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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 62.8 MILLION  
(US\$86 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

KARACHI NEIGHBORHOOD IMPROVEMENT PROJECT

MAY 19, 2017

Social, Urban, Rural and Resilience Global Practice  
South Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2017)

Currency Unit = PKR

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PKR 105 = US\$1

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US\$1 = SDR 0.73023255

FISCAL YEAR  
July 1 – June 30

Regional Vice President: Annette Dixon

Country Director: Patchamuthu Illangovan

Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez

Practice Manager: Catalina Marulanda

Task Team Leader(s): Jaafar Sadok Friaa, Jon Kher Kaw

## ABBREVIATIONS AND ACRONYMS

AG	Accountant General
AGP	Auditor-General of Pakistan
BRTS	Bus rapid transit system
CGA	Controller General of Accounts
DMC	District Municipal Corporation
DTF	Distance to Frontier (measure)
DUPSP	Directorate of Urban Policy & Strategic Planning
EIRR	Economic internal rate of return
ERP	Enterprise Resource Planning
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESRU	Environment, Social and Resettlement Unit
FABS	Financial Accounting and Budgeting System
FM	Financial management
GDP	Gross domestic product
GIS	Geographical Information System
GoS	Government of Sindh
IBRD	International Bank for Reconstruction & Development
ICT	Information & Communications Technology
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
ISP	Implementation Support Plan
IUFR	Interim Unaudited Financial Report
KCD	Karachi City Diagnostic
KMC	Karachi Metropolitan Corporation
KTSC	Karachi Transformation Steering Committee
LG	Local government
M&E	Monitoring and evaluation
NCB	National Competitive Bidding
O&M	Operations and maintenance
OP	Operational Policy
OP/BP	Operational Policy/Bank Procedure
P&DD	Planning & Development Department, Government of Sindh
PD	Project Director
PDO	Project Development Objective
PEOSS	Provincial Electronic One-Stop Shop
PFM	Public Financial Management
PIU	Project implementation unit
PKR	Pakistani rupee
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
RAP	Resettlement Action Plan
ROW	Rights-of-way
RPF	Resettlement Policy Framework
RVP	Regional Vice-President
SBCA	Sindh Building Control Authority

SDR	Special Drawing Rights
SORT	Systematic Operations Risk-Rating Tool
STEP	Systematic Tracking of Exchanges in Procurement
SUF	Scale-Up Facility
SWOT	Strengths, weaknesses, opportunities, threats
TA	Technical assistance
WB	World Bank



## BASIC INFORMATION

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
<input type="checkbox"/> Situations of Urgent Need of Assistance or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects		
Approval Date 15-Jun-2017	Closing Date 30-Nov-2021	Environmental Assessment Category B - Partial Assessment
Bank/IFC Collaboration No		

### Proposed Development Objective(s)

To enhance public spaces in targeted neighborhoods of Karachi, and improve the city's capacity to provide selected administrative services.

### Components

Component Name	Cost (US\$, millions)
Public Spaces and Mobility Improvements in Selected Neighborhoods	70.00
Support to Improved Administrative Services and City Capacity Development	10.00
Support to Implementation and Technical Assistance	5.00

### Organizations

Borrower :	Islamic Republic of Pakistan
Implementing Agency :	Province of Sindh, Directorate of Urban Policy and Strategic Planning, Planning and Development Depa



**PROJECT FINANCING DATA (IN USD MILLION)**

<input checked="" type="checkbox"/> Counterpart Funding	<input type="checkbox"/> IBRD	<input checked="" type="checkbox"/> IDA Credit <input type="checkbox"/> Crisis Response Window <input type="checkbox"/> Regional Projects Window	<input type="checkbox"/> IDA Grant <input type="checkbox"/> Crisis Response Window <input type="checkbox"/> Regional Projects Window	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
Total Project Cost: 98.00	Total Financing: 98.00		Financing Gap: 0.00		
	Of Which Bank Financing (IBRD/IDA): 86.00				

**Financing (in US\$, millions)**

Financing Source	Amount
Borrower	12.00
International Development Association (IDA)	86.00
<b>Total</b>	<b>98.00</b>

**Expected Disbursements (in US\$, millions)**

Fiscal Year	2017	2018	2019	2020	2021
Annual	0.43	6.43	11.50	24.98	42.66
Cumulative	0.43	6.86	18.36	43.34	86.00



**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Social, Urban, Rural and Resilience Global Practice

**Contributing Practice Areas**

Governance

Trade & Competitiveness

Transport & ICT

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

**Risk Category**

**Rating**

1. Political and Governance

● Substantial

2. Macroeconomic

● Substantial

3. Sector Strategies and Policies

● Substantial

4. Technical Design of Project or Program

● Substantial

5. Institutional Capacity for Implementation and Sustainability

● Substantial

6. Fiduciary

● Substantial

7. Environment and Social

● Substantial



8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50	✓	
Projects in Disputed Areas OP/BP 7.60		✓

**Legal Covenants**

Sections and Description

1. Establishment of the Project Coordination Committee, not later than 1 month after the Effective Date (Section I.A.3 (a) of the Schedule to the Project Agreement).

Sections and Description

2. Project Operations Manual, not later than 1 month after the Effective Date (Section I.E of the Schedule to





the Project Agreement).

## Conditions

## PROJECT TEAM

### Bank Staff

Name	Role	Specialization	Unit
Jaafar Sadok Friaa	Team Leader(ADM Responsible)	Program Leader	SACPK
Jon Kher Kaw	Team Leader	Urban Development	GSU12
Uzma Sadaf	Procurement Specialist(ADM Responsible)	Procurement	GGO06
Winston Percy Onipede Cole	Financial Management Specialist	Financial Management	GGO24
Ahmad Imran Aslam	Environmental Specialist	Environment	GEN06
Amjad Bashir	Team Member	Trade and Competitiveness	GTCSA
Anne Treylane Bidgood	Team Member	Urban Development	GSU12
Faly Diallo	Team Member	Finance	WFALA
Ghulam Farid	Team Member	Program Support	SACPK
Helene Bertaud	Team Member	Legal	LEGES
Helene Monika Carlsson Rex	Team Member	Social Inclusion	AFCE2
Jana El-Horr	Team Member	Social Inclusion	GSU06
Michelle Lisa Chen	Team Member	Program Support	GSU12
Najm-UI-Sahr Ata-Ullah	Safeguards Specialist	Social Development	GSU06
Peter D. Ellis	Team Member	Urban Economy	GSU12
Salma Omar	Safeguards Specialist	Social Development	GSU06
Sohaib Athar	Team Member	Urban Development	GSU12
Zafar Iqbal Raja	Team Member	Transportation	GTI05



**Extended Team**

<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>
Asif Faiz	Transport Engineer		Washington, United States
Farhan Anwar	Urban Planner		Karachi, Pakistan
Maqsood Ahmed	Social Safeguards Specialist		Pakistan

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PAKISTAN  
KARACHI NEIGHBORHOOD IMPROVEMENT PROJECT

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## I. STRATEGIC CONTEXT

### A. Country Context

1. **Pakistan, with an estimated 189 million people, is the world's sixth most populous country. It is also the most urbanized large country in South Asia:** according to official statistics, nearly two-fifths of the population is urban, and urbanization is estimated to reach 50 percent in the next 15 years. Estimates based on the Agglomeration Index, however, indicate that Pakistan has already crossed the 50 percent urbanization mark. Sindh is the most urbanized province of the country, with about 50 percent of the population living in towns and cities; and one in five urban dwellers in Pakistan lives in the Karachi metropolitan area.
2. **While poverty has declined in the country over the last decade, nearly three-quarters of the population is still either poor or vulnerable.**<sup>1</sup> Pakistan is a lower-middle-income country with a per capita GDP of US\$1,440 in 2015,<sup>2</sup> and GDP growth of 4.7 percent in FY15-16. Macroeconomic, political, and security conditions, natural disasters, and continuing unreliable power supply continue to constrain the country's achievement of poverty reduction and shared prosperity goals.
3. **The outlook for FY17 to FY18 anticipates moderately higher economic growth** (5 percent in FY17 and 5.4 percent in FY18), driven by investment and productivity gains in services and manufacturing. These sectors should benefit from the structural reform agenda leading to decreased electricity load-shedding and improvements in the business climate. In the near term, investments under the China-Pakistan Economic Corridor and low international oil prices should also support growth.

### B. Sectoral and Institutional Context

4. **Karachi dominates the economic and demographic landscape of Sindh Province.** The city is the economic hub of the country, contributing around 15 percent to the national GDP.<sup>3</sup> The city's population grew from 11.3 million in 1998 to an estimated 22-24 million today, primarily through migration.<sup>4</sup> This has led to significant changes in the ethnic composition of the city, with major impacts on politics, social fabric, and governance. While Karachi has recently seen a significant reduction in violent crime, urban connectivity, livability, segregation and social exclusion are challenges that require immediate attention.
5. **In 2015-2016, the World Bank (WB) prepared a Karachi City Diagnostic (KCD), an unprecedented endeavor to collect comprehensive data on the city's economy, livability, and key urban infrastructure.** The KCD provides an overview of the challenges and opportunities facing the Karachi Metropolitan Region and estimates investment levels needed to bridge the infrastructure gap and improve the metropolitan region's economic potential. The findings and recommendations of the Diagnostic were corroborated by an extensive series of stakeholder consultations involving government counterparts, civil society and academia, the private sector, and women's groups. These consultations emphasized the need for a sustained and long-term engagement to support the city's transformation.
6. **The KCD estimated that at least US\$9 billion will be needed in the next 10 years to close the city's infrastructure gaps.** Karachi is one of the least livable cities in the world<sup>5</sup>, performing poorly on all indicators of municipal services and dimensions of livability, health, environment, safety, and education. Poor conditions are pervasive in urban and municipal streets, and almost the entire public transport network is informal. The utility network meets only half of

1 Per the Government's revised poverty line data and back-casting to determine historic poverty levels under the new poverty line.

2 Gross National Income (GNI) per capita (current US\$) using the Atlas method.

3 World Bank (unpublished 2014), "Pakistan Urban Sector Assessment" background paper for South Asia Urbanization flagship report.

4 Ibid.

5 In 2015, Karachi ranked in the bottom ten cities in the Global Livability Index produced by the Economist Intelligence Unit.



the city's water needs, and water is available for only two to four hours every two days. Less than 60 percent of the population has access to the public sewerage network, and almost all raw sewage is discharged to the sea. Only 40 percent of solid waste generated is collected, and it is subsequently disposed of in open dumpsites. Informal service providers have mushroomed in each of these sectors; where the state has remained active in service delivery, it has often focused on reactive and uncoordinated investment in infrastructure extensions to unplanned growth and urban sprawl.

7. **The KCD found also that the urban environment in Karachi, including the quality of its public spaces,<sup>6</sup> has been declining, along with infrastructure provision.** From 2001 to 2013, the share of open green spaces detectable by satellite imagery fell, even as the total city footprint expanded by more than 25 percent. Streets and public spaces directly support the livelihoods of many residents, such as vendors, and should provide areas for recreation and facilitate positive social interactions within communities. However, many roads in Karachi lack basic safety features or are not regularly maintained, reducing accessibility and mobility, particularly for women, the elderly, and people with disabilities. Degraded urban environments can also be an enabling factor for youth at a high risk of participation in social ills such as drugs, theft, and crime. Urban crime and violence add to other sociocultural barriers in constraining women's and girls' ability to participate in public life and employment. Lastly, Karachi is a coastal city at high risk for life-threatening floods from rivers and sea level rise;<sup>7</sup> lack of maintenance of key infrastructure increases the city's risk for disasters related to climate change.
8. **The limited capacity of various levels of government directly affects their ability to provide important administrative services for citizens.** According to the WB's *Doing Business* survey, starting a business in Karachi takes 12 procedures, 18 days, and 12.4 percent of per capita income. While federal-level formalities can be completed through a Virtual One-Stop Shop, provincial-level formalities are carried out manually. Another important indicator, dealing with construction permits, tells a similar story. On average, the construction permitting process for a typical warehouse takes 15 procedures, 260 days, and 9.1 percent of the warehouse value. Currently the entire process, under the authority of the Sindh Building Control Authority (SBCA), is manual and paper-based. The archive of approximately 700,000 paper dossiers is stored in a basement, and is deteriorating from age and environmental conditions. The SBCA lacks basic hardware and software to securely keep records or perform basic indexing operations. Lack of reliable and easily accessible information often leads to unnecessary delays in the permit approval process, so that the general public views the construction permits process with apprehension and turns to informal channels.
9. **Attempts to improve the city management must also address the large financial and technical gaps local governments (LGs) face in attempting to provide basic service delivery functions and administrative services.** Municipal functions are divided among the Karachi Metropolitan Corporation (KMC) and six District Municipal Corporations (DMCs).<sup>8</sup> These LGs lack modern financial management systems to manage revenues, assets, and expenditures and maintain public assets. For example, KMC recovers only about 7 percent of its municipal utility tax potential.<sup>9</sup> LGs' revenues are insufficient to cover basic infrastructure and service delivery needs; less than 10 percent of total expenditure is available for capital and development spending. Thus KMC and DMCs are highly dependent on fiscal transfers from the Government of Sindh (GoS), which account for 74 percent and 87 percent of their

6 According to international practices, public spaces are classified into three main categories: (i) streets and sidewalks; (ii) public open spaces like markets, parks, playgrounds, plazas, squares, urban forests, and waterfronts; and (iii) public buildings such as community centers and libraries.

