Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 22-May-2018 | Report No: PIDISDSC24694

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Pakistan	P161402		Karachi Urban Management Project (P161402)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
SOUTH ASIA	Jan 14, 2019	Mar 28, 2019	Social, Urban, Rural and Resilience Global Practice
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Government of Pakistan,Planning & Development Department, Govt of Sindh	Local Development Department, Government of Sindh, Karachi Metropolitan Corporation	

Proposed Development Objective(s)

To enhance the institutional performance and management capacity of the Karachi Metropolitan Corporation and District Municipal Corporations; and improve provision of municipal infrastructure in Karachi.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

Environmental Assessment Category	Concept Review Decision
A - Full Assessment	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Pakistan is the world's sixth most populous country with an estimated 208 million people, is the most urbanized large country in South Asia.** As a lower-middle income country with GDP per capita of US$1,500 in 2016[1], and GDP growth rate of 5.8 percent in the recent fiscal year, Pakistan's overall macroeconomic situation has improved and is growing. While poverty has declined substantially in the country over the two decades, one-quarter of the population lives below the poverty line.[2] According to official statistics, 36 percent of the population lives in urban areas. Estimates based on the Agglomeration Index, however, indicate that Pakistan has already crossed the 50 percent urbanization mark.[3] Sindh is the most urbanized province of the country with half its population living in urban areas. One-third of urban dwellers in Pakistan live in Sindh,

2. **The Constitution of Pakistan establishes the state as a federal parliamentary republic, with a two-tier system consisting of a federal and four provincial governments (Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan).** The provinces are administratively divided into Divisions, Districts, Tehsils/Talukas (sub-districts) and Union Councils (sub-sub-districts). The 18th Constitutional Amendment of 2010 transferred responsibility for LGs from the federal to provincial governments.

Sectoral and Institutional Context

3. **Karachi is Pakistan's largest city and economic hub,** with an estimated population of 16 million.[4] It accounts for two-thirds of urban Sindh's population. It is the country's main seaport and economic hub, contributing up to 15 percent of national GDP as well as major tax revenues. Although the poverty rate is low (9 percent)[5], the absolute number of poor people is high: one-tenth of all poor in Sindh live in Karachi. Nighttime light intensity in Karachi's center suggests a decline in competitiveness and economic productivity, but there is high potential for economic growth and poverty reduction due to the city's primacy, strong economic base and sound locational characteristics.

[1] Gross National Income (GNI) per capita (current US$) using the Atlas method.
[2] 2015-16 data, per Government of Pakistan's recently revised poverty line and poverty figures based on Household Integrated Income and Consumption Survey (HIICS) conducted in 2015-16.
[3] Ellis, Peter and Mark Roberts (2016), "Leveraging Urbanization in South Asia: Managing Spatial Transformation for Prosperity and Livability." Washington, DC: World Bank.
[4] Provisional population estimate of the entire Karachi Division (6 districts), as per Population Census 2017 (Pakistan Bureau of Statistics). Various unofficial sources estimate the city's population to be higher.
[5] Unofficial estimate (2017) by World Bank based on revised national poverty line.

4. **However, Karachi is also one of the least livable cities in the world.** The city ranks 134 out of 140 in the 2017 Global Liveability Index.[6] During the last few decades, the city has suffered infrastructure neglect and has experienced lower access and quality of urban services. Karachi's urban planning, management and service delivery has been unable to keep pace with the needs of the growing population. Currently, only 55% of water requirements are met; less than 60% of the population has access to public sewerage; 60% of solid waste never reaches a dumpsite; most of the local road network is in poor condition; and over half of residents are living in informal settlements (*katchi abadis*). Karachi's high risk to climate disasters, particularly recurrent floods, adds to these challenges.

5. **The city faces critical issues due to poor management of existing drainage networks.** Karachi is drained by 41 natural and engineered drains, functioning as a combined storm water-wastewater system. However, due to poor management and lack of maintenance, the hydraulic performance of the drainage networks is inadequate. The system is largely blocked by uncollected solid waste and unplanned low-income settlements along drainage channels. This has increased the frequency and intensity of flooding in certain neighborhoods. Many roads experience reduced life cycles given the undermining of soil and based materials by annual flooding conditions. The city lacks a full assessment of the drainage system's conditions and performance required to develop an adequate city flood management plan.

