

Karachi Transformation Plan

Background

In 2014, government of Sindh requested the World Bank Group for its assistance in providing strategic advice regarding improving the livability and competitiveness of Karachi. This non-lending technical assistance was funded by the Korean Green Growth Trust. The World Bank Group committed to present a City Diagnostic and Transformation Strategy, which they hoped will enable the Government of Sindh to prepare an implementation of Karachi Strategic Development Plan 2020, prepared by the City District Government Karachi, in 2007. The World Bank Group presented its report in 2018.

In August 2018, a new federal government was sworn in. On November 28th, 2018, President Dr. Arif Alvi presided over the introductory meeting of Karachi Transformation Committee (KTC), held at Governor's House, Karachi. On 30th March 2019, while chairing a meeting of the committee at Karachi, Prime Minister Imran Khan announced Rs. 162 billion development package for Karachi.

In August 2020, Karachi received its heaviest rainfall in a single day in 53 years. The rain claimed more than 30 lives; electricity supply and cellular services in the city were disrupted for days. Against this backdrop, on 31st August 2020, the PM directed the government to finalize the Karachi Transformation Plan within the week.

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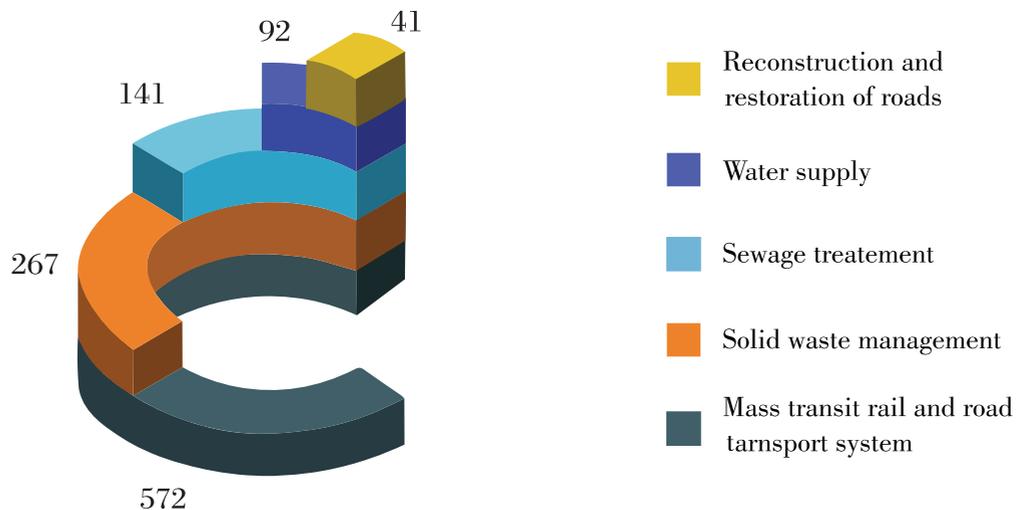
On 5th September 2020, PM Imran Khan announced a financial package for Karachi worth Rs. 1,114 billion. The plan is scheduled to be completed in three years. No details regarding the financing of the plan has been made public yet, so it is unknown at the moment how much borrowing will be undertaken by the government, from what sources and at what terms.

Soon after the announcement of the program, co-chairman of Pakistan Peoples Party announced that the Sindh Government would provide Rs. 800 billion while the federal government would contribute Rs. 300bn. The next day, Asad Umar, Federal Minister for Planning, Development and Special Initiatives, claimed that the federal government will provide Rs. 736 billion in funding while the provincial government would bear the remaining cost of Rs. 375 billion.

As per media reports, Rs. 572 billion have been allocated for Karachi's mass transit, rail and road transport system; Rs. 267 billion for solid waste management and drainage, Rs. 141 billion for sewage treatment, Rs. 92 billion have been allocated for water supply projects in the city, and Rs. 41 billion will be spent on restoration and construction of roads. A 10-member Provincial Coordination and Implementation Committee (PCIC) has been constituted with Sindh Chief Minister Syed Murad Ali Shah as its chairman. Other committee members include a representative of the Pakistan Army's V Corps,

Commissioner Karachi, Administrator Karachi, a representative of the National Disaster Management Authority, a representative of the federal government, Secretary Local Government, and Secretary Transport & Mass Transit, Chairperson Sindh Planning and Development Board, and Chief Secretary Sindh.

Allocation (Rs.Billion)



Federal Government Component

The federal government has undertaken to finance the following components of the Karachi Transformation Plan:

Sr. No	Projects	Additional Funding Required
1	Karachi Circular Railway (KCR)	Rs. 300 billion
2	Rehabilitation of River, Nullahs & Storm Water Drains and resettlement of affected people	Rs. 254 billion
	Railway Freight Corridor	Rs. 131 billion
4	Greater Karachi Water Supply Project (K-IV)	Rs. 46 billion
5	Green line BRT	Rs. 5 billion

The federal government plans to request the Supreme Court of Pakistan to allow use of part of the Bahria Town Settlement Fund (up to Rs. 125 billion) for KTP. Hence the federal government estimates the need to arrange funds for KTP, to be at Rs. 611 billion.