7 GFDRR. "Think Hazard: Karachi South District". Report generated February 14, 2017. <http://thinkhazard.org/report/40394-pakistan-sindh-karachi-south-district>.

8 Newly elected LGs for Karachi came into office in August 2016 after an absence of six years. KMC is headed by an elected mayor and deputy mayor, and DMCs are headed by elected chairmen and vice-chairmen.

9 According to KMC Financial Department.



operating revenues, respectively. Transfers are frequently unpredictable and delayed, and LGs have difficulty managing expenditure flows. Finally, functions related to public access to information, grievance redress, and so on, are rudimentary. Complaints are registered manually at four district offices; however, citizens have low confidence in the capacity of the local authorities to effectively address their complaints.

10. **The KCD suggested that the city’s needs and challenges must be framed within its complex political and social landscape.** Institutional fragmentation in city management has led to very limited coordination on issues of governance, financing, planning, and service delivery. There is no formal coordination or relationship between KMC and DMCs. The GoS retains substantial control of city services, and in the recent past has taken over a number of key municipal/urban functions.<sup>10</sup> The province and the various LGs are also controlled by different political parties, resulting in an asymmetrical balance of power that adversely affects service delivery and impedes vertical integration across various tiers of government. The institutional fragmentation and limited coordination are creating hard-to-reverse impacts on prosperity, livability, and inclusion in Karachi. Stakeholder consultations conducted for the KCD highlighted also the need for a city planning and management system that is inclusive and responsive to citizens’ needs, focusing on themes like “pedestrian-friendly and walkable” and “citizen-friendly and pro-poor” instead of solely economic benefits of development projects. Women, in particular, stressed the need for better-quality and more inclusive public spaces and safe public transport in Karachi.
11. **In this context, transforming Karachi into a livable, inclusive, resilient, and productive megacity cannot be achieved through any single project or intervention.** In light of the depth and scale of the city’s challenges (in term of policy reforms, institutional governance, and infrastructure needs) and the Bank’s renewed involvement in Karachi, a dual-track approach for Bank engagement has been discussed and agreed on with the relevant Government tiers. Under the first track, the Bank will support a “quick wins” operation with a fast preparation timeline and high-visibility interventions to strengthen confidence. Rather than attempting to address all the challenges and dimensions of Karachi’s transformation in one operation, a first engagement is envisaged to demonstrate potential for city transformation, build consensus and political buy-in, and lay the institutional groundwork for larger follow-up policy-led investment operations. Further Bank engagement would transition to the deeper institutional reforms and major investment needs identified under the KCD. These reforms would focus on priority areas such as building a competitive business environment, improving city governance and municipal service delivery, and increasing access to water supply and sanitation.
12. **Therefore, the proposed project serves as a strategic entry point for reengagement by the Bank and a building block for a long-term partnership in Karachi.** First, the project aims to demonstrate the importance and validity of an inclusive process for neighborhood improvements, by financing highly visible but low-cost public space enhancements through a collaborative process. Second, it will support improvements to selected administrative services, and lay the foundation for better city management. Finally, it will facilitate the high-level policy dialogue needed to address the complex policy reforms and large investment needs in a comprehensive and coordinated manner.

### C. Higher-level Objectives to which the Project Contributes

13. **The proposed project supports Pakistan’s Vision 2025,** which aims to transform Pakistan’s urban areas into creative, eco-friendly, and sustainable cities through improved city governance, effective urban planning, efficient local mobility infrastructure, and better security to make urbanization an important driver of growth. As the City Diagnostic Report shows, Karachi has significant development needs: improved urban governance, management, and finance, as well as more extensive infrastructure provision and better service delivery to support economic activity and

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<sup>10</sup> For example, urban property taxes—typically a large source of revenues for LGs elsewhere—are collected by GoS.



provide a decent standard of living for the city’s residents. This project is the first phase in what is expected to be the Bank’s long-term engagement in Karachi to address those structural development needs.

14. **The project supports the WB’s twin goals of reducing poverty and increasing shared prosperity.** It will contribute to local economic and social development by improving accessibility to jobs and markets, utilization of urban spaces by businesses and citizens, and access to administrative services, with special attention to vulnerable groups and poor neighborhoods. It will also contribute to the United Nation’s Sustainable Development Goal 11, “Making cities inclusive, safe, resilient and sustainable,” through Target 7 to provide universal access to safe, inclusive, and accessible green and public spaces, particularly for women and children, older persons, and persons with disabilities.
15. **The project is consistent with the World Bank Group’s Country Partnership Strategy for Pakistan (2015-19)** and contributes to three outcome areas: Outcome 2.1, Improved Business Environment for Private Sector; Outcome 3.2, Reduced Vulnerability for Groups at Risk; and Outcome 4.4, Adoption of Performance and Transparency Mechanisms in selected institutions.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

To enhance public spaces in targeted neighborhoods of Karachi, and improve the city’s capacity to provide selected administrative services.

### B. Project Beneficiaries

16. **It is estimated that the project will directly benefit about 990,000 people**—the residents, businesses, and commuters of project beneficiary neighborhoods. Specifically, the project will benefit approximately 360,000 people in Saddar downtown, 490,000 people in the Korangi area, and 140,000 people in the Malir area.<sup>11</sup> It is estimated that women represent 50 percent of beneficiaries. Karachi Metropolitan Corporation, Sindh Building Control Authority, and Sindh Board of Investment will be the main beneficiary institutions of the project’s institutional development activities.

### C. PDO-level Results Indicators

17. **The project has four PDO-level results indicators:**

- (a) People provided with improved urban living conditions<sup>12</sup> (of which, female);
- (b) Days required to register a firm in Karachi;
- (c) Distance to Frontier (DTF) measure for dealing with construction permits for Karachi; and
- (d) Integrated financial management information system (IFMIS) established and operational at KMC.

## III. PROJECT DESCRIPTION

<sup>11</sup> Source of data: Alhasan Systems Private Limited (2015). *Pakistan Emergency Situation Analysis, District Karachi*.

<sup>12</sup> This is a Corporate Results Indicator to measure the number of people living in urban areas provided with access to improved services, housing, tenure, neighborhoods, public spaces, parks, resilience, and/or urban environmental conditions. Both rehabilitation and construction of parks and public spaces would count for this indicator.





## A. Project Components

18. The project comprises three components.

### **Component 1: Public Space and Mobility Improvements in Selected Neighborhoods (US\$70 million)**

19. This component aims to enhance the usability, safety, and attractiveness of public spaces; improve mobility and pedestrian access<sup>13</sup> to key destinations; and improve traffic safety in public spaces in three targeted neighborhoods: Saddar downtown area, Malir, and Korangi. These neighborhoods have been selected in consultation with the Government and stakeholders according to such criteria and considerations as potential to demonstrate the project's impact on livability; complementarity with ongoing or future public investment; low anticipated negative social and environmental impacts; ethnicity and political balance; and potential for engagement with low-income and vulnerable groups (including youth and women).
20. Within each neighborhood (subcomponent), specific subprojects will be selected and designed through a framework approach. The Bank will appraise, in turn, each subproject prepared and brought forward for financing until all project funds allocated to the components have been committed. Subprojects will not be financed unless the appraisal shows that they focus on public spaces enhancements; meet international technical standards and best practices, and take into account stakeholder comments and suggestions; are economically viable; have no major or irreversible environmental and social impacts; are ready for implementation; and have financing, procurement, and implementation plans that are satisfactory to the WB. The framework also integrates a systematic stakeholder engagement process during subproject preparation to ensure that investments in public spaces are responsive to the local context and the needs of beneficiaries (including vulnerable groups, especially women), and build bottom-up support and community ownership of the project (see Annex 2 for details).

#### ***Subcomponent 1.1: Saddar Downtown Area Revitalization (US\$42 million)***

21. Saddar is located in the historic downtown area of Karachi. It has a high concentration of civic, education, cultural and commercial uses, and a large number of daily visitors. Subprojects in Saddar downtown area may include upgrading roads and streets, sidewalks, and pedestrian crossings within existing rights-of-way (ROW); upgrading existing open spaces, installing shade features, and removing barriers for visitors; reorganizing traffic patterns and closing certain street segments (temporarily or permanently); installing signs, street furniture, lighting, and bus stop shelters; organizing parking and installing safety barriers to reduce vehicular encroachment on sidewalks and enhance safety; and rehabilitating infrastructure and stormwater drainage beneath roads upgraded by the project.

#### ***Subcomponent 1.2: Malir Area Road and Public Spaces Enhancement (US\$8 million)***

22. Malir is a dense, mixed-use area with low-income communities. It is characterized by an arterial corridor and a number of open spaces that are severely degraded. Subprojects in Malir may include upgrading the main road, sidewalks, and pedestrian crossings within existing ROW; reorganizing vehicular travel lanes to provide adequate space to pedestrians; rehabilitating/enhancing existing open spaces with shade, adequate drainage, and trash collection facilities; installing street furniture, bus shelters, safety barriers, shade features, and lighting; and rehabilitating underground infrastructure and stormwater drainage beneath upgraded roads.

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<sup>13</sup> Improved mobility and pedestrian accessibility refers to the improved ease of getting from one place to another by motorists and non-motorists. For example, creating a good pedestrian network with paths and sidewalks to key destinations such as BRTS stations can reduce walking time and distances. Upgrading dirt paths or broken roads can allow better accessibility to areas that are difficult to walk or drive to.



***Subcomponent 1.3: Korangi Neighborhood Mobility Improvements (US\$20 million)***

23. Korangi is a residential and industrial area with a large number of low-income communities and vibrant markets along several major corridors. It includes one of the largest fishing villages in Karachi. Subprojects in Korangi may include upgrading main roads, streets, sidewalks, and pedestrian crossings within existing ROW; improving existing open spaces such as markets, playgrounds, and road medians; installing street furniture, lighting, bus shelters, and safety barriers for pedestrians; and rehabilitating underground infrastructure and stormwater drainage beneath upgraded roads.

**Component 2: Support to Improved Administrative Services and City Capacity Development (US\$10 million)**

24. This component aims to improve selected administrative services to ease doing business in Karachi, lay the foundations for better city management, and support the sustainability of Component 1 investments.

***Subcomponent 2.1: Automation of construction permits and business registration in Karachi (US\$3 million)***

25. This subcomponent will finance services and goods to support the design and implementation of a Sindh Provincial Electronic One-Stop Shop (PEOSS) for business licenses and e-licensing by other provincial agencies, hosted by the Sindh Board of Investment. It will also finance services and goods for the automation of construction permit processes, including capacity-building activities for the SBCA, construction of integrated counters for the public requesting industrial and commercial buildings' licenses, and public access to information and complaints management and resolution.

***Subcomponent 2.2: Laying the foundation for better city management (US\$7 million)***

26. This subcomponent will finance goods and consultancy services to implement core modules of an IFMIS for KMC by SAP-certified implementing partners, while setting a foundation for the incremental implementation of other modules (in a follow-on project), and will design and develop an asset management system at KCM for movable and immovable assets.
27. It will also support KMC in improving its municipal utility tax revenues by financing a survey carried out in District South and Central District to assess the potential tax base, and a computerized database of establishments falling within this tax; and the design and implementation of an upgraded online platform and potential incentives for taxpayers to pay the municipal utility tax online.
28. In addition, it will finance the design and development of a web-based platform for KMC for improved public access to information on city management, budgeting, planning, gathering citizen feedback on services, and electronic payment of selected municipal fees and taxes; and the development and implementation of a two-year public awareness and outreach program for city programs and activities.

**Component 3: Support to Implementation and Technical Assistance (US\$5 million)**

29. This component will finance technical assistance and advisory services to the project implementation unit (PIU) and the Karachi Transformation Steering Committee (KTSC), including project management and coordination costs associated with project implementation;<sup>14</sup> consultancy services for feasibility, conceptual, and detailed designs, safeguards instruments for subprojects, and the preparation of follow-on operations; and consultancy services for the preparation of a study on parking management in Saddar downtown. It will also provide mobilization of expertise, exchange of international experience, and advisory services to support the KTSC in preparing and adopting a shared

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<sup>14</sup> This includes operating costs, training, technical advisory, goods- and service- related procurement and FM, and two consultancies for (a) contract management and supervision, and (b) monitoring and evaluation.



vision focused on improving city prosperity, livability, and inclusiveness, and developing a coordinated roadmap of future investments and key policy reforms needed to realize that vision.

## B. Project Cost and Financing

30. The total investment of US\$98 million will be financed through an IDA SUF Credit of US\$86 million and counterpart funding equivalent to US\$12 million. Table 1 summarizes the estimated project cost and financing plan by component.

