



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

Concept Stage | Date Prepared/Updated: 02-Apr-2019 | Report No: PIDISDSC23238



BASIC INFORMATION

A. Basic Project Data

Country Pakistan	Project ID P164704	Parent Project ID (if any)	Project Name Karachi Water and Sewerage Services Improvement Project (KWSSIP) (P164704)
Region SOUTH ASIA	Estimated Appraisal Date Apr 26, 2019	Estimated Board Date Jun 27, 2019	Practice Area (Lead) Water
Financing Instrument Investment Project Financing	Borrower(s) Islamic Republic of Pakistan - Economic Affairs Division (EAD)	Implementing Agency Karachi Water and Sewerage Board, Government of Sindh - Planning and Development Department	

Proposed Development Objective(s)

The Project Development Objective is to improve access to safe water services in the project area and to increase KWSB's financial and operational performance.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	100.00
Total Financing	100.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	40.00
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Non-World Bank Group Financing

Counterpart Funding	20.00
Borrower/Recipient	20.00



Other Sources	40.00
Asian Infrastructure Investment Bank	40.00

Environmental Assessment Category

B - Partial Assessment

Concept Review Decision

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 a population of over 207 million people.** In recent years, Pakistan has achieved continuous GDP growth and substantially reduced poverty. GDP growth was 5.3 percent in FY16/17 and is expected to continue accelerating, reaching 5.8 percent in FY19. Growing fiscal and external imbalances may, however, erode these gains if not addressed. The national poverty headcount declined from 64.3 percent in FY02 to 29.5 percent in FY14. Nevertheless, inequality persists and the country continues to rank low on the Human Development Index, at position 147th out of 188 countries. Macroeconomic, political, and security conditions, natural disasters, and enduring unreliable water and power supply continue to constrain the country’s achievement of poverty reduction and shared prosperity goals.

2. **The largest city and economic motor of Pakistan is Karachi, the site of the proposed series of projects (SOP).** According to the recently released provisional 2017 National Census data, the population of Karachi is at least 16 million. Karachi is Pakistan’s main seaport and international trade hub and contributes about 15 percent to the national GDP. The city is the capital of Sindh province. Karachi is administered by the Karachi Municipal Council (KMC) headed by an elected Mayor, with the provincial government retaining a strong role and fiscal predominance. According to a recent City Diagnostic by the World Bank, the city’s governance structure is marked by numerous challenges:

“Unclear roles, overlapping functions, and poor coordination among various agencies responsible for city governance and management have worsened the city’s problems. Municipal and city development functions are highly fragmented, with roughly 20 agencies across federal, provincial, and local levels ... The provincial government retains substantial control over various city services and functions... Local governments are in an extremely weak financial position ... leaving precious little for much-needed maintenance or development of infrastructure.”

3. **After Pakistan’s partition from India many displaced people settled in Karachi and since then the influx of people for economic and conflict-related reasons has made Karachi one of the ten largest cities in the world.** Many migrants have settled in informal settlements (Katchi Abadis). It is estimated that currently about 50 percent of the population of Karachi are living in Katchi Abadis. Most Katchi Abadis are serviced through illegal networks connected to



the KWSB network or are served by water tankers. Their water supply service level is much below the already low general service level in the city and thus poses a particularly severe health risk to their population.

Sectoral and Institutional Context

4. **Karachi's water supply services are falling far short of the expanding city's needs.** Nearly three million Karachiites lack access to piped water, but even those formally connected are confronted with inadequate, irregular and inequitable water services. Availability often ranges "from two hours every two days to four hours per day at very low pressure", with rationing particularly widespread in informal settlements which face "severe shortages of water". Brackish groundwater limits the use of alternatives such as household wells; instead, inefficient and expensive "private water tankers form the major source of domestic water supply". The city's current water demand is estimated at 1200 million gallons per day (mgd), with the present shortfall of water relative to this demand estimated at 550 mgd.

