be responsible for coordinating institutional strengthening activities of the project. One objective of the project will be to institutionalize these activities, so that by the end of the project they will be an integral part of the normal functioning of government (See Figure 7.)

Figure 7: POLICY FORMULATION AND IMPLEMENTATION ARRANGEMENT



The Sindh Cabinet Committee comprises all of the concerned ministers and is chaired by the Chief Minister. The Secretary's Sub-Committee comprises all of the concerned secretaries and is chaired by the Chief Secretary of GOS. A third level of this arrangement comprises Ad-Hoc Working Groups whose members do the needed technical-analytical work on each proposed policy measure undertaken by the project. The Ad-Hoc Working Groups consist of the higher level staffs (additional and deputy secretaries, and section chiefs) from each of the concerned line and administrative departments of GOS. The Working Groups, the Secretaries Sub-Committee and the Cabinet Committee are responsible for determining the technical, administrative (regulatory), and political feasibility of each policy recommendation, respectively (para 3.18). GOS has also decided to establish the PPU, an autonomous and parallel unit with EXPACO created for the purpose of overall administrative support, coordination, and monitoring of budget performance, and for strengthening investment planning and budgeting procedures in P&D and Finance. **Assurances were obtained during negotiations that GOS would maintain a coordinating mechanism for policy formulation and project monitoring acceptable to IDA** (para 6.1(c)).

F. Previous IDA Involvement in the Urban Sector

2.62 **Review of Urban Projects in Karachi**. Three credits have been made in Karachi, two for water supply and sewerage and one for urban development. The Karachi Water Supply Project (Credit 1374-PAK, US$25 million, 1983) which became effective in 1983, was successfully completed in October 1991 and a Project Completion Report has been prepared and assessed by OED. Their assessment was "satisfactory" for overall performance, "likely" for sustainability, and "substantial" for institutional development; in general, an overall positive assessment. While the Second Karachi Water Supply and Sanitation Project (Credit 1987-PAK, US$125 million, 1989) has made significant strides in institutional strengthening, especially in its finance and project execution wings, it encountered serious problems with start-up delays and, especially, cost overruns. A supplemental credit of US$91.9 million to help cover the financing gap was approved by the Board on February 9, 1993.

2.63 The second on-going IDA-financed project, the Karachi Special Development Project (Credit 1652-PAK, US$70 million, 1986) (para 2.19), covers a broader range of urban infrastructure. The main objective of this project is to strengthen the institutional and financial capacity of municipal agencies in Karachi in project execution, delivery of urban services, and recovery of costs. Start-up problems and delays lasting almost 12 months were due to initial institutional inertia. However, the project has slowly moved forward. Although all contracts for civil works and technical assistance have been signed and are under implementation, delays plagued the execution of some of the contracts executed by KDA (mostly some of the smaller contracts such as rehabilitation of outfall drains), but steps have been taken to remedy the situation. The June 1993 supervision mission looked specifically into this aspect and concluded that KDA had indeed made progress in improving project implementation and disbursements. With the exception of technical assistance to KTC and implementation delays experienced under some of the KDA projects, the performance of the executing agencies in general has steadily improved and progress has been made in developing their capacities in project execution. Implementation of the components to line the KG Canal and to construct syphons 19 and 20 by KWSB has introduced new technologies for the water sector in Pakistan. For KG Canal a mechanical concrete lining technology was used, and for the syphons, mechanically formed steel was used, instead of concrete. Implementation of the slum upgrading component by KMC, particularly with regard to regularization and cost recovery, has only recently improved after a period of uneven performance due to poor organization and weak management.

2.64 An important lesson from the three projects above is that effective and sustainable institutional strengthening requires long-term managerial and technical assistance, and training resources.

G. Rationale for IDA Involvement

2.65 These three earlier operations (para 2.62 and 2.63) have strengthened the financial and managerial performance of the KWSB but had little impact on urban policies and other institutions in the city. Indeed, this experience is not unique to IDA's urban lending in Karachi (or Pakistan in general). The World Bank's policy paper on urbanization ("Urban Policy and Economic Development--An Agenda for the 1990s") published in 1991 concluded that: "...[Past urban projects supported by donors] have not had major impact on policies of national and local governments and the broader issues of managing the urban economy. In only a few cases... have citywide impacts been achieved. Most important, because many urban programs did not achieve sustainable policy reform and institutional development they were not replicable." The Bank's policy paper set out three broad objectives for assistance in the urban sector: (a) improve the productivity of the urban areas; (b) alleviate urban poverty; and (c) address the growing urban environmental crisis.

2.66 Against this background, the policy paper anticipated an increase in the Bank's urban activities and suggested this will be: "... accompanied by an intensified effort to improve the impact of lending by explicitly reorienting its emphasis through policy and institutional development in most countries." However, in Pakistan--as in most other developing countries--the agenda for policy and institutional reforms is long and complex, and can only be implemented gradually over time. Thus, IDA (as well as other donors) has to take a long-term view and essentially enter into a partnership with the governments concerned. According to the Pakistan Constitution, urban development is primarily a provincial subject; thus the provincial and local governments have to be the main interlocutors for IDA lending. Through its three previous operations and through the preparation of the proposed project, IDA has established not only a track record in the institutional strengthening of KWSB but also a constructive policy dialogue with GOS and the key agencies in Karachi. Thus, IDA is in a unique position--as compared with other bilateral and multilateral donors--to respond to GOS's request for support of the initial phase of its policy and institutional reform program (para 2.58).

2.67 <u>IDA Country Assistance and Sector Assistance Strategies</u>. IDA assistance strategy for Pakistan supports the Government's main medium-term economic goals, namely to promote economic growth, reduce financial imbalances, alleviate poverty, and improve social sector performance. More specifically, the assistance strategy concentrates on four priority development areas: strengthening social sector performance; improving the enabling environment for the private sector; developing stronger management of Pakistan's natural resources and the environment; and improving public expenditure performance as a key part of strengthening macro-economic performance and carrying out the structural adjustment program.

2.68 The strategy for the infrastructure sector has three main elements which support the country assistance strategy: (a) help ensure that the infrastructure demands of an expanding economy and rapidly growing population can be met in a cost-efficient manner; (b) counter the environmental and health threats associated with rapid industrialization and uncontrolled urbanization through pollution control and liquid and solid waste management; and (c) expand the role of the private sector in the provision of basic infrastructure.

III. THE PROJECT

A. Origin

3.1 Implementation of the IDA financed projects and the on-going dialogue with IDA convinced GOS that increased attention had to be paid to the underlying cause of urban problems in the province. This belief led GOS to begin preparing the Sindh Special Development Project (SSDP) in 1990 by (a) developing a program of policy and regulatory reform that is aimed at the fiscal and administrative policies and practices affecting the urban sector; (b) identifying some of the urgent environmental and transport problems in Karachi and selected interior cities in order to enhance the productivity of enterprises and provide better access to jobs and services; and (c) beginning the process of developing a more effective investment program. Project preparation was financed partly under the UNDP/UNCHS Sindh Intermediate Cites Project and through a grant from the Japanese Policy and Human Resources Development Fund.

B. Project Objectives

3.2 In the spirit of the Bank's policy paper on urban development (paras 2.65 to 2.67) the proposed project will support policy reform at the provincial and municipal level and the strengthening of key urban institutions as well as increasing urban productivity through transport improvements and tackling the environmental deterioration associated with rapid industrialization and urbanization. However, the environmental and infrastructure problems in Karachi and the other cities in Sindh are immense and will require sustained investments over a period of many years totalling hundreds of millions of dollars. Similarly, all the needed fiscal, administrative and policy reforms can only be achieved over a prolonged period. Thus, the proposed project is modest in its objectives, which are to support the first five years of the Policy Reform Program by: (a) financing an immediate action plan to begin to deal with some of the most urgent environmental and infrastructure problems in Karachi and three interior cities; (b) supporting GOS's newly created policy-making arrangement and helping to implement its program of fiscal and administrative reforms; (c) initiating institutional strengthening for two key organizations in Karachi, namely KDA and KMC, and for three interior cities; and (d) preparing engineering studies for future transport and infrastructure improvements in Karachi.

C. Main Features of the Project

3.3 The five components of the proposed project are:[16/] (a) environmental upgrading investments in Karachi; (b) transport improvements in Karachi and three interior cities; (c) fiscal and administrative reform; (d) institutional strengthening, and (e) investment program preparation.

3.4 The physical interventions under the proposed project will focus on Karachi as it is not only the country's largest city and commercial and industrial center, but also the city where the urban problems are most serious. At the same time, it is essential to improve the productivity of and the growth prospects for secondary towns. Thus, selected transport investments in three interior cities have been included. Karachi has a tradition of community involvement in the upgrading of informal settlements, such as the Orangi area with almost two million people. The central and provincial governments are about

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16/ Detailed description of these components and terms of reference for the technical assistance are summarized in Annexes 4 and 7.

to launch a Social Action Program with extensive support by IDA and other donors. This program will expand the availability of basic social infrastructure in disadvantaged areas. Thus, in order to limit the size and complexity of the proposed project, it will exclude any traditional upgrading of low income communities and concentrate on environmental improvement works that require government action and have broader impact and on works that enhance urban productivity. Similarly, it has been deemed more appropriate to support investments in water supply and sanitation and further institutional strengthening of KWSB through separate operations. The main focus of the technical assistance components is on policy and administrative reforms aimed at enhancing resource mobilization and strengthening investment planning and financial management, which are priority areas in the Pakistani context. The institutional building component focuses on the main implementing agency, KDA, and begins a process of strengthening the weak municipal administration for Karachi (KMC) to prepare it for an expanded role in the future.

Environmental Upgrading Investments

3.5 Low lying areas in Karachi are subject to frequent and widespread flooding during monsoon. The environmental upgrading investments included in the proposed project are part of a larger program of macro drainage and flood protection for the city as a whole. They have been selected because they will yield immediate benefits and because they do not involve any significant resettlement. The proposed credit would finance both civil works and technical assistance for project management and construction supervision. The two upgrading components are:

(a) **Storm Water Drainage**--channelization of outfall reaches of the Korangi nallah, which is one of two primary drains serving the Korangi area.[17/]

(b) **Malir River Flood Protection Works**--(i) construction of the final phase[18/] (about six miles long) of earthen bund network protecting the Korangi area from seasonal flood damage; (ii) construction of eleven spurs along both embankments, and four causeways crossing the embankments and linking with existing roads; (iii) channelization of Pir Bukhari nallah; (iv) construction of additional slope protection works along the new bund; and (v) resettlement of six small agricultural farms and one poultry farm presently located along the alignment of the proposed bund construction.

3.6 Although the above two environmental upgrading investments would provide immediate benefits to the Korangi Industrial Area and Malir River Estuary (a major industrial and commercial, but highly polluted area in Karachi), an environmental impact assessment (EIA) of this entire area has become a necessity because (a) future cleaning up of the toxic effluents that drain into city sewers and storm water drains should not be attempted without better understanding of the environmental implications; and (b) preparation of a proposed Karachi Hydrocracker Project (FY94L) will require that an environmental assessment be made of its impact on the same vicinity under the proposed project.

17/ Korangi is a mixed low-income residential and industrial area of Karachi with a population of about two million people.

18/ Phase IV is financed under Cr. 1652-PAK.

Transport Improvements

3.7 Karachi and some of the more prosperous cities in the interior are experiencing rapidly growing vehicle flows (10% per year) and worsening traffic congestion. As in many densely populated Asian cities, they are suffering from limited road space and narrow rights of way, encroachments, haphazard on-street parking, loading/unloading of goods, lack of pedestrian facilities and bad road safety conditions. The proposed project would finance civil works and technical assistance for construction supervision. The transport improvements focus on remaining key traffic bottlenecks, while minimizing the need to relocate households and small businesses. The components are:

(a) **Two Bridges** along major traversals linking the major northern bound arteries: (i) widening and improvement of existing bridge on Rashid Minhas road over Lyari River to add four lanes, including resettlement of 10 temporary habitations and 51 small businesses in the project area, about half of which are one-man operations functioning in open hutments; and (ii) construction of a railway overpass on University road near junction with Rashid Minhas road, including resettlement of 25 small businesses situated along the alignments.

(b) **Traffic Management** along 16 intersections (3 signalized, 8 rotary, and 5 uncontrolled), including works for removal of roundabouts, installation of signals, provision of channelizing islands with proper markings and signs, adequate facilities for pedestrians and other site specific improvements.

(c) **Road and Transport Infrastructure Improvements in Interior Cities** (Larkana, Nawabshah and Mirpurkhas) which are relatively dynamic and experience serious congestion, includes works for relocation and renovation of truck (Nawabshah) and bus terminals (one each in Larkana and Mirpurkhas), and other road and transport improvements.

Fiscal and Administrative Reform

3.8 The proposed project would provide the analytical and managerial support for GOS's new high level policy group--EXPACO--and help implement the first phase of GOS's overall policy reform program set forth in the Policy Statement (Annex 1) and the Policy Matrix (Annex 2). This component of the project consists of three sub-components, and includes technical assistance and training for policy development, capacity building, project support, vehicles, and computer and office equipment. The main sub-components are:

(a) **Property Tax Reform**. This sub-component takes the first step toward fiscal and administrative reform, initially in Karachi and then in the interior cities, with a focus on: expansion of the property tax net; improvement in property tax administration; rationalization of fees and taxes associated with the transfer of real property; selling of land at market prices; and the establishment of institutional arrangements to monitor tax policies for economic and financial impacts on households and firms in Sindh. The Excise and Taxation Department of GOS will work with municipal bodies on this task except for revision of land-use and building regulations, which is predominantly the responsibility of KDA, and on market pricing of land, which will be the responsibility of the Board of Revenue and KDA.

(b) **Investment Planning and Budgeting**. This subcomponent involves GOS in activities throughout Sindh, both at the provincial and local government levels, with focus on: evaluation of existing projects and termination of low-priority investments; review and preparation of a report on the size and composition of the current year's development portfolio (all sectors) no later than January 31 of each year, starting 1994, for consideration by the Sindh Cabinet Committee; improvements in project identification and appraisal procedures and practices; changes in budgetary and planning procedures to include three-year investment planning and budgeting; and improvements in project supervision and monitoring procedures. The Planning and Development Department in association with the Finance Department will be responsible for carrying out these activities. To support similar improvements at the municipal government level, the GOS will establish the basis for mutual planning and programming for financial and technical assistance, and provide management and technical assistance and training to municipal governments through involvement of the Local Government and Rural Development Department.

(c) **Financial Management**. Financial management will include working with the Finance Department in identification and implementation of strategies for reduction and elimination of GOS's current account deficit; reduction of subsidies (food/wheat, municipal bodies, Hyderabad Development Authority and commercial corporations); stopping unfunded external budget sanctions; rationalization of GOS's cost of borrowing; containment of recurrent expenditure growth; strengthening public auditing procedures; separation of the development and non-development accounts; establish proper monitoring of Finance Department to ensure ADP remains within GOS's financial means; computerization of financial accounting, monitoring, and reporting systems and procedures; standardization of provincial and municipal government accounting practices; establishment of financial forecasting procedures and strengthening of financial administration. The Finance Department in association with the Planning and Development Department will be responsible for carrying out the above activities.

Institutional Strengthening

3.9 This component consists of consultancies to strengthen two important urban executing agencies in Karachi:

(a) **Karachi Development Authority**. This sub-component will focus on institutional strengthening of KDA, with a view to assisting it in: implementing a policy of market-pricing of land; reforming and implementing the non-utilization fee policy for vacant land; implementing a policy of in-filling in Karachi and a strategy for better utilization of surplus government lands; modernizing land record systems and procedures; computerizing records management operations and train senior and middle level staff; implementing resettlement projects under guidelines acceptable to IDA; and development of a base map for Karachi which would have immediate benefits for various public agencies in Karachi;

(b) **Karachi Metropolitan Corporation**. The sub-component will focus on assisting KMC in developing and implementing a corporate development plan, including the strengthening of its organizational capacity to undertake improved financial planning and management, modernized land record systems and procedures, computerized records management operations, resettlement activities, training of senior and middle level staff, and improved operations and expanded services, together with the development of a municipal training institute for municipal governments in conjunction with the Local Government and Rural Development Department.

Investment Program Preparation

3.10 This component includes consultancies for preparation of GOS's (core) investment program, including:

urban transport, focusing on preparation of: final designs and procurement documentation to complete the engineering design work for the first corridor of the proposed bus transitway[19/], and an environmental impact assessment and preparation of resettlement plans for the second corridor. (Preliminary engineering studies for the second corridor have been concluded under French bilateral assistance). In addition, urban transport studies would be initiated in Karachi on: traffic demand management (including the establishment of an Urban Transport Policy Advisory Group); traffic engineering training; traffic police training; and options for privatizing the publicly held bus transport corporation, the Karachi Transport Corporation (KTC).

3.11 In parallel with the environmental upgrading component, the Swiss Development Cooperation (SDC) is expected to make available financing (about US$1.0 million) for carrying out project preparation pilot studies on application of best practices in incremental housing, home improvement and income-generation lending in low-income communities in Karachi and a few selected interior towns. These best practices would build upon the successful experiences of other projects in Pakistan such as the "Khuda ki Basti" project in Hyderabad,[20/] - the Orangi Pilot Project in Karachi, and the Grameen Bank in Bangladesh.

D. Project Cost

3.12 The project cost is estimated at Rs 1622.6 million (US$58.6 million equivalent), and includes US$4.0 million for physical contingencies, US$6.5 million for price contingencies, and US$3.7 million for duties and taxes. The total baseline cost estimate is US$48.1 million equivalent at December 1993 prices. The total foreign exchange component is US$23.4 million, or 40% of the total cost. GOS/KMC are expected to finance 20.1% of total project costs, and IDA 79.9%. The project costs are summarized in Table 3.1 and presented in detail in Annex 5.

3.13 The estimates are based on recent price experience with on-going projects in Karachi (Credit 1652-PAK and 1987-PAK). For civil works 15% has been allowed for physical contingencies, and for equipment and goods 5%. The annual inflation rates assumed in estimating the price contingencies for local and foreign currency expenditures are shown below. The local inflation for FY94 is based on the most recent IMF estimate, incorporating the impact of the 1992 floods.

19/ The environmental impact assessment and resettlement plans were started under Credit 1652-PAK for the first corridor which is expected to be financed in the proposed Karachi Urban Transport Project (FY97L).

20/ Successful Supply of Plots for the Poor: The Case of Hyderabad, Urban Research Working Papers, Free University, Amsterdam, Netherlands, Jan J. van der Linden, 1989.

Annual Inflation Rates in Pakistan
(Percentages)

	93/4	94/5	95/6	96/7	97/8
Local	9.5	6.0	6.0	6.0	6.0
Foreign	2.8	2.3	3.1	3.5	3.5

Table 3.1: SUMMARY OF ESTIMATED PROJECT COSTS
(Million)

Project Components	--------Rupees--------			---------US $--------			% of
	Local	Foreign	Total	Local	Foreign	Total	Total
A. Environmental Upgrading							
1. Storm Water Drainage (Korangi)	24.2	30.5	54.7	0.9	1.1	2.0	3.4
2. Malir River Flood Protection	181.4	124.3	305.7	6.5	4.5	11.0	18.8
Sub-Total (A)	205.6	154.8	360.4	7.4	5.6	13.0	22.2
B. Transport Improvements							
1. Two Bridges	134.5	110.9	245.4	4.9	4.0	8.9	15.1
2. Traffic Management	53.5	38.6	92.1	1.9	1.4	3.3	5.7
3. Road & Transport Infrastructure Improvements-Interior Cities	84.7	42.9	127.6	3.1	1.5	4.6	7.9
Sub-Total (B)	272.7	192.3	465.0	9.8	6.9	16.8	28.7
C. Fiscal and Administrative Reform							
1. Property Tax Reform	39.5	72.7	112.2	1.4	2.6	4.1	6.9
2. Investment Planning & Budgeting	22.7	10.3	33.0	0.8	0.4	1.2	2.0
3. Financial Management	16.3	7.5	23.8	0.6	0.3	0.9	1.5
Sub-Total (C)	78.6	90.5	169.0	2.8	3.3	6.1	10.4
D. Institutional Strengthening							
1. KDA	18.9	12.3	31.2	0.7	0.4	1.1	1.9
2. KMC	19.6	11.6	31.2	0.7	0.4	1.1	1.9
Sub-Total (D)	38.6	23.8	62.4	1.4	0.9	2.3	3.8
E. Investment Program Preparation							
1. Urban Transport (E)	98.4	65.6	164.0	3.6	2.4	5.9	10.1
F. Project Supervision							
1. Project Planning Unit	20.4	10.8	31.2	0.7	0.4	1.1	1.9
2. EXPACO	56.5	23.4	79.9	2.0	0.8	2.9	4.9
Sub-Total (F)	76.9	34.2	111.1	2.8	1.2	4.0	6.8
TOTAL BASE COST	770.7	561.2	1331.9	27.8	20.3	48.1	82.1
Physical Contingencies	62.0	49.0	111.0	2.2	1.8	4.0	6.8
Price Contingencies	141.5	38.3	179.7	5.1	1.4	6.5	11.1
Total Contingencies	203.5	87.3	290.7	7.3	3.2	10.5	17.9
TOTAL PROJECT COST	974.2	648.5	1622.6	35.2	23.4	58.6	100.0

Note: Totals may not be exact due to rounding.
Includes US$3.7 million equivalent for taxes and duties.

3.14 The estimated total number of staff-months allowed in the proposed project for design, engineering supervision, technical assistance, training, and studies is 1,623 (local 1,435 and foreign 188) at US$4,000 per staff-month equivalent for local consultants and US$22,000 per staff-month equivalent for internationally recruited consultants. Of the total staff-months, 30% (487 sm) is for project support (procurement and legal assistance); 50.6% (821 sm) for capacity building (development of municipal training institute, organization and systems development, and staff and manpower training); and 19.4% (315 sm) for policy development (policy studies, formulation and implementation). Refer to Annex 6 for detailed breakdown of technical assistance.

E. Financing Plan and Flow of Funds

3.15 A summary of the financing plan is shown in the Credit and Project Summary (page ii). Net of interest financing, the proposed IDA financing of US$46.8 million will finance 79.9% of the total estimated project costs, or 85.2% of the total net of duties and taxes. The IDA credit will cover 100% of estimated foreign exchange costs (US$23.4 million) plus 66% (US$23.4 million) of the estimated local currency costs. GOS and KMC will finance 20.1% of total project costs, or US$11.8 million. GOS will finance 20.0% of total costs or US$11.7 million. KMC will finance 0.1% or US$0.1 million. (Annex 11).