6. **Elected local governments (LGs) in Karachi (and Sindh) came into office in August 2016 after a gap of six years** during which time local bodies were administered by civil servants**.** The following LG institutions are currently functioning in urban areas of Karachi Division: Karachi Metropolitan Corporation (KMC) and six District Municipal Corporations (DMCs) which together provide municipal functions.[7] KMC is run by an elected Mayor and all other LG institutions are run by elected Chairpersons. Municipal governance and functions are divided between KMC and DMCs, while Government of Sindh (GoS) has substantial policy and administrative powers to oversee and regulate the functioning of LGs.

7. **Karachi's poor level of urban infrastructure and basic service provision reflects two underpinning challenges.** These are: **(i) financial constraints for capital investments**, due to poor own-source revenue (OSR) generation and very low cost-recovery for services; and **(ii) low institutional capacity**, as a result of institutional fragmentation, weak systems and capacity for urban governance and service delivery agencies, and unclear and overlapping responsibilities.

8. **Karachi's local governments have limited financial management capacity and limited authority over major sources of revenue.** The city needs an estimated investment of US$9-10 billion over the coming years to close the infrastructure and services gap[8], yet infrastructure spending is well below these requirements. Inadequate availability of financing is largely due to very low collections of the Urban Immovable Property Tax (UIPT) in the Sindh province.[9] Capital expenditure represents only 8 percent of KMC and 18 percent of DMCs' budget. LGs are financially weak with a high dependence on fiscal transfers from GoS and have limited authority over major sources of own-source revenue (OSR)

[6] Economist Intelligence Unit
[7] Karachi Division is an administrative unit comprising six districts of Karachi, namely: East, West, South, Central, Korangi and Malir. There is one DMC for each of these six districts. Rural areas of the Division, which lie in the periphery of the city, are governed by another LG, the District Council, with a separate elected Chairperson. The six DMCs are: Central, South, East, West, Malir and Korangi. From 2001 to 2010, under a separate LG law, the entire Karachi Division was consolidated as the City District Government Karachi and was run by a single elected Nazim (mayor).
[8] World Bank "Transforming Karachi into a Livable and Competitive Megacity: A City Diagnostic and Transformation Strategy" (2018).
[9] In Sindh, as in other provinces of Pakistan, the UIPT is collected by the provincial government and then partly transferred to various municipal entities (after a collection fee deduction).

such as property taxes. OSR accounts for only one-tenth of KMC's budget and ranges between 2 and 17 percent of the DMCs'[10] budget (FY16-17).

Relationship to CPF

9. The Project supports two outcomes of the Country Partnership Strategy for Pakistan (FY2015-19): 4.1 "Improved public resources management," and 4.4 "Adoption of performance and transparency mechanisms in selected institutions". The project will also contribute to cross-cutting area "Climate change adaptation and mitigation" through climate responsive infrastructure investments.

C. Proposed Development Objective(s)

10. To enhance the institutional performance and management capacity of the Karachi Metropolitan Corporation and District Municipal Corporations; and improve provision of municipal infrastructure in Karachi.

Key Results (From PCN)

The Key Results to measure progress toward achievement of the PDOs include the following:

- Strengthened organizational and institutional capacity of local governments.
- Improved coordination in selected infrastructure delivery.
- Increased own-source revenue.
- Increased infrastructure investment.

D. Concept Description

11. The Project proposes to address local governments' weak municipal management capacity and limited financial resources for capital expenditure. It would focus on strengthening the institutional and financial capacity of the KMC and six DMCs to deliver and maintain critical urban infrastructure and services. It builds on analytical work and consultations conducted by the Bank on the identification of critical needs of the city. The proposed project will include the following components:

Component 1 – Performance-linked block grants to Karachi urban local councils (Tentative funding: US$ 80-100 million)

12. This component will finance formula-based block grants to six DMCs (District level) and KMC (metropolitan level) upon achievement of results/ disbursement-linked indicators (DLIs). The DLIs will provide incentives to local councils to improve institutional performance and capacity in areas of investment planning, project execution, financial management, procurement, social and environmental safeguard management, and citizen accountability. The grants would be used to fund local-level infrastructure and municipal services within respective mandates of the DMCs and KMC, such as small drainage works, roads, street lighting, parks, markets among others. Technical assistance to achieve the results will be provided by a Provincial-level Project Implementation Unit (PIU).

