



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 02/13/2021 | Report No: ESRSA01242



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Pakistan	SOUTH ASIA	P175727	
Project Name	KP- Spending Effectively for Enhanced Development		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Program-for-Results Financing	2/22/2021	4/22/2021
Borrower(s)	Implementing Agency(ies)		
Islamic Republic of Pakistan	Finance Department, Government of Khyber Pakhtunkhwa		

Proposed Development Objective

To improve the availability and management of public resources for delivery of primary education and primary health care services.

Financing (in USD Million)	Amount
IPF Component	25.00
<b>Total Project Cost</b>	<b>2729.00</b>

**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]**

Component 1: Strengthening capacity for transparent management of public finances (US\$10 million)

The TA will finance the following: (i) development and mainstreaming of an integrated MTF; (ii) preparation and mainstreaming of budget ceilings consistent with the MTF, including considerations of climate resilience; (iii)



development of rules for public investment management of education and health assets; (iv) upgrade of existing e-systems for inventory, human resource management and tracking funds flows; (v) development of a FABS integrated single e-platform for inventory and asset management system at all levels of government; (vi) improving cash management;(vii) implementation of e-procurement and supply chain management information systems and associated capacity building; (viii) training of Parent Teacher Councils, Primary Health Care Management Committees, and district level managers in financial management and (ix) maintenance of IT security and integrity.

Component 2: Improving PFM for delivery of education and health services (US\$10 million)

The TA will finance the following: (i) development of a costed medium term expenditure framework and investment plan for health and education sectors; (ii) quarterly reviews and reporting of primary education and primary health expenditure; (iii) developing primary and primary health center facility level budgets; (iv) developing efficient e-payment and expense tracking mechanisms for routine operational health and education expenditures; (v) providing backup systems for data recovery in case of flooding; (vi) developing integration plan for parallel run vertical programs in health sector for bringing efficiencies in health budget; (vii) developing policy, regulatory and legislative reforms for public private partnerships in education and health sectors; (viii) feasibility study for establishing an independent agency for strategic purchasing of quality health services; and (ix) development of a framework for and training on gender responsive budgeting; and (x) development of a mechanism for facility level budget autonomy.

Component 3: Program implementation and accountability for performance and delivery of services (US\$5 million)

The TA will finance the following: (i) development and implementation of service delivery standards for health centers; (ii) development and implementation of key performance indicators for schools; (iii) establishment of citizen feedback system using digital surveys; (iv) implementation of public participation in budget preparation; (v) support for Independent Monitoring Units, Financial Management Unit, and Health Sector Reform Unit; (vi) technical support to departments of health and education for analyzing implementation of gender commitments in health and education service delivery; (vii) reporting on availability and status of women friendly basic infrastructure facilities in primary schools and primary health centers ; (viii) annual reporting on flood readiness assessment of health and education facilities in flood prone areas; (ix) district performance assessments in education and health (ix) support for monitoring and evaluation units and (x) Program management.

**D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The IPF component of the project will be implemented in the province of Khyber Pakhtunkhwa (KP) by Finance, Planning and Development, Health and Education departments. Shared Services Unit (SSU) will be providing technical support to other departments in day to day implementation of project activities.

KP nestles primarily on the Iranian Plateau in the north west, and holds a significant strategic place in the country’s geographical setting. The famous Khyber Pass links the province to Afghanistan sharing borders in the west and north, Azad Kashmir and Gilgit-Baltistan to the east and northeast, Punjab province to the southeast, and Baluchistan province to the southwest. On the western boundary, along the Afghan border, lie the erstwhile federally



administered tribal areas (FATA) which were recently integrated with and merged with Khyber Pakhtunkhwa transferring all executive authority to Chief Minister KP and his cabinet.

Sloping down from the Hindukush mountain range to the sun baked plains of the Derajat, the province can be divided into two zones based on its diverse geography. The northern zone with its surreal landscape clad with snowy peaks and lush green pastures supports a cold climate with heavy rainfall and pleasant summers with the exception of Peshawar basin, which tends to be hot in summer and cold in winter with moderate rainfall. While the southern end with its contrasting spur of clay and sandstone hills stretching onwards from Peshawar to the Derajat Basin, is arid with hot summers and relatively cold winters and scanty rainfall. The major rivers flowing through the province are Indus, Kabul, Swat, Chitral, Kunhar, Siran, Panjkora, Bara, Kurram, Dor, Haroo, Gomal and Zhob.