3.16 **Flow of Funds**. GOP will pass the proceeds of the credit to GOS on standard IDA terms. GOS will then pass the credit funds to the respective executive agencies on the same terms and conditions as it has received from GOP. Of the total funds available, GOS will be allocated about 38.7% (US$18.1 million), KDA about 54.7% (US$25.6 million), and KMC about 6.6% (US$3.1 million).

F. Implementation of the Project

3.17 There are two parts to project implementation: implementation of the physical investments, and implementation of the policy and institutional reform program. Overall administrative support, coordination and monitoring for project implementation will be the responsibility of the PPU (para 3.19). Institutional responsibilities for project implementation are shown below (para 2.15).

Physical Components in Karachi:
- Storm water drainage (channelization of Korangi N)..(KDA/SEPA) (including EIA of the Korangi Area)
- Malir River flood Protection ....KDA
- Widening and improving of Lyari River Bridge...............KDA
- Construction of railway overpass on University Road........KDA
- Traffic management improvements...........................KDA

Physical Components in Interior Cities:
- Road and Transport Infrastructure Improvements in interior cities with assistance from municipal governments of the interior cities...LG&RD

Fiscal and Administrative Reform:
- Property tax reform ....E and T
- Investment planning and budgeting................P and D and F
- Financial management ....F and P&D
- Rationalization of fees and taxes associated with the transfer of real property, land use, building regulations, and market pricing of land..........BOR and KDA

Institutional Strengthening:
- KDA...KDA
- KMC...KMC

Investment Program Preparation:
- Urban Transport...KDA
- Final Design engineering and procurement documentation.....KDA
- EIA Second Corridor...................................KDA/SEPA

Overall Project Supervision:
- All physical components...................................PPU
- All policy reform components...........................EXPACO

3.18 Policy Formulation. To coordinate formulation and implementation of policy and institutional reform within the project, GOS has established the Executive Policy Action and Coordination Organization (EXPACO), an autonomous unit created to coordinate policy reform and oversee implementation of SSDP (para 2.61). The policy formulation process involves two key committees--the Sindh Cabinet Committee, chaired by the Chief Minister, and the Secretaries Sub-Committee, chaired by the Chief Secretary--and Ad-Hoc Working Groups formed as needed to carry out the technical/analytical work of developing proposed policy measures. The Director General of EXPACO will report directly to the Chief Secretary and will serve as secretary to the SSDP Cabinet Committee and have the responsibility of overseeing the activities of the Secretaries Sub-Committee, Ad-Hoc Working Groups, and any private/public policy advisory committees (i.e., for procurement, municipal development, urban transport, land management, resettlement, etc.) (see Figure 7). The Ad-Hoc Working Groups consist of higher level staff (additional and deputy secretaries and section chiefs) from each of the line and administrative departments of GOS concerned with the particular issue being addressed. The Working Groups, Secretaries Sub-Committee, and Sindh Cabinet Committee are respectively responsible for determining the technical, administrative (regulatory), and political feasibility of each policy recommendation. It is intended that this process of policy analysis and development be institutionalized within GOS by the end of the project. The DG EXPACO will be responsible for facilitation of communication among departments of GOS, between the Secretaries Sub-Committee and the Sindh Cabinet Committee, and between GOS and IDA on policy formulation and implementation and for overseeing the activities of the Policy Formulation Coordination Unit, the PPU, and the ISCU. EXPACO will be staffed by senior government officers, retired government officials, and senior private sector individuals to take advantage of the pool of experience and knowledge outside government. **Key staff of EXPACO and its subordinate units have been appointed. All appointments of key officers and consultants will require prior review by IDA.**

3.19 Project Supervision and Monitoring. The Project Planning Unit (PPU) within EXPACO will be responsible for overall administrative support, coordination, and monitoring of project implementation. The PPU will work with senior officials in the concerned GOS departments and agencies and participating interior cities to ensure timely and effective implementation of the project, in particular the physical investments and planning and preparation for future projects. This will involve establishing of plans and targets; monitoring of physical and financial performance, procurement and disbursement; managing the Special Account for GOS activities; and preparation and consolidation of quarterly reports to GOS and IDA on project performance. Because of the limited capacity of the interior cities to supervise and execute their projects, the PPU will provide support to Local Government and to the municipalities to ensure timely and effective implementation of works and planning and preparation of new works. An important objective of this unit is to institutionalize the project appraisal and supervision skills acquired during implementation of the project, through guidance and monitoring of these activities by PPU and technical assistance and training provided by ISCU. The PPU will provide administrative support for EXPACO, including contracting with consultants as needed, and will coordinate closely with the PACU and ISCU. Technical assistance and advisory support will be provided to the PPU to ensure that it can carry out its responsibilities effectively.

3.20 Capacity Building and Institutional Strengthening. The Institutional Strengthening Coordination Unit (ISCU) will be responsible for coordinating and supporting institutional strengthening and capacity building within GOS, KDA, KMC, and the three participating interior cities. Within GOS, the focus will be on strengthening of Excise and Taxation in property tax administration and valuation; of the Planning and Development Department and Finance Department in investment planning and budgeting, project appraisal, and project monitoring; and of the Finance Department in financial management, administration, and forecasting, and to computerize financial accounting, monitoring, and reporting systems and procedures (see para 3.8 and 3.9). The interior cities will require technical assistance and training in project planning, programming, budgeting, and management, as well as in financial accounting and management, operations and maintenance. A management training center will be established in coordination with the Local Government and Rural Development Department and KMC, to serve KMC and the interior cities.

G. Implementation Schedule

3.21 Price contingencies and financial and economic analysis are based on a five year implementation period. The implementation schedule (for design/bid evaluation, technical assistance/training, and civil works) for the various components of the project is shown in Annex 8. The description of the components is shown in Annexes 4 and 7. The planned project completion date is June 30, 1998.

H. Final Designs and Preparation of Bidding Documents

3.22 Outline terms of reference for technical assistance for the institutional strengthening investments have been completed (Annex 4).

3.23 PC-1s for all of the physical investments have been prepared and cleared with the GOS. PC-1 approvals from the GOP are expected to be obtained by Board Presentation and along with ratification of the Project Agreement by GOS, KDA and KMC, are conditions of effectiveness (para 6.2(a) and (b)). The two works which are scheduled to commence construction during the first year of project implementation have completed final engineering and procurement documentation. These works are channelization of the Korangi nallah and the traffic management schemes, both in Karachi. Works for the two bridges in Karachi which are scheduled to start the early part of the second year of project implementation have completed engineering and procurement documentation on the basis of design-build specifications. Works for the Malir River Flood Protection scheme have completed final engineering and procurement documentation for most of the sub-component. The remaining portion has completed engineering specifications and procurement documentation on the basis of design-build. These five investments constitute about 85% of total physical works under the project. The remaining 15% constitutes the physical works in the three interior cities. Preliminary feasibility studies and conceptual engineering sketches for the truck stand, bus terminals, and road improvements have been completed. Further engineering work is continuing and is expected to be completed by March 31, 1994.

3.24 **Execution of Works**. Given the cost overruns that have occurred in several donor-assisted projects in Pakistan recently, the development wing in KDA will be strengthened by the creation of a special construction supervision unit for supervision of all civil works undertaken by the project. The unit would be comprised of a joint venture between a qualified international consultancy and a local municipal engineering firm. The strengthening of this unit will be consistent with the program for institutional strengthening of KDA.

I. Land Acquisition and Resettlement

3.25 **Land Acquisition**. Total land acquisition and minor resettlement cost is estimated at about Rs 23.9 million (US$0.86 million equivalent). Of this, Rs 9.1 million is for land acquisition and preparation, which includes: (a) about Rs 3.1 million for land acquisition for construction of the railway overpass on University road and widening of the bridge on Rashid Minhas Road; and (b) about Rs 6.0 million for land acquisition for the bus and truck terminals in the interior cities. The relocation site of the truck terminal in Nawabshah is about eight acres and is located on the eastern side of the city and expected to cost about Rs 560,000. The relocation site of the Mirpurkhas bus terminal is about six acres located on the north-east side of the city and expected to cost Rs 2.5 million. The Larkana bus terminal site is about eleven acres on the northern edge of the town and expected to cost about Rs 2.9 million. None of the selected sites involve resettlement. **GOS's action plan for land acquisition discussed during negotiations was found to be satisfactory to IDA.**

3.26 **Resettlement**. There is only limited resettlement in the proposed project. Support of all of the major components identified by GOS for inclusion in the project has been deferred which contained large amounts of resettlement and were not sufficiently prepared. In Karachi, minor resettlement is involved in three sub-components: Malir River flood protection, construction of a rail overpass on University Road at Rashid Minhas, and widening and improvement of a bridge over the Lyari River on Rashid Minhas road (para 3.28). No resettlement is involved in the sub-components in the three interior cities. GOS has agreed in principle to revising its resettlement policy in line with the Bank's OD4.30. An outline policy statement for GOS has been developed with the help of an IDA consultant and was discussed with GOS during negotiations (Annex 3). EXPACO will coordinate the work of the IDA consultant. Support and monitoring of resettlement planning, implementation, and evaluation, however, will be the responsibility of PPU. Discussions have been held with SAIBAN, an NGO in Karachi, regarding its possible involvement in execution of resettlement plans. SAIBAN was established three years ago for the development of incremental low-cost housing along the lines of the highly rated Khuda Ki Basti low-income housing project in Hyderabad.

3.27 The total cost of resettlement is estimated at Rs 14.7 million, including technical assistance for implementation of resettlement plans. To ensure that the various phases of resettlement receive GOS's full attention, resettlement plans have been developed by KDA with the help of IDA consultants. These plans have been reviewed by IDA and have been found to be satisfactory. Aside from a weak policy framework, the most important issue concerning resettlement actions in Sindh has to do with weak institutional capacities of GOS (KDA and KMC). GOS has agreed to strengthen the organizational and operational capacities of its executing agencies, KDA and KMC, and to implement resettlement actions through involvement of an NGO such as SAIBAN. **Assurances were obtained from GOS during negotiations that any persons displaced or to be displaced for the purposes of the project shall be compensated and/or resettled in accordance with a land acquisition and resettlement plan satisfactory to the Association** (para 6.1(h)).

3.28 The three resettlement subcomponents in Karachi include:

- **Malir River Flood Protection**. Resettlement of seven small farms, including six vegetable farms and one poultry farm presently located in the bed of the river near the section of the bund which is to be constructed in the proposed project.

- **<u>Construction of Railway Overpass</u>**. Resettlement of 25 small commercial enterprises situated along the alignments. Half of the enterprises are one-man operations functioning in open hutments; the other half are small nurseries.

- **<u>Widening of Bridge over Lyari River</u>**. Resettlement of 10 habitations (eight of which are temporary hutments) and 51 small commercial enterprises in the project area. Of the enterprises, 24 are functioning in open temporary hutments, two in semi pucca (block without mortar), and 25 in pucca (block with mortar) establishments. Since household members of the one residence to be demolished are involved in a local business, it is unlikely they will choose to move to another area. They will receive assistance in building or purchasing a residence to replace the one demolished, however.

J. Operations and Maintenance

3.29 Satisfactory operations and maintenance of the facilities financed would be a focus of project technical assistance and IDA supervision missions. The operations and maintenance of the environmental upgrading components will fall under the responsible executing agency. For storm water drainage, KMC is responsible for cleaning and KWSB for pumping; for operations and maintenance for the Malir River flood protection scheme responsibility will lie with KDA. All of the Karachi traffic improvements will be maintained by KMC. The truck stand and bus terminals in the three interior cities will be the responsibility of the municipal committees in each city. Institutional capacities of the executing agencies for operations and maintenance will be strengthened as a part of the institutional strengthening subcomponents of sectoral reform.

3.30 In the interior cities, inadequate maintenance of existing roads and infrastructure results in service deficiencies which could, to a large measure, be overcome through monitoring procedures. The project will focus on strengthening municipal government capacity to perform operations and maintenance functions more effectively.

K. Procurement

3.31 Contracts for the major works (US$25.5 million) will be awarded after pre-qualifications on the basis of International Competitive Bidding (ICB), in accordance with World Bank guidelines. Seven separate works contracts will be awarded: (a) one contract for rehabilitation of storm water drainage (Korangi) (US$1.7 million); (b) four contracts for Malir river flood protection scheme (US$13.3 million); (c) one contract for construction of railway bridge on University Road at Rashid Minhas in Karachi (US$8.2 million); and (d) one contract for widening of a bridge on Rashid Minhas Road at Lyari River (US$2.3 million).

3.32 Ten separate contracts for other works (US$8.3 million) will be awarded through Local Competitive Bidding (LCB) (as the nature, locality, seasonality, and dispersal of the works would not be of interest to international contractors), in accordance with procedures acceptable to IDA. The contracts will include (a) a total of US$3.1 million divided into: one contract for 16 traffic improvement schemes in Karachi (US$1.4 million), two contracts for installation of traffic signals for pedestrian crossings in Karachi (US$0.6 million), and one contract for moving utilities to install traffic signals in Karachi (US$1.1 million); (b) three contracts for construction of bus and truck terminals in the three interior cities (US$1.4 million); and (c) three contracts for improvement of roads and transport infrastructure in the interior cities (US$3.8 million).

3.33 Land acquisition, and compensation for the resettlement component as well as land acquisition for the two bridges in Karachi and the bus and truck terminals in the interior cities are included in the N.I.F. category in Table 3.2. These items will be financed by GOS for Karachi and by municipal governments for the three interior cities.

3.34 Table 3.2 summarizes the procurement procedures to be applied to the various components.

Table 3.2: PROCUREMENT ARRANGEMENTS
(US$ million)

Project Elements	ICB	LCB	Other	N.I.F.	Total	% of Total
1. WORKS						
1.1 Environmental Upgrading						
Stormwater Drainage	1.7 (1.3)				1.7 (1.3)	(2.8)
Malir River Flood Protection	13.3 (9.6)			0.5	13.7 (9.6)	(20.5)
1.2 Transport Upgrading						
Roads		3.1 (2.2)			3.1 (2.3)	(4.9)
Bridges	10.5 (7.6)			0.2	10.6 (7.6)	(16.2)
Rd. & Tr. Infrastructure Imp. (Interior Cities)		5.2 (3.7)		0.2	5.4 (3.7)	(7.9)
2. GOODS						
2.1 Vehicles (m/cycles, automobiles)		0.9 (0.8)			0.9 (0.8)	(1.7)
2.2 Equipment (computers, office equipment)		2.2 (2.0)			2.2 (2.0)	(4.3)
3. CONSULTANTS						
3.1 Project Support			4.7 (4.4)		4.7 (4.4)	(9.4)
3.2 Capacity Building			13.5* (12.7)		13.5* (12.7)	(27.1)
3.3 Policy Development			2.7 (2.5)		2.7 (2.5)	(5.3)
TOTAL	25.5 (18.5) 39.5%	11.4 (8.7) 18.6%	20.9 (19.6) 41.9%	0.9	58.6 (46.8) 100.0%	(100.0)

Note: Figures in parentheses are amounts to be financed by IDA.
Cost figures include contingencies.
N.I.F. Not IDA-Financed
* Includes US$6.4 million for preparing engineering studies for future transport improvements in Karachi.

3.35 Consultancy services for project support, such as final engineering design, procurement documentation, and construction supervision (US$4.7 million), capacity building (US$13.5 million), and policy development (US$2.7 million), would be procured in accordance with "Guidelines for the Use of Consultants by World Bank Borrowers." Capacity building includes US$6.4 million for the preparation of GOS's proposed urban transport project.

3.36 Contracts for vehicles (US$0.9 million) and equipment (US$2.2 million) would be awarded on the basis of LCB procedures acceptable to IDA. All ICB contracts, and LCB contracts for civil works over US$0.5 million equivalent and all equipment contracts over US$200,000 will be subject to prior review by IDA. The prior review requirements are expected to cover 95% of total procurement. **Procurement arrangements for the project were discussed during negotiations. Procurement documentation for 75% of all physical works and 100% to be tendered during the first two years of project implementation have been reviewed and found to be satisfactory to IDA.**

L. Disbursements and Special Accounts

3.37 Disbursements by IDA are proposed at the rate of 100% against eligible foreign expenditures. All disbursements would be net of identifiable taxes and duties. Table 3.3 sets forth the categories of items to be financed from the proceeds of the credit, the allocation of the amounts of the credit to each category, and the percentage of expenditures for items to be financed in each category. The estimated schedule of disbursements is in Annex 9. Disbursements against Statements of Expenditures (SOEs) would be made for the following items: (a) contracts for works and goods valued at less than $200,000; (b) contracts for services of consulting firms (not individuals) valued at less than US$100,000; and (c) municipal training programs. Documentation in support of the SOEs will be retained by the executing agencies for inspection by IDA supervision missions. All other disbursements would be fully documented.

Table 3.3: DISBURSEMENT ARRANGEMENTS
(US$ million)

Project Elements	Amount Allocated	Percentage of Expenditures Financed
1. CIVIL WORKS		70% of Expenditure.
1.1 Environmental Upgrading Stormwater Drainage	1.1	
Malir River Flood Protection	8.3	
1.2 Transport Upgrading Roads	1.9	
Bridges	6.5	
Rd. & Tr. Infrastructure Imp. (Interior Cities)	3.4	
2. GOODS		100% of foreign expenditure, 100% of local expenditure (ex-factory cost) and 65% of local expenditure for other items procured locally.
2.1 Vehicles (m/cycles, automobiles)	0.7	
2.2 Equipment (computers, office equipment, land survey)	1.8	
3. CONSULTANTS		100% of expenditure.
3.1 Project Support	4.4	
3.2 Capacity Building	12.7	
3.3 Policy Development	2.5	
4. UNALLOCATED	3.5	
TOTAL	46.8	

3.38 In order to facilitate disbursements and project implementation, three Special Accounts would be established: one in GOS, one in KDA, and one in KMC. These Special Accounts would be established at the National Bank of Pakistan[21/] and operated in accordance with State Bank of Pakistan (SBP) regulations and would be maintained in US Dollars with an authorized allocation of US$3.0 million distributed as follows: US$0.7 million for GOS, US$2.0 million for KDA, and US$0.3 million for KMC. Each of these Accounts would be used for both local and foreign expenditures of less than 10% of each special account allocation. All expenditures above this percentage could be submitted directly to IDA for payment without using funds from the Special Account. Applications for replenishment of the Special Account should be submitted to IDA on a monthly basis or whenever the account balance falls below 50%, whichever occurs first. The Project Director in each of the above entities would be responsible for record keeping, aggregation of documents, reconciliation of bank statements as required by IDA, and preparation of applications for replenishment for signature by authorized officials. **Assurances on disbursement arrangements acceptable to IDA were obtained from GOS at negotiations** (para 6.1(d)).

M. Accounts and Audits

3.39 Verification of use of SOEs and Special Accounts on the Karachi Special Development Project are up to date. Work on developing effective accounting systems for KDA and KMC is continuing. This lack of effective systems has precluded timely receipt of financial statement audit reports of KDA and KMC as required under the KSDP project. However, our actual need for audited financial statements of these institutions is being reconsidered. All agencies and departments of GOS are subject to standard government auditing procedures. Although measures have already been initiated under Credits 1374, 1652, and 1987-PAK to remedy this situation for KMC and KDA, only KWSB has acquired a sufficient level of adequacy to satisfy IDA guidelines and standards. Therefore, the project includes technical assistance for GOS and KDA, and to support on-going assistance for KMC.

3.40 Separate project accounts (by contracts) would be established and maintained by each of the executing agencies involved. Reports for these accounts will give breakdowns for land acquisition, civil works, vehicles, materials and equipment, consulting services, technical assistance, training and studies. Expenditures would be accounted for separately by category for each fiscal year and be presented in such manner that easy correlation would be possible with each of the categories shown in the Credit Agreement Schedule One.

3.41 The PPU (with consultant's assistance) would be responsible for consolidating project accounts from each executing agency (GOS, KDA, and KMC) and participating interior cities, and arranging for annual audits by independent auditors acceptable to IDA. **Annual audits of the consolidated project accounts, together with audits of SOEs, requests for direct reimbursement, and the Special Accounts will be submitted to IDA no later than nine months after the close of each fiscal year** (para 6.1(e)).

21/ Discussions are presently being held with GOP regarding (a) opening up these accounts for competition by permitting commercial banks to participate and (b) modification of SBP regulations to allow for improved functioning.

N. Monitoring, Evaluation and Reporting

3.42 On March 30 of each year of project implementation, GOS and IDA would jointly review progress made against targets set out in the action plans and, if needed, revise them. Each of the executing entities would prepare detailed quarterly progress reports to be submitted to the PPU. The PPU will review and consolidate these reports into a single comprehensive quarterly report for submission within one month following the end of each reporting quarter to the Chief Secretary of GOS and to IDA. The quarterly progress reports would highlight major problem areas, with suggestions for overcoming them. The reports would set out the physical and financial data pertaining to each sub-project component and would measure progress, indicating (a) revised cost estimates for individual contracts and the total project including best estimates of physical and price contingencies; b) revised timing of procurement actions, including advertising, bidding, contracts awarded and completion times; and (c) the status of implementation of contracts awarded.

3.43 GOS would also submit to IDA a project completion report six months following the closing date of the credit. **During negotiations, assurances were obtained from GOS that the PPU would prepare and submit to IDA consolidated quarterly progress reports on project implementation during the preceding quarter. During negotiations assurances were also obtained to hold a mid-term review about two years after the date of credit effectiveness not later than September 30, 1995**. The purpose of the review would be to assess progress achieved in project implementation and to agree with GOS on mid-course adjustments where necessary, (paras. 6.1(f) and (g)).

O. Project Supervision

3.44 The average supervision coefficient for urban projects in the region is 15 staff weeks per year. Because the proposed project is complex and policy-based, a total of approximately 20 staff weeks per year may be required. The additional resources of 5 staff weeks are expected to come from various trust funds obtained during the course of project implementation. Funds provided under the proposed credit would cover the cost of local and internationally recruited consultants to assist the PPU in their routine monitoring of the project. A supervision plan was prepared (Annex 13) and discussed during negotiations.

