Concept Environmental and Social Review Summary
Concept Stage
(ESRS Concept Stage)

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**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The proposed program supports the Government of Punjab in transforming its Public Financial Management system by facilitating a simpler and productive business process and adoption of IT systems and tools for transparent and efficient service delivery. Once achieved, these two outcomes will in turn, contribute to a transformational, long-term impact towards improved public resource management and increased own source revenue. The proposed Program will utilize Program for Results (PforR) instrument with an Investment Project Financing (IPF) component. The program supports implementation of the Government’s PFM reforms strategy, which has strong ownership of the Government of Punjab, as also reflected in its recent PFM reforms (e.g., introduction of output-based budget in pilot mode, citizens budget, simplification of pension rules, and revenue reforms) and extensive engagement with the World Bank and other development partners in related areas over past several years. The PforR is the most suitable
instrument for this operation, which supports institutional strengthening, together with incentives for behavioral change, and re-engineering of business processes through a clearly articulated results chain, rather than focusing on inputs. It will also fund specific expenditures, which is especially beneficial for substantial investment in ICT based modernization of public revenue and resource management systems. The US$150m provided by the PforR will co-finance a much larger government program. The PforR instrument will allow the Government to use and strengthen its implementation systems, thereby building Government’s ownership of the reform agenda and ensuring longer term sustainability. The Government of Punjab has shown good capacity to implement PforR operations, as manifested in recent completion of PPMRP, and other ongoing PforR instruments. The PforR will also create a unique window of dialogue with other development partners. An Investment Project Financing (IPF) component may be combined with the program to support institutional capacity building activities.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The project will be implemented in the province of Punjab and shall include the Tax Collection offices all over the province. The land of five rivers, Punjab is population-wise the largest province of Pakistan. To the North of the Punjab is the Khyber Pukhtoonkhwa Province and the federal capital area of Islamabad, to the North-East is Azad Kashmir, to its South-East is India (Indian Punjab & Rajasthan), to the South-West is the province of Sindh while to the West is Baluchistan. The province is predominantly on plain level, however, there are some hilly areas in the North-West and extreme South-West. There is also a plateau adjacent to the mountains known as the Potohar plateau and a desert belt in the South Eastern part known as Cholistan.

All the major rivers of the country namely Indus, Jhelum, Chanab, Ravi, and Sutlaj flow through this province. They originate from the Himalayas and pass from North-West to South-West. They are primeval in nature and the volume of water increases in the summer after the monsoon rains, resulting sometimes in floods. Punjab is the most populous province of Pakistan. According to the 1998 census, the population of the province is 7,25,85,000. The population density is 353 persons per square kilometer as compared to the national figure of 164. It contains several major cities of the country: Lahore, Faisalabad, Rawalpindi, Multan and Gujranwala.

The TA component will support the implementing entities with tax infrastructure investment and interventions that require specialized expertise and capacity building and will support the financing of automation and computerization of the tax process and offices at provincial level. Given this context, the generation of e-waste is anticipated at the end of ICT equipment’s life span, which could have adverse environmental impacts if not disposed off properly. Given that the equipment’s end of life span may exceed five years of the Program duration coupled with the fact that the total number of equipment is expected to be relatively low, the environmental risks associated with the resultant ICT e-waste is considered low for this operation. However, the e-waste issue in Pakistan is of significant importance not only due to domestic generation but more importantly the relatively huge flow or e-waste import to the country. Unfortunately, the country lacks specific environmental regulations and guideline for the environmentally sound management of the generated e-waste, which as a result pose a threat to environment and humans.

In terms of social risks associated with the TA, there is a downstream probability of social exclusion of individuals and businesses with low IT literacy, which can lead to non-tax compliance on their part, leading to punitive actions by the authorities. Also, persons with disabilities can be further marginalized if the automation and computerization processes are not sensitive to their requirements. Having said that, the TA will also have positive impacts as it will help improve efficiency in tax systems and increased revenue generation, which will then provide for much needed
fiscal space for overall social services delivery. Also, it aims to improve stakeholder capacity, coordination and engagement, to improve revenue generation and widen the tax net, which will also help in change management.

D. 2. Borrower’s Institutional Capacity

Finance Department of the Government of Punjab is the implementing agency, and has notified a Working Group to monitor the Public Financial Management Reform Roadmap. The Working group is chaired by the Punjab Finance Minister and comprises key development partners working on the PFM reforms road map. There shall be one Project Implementation Unit based in Finance Department. The role of Finance Department shall be coordinating the efforts under the Program. Other key implementing stakeholders besides Finance Department include Planning and Development Board, Punjab IT Board, Punjab Revenue Authority and Excise and Taxation Department. These agencies will also benefit from the procured IT systems. The Program shall be closely aligned with the federal level World Bank funded Public Financial Management and Accountability to Support Service Delivery Program, and Pakistan Raises Revenue projects.