The TA component will finance ICT investments and support the achievement and sustainability of Program results. The TA will focus on installation and increased use of e-system and e-procurement in government departments, improved processes and capacity building for public investment and financial management, interaction with citizens virtually for participation, feedback and monitoring, and digitize services for private sector entities. Specifically, these will focus on improving governance and management capacity of health and education departments, improve use of budgets, introduce plans for pension reforms and improve participation of private sector in delivery of health and education services. The TA will also support reforms in legal frameworks, revisions of rules and regulations and preparation of guidelines. It also has provision for feasibility studies and investment strategies. The IPF component will not finance any direct civil works. Given this context, the downstream environmental and social impacts will be addressed through guidelines, management plans and relevant TORs .

#### D. 2. Borrower’s Institutional Capacity

The implementing agencies of project include Finance Department (FD), Planning and Development Department (P&DD), KP Department of Health (DOH), KP Elementary and Secondary Education Department (KPESED), KP Public Procurement Regulatory Authority (KPPRA) and KP Communications and Works Department (C&W). The project Steering Committee for Public Financial Management will oversee the Program implementation.

A Shared Services Unit (SSU) has been setup in the FD by the KP government with the support of WB and will be responsible for day to day Program management in collaboration with implementing agencies. This Unit has social risk management specialist, who provides planning and implementation support to FD in WB financed projects across KP. The Unit’s Environment Specialist resigned and the position at the present is vacant.

SSU in the KP Finance Department is implementing a number of Bank financed projects under safeguards operational policies. However, the unit has no experience of implementing projects under ESF. Therefore, there is need to build their capacity especially related to TA. Training would also be important as the environment specialist will be new and may not have experience of implementing Bank financed projects under ESF

## II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Moderate



**Environmental Risk Rating**

Moderate

The environmental risk rating for this project is expected to be moderate. The project’s environmental assessment revealed that the activities under this program may result in generation of e-waste associated with the disposal and subsequent recycling of obsolete IT equipment replaced by IT equipment purchased under this project as well as at the end of use life of the equipment procured under this project. It will be mitigated by developing and adopting guidelines for environmental management of e-waste/E- Waste Management Plan throughout ICT lifecycle. This plan will also take into account OHS issues (associated with e-waste handling) and community health and safety aspects. Review of legislation and regulatory framework as well as preparation of investment strategies and feasibility studies are expected to have potential direct as well as indirect and downstream impacts in future. To assess such impacts, TORs for investment strategies and feasibility studies will also cover environmental aspects. The project requires schools and health facilities to have basic facilities (boundary wall, toilets, electricity and clean water) which have potential environmental and OHS concerns especially related to COVID-19 which are addressed in ESSA. Furthermore, Environment Specialist in SSU is going to be hired and may require training on ESF. Implementing agencies have not implemented projects under ESF before. Consequently, for the abovementioned reasons, the project environmental risk rating is proposed as moderate.

**Social Risk Rating**

Moderate

At the Appraisal stage, the social risk rating of the project is moderate. There is a downstream probability of social exclusion of government staff, individuals and businesses with low IT literacy from accessing project benefits under Component 1 and Sub-Component 2.1 and 2.2. However, consultations with the implementing agencies revealed that ICT systems have been introduced and mainstreamed for a number of government functions over the past decade. The health and education departments report the successful use of MIS for education and EPI/vaccination monitoring across the province. In areas with low network connectivity, staff is trained to use the MIS offline and upload data at a later time by visiting locations with network coverage. These risks can be further minimized through capacity building of implementing agencies in the use of the IT based systems. There is also a moderate risk of excluding citizens without access to mobile phones and network connectivity, especially women, the illiterate and people in remote areas from taking part in project activities under Sub-Component 2.3. The activities under Sub-Component 2.3 on enhancing citizens’ accountability for performance and delivery of services will require strong and robust stakeholder engagement, which will be ensured through the Stakeholder Engagement Plan (SEP). There is also a risk of unequal distribution of benefits of the TA to health and education facilities located in harsh and remote areas, which will be addressed through the plans, policies and rules that are devised for the project.

**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 Appraisal stage, for the purpose of this ESRS, the environmental and social implications are only attributed to Investment Project Financing – Technical Assistance Component of the project. As per ESF TA guidelines, interventions under this TA fall in all three types of activities covering Type 1 with feasibility studies, Type 2 with



regulatory reforms and future investment strategies and Type 3 with capacity building activities. IPF component will also involve actual procurement of IT and electrical equipment.

