



## 1. Project Data

<b>Project ID</b> P112902	<b>Project Name</b> PK: Karachi Port Improvement Project		
<b>Country</b> Pakistan	<b>Practice Area(Lead)</b> Transport & Digital Development		
<b>L/C/TF Number(s)</b> IBRD-79560	<b>Closing Date (Original)</b> 31-Dec-2015	<b>Total Project Cost (USD)</b> 106,480,372.65	
<b>Bank Approval Date</b> 09-Sep-2010	<b>Closing Date (Actual)</b> 30-Dec-2017		
	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>	
Original Commitment	115,800,000.00	0.00	
Revised Commitment	115,800,000.00	0.00	
Actual	106,480,372.65	0.00	
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## 2. Project Objectives and Components

### a. Objectives

The Project Development Objectives (PDOs) as stated in the Loan Agreement (LA, Schedule 1, page 5) were:

**"To replace lost port capacity and reduce shipping costs to the Borrower's economy through the reconstruction of failed berths at Karachi port, an increase in the effectiveness and efficiency of the operations at Karachi port, and enhancement of its environmental sustainability."**

The PDOs as stated in the Project Appraisal Document (PAD, page 5) were similar.



**"To replace the lost port capacity and reduce shipping costs to the Pakistan economy through the reconstruction of the failed berths at Karachi port and increasing the effectiveness and efficiency of port operations and enhancing environmental sustainability."**

**b. Were the project objectives/key associated outcome targets revised during implementation?**

No

**c. Will a split evaluation be undertaken?**

No

**d. Components**

There were two components (PAD, pages 5-6).

**One. Reconstruction of Berths 15 to 17A at Karachi Port.** Appraisal estimate US\$112.00 million. Actual cost US\$99.99 million. This component aimed at reconstruction of berths on the East Wharf at Karachi Port. Activities included: (a) construction of a total length of quay wall of 936 meters for the rehabilitation of the four berths (15, 16, 17 and 17A) and further continuation of the quay wall by 474 meters and construction of a multipurpose and a Roll-on/Roll off (Ro-Ro) berth: (b) demolition of the two existing Ship Repair Berths (SRBs) and the existing shed: and, (3) construction of pavements and storage facilities.

There were changes in design after construction began, at the request of the Karachi Port Trust (KPT) in activities relating to the reconstruction of berths. After deepening of the main channel in 2012, larger size ships were using the port and this required moving the quay wall further inland. The design changes included further continuation of the quay wall by 488 meters, comprising berths 17 A and SRBs 1 and 2. SRBs 1 and 2 were renamed as berths 17B and 17C. The revision also substituted the construction of the proposed Ro-Ro berth with a multipurpose berth (17C), as the new car carrier ships were operating with their own ramps. The changes in design were expected to result in a straighter quay wall, add to quay length, and provide more berth space. Consequent to the change described above, further changes to the anchor wall design was required for protection of a heritage building near berth 17c. The old building which was hitherto being used as a dangerous goods shed and earmarked for demolition, was declared as a cultural heritage building after expert assessment.

**Two. Component B: Institutional strengthening.** Appraisal estimate US\$3.80 million. Actual cost US\$2.75 million. There were three sub-components: (1) preparation of a Ten-year Business Plan for KPT and a strategic development plan for redefining KPT's business structure (This plan was expected to identify the core port business and make recommendations on noncore areas such as land management, shipping and cargo handling operations, shore-side transport and logistics, career planning and training for human resource development and using Information Technology (IT)-based operations), training to support the plan's recommendations on human resource development, design and evaluation of the tender process for concession of a bulk terminal and support for implementing the short term recommendations of the plan. (2) strengthening the ports environmental management capacity for compliance with International Organization for Standardization (ISO) standards,



through implementing an Environmental Management System (EMS); and. (3) improving KPT's financial management practices for meeting International Financial Recording Standards (IFRS). (The IFRS standards developed by the International Accounting Standards Board is recognized as the global standard for preparing public company financial statements).

**e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project cost.** Appraisal estimate (including baseline cost and costs associated with contingencies) US\$116.40 million. Actual cost US\$106.98 million. No reasons were provided in the ICR for the difference in actual project cost as compared to the appraisal estimate.