5. **More than 6 million Karachiites have no access to public sewerage service. Even those with nominal access do not receive acceptable services.** The city's sewage treatment facilities are dilapidated and not working properly due to "complex challenges of inadequate sewer trunk mains, malfunctioning pumping facilities, and insufficient wastewater treatment capacity. The amount of raw sewage discharged into the sea each day is 475" million gallons. The failure to provide basic water and sewerage services in Karachi is a frequent source of public discontent and has prompted an appeal to and subsequent intervention of the Supreme Court of Pakistan which issued directives aimed at improving services. For both the Federal Government and the Government of Sindh, improving water and sanitation services in Karachi is a high priority.

6. **The consequences of the persistent water supply and sanitation services shortfalls for Karachi's population are dramatic.** As the Supreme Court noted in 2017, "the residents as well as all visitors to the City" are exposed "to avoidable water-borne diseases. It is estimated that four-fifths of all illnesses are caused by water-borne diseases, many of which result in fatalities." As was highlighted in a recent study, the limited access to and high cost of water are particularly acute problems for the poor and "for women, who are often the sole caretakers of the household and children" and must frequently "revert to carrying dirty and contaminated water from a well or from a river or canal that ends up endangering the lives of their families" or "buy water from private tankers, despite unsure availability and the water's exorbitant cost, which is onerous given meager household incomes."

7. **The Karachi Water & Sewerage Board (KWSB) is responsible for water and sewer services in the city. The present service gaps arise from KWSB's operational challenges, chronic under-investment and a weak enabling environment.** KWSB has not had significant capital investment for more than a decade even though a 2008 master plan estimated investment needs of over US\$ 2.5 billion to achieve universal access to safe and affordable drinking water by 2030. The last investment project financed by an international financing institution (IFI) dates to the mid-1990s. KWSB's existing infrastructure is worn out and operating far below its rated capacity.

8. **KWSB's technical challenges are exacerbated by its low operational performance.** The utility has approximately 13,500 employees (at least 6.5 per 1,000 connections), significantly above the best performing international utilities. Lack of metering of domestic customers, an inefficient tariff structure, an outdated database to calculate tariffs, and poor billing and collection efficiency have led to a large gap between receipts and expenditures. In 2015-16, total receipts covered barely 50 percent of the utility's operational expenditures. A conservative estimate of non-revenue water (NRW) from physical and commercial losses is around 55 to 60 percent. The utility has outstanding arrears estimated at US\$ 460 million, outstanding debts to Karachi Electric alone of US\$ 320 million, and financial losses estimated at over US\$ 5 million per month. Given these financial pressures, KWSB has not been able to carry out preventative maintenance, focusing only on emergency repairs, thus aggravating the deterioration of assets over time.



9. **The under-performance of KWSB is aggravated by a complex, inefficient institutional framework.** After passing through various phases of institutional change, the utility was made a GoS-controlled entity through the KWSB Act of 1996. The composition of the KWSB Board of Directors is dominated by GoS officers. The city is represented by the Mayor of Karachi and a Chairperson from one of Karachi's six District Municipal Corporations (DMC). These arrangements restrict KWSB's operational autonomy, limit direct inputs by stakeholders (e.g. consumers) and constrain KWSB's ability to decisively pursue a turnaround strategy. Utilities in other large cities in the world are either aligned with municipal governments or operate as autonomous public utilities. In addition, there is no water and wastewater regulator for Sindh province, nor any laws governing groundwater use.