**Table 1. Project Cost Estimate and Financing**

Project component	Estimated cost (US\$ million)	IDA SUF	GoS contribution	IDA SUF in %
<b>Component 1: Public Space and Mobility Improvements in Selected Neighborhoods</b>	<b>70.0</b>	<b>64.6</b>	<b>5.4</b>	<b>92%</b>
1.1 Saddar Downtown Area Revitalization	42.0	36.6	5.4	87%
1.2 Malir Area Road and Public Spaces Enhancements	8.0	8.0	0.0	100%
1.3 Korangi Neighborhood Mobility Improvements	20.0	20.0	0.0	100%
<b>Component 2: Support to Administrative Services and City Capacity Development</b>	<b>10.0</b>	<b>9.5</b>	<b>0.5</b>	<b>95%</b>
2.1 Automation of construction permits and business registration in Karachi	3.0	3.0	0.0	100%
2.2 Laying the foundations for better city management (incl. IFMIS, US\$4.5 million)	7.0	6.5	0.5	93%
<b>Component 3: Support to Implementation and Technical Assistance</b>	<b>5.0</b>	<b>4.5</b>	<b>0.5</b>	<b>90%</b>
3.1 Support to implementation	4.8	4.3	0.5	90%
3.2 Just-in-time technical assistance to Karachi Transformation Steering Committee	0.2	0.2	0.0	100%
<b>Project cost subtotal</b>	<b>85.0</b>	<b>78.6</b>	<b>6.4</b>	<b>92%</b>
Contingency	7.5	7.2	0.3	96%
Front-end fee (0.25%)	0.2	0.2	0.0	100%
<b>Total project cost</b>	<b>92.7</b>	<b>86.0</b>	<b>6.7</b>	<b>93%</b>
Borrower's contribution for the implementation of the Resettlement Policy Framework	5.3	0.0	5.3	0%
<b>Total cost including all borrower's contribution</b>	<b>98.0</b>	<b>86.0</b>	<b>12.0</b>	<b>86%</b>

## C. Lessons Learned and Reflected in the Project Design

31. **This project builds on global experiences and on the body of support provided to the city through non-lending technical assistance activities over the past two years.** It incorporates lessons learned from urban and city development investments in Colombo, Rio de Janeiro, and Sri Lanka. It also builds on a long-term engagement in Punjab Province related to city governance and municipal services projects.



32. **The focus on livability improvements, pedestrian-friendly neighborhood planning, and functional public spaces is deliberate and strategic.** Several cities around the world have successfully leveraged public space investments as an important catalyst for urban transformation. In Medellin, Colombia, for example, the city upgraded the urban environment in slums through the creation of public spaces, accompanied with the innovative use of cable cars to provide mobility for the residents of the slum areas. Seoul, South Korea, is well-known for its forward-thinking decision to remove an elevated highway through the center of the city and reconstruct the historic river in its place along with a linear park. In Singapore, one of the world’s most densely developed cities, well-integrated and well-designed public spaces have transformed the city into a greener, more vibrant, and more livable place. Global experience shows that segregated areas in urban settings can be opened up to a variety of uses through careful physical planning and consultative interventions to allow for improved social inclusion, social mixing, civic participation, recreation, safety, and a sense of belonging.
33. **International experiences in similar urban contexts of social exclusion and insecurity show that moving toward inclusive development requires an integrated policy approach.** This approach should be built on closer understanding of social and spatial synergies, with an emphasis on inclusive coalitions and the participation of all stakeholders of the urban space—citizens (with an emphasis on community organizers, women, and youth), private sector, and represented authorities to build confidence. Lessons learned from Bank projects on urban upgrading in Nigeria and Vietnam have demonstrated the value of strong and sustained community involvement. A bottom-up planning approach helps ensure that the project better meets the needs of the communities and helps build local ownership of projects, which is very important for their long-term sustainability. Experiences from Colombia, Brazil, and South Africa—where programs included local service delivery, education, urban planning through public spaces, youth inclusion and empowerment, strengthening of institutions, and supporting citizen participation—also show the potential of integrated development programs for reducing violence.
34. **The analysis of Karachi shows that socioeconomic and spatial inequalities, exclusions, and fragmentation of institutions have generated violence and eroded the city’s social capital, simultaneously hindering formal governance of the city.** Therefore, policies and investments in the city will benefit from special attention to (i) social inclusion to help create fair conditions for different populations and neighborhoods in Karachi to access land, urban goods, and services, and contribute to social integration; and (ii) citizen participation to recognize the role of local communities and reinforce their sense of belonging to the city.

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

35. **The KTSC, chaired by the Chief Minister of Sindh, will provide planning and strategic guidance and facilitate multi-stakeholder cooperation** for the development and implementation of visions, policy reforms, and investment programs toward the improvement of Karachi’s economy, livability, and sustainability. It will meet as needed for the implementation of the roadmap, at least once each quarter during the first year of the project. The Director General, Directorate of Urban Policy & Strategic Planning Unit (DUPSP) will act as secretary of the KTSC and will provide logistical support.
36. **A PIU housed in the DUPSP will have the overall responsibility for implementing the project.** It will be responsible for all aspects of project implementation: technical, operational, environmental and social safeguards, procurement, financial management, disbursement, and oversight of the technical assistance (TA), training, public awareness, and communication activities. The PIU will be staffed with a project director (PD), a deputy PD, and experts on technical, fiduciary, safeguards, and other relevant fields. Project supervision, contract management, and monitoring and evaluation (M&E) consultants will also support the PIU.



37. **In addition to technical staff seconded from KMC, the PIU will receive part-time support from technical and financial departments of KMC as needed.** A project coordination committee, headed by the Chairman, Planning and Development Board, and including high-level representatives of city and provincial utilities/agencies/boards as well as key civil society stakeholders, will be established to ensure interagency coordination and resolve any implementation bottlenecks.

## B. Results Monitoring and Evaluation

38. **The PIU will be responsible for overall quality assurance, M&E, and reporting.** M&E will be conducted by a team of professional consultants, who will monitor and evaluate project performance and impacts—including Environmental and Social Management Plans (ESMPs), Resettlement Action Plans (RAPs), and a gender action framework—during and after construction. In addition, the PIU will carry out impact assessment studies to evaluate project performance and achievement of the PDO. The M&E system for the project is fully designed, and TA support for the PIU staff to carry out M&E activities is built into the project.
39. **Semester and annual progress reports, in a format agreed with the Bank, will be submitted to the Bank,** no later than 45 days after the end of each calendar semester and year. The annual progress reports will also provide information on indicators measuring achievement of the PDO.
40. **A mid-term review of the project will be undertaken within 24 months after the effectiveness of the Financing Agreement.** An Implementation Completion Report will be submitted to the Bank no later than six months after the closing date. In addition, a number of performance review mechanisms have been built into the project to ensure close support to the smooth implementation of the project and monitoring of its performance, especially through the stability and availability of good-quality and empowered staff and consultants in the PIU.
41. The detailed results framework and baseline indicators are presented in Annex 1.

## C. Sustainability

42. **The project has strong institutional buy-in from the city and provincial governments.** The consultations carried out during project preparation emphasized the need to have citizen-friendly interventions in the city to improve livability, safety, and inclusion—with particular attention to issues facing women—and urged the Bank to support Karachi in these areas. A framework to integrate these consultations as part of overall project development has been established to ensure that consultations are carried out in an inclusive and participatory manner throughout the design process, from conceptual designs to detailed designs and implementation.
43. **The interventions proposed under the project are aligned with the needs of the selected neighborhoods and complement ongoing initiatives.** This includes the planned bus rapid transit system (BRTS), for which several stations are expected to be located near subprojects in Saddar and Korangi. Subprojects in Saddar are also located near ongoing improvements by the government and local groups, such as the rehabilitation of Pakistan Chowk and Empress Market.
44. **The creation of quality public spaces and streets will result in the need for better asset management and maintenance.** Thus capacity-building support will be provided to KMC to maintain these new assets. Low-maintenance solutions will be prioritized where feasible—for example, solar-powered streetlights, durable material for hardscaping, and indigenous plant species with low water requirements. The provincial government has committed to allocate adequate budget for operations and maintenance (O&M) to ensure proper maintenance of the newly created public urban areas.



45. **The project will further enhance municipal budgeting and capital investment planning through Components 2 and 3.** Component 2 will finance core modules of an IFMIS, including a two-year O&M program. The project will also finance TA to develop strategies and solutions to build, operate, and maintain municipal assets created or improved over the course of the project. Component 3 will include a detailed parking study to explore affordability and willingness to pay for fees and congestion pricing, enforcement mechanisms, safety of traffic policing (relevant to the local context), commercial viability of off-street parking structures operated by public-private partnerships, and international experience in municipal parking strategies. It will also summarize good and bad practices from other countries.
46. **Climate change co-benefits.** It is estimated that 10 percent of the credit will result in climate change adaptation co-benefits for Karachi, and 14 percent in mitigation co-benefits. In terms of mitigation, investments under subcomponent 1.1 (Saddar) for reorganizing traffic patterns and pedestrianizing selected street segments in Saddar downtown will contribute to less traffic congestion in that area of the city, and thus fewer emissions from idling vehicles. Investments under subcomponents 1.1 (Saddar) and 1.3 (Korangi) will improve pedestrian accessibility (notably connectivity to planned BRTS stations), which would encourage a modal shift from cars to urban mass transit and more trips using non-motorized transport generally. In terms of adaptation, it is expected that other investments under subcomponents 1.1, 1.2, and 1.3 will contribute to better flood management by rehabilitating stormwater drainage for roads and municipal streets. A full description of the estimates for mitigation and adaptation co-benefits has been filed in the project folder (WBDocs) under “Pakistan Karachi Neighborhood Improvement Project – Climate Change Mitigation and Adaptation Co-benefits.”

## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

47. **The overall risk for the proposed operation is rated as Substantial.**
48. **Political and governance risks are rated Substantial.** Strong tensions between the city and provincial governments have led to weak coordination across government tiers. The national elections scheduled for 2018 could exacerbate political tensions and interfere with the smooth implementation of the project. The project is addressing these risks by creating forums for building trust and promoting dialogue and action among different tiers of government and with the public. The selection of project neighborhoods and the design of project components distribute the functions and responsibilities for project design, implementation, and maintenance between the provincial and city tiers of governance and related institutions, coupled with appropriate mechanisms for complementary collaboration—for example, through the Karachi Transformation Strategy Steering Committee and an interagency project coordination committee.
49. **Fiduciary risks are rated Substantial** because of weak internal audit arrangements and delays in release of funds, as well as procurement-related risks. The PIU will be staffed with qualified and experienced staff who are familiar with the World Bank disbursement, financial management, and procurement procedures. The project team will also strengthen the internal control environment of the PIU by recruiting an internal auditor. A Project Operations Manual (POM) will help establish operational policies and standard operating procedures.
50. **All other risks are also rated as Substantial:** (i) macroeconomic, (ii) sector strategies and policies; (iii) technical design; (iv) institutional capacity for implementation and sustainability; (v) environmental and social; and (vi) stakeholders. The preparation of a shared vision for Karachi’s transformation, the development of a coordinated roadmap of future investments and key policy reforms, and the design and implementation of an online platform to promote access to information and citizen participation to build trust between citizens and LG and improve government transparency will help to address these risks. The required project counterpart funding (12 percent of



project cost) will be provided through GoS's Annual Development Plan. The project's technical design is simple but will require the continued strong support of KMC leadership (demonstrated during project preparation) and of its technical and financial departments during implementation. Bottom-up support and community ownership of the project will also be built through a systematic stakeholder engagement process during the subproject preparation stages. Compliance with the approved Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF), the preparation of subproject Environmental and Social Management Plans (ESMPs) and Resettlement Action Plans (RAPs) (where required), and their satisfactory implementation will be key to addressing environmental and social risks.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

51. **Economic benefits from improved public spaces are difficult to monetize and attribute, though international best practices show that such enhancements can improve quality of life and social cohesion in the city.** Rehabilitating existing urban roads within their ROW to better serve the needs of the population is expected to reduce travel times, improve access to jobs for citizens using public transport, and reduce vehicle operating costs. Improvements to neighborhood pedestrian sidewalks and paths, parks, and open spaces are expected to improve access to markets and increase property values.
52. **Detailed economic analysis has not been conducted since, under the framework approach, specific subprojects have not yet been finalized.** However, data from recent Bank-financed projects in Pakistan and elsewhere on urban public spaces improvement and integrated urban development show high economic internal rates of return (EIRR) in the range of 8-28 percent (China) to 33 percent (Georgia) (these estimates do not include other positive externalities often attributed to public space improvements such as health benefits). Investments in rehabilitation of urban roads and streets have yielded EIRRs ranging from 20 percent (Ethiopia) to 57 percent (Niger). Within Pakistan, similar public space enhancements through solar-powered streetlights along roads and public places yielded an EIRR of 32 percent.
53. **Economic analysis will be carried out when the subprojects are fully designed, based on standard methodology defined in the POM,** and will be the basis for confirming that subprojects are economically viable, with net economic benefits exceeding economic costs in present value terms (at appropriate social discount rate), and should proceed to implementation. For relatively small investments, where the focus is on achieving a minimum service standard and benefits are difficult to monetize, a cost-effectiveness analysis would be carried out in place of cost-benefit analysis.

### B. Technical

54. **The technical design of the project is considered to be sound.** A conceptual urban design scheme for the Saddar downtown neighborhood has been developed, identifying thematic zones and pedestrian networks, and featuring conceptual designs focused on accessibility, safety, and future connectivity to transit nodes. The conceptual urban design scheme also includes options to reorganize traffic flows and provide parking solutions. For Malir and Korangi neighborhoods, project areas have been proposed and candidate subprojects that promote usability, accessibility, mobility, and traffic safety in public spaces have been preliminarily scoped out. Detailed designs and bidding documents of subprojects will be prepared by qualified consulting firms and will benefit from a comprehensive consultation process to incorporate feedback from stakeholders.
55. **Subprojects for each neighborhood will be designed to meet generally accepted international standards,** and will not be financed until they have been successfully appraised by the Bank according to agreed criteria (see details in



Annex 2). In addition, consulting firms will be contracted under the project to assist the PIU in the engineering supervision, contract management, and M&E of the project activities.