3.45 Project supervision would commence with a project launch workshop to be held within three months after Board approval. The objective of the workshop would be to convene the executing agencies and their project staffs in one venue for a period of about three to four days, to ensure a thorough review with IDA staff of the various project documents (e.g., Staff Appraisal Report, Project Review Forms[22/], and IDA and GOS legal documentation), to acquire a better understanding of project requirements and procedures, including a review of the action plans and roles and relationships of the various groups involved. The project launch workshop would also introduce the "project workbook" as a means to enhance communication among the various government units involved in policy formulation and implementation.

22/ Project Review Forms (PRF) are brief four to six page appraisal reports of each of the individual investments or sub-components. PRFs were prepared for each of the investments in the proposed project to serve as an aid for the PPU during the supervision of the project and ISCU in developing and implementing the institutional strengthening components.

P. Environmental Impact

3.46 The environmental impact of the proposed project would be positive. The relocation of the truck and bus terminals in Nawabshah, Larkana, and Mirpurkhas would improve the environment and increase local productivity by reduction of: (a) noise levels due to congestion relief measures and (b) traffic related hazards from less traffic congestion. Traffic management and construction of bridges in Karachi would result in lower accident rates and smoother traffic flow along main corridors. The traffic management studies would produce better understanding of traffic circulation and pedestrian needs and help in developing programs to encourage environmentally sustainable modal choice. Both of the bridges, at the railway crossing on University Road and on Rashid Minhas over the Lyari River, would directly improve the environment by reductions in vehicle idling time and exhaust emissions. The Malir River Flood Protection investment constitutes the final phase of works which brings flood protection to all of the residents and firms located in the Korangi area, an area of low income households and medium to large-sized industries. Both the flood protection investment and the channelization of the outfall reaches of the Korangi nallah constitute immediate and first steps in GOS's program to improve the environment in Korangi. The environmental category of the proposed project is a "B."

3.47 While it is acknowledged that the environmental impact of the proposed project would be positive, there would be temporary disruptions caused by construction activities of some of the drainage and transport components in Karachi, which are not related to the long-term environmental impacts of the project. The Malir River Flood Protection investment and the two bridges are expected to be the primary source of these disruptions during construction. In the case of flood protection, large quantities of earth must be borrowed, transported, put in place, and stabilized. For the two bridges, and the traffic management investments located in Karachi, and the relocation and construction of two bus terminals and one truck stand in the interior cities, noise, disruption of traffic and access to homes or businesses, and dust are potential temporary disruptions. These impacts have been reviewed by IDA. Mitigation measures, the responsible agencies and monitoring measures have been identified and have been incorporated in the tender documents.

IV. COST RECOVERY AND AFFORDABILITY

4.1 The proposed project would prepare the foundation for more effective cost recovery measures to be implemented as part of the policy reform program during the project's implementation period. Because of the wide disbursal of both the environmental upgrading and transport improvement components in Karachi and the three interior cities, it is not feasible to directly recover any significant portion of project costs from consumers. The basic strategy that GOS and the executing agencies would pursue is to strengthen the overall resource mobilization capabilities of the Excise and Taxation Department of GOS, including improvements in property tax administration. Property tax is a local tax and thus will (indirectly) recover most of the costs of the physical works under the project: flood protection, drainage, transport improvements, and traffic management investments.

4.2 Most of the project costs would be recovered indirectly from beneficiaries. More specifically:

(a) the GOS would implement a program of property tax reform aiming at a yield increase of at least 100% by FY97;

(b) the GOS has raised its existing motor vehicle tax rate by 10% and would pursue conversion of the tax to an ad valorem basis at a one percent rate by FY95;

(c) KMC increased octroi charges by 13% in September 30, 1992 as an interim revenue generation measure, pending the envisaged increase in property tax yield and in the long-term, eventual assumption of responsibility for property tax assessment and collection; and

(d) KDA will, as part of the proposed amendment of the Sindh Disposal of Plots Ordinance, implement a program of disposal of its vacant serviced land at market rates for plots larger than 120 sq. yds., by auction.[23/]

4.3 Additionally, administrative measures to be designed and/or implemented under the proposed project to enhance the effectiveness of revenue collection in the above agencies would further increase direct and indirect cost recovery of past investments as well as future investments.

4.4 The imposition of taxes outlined in the previous section would help bring the municipal taxation levels in Karachi closer to the levels in other countries at comparable levels of development (i.e., India and Sri Lanka). Because GOS has implemented an increase in property tax rates (as a condition of negotiations) and has agreed to revalue all properties, the preponderance of taxes would fall on the middle and higher income groups. Given the present extremely low levels of taxation (e.g., real property tax levels have declined to about 14% of what they were in 1968), the proposed increases are almost certainly affordable. KDA sales of land at subsidized prices have so far primarily benefited speculators and informal land vendors. They have in the past resold the land at prices significantly higher than those charged by KDA. Thus, the benefits of such subsidies accrue to intermediaries, rather than to the ultimate residents, who rely on the informal land market to obtain plots (without legal title) disposed of by KDA and other agencies. The proposed measures would ensure that a greater proportion of land prices paid by the ultimate beneficiaries would end up in the public coffers rather than in the hands of intermediaries, with little impact on market prices.

4.5 The cost of constructing the truck terminal in Nawabshah would be recovered from about 200 truckers who would have access to better facilities, including workshop, office space, and secure parking.

V. BENEFITS, JUSTIFICATION AND RISKS

A. Benefits and Beneficiaries

5.1 The benefits of the physical components of the proposed project would include: improved environmental and health conditions of the urban population; reduction in damage to property resulting from flooding; increased land values in the upgraded areas; cost savings, such as reduced maintenance costs for various urban infrastructure components and lower vehicle operating costs for urban transport; and improved services. The benefits of the policy reforms to

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23/ KDA has recently adopted market pricing for plots larger than 400 square yards, but has agreed to reduce plot sizes for auctioned land to plots larger than 120 square yards.

be carried out under the proposed project would be in terms of improvements in fiscal and financial autonomy and sustainability, allowing governments to finance investment and cover recurrent costs of meeting the growing demand for urban infrastructure. Better control of investments would--over time--facilitate faster completion of projects, advancing the time in which investment benefits can be realized. Institutional strengthening would result in increased efficiency and effectiveness in the delivery of urban services. Procedures would be streamlined and the cost of service provision reduced.

5.2 Project beneficiaries would be the urban population of Sindh in general and, more directly, the people living in Karachi and in the interior cities that would receive investments under the proposed project.

B. Economic Evaluation

5.3 The major physical components of the proposed project have a total cost of US$38.2 million (65% of total project costs including contingencies). The overall economic rate of return (ERR) is about 43%, which is a weighted average of the physical investments for which an ERR was calculated. The remaining project costs (35% of the total) are allocated to technical assistance including institutional support and capacity building, policy development through advisory assignments, and training for which an ERR cannot be calculated.

5.4 **Interior Cities**. The total cost for the road and transport infrastructure investments is estimated to be US$6.0 million or about 10.2% of total cost. Although these improvements would result in congestion relief in the central business district, better maintenance, and better service to commuters, it is difficult to assign an ERR to these benefits as the beneficiaries are fragmented among three cities and over a large geographical area within each of the three cities. Furthermore, similar investments and their ERRs have not been established previously in Pakistan. Overall, a positive economic rate of return is anticipated as indicated by assessments of similar small transport improvements in other countries.

5.5 **Environmental Upgrading**. The economic benefits of environmental upgrading programs would vary widely and would be reflected by improvements in health and property values. Given the nature of the works, it is difficult, if not impossible, to assign an economic rate of return to these benefits. As an indication, however, of more comprehensive area upgrading in higher density areas of Karachi under Credit 1652-PAK and ADB loan 793-PAK (SF), an ERR has been established at about 60% for this fifth phase of the flood protection project (para 3.5 and Annex 7).

5.6 **Bridges**. The economic rate of return for the bridge expansion over Lyari river was calculated using savings in vehicle operating costs. The project would result in substantial benefits in travel times for the diverted traffic which has not been included in the ERR calculations. The ERR over the project life of 20 years was calculated at 26% (for details see Annex 12). The ERR for the overhead bridge construction on University road was calculated using benefits in terms of reduction in vehicle operating costs (VOC) and passenger travel times. The cost of providing roads to divert traffic during the construction phase is expressed as negative benefits in the economic evaluation of the "with project" scenario. The ERR over the project life of 20 years was calculated at 34%. Even with a cost overrun of 20% or reduced savings from VOC, the ERR is expected to be greater than 20%. Substantial benefits (improved traffic flow, reduced vehicle idling and lower emissions, lower accident rate, and better environment) from the two bridges, which are difficult to quantify are not included in this analysis. Thus the project yields satisfactory rates of return even under conservative scenarios.

5.7 **Traffic Management**. The ERR was computed for this component considering savings from reduction in VOCs (fuel consumption, lubricants, tires, parts, maintenance, labor) and passenger travel times. The savings have been derived as a consequence of reduction in running times and stopped-time delays encountered as a result of congestion and bottlenecks. The weighted ERR for all intersection improvements is calculated at 24.8%. Even with a cost overrun of 20% or reduced savings from VOC, the ERR is expected to be more than 20%.

C. Risks

5.8 There are serious political risks in Sindh and particularly in Karachi as evidenced by political instability, civil disturbances, and military intervention of the last two years. Military intervention over the last eighteen months has reduced the incidence of urban and rural violence and civil unrest, but the underlying political and economic causes for the violence and unrest have not been resolved. Project implementation could be affected by law and order difficulties and further political turmoil causing delays in the execution of works and implementation of policy reforms. However, we believe that these risks are manageable and that IDA support remains fully justified given the strong support of the Provincial Government, the City of Karachi, and the three interior cities to the project and the important role Karachi plays in Pakistan's economy. These risks are considered worth taking when Karachi is viewed from the perspective of its contribution to the economic growth of the country. Karachi contributes over 20% to GDP and is the principal seaport of the country, and thus plays a pivotal role in Pakistan pursuing its export-led growth strategy.

5.9 In addition to political risk, there is the risk of delays in implementation, particularly in implementation of the policy reforms and action plans, including resettlement plans. The resettlement and action plans for the project were reviewed and found satisfactory during negotiations. These plans will help achieve the minimum policy objectives which are attainable within the project's implementation period. Substantial steps have already been undertaken by GOS and its agencies towards implementation of the action plans, which are set on relatively conservative time-schedules. Additionally, substantial advisory support is provided under the project to facilitate implementation of the action plans. GOS has agreed under the project, to strengthening its (and that of its agencies) institutional capacities for implementation of resettlement projects, in general, and for resettlement specifically included under SSDP, including creation of a special autonomous institutional arrangement (by contracting some services out to a private sector NGO that is experienced in these matters) for implementation and monitoring of the resettlement plan, and for helping to institutionalize these strengths within GOS.

5.10 There is also a risk that GOS commitment to the project and, especially, the policy measures might weaken. However, the project has been prepared by different governments in Sindh and the policy statement has been confirmed by the newly elected government.

5.11 There are no other unusual risks to project implementation. Infrastructure to be provided under the project is generally comparable to projects implemented by executing agencies in the past and does not provide any unusual technical difficulties. There are no major outstanding land acquisition requirements which cannot be satisfied. Possible administrative delays in recruitment of consultants and in procurement have been safeguarded against through the establishment of the PPU and the advisory support provided to it to give project implementation and procurement a head start. In addition, substantial work has been completed in preparation of consultants' terms of reference.

5.12 **Other Risks**. The Federal Shariat Court of Pakistan has recently given a ruling that the Shariah does not permit the payment or award of interest and thus has instructed the Government to modify a number of existing laws that currently provide for the payment of interest. The Government has filed an appeal with the Supreme Court against the Shariah ruling, which has been stayed pending the outcome of the appeal. As far as Pakistan's obligations under loan, credit and guarantee agreements with the Bank/IDA are concerned, these are valid and enforceable under international law, in accordance with the terms of those agreements and the General Conditions of the Bank/IDA, notwithstanding any municipal law or judicial decision regarding the payment of interest or other charges.

VI. ASSURANCES, AGREEMENTS AND RECOMMENDATION

6.1 **The following assurances were obtained during negotiations**:

(a) GOS agreed that properties in Karachi will be revalued during implementation of the project and the property list updated in a manner satisfactory to IDA (para 2.47);

(b) GOS agreed to review the action programs each year with IDA, and, in addition: (i) make arrangements satisfactory to the Association to monitor its annual budget; and (ii) not later than March 31, incorporate in such arrangements, measures satisfactory to the Association, for eliminating the budget deficit not later than FY98 (para 2.60);

(c) GOS agreed to maintain a coordinating mechanism for policy formulation and project monitoring acceptable to IDA (para 2.61);

(d) Disbursement arrangements acceptable to IDA (para 3.38);

(e) GOS agreed to timely submission of audits satisfactory to IDA (para 3.41);

(f) GOS agreed that PPU would prepare and submit to IDA consolidated quarterly progress reports on project implementation during the preceding quarter (para 3.43);

(g) GOS agreed to holding a mid-term review the latter half of FY95 about two years after the date of effectiveness (para 3.43);

(h) GOS agreed that any persons displaced or to be displaced for the purposes of the project shall be compensated and/or resettled in accordance with a land acquisition and resettlement plan satisfactory to the Association (para 3.27); and

(i) GOS agreed that the road improvement components in the interior cities that were added during negotiations will be identified free of resettlement.

6.2 **Conditions of effectiveness will be**:

(a) The Executive Committee of the National Economic Council of the Borrower (ECNEC) has approved the Planning Commission (PC-1) document with respect to the project (para 3.23); and

(b) The Project Agreement has been duly authorized or ratified by Sindh, KDA, and KMC, and is legally binding upon Sindh, KDA and KMC in accordance with its terms (para 3.23).

Recommendation

6.3 On the basis of the above agreements, the proposed project is suitable for an IDA credit of SDR 33.3 (US$46.8 million equivalent) to the Islamic Republic of Pakistan.

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

Statement of Policies on Fiscal and Administrative Reform

in the Government of Sindh

BACKGROUND

1. GOS has adopted the premise that development and sustainability of the province are linked to its role as both regulator and supporter of the private sector and local governments. Since GOS will have to serve as the prime "intermediary" for financing development, it will have to stabilize its financial situation to sustainable levels and become creditworthy in domestic public and private markets.

2. There are thus five primary objectives to GOS's strategy.

First, make Karachi self-financing and sustainable, as far as possible.

Second, stabilize GOS's finances to sustainable levels.

Third, make GOS creditworthy in domestic capital markets.

Fourth, strengthen GOS's regulatory and support roles vis a vis the private sector and local governments, its two main instrumentalities.

Fifth, strengthen local governments. To maintain sustainability and to get the incentives right, GOS will have to deregulate its principal sectors (e.g., transport and water services) and decentralize fiscal and administrative authority to local governments.

POLICY STATEMENT

3. The goal of the SSDP program is to help GOS, during a time of severe fiscal constraint, (a) continue the momentum of its ongoing policy and institutional reform program and (b) finance certain high priority investment projects that are included in its five year infrastructure expenditures program. The SSDP program aims at helping GOS support the macro-economic and structural reform programs of GOP to improve economic growth through deregulation, export growth, and privatization, and supporting the country's Social Action Program by creating an enabling environment that:

(a) permits greater freedom in the flow of the factors of production,

(b) supports broad-based and sustainable economic growth throughout the province, and

(c) sustains investments in priority sectors to provide improved social services.

4. To achieve acceptable investment levels, GOS will have to attain (and then sustain) financial stability and creditworthiness, first in public and then in private capital markets. To do this, GOS will implement and sustain a program of structural reforms which is expected to result in:

(a) a gradual reduction of GOS's current account fiscal deficit by raising additional revenues, reducing low priority current expenditures, and decreasing subsidies;

(b) provision of more rupee funds to priority projects by sharp cuts in GOS's low priority existing portfolio of on-going projects, terminating or bringing to an early close projects that have low economic returns or other implementation difficulties;

(c) annual reviews of the composition and size of the Provincial ADP so that the investment program is consistent with GOS's economic development and social action objectives and its capacity for servicing its debt and project supervision;

(d) introduction of a three-year investment, planning, programming and budgeting system and reformulation of investment planning and financing procedures, if necessary, to assure that GOS supports investments in all sectors that are economically and socially sound and provide tangible benefits to the province.

(e) gradually decentralize, granting greater autonomy to the municipalities as they acquire additional absorptive capacity, strengthening local governments and modifying GOS's role toward more regulatory and supportive responsibilities as the municipalities gain greater independence;

(f) facilitate efficient and equitable functioning of land markets in Sindh;

(g) develop a regulatory framework for environmental protection;

(h) deregulate urban transport services, improve coordination of transport-related activities, and establish a regulatory framework aimed at affordable mass transport and wider modal choice; and

(i) establish a regulatory framework for water services in Karachi aimed at liberalization of water tariffs, more progressive water pricing that fosters improved water conservation, and increased delegation of financial and administrative authority to KWSB.

I. FISCAL AND FINANCIAL REFORM

5. The policy objective of fiscal and financial reform for GOS is to stabilize its finances and achieve creditworthiness (first in public and then in private capital markets). Financial stabilization and creditworthiness will enable the GOS to channel the resources of the public sector more effectively.

6. The primary means for attaining this goal for GOS is to spend within the limits of available revenues and borrowing capacity. For GOS to reduce its budgetary deficit while maintaining a reasonable level of growth in per capita development expenditures, it will have to limit its current expenditure growth and increase revenues. Since property and motor vehicle taxes represent two very important and relatively untapped revenue bases for GOS, every effort should be made to increase revenues and to improve both property tax and motor vehicle tax administration.

II. ADMINISTRATIVE REFORM

7. The policy objective of administrative reform is to develop GOS's regulatory role and capacity in support of local government's provision of social services and as enabler and facilitator of private sector economic activity in Sindh. This will involve GOS in redefining its role from that of a "first line" executing institution to an "intermediary" that accomplishes the task of economic and social development of the province mainly through an enabling regulatory framework aimed at the private sector, local governments, and other agencies. This regulatory role will demand of GOS a much improved fiscal and administrative environment and a different orientation to and definition of its "client."

8. The following tasks would be involved:

(a) revision of laws, rules, or regulations;

(b) strengthening of fiscal administration, primarily through strengthening of property tax administration, privatization of commercial undertakings, and increased efficiency in utilization of manpower;

(c) strengthening of financial administration, involving improved financial accounting and budgeting, forecasting, and financial management;

(d) strengthening of regulatory administration, redefining GOS's regulatory role and practices in development finance, audit, procurement, resettlement, environmental standards, and performance monitoring;

(e) strengthening of development administration, particularly GOS's and local governments' capacity in development programming & budgeting and in selection, supervision, and monitoring of investment projects, and restructuring of KDA's role and function with reorientation to development of low-income shelter and contract management services for the public sector;

(f) strengthening of records administration (personnel records and management systems); and

(g) decentralization to local governments as they develop capacity.

III. LAND MANAGEMENT REFORM

9. The future of the province will depend to a considerable extent on GOS's capability to attract and support the financial, technological and human capital investments that will be necessary for economic growth to occur and to be sustainable in the province, which in turn depends on the availability of negotiable secure land suitable for industry, commercial, and residential development and investments as well as the operation of secure and transparent land and mortgage markets. Thus policy reforms will be necessary in the areas of lowering land transaction costs, land pricing, land-use regulation, public/private sector roles and tenure.

IV. URBAN TRANSPORT REFORM

10. The policy objective is to restructure the urban transport sector. This will involve:

(a) deregulation of urban transport (including deregulation of bus fares, restrictions on licensing of types of buses), development of a scheme for funding of bus leases and purchases by the private sector, and reduction of subsidies, leading to the privatization of KTC;

(b) strengthening of GOS's regulatory role in support of privatization of public transport.

V. URBAN ENVIRONMENTAL REFORM

11. The policy objective is to develop standards for the province relating to pollution abatement, and a regulatory framework through which GOS can support and monitor implementation of and adherence to these standards.

VI. WATER SERVICES REFORM

12. The policy objective is to increase delegation of authority for water services administration in Sindh over the long term and for Karachi to prepare KWSB for increased administrative and financial autonomy in the medium term. This will involve:

(a) increase KWSB's autonomy as it develops the capability for self-financing, and

(b) increase delegation to other water authorities in the province as they develop capacity.

VII. LOCAL GOVERNMENT REFORM

13. The policy objective is to assist local governments in working toward increasing levels of financial and operational independence, specifically with respect to planning, financing, operating, and maintaining necessary infrastructure and social services. For KMC, the policy objective is to prepare KMC for taking on full responsibility for the fiscal and administrative functions of greater metropolitan Karachi, including improving its capacity for planning and financing infrastructure projects for Karachi, thus making it possible for

the GOS to devote a larger proportion of its attention to the interior of the province. Implementation of the policy objective will involve:

(a) strengthening of local governments in financial and development administration and revenue generation,

(b) assisting local governments in establishing programs to contain the growth of recurrent expenditures, and

(c) implementation of decentralization to local governments as they develop the capacity for increased authority and responsibility.

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Note: This Action Plan will be reviewed by the GOS and the Association semi-annually on Mar 31st and Sep 30th and updated in a manner satisfactory to the Association.