Component 2 – Grant to KMC for strategic city-wide infrastructure investments (Tentative funding: US$ 60-80 million)

[10] Data was available for only five of the DMCs.

13. This component will finance strategic city-wide infrastructure investments within the mandate of the KMC. Based on the Bank's analytic work and consultations with local councils, the Project has identified storm water drainage as a critical infrastructure investment with large scale impact. A capital development grant would be provided to KMC to support metropolitan-level flood management and rehabilitation of the urban drainage infrastructure. Specifically, this component would finance the following activities: (i) preparation of a hydraulic master plan for the city; (ii) an investment program for drainage rehabilitation and expansion; (iii) selected interventions in 1-2 sub-basins as demonstration cases (e.g. dredging, tunneling, embankments, etc.); and (iv) feasibility studies for works in other basins/sub-basins. A set of strategic investments in major roads and bridges in the selected sub-basin area may be considered combined with drainage interventions. Technical assistance will also be provided to relevant KMC teams in areas of a) non-structural flood management measures and b) emergency preparedness and DRM.

Component 3 – Institutional capacity building and technical assistance in urban property tax reform support (Tentative funding: US$ 40-45 million)

14. *Sub-component 3.1: Institutional development and capacity building of KMC and DMCs*. This sub-component will support overall project implementation and staffing at the PIU level. It will also finance (i) supply-side capacity building interventions for KMC and DMCs in areas of financial management, project implementation (planning, budgeting, procurement and supervision), social and environmental management, among others; and (ii) technical assistance to enhance metropolitan coordination between the KMC and DMCs. The Project will explore supporting a strategic metropolitan development plan and solid waste management support.

15. *Sub-component 3.2: Technical assistance for devolution of Urban Immovable Property Tax (UIPT) to DMCs*. This sub-component would support the implementation of GoS's recent policy decision to devolve administrative functions of UIPT to local governments. This reform will be initially piloted in Karachi by devolving the UIPT to the DMCs. The Project will support a phased roadmap to implement the devolution and setting up an institutional model to provide an efficient structure for administration of local taxes.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Karachi, located in a low-lying coastal region in the Sindh province of Pakistan, is a very dense city (>20,000 people/km2) covering an area of 3,600 km2. Due to its economic potential, the city attracts migrants both from interior Sindh as well as other parts of Pakistan, including the northern province of Khyber Pakhtunkhwa. However, the city's competitiveness has been in decline in the last few decades due to poor infrastructure, weak institutions, and poor security situation due to frequent cycles of ethnic conflict, political instability and criminality.

The severe air, water and solid waste pollution in the city constitutes a serious health risk to a large proportion of residents. Almost 50% of the city's population lives in katchi abadis or slums with very poor infrastructure and access to basic services. The city also faces critical issues due to poor management of existing drainage networks. Karachi is drained by ~40 natural and engineered drains, functioning as a combined storm water-wastewater system. However, due to poor management and lack of maintenance, the hydraulic performance of the drainage networks is inadequate. The system is largely blocked by uncollected solid waste and unplanned low-income settlements along drainage channels. Most of the major storm water drains are heavily encroached by squatters. These factors have increased the frequency and intensity of flooding in certain neighborhoods. Many roads experience reduced life cycles given the undermining of soil and based materials by annual flooding conditions.

Karachi is also Pakistan’s most diverse city in terms of ethnicity, linguistic identity, and religious affiliation. While most of the population belongs to Islamic sects, the city also houses a sizeable proportion of non-Muslim communities including Christians, Hindus, and Zoroastrians. Mohajirs form the largest ethno-linguistic and political group (almost 50%) followed by Pashtuns (25%). The latter comprise migrants originally from KP and Balochistan, as well as a sizeable number of Afghan refugees. The city has the largest concentration of Pashtuns in Pakistan.