### C. Financial Management

56. **The Directorate of Urban Policy & Strategic Planning—Planning & Development Department (DUPSP-P&DD), host of the PIU, meets the Bank’s financial management (FM) requirements.** FM will use country systems and procedures. The Auditor-General of Pakistan (AGP) will depute a suitably qualified accountant who is familiar with the Bank’s project management and disbursement policies and procedures. Component 3 will support the establishment and functioning of the P&DD Internal Audit Wing, whose work will cover donor-funded projects, and which will submit quarterly internal audit reports to the Departmental Internal Audit Committee and Project Steering Committee, with copies to the Bank. More details of project FM arrangements, including a summary of the FM assessment, are provided in Annex 3.

### D. Procurement

57. **Procurement will be carried out in accordance with the Bank’s Procurement Regulations** for Borrowers for Goods, Works, Non-Consulting and Consulting Services dated July 1, 2016, and applicable to investment project financing. The project will be subject to the Bank’s Anticorruption Guidelines, dated October 15, 2006, and revised July 1, 2016. The project will use the online tool STEP (Systematic Tracking of Exchanges in Procurement).
58. **The PIU, housed in the DUPSP, will be responsible for project procurement.** An assessment of procurement capacity and risk assessment of DUPSP identified the main risks to be delays in the procurement process and contract management gaps. Details of risks and mitigation measures are provided in Annex 3.
59. **A Project Procurement Strategy for Development (PPSD) and Procurement Plan have been developed.** More details on the procurement arrangements are provided in Annex 3.

### E. Social (including Safeguards)

60. **The project is not expected to require land acquisition, as it will improve, enhance, and rehabilitate existing infrastructure.** No road widening will take place, and no extension of existing facilities will be undertaken. However, the project will undertake civil works in densely populated urban areas with mixed commercial and some residential use. Because these works are likely to affect the livelihoods of several people—owners of roadside shops, mobile vendors, and sellers in temporary markets—OP 4.12, *Involuntary Resettlement*, has been triggered. The project has been appraised on a framework basis, and details of the subprojects will be finalized only during the early stages of implementation. Thus an ESMF and RPF have been prepared to guide the preparation and implementation of future RAPs, where required, for each subproject.
61. **Project civil works will entail the involvement of labor.** The ESMF emphasizes compliance with Pakistan’s labor laws. No child or bonded labor will be engaged for civil works. The PIU will recruit a Labor Officer to train contractors, develop guidelines, assess contractual obligations, and monitor compliance on labor issues.
62. **Citizen engagement and social inclusion.** The project will include mechanisms to strengthen the public’s access to information. The project has built a comprehensive consultation strategy to support the design of public spaces in selected neighborhoods. These consultations will be the basis for continuous citizen engagement during project implementation. The project will also benefit from synergies with the Pakistan Gender and Social Inclusion platform, which is designed to offer strategic support on gender and social inclusion issues for operational work in the Pakistan portfolio. Through the course of this project, the Gender and Social Inclusion platform will provide hands-on technical assistance in designing the consultations of various stakeholder groups to ensure that the project (and its various





subcomponents) are disaggregating by, and designing for, youth and women. The platform will draw on best practices from Pakistan and South Asia and on qualitative research and design expertise from the region.

63. **Grievance redress mechanism.** In addition to the Bankwide grievance redress mechanism (discussed in section H below), there will also be a project-specific grievance redress mechanism within the PIU. It will operate with three tiers (grassroots/site, PIU, and department), and will be open to the public. Related costs are reflected under Component 3.
64. **Gender.** The project consults with women on the design of subprojects, and also intends to engage men on enhancing mobility and opportunity for women as a result of project interventions. The subprojects will have particular benefits for women by improving their mobility and enhancing security. Upgrading of public spaces will also be undertaken with a gender lens to ensure that women have been consulted about the creation or rejuvenation of public spaces that are safe for women and girls to access. A Gender Specialist will be part of the PIU and will provide technical support to all interventions from a gender perspective.

#### F. Environment (including Safeguards)

65. The project triggers OP 4.01, *Environmental Assessment*, because of its environmental impacts, although it is not expected to have significant or irreversible environmental and social impacts. Impacts would be primarily associated with (i) temporary disruption due to improved public spaces, paving for sidewalks, pedestrian crossings, and roads, and installation of street lighting; and (ii) repaving roads and associated rehabilitation of underground infrastructure (sewerage, water, stormwater drainage). The project therefore falls under the Bank's Environmental Category B. Potential adverse environmental impacts may include air quality deterioration; increase in noise pollution; construction debris and waste, including old piping and sewerage infrastructure requiring proper disposal; employee health and safety issues; vehicular and pedestrian traffic disruptions; disruptions in water supply; and risk of water contamination in the existing system.
66. As the precise location of individual subprojects under Component 1 will be determined only during the early implementation stage, an ESMF and an RPF have been prepared and disclosed in-country and at the Bank's Infoshop. Site-specific ESMPs will be prepared for each subproject.
67. An adequately staffed Environment, Social, and Resettlement Unit will be created within the PIU. This unit will be responsible for the preparation of any ESMPs and RAPs required for subprojects. The ESMPs and RAPs will be reviewed and cleared by the Bank before the subprojects are implemented. Costs related to the preparation, implementation, and M&E of safeguards instruments are reflected in the costs of Component 3 of the project.
68. Further details related to implementation arrangements and safeguard documents and requirements are given in Annex 3.
69. The project will not support rehabilitation of any cultural heritage assets. However, the rehabilitation of roads and other urban infrastructures may involve excavations with the potential for chance discoveries of physical cultural resources. Also, lesser known monuments may be present in areas where civil works take place. Therefore OP 4.11, *Physical Cultural Resources*, has been triggered. The ESMF includes a guideline for identification of physical cultural resources and "chance find" procedures for protection of cultural property.

#### G. Other Safeguard Policies

70. Because the project includes aspects of urban water supply, and approximately 80 percent of Karachi's water supply is sourced from the Indus River, the project relates to the Indus River (an international waterway as defined in OP 7.50, *Projects on International Waterways*). As part of improvements under Component 1, the project may involve



rehabilitating water supply networks along with the surface upgrade of urban roads and municipal streets, to minimize the risk that future work on the water infrastructure would necessitate excavation of the roads and streets rehabilitated under the project. Thus the project triggers OP 7.50. However, it was determined that the project falls under the exceptions to notification requirements of the policy (Paragraph 7(a) and (b) of OP7.50), as there is no anticipated net increase in demand for potable water supply from the neighborhoods where the proposed water supply rehabilitation would be implemented, and Project will not involve any additional diversion from the Indus River.

#### **H. World Bank Grievance Redress**

71. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB's noncompliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)



ANNEX 1. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Pakistan

Karachi Neighborhood Improvement Project

Project Development Objectives

To enhance public spaces in targeted neighborhoods of Karachi, and improve the city’s capacity to provide selected administrative services.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> People provided with improved urban living conditions		Number	0.00	990000.00	Annually.	PIU, supervision consultant, KMC.	PIU, supported by M&E consultant.
People provided with improved urban living conditions - female		Number	0.00	495000.00	Annually.	PIU, supervision consultant, KMC	PIU, supported by M& consultant
<p><b>Description:</b> Corporate Results Indicator (CRI). This indicator measures the number of people living in urban areas provided with access to improved public spaces or parks (within 500 meters). Both rehabilitation and construction of parks and public spaces would count. The 500-meter catchment area will be calculated with GIS, and population density for each neighborhood will be provided by KMC.</p>							
<b>Name:</b> Days required to register a firm in Karachi		Number	18.00	4.00	Annually.	World Bank Doing Business Survey	PIU, supported by M&E consultant.



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection

Description: This indicator reflects part of the improved "administrative services" under the PDO. It measures the days required to register a firm in Karachi.

<b>Name:</b> Distance to Frontier measure for dealing with construction permits for Karachi		Number	57.65	62.65	Annually.	World Bank Doing Business Survey	PIU, supported by M&E consultant.
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Description: This indicator reflects part of the "improved selected services" under the PDO. Distance to Frontier (DTF, 1 to 100 scale) is the average of the scores for each of the component indicators: (i) # procedures required; (ii) time taken (days); (iii) cost incurred (% of income per capita); and (iv) building quality control index (scale of 1 to 15). See Doing Business survey for full methodology.

<b>Name:</b> Integrated Financial Management Information System established and operational at KMC		Text	No	Yes	Annually.	KMC, from M&E consultant's report.	PIU, supported by M&E consultant.
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Description: This indicator measures whether the following modules are operational: (i) revenue management; (ii) commitments and payments; (iii) banking; (iv) general ledger, aggregation and reporting; (v) fixed assets; and (vi) payroll.



### Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> Area of public spaces improved		Hectare(Ha)	0.00	75.00	Annually.	PIU, with supervision consultants	PIU, supported by M&E consultant.
Description: This indicator measures the cumulative area of public spaces improved directly under Component 1 of the Project.							
<b>Name:</b> Participants in consultation activities during project implementation (number)		Number	0.00	600.00	Annually.	Design consultants	PIU, supported by M&E consultant.
Participants in consultation activities during project implementation - female		Number	0.00	300.00	Annually.	Design consultants	PIU, supported by M&E consultant.
Description: This indicator measures the level of community engagement in project implementation.							
<b>Name:</b> Beneficiaries that feel project investments reflected their needs (percentage)		Percentage	0.00	60.00	End of project.	Through surveys conducted by the PIU, supported by M&E consultant, at the end of the project.	PIU, supported by M&E consultant.
Beneficiaries that feel project investments		Percentage	0.00	60.00	Annually.	Though surveys conducted by the PIU, supported by	PIU, supported by M&E consultant.



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
reflected their needs - female						M&E consultant at the end of the project.	
Description: This will measure the extent to which decisions about the project reflected community preferences in a consistent manner.							
<b>Name:</b> Increase in the number of visitors to improved public spaces		Percentage	0.00	25.00	Annually.	PIU, M&E consultants	PIU, supported by M&E consultant.
Increase in the number of visitors to improved public spaces - female		Percentage	0.00	5.00	Annually.	PIU, M&E consultants	PIU, supported by M&E consultant.
Description: This indicator measures increased usage of public spaces improved under the Project. It is based on a simple count of visitors within an improved public space during a given time period (e.g. 15 mins) at peak hours. Survey methodology will be detailed in the POM.							
<b>Name:</b> Increase in number of merchants or vendor stalls in improved public spaces		Percentage	0.00	25.00	Annually.	PIU, M&E consultants	PIU, supported by M&E consultant.
Increase in number of merchants or vendor stalls in improved public spaces - female		Percentage	0.00	10.00	Annually.	PIU, M&E consultants	PIU, supported by M&E consultant.
Description: This indicator measures increased commercial activity on or adjacent to public spaces improved under the Project. It is based on a simple count of merchants							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
during a given time period (e.g. 15 mins) at peak hours. Survey methodology will be detailed in the Project Operations Manual.							
<b>Name:</b> A shared vision Karachi transformation endorsed by the Karachi Transformation Steering Committee		Yes/No	N	Y	Annually.	PIU, KTSC	PIU, supported by M&E consultant.
<i>Description:</i> This indicator measures whether the Karachi Transformation Steering Committee has developed and endorsed a shared vision for Karachi's transformation, a road map for implementation, and an action plan. These outputs should be in the form of a written document that has undergone meaningful stakeholder consultation, and wide dissemination (e.g. launch workshop).							
<b>Name:</b> Web-based platform with improved public access to information, established and operational in KMC		Yes/No	N	Y	Annually.	KMC	PIU, supported by M&E consultant.
<i>Description:</i> This indicator measures whether the web-based platform has been implemented within KMC.							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
People provided with improved urban living conditions	0.00	0.00	330000.00	660000.00	990000.00	990000.00
People provided with improved urban living conditions - female	0.00	0.00	165000.00	330000.00	495000.00	495000.00
Days required to register a firm in Karachi	18.00	18.00	18.00	4.00	4.00	4.00
Distance to Frontier measure for dealing with construction permits for Karachi	57.65	57.65	57.65	57.65	62.65	62.65
Integrated Financial Management Information System established and operational at KMC	No	General ledger, aggregation and reporting; and commitments and payments.	Revenue module and banking implemented.	Payroll module implemented.	Fixed asset module implemented.	Yes

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Area of public spaces improved	0.00	0.00	25.00	50.00	75.00	75.00
Participants in consultation activities during project implementation (number)	0.00	100.00	200.00	400.00	600.00	600.00





Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Participants in consultation activities during project implementation - female	0.00	50.00	100.00	200.00	300.00	300.00
Beneficiaries that feel project investments reflected their needs (percentage)	0.00	0.00	0.00	0.00	60.00	60.00
Beneficiaries that feel project investments reflected their needs - female	0.00	0.00	0.00	0.00	60.00	60.00
Increase in the number of visitors to improved public spaces	0.00	5.00	10.00	15.00	25.00	25.00
Increase in the number of visitors to improved public spaces - female	0.00	0.00	1.00	2.00	5.00	5.00
Increase in number of merchants or vendor stalls in improved public spaces	0.00	5.00	10.00	15.00	25.00	25.00
Increase in number of merchants or vendor stalls in improved public spaces - female	0.00	0.00	0.00	5.00	10.00	10.00
A shared vision Karachi transformation endorsed by the Karachi Transformation Steering Committee	N	N	Y	Y	Y	Y
Web-based platform with improved public access to information, established and operational in KMC	N	N	N	Y	Y	Y