PAKISTAN
SINDH SPECIAL DEVELOPMENT PROJECT
POLICY REFORM OBJECTIVES, MEASURES, AND TARGETS
ACTION PLAN

POLICY AREA/OBJECTIVES	MEASURES	TIMING OF MEASURES/TARGETS				
I. Fiscal and Administrative Reform		93/94	94/95	95/96	96/97	97/98
(a) Property Tax Reform						
(i) Property Revaluation and System Improvement	Enforce Surcharge	Enforced				
	First Revaluation		X	Completed		
	Removal of Exemptions		X	Completed		
	Improve Collection Efficiency (now approximately 70%) to:		75%	80%	90%	90%
	Indexation				X	X
(ii) Land Management Improvement	Market pricing of land above 120 sq yds	Auction at 33% down	Auction at ___% down	Auction at ___% down	Auction at ___% down	Auction at ___% down
	Revise SDPO and SLCA	X	Gazetted			
	Revise Building Control Regulations	X	Gazetted			
	Levy Non Utilization Fee, Improve Collection	12.5% of Auction Price				Effective Collection System
(b) Investment Planning and Budgeting						
(i) Rationalize Existing Development portfolio	Develop development priorities for Sindh			Completed		
	Evaluate existing projects and terminate low-priority investments				Completed	

POLICY AREA/OBJECTIVE	MEASURES	93/94	94/95	95/96	96/97	97/98
(ii) Improve Investment Planning and Programming	Change planning and budgetary procedures to include budgetary planning for three years			Completed		
	Improve systems and procedures for appraisal and sanctioning of investment projects			Completed		
	Establish the basis for mutual planning and programming with local councils and autonomous bodies				Completed	
(iii) IDA Review Size and Composition of Current Sindh Development Program	IDA prepares report no later than Jan 31 on size and composition of current Sindh Development Program for consideration by SSDP Cabinet Committee	X	X	X	X	X
(iv) Strengthen Project Supervision and Monitoring	Strengthen project supervision, monitoring, and reporting procedures				Completed	
	Provide management and technical assistance and training to municipal governments		Design Training			Complete Training
(v) Resource and Institutional Planning for Future Investments - Urban Transport	Establish Karachi Metropolitan Transport Authority (KMTA), with Legal Cover and guaranteed source of revenues		Complete Issues Paper and Work Plan	Establish by 12/95		
	Motor Vehicle Tax Enhancement	Prepare Issues Paper	Prepare Implemen-tation Plan			
	Establish Urban Transport Advisory Group and develop urban transport sector strategy for Karachi	Establish UTAG	Develop Strategy			
(vi) Deregulation of Transport Sector	Implement liberalization of bus fares and routes in Karachi		X			
	Liberalize import restrictions on bus vehicles		X			
	Improve access to affordable credit to private bus owners			X		
	Downsize KTC operations and staff, prepare for privatization		X	X	X	

POLICY AREA/OBJECTIVES	MEASURES	93/94	94/95	95/96	96/97	97/98
(c) Financial Management						
(i) Deficit Control	Decrease Recurrent Account Deficit	FY94 as Bench Mark	25%	50%	75%	100%
	Decrease Overdraft with SBP					
	Decrease Subsidies: (%)					
	a) KTC				Subsidy Removed	Privatized
	b) Food (Wheat)					Eliminated
	c) Municipal Bodies					Eliminated
	d) Development Authorities					Eliminated
	e) Commercial Corporations					Privatized
	Reduce Outside Budget Sanctions					50%
(ii) Rationalize Cost of Capital	Reduce Debt Burden:					
	Withdrawals from Public Account (Provident Fund)			Decrease	Decrease	Stop
(iii) Containment of Expenditure Growth	Economy Cuts in Budgeted Recurrent Expenditure	5%	10%	12%	15%	20%
(iv) Strengthen Public Auditing Procedures	Reestablish Public Accounts Committee	Reestablish	Fully Operational			
	Strengthen Departmental Audit Committees and Local Fund Audit Committee	Fully Operational				
(v) Strengthen Financial Administration	Establish financial forecasting procedures			Completed		
	Establish 3-year budget planning			Completed		
	Improve planning and budgeting procedures and coordination among core departments					Completed
	Improve procedures for monitoring budget performance				Completed	

POLICY AREA/OBJECTIVES	MEASURES	93/94	94/95	95/96	96/97	97/98
	Separate development and recurrent accounts		X			
	Improve and computerize financial accounting, monitoring and reporting systems and procedures					Completed
	Standardize provincial and municipal government accounting practices					Completed
(vi) IDA Review and Comments on GOS Current Budget	IDA prepares report no later than Jan 31 for consideration by Cabinet Budget Committee (to be constituted)		X	X	X	X
II. Institutional Strengthening						
(a) Karachi Development Authority (KDA)	Revise KDA Charter			Revised		
	Reduce KDA's Outstanding Debts					
	Reduce Annual Outstanding Dues Owed KDA		20%	20%	30%	30%
	Reduce Annual Operating Budget Shortfall (Rs 60m FY93)		30%	60%	100%	
	Reduce Overstaffing (golden handshake and attrition)	Freeze New Hiring		10%	20%	30%
	Reduce Recurrent Expenditures			10%	20%	30%
	Transfer Developed Schemes to KMC and Divest Pipe Factory			Completed		
	Develop plan to privatize land development operations		Study and Plan Completed	Begin Pilot Project		
	Revise Planning, Budgeting, and Financial Reporting Procedures for Full Cost Recovery for New Schemes			Revised		
	Modernize Land Records Systems and Procedures					Completed

POLICY AREA/OBJECTIVE	MEASURES	93/94	94/95	95/96	96/97	97/98
	Computerize Records Management Operations					Completed
	Training in Financial Management, Accounting, Valuation & Estate Management		Begin training			Training completed
	Strengthen Development Wing and Contract Management		Fully Operational			
	Strengthen Resettlement Cell and Procedures		Fully Operational			
	Strengthen Base Mapping Operation				Complete Photo Mapping	
(b) Karachi Metropolitan Corporation (KMC)	Develop and Implement Corporate Plan		Implement Plan			
	Computerize land records management					Completed
	Develop Training Center and Train Key Personnel					Completed

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

ACTION PLAN FOR DEVELOPMENT OF RESETTLEMENT POLICY

A. Background and Objectives

1. Several institutions and laws presently deal with the problems of encroachment and resettlement, with no uniformity in operational procedures and practices. The Directorate of Sindh Katchi Abadi of GOS and the Directorate of Katchi Abadi of KMC are charged with the responsibility of regularizing unauthorized settlements in the Province. The Board of Revenue (BOR) has the authority for transfer and sale of land and for setting the terms and conditions for land-use and providing leases to private users of land. Local bodies (KMC) and specialized agencies (KDA) are authorized to remove encroachments according to their own internal procedures. Police have the power to remove encroachments on behalf of government agencies.

2. Most of the unauthorized settlements have been haphazardly planned on informal subdivisions. The illegal occupation of government land is often followed by litigation with the squatters generally receiving a stay order from the courts, pending a judgement which takes a very long time. Various forms of encroachments lead to illegal possession of about 1,000 acres of government land in the Province every year. At the same time, the housing needs for the low-income population continues to grow.

3. There is no explicit government policy regarding resettlement. However, the government does have a policy of regularization of unauthorized settlements and removal of encroachment, based on a policy adopted in 1978 to transfer legal tenure to the occupants through the upgrading of settlements on a cost recovery basis. According to this policy, all unauthorized settlements existing on or before January 1978 were to be regularized. However, the regularization program in Karachi could not be implemented effectively and KMC has been able to regularize only about 18,000 out of an approximate 223,000 houses in Baldia alone.

4. The major reasons for ineffective implementation of a regularization policy have been: a) institutional problems and lack of organizational capacity on the part of the government; b) inconsistency of the policy with socio-economic reality; c) lack of participation by affected communities; and d) legal complexities and inconsistencies in the land tenure system.

5. The objective of this component is to develop a resettlement policy in the context of an integrated approach to socio-economic development rather than just as an appendix to implementation of engineering projects. Resettlement policy formulation will be coordinated by EXPACO, but support and monitoring of resettlement planning, implementation, and evaluation will be the responsibility of PPU working with local NGOs.

B. Action Plan

6. The problems in resettlement are closely connected to broader institutional problems and there is a need to begin working both inside and outside the GOS to shape appropriate legislation, administrative, and planning practices. The framework to develop such a plan will include:

(a) development of a policy framework on the part of GOS on the first principles for a resettlement policy, taking into account Bank guidelines, specifically O.D 4.30;

(b) preparation of an action plan to develop a policy on the basis of accepted first principles with assistance from individuals who have demonstrated experience and expertise in resettlement policy issues, and identification of a mechanism for formulation of policy, and procedural requirements for its formal adoption by the GOS;

(c) preparation of a framework for guidance and supervision of NGOs and individuals working on resettlement issues; and

(d) based on experience and data collected in the field, submission of recommendations to a Resettlement Committee (to be formed) for policy drafting.

7. Discussions have been held with SAIBAN, an NGO in Karachi, regarding its possible involvement in development and execution of resettlement plans. As the social organizer initiating the resettlement process, SAIBAN would be expected to play the lead role in planning, designing, and implementing the resettlement. Involvement of other individuals and NGOs has the advantage of creating a broader base of expertise in this field.

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PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS INPUTS

FISCAL AND ADMINISTRATIVE REFORM

1. Property Tax Reform

A. Background and Objectives

1. The property tax yield in Karachi has steadily declined over the years and now forms only 0.3% of the total tax revenues. The reasons for low yield are: (a) lack of tax revaluation since 1968; (b) a number of properties exempted from paying tax; (c) inefficient organizational structure and administrative procedures; (d) lack of property valuation and assessment expertise; (e) failure to extend rated area; (f) lack of clarity of title, as land rights are often not being recorded; and (g) poor collection performance. Land registration and management are inadequate, with land being produced by the public sector at below market prices, creating serious market distortions, and the informal sector meeting almost 75% of the annual housing requirements. In Karachi, for example, over 250,000 fully serviced plots lie unoccupied due to under pricing by the public sector.

2. The objective of this consultancy is to improve the property tax system first in Karachi and then in three interior cities (Nawabshah, Larkana, and Mirpurkhas). The tax yield will be addressed through an expansion of the property tax net, improvement in property tax administration, revision of land-use and building regulations for Karachi as required, selling of land at market prices, possible increase in rates, updating of the property tax list, reduction of exemptions for favorable treatment for owner-occupiers, revaluation, improved collection performance, and establishment of institutional arrangements to monitor tax policies for economic and financial impacts on households and firms in Sindh.

B. Scope of Work

3. The consultants will work closely with the Excise and Taxation Department, GOS, to carry out the following tasks:

(a) conduct an indepth study of property tax administration to provide decision makers greater flexibility in its application, including flexibility regarding the scope and means of the following: coverage, setting tax rates, exemptions, revaluation, and buoyancy;

(b) improve internal administrative systems and procedures, computerization, maps and records;

(c) implement a detailed action plan resulting in revaluation, updating the property tax list, improved valuation methods and collection efficiency;

(d) establish training facilities and undertake a training program to improve the valuation, technical and administrative needs of the GOS Department of Excise and Taxation; and

(e) identify and institutionalize all necessary technology, including transportation, map utilization, training and office equipment, and computers.

2. Investment Planning and Budgeting

3. Financial Management

A. Background and Objectives

1. The four core GOS departments (Planning and Development, Finance, Excise and Taxation, and Board of Revenue) operate without a clear perspective on provincial development planning, programming and budgeting (PPB). Under the recent changes in financial arrangements, as implied by the NFC award, the GOS will become increasingly less dependent on fiscal transfers from the Federal Government, and the GOS departments will have to assume a collective responsibility for developing common (or complementary) strategies and multi-year public sector investment plans. This will require a significant re-orientation in the planning perspective as well as a strong inter-departmental coordination to integrate planning with programming and budgeting and resource development.

2. The objective of this consultancy is to: (a) improve investment planning and budgeting (project identification and appraisal procedures and practices, changes in budgetary and planning procedures to include a three-year budget plan); (b) support improvements at the municipal government level to finance, operate and maintain the proposed investments, and provide technical assistance to improve cost recovery procedures; and (c) strengthen the financial and administrative capability of GOS.

B. Scope of Work

3. Investment Planning and Budgeting. The consultants will assist GOS in evaluating the performance of the investment program in terms of meeting the needs for economic growth, social welfare, regional development, sectoral balance, and in identifying policy changes that strengthen the investment program. The tasks involved are:

(a) conduct a survey of all existing ADP-financed development portfolio projects currently under execution in Sindh;

(b) identify criteria for establishing priorities for development and projects;

(c) identify the development priorities for GOS and show how the on-going investment programs respond to them;

(d) categorize all on-going projects according to their prospects for completion of works (or program), immediate and long-term economic and financial returns, future funding availability, meeting current developmental priorities, and eliminate those projects;

(e) introduce public expenditure management procedures and practices to establish three year investment planning, programming and budgeting in GOS;

(f) strengthen P&D's project cycle capability, including review of existing appraisal criteria, guidelines, and manuals and introduce modifications to enhance their effectiveness, and revitalization of existing project monitoring function;

(g) monitor and test the project appraisal criteria and guidelines and train staff in their application; and

(h) provide training for senior and middle level officials of the four core departments in integrated investment planning, programming and budgeting.

4. To support similar improvements in investment planning and finance in municipal governments, the consultants will assist GOS to:

(a) review and modify guidelines for preparation of infrastructure investment programs for secondary cities;

(b) develop a consolidated set of municipal government borrowing guidelines as a basis for mutual planning and programming;

(c) identify and introduce necessary legal changes in the Sindh Local Government Ordinance (SLGO) and other legal instruments to enable the municipal committees to assume increased financial and administrative responsibilities;

(d) design and implement technical assistance and training programs for the municipal government personnel at various levels in improved planning, programming, budgeting and implementation of investments and operations and maintenance of infrastructure.

5. <u>Financial Management</u>. The consultants will assist the Finance Department to:

(a) decrease the current account deficit;

(b) reduce subsidies;

(c) identify and implement strategies for containment of low-priority recurrent expenditures, and to strengthen financial administration including: determination of manpower strength, identification of redundant manpower, development of measures to reduce and contain redundant manpower, development of measures to reduce and contain growth in manpower, and consumption expenditures, and planning, and other measures to reduce or contain recurrent expenditures;

(d) computerize financial accounting, monitoring, and reporting systems and procedures, and review and update computerization of payroll;

(e) standardize provincial and local government accounting practices;

(f) establish financial forecasting procedures and general strengthening of financial administration and planning in GOS; and

(g) strengthen public auditing procedures.

INSTITUTIONAL STRENGTHENING

1. KDA

A. Background and Objectives

1. The rapidly declining financial position of KDA over the past few years coupled with increased urbanization of Sindh and the emergence of an urban political constituency has brought an awareness that the agency is unsustainable with its present structure and mode of operations. In addition to introducing some emergency measures to halt KDA's financial slide and set the stage for reorienting KDA towards a sustainable operation, GOS/KDA developed an overall Corporate Development Plan (CDP) comprising the following main elements: a statement of mandate/mission for the agency; objectives and goals arising therefrom; strategies to achieve those objectives; and resource requirements and concrete medium-term action plans to implement the strategies, including an administrative action plan, a divestiture plan, a manpower development plan, and a financial plan.

2. The objective of this consultancy is to assist KDA in implementing its CDP.

B. Scope of Work

3. The consultants will assist KDA to:

(a) review options and develop a long-term action plan to privatize the land development operations of KDA, as well as options and a long-term action plan for execution of large civil works for the metropolitan area of Karachi with a focus on low-cost housing;

(b) strengthen the development wing in KDA for improving its contract management capacity;

(c) computerize all record management systems of KDA, in particular, those related to land development, and financial and management reporting systems;

(d) strengthen its base mapping capacity to enable improvement and updating of the property list to enhance administration of the property tax and to provide base maps for other users in Karachi;

(e) reformulate land use and building control regulatory statutory controls for Karachi, especially addressing the impact of environmental considerations;

(f) develop and implement a proper financial accounting system in KDA including, a detailed review of current statutory accounting and financial reporting procedures, design sample management reports and annual financial statements;

(g) establish and strengthen a resettlement cell to manage development and implementation of resettlement plans associated with KDA's physical works; and

(h) train KDA staff in the new system, including preparation of management reports, budgetary control information, and data analysis and various aspects of land management.

2. KMC

A. Background and Objectives

1. In its present state, KMC has neither the managerial capacity nor the requisite authority to satisfactorily perform the functional requirements of a city government for a city the size of Karachi. Responsibility for critical functions in city management are fragmented and reside with several governmental and non-governmental bodies. Personnel, recruitment, administrative, and fiscal responsibilities are basically dictated by GOS. This centralization of authority acts to stifle real development of city management and results in inefficiency and unnecessary delays in project execution and delivery of services.

2. The objective of the consultancy is to strengthen and modernize the operations of KMC to: (a) examine issues of functional responsibility and coordination; (b) review organizational structure of KMC to enhance coordination among key departments; (c) strengthen manpower capacity; (d) examine policy making, planning and operational management; (e) further strengthen accounting system operations; (f) modernize land record systems and procedures, including computerization of records management operations; and develop a training capability.

B. Scope of Work

3. The consultants will assist KMC to:

(a) develop a short and long-term Corporate Plan for the provision of services to the city. The plan will, inter alia, comprise assessments of the technical and financial demands of each subsector, the structure and functions of KMC, internal organization and management and identification of system and procedural changes to improve internal planning, and budgetary and decision making machinery;

(b) establish a development wing and develop a project management capability;

(c) examine relationship of KMC to other parastatal and government organizations and agencies involved in various aspects of city government, including its relationship to the Zonal Municipal Committees (ZMCs);

(d) modernize land records systems and procedures;

(e) develop a resettlement policy and establish related operational procedures;

(f) determine additional needs for and implement computerization of records management and management information systems for financial management accounting, budget auditing, revenue, expenditure, etc. to meet priority needs of KMC; and

(g) design and develop a training center to improve human resource capacity and train concerned staff members in various aspects of land management.

INVESTMENT PROGRAM PREPARATION

1. Karachi Urban Transport

A. Background and Objectives

1. The rapid growth in Karachi's population coupled with economic growth have led to a demand for transportation services that has not been matched by sufficient investment in infrastructure and services, resulting in serious deterioration of traffic and public transport conditions. Public sector bus service, provided by KTC, has suffered from poor performance for many years (incurring monthly losses of over Rs 10 million) and is unable to satisfy travel demand. Private sector bus services are efficient and cost effective, but restrictions on operating minibuses, low fares, and little access to foreign exchange have discouraged investment and produced a decline in services. There is an urgent need to reorient the institutional structure to establish favorable policies and effective regulations which promote mass transport use and reduce the dependence on private personalized transport. In addition, with a substantial growth in auto ownership and use, the existing measures to regulate traffic are no longer sufficient.

2. The Government commissioned a study in 1987 which has proposed the creation of a mass urban transport system for Karachi over the next 15 to 20 years, in absence of which the share of private automobile use will increase to environmentally unsustainable levels. The cornerstone of the proposed system is the construction of an 87 km network of exclusive transitway (with minimal conflict with other vehicular traffic) for bus transport over the more congested corridors of the city, which could be converted to light rail when bus corridors become saturated and increased capacity is required.

3. The objective of the consultancies is to: (a) carry out detailed engineering design, procurement documentation, environmental impact assessment, and resettlement plans for the first corridor of the proposed bus transitway from city center to Sohrab Goth; (b) prepare infrastructure and related vehicle design criteria to serve as a guide to the detailed design of the entire system; (c) prepare BOT terms of reference, invite proposals for implementation of the system, and evaluate proposals; (d) prepare an environmental impact assessment and resettlement plans for the second corridor of the proposed bus transitway; and (e) strengthen policy and institutional environment of the transport sector and initiate urban transport studies to enable a more private sector-led and market-based approach to take hold.

B. Scope of Work

4. Environmental Impact Study. The consultants will conduct an environmental impact study (EIS) of the proposed first and second corridor of the proposed bus transitway covering both construction and operation of the system to address issues related to:

(a) identification of resources that are irretrievably committed;

(b) identification of alternative actions or programs that could achieve the objective in more environmentally acceptable ways;

(c) identification of secondary short-term and long-term benefits to the people and the economy;

(d) evaluation of traffic regulation measures, such as speed, lighting, emission control, and land use planning, zoning, and land management;

(e) displacement of households and firms located alongside the transitway alignment and resettlement; and

(f) intrusion of privacy (noise, obstruction of view, etc.) along the segment which passes through residential apartments.

5. Data Collection and Information Generation. The consultants will assist in:

(a) preparation of maps and topographic surveys to represent actual conditions where construction is to be designed;

(b) preparation of technical specifications and drawings to carry out soil investigations, including borings, test pits, exploratory trenches, etc. that may be necessary to guide project designs;

(c) evaluation of the findings of the soil investigation and establishment of foundation and pavement design conditions to be used; and

(d) evaluation of alternative options for a targeted and limited subsidized bus operation to deal with the financial burden of KTC.

6. Engineering Design. The consultants will prepare reports on:

(a) detailed design and cost estimates for the 15.2 km convertible transitway, extending from the CBD to Sohrab Goth;

(b) convertible transitway design criteria to apply for operation as busways convertible to LRT and roadway improvements related to the transitway construction;

(c) detailed design of central administration, operations, and maintenance facility, including bus depots for maintenance and overnight bus parking and bus terminals;

(d) vehicle outline design criteria to apply to buses, LRT vehicles, and non-revenue vehicles required for system operation and maintenance;

(e) preparation of drawings on facilities design, including alignment/layout, structures, highway realignment/widening, construction sequence planning, right-of-way, utilities relocation; and

(f) preparation of all necessary procurement documentation in accordance with IDA guidelines.

7. Urban Transport Studies. The consultants will assist in preparation of the following studies in Karachi:

(a) Traffic Demand Management (including the establishment of an Urban Transport Advisory Group). The consultants will (i) prepare an analysis of Karachi urban transport issues, including planning, coordination, bus fares, privatization, parking, fleet expansion, and infrastructure development and financing; and (ii) develop a transport sector plan for Karachi based on options and strategies developed in the analysis including, testing and development of specific measures for differential fare pricing of transit routes, priority assignment of buses at selected street locations, use of auto free zones, traffic enforcement regulations, better traffic control, and selection of spot improvements to facilitate bus operations.

(b) Traffic Engineering Training. The consultants will (i) review available traffic data and studies to determine severity, location, and duration of traffic problems; and (ii) develop training schemes for traffic management measures, such as junction improvements, traffic signal synchronization schemes, and refinement of traffic engineering standards.

(c) Traffic Police Training. The consultants will assist the implementing agencies in training traffic police to effectively manage vehicular flow and enforcement of traffic regulations.

(d) Privatization Options Study. The objective of this study is to examine options for privatizing KTC operations. The scope of work of the study involves: (i) analyze origin-destination person trip volumes in the city and select a corridor with heavy traffic volume as a pilot study; (ii) examine quality of transit service along the corridor and estimate capital and operating expenses for meeting the travel demand in future; (iii) examine different options for financing the lease or purchase of buses and minibuses by private operators; (iv) develop a deregulatory policy for fare structures that will allow the operators a reasonable return on investment and explain fare structure sensitivity to profit and loss statement for the operators; (v) develop options for downsizing of KTC's oprations and reduction of staff; and (vi) develop criteria and guidelines for evaluation of the program.

8. Policy and Institution Strengthening. The consultants will:

(a) review GOS's policy initiatives and make recommendations to improve quality of KTC bus service through replacement, capacity expansion of the private bus fleet, and traffic management; and

(b) prepare recommendations and an action plan to downsize and privatize all or part of KTC.