10. **The Government of Sindh (GoS) and KWSB are committed to reforms and have already embarked on them.** Under pressure from civil society and the Supreme Court, during 2016-17 the GoS empowered KWSB to close down all illegal water hydrants (more than 100) which were supplying water to tankers, either from illegal connections to KWSB's water network or from unsafe groundwater sources. Now KWSB operates only six water hydrants in the city which are all metered and which require tankers to be served by these hydrants to have their KWSB license, KWSB's phone number and water tariff clearly painted on the tanker. The installation of electromagnetic meters and the outsourcing have drastically increased the hydrant revenues, which is unprecedented and a major achievement against strong financial interests from groups outside KWSB (commonly referred to as the "tanker mafia"). The revenues from hydrants have increased from PKR 79 million in FY15 to PKR 356 million in FY17; preliminary data for FY18 shows a further increase to PKR 658 million. These water hydrants were outsourced through a procedure of auction by a KWSB-led broad-based procurement committee comprised of representatives from other departments and the District Administration. Moreover, KWSB took further steps to facilitate the service to citizens by establishing a centralized Tanker Request Center and also launched a mobile application (called OTS KW&SB) to make it possible to order a tanker through a mobile phone. The application can be downloaded from the Play/App store of any Android or Apple device.

11. **KWSB has also undertaken reforms in financial and customer management, non-revenue water reduction and services to the poor.** As a result, revenue collection has increased by 32 percent from FY 16 to FY 18 without any changes to the tariffs. This has enabled KWSB to increase expenditures for urgently needed maintenance and operations. In February 2019, KWSB created and staffed units dedicated to non-revenue water reduction (NRW Cell) and to improving services and revenue collection in informal settlements (Katchi Abadi Cell).

12. **The Government of Sindh has also undertaken reforms to improve the functioning of KWSB.** The creation of a KWSB Reform Working Group has been initiated by the Ministry of Local Government with members from GoS, KWSB and renowned sector specialists. This group will work out details of the reform roadmap KWSB prepared with support from the Bank. A Commitment of Cooperation outlining this reform roadmap is expected to be signed by KWSB, the Ministry of Local Government and the World Bank before negotiation, and initial steps have been taken to implement it. Steps outlined in the Commitment of Cooperation include far-reaching changes to improve KWSB's operational autonomy and ability to act decisively and professionally in the required turnaround, as well as improve the wider enabling environment. This is expected to include an amendment to the KWSB Act, but will also involve other measures to improve KWSB's scope of action, for example, a negotiation with other government entities to settle arrears that amount to as much as five years of KWSB's annual revenues. The agreed Commitment of Cooperation is expected to be signed before negotiations.

13. **In addition, the GoS is expected to complete the following key reform steps before negotiation:** (i) Notification to establish a High-Level Reform Steering Committee, (ii) Issuing of a Notification to establish a new more representative Board of KWSB, and (iii) Chief Minister has approved new policy that all water meters should be owned by KWSB.

14. **The proposed Series of Projects (SOP) will be instrumental in supporting, deepening and further developing the reform program and enabling the required investment to complement it.** As outlined in detail below, a series of projects



is uniquely suited to providing strategic coherence and a long-term financial vision while incentivizing performance and allowing for learning and adaptation of reform measures and investments. The first project of the Series of Projects (SOP-1) will focus on supporting the reform combined with urgently needed improvements in operations, maintenance and rehabilitation. The focus of the first project is also on increasing revenues to cover operation and maintenance costs estimated to be achieved after three years of project implementation.

Relationship to CPF

15. **The proposed KWSSI Project is aligned with the World Bank’s Country Partnership Strategy (FY15-20) and with the twin goals of ending extreme poverty and promoting shared prosperity.** It supports the CPS results areas II. Private Sector Development, III. Inclusion and IV. Service Delivery. The project’s emphasis on extending services into the katchi abadis (informal settlements) of Karachi will improve inclusion and reduce “the vulnerability for groups at risk” (CPS Outcome 3.2). The reform of KWSB’s institutional framework and operational capacity will augment service delivery by improving “public resource management” (CPS Outcome 4.1) and adopting “performance and transparency mechanisms in selected institutions” (CPS Outcome 4.4). The project will also support private sector development, in particular by improving the “business environment for private sector” (CPS Outcome 2.1) through reforms of the enabling environment, developed with co-financing from the Public-Private Infrastructure Advisory Facility (PIIAF).

