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

Concept Stage | Date Prepared/Updated: 16-Nov-2016 | Report No: PIDISDSC20281

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Pakistan	P161980		Karachi Neighborhood Improvement Project (P161980)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
SOUTH ASIA	Jan 31, 2017	Mar 31, 2017	Social, Urban, Rural and Resilience Global Practice
Lending Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Government of Sindh	Directorate of Urban Policy & Strategic Planning, Planning & Development Department, Government of S	

Proposed Development Objective(s)

To improve livability and inclusiveness in selected areas in Karachi City.

Financing (in USD Million)

Financing Source	Amount
Borrower	20.00
International Bank for Reconstruction and Development	80.00
Total Project Cost	**100.00**

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

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Pakistan is the world's sixth most populous country with an estimated 189 million people.** As a lower-middle income country with GDP per capita of US$ 1,440 in 2015[1], and a GDP growth by 4.7 percent in FY2015-16, Pakistan continues to be challenged by volatile macroeconomic, political, and security conditions, natural disasters, and continuing unreliable power supply, which constrain the country's achievement of poverty reduction and shared prosperity goals. While poverty has declined in the country over the last decade, nearly three-quarters of the population is still either poor or vulnerable.[2]

2. **Pakistan is the most urbanized large country in South Asia.** Nearly two-fifths live in urban areas today, according to official statistics, and urbanization is expected to reach 50 percent in the next 15 years as per Government estimates. Estimates based on the Agglomeration Index indicate that Pakistan has already crossed the 50 percent urbanization mark. Consequently large swaths of land that exhibit "urban" characteristics are officially administered as rural. This has significant fiscal implications that affect service delivery.

3. **The Constitution of Pakistan establishes the state as a federal parliamentary republic, with a two-tier system consisting of a federal and four provincial governments (Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan).** The provinces are administratively divided into Divisions, Districts and Tehsils/Talukas (sub-districts). While local governments (LGs) are not constitutionally envisaged as a distinct third tier of government, their decentralization of political, administrative, and financial responsibilities are laid down in the Constitution. The 18th Constitutional Amendment of 2010 transferred responsibility for LGs from the federal to provincial governments. However, authority for most of the broad-based taxes remains with the federal government, and provinces are heavily dependent on revenue transfers. In FY2014-15 for example, fiscal transfers from the federal government constituted 81 percent of total receipts of the Government of Sindh province (GoS). Karachi is the capital city of Sindh province.

4. **A newly elected local government for Karachi came into office in August 2016 after a gap of six years in LG elections. During this period Karachi was administered directly by the GoS.** The following LGs are currently functioning in the urban areas of Karachi: Karachi Metropolitan Corporation (KMC) and six District Municipal Corporations (DMCs) which together provide municipal functions within an areas called the Karachi Division which consists of six districts.[3] KMC is run by an elected Mayor and Deputy Mayor and all other LGs are run by elected Chairpersons. These LGs are operationalized under the Sindh Local Government Act (SLGA) 2013 which defines their composition, functions, scope and other related matters. Municipal functions are divided between KMC and DMCs. Most executive authority in the LGs rests with municipal commissioners which are civil servants appointed directly by GoS. A number of powers are available

[1] Gross National Income (GNI) per capita (current US$) using the Atlas method.

[2] Per Government of Pakistan's recently revised poverty line data and its back-casting to determine historic poverty levels under the new poverty line.

[3] Karachi Division is an administrative unit comprising six districts of Karachi, namely: East, West, South, Central, Korangi and Malir. There is one DMC for each of these six districts. Rural areas of the Division, which lie in the periphery of the city, are governed by another LG, the District Council, with a separate elected Chairperson. From 2001 to 2010, under a separate LG law, the entire Karachi Division was consolidated as the City District Government Karachi and was run by a single elected Nazim (mayor).

to the GoS to oversee and regulate the functioning of LGs, and LGs are under the policy and administrative framework of the province. They are also financially weak with a high dependence on fiscal transfers from GoS and limited authority over major sources of own-source revenue such as urban property taxes.

Sectoral and Institutional Context

5. **Karachi, an ethnically diverse megacity with rapid population growth, is the economic center of Sindh Province.** Following's Pakistan's independence in 1947, Karachi quickly became the industrial and commercial hub of the new country. Today it is the only megacity and Pakistan and it is more than double the size of the next largest city, Lahore. Population estimates for Karachi range from 22 to 24 million, accounting for almost half of the entire provincial population, and comprising a high degree of ethnic and linguistic diversity.[4] It is as the main seaport and international trade hub of the country, and a powerhouse in terms of manufacturing employment. The city also has one of the highest per capita incomes and labor productivity (Gross Value Added per worker) in the country, and contributes between 11 to 20 percent to national GDP (more than twice that of the second largest city).[5] The city's population is expected to reach 32 million by 2030. Migration from other parts of the country is the primary driver of this population growth. However, the resulting ethnic diversity did not transform the city into vibrant cosmopolitanism, but instead into pockets of ethnically homogenous zones within a heterogeneous city. Trends of exclusion along religious, ethnic, and linguistic lines compounded with political and socio-economic divisions and fragmentation of municipal institutions have put the city at the risk of repeated outbreaks of violence.