ENVIRONMENTAL IMPACT ASSESSMENT (KORANGI INDUSTRIAL AREA)

A. Background and Objectives

1. The Korangi Industrial Area is bounded on the south by the Korangi creek and on the north by the Malir river, that discharges downstream in the Korangi creek. Several major industrial plants and power stations are located in this area which cause serious air and water pollution requiring immediate solutions. Air pollution is mainly sulfur dioxide (estimated between 60,000 and 80,000 tpa), carbon dioxide emissions from the steel mills and open burning of municipal waste, nitrogen oxides from combustion processes, and suspended particulates emitted especially by the steel mills. The water pollution and solid waste disposal in this area is totally uncontrolled and is disastrous from health and environmental points of view. The most serious polluter in this area is the tanning industry (also an important source of foreign exchange), releasing Biological Oxygen Demand, chromium, and sulfides in untreated effluent streams which are drained in a channel that runs into the coastal mangrove area. Farmers use effluent water from the nullah to irrigate their farms, producing vegetables for the market which contain high amounts of chromium. The problem is compounded as a number of industries are small and medium sized which are not in a financial position to instal water treatment equipment or even maintain it.

2. An environmental impact assessment of this entire area has now become a necessity because (a) future cleaning up of the toxic effluents that drain into city sewers and run off drains should not be attempted without better understanding of the environmental implications; and (b) preparation of the proposed Karachi Hydrocracker Project (FY94L) will require that an environmental assessment be made of its impact to the surrounding vicinity, the Korangi Industrial Area.

B. Scope of Work

3. The consultants will:

(a) prepare an in-depth study to make an inventory of water pollution and solid waste disposal, identifying the sources of the polluting materials and the quantities involved;

(b) identify specific measures that have to be taken to clean up the whole area under study and the measures that have to be taken up for the different groups of industries;

(c) evaluate environmental impact of the proposed Karachi Hydrocracker Project, including solid waste disposal and storage and handling of sulfur production;

(d) identify measures required to rehabilitate the drainage systems in the sector where tanning industries are located and to establish a communal tannery effluent waste water pre-treatment;

(e) suggest measures to adequately handle processes for solid waste treatment;

(f) identify effluent streams of different industries that could be organized in communal treatment facilities;

(g) develop pollution abatement standards for the Sindh Environmental Protection Agency; and

(h) make recommendations for sustaining results in the future.

Pakistan
Sindh Special Development Project
Project Cost Summary

	Rupees			US$			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Environmental Upgrading	205.61	154.77	360.38	7.42	5.59	13.01	42.95	27.06
B. Transport Improvements	272.72	192.30	465.02	9.85	6.94	16.79	41.35	34.91
C. Fiscal and Adm. Reform	78.57	90.46	169.03	2.84	3.27	6.10	53.52	12.69
D. Institutional Strengtheng	38.57	23.83	62.40	1.39	0.86	2.25	38.19	4.68
E. Investment Program Prep.	98.40	65.60	164.00	3.55	2.37	5.92	40.00	12.31
F. Project Supervision	76.89	34.20	111.10	2.78	1.23	4.01	30.79	8.34
Total BASELINE COSTS	770.76	561.17	1331.93	27.83	20.26	48.09	42.13	100.00
Physical Contingencies	62.03	48.99	111.02	2.24	1.77	4.01	44.12	8.33
Price Contingencies	141.45	38.26	179.71	5.11	1.38	6.49	21.29	13.49
Total PROJECTS COSTS	974.24	648.42	1622.66	35.17	23.41	58.58	39.96	121.83

Values Scaled by 1000000.0 - 10/19/1993 12:23

Summary Accounts Cost Summary

	Rupees			US$			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
I. INVESTMENT COSTS								
A. Civil Works	407.32	307.44	714.76	14.71	11.10	25.81	43.01	53.66
B. Land	8.30	0.00	8.30	0.30	0.00	0.30	0.00	0.62
C. Equipment	10.64	42.56	53.20	0.38	1.54	1.92	80.00	3.99
D. Vehicles	7.99	14.84	22.83	0.29	0.54	0.82	65.00	1.71
E. Technical Assistance								
1. Project Support	65.24	50.06	115.30	2.36	1.81	4.16	43.41	8.66
2. Capacity Building	215.28	122.72	338.00	7.77	4.43	12.20	36.31	25.38
3. Policy Development	42.34	23.56	65.90	1.53	0.85	2.38	35.75	4.95
Sub-Total	322.86	196.33	519.20	11.66	7.09	18.75	37.81	38.98
F. Resettlement	13.64	0.00	13.64	0.49	0.00	0.49	0.00	1.02
Total BASELINE COSTS	770.76	561.17	1331.93	27.83	20.26	48.09	42.13	100.00
Physical Contingencies	62.03	48.99	111.02	2.24	1.77	4.01	44.12	8.33
Price Contingencies	141.45	38.26	179.71	5.11	1.38	6.49	21.29	13.49
Total PROJECTS COSTS	974.24	648.42	1622.66	35.17	23.41	58.58	39.96	121.83

Values Scaled by 1000000.0 - 10/19/1993 12:23

Summary Accounts by Year

	Base Costs Rupees						Foreign Exchange	
	93/94	94/95	95/96	96/97	97/98	Total	%	Amount
I. INVESTMENT COSTS								
A. Civil Works	40.38	197.13	241.01	189.26	46.98	714.76	43.01	307.44
B. Land	3.00	5.30	0.00	0.00	0.00	8.30	0.00	0.00
C. Equipment	9.50	17.50	13.00	9.20	4.00	53.20	80.00	42.56
D. Vehicles	5.30	8.53	8.00	1.00	0.00	22.83	65.00	14.84
E. Technical Assistance								
1. Project Support	17.30	37.60	34.10	18.80	7.50	115.30	43.41	50.06
2. Capacity Building	76.20	168.10	55.20	26.60	11.90	338.00	36.31	122.72
3. Policy Development	7.00	23.90	20.90	11.50	2.60	65.90	35.75	23.56
Sub-total	100.50	229.60	110.20	56.90	22.00	519.20	37.81	196.33
F. Resettlement	7.98	5.66	0.00	0.00	0.00	13.64	0.00	0.00
Total BASELINE COSTS	166.66	463.72	372.21	256.36	72.98	1331.93	42.13	561.17
Physical Contingencies	6.80	30.87	37.20	28.90	7.25	111.02	44.12	48.99
Price Contingencies	5.65	43.79	56.04	54.09	20.15	179.71	21.29	38.26
Total PROJECT COSTS	179.11	538.38	465.45	339.34	100.38	1622.66	39.96	648.42
Taxes	6.38	27.49	33.85	27.06	7.23	102.00	0.00	0.00
Foreign Exchange	74.78	215.31	184.09	135.85	38.38	648.42	100.00	648.42

Values Scaled by 1000000.0 10/19/1993 12:23

Projects Components by Year

	Totals Including Contingencies Rupees						Totals Including Contingencies US$					
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total
A. Environmental Upgrading	19.02	106.88	147.33	140.51	52.99	466.74	0.69	3.86	5.32	5.07	1.91	16.85
B. Transport Improvements	56.71	182.95	195.18	134.95	21.93	591.71	2.05	6.61	7.05	4.87	0.79	21.36
C. Fiscal and Adm. Reform	19.27	61.09	58.01	37.99	14.59	190.95	0.70	2.21	2.09	1.37	0.53	6.89
D. Institutional Strengtheng	8.39	28.05	24.79	6.67	2.42	70.34	0.30	1.01	0.90	0.24	0.09	2.54
E. Investment Program Prep.	56.87	119.09	0.00	0.00	0.00	175.96	2.05	4.30	0.00	0.00	0.00	6.35
F. Project Supervision	18.84	40.32	40.14	19.22	8.44	126.95	0.68	1.46	1.45	0.69	0.30	4.58
Total PROJECTS COSTS	179.11	538.38	465.45	339.34	100.38	1622.66	6.47	19.44	16.80	12.25	3.62	58.58

Values Scaled by 1000000.0 10/19/1993 12:23

Summary Account by Project Component
Rupees

	Environmental Upgrading	Transport Improvements	Fiscal and Adm. Reform	Institutional Strengtheng	Investment Program Prep.	Project Supervision	Total	Physical Contingencies %	Physical Contingencies Amount	Price Contingencies %	Price Contingencies Amount
I. INVESTMENT COSTS											
A. Civil Works	313.60	401.16	0.00	0.00	0.00	0.00	714.76	15.00	107.21	15.73	112.43
B. Land	0.00	8.30	0.00	0.00	0.00	0.00	8.30	0.00	0.00	9.88	0.82
C. Equipment	0.00	6.00	33.00	6.00	0.00	8.20	53.20	5.00	2.66	7.62	4.06
D. Vehicles	0.00	3.00	8.83	2.00	0.00	9.00	22.83	5.00	1.14	7.56	1.72
E. Technical Assistance											
1. Project Support	34.80	42.30	29.20	0.00	0.00	9.00	115.30	0.00	0.00	12.78	14.74
2. Capacity Building	0.00	2.60	62.50	38.00	164.00	70.90	338.00	0.00	0.00	10.67	36.05
3. Policy Development	0.00	0.00	35.50	16.40	0.00	14.00	65.90	0.00	0.00	13.34	8.79
Sub-total	34.80	44.90	127.20	54.40	164.00	93.90	519.20	0.00	0.00	11.48	59.58
F. Resettlement	11.98	1.66	0.00	0.00	0.00	0.00	13.64	0.00	0.00	8.08	1.10
Total BASELINE COSTS	360.38	465.02	169.03	62.40	164.00	111.10	1331.93	8.33	111.02	13.49	179.71
Physical Contingencies	47.04	60.62	2.09	0.40	0.00	0.86	111.02				
Price Contingencies	59.32	66.07	19.83	7.54	11.96	14.99	179.71	8.31	14.94		
Total PROJECT COSTS	466.74	591.71	190.95	70.34	175.96	126.95	1622.66	7.76	125.96	11.08	179.71
Taxes	41.51	52.93	4.75	0.88	0.00	1.93	102.00	12.35	12.60		
Foreign Exchange	188.88	231.86	97.89	25.37	67.63	36.78	648.42	8.08	52.42		

Values Scaled by 1000000.0 10/19/1993 12:23

Table 200. Environmental Upgrading
Detailed Cost Table
Rupees

	Totals Including Contingencies						Totals Including Contingencies US$						Breakdown of Totals Incl.Cont. US$			
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total	F.Exch	Local	Taxes	Total
I. INVESTMENT COSTS																
A. Storm Water Drnge(Korangi																
Civil Works	2.73	13.87	13.24	13.78	4.58	48.20	0.10	0.50	0.48	0.50	0.17	1.74	0.72	0.84	0.17	1.74
Project Support	8.98	6.87	1.09	1.14	0.59	18.67	0.32	0.25	0.04	0.04	0.02	0.67	0.53	0.14	0.00	0.67
Sub-Total	11.71	20.74	14.33	14.92	5.17	66.87	0.42	0.75	0.52	0.54	0.19	2.41	1.25	0.99	0.17	2.41
B. Malir River Flood Protec.																
Civil Works	0.00	72.70	127.12	121.86	45.20	366.88	0.00	2.62	4.59	4.40	1.63	13.25	5.47	6.45	1.32	13.25
Project Support	0.00	7.80	5.88	3.73	2.63	20.04	0.00	0.28	0.21	0.13	0.09	0.72	0.10	0.62	0.00	0.72
Resettlement	7.31	5.64	0.00	0.00	0.00	12.95	0.26	0.20	0.00	0.00	0.00	0.47	0.00	0.47	0.00	0.47
Sub-Total	7.31	86.14	133.00	125.59	47.82	399.87	0.26	3.11	4.80	4.53	1.73	14.44	5.57	7.55	1.32	14.44
Total INVESTMENT COSTS	19.02	106.88	147.33	140.51	52.99	466.74	0.69	3.86	5.32	5.07	1.91	16.85	6.82	8.53	1.50	16.85
Total	19.02	106.88	147.33	140.51	52.99	466.74	0.69	3.86	5.32	5.07	1.91	16.85	6.82	8.53	1.50	16.85

Table 300. Transport Improvements
Detailed Cost Table
Rupees

	Totals Including Contingencies						Totals Including Contingencies US$						Breakdown of Totals Incl.Cont. US$			
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total	F.Exch	Local	Taxes	Total
I. INVESTMENT COSTS																
A. Two Bridges																
Land	3.14	0.00	0.00	0.00	0.00	3.14	0.11	0.00	0.00	0.00	0.00	0.11	0.00	0.11	0.00	0.11
Civil Works	21.34	103.97	89.22	74.89	0.00	289.42	0.77	3.75	3.22	2.70	0.00	10.45	4.36	5.05	1.04	10.45
Project Support	2.04	4.14	4.29	4.46	2.74	17.68	0.07	0.15	0.15	0.16	0.10	0.64	0.46	0.17	0.00	0.64
Resettlement	1.05	0.74	0.00	0.00	0.00	1.79	0.04	0.03	0.00	0.00	0.00	0.06	0.00	0.06	0.00	0.06
Sub-Total	27.58	108.85	93.51	79.35	2.74	312.03	1.00	3.93	3.38	2.86	0.10	11.27	4.82	5.40	1.04	11.27
B. Traffic Management																
Equipment	2.14	2.20	1.14	1.18	0.00	6.65	0.08	0.08	0.04	0.04	0.00	0.24	0.19	0.03	0.02	0.24
Civil Works	23.84	30.52	32.47	0.00	0.00	86.84	0.86	1.10	1.17	0.00	0.00	3.14	1.20	1.62	0.31	3.14
Vehicles	1.07	1.12	1.16	0.00	0.00	3.35	0.04	0.04	0.04	0.00	0.00	0.12	0.08	0.03	0.01	0.12
Project Support	1.56	4.42	4.65	1.84	0.26	12.73	0.06	0.16	0.17	0.07	0.01	0.46	0.11	0.35	0.00	0.46
Capacity Building	0.52	0.87	0.91	0.59	0.00	2.88	0.02	0.03	0.03	0.02	0.00	0.10	0.05	0.05	0.00	0.10
Sub-Total	29.13	39.13	40.33	3.61	0.26	112.46	1.05	1.41	1.46	0.13	0.01	4.06	1.62	2.09	0.35	4.06
C. Rd & Tr Infra--Int Cities																
Land	0.00	5.98	0.00	0.00	0.00	5.98	0.00	0.22	0.00	0.00	0.00	0.22	0.00	0.22	0.00	0.22
Civil Works	0.00	25.04	52.38	48.06	17.59	143.06	0.00	0.90	1.89	1.74	0.63	5.17	1.93	2.72	0.52	5.17
Project Support	0.00	3.95	8.97	3.93	1.34	18.19	0.00	0.14	0.32	0.14	0.05	0.66	0.00	0.66	0.00	0.66
Sub-Total	0.00	34.96	61.34	51.99	18.93	167.23	0.00	1.26	2.21	1.88	0.68	6.04	1.93	3.59	0.52	6.04
Total INVESTMENT COSTS	56.71	182.95	195.18	134.95	21.93	591.71	2.05	6.61	7.05	4.87	0.79	21.36	8.37	11.08	1.91	21.36
Total	56.71	182.95	195.18	134.95	21.93	591.71	2.05	6.61	7.05	4.87	0.79	21.36	8.37	11.08	1.91	21.36

- Values scaled by 1000000.0 10/19/1993 12:23

Table 100. Fiscal and Administrative Reform
Detailed Cost Table
Rupees

	Totals Including Contingencies						Totals Including Contingencies US$						Breakdown of Totals Incl.Cont. US$			
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total	F.Exch	Local	Taxes	Total
I. INVESTMENT COSTS																
A. Property Tax Reform																
Equipment	3.21	9.92	10.22	8.24	4.89	36.47	0.12	0.36	0.37	0.30	0.18	1.32	1.04	0.15	0.13	1.32
Vehicles	1.07	3.61	4.63	0.00	0.00	9.32	0.04	0.13	0.17	0.00	0.00	0.34	0.21	0.09	0.03	0.34
Project Support	4.11	10.98	11.44	5.62	0.00	32.16	0.15	0.40	0.41	0.20	0.00	1.16	0.65	0.52	0.00	1.16
Capacity Building	3.19	12.27	9.42	5.39	1.10	31.37	0.12	0.44	0.34	0.19	0.04	1.13	0.63	0.50	0.00	1.13
Policy Development	1.44	6.46	4.49	3.52	0.00	15.90	0.05	0.23	0.16	0.13	0.00	0.57	0.32	0.26	0.00	0.57
Sub-Total	13.02	43.24	40.20	22.77	5.99	125.22	0.47	1.56	1.45	0.82	0.22	4.52	2.85	1.51	0.17	4.52
B. Invest. Plng. & Budgeting																
Equipment	0.27	0.28	0.00	0.00	0.00	0.54	0.01	0.01	0.00	0.00	0.00	0.02	0.02	0.00	0.00	0.02
Vehicles	0.16	0.17	0.00	0.00	0.00	0.33	0.01	0.01	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.01
Capacity Building	1.87	6.06	6.36	6.09	3.21	23.59	0.07	0.22	0.23	0.22	0.12	0.85	0.24	0.62	0.00	0.85
Policy Development	0.83	3.52	4.86	3.04	1.54	13.80	0.03	0.13	0.18	0.11	0.06	0.50	0.14	0.36	0.00	0.50
Sub-Total	3.13	10.02	11.22	9.13	4.75	38.25	0.11	0.36	0.41	0.33	0.17	1.38	0.40	0.98	0.00	1.38
C. Financial Management																
Equipment	0.27	0.28	0.00	0.00	0.00	0.54	0.01	0.01	0.00	0.00	0.00	0.02	0.02	0.00	0.00	0.02
Vehicles	0.16	0.17	0.00	0.00	0.00	0.33	0.01	0.01	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.01
Capacity Building	1.87	3.85	4.05	3.65	2.57	15.99	0.07	0.14	0.15	0.13	0.09	0.58	0.16	0.42	0.00	0.58
Policy Development	0.83	3.52	2.55	2.44	1.28	10.62	0.03	0.13	0.09	0.09	0.05	0.38	0.11	0.28	0.00	0.38
Sub-Total	3.13	7.82	6.60	6.09	3.85	27.48	0.11	0.28	0.24	0.22	0.14	0.99	0.29	0.70	0.00	0.99
Total INVESTMENT COSTS	19.27	61.09	58.01	37.99	14.59	190.95	0.70	2.21	2.09	1.37	0.53	6.89	3.53	3.19	0.17	6.89
Total	19.27	61.09	58.01	37.99	14.59	190.95	0.70	2.21	2.09	1.37	0.53	6.89	3.53	3.19	0.17	6.89

- Values scaled by 1000000.0 10/19/1993 12:23

Table 103. Institutional Strengthening
Detailed Cost Table

	Base Costs Rupees						Base Costs in US$					
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total
I. INVESTMENT COSTS												
A. KDA												
Equipment	1.00	1.00	1.00	0.00	0.00	3.00	0.04	0.04	0.04	0.00	0.00	0.11
Capacity Building	2.00	7.00	7.00	2.00	1.00	19.00	0.07	0.25	0.25	0.07	0.04	0.69
Policy Development	1.00	4.00	3.00	1.00	0.20	9.20	0.04	0.14	0.11	0.04	0.01	0.33
Sub-Total	4.00	12.00	11.00	3.00	1.20	31.20	0.14	0.43	0.40	0.11	0.04	1.13
B. KMC												
Equipment	1.00	2.00	0.00	0.00	0.00	3.00	0.04	0.07	0.00	0.00	0.00	0.11
Vehicles	1.00	1.00	0.00	0.00	0.00	2.00	0.04	0.04	0.00	0.00	0.00	0.07
Capacity Building	1.00	8.00	8.00	1.50	0.50	19.00	0.04	0.29	0.29	0.05	0.02	0.69
Policy Development	1.00	2.50	2.50	1.00	0.20	7.20	0.04	0.09	0.09	0.04	0.01	0.26
Sub-Total	4.00	13.50	10.50	2.50	0.70	31.20	0.14	0.49	0.38	0.09	0.03	1.13
Total INVESTMENT COSTS	8.00	25.50	21.50	5.50	1.90	62.40	0.29	0.92	0.78	0.20	0.07	2.25
Total	8.00	25.50	21.50	5.50	1.90	62.40	0.29	0.92	0.78	0.20	0.07	2.25

	Totals Including Contingencies						Totals Including Contingencies US$					
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total
I. INVESTMENT COSTS												
A. KDA												
Equipment	1.07	1.10	1.14	0.00	0.00	3.31	0.04	0.04	0.04	0.00	0.00	0.12
Capacity Building	2.07	7.68	8.05	2.42	1.27	21.50	0.07	0.28	0.29	0.09	0.05	0.78
Policy Development	1.04	4.39	3.45	1.21	0.25	10.34	0.04	0.16	0.12	0.04	0.01	0.37
Sub-Total	4.18	13.17	12.64	3.63	1.53	35.14	0.15	0.48	0.46	0.13	0.06	1.27
B. KMC												
Equipment	1.07	2.20	0.00	0.00	0.00	3.27	0.04	0.08	0.00	0.00	0.00	0.12
Vehicles	1.07	1.12	0.00	0.00	0.00	2.19	0.04	0.04	0.00	0.00	0.00	0.08
Capacity Building	1.04	8.81	9.26	1.83	0.64	21.57	0.04	0.32	0.33	0.07	0.02	0.78
Policy Development	1.04	2.75	2.89	1.22	0.26	8.16	0.04	0.10	0.10	0.04	0.01	0.29
Sub-Total	4.22	14.89	12.15	3.04	0.90	35.20	0.15	0.54	0.44	0.11	0.03	1.27
Total INVESTMENT COSTS	8.39	28.05	24.79	6.67	2.42	70.34	0.30	1.01	0.90	0.24	0.09	2.54
Total	8.39	28.05	24.79	6.67	2.42	70.34	0.30	1.01	0.90	0.24	0.09	2.54

- Values scaled by 1000000.0 10/19/1993 12:23

Table 400. Investment Program Preparation
Detailed Cost Table

	Base Costs Rupees				Base Costs in US$			
	93/94	94/95	95-98	Total	93/94	94/95	95-98	Total
I. INVESTMENT COSTS								
A. Urban Transport Capacity Building	55.00	109.00	0.00	164.00	1.99	3.94	0.00	5.92
Total INVESTMENT COSTS	55.00	109.00	0.00	164.00	1.99	3.94	0.00	5.92
Total	55.00	109.00	0.00	164.00	1.99	3.94	0.00	5.92

