



Project Summary Information

Date of Document Preparation/Updating: February 19, 2025	
Project Name	Karachi Water and Sewerage Services Improvement Project-2 (KWSSIP-2)
Project Number	P000404
AIIB member	Pakistan
Sector/Subsector	Water/Water supply, sanitation, and wastewater treatment
Alignment with AIIB's thematic priorities	Green infrastructure
Status of Financing	Under Preparation
Objectives	Increase water availability, improve the safety of water and sewerage services in Karachi, and improve Karachi Water and Sewerage Corporation (KWSC)'s financial and operational performance.
Project Description	<p>The Project will deepen the reforms undertaken under the Phase-1 project and significantly scale-up the infrastructure investments to improve water supply and sewerage services in Karachi. The investments in rehabilitation of existing and construction of new infrastructure will enhance the development impacts by reaching more beneficiaries, at the same time, building support for continued mainstreaming of the operational reforms and new investments. Proposed activities are grouped into four components:</p> <ul style="list-style-type: none"> • Component A. Capacity Building and Reform of KWSC: This component will continue to build capacity and improve operational performance and sustainability of KWSC by supporting institutional reforms; revenue management, customer care and communication; non-revenue water reduction; preparation and implementation of water safety plans; water wastage reduction program and water audits. • Component B. Safely Managed Water Supply and Sanitation Services: This component will invest in key water and sewerage infrastructure to address three interlinked structural problems in Karachi's water and sanitation system – the overall supply shortfall; the low water quality; and the lack of sewage treatment capacity. • Component C. Project Management and Studies: This component will support Project management costs and finance technical assistance for advance studies for potential subsequent water and wastewater infrastructure projects in Karachi.

	<ul style="list-style-type: none"> • Component D: Contingent Emergency Response Component with USD0 million allocation. The Borrower may request the Bank to reallocate Project funds for the provision of immediate response to an eligible crisis or emergency, as needed. This component would draw funds from the uncommitted loan resources under the Project from other Project components to cover emergency response.
Expected Results	<p>The Project aims to achieve following results by Year 2030:</p> <ul style="list-style-type: none"> • People provided with safely managed water (16 million) • People provided with safely managed sanitation (10.4 million) • KWSC Operating Cost Coverage Ratio improved (130 Percent)
Environmental and Social Category	A
Environmental and Social Information	<p>Applicable Policy and Categorization: The Project is co-financed with the World Bank (WB) as a lead co-financier and the environmental and social (E&S) risks and impacts of the Project are assessed in accordance with the WB's Environment and Social Framework (ESF). To ensure a harmonized approach to addressing the E&S risks and impacts of the Project, and as permitted under AIIB's ESF, AIIB agrees that the WB ESF will be applicable to the Project in lieu of AIIB's ESF. AIIB has reviewed the WB ESF and is satisfied that: (a) it is consistent with AIIB's Articles of Agreement and materially consistent with the provisions of AIIB's ESF and the relevant E&S Standards; and (b) the monitoring procedures that are in place are appropriate for the Project. The WB has categorized the environmental risk rating as 'Substantial' and the social risk rating as 'High', making the overall E&S risk rating of the Project as 'High'. The WB categorization of the Project as High is equivalent to the AIIB's categorization as 'Category A' (if AIIB's ESF were applicable).</p> <p>Environmental and Social Instruments: To manage the E&S risks and impacts, the following E&S instruments have been prepared: 1) a combined Resettlement Action Plan (RAP) for specific Project interventions (Malir Basin Wastewater Interceptors, Treatment Plant, priority sewer networks and K-IV Augmentation); 2) an Abbreviated Resettlement Action Plan (ARAP) for investments in water and sewerage networks for 10 <i>Katchi Abadis</i>' communities; 3) an Environmental and Social Impact Assessment (ESIA) for K-IV Augmentation; 4) ESIA for Malir basin wastewater interceptors, treatment plant; 5) Labor Management Procedure (LMP) to manage risks and impacts associated with labor and working conditions and occupational health and safety; 6) an Stakeholder Engagement Plan (SEP), including Grievance Redress Mechanism (GRM) aimed to establish a systematic and inclusive approach to stakeholder engagement and consultation; 7) five Environmental and Social Management Plans (ESMPs) prepared for sub-projects which included: (i) rehabilitation of existing and construction of new filtration plants, (ii) improved water supply and sewerage in additional low income <i>Katchi Abadis</i>, (iii) priority sewer network</p>

rehabilitation and extension project, (iv) priority water network rehabilitation and extension project, and (v) reducing energy consumption at Dhabeji and NEK pumping stations.

Environment Aspects: Project activities planned under Component B involve construction and rehabilitation of large-scale water supply system, wastewater treatment plant and water and sewerage networks. The environmental impacts during the construction phase are diverse and include: (i) air and noise pollution; (ii) loss of trees and vegetation; (iii) generation of construction and solid wastes and wastewater; (iv) quarrying activities and associated soil erosion; (v) Operational Health and Safety (OHS) and Community Health and Safety issues due to the activities in densely populated areas; and (vi) temporary blockage of access and diversion of local traffic due to mobilization of heavy machinery and localized excavation works within areas subjected to public access. During Project operation, the environmental impacts include the generation of sludge from wastewater and water treatment, OHS hazards related to chemicals management, potential soil and groundwater contamination due to any leakages of the sewerage pipes, the mixing of sewage into the water distribution system and over-abstraction from Keenjhar Lake without offsetting or regulating additional withdrawals for K-IV Phase. A water balance study for Keenjhar Lake to assess the impacts of the additional water withdrawals was carried out as part of ESIA of K-IV Augmentation sub-project. The study concluded that fulfilling K-IV project water needs requires a mix of structural and non-structural interventions including Kalri Baghar Feeder Upper (KBFU) lining and regional water management and efficiency respectively. Sindh Irrigation Department has started the rehabilitation of the KBFU canal to restore its hydraulic capacity. Keenjhar Lake Conservation Action Plan (KLCAP) has been developed to address the cumulative impacts of water abstraction projects and will be implemented prior to start of works on K-IV augmentation. This action plan outlines a comprehensive management framework and set of actions for conserving the lake.