6. **A detailed Karachi City Diagnostic by the Bank was conducted over a period of one year to provide a multi-sector assessment of the infrastructure, service delivery and institutional gaps of the city.** The Diagnostic, based on the framework of improving prosperity livability and social inclusion, found that the complex political economy and institutional fragmentation within the agglomeration of Karachi, have led to poor livability indicators for all segments of the population. For instance, only half of the city's water needs are met by the utility network and water availability ranges from 4 hours per day to 2 hours every other day in some areas; less than 60 percent of the population has access to sewerage, and almost all raw sewage is dumped untreated into the sea. 60 percent of solid waste in the city is not collected and transferred to a dumpsite; 45 citizens compete for every seat on public buses; and an estimated 50 percent of people live in informal settlements.[6] The Diagnostic showed that to close its urban infrastructure gaps, Karachi requires large investments (estimated at about US$10 billion over the next ten years) along with substantial institutional development and policy reforms. It also suggested that both large investment and policy reforms would benefit from an inclusive and incremental approach. These findings were reaffirmed by a diverse group of stakeholders, who also highlighted the issues of citizen inclusion as areas that need to be addressed.

7. **Karachi is now among the least livable cities in the world, due to years of neglect and the factors outlined above.** It ranks in the bottom five cities (out of 140) in the Global Livability Index[7], performing poorly in the dimensions of livability, health, environment, safety and education when benchmarked with comparators. Access to public

[4] World Bank (2014), "Pakistan Urban Sector Assessment", unpublished background paper for South Asia Urbanization flagship report.
[5] World Bank (2016), "Karachi City Diagnostic Report", unpublished draft
[6] World Bank (2016), ibid.
[7] Economist Intelligence Unit

recreational spaces for citizens is under threat. Green and open spaces, as a share of the city's land area, are declining and high density luxury apartments are perceived as displacing public spaces for the middle and lower classes. The city is also very dense, with more than 20,000 persons per square km. From 2001 to 2013, the urban footprint expanded by more than a quarter with signs of sprawl, without the accompanying investments in services and infrastructure. At the same time, valuable land in central parts of the city remains underutilized, resulting in shortages of land for housing and businesses, a result of poor land use planning and fragmented land control across multiple agencies with little coordination. Spatial analysis of data show that job opportunities are mostly located in the central parts of the city, where high-income and better-skilled populations reside. Lower-income and poorly-skilled population resides in peripheral areas with highly inadequate housing and public transport, contributing to their exclusion from access to better economic and civic opportunities.

8. **Local Governments (LGs) are also financially weak with a high dependence on fiscal transfers from GoS.** Fiscal transfers from GoS constitute 74 percent and 87 percent of operating revenues of KMC and one DMC respectively, and these are frequently unpredictable and delayed. This has resulted in LGs having difficulty in managing their expenditure flows. Operating expenditure accounts for 90 percent of KMC's total expenditure, leaving only one-tenth for capital and development spending. Within operating expenditure, salaries and payroll costs (pensions etc.) account for two-thirds of spending for KMC and 60 percent for one DMC. LGs also have limited authority over major and buoyant sources of own-source revenue such as urban property tax, which is collected by GoS. Capacity of LGs to collect taxes and other revenue sources within their mandate continues to be weak. Overall, revenues are grossly insufficient to cover basic services and infrastructure needs.

9. Transforming the city – which led to the Bank's engagement in the city and the production of the City Diagnostic.

10. **Despite the need for longer term reforms, GoS and the LG are keen to start with easy to implement interventions that would have visible and high impact results to build confidence between government and citizens, while setting the stage and platform for a longer term and sustained action.** A project focused on neighborhood improvement investments and enhancing citizen services could provide the catalyst needed to build consensus and political buy-in for deeper reforms. Targeted improvements in visible, high-impact and low-hanging improvements to public spaces for example, if properly designed and managed, are a vital pathway towards inclusive urban development in a currently segregated city.