**Project financing.** The project was financed by an IBRD loan of US\$115.80 million. Amount disbursed was US\$106.48 million.

**Borrower contribution.** Appraisal estimate was US\$0.60 million, while the amount contributed at closure was US\$0.50 million.

**Dates.** There were four Level 2 restructurings. The first on May 4, 2011 was intended for correcting the lending rate in the Loan Agreement. The project closing date was extended for a cumulative two years through the second, third and fourth restructurings. While the second restructuring on December 22, 2015 extended closing date by a year, the third restructuring on December 22, 2016 extended the closing date by six months and the fourth restructuring extended the closing date by an additional six months. The closing date was extended due to the delays in the wake of the change in design. In the original design, the existing quay wall was to be retained to provide additional protection to the new structure. The revision of the quay wall required not only demolition of Ship Repair Berths 1 and 2, but also the removal of existing quay wall piles and design of new quay protection. Even though comprehensive subsoil investigation were conducted, the deformities in the existing piles could be detected and eventually removed with significant delays. The project closed two years behind schedule on December 31, 2017.

### 3. Relevance of Objectives

#### Rationale

The inefficiencies in the national transport system were estimated to account for the loss of at least 4% to 6% of Gross Domestic Product (GDP) in the years before appraisal. In the port sector, port capacity was a constraint and this contributed to factors such as high port charges and long dwell times for inbound containers and, delays in the turnaround of vessels. Regarding the Karachi port, which handled more than 60% of Pakistan's seaborne trade, in 2007, two berths had collapsed into the water and another eight berths (berths 10 to 17A on the East Wharf) were declared unfit for operations. This exacerbated the port capacity constraints, leading to ships queuing for berths. Before appraisal, KPT had started reconstructing berths 10--14 with its own resources and this project aimed at reconstruction of the remaining berths.



The PDOs were consistent with the Government's Medium Term Development Framework (MTDF) for the 2005-2010 period. This framework aimed at establishing an efficient and well-integrated transport system that would facilitate the development of a competitive economy. The framework also underscored the need for port infrastructure improvements to make the ports competitive and bring them in line with modern shipping practices. The Government also had initiated the National Corridor Program in 2005 aimed at encouraging modern streamlined and transport logistics, improving port efficiency and enhancing the accountability of port management.

The PDOs were well aligned with the Bank strategy. The Country Assistance Strategy (CAS) for the 2010-2013 period accorded a high priority for removing transport infrastructure constraints and improving the efficiency and reliability of the transport and logistics network. The CAS also highlighted the need for further port sector efficiency improvements. The PDOs remained relevant to the Country Partnership Strategy (CPS) for the 2015-2020 period under Results Area (private sector development) and outcome 2.4 (Improving Trade and Ports/Border Logistics). The CPS stressed the need for sound trade facilitation and logistics system and improving connectivity for export led growth. The CPS specifically mentions the need for measures to help improve the occupancy rates of selected berths at KPT.

## Rating

High

## 4. Achievement of Objectives (Efficacy)

### Objective 1

#### Objective

To replace lost port capacity through the reconstruction of failed berths at Karachi Port.

#### Rationale

**Theory of Change.** Reconstruction of berths 15,16,17,17A, 17B and 17C, extension of the quay wall and construction of backyard facilities aimed at replacing the lost port capacity.

**Outputs.**(ICR, pages 29-30).

- Berths 15, 16, 17 and 17A, the Quay wall meters and the backyard facilities were completed, as targeted. Berths 15-17 were completed by the end of 2014 and these berths became operational in April 2015. Berths 17A, 17B and 17C were only completed by September 2017, due to the unforeseen obstacles in removing the older piles. These berths were however not operational at project closure as the required depth on seaside was not available for ships to berth, due to the inability of the KPT to take up the dredging works. The ICR notes that the three remaining berths are expected to be operational by the middle of 2019.



- Additional storage area was made available after reconstruction of the project berths 15 to 17. Even in berths 17A to 17C which was not operational as far as ship handling was concerned, the backup area had been utilized since May 2017 for storing cargo (ICR, page 13).