B. Borrower’s Institutional Capacity for Safeguard Policies

KMC and DMCs have a prominent role in the development and maintenance of infrastructure. DMCs are primarily responsible for small scale infrastructure while KMC for larger projects including roads, bridges, streetlights, sports complexes, safari parks, land control, storm water drainage etc. However, both entities have very little or no experience of implementing an investment project financed by an international donor. Whereas KMC has a strong engineering team, it is preliminarily assessed that at present the institutional capacity of KMC and DMCs is considerably insufficient to manage environmental and social safeguard requirements of the proposed project in line with Bank policies.

The capacity of KMC and DMCs to manage social risks, including addressing grievances and engaging citizens in the process of project design and implementation, is low. Under Component 1, it is expected that most of the adverse impacts can either be avoided through design choices or sustainably managed through readily available mitigation measures. Under Component 2, the infrastructure works will require good planning and engineering to avoid where possible, and more complicated and difficult mitigation measures to manage. The institutional capacity of KMC to manage these social risks is low.

Further, the investments under the project are expected to lead to positive environmental outcomes overall, provided the construction-related impacts are managed adequately and the capacity for environmental management of these investments at KMC and DMCs are considerably strengthened.

Therefore, the proposed project will aim to substantially strengthen environmental and social safeguards capacity of DMCs and KMC. Specific actions will be based on the findings of an institutional and capacity assessment that will be carried out during project preparation. Specifically, the option will be explored to incentivize KMC and DMCs to improve performance on environment and social management by the project, through the use of performance grants mechanisms under component 1. This approach has been used in other Bank projects in urban contexts to improve capacity and performance of local councils in this area. One example is to set annual targets for the share of local council capital expenditure that is implemented via social and environmental screening or preparation of plans to mitigate social and environmental risks and impacts.

C. Environmental and Social Safeguards Specialists on the Team

James Orehmie Monday, Environmental Safeguards Specialist
Imran-ul Haq, Social Safeguards Specialist
Najm-Ul-Sahr Ata-Ullah, Social Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	Component 1 will provide block grant financing to KMC and 6 DMCs for local-level, small-scale infrastructure and municipal services within their mandates, such as secondary storm water drains, roads, street lights, parks, markets etc. Environmental impacts would mostly be construction related, e.g. management of spoil and removed dredged material, dust and public safety issues involving pedestrians and road traffic. These impacts will be temporary and not widespread and can be readily avoided by design changes and modifications, or readily available and effective mitigation measures. Component 2 will finance city-wide strategic infrastructure such as rehabilitation/ repair of larger storm water drains in some sub-basins and expansion and upgrading of primary roads. Adverse environmental impacts of these types of potentially large-scale works will be substantial to high, longer lasting and more widespread. These impacts would include managing large volumes of dredged material including solid waste deposited in the drains, air pollution (foul odors etc.), occupational health and safety issues, water quality issues, and reputational risks from potentially associated facilities from drains not included in project scope but may be hydraulically connected to drains which are. These works will require strong planning and engineering to void where possible, and more complicated and difficult mitigation measures to manage. Thus, the project will be assigned an overall Environment Assessment (EA) category of A overall due to Component 2, requiring full and comprehensive environmental and social impact assessment with corresponding environmental and social management plans for component 2, and potentially environmental and social management plans for component 1 investments. The environment assessment will be carried out by an independent third-party. The project will also have an environmental and social management framework (ESMF) to address safeguards

		management of those investments that will become known during project implementation. The project will also follow the World Bank Group Environmental, Health, and Safety Guidelines. A Social Management Framework (SMF), as part of the ESMF, will be prepared for projects which will be identified during implementation, especially under Component 1, covering all required frameworks including a resettlement policy framework (RPF). It will provide guidance on managing social issues such as labor, gender, stakeholder consultation, grievance redress mechanisms. A Social and Gender Impact Assessment will be done for projects with known footprint and design. This will be prepared, consulted upon, cleared by the Bank and disclosed publicly on the client's website (in-country) and by the Bank prior to appraisal. The Social and Gender Impact Assessment will also focus on the risks and impacts (positive and negative) beyond those associated with land acquisition and resettlement and including those related to poverty, gender, inclusion of marginalized and vulnerable groups and communities (elderly, disabled persons etc.), informal sector workers and businesses (hawkers, mobile vendors etc.) citizen engagement, universal access etc. This assessment will be carried out by an independent third-party. All safeguard instruments will be meaningfully consulted upon with project-affected peoples and stakeholders, cleared by the Bank and publicly disclosed in relevant local languages and in culturally appropriate settings before the appraisal of the project by the Bank.
Performance Standards for Private Sector Activities OP/BP 4.03	No	n/a
Natural Habitats OP/BP 4.04	TBD	The Team will be screening potential investments as part of the due diligence process during project preparation before appraisal to determine if this policy needs to be triggered. If the policy is triggered, then depending on the extent of impact, targeted plans will be made for biodiversity management.
Forests OP/BP 4.36	No	n/a
Pest Management OP 4.09	TBD	The Team will be screening potential investments as part of the due diligence process during project

