



Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 05/20/2019 | Report No: ESRSC00499



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Pakistan	SOUTH ASIA	P170271	
Project Name	Pakistan Goes Global: An Initiative for a Global & Technology-Driven Pakistan		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Macroeconomics, Trade and Investment	Investment Project Financing	7/9/2019	9/26/2019
Borrower(s)	Implementing Agency(ies)		
Islamic Republic of Pakistan	Ministry of Commerce		

Proposed Development Objective(s)

To enhance the effectiveness of policy reforms in trade and investment and improve firms’ access to export markets.

Financing (in USD Million)	Amount
Total Project Cost	350.00

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 Pakistan Goes Global (PGG) project is being prepared with the objective of enhancing the effectiveness of policy reforms in trade and investment and improve firms’ access to export markets. The project consists of three inter-related pillars. The first pillar is geared towards strengthening key institutions to ensure effective service delivery, and alignment of policies and objectives at the federal level in the overarching areas of trade and competitiveness. The second pillar will support the reorientation of the incentive regime under which firms operate e.g. legal and regulatory overhaul, to promote trade and investment. Lastly, the third pillar is being designed and will be implemented to ensure that select firms, currently engaged in international trade and those with the potential to become exporters, are equipped with the know how and skills to benefit from initiatives undertaken through the first two pillars. The project directly supports the second and fourth Results Areas (RA) of the CPF on “Private Sector



Development” and “Service Delivery”, and indirectly, the third, on “Inclusion”. Specifically, RA 2.1: “Improved Business Environment for Private Sector”, and 2.4 “Improved Trade Tariff and Ports/Borders Logistics” by supporting reforms conducive to (i) reduce trade and investment costs for firms, and (ii) implement an effective system of support to firms grounded in international good practices. It also contributes to RA 4.4: “Adoption of Performance and Transparency Mechanisms in Selected Institutions” by supporting the implementation of monitoring and evaluation systems for public support interventions to firms. The project and its objective are also aligned with the recommendations of the flagship “Pakistan @100”, which point to the importance of nurturing competition, accessing to markets, and securing higher investments and gaining from them (Reform Focus 4: Trade Openness), as well as with improvement in public sector management (Reform Focus 8: Accountability).

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The Project location is Islamabad Capital Territory and the four provincial capitals of Karachi, Lahore, Peshawar, and Quetta. Consultations with stakeholders will be undertaken in Islamabad and in provincial capitals. No civil works will be financed under the Project. The Project is likely to have labor related impacts. The project will procure 310 IT equipment (as 120 Laptops, 165 Switches, 11 Printers, 10 LED Screens, 4 Servers and 4 ACs, and IT systems will be upgraded in the three organizations i.e. Ministry of Commerce (MoC), Small and Medium Enterprise Development Agency (SMEDA), and Trade Development Authority (TDAP) as provided by the MoC. The probability of E-waste generation is proportionately based on the exact numbers of equipment to be disposed of. At PCN stage the environmental risk of E-waste generation associated with the replacement of IT equipment in three organization i.e MOC, SMEDA and TDAP is negligible and does not have any adverse impacts at large. Therefore, it is proposed that the environmental and social screening will be carried out to assess the exact quantity and types of IT equipments (if it will be increase and the quantum of obsolete IT equipments that would be generated, and prepare an E-waste management plan accordingly.