**Outcomes.** (ICR pages 28-29).

- Berth occupancy rate (defined as total days at berths divided by berth days available) in the project berths 15-17 improved from 77% at the baseline in 2007 (before the berth failure), to 45% at project closure. This met the target of between 45% to 55%.
- The "berth throughput" (defined as the total tonnage of cargo handled at berths divided by the total number of berths), increased to 0.85 million tons at project closure. This represented 74% of the target of 1.12 million tons.

### **Rating**

Substantial

## **Objective 2**

### **Objective**

To increase the efficiency and reduce shipping costs to the Pakistan economy.

### **Rationale**

**Theory of Change.** Reconstruction of berths and extension of the Quay wall aimed at increasing port efficiency and reducing shipping cost of the Karachi port.

### **Outputs.**

- The outputs described above were also relevant to this objective.

### **Outcomes.**

- The longer a ship waits prior to berthing, the higher the cost to the ship. The average "waiting to service time ratio" (defined as ship days waiting for berths divided by ship days at berth) declined from 0.54 at the baseline to 0.33 at project closure. This was as compared to the specified target of staying below 0.35. The ICR (page 14) notes that before the berth collapse, if a ship was spending 48 hours at the berth being serviced, the same ship would have waited 26 hours at anchor to get a berth assigned. After operationalization of berths 15 to 17, ships were waiting less than 16 hours to get a berth assigned. This translated into an average time saving of 10 hours per ship call. Given that the current charter rates for a supramax class ship was approximately US\$350 per hour, each ship utilizing berths 15 to 17 saved US\$3,500 on average per call.



- There were cost savings associated with: (1) avoiding lighterage cost (refers to the cost of removing cargo through barges or smaller vessels at the outer anchorage before being berthed at shallower berths): (2) costs of rehandling cargo: and (3) scale economies for cargo that used the larger ships. Based on the assumption that if the reconstructed project berths 15 to 17 were not available, larger ships would have required lighterage before being berthed at the shallower berths of the West Wharf, there were cost savings. Given that the average cost of lighterage was about US\$4 per ton, if the berths 15 to 17 were not operational, at least half of the 0.85 million tons of cargo handled per berth would have had to be lightered, before the vessels were accommodated at other shallower berths. This would meant an extra cost of approximately US\$1.7 million berths per year saved after operationalization of berths 15-17. Since the newly reconstructed berths were able to handle larger ships, there were economies of scale for the cargo using larger ships. Such cargo, which accounted for about half of the total (mainly coal and fertilizer), were coming in vessels typically around 52,500 tons as compared to around 47,500 tons before the reconstruction of the berths. This translated to an average saving of US\$0.2 per ton. This meant that for the 0.85 million tons of cargo handled per berth, the estimated cost savings was around US\$0.17 million per berth per year (ICR, page 14),
- There was an improvement in cargo handling speed (measured in tons per ships at berth) (ICR, page 14, Table 2). The average cargo handling speed for coal increased by 39% (from 9,000 tons at appraisal in 2009-2010 to 12,500 in 2017). The average cargo handling speed for fertilizers increased by 5% (from 4,000 tons to 4,200 tons) and for other bulk cargo, increased by 33% (from 3,000 tons to 4,000 tons), between 2009-2010 and 2017. The speed for handling steel however showed a decline of 11% (from 7,000 tons to 6,000 tons) between 2009-2010 and 2017. The ICR (page 14) reports that given that coal, fertilizers and other bulk cargo accounted for over 75% of the total cargo through the port, the increase in handling speed was considerable. This increase in cargo handling speed was due to a combination of factors including improvement in economy of size of larger ships using these berths and to the more modern and efficient cargo handling equipment being used by the private stevedores.

**Rating**  
Substantial

### **Objective 3** **Objective**

To increase the effectiveness of port operations at Karachi Port

#### **Rationale**

**Theory of Change.** Institutional strengthening activities such as redefining KPT's business structure as a landlord port with greater planning and regulatory functions, training for human resource development and improving financial management standards aimed at increasing the effectiveness of port operations at KPT.