		preparation before appraisal to determine if this policy needs to be triggered.
Physical Cultural Resources OP/BP 4.11	TBD	Depending on the location, interventions may have an impact on Physical Cultural Resources (PCR). However, this aspect will be investigated further during project preparation. If during preparation any activity is identified that will impact PCR in implementation stage, then a PCR management plan will be prepared prior to project appraisal. If such activities are only identified during project implementation, the process for management of PCR will be included in the ESMF.
Indigenous Peoples OP/BP 4.10	No	Indigenous People are located only in the Kalash valley, Chitral District, which is in the Khyber Pakhtunkhwa province. Therefore, no IP communities will be affected by the project.
Involuntary Resettlement OP/BP 4.12	Yes	For Component 1, while the nature of these interventions does not involve large-scale land acquisition and permanent displacement, these sub-projects will be executed in a complex and dense urban environment involving informal businesses, mobile vendors/hawkers, squatters and encroachers. The interventions may potentially require small-scale resettlement of squatters and encroachers. There may also be livelihood impacts for businesses (e.g. due to temporary restrictions in access during construction) and hawkers and mobile vendors. It is expected that most of these adverse impacts can either be avoided through design choices or sustainably managed through readily available mitigation measures. Component 2 interventions may involve land taking and strong impact associated with involuntary resettlement and livelihoods. There may potentially be a need to compensate and resettle affected persons, including squatters who are currently living in hazardous conditions on some drains. There may also be livelihood impacts for businesses, either due to permanent or temporary relocation for rehabilitation/repair of roads and storm water drains. The works may also require a sizeable number of construction labor due to which there may also be risks of gender-based violence. Resettlement Action Plans (RAPs) focusing on issues related to land acquisition, resettlement and livelihood restoration will be prepared for projects

		with known footprint and design. These will be prepared, consulted upon, cleared by the Bank and publicly disclosed on the client's website (in-country) and by the Bank prior to project appraisal. A Social Management Framework (SMF), as part of the ESMF, will be prepared for projects which will be identified during implementation, especially under Component 1, covering all required frameworks including a resettlement policy framework (RPF). It will provide guidance on managing social issues such as labor, gender, stakeholder consultation and citizen engagement, grievance redress mechanisms, physical cultural resources and others. The SMF will be prepared, consulted upon, cleared by the Bank and publicly disclosed on the client's website (in-country) and by the Bank prior to project appraisal.
Safety of Dams OP/BP 4.37	TBD	While the project does not envisage financing any dams or retention structures, the Team will be screening potential investments as part of the due diligence process during project preparation before appraisal to determine if any Dams will be linked in any way to component 2 investments as per the requirements of paragraph 7 of OP 4.37, and will thus decide whether this policy needs to be triggered.
Projects on International Waterways OP/BP 7.50	No	The Project activities will not take place along international waterways which are shared with riparian countries.
Projects in Disputed Areas OP/BP 7.60	No	There are no disputed areas in the project area of influence.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Dec 20, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

- ESMF: preparation to begin by: 1 Sept, 2018. Completed by: 25 Nov, 2018
- RPF: preparation to begin by: 1 Sept, 2018. Completed by: 25 Nov, 2018
- EA: preparation to begin by: 1 Sept, 2018. Completed by: 25 Nov, 2018
- RAP (if needed): preparation to begin by: 1 Sept, 2018. Completed by: 25 Nov, 2018

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APPROVAL

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