D. 2. Borrower’s Institutional Capacity

The Ministry of Commerce does not have experience in managing environmental risks or experience in implementing donor-financed projects like the World Bank and ADB. Therefore, the client institutional capacity to manage the environmental risk is assessed as Low. The proposed E&S Screening will identify capacity gaps in the MoC and Government departments relevant to the Project, and propose a Training/Capacity Building Plan. As stated above, the Ministry of Commerce is the implementing agency and it does not have prior experience implementing World Bank projects. The Ministry does have some prior experience in managing stakeholder interaction and it houses a human resource department. It does not have any experience in hosting and managing a Grievance Redress Mechanism (GRM). The MoC manages its Human Resources function under a Policy and Administration department headed by an Additional Secretary with a Joint Secretary heading the Human Resources and Administration wing. The capacity of MoC and other entities that will be merged to handle staff reassignment, following a fair, transparent and participatory process, will need to be assessed under Labor Management Procedures (LMP), and capacity enhancement actions will be identified and considered for implementation under the Project. The MoC has some prior experience managing stakeholder consultations with the private sector and development partners. It has previously managed communication campaigns and participates in committees and boards which include the private sector. A Stakeholder Engagement Plan (SEP) will identify all relevant stakeholders for the Project and also the necessary tools and platforms needed to ensure their meaningful participation. The MoC does not operate a Grievance Redress Mechanism (GRM) for its staff or relevant stakeholders (i.e. firms/businesses, civil society organizations, legislators). Consequently, it does not have dedicated staff to handle grievances. The Prime Minister’s



Service Delivery Unit, since its establishment in late 2018, is used by some stakeholders to provide feedback to the Ministry. A Project-specific GRM will need to be established in accordance with ESS2 and ESS10. Since the MoC and other project entities like BoI and MIP do not have E&S capacity, a consulting firm with E&S capacity will be hired to assist with the implementation of Component 3: Institutional Strengthening under which technical support in skills development and systems enhancement will be offered to selected SMEs (SMEs will not be directly financed by the Project). This firm will assess the E&S systems and capacity of selected SMEs and will propose industry-specific E&S capacity building measures by developing a Training Manual and will also deliver trainings at regular intervals under a Capacity Enhancement Plan.

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

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Low

Under Component 1 of institutional strengthening, the project will finance procurement of IT equipment for Government to Business, interactions to reduce the firms' costs of doing business for investors and exporters in MoC. The total 310 number of IT equipment to be purchased, the majority of which will be installed in the new organization like NCC (National Competitiveness Council) Secretariat and in the other organizations like MoC, SMEDA, and TDAP. Most of the old IT equipment will be redeployed within the parent organizations. The chance of electronic waste generation is likely to be very negligible. As per the mitigation hierarchy, to reduce and mitigate the risks and impacts of any E-Waste, the MoC will undertake an Environmental & Social Screening and assess potential impacts and mitigation measure to develop the E-waste management plan following the GIIP (Good International Industrial Practices) prior to the project implementation. The project does not involve any civil works nor involves any operations in protected areas and critical habitats.

Under component 3, the project intends to provide advisory and technical support to SME firms on demand basis to conduct a specialized gap analysis (or a needs assessment) to improve their managerial capabilities and commercial strategies, and provide technical advice to compete in international markets. The project will also integrate aspects of environmental and social compliances as per GIIP and international E&S standards into this gap analysis; capacity enhancement measures will be offered under the Project to participating SMEs. The project environmental risk classification is proposed as Low due to the above mentioned risk. The ESCP will outline the environmental impacts management actions with the timeline and allocate amount.

Social Risk Rating

Moderate

The project aims to improve export and investment growth by strengthening institutions, improving firms' capabilities, and incentivizing their integration into the global marketplace. Project locations are Islamabad and the four provincial capitals; the project does not support any civil works requiring land acquisition, nor will it impact indigenous peoples. As mentioned earlier in section D.2 above, Borrower capacity is limited in terms of managing social impacts, and the Borrower has no prior experience with donor-financed projects. The Project will abide by national labor laws and regulations in addition to meeting Bank policy requirements. The ESCP will capture all E&S actions and commitments.



Direct Impact: Component 1 of the project considers creation of a single Ministry combining Ministry of Commerce; Ministry of Industries and Production (MIP); and Board of Investment (BoI). This activity may lead to redeployment of civil servants, and some jobs may be created (through creation of National Council of Competitiveness secretariat under sub-component 1). Redundancies are not expected but the possibility of any redundancies will be considered in the proposed E&S Screening. This process will need to be managed through a predictable and transparent process. The Project will prepare Labor Management Procedures as required under ESS2, so as to assist the Government in preparing a plan to manage job reassignment, deployment or redundancies (if any) after merging of ministries.