C. Proposed Development Objective(s)

16. The Project Development Objective is to increase equitable and sustainable access to safe and affordable water and sanitation services in the project area.

Key Results

17. The Key Results to measure progress toward achievement of the PDO include the following:

Indicator	Baseline	Target
Percentage of water samples complying with water quality standards	20 %	25 %
Informal settlements under project with improved services by KWSB	0	3
KWSB Act amended to increase KWSB’s financial and operational autonomy		completed
Wastewater tariff re-established		completed

18. Intermediate results indicators will include:

- Piped household water connections affected by rehabilitation works undertaken under the project (number)
- KWSB’s operational cost coverage ratio
- Non-revenue water
- Kilometers of water network rehabilitated
- Kilometers of sewerage network rehabilitated
- New customer service centers opened
- Percentage of bulk accounts metered
- Reduced customer receivables (improved collection)



D. Concept Description

19. **To increase equitable and sustainable access to safe water and sanitation services in Karachi, the proposed SOP seeks to address the intertwined challenges of infrastructure gaps, operational under-performance of KWSB and the weak enabling environment.** To achieve this, the series of projects will support three pillars of closely connected activities: (a) infrastructure investments in water and sewers; (b) capacity building to raise KWSB's operational performance; and (c) reform of the enabling environment.

20. **The project will invest US\$100 million under these three pillars.** The activities of the first project in this series of projects (SOP-1) will be grouped into three components. Component 1 will finance both capacity building and reform measures to improve the enabling environment, Component 2 will undertake infrastructure investments, and Component 3 will fund project management and associated studies. The approach and activities under these components may be summarized as follows:

- a. Component 1 – Operational & Enabling Environment Reform (US\$10 million of which IBRD US\$4 million): To build capacity and raise operational performance, as well as to prepare and implement planned enabling environment reforms, this component will support an array of measures including on:
 - i. *Revenue Management, Customer Care and Communication:* Improving customer management is a critical objective both to provide better, more accountable services to the population of Karachi and to increase revenue streams. The project will thus support KWSB in a customer identification survey and to improve billing and collection systems. The latter will include a tariff study that is critical to accompany the switch to universal metering that the project's infrastructure component will support. Beyond revenue enforcement, the utility will also seek to achieve a matching improvement in customer service, in particular by creating six new customer service centers, by improving training for staff interacting with customers and by developing and implementing a modern communications strategy.
 - ii. *Non-revenue Water Reduction Program:* A key aspect of improving operational performance and financial sustainability will be the reduction of the presently very high levels of non-revenue water. For this purpose, the first project of this SOP will invest in the development of a systematic non-revenue water reduction program, including the design and set-up of district meter areas as well as a program to pro-actively maintain meters to be installed by the infrastructure component of this project.
 - iii. *Human Resources – Capacity Building and Institutional Reforms:* The project will fund technical assistance and training to KWSB on human resources related matters. This will include measures to upgrade HR systems (software and hardware) and for the design and provision of technical assistance to train KWSB staff, in particular in project focus areas. Beyond such core HR support, the component will also finance the design and implementation of an institutional reform program, including the preparation of planned amendments to the KWSB Act, as well as to develop a modern Human Resources Strategy with an emphasis on diversity, accountability and transparency in recruiting and staff management.
 - iv. *Social Sector Policy and Katchi Abadi Program:* The project will support a dedicated informal settlements unit to support the infrastructure investments in at least 3 katchi abadis during SOP-1, and to ensure that lessons learnt are translated into a large-scale informal settlement program in the second project of this series of projects (SOP-2). The funding under this sub-component will include resources for outreach to local NGOs as well as other aspects relating to vulnerable customer groups (e.g. a Gender Action Plan).
 - v. *Other capacity building priorities - Asset Management, Financial Management, Industrial Discharge Monitoring:* In addition to the sub-components outlined above, the project will finance further capacity building measures,



including the design and implementation of an asset management program and GIS system that are critical for the sustainable management of KWSB. Moreover, the project will fund a program to improve financial management practices at KWSB to address present reporting gaps. Finally, the project will support better monitoring of industrial discharge into the sewerage and storm water system, as well as a condition survey and rehabilitation design for priority sewer lines.