## ANNEX 2. DETAILED PROJECT DESCRIPTION

1. The project comprises three components.

### Component 1: Public Space and Mobility Improvements in Selected Neighborhoods (US\$70 million)

2. This component aims to rehabilitate or enhance the usability, safety, and attractiveness of public spaces; improve mobility and pedestrian access<sup>15</sup> to key destinations; and improve traffic safety. Specifically, the component will finance civil works (goods, works, consultant and non-consultant services, and operating costs) to upgrade, improve, or extend public spaces and increase mobility in selected commercial and residential neighborhoods (subcomponents) of Karachi.
3. Investments under Component 1 will be located in three neighborhoods (subcomponents): Saddar downtown area, Malir neighborhood, and Korangi neighborhood. These neighborhoods have been selected in consultation with the Government and stakeholders on the basis of the following criteria and considerations: (i) areas with a high potential to demonstrate the project's impact on livability; (ii) complementarity with ongoing or future investments in public spaces (including the BRTS and the redevelopment of cultural sites by outside groups); (iii) low anticipated negative social and environmental impacts; (iv) ethnicity and political balance; and (v) the potential for engagement with low-income and marginalized groups.
4. Within each neighborhood (subcomponent), specific subprojects will be selected and designed through a framework approach. The Bank will appraise, in turn, each subproject prepared and brought forward for financing until all project funds allocated to the components have been committed.
5. Subprojects will not be financed unless the appraisal shows that they meet the following criteria:
  - (a) The subproject will **contribute to the objectives of the project**—to enhance public spaces in targeted neighborhoods of Karachi.
  - (b) The subproject will meet international technical standards and best practices in term of public space and mobility improvement and has been formulated after **taking into account comments and suggestions collected during consultations with relevant stakeholders**.
  - (c) The subproject has an **economic internal rate of return (EIRR)** of at least 10 percent<sup>16</sup> and a **positive net present value**, calculated using a methodology acceptable to the Bank; if economic analysis is not feasible because of data constraints or the nature of the subproject, cost-effectiveness analysis has been conducted by comparing the proposed investment to similar subprojects. Evidence must also be provided that the O&M costs of the subproject can be reasonably borne by the city government without having a substantial impact on its budget.
  - (d) The subproject will have **no major or irreversible environmental and social impacts**; and subproject ESMPs and RAPs that are satisfactory to the Bank have been prepared and disclosed in accordance with the frameworks and guidelines adopted for the project.

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15 Improved ease of getting from one place to another by both motorists and non-motorists. For example, creating a dense and well-connected network of sidewalks and pedestrian paths to key destinations (e.g., transit stations) can reduce walking time and distances. Upgrading dirt paths or broken roads can allow better accessibility to areas that are difficult to walk or drive to.

16 The threshold rate of 10% is determined by applying the methodology provided in World Bank technical note "Discounting Costs and Benefits in Economic Analysis of World Bank Projects," using Pakistan's annual average GDP growth rate from 1960 to 2014 as 5% and using the Ramsey formula with 2 (the upper bound) for the elasticity of marginal utility of consumption.



- (e) **All necessary clearances and approvals for implementing the subproject**, including the detailed urban design, traffic management plan, and necessary environment and construction permits, have been given by the relevant agencies or authorities, so that the subproject can be implemented within the project time period.
  - (f) Financing, procurement, and implementation plans **satisfactory to the WB** have been prepared.
6. The framework approach integrates a systematic stakeholder engagement process during subproject preparation and implementation to solicit feedback on designs, build bottom-up support and community ownership of the project, and mitigate any social risks anticipated during implementation. The process also helps ensure that each subproject is responsive to the local context and beneficiaries' needs. Where appropriate, the consultations include vulnerable groups such as women- and youth-only sessions, and they support the formation of Neighborhood Stakeholder Committees and a Neighborhood Participation Plan for each subcomponent, to sustain the participation process during subproject implementation.
7. Public spaces are defined as, but are not limited to (i) roads, streets, and sidewalks; (ii) public open spaces like markets, parks, playgrounds, plazas, squares, and waterfronts; and (iii) public buildings such as community centers and libraries. Good-quality public spaces are well-maintained, safe, and accessible, and they enhance recreation and livelihoods within the surrounding community. Candidate public space subprojects can include investments under the following themes:
- (a) **Enhanced accessibility and mobility**: repaving sidewalks and streets using appropriate and innovative paving materials to support pedestrian walkability and non-motorized transport; creating a pedestrian network around key destinations and future BRTS stations; removing barriers around landmark public spaces; installing wayfinding signs; installing public toilets; installing or rehabilitating fixtures such as benches, soft landscaping, shade structures, pavilions; and so on. Special attention will be given to the needs of vulnerable groups, including women.
  - (b) **Improved safety features for pedestrians, with special attention to gender**: street lighting, burying overhead cables and rearranging electric equipment, raised crosswalks and signalization, barriers to protect pedestrians from vehicular traffic, periodic or permanent pedestrianization of certain road segments (e.g., for night markets), reorganized street parking to reduce vehicle encroachment on sidewalks, wheelchair ramps, and so on.
  - (c) **Adequate public spaces, particularly in underserved neighborhoods**: construction, rehabilitation, or upgrade of parks, playgrounds, playing fields, or other community facilities.
  - (d) **Attractive public spaces to foster vibrant street activity and support livelihoods**: organizing street vendors, dedicated eating spaces, and temporary street closures for night markets; supporting establishment of local business association(s) to finance small maintenance and security needs of new investments.
  - (e) **Measures to address traffic congestion and parking needs**: reorganize traffic circulation and parking; implement traffic calming measures, signalization, or new roundabouts at busy intersections—all bolstered by a parking management study under Component 2.
  - (f) **Improved selected municipal services**: solid waste collection and improved stormwater drainage along streets.



***Subcomponent 1.1: Redevelopment of Saddar Downtown Area (US\$42 million)***

8. Saddar downtown is an area of approximately 2 square kilometers located in the Saddar Union Council of Karachi District South, in the historic core of the city. It includes several prominent areas—the historic Empress Market, Burns Garden, and Aram Bagh park; several higher education institutions; various government/administrative buildings (both local and provincial); the Pakistan Chowk (a landmark road junction); and a number of cultural destinations such as the Arts Council. It is also home to a popular street of food vendors. This area serves a large segment of the city population and is expected to grow, since it is adjacent to portions of the planned BRTS line (Green), expected to be completed in 2018. Public and private groups are conducting a number of upgrading projects in or near Saddar, such as rehabilitation of the Empress Market and the Pakistan Chowk.
9. The urban environment and public space assets in Saddar are dilapidated, with poorly maintained infrastructure, restricted accessibility (heavy traffic congestion, lack of organized parking, and unsafe pedestrian facilities), poor environment (solid waste accumulation, air pollution), and other safety and security concerns. Several public areas are fenced off or difficult to access.
10. Subprojects in Saddar may include upgrading roads and streets, sidewalks, and pedestrian crossings within existing rights-of-way (ROW); upgrading existing open spaces, installing shade features, and removing barriers for visitors; reorganizing traffic patterns and closing certain street segments (temporarily or permanently); installing signs, street furniture, lighting, and bus stop shelters; organizing parking and installing safety barriers to reduce vehicular encroachment on sidewalks; and rehabilitating underground infrastructure and stormwater drainage beneath upgraded roads.

***Subcomponent 1.2: Malir Area Road and Public Spaces Enhancements (US\$8 million)***

11. Malir neighborhood is a dense, mixed-use area with low-income communities. Once open countryside with fruit and vegetable farms, it has been converted to residential areas as the city expanded. Today the neighborhood is characterized by large arterial corridors that connect Malir to downtown and new developments across the nullah. These roads often have vibrant commercial activity and a number of open spaces that are severely degraded. Malir falls within the jurisdiction of Korangi DMC.
12. The area is inhabited by poor communities that face conditions of reduced mobility, degraded environmental conditions, and associated public health concerns—issues that substantially affect the livability of this area. Practical options for recreation and social gatherings in public spaces do not exist, and the major roads are in poor condition. Sections of the arterial roads, which are divided by a raised median, are deteriorated, and they become nearly impassible during the regular floods—one carriageway must accommodate both directions of traffic. The road also lacks adequate facilities for pedestrians: much of the sidewalk has been damaged or encroached upon, and there are no safe crosswalks or bus shelters. A linear park of approximately 500 meters long (near the Saudabad Square) lacks any shade or useful playground equipment and instead accumulates garbage.
13. Subprojects in Malir may include upgrading the main road, sidewalks, and pedestrian crossings within existing ROW; reorganizing vehicular travel lanes to provide adequate space to pedestrians; rehabilitating/enhancing existing open spaces with shade, adequate drainage, and trash collection facilities; installing street furniture, bus shelters, safety barriers, shade features, and lighting; and rehabilitating underground infrastructure and stormwater drainage beneath upgraded roads.

***Subcomponent 1.3: Korangi Neighborhood Mobility Improvements (US\$20 million)***

14. Korangi is a residential and industrial area with a large number of low-income communities, south of the Malir River and the N5 National Highway. The area includes the Korangi Industrial Trading Estate (one of the largest in the city)



and Ibrahim Haidry fishing village (also one of the city's largest, with an estimated 1.5 million residents). Several major corridors run through Korangi, with vibrant outdoor markets alongside. The selected area is in the jurisdiction of the Korangi DMC.

15. The roads and streets in Korangi are in poor condition, with sections of roads severely potholed or broken down completely. This contributes to traffic hazards, congestion, and air pollution. The roads are also not served by pedestrian-friendly infrastructure such as busways, bus stops, roadside benches, shade, streetlights, pedestrian road crossings, landscaping, and well-designed traffic junctions/crossings. The traffic corridor that connects the fishing village to the other residential and industrial areas of Korangi is not asphalted, affecting residents' mobility, access to markets, and, given the perishable nature of fish, livelihoods. Some road sections and medians have become dumping grounds for garbage, or are being used for commercial and other activities. Because of environmental degradation due to lack of maintenance, pedestrians are forced to walk in or near active traffic lanes, leading to health risks and potential accidents.
16. Subprojects in Korangi may include upgrading main roads, streets, sidewalks, and pedestrian crossings within existing ROW; improving open spaces such as markets, playgrounds, and road medians; installing street furniture, lighting, bus shelters, and safety barriers for pedestrians; and rehabilitating underground infrastructure and stormwater drainage beneath upgraded roads.

#### **Component 2: Support to Improved Administrative Services and City Capacity Development (US\$10 million)**

17. This component aims to improve selected administrative services in Karachi, lay the foundations for better city management, and support the sustainability of Component 1 investments.

##### ***Subcomponent 2.1: Automation of construction permits and business registration in Karachi (US\$3 million)***

18. This subcomponent will finance services and goods to support the design and implementation of a web-based service for business licenses and other e-licensing by other provincial agencies; and the automation of construction permit processes, including capacity-building activities for the Sindh Building Control Authority (SBCA), construction of integrated counters for the public requesting industrial and commercial buildings licenses, and public access to information and complaints management and resolution.

##### **Business registration**

19. The process of business registration is two-tiered. Federal-level formalities can be completed either manually or through a Virtual One-Stop Shop administrated by the Securities and Exchange Commission. Provincial-level formalities are carried out manually. Most of the problems in the business regulatory area stem from (i) lengthy and time-consuming administrative approval processes and procedures; (ii) lack of transparency of information; (iii) low automation; (iv) weak interagency coordination; (v) absence of risk-management; and (vi) lack of public-private dialogue and dissemination of reforms.
20. The subcomponent will finance services and goods to design and implement a Provincial Electronic One-Stop Shop (PEOSS) system, replicated from the system developed in Punjab and extended to key business licenses. Sindh's PEOSS will involve creating a unified web portal driven by a central database that will source its information to provincial departments such as Excise and Taxation, Sindh Employees Social Security Institution, Employees Old-Age Benefits Institution, Labor Department, and Industries and Commerce Department. Once the key business licenses are streamlined, the PEOSS system will be expanded to incorporate e-licensing for other provincial agencies.
21. The activity is expected to require 24 months for implementation. It is estimated that the proposed automation of business registration can reduce the process by 3 procedures and 14 days. The implementation of the project will capitalize on the development and knowledge transfer from the current implementation in Punjab.



### Construction Permits

22. SBCA is the main regulatory and supervisory body in the province tasked with approving and issuing building plans, no-objection certificates, etc., in accordance with the building and town planning regulations. Currently the entire process is manual and paper-based. The archive containing approximately 700,000 paper dossiers is stored in a basement. The risk of losing records is high as the paper is already deteriorating because of age and environmental conditions. SBCA lacks basic hardware and software to keep records secure or perform basic indexing operations. Excessive delays in processing and approval of cases, weak institutional set-up, lack of coordination among departments, and lack of dissemination plans impede SBCA's ability to perform at an optimal level. Lack of easy and correct information often leads to substantial delays in the permit approval process, so that the general public views the construction permit process with apprehension and often turns to informal channels.
23. This subcomponent will finance services and goods to support the following interventions to reduce the number of procedures, the time, and the costs associated with obtaining a construction permit: (i) automation of processes related to the issuance of construction permits; (ii) upgrading of inspection services; (iii) capacity building; (iv) integrated public facilitation counters; (v) counters for industrial and commercial buildings; (vi) information availability; and (vii) complaints management and resolution. The activity is expected to require 24 months for implementation. It is estimated that the improvements can increase the composite Doing Business indicator *Distance to Frontier*<sup>17</sup> by 5 percentage points.