**Outputs** (ICR, pages 15-16 and page 19).

- The ten year Business Plan and Strategic Development Plan for KPT was prepared and approved through a Board Resolution. As part of the short-term recommendations of the plan, KPT strengthened the Marine Pollution Department through hiring additional staff, investing in Information Technology (IT) equipment and a boat for sea water monitoring and testing, and conducting a training program for officers in key areas. The plan also made medium term recommendations for Public-Private Partnership (PPP) arrangements for handling bulk cargo at the reconstructed berths 15-17 and outsourcing of the operation and maintenance of tugs and pilot boats.
- The Enterprise Resource Planning (ERP) cell was set up. An assessment of the requirements for ERP was made, the system technology for the ERP system was selected and internal approval of KPT Board was obtained for implementing the ERP system. The implementation of the system was subject to delays due to the bureaucratic procedures and KPT was unable to conclude the procurement process by project closure. The ICR (page 15) notes that this activity was to be undertaken by KPT using their own resources.
- Regarding the medium term recommendations of the plan, activities such as feasibility studies for concessioning of coal and bulk handling berths and PPP arrangements for constructing a port access elevated expressway had started, but not completed at project closure. The ICR (page 19) notes that these activities were to be completed by KPT using their own resources.
- The KPT updated its financial and accounting manuals.
- 550 employees of KPT were trained in areas such as project management, contract management, monitoring and evaluation and improving workplace effectiveness through the Pakistan Institute of Management. 54 officers were trained on port-related matters such as, port planning and operations, improving port productivity, project management through a special training program conducted by the Asian Institute of Technology, Bangkok, Thailand.

**Outcomes.**

- KPT's audits were in compliance with International Financial Reporting Standards (IFRS) in 2013. Due to the lack of audit staff, there were delays and the audited accounts for fiscal years 2011-2012 were completed only in 2017. The ICR (page 16) notes that the audit for the next four years until 2015-2016 had started and was expected to be completed by end of 2018.

**Rating**  
Substantial

**Objective 4**





### Objective

To enhance the environmental sustainability of the Karachi Port.

### Rationale

**Theory of Change.** Activities such as improving the Environmental, Health and Safety Management system and establishing a Crisis Response Center were aimed at enhancing the environmental sustainability of KPT.

**Outputs** (ICR, page 16).

- The Environment, Health and Safety (EHS) management system was functional and the staff were provided with training on mandatory EHS training.
- A Crisis Response Center was established and KPT had been undertaking structured air, water and soil quality testing, since the project started.

### Outcomes.

- The Occupational Health and Safety Assessment was ongoing at project closure, with a certification firm carrying out an external audit. The ICR notes that KPT was expected to receive International Standards Organization (ISO) 4001 certification and Occupational Health and Safety Assessment Specification (OHSAS) 18001 certification by the end of 2018.

### Rating

Modest

### Rationale

Overall efficacy is rated as Substantial given that outcomes of the three objectives - to replace lost port capacity, to increase the efficiency and reduce shipping costs, and to increase the effectiveness of port operations at Karachi Port- were for the most part were realized. The efficacy of the fourth objective - to enhance the environmental sustainability of the Karachi Port - was Modest, given that KPT had not yet received ISO and OHSAS certification at project closure.

### Overall Efficacy Rating

Substantial

## 5. Efficiency





**Economic Analysis.** An economic analysis was conducted for activities associated with rehabilitation of berths. These activities accounted for 97% of the cost at appraisal and at closure. The methodology entailed an assessment of costs and benefits of investments as compared to a "without the project" scenario. The costs included the costs of civil works plus the estimated cost of the equipment to operate the terminals. The benefits at appraisal were assumed to come from lower costs of queuing for berths due to the additional berths and reductions in the costs of ship time at berths as a result of faster handling equipment by the new private operators. The potential benefits associated with economies of size in shipping from dredging activities at harbor were not included in the ex ante analysis, as dredging was not part of the project activities and it was unclear whether the dredging activity would be undertaken by KPT. The benefits at closure were assumed to come from in addition to the benefits identified at appraisal, benefits due to the avoidance of lighterage costs and economies of scale gains from the larger ships that could be accommodated at the reconstructed berths. (KPT had carried out capital dredging activities between 2012 and 2014). The Net Present Value (NPV) at 12% discount rate at closure was US\$239.00 million, as compared to the NPV of US\$118 million at appraisal. The ex post Economic Internal Rate of Return (EIRR) was 50% as compared to the ex ante EIRR of 23% (ICR, pages 17-18). The exceptionally high EIRR at closure was due to a combination of factors including, estimated savings of US\$33 million in 2017 in ship queuing, the avoidance of lighterage costs and scale economies due to the larger ships.