- b. Component 2 – Infrastructure Investments (US\$70 million of which IBRD US\$28 million): The infrastructure interventions of the first project will be selected during implementation according to strict criteria and in alignment with the reform agenda. The selection criteria are outlined in the appraisal document and may be summarized as follows:
- i. *Alignment with Project Objectives:* Selected infrastructure investments will benefit the area of Karachi Municipality and support the project development objective;
 - ii. *Compliance with Relevant Guidelines:* Selected infrastructure investments will comply with all social-, environmental-, procurement- and financial management requirements of the World Bank and the Government;
 - iii. *Prioritization of Reform Agenda:* Priority shall be given to infrastructure investments that align with the reform program of Component 1;
 - iv. *Standardized Selection and Approval Cycle:* Selected investments shall be approved following a standardized, well-defined selection and approval roadmap outlined in Annex 4 of this document;

In line with these criteria, the first project will select investments in several broad priority areas aligned with the reforms of Component 1 and likely to yield rapid and significant positive outcomes for KWSB's operational and financial performance, or pilot innovative approaches. The overall aim is to reinforce the impact of capacity building and institutional reforms, while laying the foundation for scaling up capital investments in future projects in this SOP. The priority areas in which specific investments will be selected include:

- i. *Water Network Rehabilitation:* To reinforce measures under the non-revenue water and revenue management reforms of Component 1, selected investments will be made to rehabilitate priority areas of the network with a focus on reducing major leakages and installing household meters. The financing for water network rehabilitation will include funds to install modern meters with data loggers for large bulk customers, equipping KWSB with meter reading devices, and creating District Metered Areas (DMAs).
- ii. *Sewer Network Rehabilitations:* The project will invest in priority sewer network rehabilitations to restore network integrity in critical areas and reduce leakage of sewage and the associated health threats to Karachi's population. To prevent the sewage network from clogging, the project will also support funding for sewage suction and jetting trucks to clean KWSB's sewer network.
- iii. *Rehabilitation and improvement of safe water supply in informal settlements:* In line with the objective of improving equitable access and Component 1 financing for an informal settlement strategy and dedicated KWSB department, the project will make investments to improve water supply in three Katchi Abadis. KWSB will rehabilitate and formalize existing supply infrastructure, and test different technical approaches to improving quality of access, including water ATMs, the installation of metered house connections and improved bulk water supply. The project will develop institutional options including outsourcing operations fully or partially to CBOs and NGOs, or private entities. These efforts will be accompanied by an intensive stakeholder consultation and outreach program. Based on lessons learnt, subsequent projects will scale up investments in safe water supply to informal settlements.



- iv. *Improving System Efficiency*: To reinforce the impact of the asset management improvement program under Component 1, the project will make selected investments to reduce energy consumption, for example of KWSB's pumping stations. This will be critical to reducing KWSB's carbon footprint its high energy costs.
- v. Other areas for capital investments will be considered in light of the evolution of the Component 1 reform program, provided such investments conform with the investment criteria.