### ***Subcomponent 2.2: Laying the foundations for better city management (US\$7 million)***

24. This subcomponent will finance goods and consultancy services to implement core modules of an integrated financial management information system (IFMIS) for KMC by SAP-certified implementing partners, while setting a foundation for incremental implementation of other modules (in a follow-on project), and will design and develop an asset management system at KMC for movable and immovable assets.
25. It will support KMC in improving its municipal utility tax revenues by financing a survey to assess the potential tax base and a computerized database of establishments falling within this tax, and the design and implementation of an upgraded online platform and potential incentives for taxpayers to pay municipal utility tax.
26. In addition, it will finance the design and development of a web-based platform for KMC for improved public access to information on city management, budgeting, planning, gathering citizen feedback on services, and enabling electronic payment of selected municipal fees and taxes; and the development and implementation of a two-year-long public awareness and outreach program for city programs and activities.

### Financial Management Information System.

27. KMC's FM system was developed about 20 years ago, but the various changes in the LG system since then have not been adequately incorporated into it. Therefore, the system requires a major overhaul to meet existing and anticipated business needs. A detailed fiscal and FM assessment conducted by the Bank has also identified weaknesses in the system that increase fiduciary risk at the entity. Investment in hardware, information system software, and trained personnel will be needed to reflect changes in KMC's organizational structure, permit the

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<sup>17</sup> Distance to Frontier (DTF) measure is based on a scale of 1 to 100. The DTF measure is based on comparisons of an economy's prevailing regulatory practices to a benchmark of regulatory best practices. The closer a country is to best regulatory practices, the higher that country's score on the DTF measure. DTF is a simple average of the scores for each of the component indicators: (1) number of procedures required; (2) time taken, in days; (3) cost incurred, as a percentage of income per capita; and (4) building quality control index, on a scale of 1 to 15.



system to meet KMC's increasing workload of financial transactions, and facilitate the integration of various internally developed subsystems for financial control.

28. KMC has conducted a review<sup>18</sup> of the “as-is” and prepared the “to-be” reengineered target business processes for a comprehensive IFMIS. A Request for Proposals will be issued to SAP-certified implementing partners for implementation of the “to-be” business processes. The first phase of the implementation will focus on six modules/functions—(i) revenue management; (ii) commitments and payments; (iii) banking; (iv) general ledger, aggregation, and reporting; (v) fixed assets; and (vi) payroll—and will include workflow and approval hierarchy, staff training, user acceptance testing,<sup>19</sup> and change management for SAP Enterprise Resource Planning (ERP) software for accrual-based accounting.
29. The implementation will include a tool to import the approved budget; data upload to the IFMIS to provide seamless access to historic transactions and reporting; a user-friendly web interface with capability to present and transfer financial data in real time to support Open Government Data,<sup>20</sup> which has emerged as one of the principal ways of increasing government transparency; periodic software updates; capacity to integrate and communicate with third-party applications and databases; interface with the State Bank of Pakistan for electronic funds transfer; and seamless integration with the SAP-based Financial Accounting and Budgeting System<sup>21</sup> (FABS) at the federal and provincial levels in Pakistan.
30. Preparatory activities—including (i) upgrading the KMC Data Center (servers and network devices) to serve as a Tier 4<sup>22</sup> Primary Data Center; (ii) bringing up-to-date and cleansing of existing data (three years' legacy data) residing in the current bespoke system and in files for migration; (iii) secured Local Area Network and Wide Area Network; and (iv) provision of end-user devices such as desktops, printers, and scanners—are expected to be completed in six months. This project will support procurement of an operating system, licensed software SAP (licenses will be based on the existing negotiated license regime between the Government of Pakistan and SAP), networking equipment, servers, and databases. To avoid any disruption in case of disaster or incident, the firm providing the implementation services will prepare a Business Continuity Management and Disaster Recovery Plan; the various recovery strategies should be based on the regulatory requirements, as well as the Recovery Time Objectives and Recovery Point Objectives of the various business units. KMC will fund annual maintenance and support from its own resources to demonstrate commitment to the use and sustainability of the IFMIS.
31. The KMC IFMIS is developed as part of the mandate<sup>23</sup> of the Auditor-General of Pakistan (AGP) and the Controller General of Accounts (CGA); to ensure alignment with the National Public Financial Management (PFM) System, it is

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18 The consultancy services were provided by Ernst and Young Ford Rhodes.

19 Using the International Software Testing Qualifications Board (ISTQB) guidelines before giving clearance for 'go-live.'

20 Open Government Data—datasets that governments generate, collect, and possess. The term “open data” refers to non-proprietary and machine-readable data that anyone is free to use, reuse, manipulate, and disseminate without legal or technical restrictions.

21 In recent years, various PFM reform programs have remarkably improved Pakistan's PFM landscape by bringing basic financial discipline at all levels of government (federal, provincial, and district), with more than 500 government entities and around 7,000 line managers benefiting from the SAP-based FABS. With the implementation of FABS, a repository of all government expenditure and receipt transactions throughout the country is now readily available in a single database for decision-making.

22 The highest level of guarantee that a data center can provide, with 99.99 percent availability. This data center category is fully redundant in terms of electrical circuits, cooling, and network. This architecture can withstand even the most serious of technical incidents without server availability ever being affected.

23 Article 170 of the Constitution of the Islamic Republic of Pakistan. Power of Auditor-General to give directions as to accounts.- (1) The accounts of the Federation and of the Provinces shall be kept in such form and in accordance with such principles and methods as the Auditor-General may, with the approval of the President, prescribe. Furthermore, the Controller General of Accounts Ordinance No. XXIV of 2001, section 7(b) requires that from the accounts directly kept or maintained by him or by accounts officers subordinate to him, and from the accounts kept and maintained by other entities, including self-accounting entities, the Controller General shall prepare and submit



developed through a quality assurance framework set by the AGP and CGA. The project will finance consultancy services for the adoption of accounting standards for municipal corporations and the update/development of rules, regulations, and procedure manuals for municipal corporations and district councils.

#### Public asset operations and maintenance

32. KMC controls, operates, and maintains a large number of movable and immovable physical assets: large parks, roads, hospitals and other health facilities, public and civic use buildings, fire brigade equipment, and so on. Outdated manual systems are used to plan the regular operation, repair, and maintenance of these assets, so that staff must devote substantial time to provide basic information about the status of these assets—a situation that affects KMC's ability to adequately plan and budget for the repair and maintenance of these assets.
33. This component will finance consultancy services and goods for (i) development of operations and maintenance (O&M) manuals for municipal assets and infrastructure managed by KMC; and (ii) delivery of hands-on training to KMC staff in sustainably using these O&M manuals.

#### Improving own-source revenue collection

34. The municipal utility tax is an important potential source of self-collected revenue for KMC. It is a tax levied on residential, commercial, and other users of land to fund the provision of various municipal services. However, collections are extremely low compared to potential: about 1.3 million bills are generated and distributed per month, but with gross collections of about PKR10 million on average, with a financial recovery of less than 10 percent. Efforts by KMC to increase the tax base and improve enforcement have increased collections in recent months, but KMC officials still consider these collections to be substantially below potential—which according to one estimate is as high as PKR500 million per month. There is substantial potential for increasing collections from this local tax in a sustainable manner.
35. This activity supports KMC in improving its municipal utility tax revenues by financing the following activities: (i) a survey in District South and Central District to assess the potential tax base and develop a computerized database of establishments falling within this tax; (ii) creation of an online platform for citizens and taxpayers to obtain information about the amount of tax owed; make online tax payments; and file complaints about the nature and amount of tax; and (iii) design and rollout of a comprehensive communication campaign to promote the online platform and potential incentives for taxpayers to pay the municipal utility tax.

#### Enhancing citizen participation, feedback, and communications

36. KMC has a rudimentary web portal with no interface with the citizens. This activity aims to improve access to municipal information and offer an e-space for citizens and users of the service to express their views on the adequacy and quality of municipal service. It will also provide citizens with an online tool to pay their municipal utility tax.
37. This activity will finance (i) the design and development of a web-based platform for KMC for (a) improved public access to information on city management, budgeting, planning; (b) gathering citizen feedback on services; and (c) enabling electronic payment of selected municipal fees and taxes (see above); and (ii) the development and implementation of a two-year-long public awareness and outreach program for city programs and activities.

#### ***Component 3: Support to Implementation and Technical Assistance (US\$5 million)***

38. This component will finance technical assistance and advisory services to PIU and the KTSC.

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to the Auditor-General for each financial year a Consolidated and General Financial Statement incorporating the summary of the accounts of the Federation, all provinces and district authorities.





39. **Project management and coordination costs associated with project implementation.** This includes operating costs, training, technical advisory, goods- and services-related procurement and FM, and two consultancies for (a) contract management and supervision, and (b) M&E (see Annex 3). Technical assistance (individual expert) will be provided for the establishment and functioning of the P&DD Internal Audit Wing. The TA will support identification of staff to be assigned to the Internal Audit Wing; preparation of a risk-based internal audit plan; training of Internal Audit staff and conduct of specific internal audits, with the scope of work to cover donor-funded projects. This component will also finance studies such as feasibility, conceptual and detailed design studies, and environment and social assessment for subprojects, as well as the preparation and assessment of follow-on operations, i.e., larger infrastructure investments and institutional reform operations in selected sectors.
40. **Study on parking management.** This study will (i) develop a comprehensive parking plan for the Saddar downtown area, (iii) recommend two initial target areas for paid parking in consultation with KMC and DMC, (iii) propose alternative ways to manage and enforce paid parking, and (iv) prepare a detailed program for establishing paid parking in the target area, based on client and stakeholder input. It will be conducted in close collaboration with LGs, the Traffic Engineering Bureau of Karachi Development Authority, City Traffic Police, the Transport Department of GoS, and other relevant agencies and stakeholders.
41. **Just-in-time TA to the Karachi Transformation Steering Committee.** This component will also support the recently formed Karachi Transformation Steering Committee<sup>24</sup> through mobilization of expertise, exchange of international experience, and advisory services to (i) prepare and adopt a shared vision focused on improving city prosperity, livability, and inclusiveness; and (ii) develop a coordinated roadmap of future investments and key policy reforms needed to realize that vision.

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<sup>24</sup> A high-level steering committee for Karachi's transformation has been recently formed by the GoS with the participation of major government and nongovernment stakeholders. The steering committee, to be chaired by the Sindh Chief Minister, includes the Mayor KMC, Chairs of all DMCs, provincial ministers and secretaries, and representatives from the private sector and civil society.



### ANNEX 3. IMPLEMENTATION ARRANGEMENTS

#### Project Institutional and Implementation Arrangements

1. A project implementation unit (PIU) housed within the Directorate of Urban Policy & Strategic Planning (DUPSP) will have the overall responsibility for implementing the project. The PIU will be responsible for all aspects of project implementation, including technical, operational, environmental and social safeguards, procurement, FM, disbursement, and oversight of the TA, training, public awareness, and communication activities.
2. The PIU is staffed with a Project Director (PD), a deputy PD, liaison officer, civil engineers, an urban planning and design specialist, a traffic engineer, an FM specialist, a full-time fully accredited accountant, a procurement specialist, an environmental specialist, a social development specialist, a resettlement specialist, a gender specialist, a labor specialist, and a communications specialist. The PIU also receives part-time support from technical and financial departments of KMC as needed.
3. Two sets of consultants will also support the PIU:
  - **Project supervision and contract management consultants** will be selected through international competitive bidding under Component 3 of the project. They will report to the PD, prepare the implementation program, and certify the quality and quantities of works, the delivery of works, and the payments. They will also help the PIU in project planning and management, quarterly progress reporting, procurement planning, contract management, FM, supervision of ESMP and RAP implementation and reporting, and overall project management.
  - **Monitoring and evaluation (M&E) consultants.** The regular monitoring of all project components and activities will be key to successful execution of the project. M&E consultants will be responsible for (i) monitoring physical progress; (ii) M&E of the project impact; (iii) review and supervision of the environmental and social aspects of the project; and (iv) provision of guidance to management in early identification and resolution of problems in the project. The consultants will be selected using the Quality and Cost-Based Selection procurement method.
4. **Project coordination committee.** A project coordination committee will be established to ensure interagency coordination and resolve any implementation bottlenecks. This committee will be headed by the Chairman, Planning and Development Board and will include high-level representatives of city and provincial utilities/agencies/boards, including Karachi Water & Sewerage Board, K-Electric, Transport Department, Karachi Development Authority, Traffic engineer unit, and Sindh Solid Waste Management Board, as well as established institutes, research centers and universities, and other civil society stakeholders. The committee will meet monthly, and the PIU will act as secretariat.
5. **High-level multi-stakeholders collaboration and coordination.** A Karachi Transformation Steering Committee (KTSC) has been established to provide planning and strategic guidance and facilitate multi-stakeholder coordination for the development and implementation of policy reforms and investment programs for improving Karachi's economy, livability, and sustainability. This KTSC will, among other things, ensure coordination and steer implementation of the project, including reviewing the physical and financial progress and implementing associated policy measures and decisions.
6. The KTSC will steer the Karachi Transformation Strategy through the following functions: (i) develop and announce a shared vision for transforming Karachi into a more prosperous, livable, and inclusive city; (ii) develop and endorse a roadmap for policy reforms, institutional development, and investment to help achieve the shared vision; (iii) ensure alignment of public expenditure in Karachi with the roadmap; (iv) provide overall strategic guidance, input, and support to the activities of development partners, such as donor agencies, in assisting the implementation of the



roadmap for Karachi’s transformation and ensuring the alignment of such activities to the roadmap; and (v) assist in mobilizing financing from the private sector, and TA from various stakeholders, for closing gaps in infrastructure and service delivery in Karachi.