	Totals Including Contingencies				Totals Including Contingencies US$			
	93/94	94/95	95-98	Total	93/94	94/95	95-98	Total
I. INVESTMENT COSTS								
A. Urban Transport Capacity Building	56.87	119.09	0.00	175.96	2.05	4.30	0.00	6.35
Total INVESTMENT COSTS	56.87	119.09	0.00	175.96	2.05	4.30	0.00	6.35
Total	56.87	119.09	0.00	175.96	2.05	4.30	0.00	6.35

- Values scaled by 1000000.0 10/19/1993 12:23

Table 500. Project Supervision
Detailed Cost Table

	Base Costs Rupees						Base Costs in US$					
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total
I. INVESTMENT COSTS												
A. Project Planning Unit												
Equipment	1.00	2.00	1.00	0.20	0.00	4.20	0.04	0.07	0.04	0.01	0.00	0.15
Vehicles	1.00	2.00	2.00	1.00	0.00	6.00	0.04	0.07	0.07	0.04	0.00	0.22
Capacity Building	1.00	4.00	4.00	2.00	1.00	12.00	0.04	0.14	0.14	0.07	0.04	0.43
Project Support	1.00	2.50	2.50	1.50	1.50	9.00	0.04	0.09	0.09	0.05	0.05	0.32
Sub-Total	4.00	10.50	9.50	4.70	2.50	31.20	0.14	0.38	0.34	0.17	0.09	1.13
B. EXPACO												
Equipment	1.00	1.00	1.00	1.00	0.00	4.00	0.04	0.04	0.04	0.04	0.00	0.14
Vehicles	1.00	1.00	1.00	0.00	0.00	3.00	0.04	0.04	0.04	0.00	0.00	0.11
Capacity Building	10.00	18.90	18.00	8.00	4.00	58.90	0.36	0.68	0.65	0.29	0.14	2.13
Policy Development	2.00	5.00	5.00	2.00	0.00	14.00	0.07	0.18	0.18	0.07	0.00	0.51
Sub-Total	14.00	25.90	25.00	11.00	4.00	79.90	0.51	0.94	0.90	0.40	0.14	2.88
Total INVESTMENT COSTS	18.00	36.40	34.50	15.70	6.50	111.10	0.65	1.31	1.25	0.57	0.23	4.01
Total	18.00	36.40	34.50	15.70	6.50	111.10	0.65	1.31	1.25	0.57	0.23	4.01

	Totals Including Contingencies						Totals Including Contingencies US$					
	93/94	94/95	95/96	96/97	97/98	Total	93/94	94/95	95/96	96/97	97/98	Total
I. INVESTMENT COSTS												
A. Project Planning Unit												
Equipment	1.07	2.20	1.14	0.24	0.00	4.64	0.04	0.08	0.04	0.01	0.00	0.17
Vehicles	1.07	2.23	2.32	1.21	0.00	6.83	0.04	0.08	0.08	0.04	0.00	0.25
Capacity Building	1.04	4.45	4.70	2.48	1.31	13.98	0.04	0.16	0.17	0.09	0.05	0.50
Project Support	1.04	2.78	2.93	1.86	1.96	10.58	0.04	0.10	0.11	0.07	0.07	0.38
Sub-Total	4.23	11.67	11.08	5.78	3.27	36.03	0.15	0.42	0.40	0.21	0.12	1.30
B. EXPACO												
Equipment	1.07	1.10	1.14	1.18	0.00	4.48	0.04	0.04	0.04	0.04	0.00	0.16
Vehicles	1.07	1.12	1.16	0.00	0.00	3.35	0.04	0.04	0.04	0.00	0.00	0.12
Capacity Building	10.39	20.90	20.94	9.81	5.17	67.21	0.38	0.75	0.76	0.35	0.19	2.43
Policy Development	2.08	5.53	5.82	2.45	0.00	15.88	0.08	0.20	0.21	0.09	0.00	0.57
Sub-Total	14.61	28.65	29.05	13.44	5.17	90.92	0.53	1.03	1.05	0.49	0.19	3.28
Total INVESTMENT COSTS	18.84	40.32	40.14	19.22	8.44	126.95	0.68	1.46	1.45	0.69	0.30	4.58
Total	18.84	40.32	40.14	19.22	8.44	126.95	0.68	1.46	1.45	0.69	0.30	4.58

- Values scaled by 1000000.0 10/19/1993 12:23

PAKISTAN
SINDH SPECIAL DEVELOPMENT PROJECT
Summary of Base Cost of Itemized Inputs by Components

Project Components	Technical Assistance Foreign		Local		Land	Equip- ments	Vehicles	CWs	esettle ment	Base Cost	
	(mm)	(US$ M)	(mm)	(US$ M)	(US$ M)	(US$ M)	(US$ M)	(US$ M)	(US$ M)	(Rs M)	(US$ M)
A. Environmental Upgrading											
1. Storm Water Drainage (Korangi)	23	0.51	32	0.1	0.0		0.0	1.3	0.0	54.7	2.0
2. Malir River Flood Protection	4	0.1	26	0.5	0.0		0.0	10.0	0.4	305.7	11.0
Sub-Total (A)	28	0.6	58	0.7	0.0	0.0	0.0	11.3	0.4	360.4	13.0
B. Transport Improvements											
1. Two Bridges	22	0.5	40	0.2	0.1	0.0	0.0	8.1	0.1	245.4	8.9
2. Traffic Management	7	0.1	87	0.3	0.0	0.2	0.1	2.5		92.1	3.3
3. Road & Transport Infrastructure Improvements--Interior Cities	0	0.0	136	0.5	0.2	0.0	0.0	3.9		127.6	4.6
Sub-Total (B)	29	0.6	263	1.1	0.3	0.2	0.1	14.5	0.1	465.0	16.8
C. Fiscal and Administrative Reform											
1. Property Tax Reform	40	1.5	100	1.1	0.0	1.2	0.3	0.0		112.2	4.1
2. Investment Planning & Budgetin	16	0.3	180	0.8	0.0	0.0	0.0	0.0		33.0	1.2
3. Financial Management	11	0.2	145	0.6	0.0	0.0	0.0	0.0		23.8	0.9
Sub-Total (C)	67	2.1	425	2.5	0.0	1.2	0.3	0.0	0.0	169.0	6.1
D. Institutional Strengthening											
1. KDA	16	0.4	165	0.7		0.1	0.0			31.2	1.1
2. KMC	13	0.3	166	0.7		0.1	0.1			31.2	1.1
Sub-Total (D)	29	0.6	331	1.3	0.0	0.2	0.1	0.0	0.0	62.4	2.3
E. Investment Program Preparation											
1. Urban Transport	0	2.4	0	3.6	0.0	0.0	0.0	0.0	0.0	164.0	5.9
F. Project Supervision											
1. Project Planning Unit	6	0.1	157	0.6	0.0	0.2	0.2	0.0		31.2	1.1
2. EXPACO	30	0.7	200	2.0	0.0	0.1	0.1	0.0		79.9	2.9
Sub-Total (F)	36	0.8	357	2.6	0.0	0.3	0.3	0.0	0.0	111.1	4.0
TOTAL	188	7.1	1435	11.7	0.3	1.9	0.8	25.8	0.5	1331.9	48.1

Annex 6

PAKISTAN
SINDH SPECIAL DEVELOPMENT PROJECT
Technical Assistance by General Categories

Project Components	Project Support (MM)	(%)	Capacity Building (MM)	(%)	Policy Development (MM)	(%)	TOTAL (MM)
A. Environmental Upgrading							
1. Storm Water Drainage (Korangi)	56	100.0	0	0.0	0	0.0	56
2. Malir River Flood Protection	30	100.0	0	0.0	0	0.0	30
Sub-Total (A)	86	100.0	0	0.0	0	0.0	86
B. Transport Improvements							
1. Two Bridges	62	100.0	0	0.0	0	0.0	62
2. Traffic Management	76	81.2	18	18.8	0	0.0	94
3. Road & Transport Infrastructure Improvements--Interior Cities	136	100.0	0	0.0	0	0.0	136
Sub-Total (B)	274	93.9	18	6.1	0	0.0	292
C. Fiscal and Administrative Reform							
1. Property Tax Reform	57	40.6	55	39.4	28	20.0	140
2. Investment Planning & Budgeting	0	0.0	123	63.0	72	37.0	196
3. Financial Management	0	0.0	94	60.0	63	40.0	157
Sub-Total (C)	57	11.5	273	55.4	163	33.1	492
D. Institutional Strengthening							
1. KDA	0	0.0	122	67.4	59	32.6	182
2. KMC	0	0.0	129	72.5	49	27.5	178
Sub-Total (D)	0	0.0	252	69.9	108	30.1	360
E. Investment Program Preparation							
1. Urban Transport	0	0	0	0	0	0	0
F. Project Supervision							
1. Project Planning Unit	70	42.9	93	57.1	0	0.0	163
2. EXPACO	0	0.0	186	80.8	44	19.2	230
Sub-Total (F)	70	17.8	279	71.0	44	11.2	393
TOTAL	487	30.0	821	50.6	315	19.4	1623

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

PROJECT DESCRIPTION

1. Annex 7 is divided into two parts, Part I "Description of Works to be Financed" and Part II "Support for GOS's Policy Reform Program." Outline Terms of References for technical assistance is in Annex 4.

DESCRIPTION OF WORKS TO BE FINANCED

A. ENVIRONMENTAL UPGRADING

A1. Storm Water Drainage: Korangi Nallah

2. The objective of this sub-component is to improve the drainage system in Karachi to prevent serious flooding and to minimize damage to roads, property, and human lives. Karachi basin is drained directly into the sea by two major rivers, Malir and Lyari, with catchment areas of 792 and 272 sq. miles respectively. These rivers play an important role in the natural drainage of Karachi. The existing storm water drainage facilities in the city are insufficient and even light rains cause damage to the communication, roads and power system; heavy rains result in catastrophic consequences for the city with flooding and serious environmental damage.

3. One of the Karachi components (channelization of Korangi nallah) is part of this large program of macro drainage and flood protection for the city as a whole. The Korangi area has suffered colossal damages due to five major floods in the past decade (four in the past seven years). The outfall reaches of the Korangi nallah will be channelized so as not to cause obstruction to the improved flow from their catchment areas. Channelization of the Korangi nallah does not involve resettlement.

A2. Malir River Flood Protection Scheme Phase V

4. During the past 23 years, catastrophic floods have been experienced six times in Karachi caused by abnormal rainfall and river inundation. In 1977 alone, over 250 persons were drowned and 350 businesses put out of action. Since 1978, phased remedial works have been undertaken to construct earth bunds, initially of a length of 5 miles in the early phases. Further works added nearly 8 more miles of bunds, as well as the channelization of Chakora Nallah, which have now been completed. The next phase of redevelopment consisted of the re-siting of a number of encroachments, nearly 9 miles of additional bunds, and the completion of structures including culverts, bridges and a causeway, and general strengthening which was completed in 1989. Phase V has as its objective, the completion of the final phase of the works which will incorporate flood protection to all residential and industrial areas along both banks of the river from the National Highway to the estuary, with a population of about two million, by means of (a) completion of earthen embankments for 6.05 miles, including (i) construction of embankments from RD 17+000 to RD 27+000 and from RD 1+300 to RD

8+300 along the left bank, and (ii) raising of embankment from RD 10+00 to RD 25+000 along the right bank; (b) the modification of eleven spurs along both banks; (c) the channelization of the Pir Bukhari Nallah for a length of 3975 ft and construction of 2 bridges and 6 drainage inlets; and (d) construction of additional slope protection works and stone apron in a length of 2.27 miles along the left bank and 4.1 miles along the right bank.

5. Resettlement of seven farms, including six vegetable and one poultry farms, are involved in this project. All the land involved is leased from the Land Revenue Department of the Board of Revenue (55 acres are on a 99 year lease, 169 acres are on short term leases). These leases will be cancelled and appropriate compensation will be paid to the leaseholders. Once the bund is moved, it is possible that these farms can be re-established in front of the new Bund in the bed of the Malir, or behind the bund in Korangi. Present leaseholders will be given first right to lease the plots again following construction of the bund.

B. TRANSPORT IMPROVEMENTS

B1. Two Bridges

6. The objective of this sub-component is to improve traffic circulation and related pollution and correct specific road bottlenecks by:

(a) Replacing a level crossing by constructing a railway overhead bridge on University Road near Aziz Bhatti Park, Gulshan e Iqbal. The present level crossing is closed about 20 times per day and causes heavy traffic pile-ups on what is an increasingly high volume arterial road. The peculiarities of the location, the angle of intersection, and other constraints eliminate alternative sites. The skew of the permanent way in relation to University Road is 65 degrees, which leads to the bridge and its approaches totalling over 850 meters in length. The current volume of vehicular traffic passing this location is about 60,000 per day. Forecast volumes for years 2001 and 2011 amount to 116,000 and 195,000 respectively. The overhead bridge will be eight-lane, 28.6 meters wide and 567.8 meter long, with a median barrier of 0.6 meter. The bridge consists of 33 spans of 14 meters and 6 spans of 17.6 meters. The project will also include: construction of diversion lanes parallel to University road (10 meter wide), reconstruction of drains, upgradation of portions of existing carriageway, construction of two pedestrian staircases, and electrification of bridges, ramps, diversion, and merging lanes.

This project has minor resettlement--25 small businesses--of which 15 are in the open or constructed of non-permanent (katchi) materials. None will have to be relocated.

(b) Bridge widening over the Lyari river on Rashid Minhas Road. Currently this is a six-lane road which is reduced to four-lanes for the Lyari crossing. The recent development in the area on either end of the bridge has generated considerable increased traffic demand in both directions. The average volume of vehicular traffic crossing the bridge amounts to more than 76,000 daily and is forecast to increase to more than 120,000 by the year 2000. Increasing the bridge capacity to an eight-lane structure is already a need, and capacity analysis indicates that capacity would be reached by year 2005. The schematic designs envisage either the symmetrical widening of the bridge and the approaches or alternatively the addition of a new parallel structure and approach on the western or downstream side. The PC-1 study examined the two alternatives and recommends all four new lanes be constructed on the downstream side and abutting the existing bridge with a gap of 50 mm between the two bridges. This preferred solution reduces disruption during construction, limits land acquisition to one side only, will be structurally simpler and provide better traffic flow conditions than widening the existing structure symmetrically. The additional piers will be aligned with those of the existing structure, and displacement of current occupants limited to the downstream side. The bridge will be about 118 meters long and 16.8 meters wide. The project will also include: installation of traffic guide signs and signals, construction of engineer's office, demolition of authorized and unauthorized structures near the bridge, reconstruction and rehabilitation of footpaths, roads, drains, etc., refurbishment of the existing bridge, remodeling of approach roads, and carrying out leveling and grading of the river bed.

This project would require minor resettlement including, ten habitations and 51 small businesses. About half of the small businesses are one-man operations functioning in the open or a temporary hutment (cabin). (Only one residence and one business will be demolished.) The inhabitants of this residence are scavengers who also occupy a substantial contiguous area for sorting recyclable items, and can rebuild their house in part of this locale. A second residence will lose only one wall and part of its yard. The other families living in the project area live in temporary, moveable hutments under the bridge.

B2. Traffic Management

7. This sub-component will improve effectiveness of the traffic circulation system at 16 intersections in dealing with mounting traffic congestion and road accidents in Karachi. Inadequate traffic control measures at intersections result in significant delays, inefficient utilization of link capacities, and are a major concern for safety. The specific focus will be on executing works for junction improvements, road geometrics, design, intersection control, pavement marking, and construction bus bays. At signalized intersections, synchronized signal timing and phasing will be introduced, and at rotaries and uncontrolled intersections, signals will be installed to control conflicting movements of traffic. A pedestrian phase will be provided at most of the approaches.

B3. Relocation and Expansion of Bus and Truck Terminals in Interior Cities

8. This sub-component includes relocation and expansion of bus terminals in Larkana and Mirpurkhas and a truck terminal in Nawabshah. The existing bus terminal in Larkana is situated near People's Stadium in a low lying area with acute drainage problem. The insufficient water disposal system causes water

stagnation especially during the rainy season, resulting in great inconvenience to passengers. In addition, the terminal lacks basic facilities, such as toilets, retiring rooms for drivers, and a waiting room for passengers. The proposed site for Larkana bus terminal, encompassing about 11 acres, is on the northern edge of the town opposite the link road that connects Ratodero road to Naudero road, the two principal roads which carry most of the regional bus service load, and is about eleven acres. The bus terminal in Mirpurkhas also lacks basic commuter facilities, and the existence of a railway level crossing just on the outside of the terminal results in long delays during gate closure. The bus parking and storage facilities are inadequate, which results in haphazard parking and serious traffic management problems. The proposed site (about six acres) for Mirpurkhas bus terminal is in the northeast of the city, along the ring road.

9. There is no proper truck terminal in Nawabshah at present in spite of a heavy goods movement by roads, which results in haphazard parking of trucks and trailers in the CBD. The main concentration is along Market road and Bankaram road. It is proposed to relocate the truck stand on a site of about 8 acres on the eastern side of the city on the Link road connecting two major regional roads.

10. There is no resettlement involved in any of the selected sites. The site in Nawabshah is designated as agricultural but no agricultural activity is being pursued. In Mirpurkhas, the designated site (about 6 acres) in the northeast of the city has a mangoe orchard. In Larkana, the proposed site (about 11 acres) is presently vacant land. In all three cases, the land is under individual ownership, and the owners have indicated their willing to sell the land.

C. FISCAL AND ADMINISTRATIVE REFORM

C1. Property Tax Reform

11. Property tax reform is expected to increase revenues for both local governments and the province. It will commence with the proposed project, initially focusing on Karachi, and will expand to other cities in the subsequent projects. The property tax reform in Karachi will be addressed through a possible increase in rates, updating of the property tax list (from about 450,000 to 900,000 properties using the list from KWSB), reduction of exemptions for favorable treatment for owner-occupiers, revaluation and improved collection performance, revision of land-use and building regulations for Karachi as required, selling of land at market prices, and establishment of institutional arrangements to monitor tax policies for economic and financial impacts on households and firms in Sindh. Specialists will provide advice and assistance for policy reform and accompanying legislation, improvements in internal administrative systems and procedures, computerization, and training. Modern valuation techniques will be introduced, and a comprehensive training program in valuation will be conducted for GOS. The possibility of changing the basis for valuation assessment from annual rental value to capital value will be assessed. Revaluation combined with reduction of exemptions and improved collections is expected to increase the property tax yield in Karachi between 100 and 300 percent by the third year of the project. Upgrading of the property list and

revaluation of properties are expected to increase the yield 400 to 600 percent by the end of the project.

C2. Investment Planning and Budgeting

12. The objective of this sub-component is to improve appraisal criteria and to develop an integrated capacity in the four core departments of GOS (Planning & Development, Finance, Board of Revenue, and Excise & Taxation) to undertake improvements in investment planning, programming, budgeting, financing, supervision, and monitoring. The Planning & Development Department will be strengthened with a focus on: (i) investment planning and budgeting, including evaluation of existing projects and termination of low-priority investments; and (ii) the use of improved appraisal, budgetary and planning procedures in the other three departments to include a three-year budget. To support similar improvements in investment planning and finance at the local government level, the GOS will establish the basis for mutual planning and programming for financial and technical assistance and provide management assistance and training to local governments.

C3. Financial Management

13. This sub-component will establish institutional machinery to identify and implement strategies for deficit reduction, containment of low-priority recurrent expenditures, and increased revenue generation. Activities will include determination of manpower strength, identification of redundant manpower, computerization of payroll systems, development of measures to contain growth in recurrent expenditures, and other measures to reduce or contain expenditures; specialist assistance in strengthening of financial accounting, monitoring, and reporting systems and procedures; standardizing provincial and local government accounting practices; establishing financial forecasting procedures; and general strengthening of financial administration in GOS.

D. INSTITUTIONAL STRENGTHENING

D1. KDA

14. KDA's dominance of the land market in Karachi, its lack of political accountability, and increasing financial problems have prompted it to prepare a Corporate Development Plan (CDP) including short term (3 year) measures to rescue its financial decline and medium term (5 year) strategies to implement basic changes in its role and mandate, eventually to assume a better focused role in land development for the low-income population. Specialist assistance will be provided to assist KDA in implementing these measures, which will involve revision of the Sindh Land Disposal Ordinance to remove discretionary powers of GOS and to provide for pricing of land at market value; reforming and implementing the non-utilization fee policy for vacant land; implementing a policy of in-filling in Karachi and a strategy for better utilization of surplus government lands; modernizing land record systems and procedures; reorientation of KDA's mandate toward low income shelter in Karachi; and restructuring of its governing body to allow greater private sector representation and political accountability. KDA has already formulated plans and initiated actions to redress its financial problems, including reduction of subsidies in housing

development, computerization of its land records and accounting systems, and estimation of redundant manpower with the objective of strengthening its overall operations. This sub-component will also include assistance in revision of the accounting system in KDA, with particular attention to internal financial control and reporting procedures.

D2. KMC

15. The shift in political power in favor of urban constituencies and devolution of certain administrative and financial functions to KMC by the provincial government have placed increased management responsibilities on KMC, requiring it to perform more fully as a metropolitan government. While its economic resources have been significantly enhanced over the past several years, its organizational and management structures are not consonant with its increased responsibility and evolving role. The objective of this sub-component is to modernize the operations of KMC to undertake enhanced metropolitan government functions and improve its capacity in providing and expanding services. Broad institutional reform will be required, encompassing legal changes to allow greater autonomy and eventual responsibility for property tax administration in Karachi, computerized records management operations, training of senior and middle level staff, and modernization of its planning, budgetary, and decision making systems. A twinning arrangement with Birmingham City Council from the U.K. is being considered to assist KMC in developing corporate plans and personnel policies necessary for becoming a well managed metropolitan body. KMC has on its own prepared a proposal for institutional strengthening following the model of the program in KWSB.