Punjab Finance Department has limited institutional capacity related to environmental and social risks mitigation requirements as per ESF. This is specially the case for ESS 10 requirements related to stakeholder identification, consultations and engagements. However, since this is a Low-risk intervention, therefore, it can serve as an opportunity to build the client capacity by providing them orientation and handholding on environmental and social standards applicable to the TA. Environment and Social Specialists will be hired as part of the PMU to help implementing agencies in meeting the requisite ESF guidelines. This will be discussed with the FD during preparation phase.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Environmental Risk Rating

Preliminary environmental risk assessment of the TA interventions indicates that the only reasonably foreseeable environmental impact is attributed to the generation and subsequent sustainable disposal of e-waste. It may be noted that this e-waste consists of the waste generated when ITC equipment will be replaced across Tax Collection Offices at the local government level and Tehsil Municipal Administrations (TMAs). Therefore, by using the mitigation hierarchy to reduce and mitigate the risks and impacts of e-waste, the Finance Department will develop and adopt an E-Waste Management Plan applicable throughout this ITC life cycle. This plan will take into account labor issues (associated with e-waste handling) and community health and safety issues. Besides these, the project does not involve any civil works nor operations in protected areas. Consequently, the project environmental risk rating is proposed as Low.

Social Risk Rating

In terms of social risks of the TA component, there is a downstream probability of social exclusion of individuals and businesses with low IT literacy, once the tax processes are automated and computerized, as this can lead to non-tax compliance on their part. Also, persons with disabilities can be further marginalized if the automation and computerization processes are not sensitive to their requirements. The TA component does not involve any civil works, land acquisition and displacement, nor operations in areas inhabited by indigenous people. Hence the social risk rating is low.
B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

**Overview of the relevance of the Standard for the Project:**

At the PCN stage, the environmental and social implications are only attributed to Component 2: Investment Project Financing – Technical Assistance, of the project. As per ESF TA guidelines, this TA can be categorized as Type 3 Strengthening Borrower Capacity, as it mainly focuses on capacity building of the departments, through improved technological solutions, coordination and change management. These actions have minimal environmental and social implications as described above.

Nevertheless, in order to integrate and address the environmental and social implications within the TA design, prior to initiation of any procurement and/or activity supported by the TA, the Borrower shall be required to conduct an Environmental and Social Assessment (ESA), to prepare Environmental and Social Screening Checklists, and Electronic Waste Management Plan (EWMP) in accordance with the ESS1 and ESS3 of the World Bank’s Environmental and Social Framework (ESF) and any corresponding national legislation. The ESA will evaluate the following potential environmental and social risks associated with the TA component: 1) The generation of E-waste and absence of policy to regulate, manage and properly dispose off all kinds of E-waste 2) Social exclusion and possible tax non-compliance due to low IT literacy of the taxpayers in general, and small and medium enterprises/traders in particular. 3) Exclusion and increased vulnerability of people with disabilities which hamper an individual to understand, comprehend and operate sophisticated IT processes.

In order to execute this task, information regarding the existing ICT equipment shall be provided by the implementing agency such as total numbers of PCs, laptops, scanners, and printers etc. It is anticipated that after the replacement of the old IT equipment, the issue of safe disposal of redundant electronic waste will arise. Therefore, the assessment will estimate the number and type of e-waste that will be generated. Based on this assessment, an E-Waste Management Plan (EWMP) will be devised by following the related national and provincial environmental laws and procedures. The EWMP will be developed on the Good International Industrial Practices (GIIP) which would be adopted by the executing agencies, who will ensure its implementation through a certified E-waste disposal contractor. Preparation of EWMP will be a part of the ESCP.

The Assessment will also include a chapter on exclusion and conflict (as per ESS1 guidance), to ascertain the impacts of automation and computerization on common taxpayers and small and medium enterprises and traders. This analysis will assess the vulnerability of taxpayers to the risk of exclusion, and will advise the Project on making user friendly, easy to understand taxation processes and facilitation mechanism. The analysis will take into account vulnerable people as defined by the ESF, including people with disabilities, to identify and report on any negative or positive impacts on vulnerable groups and communities. In case negative impacts are identified, the analysis will suggest mitigation measures. The above assessments will follow the mitigation hierarchy proposed by the ESF and will take into account all applicable national laws and regulations.

**Areas where “Use of Borrower Framework” is being considered:**

Finance Department (FD) of Punjab will follow World Bank guidelines as described in the ESF and the relevant ESS as identified under.