- 7. Specific to this project, the KTSC will provide planning and strategic guidance for project implementation and will facilitate interagency coordination at the highest level. The KTSC will meet quarterly to review the physical and financial progress of the project and to suggest ways to overcome any constraints/bottlenecks to the execution of project activities. In particular, it will (i) make policy decisions for smooth project execution; (ii) ensure coordination among all stakeholders; (iii) arrange bridge financing for local resources during any financial constraint from donors; and (iv) establish committee/s for resolving any policy-related issue.
- 8. **Communication and public information.** Given the nature of most project components and activities, the project will benefit from an effective public information campaign to (i) promote support for project activities; (ii) facilitate management and mitigation of project risks; and (iii) strengthen the Government’s capacity to handle such communications. The PIU will recruit a communications specialist to assist the Government in reaching out to citizens and the business community. Sindh has the added advantage of dynamic and robust Sindhi-language media, both print and electronic, which the implementation team will leverage to enhance the project’s outreach and communication efforts.

### Financial Management

#### FM Appraisal of the Directorate of Urban Policy & Strategic Planning (DUPSP)

- 9. The PIU has been established at the DUPSP of the Planning & Development Department (P&DD), GoS, with the Director General of DUPSP designated as the PD. The PIU is responsible for the execution and implementation of the project, including management of and reporting on the fiduciary aspects: FM, disbursements, audits, and procurement. Review of the FM arrangements in DUPSP of P&DD revealed the following risks, for which the proposed mitigation measures will be implemented.
- 10. Retroactive financing will be available under the Project for an aggregate amount up to US\$5 million for payments made for eligible expenditures (PIU staff salaries and equipment; and mobilization fees for the first set of contracts under Component 1) carried out on or after April 1, 2017. All expenditures, for which retroactive financing is sought, will be submitted to the Bank in order to verify their eligibility as per the project description and disbursement table, safeguards policies and procurement requirements.

Table A3.1. Financial Management Risk Assessment Matrix

H = High; S = Substantial; M = Moderate; L = Low.

Type of risk	Preliminary risk rating	Brief explanation	Risk-mitigating measures incorporated in project design	Residual risk rating
Inherent risk				
Entity level - Planning & Development Department (P&DD)	H	Weak institutional capacity to implement the project’s components, effectively monitor progress, and embrace efficient and transparent accountability for results.	Leverage ongoing public sector management reforms supported by WB and European Union.	S
Project level - DUPSP	S	Some PIU staff have prior experience with the	TA to be provided through the project. Hands-on supervision of the project.	S



Type of risk	Preliminary risk rating	Brief explanation	Risk-mitigating measures incorporated in project design	Residual risk rating
		implementation of Bank-assisted projects.		
Overall inherent risk	H			S
Control risks				
Budgeting	S	Failure to properly prepare comprehensive project budget for inclusion in the Annual Development Plan.	Planning & Development Department (P&DD) to plan for the project activities and include them in the SAP-based Financial Accounting and Budgeting System (FABS) with detailed chart of accounts to identify source of funds and related project components/ subcomponents.	M
Accounting	S	<i>Budget &amp; Accounts Section</i> currently performs the budgeting and accounting functions of DUPSP. Failure to account for project funds and provide full documentation due to absence of FABS at the PIU.	FABS terminal will be installed at the PIU and experienced user(s) seconded by CGA. Also, CGA to deputize a suitably qualified and experienced staff familiar with the World Bank-funded project arrangements. Bank statement by National Bank of Pakistan to the project by end of first week of succeeding month. Unreconciled items to be resolved within a month.	M
Internal audit (including internal controls)	H	Internal audit function does not exist.	TA (individual expert) for establishment and functioning of the P&DD Internal Audit Wing. The TA will support identification of staff to be assigned to the IA Wing; preparation of risk-based internal audit plan; training of IA staff, and conduct of specific internal audits with scope of work to cover donor-funded projects.	S
Funds flow	H	The 12 percent counterpart funds to be made available for the PIU through the provincial treasury system may be delayed if not properly synchronized with project activities.	Report-based disbursement, including proper cash forecasts. Close liaison between PIU and Finance Department to adapt the release policy to match the project cash forecasts; this will be included as a covenant for the project.	S
Financial reporting	M	The Government's accounting system is followed using the New Accounting Model developed under Pakistan Improvement of Financial Reporting and Accounting. The Chart of Accounts is flexible enough to report project expenditure.	Monthly Budget Execution Reports aligned with IUFRR directly derived from FABS. Submit monthly account to CGA before 21st day after the close of the month.	L
External auditing	S	AGP is capable of submitting the required audit reports within 6 months of year-end. However, the history of low-quality reports poses risk to the acceptability of the project audit report.	AGP will include the project as part of its annual audit plan. The FM team will continue to provide support to the AGP to improve the timeliness and quality of audit reports.	M
Overall control risk	S			
Overall risk	S			



Type of risk	Preliminary risk rating	Brief explanation	Risk-mitigating measures incorporated in project design	Residual risk rating
The overall risk exposure is considered Substantial for this project. This will be mitigated by implementing and adhering to the proposed risk management measures. An evaluation will be undertaken after six months to ascertain if consistent application of the mitigation measures has reduced the risk.				

11. The main findings of the assessment are presented below.

- (a) **Staffing.** The PIU is not yet fully staffed. The AGP would deputize a suitably qualified accountant (as Finance Manager) who is familiar with the Bank’s project management and disbursement policies and procedures.
- (b) **Planning and budgeting.** As part of the budget preparation process, the P&DD will include the project in the ADP. The project will be entered in the SAP-based FABS at the level of DUPSP and by project components. The estimated disbursements will be included in the estimates of foreign assistance on the receipt side of the budget.
- (c) **Counterpart funds.** It is envisaged that GoS will contribute 12 percent of the total cost of the project as counterpart funding. The counterpart funds will be made available for the PIU through the provincial treasury system. The PIU will open a counterpart fund Assignment Account with the State Bank of Pakistan. Payments to contractors/suppliers will be made upon the Treasury Office’s verification and approval.
- (d) **Accounting.** The Government’s accounting system, using the New Accounting Model, is used. The Chart of Accounts is flexible enough to report specific project expenditures. A separate bankbook and expenditure register would be maintained for the project. The PIU will approach the Accountant-General (AG) Sindh through CGA for the provision of a FABS terminal. The PIU will be given access to client connection to properly reconcile project payments as recorded in its accounting records and the Bank.
- (e) **Internal controls and internal auditing.** The GoS has a comprehensive internal control framework comprising the Sindh General Financial Rules, Treasury Rules, and Sindh Delegation of Financial Powers Rules, which will be observed for project expenditures. At present, there is no internal audit section at DUPSP. It is envisaged that an adequately qualified and experienced internal auditor will be engaged for the project. Internal audit reports will be submitted quarterly to the Departmental Internal Audit Committee and Project Steering Committee, with copies to the Bank.
- (f) **Financial reporting.** Quarterly Interim Unaudited Financial Reports (IUFs), including cash forecasts for two quarters, in a format agreed with the Bank, will be prepared for disbursement of funds and monitoring by the Bank. These reports will be submitted to the Bank within 45 days after the end of each quarter. Liabilities at the end of each quarter would be reflected in the IUFs. Annual financial statements will be prepared according to Cash Basis International Public Sector Accounting Standards.
- (g) **Project auditing.** The AGP, who is acceptable to the Bank as the auditor of the project, will for each financial year closing on June 30 submit audited financial statements of the project along with a Management Letter by December 31, i.e., within six months after the close of the financial year. In



addition to the audited financial statement, the PIU management will provide an assertion that funds have been used for intended purposes.

**Disbursement and Funds Flow Arrangements**

- 12. The PIU will establish one Designated Account (DA) in US dollars with the State Bank of Pakistan to receive funds from the World Bank against the IDA SUF Credit. The procedure for operating a designated account/ revolving fund account has been revised by the Finance Division of the Ministry of Finance, Government of Pakistan, for foreign-funded projects (see notification dated August 2, 2013). The funds under the project will be disbursed and used by the PIU following that procedure. The Bank’s disbursements to the project will be report-based—that is, based on the IUFs—and initial advances to the DA may be front-loaded to reflect the forecast of the first two quarters’ expenditures expected to be paid out of the funds in the DA, as provided in the IUFs.

**Supervision Plan**

- 13. Since DUPSP does not have previous experience implementing a Bank-financed project, the project will need to be supervised closely in the initial period. This close supervision will also help DUPSP staff train in report-based disbursements. Thereafter, the Bank will follow its normal supervision procedures. The PD will ensure the implementation of the action plan set out in Table A3.2.

**Table A3.2. Supervision Action Plan**

Significant weaknesses	Action	Responsible person	Completion date
Transaction entry and authorization centralized at AG Office	SAP-FABS terminal will be installed at the PIU and experienced user(s) seconded by CGA. All project transactions will be processed and authorized at the PIU, and payment from the Assignment Account will be made direct to vendors without recourse to endorsement at AG Office.	Project Director	June 30, 2017
No internal audit arrangements	Internal auditor TA will be provided under the project.	Project Director	June 30, 2017
Lack of professional staff in the Budget and Accounts Section	CGA to deputize suitably qualified and experienced staff familiar with the World Bank’s disbursement, FM, and procurement procedures as Finance Manager and Assistant Finance Manager.	Project Director	May 31, 2017
Late release of funds	Project cash forecast will be closely monitored and actively followed up with Finance Division for timely release of funds.	Project Director	Continuous

**Procurement**

- 14. **General.** Procurement for the proposed project will be carried out in accordance with the Bank’s Procurement Regulations for Borrowers for Goods, Works, Non-Consulting and Consulting Services dated July 1, 2016, and applicable to investment project financing. Project procurement outlays include medium- to low-value civil works for roads, including urban spaces; and medium- to low-value consultancies for supervision of civil works, M&E, and development of software and medium-level IT Systems. Most of the civil works will be procured through open national competitive bidding (NCB), and IT systems would be procured through international competitive bidding. The project will use the online tool STEP (Systematic Tracking of Exchanges in Procurement).
- 15. **Project procurement development objectives.** The project procurement development objectives are the following: (i) to ensure efficiency and value for money in procurement that contributes towards enhancing public urban spaces in targeted neighborhoods, and improving selected municipal services; (ii) to ensure appropriate packaging and market participation in civil works contracts; and (iii) to ensure effective contract management that contributes towards achieving the PDO.



16. **Project procurement results indicators.** (i) 75 percent of bids awarded within the bid validity period; (ii) good competition and contract prices within 20 percent of the estimated costs; and (iii) 100 percent of the contract delays captured and extensions provided before the contract closing date.
17. **Key procurements under the project.** the Bank’s contribution to the project is US\$86 million, of which about 90% is allocated to the procurement of works, goods, consultancies, and IT equipment.
- (a) **Civil works.** All the works are planned under component 1. The packages identified for year 1 may be classified as small (US\$3 million to US\$7 million) and medium (US\$15 million to US\$20 million). Procurement for these contracts will use NCB procedures.
  - (b) **Information systems.** Under Component 2, the project will use the ERP solution for the municipal IFMIS.
  - (c) **Goods and non-consultant services.** Some small goods, including office supplies and vehicles, are identified in Component 3. The PPSD will provide adequate procedures and will be included in the Procurement Plan.
  - (d) **Consultancies.** Two major consultancies covered under Component 3 are engineering supervision support and M&E. Additional consultancies will be identified for follow-up project preparation and some smaller assignments like audit, etc. The Procurement Plan provides the details.
18. **Procurement capacity.** DUPSP has a track record of contracting and managing consultancies and some small works using the Sindh Public Procurement Rules. For the project procurements, approvals will be delegated to the PD of the PIU. A POM is being developed, which will include for procurements the roles and responsibilities of various staff in the PIU, service standards, approving authority, contract signing, and management responsibility for the contracts to be awarded under the project. Relevant PIU staff will be provided training in the procurement and contract management function under the Bank’s procurement procedures. As NCB would be the major type of competition, the PPSD provides an analysis of Sindh procurement rules. In summary, the Sindh public procurement rules have competition as a default procedure; refer to the use of standard bidding documents/request for proposals; require web disclosures of opportunities to bid; mandate the use of fair bidding conditions; and have stipulations for pre-award disclosure and a complaint redress mechanism. Some systemic issues in the provincial procurements have been unrealistic cost estimation and delays in contract completion/extension and contract closure.
19. A SWOT analysis shows the strengths, weaknesses, opportunities, and threats of DUPSP (see Table A3.3).