Indirect Impact: In the medium to long term the project aims to facilitate an increase in exports and investment, and there will be both positive and negative impacts on labor due to reallocation of production. The change in the incentive regime is aimed at encouraging FDI inflows and domestic industry to export, and it is envisaged this will increase economic activity, and consequently employment. It is hoped the operation would indirectly lead to better jobs in the medium to long term due to an increase in productivity, and some sectors of the economy will create jobs and others may lose jobs. A Labor Risk Analysis is proposed to understand how the Government could deal with the short term labor adjustment costs that might derive from reallocation of resources across sectors as a result of the policies that take place under the program. This risk analysis will be done as part of the Environment and Social Screening process.

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 indirect potential environmental risk identified is the E-Waste Management for IT equipment which will be replaced by new equipment. The general practice in public sector organizations is that old IT equipment is reused within the organizations. But in some cases obsolete IT equipment may need to be disposed off, and in the absence of any E-Waste policies by the Borrower, it is suggested that the MoC undertake an Environmental and Social Screening leading to the development of an EWMP prior to the implementation of project activities. The final and exact number and types of IT equipment and mitigation measures for E-waste management will be determined during the Screening exercise. In addition, an EWMP will follow the Good International Practices (GIIP). The EWMP will be implemented by the MoC through a certified E-Waste disposal contractor. The MoC will undertake an independent third-party assessment of EWMP implementation during the project life. Under the Component 3, the advisory and technical support provide to SMEs will integrate environment and social considerations, by conducting a Gap Analysis for the particular export sector and proposing capacity building measures which may include regular trainings. As mentioned earlier, an Environmental and Social (E&S) Screening exercise will be done for the Project and a report prepared highlighting the possible impacts, risks, and mitigation measures. It will assess project impact and risks for all relevant stakeholders, including employees of the entities proposed for the merger and any direct/indirect impacts on labor of private sector firms/industry which may be affected by the export incentive system to be initiated by the Project. Other possible social impacts from the Project will also be assessed. The draft E&S Screening report will be prepared and disclosed before Project appraisal, so as to influence Project design. All mitigation measures and timelines identified in the E&S Screening will be reflected in the ESCP.

Areas where reliance on the Borrower's E&S Framework may be considered:



The Use of Borrower Framework is not being considered.

ESS10 Stakeholder Engagement and Information Disclosure

Stakeholder engagement is critical to the Project's success. The ability of Project entities to communicate regularly and effectively with their main stakeholders (ministry employees, private sector firms, chambers of commerce, etc.) will add tremendous value to their ability to reach desired results. A draft Stakeholder Engagement Plan will be prepared and disclosed prior to Project appraisal, and finalized after Project approval.

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

The Project will employ direct workers in its PIU and in the proposed Secretariat of the National Competitiveness Council. It will have relationships with contracted workers and is likely to employ primary supply workers. This will include labor associated with implementation of EWMP (primary suppliers used to procure IT equipment and contracted workers for E-waste management). Measures related to Occupational Health and Safety (OHS) of the project workers will also be assessed. A Labor Management Procedure, focusing on Project workers, will be prepared as a draft by Project Appraisal. These actions will be recorded in the ESCP as a Borrower Commitment. Moreover, the Project may have indirect impacts on labor hired by firms that will be affected by its competitiveness strategy. To advise on these impacts, the proposed E&S Screening will include screening of labor-related impacts. This will be prepared as a draft by Appraisal so that its findings and recommended mitigation measures are included in the legal agreement and ESCP. Given the moderate risk nature of the project, the task team will explore how to make the LMP proportionate to such lower risk profile. For example, if the national law is adequate to address the limited labor risks of the project, the LMP will not need to duplicate national law provisions (per ESS2 footnote 9).