Relationship to CPF

The Project supports two outcome areas in the CPS 2015-19:

- Outcome 3.2: Reduced Vulnerability for Groups at Risk
- Outcome 4.4: Adoption of Performance and Transparency Mechanisms in selected institutions

C. Proposed Development Objective(s)

To enhance public urban spaces in selected areas in Karachi City and to support a platform for improved multi-stakeholders collaboration and citizen participation.
Key Results (From PCN)

Proposed key indicators are:

a. People provided with improved urban living conditions, of which female (percentage)

Shared vision for Karachi Transformation developed and approved by a multi-stakeholders Steering Committee **D.**

Concept Description

11. **The proposed Karachi Neighborhood Improvement Project (KNIP) would be a first step in a longer term multiyear WBG engagement**. In light of the depth and scale of the city's challenges at hand in terms of policy reforms, institutional governance, and infrastructure needs, which will require a longer time to design, and to agree on institutional reform measures, a dual-track approach is proposed in light of the Bank's renewed involvement in Karachi. This project will demonstrate, as an entry point, the importance and validity of an inclusive process for decisions on use of public and private funds for neighborhood improvements. In parallel, the Bank will engage across critical sectors that could help Karachi in the longer term to transform into a better functioning and more livable city.

12. **The outer years of the Bank's engagement with Karachi would include sector institutional reforms and investments across multiple sectors**. As highlighted in the Karachi Diagnostic and reaffirmed by stakeholders in Karachi, reforms would need to focus on three key areas: building a competitive business environment, improving governance performance of provincial public providers of municipal services such Karachi Water and Sanitation Board (KWSB) and Sindh Solid Waste Board (SSWB); improving the city governance and accountability, urban livability and access to municipal services, and supporting better social inclusion.

13. **The proposed Karachi Neighborhood Improvement Project would focus on three key areas**: (i) to improve livability, safety and inclusion in targeted areas through public space enhancements and improved access to citizen services in selected neighborhoods; (ii) to initiate a mechanism for instituting inclusion between the provincial and local government levels, private sector and civil society; and to better engage citizen participation; and (iii) to support the preparation of follow-on larger investment and policy reforms operations. Selection criteria for Public space enhancements will emphasize tangible improvements to residents' daily lives, quick to implement and low risk i.e. manageable safeguards aspects with no land acquisition. Investments for integrated neighborhood improvement could

include rehabilitation of those public assets and pedestrian facilities such as street lighting, neighborhood level solid waste collection, better traffic management, rehabilitation of critical roads, new improvement of public spaces, parks, sports fields etc. The project will also consider "soft interventions" to improve citizens and business community access to digitalized administrative services, citizen engagement, and transparency of Local Government operations and expenditure.

14. **The focus on livability improvements, people-centric neighborhood planning and functional public spaces**8 **in Karachi's context is deliberate and strategic to the development objectives of this project.** 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. Public spaces such as streets can be drivers of urban prosperity9. Well-designed and implemented public spaces also offer benefits to environmental sustainability, transport efficiency, public health improvements and are urban spaces that can act as a pathway for women, handicapped and people of all ages to claim their rights to the city. This is why universal access to public space and green spaces is now an integral part of the UN's Sustainable Development Goals (SDGs).

[8] Public space refers to streets, plazas, open spaces, parks and public buildings. A more detailed list can be found in UN-HABITAT Global Public Space Toolkit.
[9] UN-HABITAT. Public Spaces – Drivers of Prosperity (2013).

SAFEGUARDS

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

Karachi is confronted with severe environmental challenges. The city has a high incidence of air, land and water including marine pollution mostly resulting from inadequate management of solid and hazardous including medical waste, raw sewage, industrial effluent and vehicular pollution. Open burning of industrial solid waste and discharge of untreated liquid waste post serious hazard for the city. In the absence of effluent treatment plants, industrial liquid waste containing oil, heavy metals and toxic chemicals are discharged directly into the rivers and have affected human and marine life considerably.

Geographically, Karachi can classified into two broad categories: (i) hilly areas in the north and west, and (ii) plains and coastal areas in the south-east. The hills in Karachi are the off-shoots of Kirthar range. Three major rivers namely, Malir, Layari and Hub flow through Karachi district. Malir flows through wastern portion of the city. Layari flows through the heart of the city. The city has a moderate temperate climate.

The Project will be implemented in Pakistan Chowk, Korangi-Malir and Saddar Historic Town areas. These areas are heavily populated with mixed residential and commercial use. Several shops are located in the vicinity of roads and mobile vendors also ply their trade. The Empress Market are is known for historic buildings.

The exact location and scope of all investments are not yet known, and not all environmental and social impacts have been fully assessed at this stage. The client has begun the process of procuring expertise for preparing the following safeguard instruments. This expertise is expected to be brought on board by mid-November: Environment and Social Management Framework; and Resettlement Policy Framework.