Table A3.3. SWOT Analysis of DUPSP

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Customized staffing and capacity</li> <li>• Awareness and understanding of public procurement rules</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• No substantial track record as an entity</li> <li>• Not yet fully staffed</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• New organizational systems to be established with higher authority level</li> <li>• Political support for implementation</li> <li>• Potential long-term client for the market</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Not staffed in a timely manner</li> <li>• Delays if powers are not delegated to the PD</li> <li>• Diminished ownership given the PIU role</li> </ul>

20. **Procurement risk assessment.** Efficient project implementation is based on timely design and bidding for the year 1 contracts, which is being done using GoS’s own funds, and on early and appropriate hiring of the procurement and contract management person in the PIU. It is also critical that the PD PIU be given adequate delegations of the



procurement and contract management decision authority to run the project efficiently. At this stage the procurement risk remains Substantial; the risks and mitigation measures are shown in Table A3.4.

**Table A3.4 Procurement Risks and Mitigation Measures**

Risk area	Description of mitigation	Risk owner	Timeline
Efficiency of decision making	Decision making for procurement and contract award devolved to the PD. Arrangements to be documented in the POM and PPSD.	GoS DUPSP	Completed Ongoing
Realistic cost estimates	Consulting firm is required to review estimated cost based on the market rates.	DUPSP/PIU	Ongoing
Participation of bidders	Some potential bidders may shy away from participation given the perception of delays in payments and completion. Potential bidders will be called in for an awareness session regarding the Bank procurement procedures and contracts.	DUPSP/PIU	Before publishing Specific Procurement Notice
Contract management competency, specifically for IFMIS	Added technical staff at PIU	DUPSP/PIU	Before commencing IFMIS procurement
Slippage of timelines	Adequate project management to be in place: Hiring of procurement and contract management staff Consulting firm to support in decisions and payments	DUPSP/PIU	Before signing of contracts
Awareness of Bank's Procurement Framework	Training to relevant DUPSP /PIU staff	WB	As soon as staff hired

21. **Market sector dynamics.** Major procurements in the project are for civil works planned under Component 1. The packages identified for year 1 may be classified as small (US\$3 million to US\$7 million) and medium (US\$15 to US\$20 million). These contracts will be procured using NCB procedures. Based on the recent data for works awarded by GoS, about 10 active firms would qualify for the medium-sized contracts and about 20 firms for the small contract(s). The estimated costs of the packages identified for year 1 are not large enough to invite adequate international competition; however, foreign firms would be eligible to apply in NCB. There are about nine large consulting firms that have an adequate track record to apply for the design supervision and M&E contracts. All top suppliers of IT equipment and ERP solutions are present in Pakistan. Generally open competition is done, and for the ERP solution for IFMIS, the technology decision may be based on the feasibility study already being conducted. The list of potential bidders for the civil works, consulting services, and IT systems is provided in the PPSD.
22. **Recommended procurement approach.** The procurement approach for civil works will be NCB using single-stage, single-envelope with post qualification. Contracts are envisaged to be admeasurement or lump sum, with price adjustment only if contract timelines exceed 18 months. For the year 1 contracts, completion time is envisaged to be 9-12 months. Documents used for bidding will be agreed with the Bank and will include provisions meeting the aspects given in section 5.4 of the Regulations. Details of other methods are provided in PPSD. For consultancies all the available options (Quality and Cost-based Selection, Section under a Fixed Budget, Least-cost Selection, Quality-based Selection, Selection based on Consultant's Qualifications, and Direct Selection) are applicable.
23. **Procurement thresholds and Procurement Plans.** The Procurement Plan will list the contracts that will be subject to the World Bank's mandatory prior review as well as ex-post review. The procurement thresholds applicable effective July 2016, as part of the new procurement framework, will be applied. The details are provided in the PPSD. The Procurement Plan has been prepared.





### Environmental and Social (including Safeguards)

24. Under Component 1, the project intends to finance rehabilitation of targeted public spaces in Saddar downtown area, Malir area, and Korangi area that can have adverse environmental impacts. It has been classified as Category B because of potential adverse environmental impacts that are site-specific and reversible and thus easily remediable by applying appropriate mitigation measures. Consequently, Bank safeguard policies—Environmental Assessment (OP/BP 4.01) and Involuntary Resettlement (OP/BP 4.12)—have been triggered, and environmental and social assessment is required.
25. Since the exact extent of the interventions to be implemented at each of the three locations is not known at this stage, a framework approach has been adopted for environmental and social assessment. An ESMF and an RPF have been prepared and disclosed in-country and at the Bank's Infoshop. Under the framework approach, each subproject will be screened for the severity and extent of environmental and social impacts. Subprojects will be assessed with the help of a rapid assessment checklist. Site-specific environmental and social management plans (ESMPs) will be prepared for all three locations.

#### Screening Process

26. The initial screening was done to identify potential neighborhoods using simple criteria to exclude neighborhoods and projects that would entail any significant long-term and irreversible environmental and social impacts. The criteria also included zones with potential demonstration effects for the livability and accessibility improvements; complementarity with ongoing or future interventions for public space redevelopment; and community engagement in marginalized neighborhoods to support confidence-building measures. The initial screening also ensured that neighborhoods in sensitive locations and subprojects requiring land acquisition are to be avoided. For each subproject, the selection criteria included alignment with the PDO, enhancement of public space assets, readiness and quick implementation, no major or irreversible environmental and social impacts, and economic viability.
27. The ESMF specifies the types and extent of environmental and social assessment that will need to be carried out with the help of the rapid assessment checklist before initiating subprojects. Subprojects that have negative but localized environmental or social risks or impacts will require ESMPs.

#### Impacts and Mitigation

28. Most of the project's environmental and social impacts will be related to the construction period. Potential adverse environmental impacts may include air quality deterioration; increase in noise pollution; construction debris and waste, including old piping and sewerage infrastructure requiring proper disposal; employee health and safety issues; vehicular and pedestrian traffic disruptions and congestions due to road closures; disruptions in water supply; possible cutting and pruning of trees; and risk of water contamination in the existing system. Appropriate mitigation and management measures are required to contain these impacts.
29. Mitigation measures will include sprinkling water, covering trucks and piles, and ensuring that construction workers use appropriate personal protective equipment to reduce exposure to dust. Traffic management and congestion will be avoided by having a traffic management plan and designated parking areas. Road construction should be carefully planned and scheduled when traffic movement is minimal. Construction waste management will be addressed through proper disposal of construction debris and waste at designated sites. Noise quality will be maintained within the permissible limits by using noise abating devices and barriers, and high-noise activities would be restricted to normal working hours only. Project management will ensure that the wastes from construction activities are not released into any surface or groundwater source. Special care will be taken to keep fuels, lubricants, and chemicals in special designated areas and contained to avoid soil contamination. A survey and inventory of large and mature



trees will be undertaken before construction work starts; old and mature trees will not be cut but rather relocated using the latest techniques and equipment. The World Bank Group's Environment, Health and Safety Guidelines will be implemented.

30. No land acquisition is foreseen under the project as no new infrastructure development will take place. Land may be required on a temporary or small-scale basis, and to facilitate this a Resettlement Policy Framework (RPF) has been prepared. Civil works will take place in mostly densely populated urban areas with mixed commercial and residential use. There may be temporary impacts on livelihoods. Resettlement Action Plans (RAPs) will be prepared to ensure that people are compensated where required. Screening will also be undertaken for impacts on old buildings. Labor issues will be stringently monitored by the project, and contracts will include specific clauses for compliance with Pakistan's labor laws

#### **Training and Capacity Building**

31. To ensure the implementation of ESMF, environmental and social training and capacity building will be provided to give project staff basic knowledge and information on the key environmental and social issues associated with the proposed interventions. The cost of the training program, estimated at US\$40,000, will form part of the project cost.

#### **Implementation Agreements**

32. An Environment, Social and Resettlement Unit (ESRU) will be created within the PIU and will be adequately staffed with environmental and social specialists to address safeguard-related matters. The ESRU will be responsible for all environmental and social issues, as prescribed in the ESMF, and for ensuring that the ESMF is operationalized at the field level through proper ESMPs. The ESRU will monitor the ESMF to ensure that mitigation plans are being effectively implemented, and will conduct field visits on a regular basis. The contractor will be responsible for the implementation of site-specific ESMPs during the construction phase. Implementation of RAPs will be the responsibility of the ESRU, which will be assisted in this task by the design and monitoring consultants. The construction contracts will include appropriate clauses to protect the environment and public health and to ensure compliance with Pakistan's labor laws. The ESMF will be included in the bidding document.
33. In addition, the PIU will engage the services of a supervision consultant who will be responsible for ensuring the implementation of ESMPs. The supervision consultant will be required to have an in-house environmental and social team for ensuring ESMP implementation. Furthermore, the project's M&E consultants will carry out independent evaluation of environmental and social safeguards.
34. The implementation cost of the ESMF has been estimated at US\$100,000, including trainings, monitoring, and reporting. This amount is part of the overall project cost.

#### **Documentation and Reporting Mechanism**

35. Quarterly M&E reports will be produced. Any major accident will be reported and communicated separately. Consultations will be conducted as part of RAP preparation and implementation. Quarterly progress reports on RAP implementation will be submitted to the Bank.

#### **Monitoring and Evaluation**

36. The PIU will be responsible for overall quality assurance, M&E, and reporting. M&E will be conducted by a team of professional consultants, who will monitor and evaluate project performance and impact—including ESMPs, RAPs, and the gender action framework—during and after construction. In addition, the team will carry out impact assessment studies to evaluate project performance and achievement of the PDO. The M&E system for the project is fully designed, and TA support for the PIU staff to carry out M&E activities is built into the project.



37. Semester and annual progress reports, in a format agreed with the Bank, will be submitted to the Bank no later than 45 days after the end of each calendar semester and year. The annual progress reports will in addition provide information on indicators measuring achievement of the PDO.
38. A mid-term review of the project will be undertaken within 24 months after the effectiveness of the Financing Agreement. An Implementation Completion Report will be submitted to the Bank no later than six months after the Project closing date. In addition, a number of performance review mechanisms have been built into the project to ensure close support for the smooth implementation of the project and monitoring of its performance, especially through the stability and availability of good-quality and empowered staff and consultants in the PIU.
39. The detailed results framework and baseline indicators are presented in Annex 1.



**ANNEX 4. IMPLEMENTATION SUPPORT PLAN**

**Strategy and Approach for Implementation Support**

1. The implementation support plan (ISP) for the project has been developed to reflect the specific nature of the components, the planned implementation schedule, lessons learned from similar projects in the sector, and specific needs identified by the various assessments. The plan will be regularly reviewed and revised as required. It lays out the support activities that the Bank will provide and the project design and monitoring features that will be adopted to mitigate the most significant risks identified in the Systematic Operations Risk Rating Tool (SORT). The ISP also identifies the requirements to meet the Bank’s fiduciary obligations.
2. As part of the ISP, special attention will be paid to the design and implementation of public spaces improvement activities. More specifically, systematic due-diligence will be conducted to i) ensure proper and sustained stakeholders’ involvement during the design and implementation phase; and ii) avoid any potential conflict of interest during the use of the improved public spaces.
3. The ISP aims to enhance the quality of the client’s delivery of the proposed project interventions and address critical issues that may affect project implementation. The ISP will specifically focus on (i) strengthening the technical and fiduciary capacity of the government counterparts at the beginning of the project; and (ii) regular provision of implementation support through Bank implementation support missions, covering technical, institutional, safeguards, M&E, and fiduciary aspects.
4. The capacity needs of the PIU will be periodically reviewed over the course of implementation to identify the need for strengthening in the areas of procurement, supervision and management of contractors, and TA.

**Implementation Support Plan and Resource Requirements**

5. Implementation support will comprise (i) implementation support missions; (ii) regular technical meetings and field visits by the Bank between formal review missions; and (iii) reporting and monitoring of FM, procurement and environmental and social safeguards.
6. **Implementation support missions.** Formal implementation support missions will be carried out three times during the first year, and every six months in subsequent years. During the first year of the project, given the complexity of the subprojects, it is envisaged that regular TA missions will go to essential areas to support the client in initiating activities. Several of the World Bank team members are based in the field and will be able to provide ongoing implementation support, with additional inputs from team members based in Washington, Dubai, and elsewhere. The World Bank team will also provide additional support between these missions. The volume of support is expected to be particularly high in the first two years of project implementation. An ISP for the first year of the project and for the following years is provided in Tables A4.1 and A4.2.

**Table A4.1. Implementation Skills and Resources Requirements**

Time	Focus	Skills needed	Resource estimate (staff weeks)
First 12 months	Project start-up; preparing safeguards instruments; fiduciary staff training; setting up PIU; conducting community-level consultations; initiating design schemes; launch of work in first year of project	See table below	68



Time	Focus	Skills needed	Resource estimate (staff weeks)
12-36 months	Support (i) implementation of project activities; (ii) innovative activities to increase access to and use of public spaces; (iii) behavioral change; (iv) city governance; and (v) research and knowledge sharing	See table below	78
Total			146

Table A4.2. World Bank Skills Mix Required for Implementation

Skills needed	Number of staff weeks	Number of trips
Team leadership	36	14
Senior Urban Development Specialist	12	7
Social Safeguards Specialist	24	7
Environmental Safeguards Specialist	16	7
Procurement Specialist	12	10
Financial Management Specialist	10	7
Social Development Specialist	16	12
Technical Specialists	20	12