21. Component 3 – Project Management and Studies (US\$20 million of which IBRD US\$8 million): This component will support the costs of managing the project and preparing subsequent projects. This will include direct project management costs of KWSB (US\$ 1.5 million), Updating of KWSB's Masterplan (US\$ 4 million), Feasibility Studies, Tender Documents, Safeguard Documents and Supervision costs for this project (US\$ 3.5 million) as well as other critical studies such as an energy audit, a review of PPP options and a rapid groundwater protection assessment. In addition, this component will finance the preparation of Feasibility Studies, Tender Documents and Safeguard Documents for future projects in the proposed series: Rehabilitation and extension of water supply and sewer networks, rehabilitation of wastewater pumping stations, rehabilitation of water supply pumping stations to reduce energy costs, water supply and sanitation improvements in additional Katchi Abadis, construction of water transmission mains to connect the network with the water treatment plants of a new water production system (K4 Phase 1) currently under implementation by the Government of Sindh. Because the new water production system is associated infrastructure of the water transmission mains connecting the network and the treatment plants, this component will also finance an Environmental and Social Audit for the new water production system.

E. Implementation

Institutional and Implementation Arrangements

22. **The implementation agency of this project will be KWSB and a Project Implementation Unit (PIU) will be established within the utility to manage the project.** The PIU will consist of two departments, one dedicated to implementing the reform program (component 1 and the studies under component 3), and one in charge of developing and implementing the capital investments (component 2). This organizational structure seeks to safeguard sufficient implementation capacity for the reform component as in past projects pressure to focus on infrastructure components has led to reduced attention to reform components, which ultimately undermines the value of the infrastructure investments. KWSB will recruit individual consultants to the PIU to strengthen project preparation and implementation capacity. Two firms will be recruited to provide specialized contract management support, with one focusing on water and sewer infrastructure, including the investments in katchi abadis, and the other on coordinating soft project components. The PIU will report to KWSB Management represented by the Managing Director.

23. **A Project Steering Committee will be established to provide oversight and high-level coordination.** The Steering Committee is expected to include members of KWSB management and representatives of key institutions and will thus be well placed to coordinate with these stakeholders on high-level questions. On a more practical plane, the PIU is expected to coordinate activities with related projects, in particular the IDA-funded Karachi Neighborhood Improvement Project that targets complementary measures to improve the quality of life in Karachi.

SAFEGUARDS

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



Karachi, a megacity, is the economic capital of Pakistan, housing a population of 14.9 million (based on provisional results of the 2017 National Census data), covering a total area of 3,600 km² and is Pakistan's main seaport and international trade hub, contributing about 15 percent to the national GDP. Increasing frequency of natural calamities, especially in the interior of Sindh, also puts additional population burden on the city, which attracts economic and environmental migrants.

Administratively, Karachi is comprised of 18 towns and several cantonments. Karachi ranks 135 out of 140 in the world's urban livability index (based on stability, healthcare, culture and environment, education, and infrastructure). The severe air, water and solid waste pollution in Karachi increases the health risk to a large proportion of Karachi residents (Karachi - Rapid Environment Diagnostic Report - February 15, 2017 Draft).

According to KWSB, almost 475 MGD of raw municipal sewage is discharged into the sea without the required level of treatment. Water supply is intermittent with some areas served less than once a week. Water quality in most cases does not meet the safety standards.

B. Borrower's Institutional Capacity for Safeguard Policies

The project does not include any Category A activities or subprojects with significant negative environmental and social impacts.

In the past KWSB has successfully implemented many water supply projects, including those supported by the World Bank. However, the Institutional Capacity of the KWSB to satisfactorily manage environmental and social safeguards requirements, in accordance with Bank requirements, is still considered insufficient. The capacity to engage citizens and communities/community organisations effectively is low. While KWSB has a functional Complaints Cell or grievance redress system, this mechanism needs significant strengthening and streamlining in order to make it more accessible (including by women and marginalized groups), responsive, effective, and efficient.

The project aims to substantially strengthen environmental and social safeguards capacity of KWSB. Well-qualified and experienced Environment, Resettlement, Social Development, and Gender specialists will be engaged in the project PIU to support the environmental and social safeguards, gender, community and stakeholder engagement (including grievance redress), and additional social development needs of the project.