In parallel, the Bank will conduct a detailed Social Assessment of the project-impacted areas which will inform the design of safeguard instruments. Once the interventions have been designed, the counterpart will prepare Environment and Social Management Plans and Resettlement Action Plans for each intervention.

B. Borrower’s Institutional Capacity for Safeguard Policies

There is low capacity on social and environmental safeguards. On social aspects, no single agency is responsible for overseeing relocation of people. On the environmental side, the client’s staff has basic understanding of environmental issues. Furthermore, the team is too small to handle project related environmental issues and staff strength would have to be increased to adequately address safeguards requirements.

Institutional capacity building for both environmental and social safeguards management will be augmented through technical support and other measures for dedicated supervision.

C. Environmental and Social Safeguards Specialists on the Team

Salma Omar, Ahmad Imran Aslam

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project aims to finance specific physical investments to improve livability and inclusiveness of selected urban public spaces. Investments may include, inter alia: (i) improved paving for sidewalks, pedestrian crossings and roads; (ii) street lighting, landscaping, and street furniture, or wayfinding signs; (iii) new playgrounds, sports fields, or community centers; (iv) reorganized street parking or improved bus facilities; (v) repaving roads with rehabilitation of underground network (sewerage, water, storm water drainage) (see Component 1). These activities have the potential to cause negative environmental and social impacts. Therefore, OP/BP 4.01 is triggered. However, most of these impacts are likely to moderate in intensity, reversible, localized and temporary in nature. As a result the project has been categorized as category B. The exact nature of interventions under each component at different locations have not been determined at this stage, and would be decided at a later date. Therefore, Environmental and Social Management Framework (ESMF) will be developed. Once the schemes have been finalized, an ESMP will be developed. It is expected that the first phase of interventions will be decided before appraisal and would be covered under an ESMP. A Social Assessment (SA) will also be conducted, and will cover topics beyond simply social impacts, to include related social issues such as gender, social inclusion, social accountability, stakeholder analysis, institutional and political risk analysis etc.
Natural Habitats OP/BP 4.04	No	The project does not involve or affect natural habitats.
Forests OP/BP 4.36	No	The project does not involve or affect forests.
Pest Management OP 4.09	No	The project does not involve pest management.
Physical Cultural Resources OP/BP 4.11	Yes	The rehabilitation of roads and other urban infrastructures may involve excavations with the potential for chance discoveries of physical cultural resources. As due diligence regarding heritage properties, the ESMF will include a chapter outlining how to handle any finds or cultural assets within the project area during excavation works. However, no

		work will be carried out on heritage buildings.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous groups in the project area that meet the characteristics as defined in the policy.
Involuntary Resettlement OP/BP 4.12	Yes	Anticipated project locations are heavily populated with mixed residential and commercial use. Several shops are located in the vicinity of roads and mobile vendors also ply their trade. The Empress Market are is known for historic buildings. The rehabilitation of urban public spaces may result in limited involuntary resettlement, and imposition of easements, and temporary negative impacts on livelihoods during the works. As the exact location and scope of the investments are still being determined, and not all resettlement impacts have been assessed, the client will prepare a Resettlement Policy Framework (RPF). The RPF will provide an overview of all the sub-projects that will be financed, with the likelihood that these will result in involuntary resettlement, and a plan for when the detailed impacts will be assessed and mitigated in a Resettlement Action Plan (RAP).
Safety of Dams OP/BP 4.37	No	The project will not finance dam or dam-related investments.
Projects on International Waterways OP/BP 7.50	No	The project will not affect international waterways.
Projects in Disputed Areas OP/BP 7.60	No	This project is not being implemented in any disputed areas.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Feb 28, 2017

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

For Year 1 Projects – ESMPs and RAPs will be prepared.
For subsequent sub-projects, RPF and ESMF will be prepared by appraisal.

Social Assessment – 28 February 2017

Resettlement Policy Framework – 28 February 2017

ESMF – 28 February 2017

ESMP and RAP for Phase I – 28 February 2017

CONTACT POINT

World Bank

Jaafar Sadok Friaa, Jon Kher Kaw
Program Leader

Borrower/Client/Recipient

Government of Sindh
Mohammad Waseem
Additional Chief Secretary (Development), Planning & Develop
asgharmemon1969@gmail.com

Implementing Agencies

Directorate of Urban Policy & Strategic Planning, Planning & Development Department, Government of S
Khair Mohammad Kalwar
Director General
dgupsp@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

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

Approved By

Safeguards Advisor:	Takeaki Sato	16-Nov-2016
Practice Manager/Manager:	Ming Zhang	17-Nov-2016
Country Director:	Anthony Cholst	23-Nov-2016