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant to the Project. Negligible amount of E-Waste generation is anticipated due to IT equipment which will be replaced under the Project. However, to apply the mitigation hierarchy to minimize, reduce and mitigate the potential risk associated with the E-Waste, the MoC, as a precautionary step will undertake Environmental and Social Screening and assess the extent of the impacts and mitigation measures leading to development of an E- Waste Management Plan prior to implementation of activities. The E-Waste management plan will take into account national laws, regulations and Good International Industrial Practices (GIIP) consistent with the EHSOs to dispose and destroy the E-waste from IT equipment replacement. The client will adopt the EWMP at the project implementation stage and throughout the project life cycle. In case of lack of capacity, the project implementation agency can recruit reputable and legitimate licensed contractor(s) in environmentally sound and safe practices as per national and provincial environmental laws and regulations to implement the EWMP. The project will also provide advisory and technical support to SMEs to improve and enhance their manufacturing and processing to increase competitiveness in the international markets. The inclusion of environmental good practices, including improvement in resource efficiency in energy, water and chemicals etc., will be considered in the technical/advisory recommendations. Similarly, the environmental pollution management from the manufacturing plants and industries



will also be the part of improving production and adopt the environmental best practices in the industries sector. The World Bank EHS guidelines will be used during the sector analysis

ESS4 Community Health and Safety

Environmental and Social Screening under ESS1, and ESS3 will evaluate and establish the potential risks and impacts on communities, which may get affected due to implementation of E-waste management plan, and hence will propose mitigation measures relevant to ESS4 and EHSs. Similarly, the EHS will also be proposed in the industry/ sector analysis to be done for SMEs.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The Project will not be financing any civil works. There will be no land acquisition or involuntary resettlement under the project, nor will it lead to restrictions on land use or impacts on livelihoods from such restrictions/acquisition.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This ESS is not relevant since project activities will not involve any direct impacts on biodiversity, habitats and harvesting/production of natural resources. E-Waste Management Plan will include a mechanism to exclude any area within/close to natural habitats from e-waste final disposal.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

The Project will not be affecting Indigenous People given its scope of activities which will not impact the commercial or natural resources of the Kalasha people who are the only IP group in Pakistan recognized by the World Bank.

ESS8 Cultural Heritage

Given the Project scope, it is not expected to have any impacts on tangible or intangible cultural heritage. The E&S Screening exercise will assess the possibility of any intangible and intangible relics or cultural importance.

ESS9 Financial Intermediaries

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

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

Public Disclosure



III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Financing Partners

The Project will not be financed by other financing partners.

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

Actions to be completed prior to Bank Board Approval:

Actions to be completed prior to Board approval include:

1. Finalization of a Draft Environmental and Social Screening report (to include E-Waste Management Plan and Labor Risk Assessment)
2. Preparation and disclosure of draft Stakeholder Engagement Plan
3. Preparation and disclosure of draft Labor Management Procedures (to include OHS Guidelines)
4. Preparation and disclosure of draft Borrower ESCP

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

Issues to be addressed in the ESCP include:

1. Implementation of mitigation measures identified in E&S Screening as per the timelines identified in the Screening report
2. Implementation of Labor Management Procedures as per the timelines identified in the LMP
3. Implementation of Stakeholder Engagement Plan and GRM as per the timelines identified in the LMP
4. Hiring of Environment and Social Specialist under the PMU to manage the Labor GRM, the Project GRM, oversee the E&S related gap/needs assessment and capacity building measures of SMEs, and any other issues identified in the E&S Screening report.
5. Establishment of the Labor GRM and Project GRM after Project effectiveness, as soon as PMU staff is hired
6. Hiring a Communications Specialist in PMU to manage stakeholder engagement through the life of the Project.
7. Hiring a consultancy firm with E&S expertise after Project effectiveness to assist with implementation of Component 3. This firm will conduct an E&S Gap/Needs Assessment of the selected SMEs leading to development of a Training Manual and Capacity Enhancement Plan.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

30-May-2019

IV. CONTACT POINTS

World Bank

Public Disclosure



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Borrower/Client/Recipient

Borrower: Islamic Republic of Pakistan

Implementing Agency(ies)

Implementing Agency: Ministry of Commerce

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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