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PAKISTAN
SINDH SPECIAL DEVELOPMENT PROJECT
Implementation Schedule

Project Components	FY94 J | |O | |J | |A | |	FY95 J | |O | |J | |A | |	FY96 J | |O | |J | |A | |	FY97 J | |O | |J | |A | |	FY98 J | |O | |J | |A | |
A. ENVIRONMENTAL UPGRADING					
1. Storm Water Drainage (Korangi)	BBE	EEMCCCCCCCCC	CCCCCCCCCCCC	CCCCCCCCCCCC	CCCCCCC
2. Malir River Flood Protection	B	BEEEMCCCCCCC	CCCCCCCCCCCC	CCCCCCCCCCCC	CCCCCCCCC
3. Environmental Impact Assessment (Korangi Area)	BBEEMUUUU	UU			
B. TRANSPORT IMPROVEMENTS					
1. Two Bridges	BBEEEMCCC	CCCCCCCCCCCC	CCCCCCCCCCCC	CCCCCCCCCCCC	
2. Traffic Management	BBEEEMCCC	CCCCCCCCCCCC	CCCCCCCCCCCC	NNNNNNNNNNNN	NN
3. Rd & Tr Infrastructure Imp--Interior Cities		BBEEEMCCCCCC	CCCCCCCCCCCC	CCCCCCCCCCCC	CCCC
C. FISCAL AND ADMINISTRATIVE REFORM					
1. Property Tax Reform	BBEEEM	NNNNNNNNNNNN	NNNNNNNNNNNN	NNNNNNNNNNNN	NNNNNNNN
2. Investment Planning & Budgeting	BB	EEEMNNNNNNNN	NNNNNNNNNNNN	NNNNNNNNNNNN	NNNNNN
3. Financial Management	B	BEEEMNNNNNNN	NNNNNNNNNNNN	NNNNNNNNNNNN	NNNNNN
D. INSTITUTIONAL STRENGTHENING					
1. KDA	BBEEEM	NNNNNNNNNNNN	NNNNNNNNNNNN	NNNNNNNNNNNN	NNNNNNN
2. KMC	BBBE	EEEMNNNNNNNN	NNNNNNNNNNNN	NNNNNNNNNNNN	NNNNNNN
E. INVESTMENT PROGRAM PREPARATION					
1. Urban Transport					
(a) First Corridor	DDDDDD	DDDDDDDDDDDD	DD		
(b) Second Corridor	UUUUUU	UUU			
(c) Urban Transport Studies		UUUUUUUUUUUU	UUUUUUUUUUUU		

KEY: Each letter represents 30 days
B: Bidding D: Design N: Implementation U: Specialized Studies
C: Construction E: Bid Evaluation M: Mobilization

Annex 9

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

Estimated Schedule of Disbursements
(US$ million)

IDA Fiscal Year and Quarter Ending		Quarterly	Cummulative
FY94	September 30, 1993	0.0	0.0
	December 31, 1993	0.0	0.0
	March 31, 1994	1.8	1.8
	June 30, 1994	3.4	5.2
FY95	September 30, 1994	3.4	8.6
	December 31, 1994	4.1	12.7
	March 31, 1995	4.0	16.7
	June 30, 1995	4.1	20.8
FY96	September 30, 1995	4.2	25.0
	December 31, 1995	3.8	28.8
	March 31, 1996	3.0	31.8
	June 30, 1996	2.4	34.2
FY97	September 30, 1996	2.9	37.1
	December 31, 1996	2.6	39.7
	March 31, 1997	2.3	42.0
	June 30, 1997	1.9	43.9
FY98	September 30, 1997	1.8	45.7
	December 31, 1997	1.1	46.8
	March 31, 1998	0.0	46.8
	June 30, 1998	0.0	46.8

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PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

GOS' Fiscal Alternatives and Assumptions Used

A. Financial Analysis

1. Possible future finances of the GOS can be illustrated by looking at:

(a) cash balance utilization: the "bottom line" for the finances of GOS;

(b) current surpluses and deficits: the savings of GOS and the limiting factor on investment levels over time;

(c) current expenditures on services (including administrative costs): the potential amount available for delivery of services to the population;

(d) development expenditures: the public investment of Sindh;

(e) interest payments as a percentage of current revenues: a measure of the burden of debt; and

(f) long-term debt outstanding as a percentage of national GDP: a measure of the sustainability of deficit spending.

2. Table A shows past, present, and projected financial parameters for the GOS. All Rupee figures in the table are at 1991-1992 prices. The first column of the table shows average financial figures for the six years 1986 through 1991. This column summarizes the discussion above of GOS's recent financial performance. The second column shows GOS's performance in 1992, and some of the deterioration in the GOS's financial position.

3. The third column shows projected financial values if the GOS does not institute financial reform. If revenue components and expenditure items maintain their historical paths, the GOS will be unable to finance development without growing use of cash balances at the State Bank of Pakistan. By 1998, the GOS would need to draw down its cash balances by about Rs 14.5 billion. As GOS is not in a position to make such cash withdrawals, the table incorporates a projection in which cash balance utilization after 1993 will be nil.

4. Column three shows also that, even without financial reform, current expenditures on services and administration will continue to grow and interest payments as a percentage of current revenues will not exceed historical levels. However, the GOS will find development expenditures dwindling in the 1990s, as development funds are diverted to meet current needs. In addition, the GOS's deficits will grow to 28.2% of current revenues. These projections illustrate the need for financial reform.

Table A: PAST AND PROJECTED GOS FINANCIAL PARAMETERS

		ANNUAL AVERAGES			
		Past 1986-91	Present 1992	Future (Base Case) 1993-98	Future (SSDP) 1993-98
ACCOUNTS (Rs. bil.)	Current revenues	13.7	18.7	18.6	19.3
	Interest	3.5	4.1	5.0	5.0
	Other	11.3	15.0	18.9	16.0
	Total current expenditure	14.8	19.2	23.9	21.1
	Surplus/deficit	-1.1	-0.5	-5.3	-1.7
	Other funds	9.6	11.8	7.0	7.6
	Total funds	8.5	11.3	1.7	5.9
	Development	5.0	4.2	1.6	5.7
	Other capital	4.3	5.7	0.5	0.5
	Total capital expenditure	9.3	9.9	2.2	6.3
	Cash balance change	-0.9	+1.4	-0.5	-0.4
OTHER MEASURES	Deficit/surplus as share of current revenues (%)	-8.2	-2.8	-28.2	-9.0
	Interest share of current revenues (%)	28.5	22.2	26.8	26.1
	Long-term debt over GDP (%)	2.5	2.1	2.2	2.2
	Real per capita current service spending (Rs.)	412	501	585	490
	Real per capita development spending (Rs.)	207	156	53	188

5. As part of the SSDP reforms, IDA and the GOS have examined several different reform packages, including both moderate and extensive revenue increases, both current expenditure and borrowing restraints, and combinations thereof. The most promising single provincial revenue source is the motor vehicle tax, and the best means of increasing urban revenues in the province is the urban

immovable property tax. The SSDP therefore includes provisions to increase revenues collected from these taxes.[1] However, analysis indicates that available steps to reduce expenditures are likely to be more effective than available revenue generation measures. During negotiations, postponement of implementation of the extensive revenue increases, and adoption of policies to focus on increasing motor vehicle and property taxes and restrain expenditures instead will be discussed with GOS.[2]

6. The most promising expenditure policy would require GOS to reduce the growth rate of current expenditures (excluding interest payments and subsidies) in each year to the rate that current receipts grew in the previous year. For example, if current revenues last year were 10% higher than they were the year before, current expenditures this year could be no more than 10% higher than they were last year.

7. Column four of Table A shows the projected effects of instituting moderate revenue increases and current expenditure restraint. These reforms offer opportunities to achieve several improvements. Comparison of the last two columns of Table A shows the projected effects of reform, including:

(a) projected deficits decline to 9.0% from 28.2% of revenues without reform;

(b) projected real per capita development spending increases from Rs 53 to Rs 188 on average for the next six years; and

(c) projected real expenditures per capita on services and administration remain almost as high as they would be in the absence of reform.

1/ Recent studies show that a ten-fold increase in property tax yield is a conservative estimate, as rates have been unchanged for 20 years. GOS retains more than 15% of property tax collections, with the remainder distributed to local governments. With revaluation, a 1,000% increase in the tax would increase retained tax receipts from Rs. 35 million in 1990/91 to Rs. 350 million by 1996/97, assuming there is no change in the relative proportions between GOS and local government. (At least a 700% increase would be required to overtake inflation since 1968.) A change in the motor vehicle tax rate to 1.0% ad valorem would increase revenues on cars and trucks from Rs 284 million in 1989/90 to Rs 1.24 billion in 1996/97.

2/ GOS is pursuing the possibility of levying a surcharge on GOP taxes generated from income and sales in the province as a way of gaining access to tax revenue sources which are buoyant. These sources are not expected to yield any additional (above the amounts for property and motor vehicle taxes) revenues within the next two years. The other tax sources that are available to the GOS are generally problematic; either they are not sufficiently buoyant or they are not fiscally sound. The proposed project would therefore focus on sources which have a direct impact on the financing of urban infrastructure and/or services in the province.

8. The recommended reforms are likely to be more beneficial than the projections can show. By continuing (reduced) deficit spending, the reforms allow for fiscal stimulus to Sindh's economy that the financial model does not capture. In addition, the continued development expenditure can lead to increased capital formation that increases the productive capacity of the province, another potential effect that the model omits. (Part B contains a discussion of the assumptions behind the projections and their implications.) Both of these effects will increase revenues above their projected levels. In the absence of reform, without investment, productive capacity is likely to dwindle, and the stimulus from the enormous budget deficits is in danger of being translated into inflation, not economic growth.

9. At the same time, the SSDP reforms will not solve all of GOS's problems. Deficits, though lower than without the reforms, will persist. The ratio of the GOS's debt to projected GDP will be unaffected. Further efforts will be necessary to address these problems. For example, there is room for improvement in the GOS's financial performance. The GOS will probably have to borrow all ADP funds for the next decade, at least. With debt service pre-empting an increasing share of GOS budgets, it is imperative that the GOS either reduce the real rates it pays for cash development loans to finance the ADP or increase the return on investments financed through the ADP, or both.

10. Given the added complexity and the uncertainties attending financial reform, the GOS and IDA have agreed to begin with slowing the growth rate of current expenditures on services and administration. **During negotiations, restriction of the growth rate of current expenditures (net of interest payments) in each year to the growth rate of current revenues attained in the previous year will be discussed with GOS**.

11. In addition to the revenue enhancement measures (para 5) and expenditure restraint steps recommended above, the GOS has the opportunity to take additional steps that will strengthen its finances. These fundamental reforms are necessary to avoid a disappearance of public investment and decline in funds available for current expenditure. These include:

(a) work with GOP to reform intergovernmental finance;

(b) improve collection efforts for both taxes and fees;

(c) cut subsidies to local governments and other entities;

(d) implement investment planning and monitoring; and

(e) increase the effectiveness of current spending.

B. Assumptions Used in the Financial Projections

B1. Analytical Assumptions

1. Cost and revenue items follow historical growth paths estimated by AERC

   a. Some items grow with time
   b. Most federal transfers, and Cash Development Loans, grow with the size of the national economy
   c. Some items grow with the size of the provincial economy
   d. current expenditures on education and health grow with economic growth and with the size of previous investments in the sectors

2. Public infrastructure investments have zero financial return

3. There are no economic feedback loops

   a. No fiscal stimulus from deficit spending
   b. No growth stimulus from increased capacity due to public investment (i.e., investment has zero economic return, as well as zero financial return).

4. Public investments do not increase future O&M costs

5. Reclassify (from system used by GOS):

   a. State trading as current activity, not capital
   b. Extraordinary receipts as capital receipts, not current receipts

6. Zero net losses and gains for state trading activities (so the reclassification in 5. above matters only for historical series).

B2. Policy & Behavioral Assumptions

1. GOS taps no other sources of borrowing (beyond SSDP and CDL)

   a. No borrowing from GOS's own departments
   b. No borrowing from the public account (future net public account receipts are zero)
   c. No more federal non-development loans
   d. No more drawing down cash balances at the State Bank of Pakistan

2. GOS meets demands for payment in the following order of priority: (1) interest on debt; (2) principal on debt; (3) current expenditures; and (4) development needs.

3. GOS does not replenish cash balances with the State Bank of Pakistan, or repay money "borrowed" from the Public Account of the province.

B3. Assumptions about the Economic Environment

1. Inflation follows World Bank forecasts (8% next year, 6% thereafter).

2. National real economic growth follows World Bank forecasts.

3. Sindh economic growth as projected by AERC, slightly above national.

4. Sindh population as estimated by AERC: 25.46 million in 1989-90, 3.3% growth thereafter.

5. Interest continues at recent real rate of 5.75 per year.

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Annex 11

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

Detailed Financing Plan

Project Components	Approximate Cost		IDA Share		GOS Share		KMC Share	
	(Rs M)	(US$ M)	(%)	(US$ M)	(%)	(US$ M)	(%)	(US$ M)
A. Environmental Upgrading								
1. Storm Water Drainage (Korangi)	54.7	2.0	70.0	1.4	30.0	0.6		
2. Malir River Flood Protection	305.7	11.0	70.0	7.7	30.0	3.3		
Sub-Total (A)	360.4	13.0	70.0	9.1	30.0	3.9	0.0	0.0
B. Transport Improvements								
1. Two Bridges	245.4	8.9	70.0	6.2	30.0	2.7		
2. Traffic Management	92.1	3.3	70.0	2.3	30.0	1.0		
3. Road & Transport Infrastructure Improvements-Interior Cities	127.6	4.6	74.0	3.4	26.0	1.2		
Sub-Total (B)	465.0	16.8	71.1	11.9	28.9	4.9	0.0	0.0
C. Fiscal and Administrative Reform								
1. Property Tax Reform	112.2	4.1	95.0	3.8	5.0	0.2		
2. Investment Planning & Budgeting	33.0	1.2	95.0	1.1	5.0	0.1		
3. Financial Management	23.8	0.9	95.0	0.8	5.0	0.0		
Sub-Total (C)	169.0	6.1	95.0	5.8	5.0	0.3		
D. Institutional Strengthening								
1. KDA	31.2	1.1	95.0	1.1	5.0	0.1		
2. KMC	31.2	1.1	95.0	1.1			5.0	0.1
Sub-Total (D)	62.4	2.3	95.0	2.1	2.5	0.1	2.5	0.1
E. Investment Program Preparation								
1. Urban Transport (E)	164.0	5.9	95.0	5.6	5.0	0.3		
F. Project Supervision								
1. Project Planning Unit	31.2	1.1	95.0	1.1	5.0	0.1		
2. EXPACO	79.9	2.9	95.0	2.7	5.0	0.1		
Sub-Total (F)	111.1	4.0	95.0	3.8	5.0	0.2	0.0	0.0
TOTAL BASELINE COST	1331.9	48.1	79.9	38.4	20.0	9.6	0.1	0.1
Physical Contingencies	111.0	4.0	79.9	3.2	20.0	0.8	0.1	0.0
Price Contingencies	179.7	6.5	79.9	5.2	20.0	1.3	0.1	0.0
Total Contingencies	290.7	10.5	79.9	8.4	20.0	2.1	0.1	0.0
TOTAL PROJECT COST	1622.7	58.6	79.9	46.8	20.0	11.7	0.1	0.1

Note: Totals may not be exact due to rounding error.

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PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

ECONOMIC ROR CALCULATIONS

Economic Rate of Return for Bridge Expansion over Lyari River

1. The economic rate of return (ERR) was computed for this project considering 1994 and 1995 as the construction period and maintenance starting in 1996 at 1% of the capital cost. The benefits are measured in terms of savings in vehicle operating costs. The life of pavement is assumed to be 20 years; and of structures to be 100 years. A salvage value has been assigned to the project at the end of the analysis period. The expansion of the bridge would result in traffic diversion from adjoining links to save travel time, which has not been included in the calculation of net benefits.

2. Vehicle Operating Costs. For deriving vehicle user costs, operating speeds of four basic categories of vehicles (cars, minibuses, buses, and trucks) were forecast both in the "without project" and "with project" scenarios. For obtaining operating speed, the average operating speed relative to volume-capacity (V-C) ratio were factored by the relationship of average car speed to the average speed of other vehicles in Karachi. For cars, the average speed range from about 60kph in 1996 to 30 kph in 2016 "with project", and 35kph in 1996 to 15kph in 2016 "without project." The corresponding average speed ranges for buses are 50kph to 25kph "with" and 30kph to 15kph "without." For determining vehicle operating costs above 30kph, the NTRC publication "Vehicle Operating Costs" (1985) is used. The vehicle operating costs below 30kph (prevalent on urban arterials) have been derived from extrapolation of the physical factors contained in the NTRC publication. For purposes of estimating the VOC, the effective length of the bridge has been taken as 1120 meters (120 meters bridge length and two 500 meters approach roads on both sides). The difference between vehicle operating costs before and after the project (vehicle operating costs savings) ranges between about Rs 9 million in 1996 and Rs 54 million in 2016.

3. Traffic Volume Data. The existing data related to traffic is available in the form of traffic counts by Karachi Mass Transit Study (KMTS), vehicles registration available from the excise and taxation department, and the monthly fuel sales data from Oil Companies Advisory Committee (OCAC). In addition, traffic counts were conducted near the proposed parallel bridge site on Rashid Minhas road and Abul-Hasan-Isphahani road in January, 1993 to manually record hourly traffic volumes by direction for different vehicle categories. The traffic growth factors were developed by using: (a) growth rate of vehicle registration; (b) population; and (c) Gross Domestic Product over the period 1987 to 1993.

4. Estimates of Diverted Traffic. The completion of the proposed bridge extension would also result in redistribution of traffic patterns. A link directly affected would be the Abul Hasan Isphahani road, which at present serves as an alternate route for trips to and from Gulshan-e-Iqbal/University road. Conservative estimates indicate that at least one-third of the traffic volumes

during the morning and afternoon peak periods on this road would get diverted to the Rashid Minhas road following the completion of the project.

5. Economic Rates of Return. The net present value (NPV) and the economic rate of return (ERR) were computed over the life of the project (20 years). The net present value is estimated at Rs 81 million (at 12% discount rate) and the ERR at 26%.

6. Sensitivity Analysis. A sensitivity anlysis indicates that an increase in construction costs of 20% would reduce the NPV to about Rs 72 million and the ERR to about 21%. A 20% decrease in savings from vehicle operating costs would have a similar effect on the NPV and ERR.

Economic Rate of Return for University Road Overhead Bridge Construction

7. The economic rate of return (ERR) was computed for this project considering 1994, 1995, and 1996 as the construction period and maintenance starting in 1997 at 1% of the capital cost. The life of pavement is assumed to be 20 years; and of structures to be 100 years. The residual value for the project has been taken as 50% for road works and 90% for structures. The benefits are measured in terms of reduction in vehicle operating costs and passenger travel time.

8. Vehicle Operating Costs. As in the case of bridge expansion over Lyari river, vehicle operating costs above 30 kph were determined using the NTRC publication for each of the different vehicle types.

9. Traffic Volume Data. The average daily traffic (ADT) was collected at the university level crossing for each of the vehicle types in 1992. The traffic growth factors were developed by using: (a) growth rate of vehicle registration; (b) population; and (c) Gross Domestic Product.

10. Savings in Passenger Travel Time. On average, the existing level crossing is closed daily about 20 times for almost 10 to 15 minutes each time, resulting in average delay per vehicle of about 7.5 minutes. In the absence of the proposed overhead bridge, the delay is expected to increase in future with an increase in traffic volume, but for purposes of this analysis the delay is not expected to change from 7.5 minutes.

11. Traffic Management During Construction. There are no alternative roads available to divert the traffic during construction. It is, therefore, proposed to construct diversion roads of three lanes on each side of the proposed overhead bridge, on land presently occupied by service roads and reservations. After the bridge construction, the land will be restored to its present shape. The resulting increase in cost and travel time are expressed as negative benefits in the economic evaluation of the "with project" scenario.

12. Economic Rates of Return. The net present value (NPV) and the economic rate of return (ERR) were computed over the life of the project (20 years). The net present value is estimated at Rs 310 million (at 12% discount rate) and the ERR at 34%.

13. Sensitivity Analysis. A sensitivity anlysis indicates that an increase in construction costs of 20% would reduce the NPV to about Rs 280 million and the ERR to about 28%. A 20% decrease in savings from vehicle operating costs would have a similar effect on the NPV and ERR.

Economic Rate of Return for Traffic Management

14. The economic rate of return (ERR) was computed for this project considering savings from reduction in vehicle operating costs (fuel consumption, lubricants, tires, parts, maintenance, labor) and passenger travel time. Savings have been derived as a consequence of reduction in running times and stopped-time delays encountered as a result of congestion and bottlenecks.

15. Vehicle Operating Costs. As in the case of the two bridges, vehicle operating costs above 30 kph were determined using the NTRC publication for each of the different vehicle types. The weighted average VOCs for each intersection were computed with different congestion factors applied according to the level of congestion with and without the project.

16. Passenger Time Cost Savings. The savings in passenger time was calculated with and without the project for each of the proposed intersections. The average vehicle occupancy was used to compute the savings in time for each vehicle type, from which net savings for all vehicles over an year was calculated.

17. Capacity Analysis. Capacity analysis was conducted for each intersection using 1993 traffic volumes in order to determine the impact of geometric improvements. The controlling parameters were demand/capacity ratio, geometric delays, and queuing delays. Geometric delay was computed as the sum of three components: a) time lost decelerating and accelerating; b) time lost due to slower speeds through a junction; and c) time lost due to longer distances through the junction. Queuing delay for each of the entering traffic streams depends mainly upon the ratio of arrival rate of traffic to the prevailing entering capacity. Peak hour flows for each of the turning movements at intersections were estimated. Recommendations were determined for each of the warrant criteria, including minimum vehicular volume, interruption of continuous traffic, minimum pedestrian volume, school crossing, progressive movement, and accident experience.

18. Economic Rate of Return. Of the total savings, vehicle operating costs result in a savings of about 65% and passenger time cost savings accounting for the remaining 35%. The net present value (NPV) and the economic rate of return (ERR) were computed for each of the proposed intersection improvements by discounting costs and benefits over a period of 10 years. No residual values were assumed for improvements at the end of the 10 year period. The weighted ERR for all intersection improvements is 24.8%.

19. Sensitivity Analysis. A sensitivity anlysis indicates that an increase in construction costs of 20% would reduce the ERR to about 21%. A 20% decrease in savings from vehicle operating costs would have a similar effect on the ERR.

Nonquantifiable Benefits

20. Each of the urban transportation projects, two bridges and traffic management schemes, would result in substantial benefits which have not been included in the economic rate of return calculations. Vehicle idling would be reduced at the railway level crossing and traffic intersections resulting in reduced emissions; traffic flow would be better organized through the implementation of signal control at intersections and roundabouts which would result in accident prevention and safer driving conditions. Improvements to road geometrics and pavement markings would reduce conflict among different vehicle types and between vehicles and pedestrians. The proposed project would therefore result in improved living conditions and a better urban environment.