Reasons for Optimism

The Karachi Transformation Plan is a plan to augment the city's public transport, sanitation, water supply, and solid waste management system. If the plan reaches its completion in three years, this will significantly improve the livability of the city.

The federal government and the provincial government both seem committed to the idea of transforming Karachi for the better albeit political maneuvering by both sides cannot be out-ruled, as was witnessed on the day after the announcement of the plan when both parties came to the fore with contesting figures for their contribution to the plan.

Another success factor is the judiciary which, at the moment, does not approve of judicial activism. Moreover, recent orders passed by the Supreme Court are supportive of the federal government in reclaiming KCR land. It can be said that the judiciary is pushing the provincial government to expedite its efforts against anti-encroachment on Pakistan Railways land.

With the expiry of the term of local governments in Sindh, Karachi is now without an elected local government, which was controlled previously by MQM. Now that there is one less political party in the equation, inter-governmental coordination should be relatively smooth. The provincial government has appointed a bureaucrat belonging to the federal service as the administrator of the city. The newly appointed administrator was serving as the commissioner of the division, prior to his transfer.

Risk Factors

Pakistan would be soon resuming its program obligations agreed with the IMF under its Extended Fund Facility Program (2019). Once the IMF program resumes, the government will be hard pressed for cutting its expenditures. In Pakistan, this translates to cutting the development expenditures as most of the current expenditures qualify as mandatory expenditures, which are hard to slash in short or medium term. Therefore, the government may find it difficult to meet its obligations to the transformation plan, given its commitments to bring austerity in government expenditures.

The bonhomie between the two governments over the transformation plan has also been matched by some coldness between the two parties. The first example of this was seen when Co-Chairman PPP, Bilawal Bhutto Zardari, made a statement that the Sindh Government, and not the federal, would be financing the major share of the plan. Another incidence that was reported by the press was that the Chief Minister Sindh, Murad Ali Shah, expressed lack of knowledge about the federal government's committee for Karachi transformation plan. As per reports, the CM was also not aware about the changes in the PM's scheduled visit to Karachi.

A significant question is whether or not the Supreme Court will allow the federal government to use its funds. The Government of Sindh has also filed a petition before the Supreme Court to be granted possession of the said fund. So whichever government is adjudged to be worthy of receiving possession of the said sum, the opposing party is bound to be aggrieved by the decision, and possibly, exhibit their disgruntlement through overt and covert means available. While overt means can be in the form of filing a review petition, and press conferences, covert blowback may come in the form of red tape and non-cooperation in implementation of the Karachi Transformation Plan.

Need for Institutional Transformation

Provision of municipal services requires availability of requisite finances. Karachi's revenue generation from taxes on urban immovable properties is considerably lower than its potential. Sindh's urban property tax collection is a quarter of that of Punjab, and if one compares it with a single metropolitan of India – Bangalore collects 10 times more than entire province of Sindh. In order to make Karachi self-sufficient, in terms of meeting its financial needs for public service delivery, there is a need to improve its immovable property tax collections, alongside strengthening its other revenue streams. Capacity building of the city's tax agencies is a prerequisite for the sustainability of any gains made by the transformation plan.

In order to improve service delivery, cities the world over, rely upon empowered local governments. Karachi, at the moment, does not have one. The term of the local governments has expired and as of yet, no date has been announced for elections. Even when the city has an elected government, the mayor faced a lot of jurisdictional issues with respect to finances, territory and powers. The local government was heavily dependent upon the office of chief commissioner, and its subordinate district commissioners. Furthermore, the local government had no jurisdiction in the six cantonment areas spread throughout the city, or the city's port areas. Within their jurisdictional areas, there operate numerous entities engaged in regulating civic services, which are under the ambit of provincial government e.g. the Sindh Building Control Authority. Having an elected local government does involve loss of powers for the provincial government but in order for the city to progress, the political stakeholders must stop viewing empowerment of local governments as a loss in a zero-sum game of power.

To address the issue of water availability, undertaking the K-IV water supply project is much appreciable but there is a dire need to overhaul the Karachi Water Supply Board. Water pricing regime needs to be revised to rationalize water demand and generate revenue for ensuring its supply. As per KWSB, 35% of its water is non-revenue water (due to distribution and collection losses), which is too high. The World Bank Group estimates KWSB's non-revenue water to be around 55-60%. Furthermore, with 6.5 employees per 1000 connections, instead of the international benchmark of 2 employees per 1000 connections, the entity also suffers from labor inefficiency. Therefore, apart from financial allocation for water schemes, efforts must also be focused towards institutional reforms at KWSB.

Summing-up

Additional funding for development works in the domains of water supply, transport, and sewerage systems is an important element for transforming Karachi, but by no means a panacea. In order to bring meaningful improvement in the city's livability, brick and mortar structures must be augmented with strengthened institutional structures as well. Spending on improved systems, technology and HR in the civic bodies is an investment. The better the governance structures and mechanisms, the better is the city's livability, which translates into greater revenue for the government.