Social Aspects: Overall, the Project will result in positive social impacts, including for women, children and vulnerable groups, as the improvement in water and sanitation services will benefit the local population in the Project area. However, the Project will induce some significant social risks, mainly related to working conditions, OHS of workers, and other risks related to community health safety including sexual exploitation abuse/sexual harassment. Other social risks are related to minor potential risks and impacts on losses of assets and economic displacement of affected households living along the right-of-way or in sub-project locations. Central risks associated with the Project lie in the legacy issues related to land acquisition and resettlement, which were already carried out by Water and Power Development Authority (WAPDA).

Occupational Health and Safety, Labor and Employment Conditions: The construction and rehabilitation activities will pose significant risks and impacts associated with labor and working conditions and OHS for direct, contracted workers and in the supply chains during both construction and operations and maintenance phases. Labor management procedures (LMP) have been prepared to manage these risks. Aspects of LMPs alongside mitigation measures have been included in the ESIA and ESMPs. The Project Implementation Unit (PIU) will ensure that these measures are specified in tender documents for civil work contracts. The contractors as part of Construction Environmental and Social Management Plan (C-

	<p>ESMP) will prepare traffic management plans, community health and safety measures and emergency response preparedness plan to mitigate all the health and safety risks during construction of the Project.</p> <p>Stakeholder Engagement, Consultation and Information Disclosure: Extensive consultations were carried out with all relevant stakeholders throughout the course of Project preparation, including a series of stakeholder engagement with relevant government institutions and agencies. A Stakeholder Engagement Plan (SEP) has been prepared to create a system for effective and inclusive engagement with defined stakeholders including vulnerable groups and the Project-affected people. Furthermore, all E&S safeguard instruments along with translation of executive summaries in Urdu language were disclosed by the PIU and WB on their websites https://www.kwssip.gos.pk/ess2/. The same documents were disclosed on AIIB website as well: Pakistan: Karachi Water and Sewerage Services Improvement Project-2 (KWSSIP-2) - Projects - AIIB.</p> <p>Project Grievance Redress Mechanism (GRM): A Project GRM established for KWSSIP-1 has been updated and adapted for KWSSIP-2 in line with the requirements of the WB's ESF and included in the SEP. Communities and individuals, who believe that they are adversely affected by the Project, will be able to submit complaints to the Project-level GRM for their resolution. A basic GRM, developed as part of the LMP for Project workers, will report any issues relating to workplace safety and other concerns. The information of established GRMs and WB's independent accountability mechanism (IAM) will be timely disclosed in an appropriate manner.</p> <p>Monitoring and Supervision Arrangements: In addition to the E&S team working as part of the PIU for KWSSIP-1, one additional Senior Environmental Specialist, and one Senior Social Development Specialist will be hired prior to Project effectiveness. Within three months of Project effectiveness, two Environmental Specialists and two Social Development Specialists will be hired along with one OHS Specialist and one Senior Gender Specialist. The PIU will hire the services of an independent E&S consultancy firm for the Third-Party Validation (TPV) for monitoring of E&S parameters and evaluation of compliance level. The project management consultants (PMC) firm hired to support the PIU will also be part of the overall monitoring arrangements. PIU will submit quarterly progress reports including E&S monitoring reports to the Bank and the Bank team will coordinate with the WB and regularly conduct joint supervision missions and provide support and guidance to PIU during project implementation.</p>
Cost and Financing Plan	<p>Project Cost = USD 600 million AIIB = USD 240 million WB = USD 240 million Government of Sindh (GoS) = USD 120 million</p>
Borrower	Islamic Republic of Pakistan
Guarantor	Not Applicable

Implementing Entity	Province of Sindh through Karachi Water and Sewerage Corporation (KWSC)			
Estimated date of loan closing	June 30, 2030			
Contact Points:	AiIB	World Bank	Borrower	Implementation Entity
Name	Shakeel Khan	Tiziana Smith	Yahya Akhunzada	Muhammad Usman Moazzam
Title	Project Team Leader	Co-Team Leader	Joint Secretary, Economic Affairs Division, Ministry of Economic Affairs, Government of Pakistan	Project Director, PIU Karachi Water and Sewerage Corporation (KWSC)
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Date of Concept Decision	11/13/20			
Date of Appraisal Decision	02/07/25			
Estimated Date of Financing Approval	April 2025			

Independent Accountability Mechanism	The WB's ESF will apply to this Project instead of AiIB's Environmental and Social Policy. Pursuant to the Bank's agreement with the WB, the Bank will rely on the WB's corporate Grievance Redress Service (GRS), its independent accountability mechanism and its Inspection Panel, to handle complaints relating to E&S issues that may arise under the Project. Consequently, in accordance with the Bank's policy on the Project-Affected People's Mechanism (PPM),
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	<p>submissions to the PPM under this Project will not be eligible for consideration by the PPM. Information on how to submit complaints to the WB's GRS is available on http://www.worldbank.org/GRS. Similarly, information on how to submit complaints to the WB's Accountability Mechanism is available at https://accountability.worldbank.org/.</p>
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