**Administrative and Operational issues.** Although there were cost overruns associated with civil works due to the change in design, the increase in cost at 6.6% was relatively small and covered through the funds allocated for contingencies.

There were implementation delays in the initial years due to a combination of factors including delays in approval of design changes and extra variation orders by KPT, unforeseen obstructions in the removal of old structures and the law and order situation at Karachi City. The delays were exacerbated during implementation due to the frequent changes in senior management at the KPT, inadequate interdepartmental coordination, and delays in mobilizing a dedicated procurement team. These factors contributed to the time overruns.

Despite the time overruns, berths 17A to 17C were not operational at project closure, due to the inability of KPT to dredge the area alongside the berths. Dredging was not part of the project, as KPT had its own dredging fleet and been using this fleet for maintenance and capital dredging. The main backhoe dredger broke down in 2015 and to date, KPT was unable to get the dredger repaired, due to issues related to the original equipment manufacturer and unavailability of spare parts. Although dredging works were outside the scope of the project, they were necessary for safe berthing of the vessels and commencement of operations and the quantitative and qualitative assessment of the project outcome indicators were to be derived from the vessel operation data at the project berths.

In sum, although the ex post EIRR was high, there were administrative and operational inefficiencies during implementation and despite the time overruns, at project closure only three of the six berths were operational and outcomes pertaining to 50% of the project activities were undermined due to the by KPT's inability to complete the dredging operations for safe berthing of the vessels. In light of these operational shortcomings, efficiency is rated as Modest.



## Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	23.00	97.00 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	50.00	97.00 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

Relevance of objective for the country strategy and the Bank strategy is rated as High. Overall efficacy is rated as Substantial. Efficacy of the three sub-objectives - to replace to replace lost port capacity, to increase efficiency and reduce shipping cost and to increase the effectiveness of port operations at Karachi Port- is rated as Substantial, given that the outcomes were for the most part were realized. Efficacy of the fourth objective - to enhance the environmental sustainability of the Karachi Port - is Modest, given that KPT was yet to receive ISO and OHSAS certification at project closure, Efficiency is Modest. Although economic returns were high, there were administrative and operational inefficiencies during implementation and despite the time overruns, only three of the six project berths were operational, due to the KPT's inability to complete the dredging operations required for safe berthing of the vessels.

### a. Outcome Rating

Moderately Satisfactory

## 7. Risk to Development Outcome

**Technical Risk.** There is substantial risk to ongoing benefits, given that project berths 17 A to 17C were not operational at project closure, due to the inability of the KPT to undertake the dredging operations required for safe berthing of vessels.

**Institutional Risk.** There is risk that the newly reconstructed berths (berths 15 to 17) may not be maintained for lack of resources. This risk is rated as Moderate as according to the ICR (page 26) , KPT has a separate department for carrying out maintenance and has allocated budget for supporting maintenance activities on the reconstructed berths.



## 8. Assessment of Bank Performance

### a. Quality-at-Entry

The project objectives addressed an immediate and critical problem in the wake of collapse of the berths at Karachi port which led to partial suspension of port operations. This project was prepared based on the lessons from prior Bank financed projects, including the Karachi Port Modernization Project and from the experience of on-going activities associated with the construction of berths 10-14, financed by the KPT. Lessons incorporated at design included, involving private sector participation in port operations and some design modifications (PAD, page 7). The implementation arrangements, with the KPT responsible for overall project coordination and the Planning and Development (P&D) Division the KPT responsible for day-to-day implementation were appropriate, given that P&DD had successfully implemented prior Bank-financed operations at the port (PAD, page 8). Several risks were identified, including substantial risks associated with design quality and KPT's lack of capacity for addressing procurement and financial management issues. Mitigation measures incorporated at design included, review of cost estimates and tender documents by an independent port engineer, a two-tier procurement complaint redressal mechanism and making provisions for additional staffing in the P&D's Accounting, Finance and Internal Audit Division. With mitigation measures, the overall project risk was rated as Substantial. (PAD, pages 9-10). Appropriate arrangements were made at appraisal for Monitoring and Evaluation (discussed in section 9) and safeguards and fiduciary compliance (discussed in section 10).