Lastly, to manage the risks related to the ongoing anti-encroachment drive, the Project has put in place following mitigation measures. First, the project requires that a screening mechanism be established to ring fence and support sub-projects that meet the standards and conditions of the Bank's policy on involuntary resettlement including, amongst other requirements, compensation and rehabilitation of affected people including persons without land title, squatters, vendors, hawkers etc. in accordance with the entitlements prescribed in the project RPF and any subsequent RAPs. In particular, the RPF will provide guidance and framework about ring fencing the Bank's project footprints from areas affected by anti-encroachment drive. Second, the project's investment plan, including details about the sub-projects, will be reviewed and approved before KWSB can commence its work. The review will ensure that the proposed project sites comply with the Bank's safeguards policy and standards (e.g. no prior anti-encroachment drive).

C. Environmental and Social Safeguards Specialists on the Team



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

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>Investments under the project include rehabilitation of the water and sewer networks, and improvement of safe water supply in three informal settlements.</p> <p>Component 2 will finance investments under the project and Component 3 will finance preparatory studies, including for investments in an envisaged second project in the proposed series of projects (SOP).</p> <p>Component 2 investments are expected to be of moderate to low environmental risk, avoidable by changes in the engineering and/or location, or otherwise reversed or sustainably managed by the readily available and widely used tangible mitigation measures. Therefore consistent with the requirements of OP4.01, based on the risks of Component 2 investments, the proposed project has been assigned an EA category of B.</p> <p>However, under Component 3 of this project, preparatory studies for some of the investments to be financed under a proposed second project are to be prepared using the Bank’s new Environmental and Social Framework(ESF). The investments being prepared under this project under component 3 for implementation under a future project will not include investments anticipated to be classified High risk under the ESF.</p> <p>With respect to the Component 2 funded investments, the exact location and design of these investments will not be known until project implementation, therefore stand alone Environmental Management Framework and Social Management Framework (SMF) have been prepared for the project, consistent with OP4.01. The SMF framework includes all required frameworks (including a Resettlement Policy Framework (RPF) as</p>



an Annex) and provides guidance on managing social issues such as labor, gender, stakeholder engagement, grievance redress mechanisms etc. EMPs and SMPs covering the risks and impacts (positive and negative) beyond those associated with land acquisition and resettlement and including those related to gender, inclusion of marginalized and vulnerable groups and communities (elderly, disabled persons etc.), informal sector workers and businesses (hawkers, mobile vendors etc.) citizen engagement etc. will be prepared, consulted on, cleared, and publicly disclosed in line with the SMF and EMF, once the physical footprint and design of each subproject has been determined.

The SMF and EMF have been consulted upon publicly, and the documents are awaiting clearance by the Bank, and will be disclosed prior to Bank appraisal. The full SMF and EMF in English and Urdu translations of their executive summary will be available on the website of KWSB and the Bank.

With respect to the preparatory studies being prepared under Component 3 of the project, to be implemented under future projects in the proposed series of projects, sample terms of reference for the safeguards studies consistent with the requirements of the ESF have been prepared and disclosed.

Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	The proposed project is not expected to have impacts on natural habitats as defined by the policy. This will be confirmed in the ESIA's to be conducted in compliance with OP4.01
Forests OP/BP 4.36	No	The proposed project will have no impact on forest areas as defined by the policy.
Pest Management OP 4.09	No	The proposed project will neither finance nor use pesticides as defined by the policy.
Physical Cultural Resources OP/BP 4.11	Yes	The policy is triggered due to the possibility of chance finds during planned rehabilitation works under the project. The SMF includes Chance Find Procedures to address risks to any cultural/archaeological 'chance finds'.
Indigenous Peoples OP/BP 4.10	No	This policy is not triggered as the only recognized Indigenous People of Pakistan, the Kailash, reside in



the Chitral Valley which is outside the project's geographical area.

The project does not require any large scale land acquisition or resettlement. However, small scale acquisition of private land may be required (for example, to establish some customer service centres).