The environmental and social impacts from these activities will differ in terms of directness, specificity and timings which are difficult to predict during project preparation especially related to feasibility studies, investment strategies and regulatory reforms cannot be ruled out during project preparation stage. SSU will also develop Environmental and Social Screening checklist for assessing preliminary impacts of TA activities. In-depth environmental and social assessment would be included in TORs for the feasibility studies and investment strategies in accordance with the provisions of ESS1 and other standards. It will be part of ESCP.

Impacts related DLI 7 on construction of boundary wall, water supply, electrification and toilets have been covered in ESSA and would be addressed appropriated during implementation by implementing agencies.

The environmental risks are associated with e-waste management at the end of useful life of the electric and IT equipment to be purchased by the project as well as disposal of discarded and obsolete IT equipment replaced with IT equipment purchased under this project. Improper disposal of e-waste may generate downstream occupational health and safety concerns in recycling/ recovery of precious metals from e-waste by microenterprises and informal sector. Furthermore, the country lacks specific environmental regulations and guideline for safe treatment, recycling and disposal of e-waste. However, considering that the total number of electric and IT equipment to the total waste volume generated in Pakistan, e-waste generated by this project is not expected to be large and consequently the anticipated environmental risks are low from this operation. It is important to mention that the useful life of electric and IT equipment's purchased under this project may exceed the Program duration.

With regards to social aspects of the project, the introduction of e-system/e-procurement/e-platforms under Component 1 and Component 2.1 are expected to have both positive and adverse impacts. The system digitalization through IT based systems can pose risk for those office employees and field staff who have low level of IT literacy and knowledge. These employees can be rendered redundant and marginalized. There is also a possible challenge in the use of IT based systems for health and education facilities located in remote areas which do not have reliable electricity or network coverage. Associated with Component 2.2 the TA, there is a downstream probability of social exclusion of individuals and businesses with low IT literacy from using online registration, payments and procurement systems. Also, persons with disabilities can be further marginalized if the automation and computerization processes are not sensitive to their requirements. Under Component 2.3, digitization through ICT use and performance monitoring to obtain citizen feedback may exclude citizens without mobile phone ownership and network connectivity, especially women, the illiterate and people in remote areas. Having said that, the TA will also have positive impacts as it will help improve efficiency in systems and services, and more importantly public expenditure management. This will provide for much needed fiscal space for overall social services delivery, especially in health and education. It will also tend to increase bidder participation due to ease of access, in public tenders and competition for government contracts, which over time will result in improved transparency, better quality and lower prices. Improved collection of citizens feedback will improve service delivery to the public and will strengthen citizen participation and monitoring of public expenditure.

There is also a possible risk of unequal distribution of benefits of the TA to health and education facilities located in harsh and remote areas. The formula for allocation of resources for repairs and maintenance and operational



expenses may not give due weightage to facilities located in remote and harsh locations requiring additional funds. However, improved allocation of resources and improved management capacity will allow for better service delivery for the public.

The environmental and social impacts of electrical and electronic waste will be managed through Guidelines for environmental management of e-waste/Electronic Waste Management Plan (EWMP) developed to address e-waste issues. It will evaluate potential environmental and social risks associated with: (i) The disposal of E-waste and absence of policy to regulate, manage and properly dispose off all kinds of E-waste, (ii) downstream occupational health and safety impacts of related to recycling/disposal of e-waste, (iii) Social exclusion of end users, due to low IT literacy in general, (iv) Exclusion and increased vulnerability of people with disabilities which hamper an individual to understand, comprehend and operate sophisticated IT processes, (v) unequal benefits for health and education facilities in remote areas. Guidelines for environmental management of e-waste/EWMP will propose measures in accordance with best available technologies and best environmental practices to mitigate adverse impacts of emissions and chemicals when e-waste is disposed such as incineration at low temperatures, use of acids for recovery of previous metals from circuit boards amongst others.

In order to execute this task, information regarding the existing ICT equipment as well as new electric and IT equipment purchased under the project shall be provided by the implementing agency such as total numbers of PCs, laptops, scanners, and printers, etc. E-waste will generated by disposal of existing outdated electric and IT equipment as well as by at the end of the useful life of IT equipment procured under the project. Therefore, the assessment will estimate the number and type of e-waste that will be generated. Based on this assessment, an Guidelines/EWMP will be developed on the basis of Good International Industrial Practices (GIIP). Buyback options with the vendor will be one of the essential condition of the Guidelines/EWMP. Preparation of Guidelines/EWMP will be a part of the ESCP.

A social assessment (as per ESS1 guidance) will be carried out to ascertain the impacts of automation and computerization on end users. This analysis will assess the vulnerability of users to the risk of exclusion, and will advise the Project on making user friendly, easy to understand IT based 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. The analysis will also assess the impacts on facilities and people in remote and harsh areas with respect to unequal project benefits. 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.