The project design underestimated the risk associated with delays in the removal of existing quay wall piles. This contributed to the time overruns. Although not within the scope of the project, the preparation underestimated the risk associated with non-completion of the dredging operations by KPT. This contributed to the berths 17A to 17 C not being operational when the project closed.

### Quality-at-Entry Rating

Moderately Satisfactory

### b. Quality of supervision

According to the Borrower's ICR (page 47), supervision missions by the Bank were held twice a year and that the missions were supplemented with supervision by experts, as and when required. The Task Team Leader and the key team members were based in Pakistan and this contributed to faster responses to the challenges that arose during implementation, such as when the project went through design changes and engineering issues associated with removing the relics at berth 17. This to an extent aided in countering the delays thrust upon the project by frequent management challenges at KPT. During a visit at site, the supervision team identified the need for protection of an old building and based on Bank advice, the KPT appointed a Heritage Building expert and additional works were carried out to protect the old building (Borrower's ICR, page 47). The supervision team anticipated challenges and took proactive steps for supporting KPT and this contributed to early resolution of the problems. For instance, the supervision team aided in solving issues associated with lack of interdepartmental coordination. For instance, when the team observed that lack of interdepartmental coordination was impacting on the timely reporting of progress to



senior management at KPT, the KPT at the team's suggestions, appointed a Project Steering Committee (PSC) within KPT for project monitoring approvals. Although not part of the original project implementation agreement, the involvement of the PSC helped in expediting decisions in the latter years of project implementation.

The supervision team failed to secure immediate action on the dredging issue during implementation.

### **Quality of Supervision Rating**

Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The key outcome M&E indicators at design, the berth occupancy rate, berth throughput and the waiting to service time ratio at the project berths, were easy to measure and appropriate for monitoring the PDO associated with replacing the lost port capacity and enhancing the efficiency of Karachi Port. The indicators associated with compliance with International Accounting Standards (IFS) and compliance with ISO environmental management standards were appropriate for monitoring performance with respect to the institutional strengthening of KPT. The Planning and Development (P&D) Division of the KPT was responsible for monitoring the outcomes of the project, based on information supplied by the various departments of the KPT.

One minor drawback, which was recognized at preparation, was that the key data from development indicators from the reconstructed berths would only be available at the end of the project (ICR, page 22).

### **b. M&E Implementation**

Given that KPT had carried out activities on Berths 10 to 14, the original M&E indicators was supplemented with additional data on savings in lighterage costs, economies of scale due to larger ships and speed of handling cargo at project berths. The additional data further enabled monitoring of aspects relating to port efficiency.

The M&E implementation was carried out in-house by the data supplied by the various departments of the KPT. The implementation of the M&E process was relatively simple, as KPT maintains data on the shipments handled at KPT berths on a real time basis.

Data from the adjoining berths which were completed (berth 10 and 14) and which were handling similar cargo, was used for discussions on relevance of the PDO, during the Mid Term Review on April 22, 2014, when the project berths were under construction (ICR, page 23).



### c. M&E Utilization

The M&E information was used to monitor performance and for decision making. The ICR (page 23) notes that since the implementation of M&E was carried out in-house by various departments of the KPT, it is likely that data analysis and the analytical approach would continue to be part of the decision making process and continue to be utilized for monitoring future projects.

### M&E Quality Rating

Substantial

## 10. Other Issues

### a. Safeguards

The project was classified as a Category B project under the Bank's environmental and social policies. One safeguard policy, Environmental Assessment (OP/BP 4.01) was triggered.

The PAD (page 14) notes that the potential adverse environmental impacts of construction activities (such as due to noise, dust, air pollution, soil contamination, camp effluent, vehicle and equipment, exhaust, oil/chemical spills generated by the construction machinery and worker's health and safety issues), were expected to be site-specific. An Environmental Impact Assessment (EIA) was conducted and an Environmental Management Plan (EMP) was designed to mitigate environmental impacts and publicly-disclosed at appraisal.