ESS10 Stakeholder Engagement and Information Disclosure
Finance Department (FD) will identify project affected parties and other interested parties as part of the stakeholder identification and analysis process, preferably by using an independent third-party specialist (recommended but not critical to the achievement of the ESF objectives). The independent third party specialist will be engaged in discussions with FD, so that identification of stakeholders is unbiased and transparent. The specialist will provide support to conduct a comprehensive analysis and help design an inclusive engagement process. At the PCN stage, potential stakeholders identified are, i) Finance Department, ii) Excise and Tazation Department, iii) Punjab Revenua Authority, iv) Punjab Planing and Development Board (P&D), v) Punjab IT Board, vi) Punjab Chambers of Commerce and Industries, vii) Chambers of Commerce and Industries for Small Businesses, viii) Traders Union, including traders involved in recycling of e-waste.ix) Citizens Rights Group and Civil Society Platforms, x) Punjab Environmental Protection Agency.

Finance Department will develop a Stakeholder Engagement Plan (SEP) in consultation with the World Bank, which will describe the timing, frequency and nature of engagements with the identified stakeholders throughout the TA life. This SEP will be in line with the objectives of the TA whereby it aims to improve stakeholder capacity, engagement and coordination for improved taxation and change management. Since this project impacts citizens as a whole, engagement with civil society platforms, informal waste traders and citizens representative will have to be extensive and meaningful. SEP will also highlight methods to involve citizens voices and feedback into the TA implementation and will suggest differentiated measures of engagement across Pakistan. A Grievance Redressal Mechanism will also be developed and operationalized, commensurate to the requirements of ESS 10. Such GRM will serve to voice the complaints/issues raised or faced by beneficiaries as well as all stakeholders.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant to the project intervention across all its staff involved in execution of the TA, including direct workers, contracted workers, and workers hired by project suppliers. It is anticipated that the Finance Department may hire consultants, trainers, primary suppliers, etc. while executing the TA. Also, there will be contractors and workers who will be associated with the disposal of IT equipment. Hence in order to integrate and address the ESS2 implications within the TA design, prior to initiation of any procurement and/or activity supported by the TA, the Department shall be required to develop written labor management procedures (LMP), that will ensure safety and health at work, fair treatment, non-discrimination, and equal opportunity for workers including vulnerable, disabled and children, and world support freedom of association and collective bargaining. Accessible means to raise workplace concerns and complaints will also be ensured for all type of workers through an effective GRM (in addition to the one set up under ESS 10). All of this will be done in accordance to the national law and ESS2 requirements.

ESS3 Resource Efficiency and Pollution Prevention and Management

The Resource Efficiency and Pollution Management standard (ESS3) is relevant to the project because it is anticipated that the project will generate considerable amount of electronic waste (E-Waste) while replacing the old IT equipment across all tax collection offices in Punjab. This activity of replacement of IT equipment cannot be avoided by the project as it is the focus of the TA component, which aims to enhance and improve the efficiency of tax collection and service delivery. The client will undertake the environmental and social assessment which will
determine the potential risks associated with the e-waste generated by the replacement of IT equipment, and will propose appropriate measures in accordance to the mitigation hierarchy. A plan for environmentally sound and safe management of e-waste will be developed by the client taking into account national laws, regulations and Good International Industrial Practices (GIIP), consistent with the EHSGs. The client will adopt the EWMP at the project implementation stage and implement throughout the project life cycle.

ESS4 Community Health and Safety
Environmental and Social Assessment (ESA) of the project conducted under ESS1 will evaluate and establish the relevance of ESS4.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
This ESS is not relevant for the Project as there is no land acquisition, physical or economic displacement, restrictions on land use and/or involuntary resettlement planned under the Project.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources
This ESS is not relevant since no project activities will involve any direct impacts on biodiversity, habitats and harvesting/production of natural resources.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
The project does not involve any activities affecting indigenous people hence ESS7 is not relevant to this project.

ESS8 Cultural Heritage
The project does not involve any activities affecting cultural heritage hence ESS8 is not relevant to this project.

ESS9 Financial Intermediaries
The project does not involve any activities with financial intermediaries hence ESS9 is not relevant to this project.

B.3 Other Relevant Project Risks
None at the PCN stage

C. Legal Operational Policies that Apply
OP 7.50 Projects on International Waterways

OP 7.60 Projects in Disputed Areas
III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?  
No

Financing Partners

None at this stage

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

1. Preparation of and disclosure Stakeholder Engagement Plan (SEP)
2. Preparation and disclosure of Environment and Social Commitment Plan (ESCP)

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

1- FD will nominate managerial level staff to serve as focal point for ESCP revisions (if any) and implementation
2- FD will conduct an ESA, prepare an EWMP, and a LMP
3- FD will hire Environment and Social Specialists (consultant), to support implementation of Environmental and Social Safeguards requirements, as determined by the above mentioned studies.
4- FD will formulate and operationalize project specific GRM and worker specific GRM
5- Responsibilities, resources and timelines to implement and monitor all the above documents and procedures

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS 20-Mar-2020

IV. CONTACT POINTS

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VI. APPROVAL
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