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

Supervision Plan

	Tasks	Date	IDA S/W	PPU S/W
FY94	Project Launch	3/94		
	Update Action Plans			
	Evaluate Budget Performa			
	Input into Budget Preparation			
	Total Staff Weeks		15	5
FY95	Annual Review	9/94		
	Update Action Plans	3/95		
	Evaluate Budget Preparation			
	Input into Budget Preparation			
	Total Staff Weeks		15	5
FY96	Mid-term Review	9/95		
	Update Action Plans	3/96		
	Evaluate Budget Preparation			
	Input into Budget Preparation			
	Total Staff Weeks		15	5
FY97	Annual Review	9/96		
	Update Action Plans	3/97		
	Evaluate Budget Preparation			
	Input into Budget Preparation			
	Total Staff Weeks		15	5
FY98	Annual Review	9/97		
	Update Action Plans	3/98		
	Evaluate Budget Preparation			
	Input into Budget Preparation			
	Total Staff Weeks		15	5

PAKISTAN

SINDH SPECIAL DEVELOPMENT PROJECT

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1.	Annual Budget Statement	1992-93
2.	Statement of Receipts	1992-93
3.	Annual Development Programme	1992-93
4.	Annual Budget Statement	1989-90
5.	Estimates of Receipts	1989-90
6.	Estimates of Charged Expenditure and Demands for Grants (Current Expenditures)	1989-90
7.	New Expenditure	1989-90
8.	Budget Memorandum	1989-90
9.	Supplementary Statement of Expenditure	1989-90

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1.	GOS Appropriation Accounts	1986-87
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3.	GOS Appropriation Accounts	1984-85

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2.	Management Planning and Coordination Volume A--Final Report Draft	Dec 1990
3.	Management Planning and Coordination Volume A--Appendices	Dec 1990
4.	Karachi Development Authority Volume B--Final Report Draft	Dec 1990
5.	Karachi Metropolitan Corporation Volume C--Final Report Draft	Dec 1990
6.	Karachi Water and Sewerage Board Volume D--Final Report Draft	Dec 1990
7.	Karachi Transport Corporation Volume E--Final Report Draft	Dec 1990
8.	Executive Summary	Dec 1990
9.	Management Planning and Coordination Volume A--Final Report (2 Copies)	Dec 1991

10.	Management Planning and Coordination Vol. A--Appendices Final Report (2 Copies)	Dec 1991
11.	Karachi Development Authority Volume B--Final Report (2 Copies)	Mar 1991
12.	Karachi Metropolitan Corporation Volume C--Final Report	Mar 1991
13.	Karachi Water and Sewerage Board Volume D--Final Report (2 Copies)	Mar 1991
14.	Karachi Transport Corporation Volume E--Final Report (2 Copies)	Mar 1991
15.	Final Report Annex Short Term Plans (2 Copies)	Mar 1991
16.	Organizational Diagnosis of the Government of Sindh--Executive Summary (2 Copies)	Mar 1991

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1.	Nawabshah Preliminary Development Plan (Report No. 2)	Jun 1990
2.	Mirpurknas Preliminary Development Plan (Rep. No. 3)	Aug 1990
3.	Tando Adam Preliminary Development Plan (Rep. No. 4)	Aug 1990
4.	Tando Allahyar Preliminary Dev. Plan (Rep. No. 5)	Aug 1990
5.	Sanghar Preliminary Development Plan (Rep. No. 6)	Sep 1990
6.	Tool for Evaluation of Investment Programmes (No. 7)	Nov 1990
7.	Nawabshah--Draft Report (2 Copies) (Rep. No. 9)	Apr 1991
8.	Mirpurkhas--Draft Report (Rep. No. 10)	Apr 1991
9.	Nawabshah Development Plan--Draft Final (Rep. No. 13)	May 1991
10.	Larkana Preliminary Development Plan (Rep. No. 14)	Jun 1991
11.	Shikarpur Preliminary Development Plan (Rep. No. 15)	Jun 1991
12.	Jacobabad Preliminary Development Plan (Rep. No. 16)	Jul 1991
13.	Feasibility Studies for Projects Related to Up-gradation and Improvement of Roads in 3 Sindh Secondary Cities	Jun 1991
14.	PC-I Improvement of Roads: Larkana	Nov 1992
15.	PC-I Improvement of Roads: Nawabshah	Nov 1992
16.	PC-I Improvement of Roads: Mirpurkhas	Nov 1992
17.	PC-I Shifting of Truck Terminal: Nawabshah	Nov 1992
18.	PC-I Shifting of Bus Terminal: Mirpurkhas	Nov 1992
19.	PC-I Shifting of Central Bus Stand to Ratodero Road: Larkana	Nov 1992
20.	Preliminary Study of Flyover at Quaid-E-Awam Road: Larkana	Nov 1992
21.	Resettlement of Encroachers & Squatters Along Roads in 3 Sindh Secondary Cities	Feb 1993
22.	PC-I Flyover at Satellite Town Railway Crossing: Mirpurkhas	Nov 1992
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2.	Main Report Summary and Recommendations (Document 1)	Mar 1990
3.	Profile of the Karachi Land Market (Document 2)	Mar 1990
4.	Households and Estate Agent Surveys of the Karachi Land Market (Document 3)	Mar 1990
5.	Financial Mechanisms in the Karachi Land Market (Document 4)	Mar 1990
6.	Institutional Mechanisms Planning Regulations and Standards (Document 5)	Mar 1990

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2.	Presentation Material for National Procurement Conference	Oct. 1992

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1.	Karachi Sewage Recycling Project	Dec 1992

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1.	Training and Management Services for the Directorate of Katchi Abadis	Dec 1988

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1.	Final Report: Karachi Mass Transit Study	

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2.	Cattle Colonies Relocation	Jul 1991
3.	KMC Truck Stand	Jul 1991
4.	Parking Facilities in Karachi	Jul 1991
5.	Flyover	Jul 1991
6.	Equipment for Municipal Services	Jun 1991
7.	Widening and Improvement of Hub River Road	Jun 1991

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2.	Preliminary Report Prepared for the Resource Mobilization and Taxation Reforms Commission	Dec 1991
3.	Fiscal Status of GOS	Jun 1992
4.	Local Government Administration in Pakistan (Vol-I)	

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1.	Rural-Urban Linkages Study, Interim Report	Feb 1992
2.	Impact of the NFC Award on Provincial Finance	May 1991

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1.	Review of Finance Department - KWSB	Nov 1989
2.	Review of Operations of Tanker Cell- KWSB	Sep 1990
3.	Expenditure Control Study - KWSB	Jul 1991
4.	Financial Forecasting Model - User Guide	Aug 1991
5.	Financial Analysis and Projections Study - KWSB	Dec 1991
6.	Special Study on Reducing Current Expenditures	Mar 1992
7.	Financial Forecasts (1991-2000)	Jan 1992
8.	Karachi Water and Sewerage Board, Basic Facts 1990-91	Jul 1991

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2.	Storm Water Drainage Scheme	Dec 1992

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2.	Widening and Improvement of Bridges Over Lyari River at Mauripur Road	Nov 1992
3.	Upgradation of Orangi Town by Channelization of	

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4.	Upgradation of Lyari by Channelization of Lyari River	Nov 1992

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2.	Preliminary Report on Environmental Upgradation for North Karachi Industrial Area	Nov 1992
3.	Preliminary Report on Environmental Upgradation for Korangi Industrial Area	Nov 1992

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2.	Construction of Bridge Over Railway Track on University Road	Jun 1991
3.	Prefeasibility report of Widening and Upgrading Parts of University and Sir Shah Mohammad Sulaiman Roads	Jun 1991
4.	Prefeasibility Study of Shah Faisal Colony Fly-Over	Dec 1992
5.	Malir River Flood Protection Scheme- Phase V (KDA)	Dec 1992

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2.	Prefeasibility Study of Widening of Overhead Bridge at Karimabad Intersection	Sep 1988
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   (b) Strengthening Urban Land Management in Karachi
   (c) Utility Asset Inventory Information System
   (d) Sindh Urban Land Issues
   (e) Land Policy Issues
   (f) Modernization of City Land Operations and Management in Karachi
   (g) Outline Plan for Property Tax Review and Preparation
   (h) Outline Plan for Improvement of Urban Land Management & Mapping

2. E. Wegelin

(a) Project Planning, Programming, and Budgeting in GOS
(b) Urban Poverty Indicators for Pakistan
(c) Institutional Strengthening of Planning and Development: Department of GOS
(d) Secondary Cities Infrastructure Development Program
(e) Sindh Municipal Development Fund
(f) Municipal Infrastructure Program Implementation
(g) Critical Issues in Conditionality for Interior Cities
(h) Outline Plan for Project Implementation Capacity of KMC and KDA
(i) A Heuristic Model for Making Policy Choices Regarding Fiscal and Administrative Reform in GOS
(j) Outline Plan for Institutional Strengthening of Planning and Development Department GOS
(k) Outline Plan for Accounting Assistance to KMC

3. R. MacWilliam

(a) Metering, Water Loss Reduction
(b) Distribution Repairs in Karachi

4. R. Smith

(a) Framework of Provincial and Local Tax Program in Sindh
(b) Property Taxation, devolution of property tax, potential alternative municipal revenue sources.

5. S. Keith

(a) Property Tax Administration by GOS
(b) A Strategy for Taxation on Property
(c) Property Tax in Karachi

6. A. Armstrong-Wright

(a) Karachi Transport Corporation Policy Options
(b) Bus Fund Pilot Scheme
(c) Policy Framework for Urban Transport Reform
(d) Urban Transport Policy Issues
(e) Urban Transport Component: Co-Financing Opportunities

7. E. Echeverria

(a) Lyari Upgrading Project Brief
(b) Orangi Upgrading Project Brief

8. A. Wight

(a) Outline Plan for Organization and Management Strengthening Project for KMC
(b) Institutional Strengthening of KWSB
(c) Characteristics of Developing Country Organizations
(d) Attitudes, Behavior, and Development
(e) Integrated Corporate Planning

9. R. Ahmad

(a) The Planning and Development Function in GOS
(b) Resettlement Policy in Sindh
(c) Preparation of Operational Plan for Finance Department
(d) Corporate Development Needs in KWSB

10. W. Webster

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(b) Review of GOS ADP Allocation/Utilization
(c) Performance Indicators for Financial Reform of GOS
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(e) Evaluation of GOS's Five-Year Investment Program

11. A. Kumar

(a) Fiscal Status of GOS
(b) Demand Management and Traffic Engineering Studies
(c) Comments on GOS Policy Reform Proposals
(d) Pilot Bus Privatization Scheme
(e) Identification of Works for Interior Cities Municipal Development
(f) Outline Plan for Urban Transport Policy and Planning
(g) Evaluation of Reports on Development Planning and Institutional Support for Interior Cities

12. D. Cook

(a) Status Report on Engineering for SSDP

13. H. Ahmed

(a) Outline Plan for KDA's Corporate Development Plan
(b) Policy for Sale of Land without Subsidization
(c) Settlement of Cross-Arrears Between KDA and KMC/KWSB
(d) Policy for Removal of Encroachments on Resettlement
(e) Regularized Collection of Non-Utilization on Vacant Plots

14. K. Wagstaff

(a) Development of Accounting Systems for KDA
(b) Financial Analysis on Nawabshah Larkana, Mirpurkhas
(c) Outline Plan for Municipal Financial Management
(d) Past Performance and Current Financial Position of KDA
(e) Past Performance and Current Financial Position of KWSB
(f) Past Performance and Current Financial Position of KMC
(g) Past Performance and Current Financial Position of Secondary Cities
(h) Outline Plan for Institutional Strengthening of KWSB

15. Birmingham City Council, U.K.

(a) Proposal for Twinning Arrangement Between Birmingham City Council and Karachi Metropolitan Corporation

16. J. Burfield

(a) Conceptual Plan for Sindh Environment Protection Agency
(b) Conceptual Plan for Construction of GOS Headquarters Building

17. M. Abu Shamim Arif

(a) Presentation Paper for National Procurement Conference in Pakistan

18. Z. Ismail

(a) Outline Plan for Urban Transport Advisory Group for Karachi

19. M. Karim

(a) Technical Note on Formation of a Planning and Development Board for the Government of Sindh.
(b) Outline Plan for Preparing a Feasibility Study to Establish an Urban Institute in Karachi, Pakistan

20. Makhdoom Ali Khan and Shahid Kardar

(a) Land Records Study for Karachi

21. Ms. S. Akhtar

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3.	KMC Audit Reports for FY 89, 90, and 91.	
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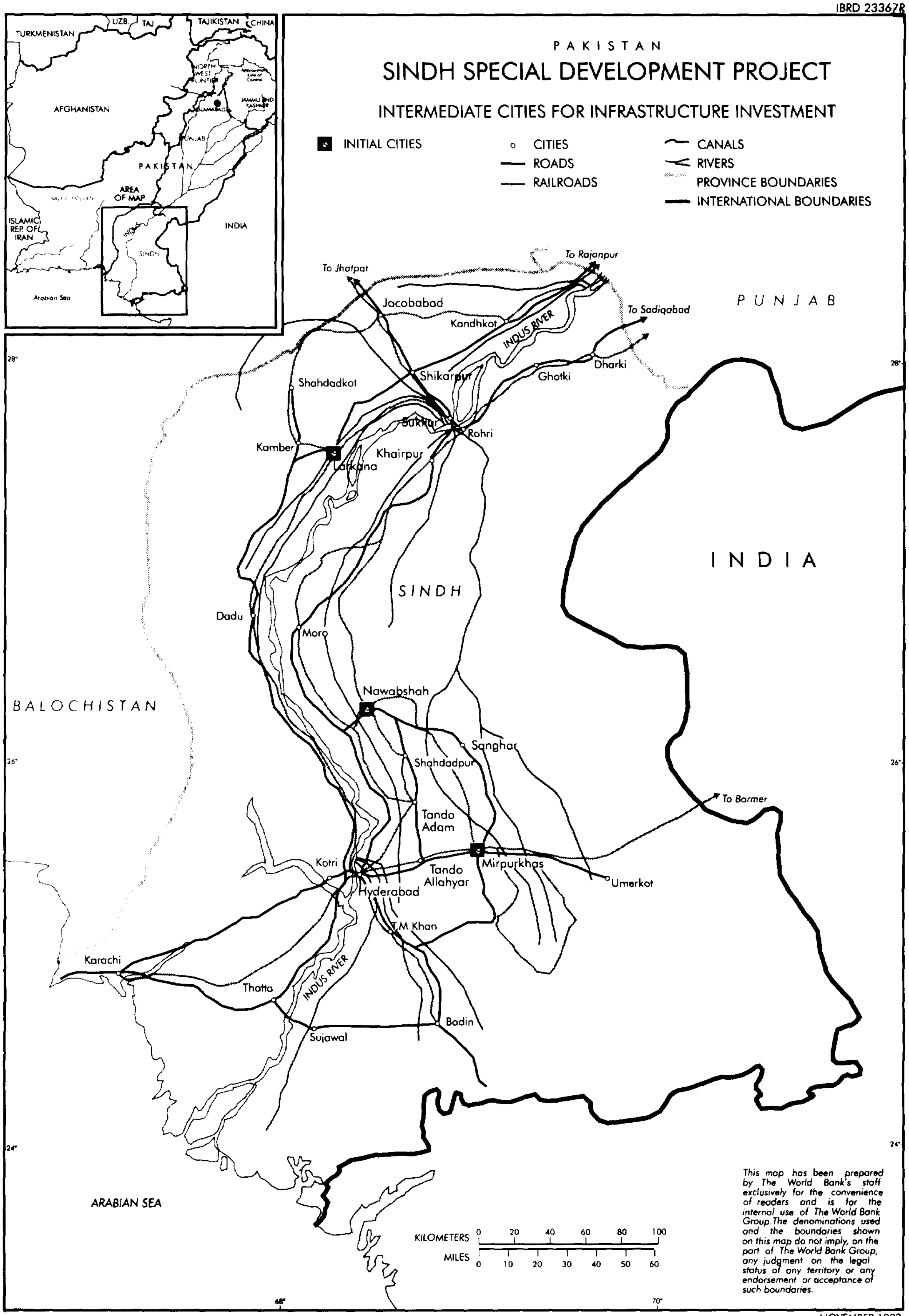
5.	Professions, Trades, and Callings Taxes: Policy Paper	Nov 1991
6.	Prefeasibilty Study of Compost Plant for Karachi (KMC)	Feb 1989
7.	Prefeasibility Study of Bakrapiri/Cattle Colony at Baldia Township (KMC)	
8.	Prefeasibility Study of Upgradation of Medical Equipments/ Services	
9.	Prefeasibility Study of Railway Overbridge at Lilly Road, Karachi	Jul 1990
10.	Outline Plan for Urban Land Management Study	

MAP SECTION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PAKISTAN
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RAILROADS
CANALS
RIVERS
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES
TURKMENISTAN
UZB.
TAJ.
TAJIKISTAN
CHINA
AFGHANISTAN
PAKISTAN
AREA OF MAP
ISLAMIC REP. OF IRAN
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Arabian Sea
To Jhatpat
To Rajanpur
To Sadiqabad
PUNJAB
Jacobabad
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INDUS RIVER
Shikarpur
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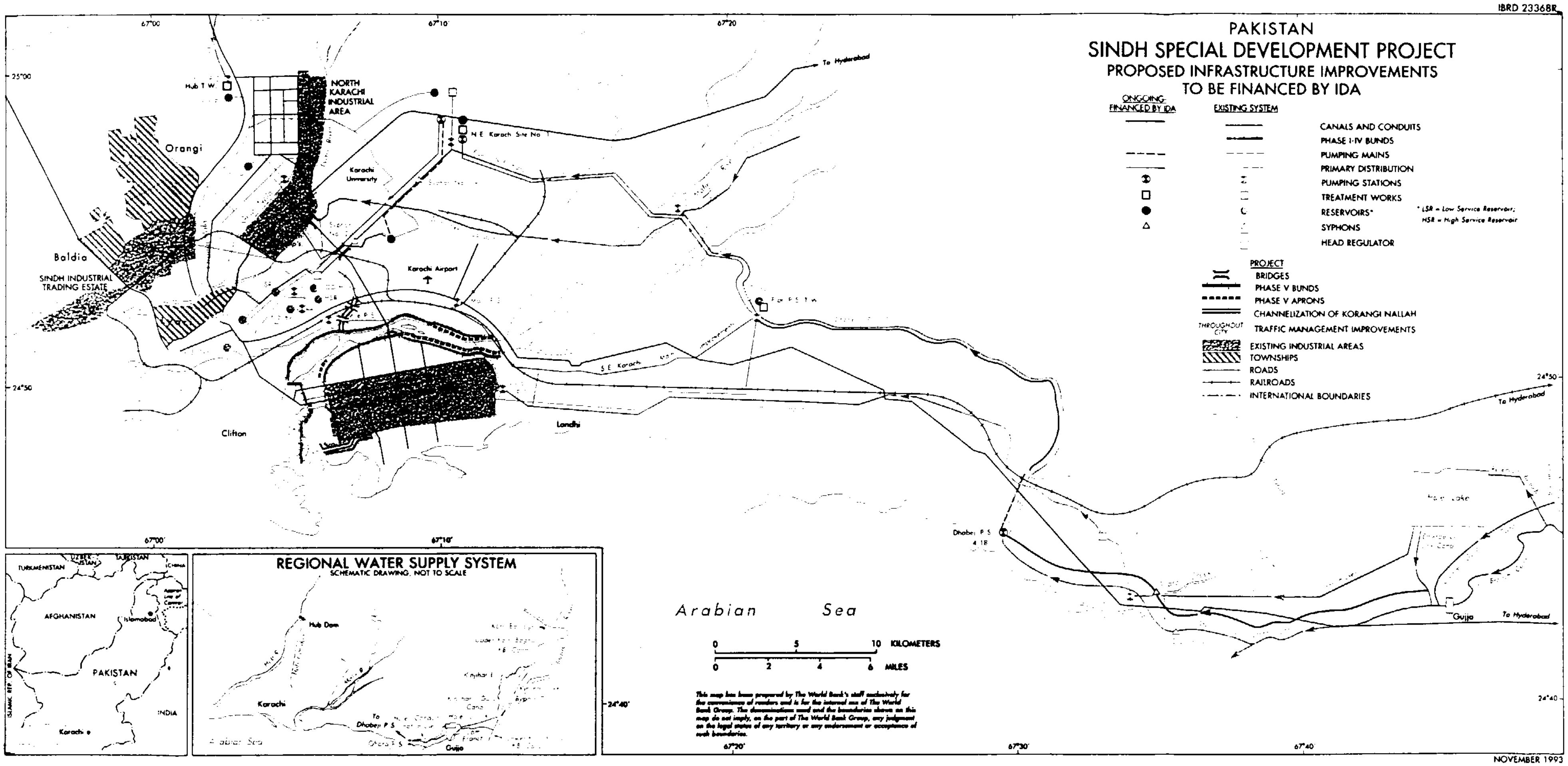
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PAKISTAN
SINDH SPECIAL DEVELOPMENT PROJECT
PROPOSED INFRASTRUCTURE IMPROVEMENTS
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ONGOING FINANCED BY IDA
EXISTING SYSTEM
CANALS AND CONDUITS
PHASE I-IV BUNDS
PUMPING MAINS
PRIMARY DISTRIBUTION
PUMPING STATIONS
TREATMENT WORKS
RESERVOIRS*
SYPHONS
HEAD REGULATOR
* LSR = Low Service Reservoir; HSR = High Service Reservoir
PROJECT
BRIDGES
PHASE V BUNDS
PHASE V APRONS
CHANNELIZATION OF KORANGI NALLAH
THROUGHOUT CITY
TRAFFIC MANAGEMENT IMPROVEMENTS
EXISTING INDUSTRIAL AREAS
TOWNSHIPS
ROADS
RAILROADS
INTERNATIONAL BOUNDARIES
NORTH KARACHI INDUSTRIAL AREA
Hub T.W.
Orangi
Baldia
SINDH INDUSTRIAL TRADING ESTATE
Karachi University
N.E. Karachi Site No. 1
Karachi Airport
Clifton
Landhi
To Hyderabad
Dhabeji P.S.
Gujjo
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0 5 10 KILOMETERS
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Karachi
Gujjo
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UZBEKISTAN
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AFGHANISTAN
Islamabad
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