The ICR (page 23) notes that no significant environmental issues rose during implementation. Given that the KPT did not have an Environmental Management System (EMS) or even an environmental policy at appraisal, the operationalization of the Environment, Health and Safety management system, was an important step going forward. During construction, there were additional issues associated with preserving the old heritage building (which was declared as a cultural heritage after expert assessment) and shifting the mosque near the Napier Mole Boat (NMB) Wharf. These issues were eventually resolved through the reconfiguration of berths.

### b. Fiduciary Compliance

**Financial Management.** The Finance Division of the KPT was responsible for financial management. The project was expected to use the financial management system in place at the KPT. An assessment of the financial management capacity conducted at appraisal concluded that the financial risk at project level was Substantial in view of the inadequate staffing of the departments. at the finance division. Mitigation measures incorporated at design included making arrangements for adequate staffing (PAD, pages 38-39).

The ICR (page 24) notes that the financial covenants (such as hiring a Manager, Chief Accounts Officer and Chief Internal Auditor) were complied, although with some delays. Interim financial reports were generally submitted in a timely fashion. Compliance with finance management was deemed to be satisfactory (ICR, page 24).



**Procurement Management.** The Planning and Development Division (P&DD) of the KPT was responsible for procurement management. The staff of the P&DD had worked on several prior Bank-financed project and were familiar with the Bank's procurement policies and procedures. An assessment was conducted at appraisal to judge the procurement capacity of P&DD. Risks were identified at appraisal and the overall procurement risk was rated as Substantial. A draft of the procurement plan was prepared at appraisal and the plan was to be updated as required to reflect the project implementation needs (PAD, page 47).

The ICR (page 24) notes that procurement management was deemed to be satisfactory. There were delays associated with the procurement of the civil works contract, due to a complaint filed by one of the bidders. This complaint was eventually disposed of as being without substance and the contract was awarded after clearance from the Operations Procurement Review Committee (OPRC) (ICR, page 24).

**c. Unintended impacts (Positive or Negative)**

The civil works that were to have been completed by December 31, 2014 were completed only in May 2017, due to the additional work of demolishing and clearing the fenders and logs at the project site, removing the relics at the Ro-Ro berth, preserving the heritage building and shifting the mosque near the Napier Mole Boat (NMB) Wharf. The ICR (page 21) notes that this reconfiguration increased the width of the storage area by 30 meters, which contributed to enlarging the berth storage yard by 30,000 meters.

**d. Other**

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**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Bank Performance	Satisfactory	Moderately Satisfactory	There were shortcomings in Quality at Entry.
Quality of M&E	Substantial	Substantial	---
Quality of ICR		Substantial	---

**12. Lessons**

The ICR(pages 26-27) draws the six lessons from the experience of implementing this project. Of these, the four most important lessons were, with some adaptation of language.

**(1) A simple and adequate M&E system, including well defined and easily measurable indicators, can aid in project implementation.** The indicators selected during design were easily measurable and since KPT was maintaining data on the shipments handled at KPT, were used effectively during project implementation. In



this project, the Bank team observed lack of interdepartmental coordination and lack of timely reporting of progress to senior management at KPT. Although not part of the original project implementation arrangement, KPT agreed to the formation of a Project Steering Committee within KPT for project monitoring approvals and follow up. This helped in taking timely decisions after discussions between the members of the committee.

**(2) Activities critical to project implementation and with direct bearing on the outcomes should not be placed outside the control of the project.** In this project, during appraisal KPT had informed that dredging activities will not be outsourced, as KPT had its own fleet of dredgers. The main backhoe dredger became non operational in 2015. While efforts were being made to get the dredger operational, KPT could have outsourced dredging of the area adjacent to project berths. This would have resulted in all berths becoming operational. This option however could not be exercised as the dredging operations were not included in the project scope.

### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The ICR is concise and well written. For the most part, the ICR provides a good and simple description of the port related terminology. It is also candid in discussing the issues that arose in the initial years following the design change, at the request of KPT. It also candidly discusses the issues surrounding the inability of KPT to undertake the dredging activities that undermined the operation of berths 17A to 17C. The ratings provided for the most part are consistent with the guidelines.

#### a. Quality of ICR Rating

Substantial