### **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. Potential stakeholders include: (i) Finance Department; (ii) KP Planning and Development Department (P&D); (iii) KP Procurement Regulatory Authority (KPPRA); (iv) KP IT Board; (v) KP Chambers of Commerce and



Industries; (vi) Chambers of Commerce and Industries for Small Businesses; (vii) Traders Union, including traders involved in recycling of e-waste; (viii) Citizens Rights Group and Civil Society Platforms (to be identified and specified during the design phase); and (ix) KP 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 fiscal management and change management. SEP will also highlight methods to involve citizens voices and feedback into the TA implementation and will suggest differentiated measures of engagement across Pakistan. Currently FD maintains a Grievance Redressal Mechanism (GRM) for all its functions, which will be screened as per ESS10 requirements. This will be done in order to operationalize a system 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 interventions 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. for executing the TA. Provincial laws and regulations on labor include the KP Workers' Compensation Act 2013, KP Payment of Wages Act 2013, KP Prohibition of Employment of Children Act 2015 and KP Bonded Labour System (Abolition) Act, 2015. 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 occupational safety and health, fair treatment, non-discrimination, and equal opportunity for workers including vulnerable, disabled and children, and world support freedom of association and collective bargaining in accordance with the requirements of ESS2. 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 with requirements of ESS2 and the national law (current labor management regulations, systems and procedures in place will be assessed in order to determine if any new procedures are required to be formulated).

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

The Resource Efficiency and Pollution Management standard (ESS3) is relevant to the project. Guidelines for management of e-waste/EWMP will include an assessment of how resources will be managed efficiently to minimize waste generation and the potential adverse impacts on human health. It will also include provisions for life-cycle management of equipment even beyond the duration of the project. IT equipment procured by the project will confirm with internationally recognized electronics and electrical standards so as to promote energy efficiency as well as to reduce radio frequency emissions and energy use. The project will work with the implementing agency in trying to adopt buy-back arrangements with the suppliers of electrical and internet equipment at the end of its useful life.





It is anticipated that the project will generate electronic waste (E-Waste) while replacing the old IT equipment across all tax collection offices in KP and at the end of the useful life of the equipment purchased under the project. Guidelines for environmentally sound and safe management and disposal of e-waste will be developed by the client taking into account national laws and regulations as well as GIPP consistent with the EHSGs. The client will adopt the Guidelines/EWMP at the project implementation stage.

#### **ESS4 Community Health and Safety**

This Standard is relevant at this stage. The generation and disposal of e-waste may impact community health and safety, and there may be a risk of Sexual Exploitation and Abuse/Sexual Harassment. This will be further evaluated and established during the Environmental and Social Assessment (ESA) of the project conducted under ESS1 and appropriate mitigation plans will also be suggested. The ESA will also evaluate the risk of Covid-19 transmission from contractors/project workers to staff in the government offices where e-system will be installed, and will suggest mitigation measures for the same.

#### **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 as project activities will not involve any direct impacts on biodiversity, habitats and harvesting / production of natural resources.

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

ESS7 is not relevant at this stage as the project does not involve any activities directly and physically affecting indigenous people in the district of Chitral. However, since the TA will be supporting improved health and education outreach across the province, including the remote areas of Chitral home to Kalash IP's, a possibility of exclusion exists. This will be assessed in detail as part of ESS1, and accordingly relevance of ESS7 will be established.

#### **ESS8 Cultural Heritage**

ESS8 is not relevant as the project does not involve any activities affecting cultural heritage.

#### **ESS9 Financial Intermediaries**

ESS9 is not relevant as the project does not involve any activities with financial intermediaries.

### **B.3 Other Relevant Project Risks**

No further potential risks of environmental and social impacts are identified.



**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

**Is this project being prepared for use of Borrower Framework?** No

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

Borrower framework has not been considered for this project. Finance Department will follow World Bank guidelines as described in the ESF and the relevant ESS.

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

Borrower: Islamic Republic of Pakistan

**Implementing Agency(ies)**

Implementing Agency: Finance Department, Government of Khyber Pakhtunkhwa

**V. FOR MORE INFORMATION CONTACT**

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**VI. APPROVAL**

Task Team Leader(s): Raymond Muhula

Public Disclosure



Practice Manager (ENR/Social)

Christophe Crepin Cleared on 11-Feb-2021 at 12:19:31 GMT-05:00

Public Disclosure