Interventions such as rehabilitation of the water supply and sewer networks (including laying of water supply lines, and main sewer trunk and subsidiary lines) involve civil works in densely populated urban areas, of both commercial and residential use. These are likely to have temporary negative livelihood impacts during construction (due to restricted access; temporary relocation) on businesses and individuals including permanent and temporary markets; roadside shops; transporters; mobile vendors and hawkers etc. Rehabilitation works may also lead to limited involuntary resettlement of some temporary markets, vendors etc. Hence, OP 4.12 is triggered.

Involuntary Resettlement OP/BP 4.12

Yes

The project SMF also includes a Resettlement Policy Framework (RPF) as an Annex which provides guidance on management of issues related to land acquisition and resettlement, and impacts on livelihood (temporary and permanent). The RPF will be consulted upon, reviewed and cleared by the Bank, and publicly disclosed in-country and at the Bank's websites. The RPF will also guide the preparation, if required, of site specific Resettlement Action Plans/Abbreviated Resettlement Action Plans (RAPs/ARAPs).

The SMF / RPF (and any subsequent RAPs / ARAPs) will also include specific reference to squatters, vendors, and hawkers, etc. and how to deal with them in accordance with Bank policy.

Safety of Dams OP/BP 4.37

Yes

Karachi's only reliable water source is Kotri Barrage at the Indus. A Panel of Expert (PoE) has been established under the ongoing PK-Sindh Barrages Improvement Project (P131324) which has commenced assessing the safety of Kotri Barrage. The PoE will also prepare an Emergency Preparedness Plan (EPP) and arrangements will be made for public awareness and training.



The Policy is applicable to this project because the activities will involve the use of water from the Indus River which is shared between the Islamic Republic of Pakistan, the Republic of India and the People’s Republic of China. Significant tributaries to the Indus are also located in the Islamic Republic of Afghanistan.

However, the Project Team has determined that the exception to the notification requirement under Paragraph 7(a) of the Policy applies because the project (i) will not adversely change the quality or quantity of water flows to the other riparians, because project activities will not entail any additional diversions from the Indus river, and more generally, Pakistan is the lowest downstream riparian of the Indus River, and the project (ii) will not be adversely affected by the other riparians’ possible water use because the use of water by the ongoing drinking water scheme is a minor component of overall water diverted from the Indus in the Province of Sindh, and thus unlikely to be affected by other riparians’ possible water use, because no additional water diversion from the Indus is required under the project, and because rehabilitations under the project will improve network functionality, reduce water losses and improve energy efficiency, yielding positive effects even in the unlikely case that water supply to the network should vary due to other riparians’ possible water use.

The project will thus seek approval of the determination that the project falls within the exception to the notification requirement specified in paragraph 7 (a) of the Policy.

Projects on International Waterways
OP/BP 7.50

Yes

Projects in Disputed Areas OP/BP 7.60

No

The project activities will not be located in disputed areas as defined by the policy.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Apr 15, 2019

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

As noted above, with respect to the Component 2 funded investments of the proposed project, the exact location and



design will not be known until project implementation, therefore stand alone Environmental Management Framework and Social Management Framework (SMF) have been prepared for the project, consistent with OP4.01.

The SMF framework includes all required frameworks, including a Resettlement Policy Framework (RPF) as an Annex, and provides guidance on managing social issues such as labor, gender, stakeholder engagement, grievance redress mechanisms etc. EMPs and SMPs covering the risks and impacts beyond those associated with land acquisition and resettlement and including those related to gender, inclusion of marginalized and vulnerable groups and communities, informal sector workers and businesses, citizen engagement etc. will be prepared, consulted on, cleared, and publicly disclosed in line with the SMF and EMF, once the physical footprint and design of each subproject has been determined.

The SMF and EMF will be consulted upon publicly (involving all stakeholders), cleared by the Bank, and disclosed prior to Bank appraisal. The full SMF and EMF in English and Urdu translations of their executive summary will be available on the website of KWSB and the Bank.

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